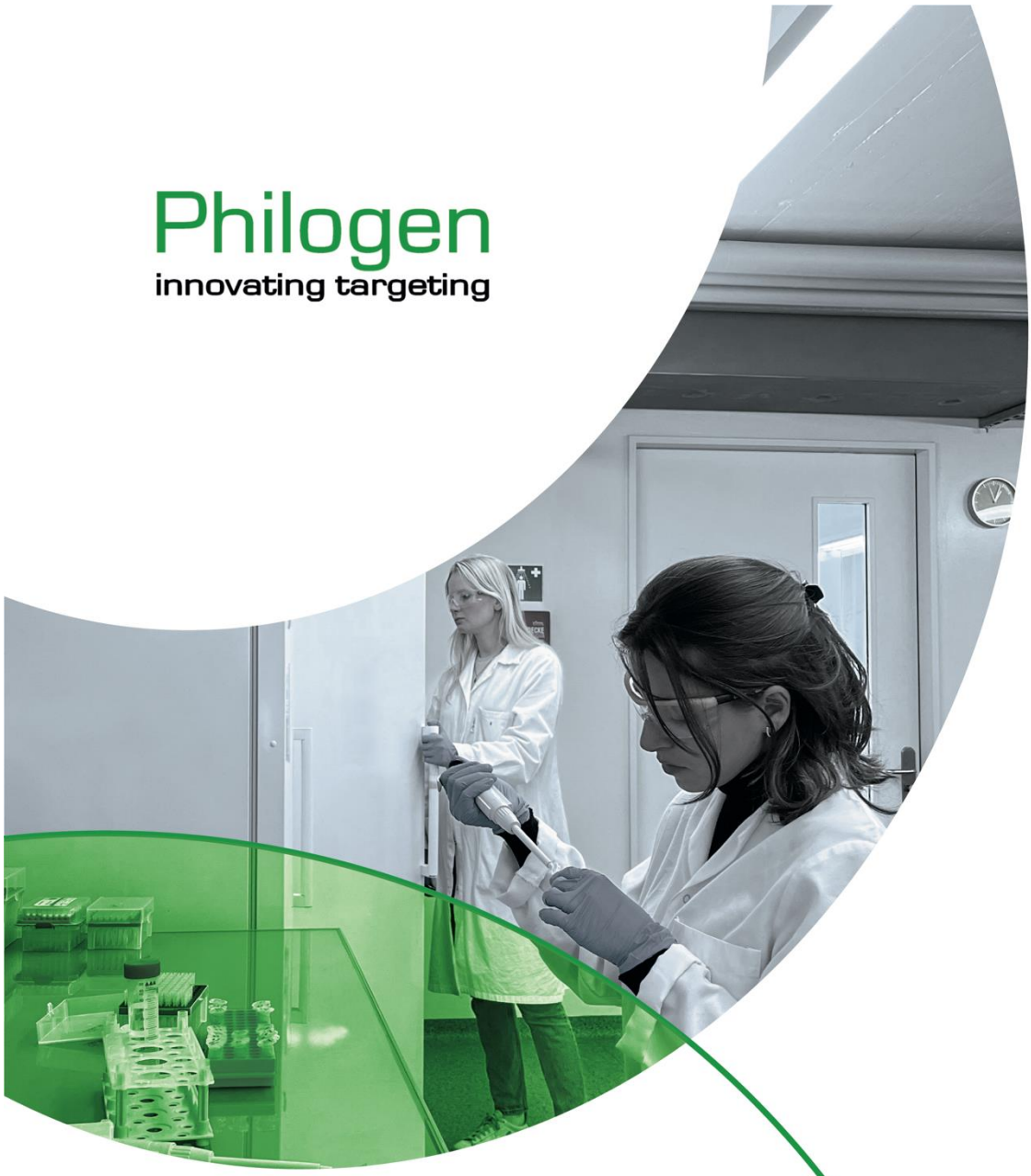
Philogen

innovating targeting



Annual Report

as of 31.12.2021



We continue with passion in our work,

Aimed at innovation in molecular targeting of diseases.

Dario Neri

For the Philogen Group

(March 3, 2021, 1st day of listing)

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Group data and information for Shareholders

Philogen S.p.A

Registered office:	Piazza La Lizza n.7, 53100 Siena
Secondary Locations:	
Local unit n.SI/2	Via Montarioso n.11, Loc. Monteriggioni, 53035 Siena
Local unit n.SI/5	Loc. Bellaria n.35, Sovicille, 53018 Siena
Business Register of Arezzo-Siena:	
VAT number/C.F.	00893990523
REA	SI-98772
Share Capital:	Euro 5,731,226.64 fully paid-up
Symbol Italian Stock Exchange:	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
Commercial Register:	No. CH-020.3.030.226-7
VAT No:	MWST-Nr/VAT-REG: CHE-113181.443
Share Capital	CHF 5,051,000

Investor Relations

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

Website

https://www.philogen.com/

Corporate bodies

Board of Directors

The Board of Directors in its current composition will remain in office until the approval of the financial statements for the year ending December 31, 2021. The Shareholders' Meeting is scheduled in the 2022 financial calendar for April 27.

- Executive Chairman* Dr. Duccio Neri
- Managing Director* Prof. Dario Neri
- Managing Director* Dr. Giovanni Neri
- Director Dr. Sergio Gianfranco Dompé
- Director Dr. Nathalie Dompé
- Director Dr. Leopoldo Zambeletti
- Director ** Dr. Roberto Marsella
- Director ** Dr. Roberto Ferraresi
- Director Dr. Guido Guidi
- Director*** Avv. Marta Bavasso

(*) Executive Director.
(**) Independent Director pursuant to art. 147-ter, paragraph 4 of the Consolidated Law on Finance and art. 2 of the Corporate Governance Code.
(***) Lead Independent director.

Board of Auditors

- Chairman Dr. Stefano Mecacci
- Standing Auditor Mr. Pierluigi Matteoni
- Standing Auditor Dott.ssa Alessandra Pinzuti
- Alternate Auditor Mr. Roberto Bonini
- Alternate Auditor Dr. Maria Angela Fantini

Auditing Company

KPMG S.p.A.

Manager responsible for preparing the company's financial reports

Dr. Laura Baldi, Chief Financial Officer.

Supervisory Board

The monocratic Supervisory Board (SB), appointed by resolution of the Board of Directors on May 13, 2019, for the three-year period 2019-2021, consists of Dr. Marco Tanini. The Supervisory Board will remain in office until the expiration of the current Board of Directors and will be appointed by the new incoming one.

Audit, Risk and Sustainability Committee*

- Marta Bavasso (Chairman)
- Roberto Ferraresi
- Roberto Marsella

(*) This Committee also acts as the Committee for Related Party Transactions.

Remuneration and Appointments Committee

- Marta Bavasso (Chairman)

- Roberto Marsella
- Leopoldo Zambeletti

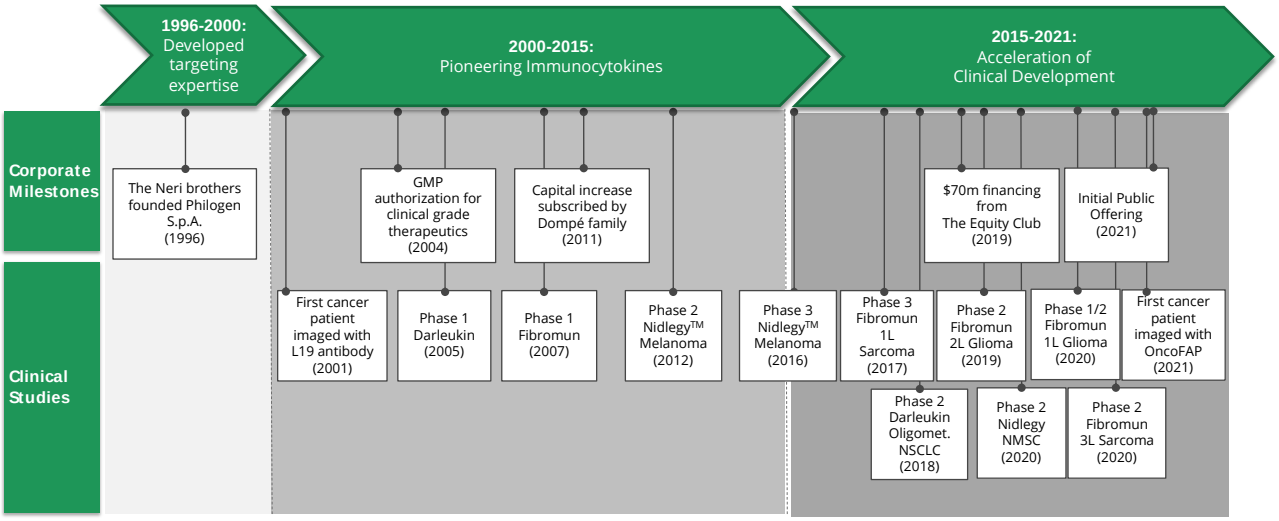
Philogen: introduction to the Group

History

Philogen ("the Group" or "the Company"), listed on the Mercato Telematico Azionario ("MTA") managed by Borsa Italiana (Reuters: PHIL) on March 3, 2021, is an Italian-Swiss company founded in 1996, active in the biotechnology sector, specialized in the research and development of drugs for the treatment of highly lethal 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 to the clinic for the treatment of chronic inflammatory diseases.

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 the subsidiary "Philochem"), where new drugs are generated. The most promising prototypes (i.e., in terms of biochemical characteristics, safety and efficacy on the basis of 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 Drug Agency (AIFA) for the production of experimental antibody drugs in mammalian cells. The structural works of the second GMP production plant at the Rosia (Siena) site have been completed in line with the industrial plan. This will make it possible to strengthen the Group's industrial structure and to be ready for the transition from Biotech Company (i.e., a company that develops experimental drugs that have not yet reached the marketing stage) to Product Company (or Branded Company, i.e., a company that sells its drugs on the market). The figure below illustrates the three phases of Philogen's history from 1996 to June 30, 2021, with the 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 therapy); Oligomet. NSCLC: oligometastatic non-small cell lung cancer; NMSC: non-melanoma skin cancer

Group Strategy

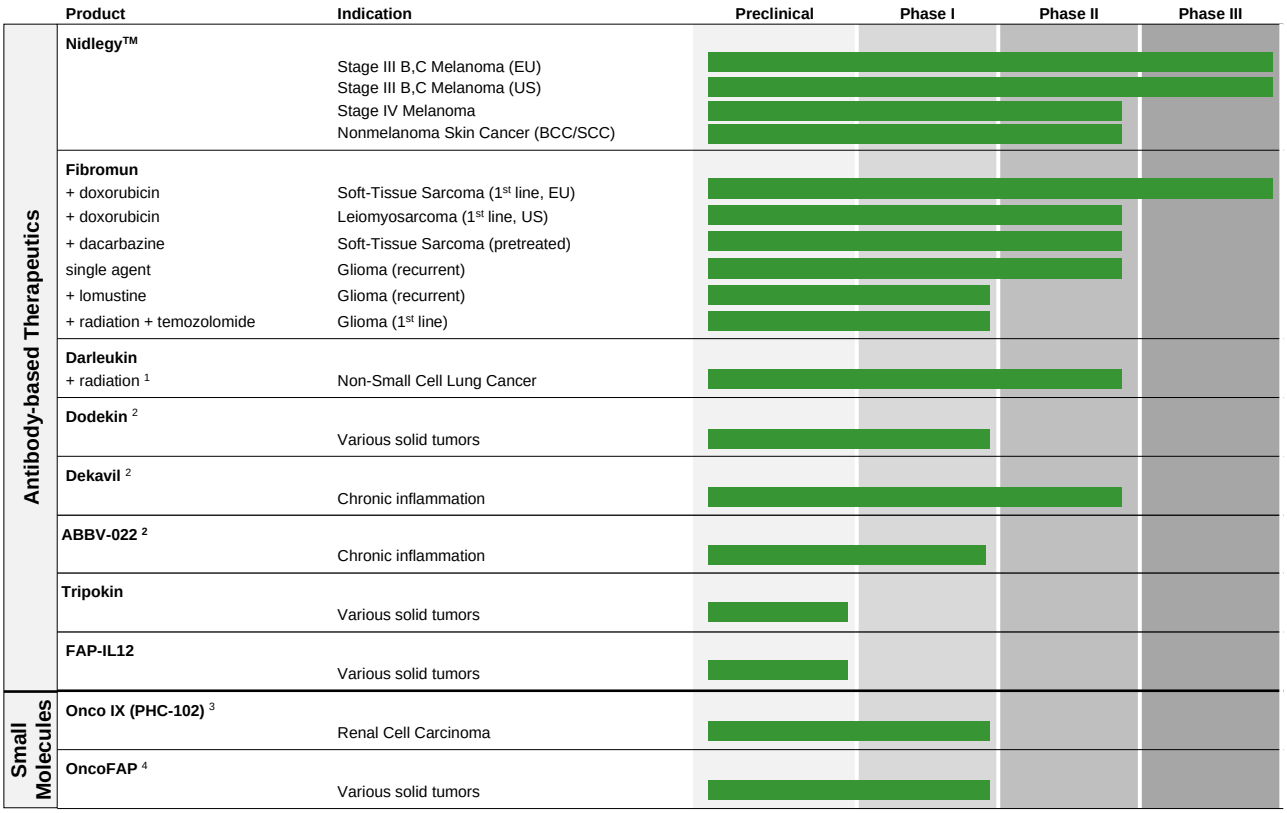
Philogen is a Biotech company with a strong vertical integration, as it covers all phases of drug development, including research, GMP manufacturing and clinical development. In addition to the research site in Zurich, and the GMP site in

Montarioso (SI), the Group has started the construction of a third plant in Rosia (SI) which will allow the carrying out of, among other things, production activity serving the possible future commercialization of the products.

The Group's 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 Company's continued innovation in the future.

Except for Dodekin, Dekavil, and ABBV-022, all other products are proprietary to the Group.



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

Intellectual Property

We protect the results of our research and development activities through an extensive international portfolio of patents and pending patent applications on inventions for industrial use, and have established an established 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 to produce them, or the related protocols for medical treatment.

The term of individual patents depends on the legal term of the 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.

We own or exclusively license more than one hundred national patents filed in many countries.

Our patents primarily 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, i.e., 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

In order to provide a better understanding of the intellectual property held by the Company, an outline of patents or patent applications, in the name of the parent company or of which it holds an exclusive license as of December 31, 2021, is provided below.

Philogen S.p.A. :

Country	Patents Granted/Applications Accepted	Patent Applications
Algeria	1	-
Argentina	-	1
Australia	11	6
Brazil	3	2
Canada	11	3
Chile	-	1
China	4	2
Colombia	-	1
Costa Rica	-	1
Cuba	-	1
Ecuador	-	1
Egypt	-	1
United Arab Emirates	-	1
Eurasia	4	1
Europe	21	7
Guatemala	-	1
Hong Kong	9	5
India	3	1
Indonesia	1	1
Iran	-	1
Iraq	-	1
Israel	1	1
Japan	13	1
Jordan	-	1
Lebanon	-	1
Malaysia	1	1
Mexico	7	1
New Zealand	2	2
Gulf countries (GCC)	1	-
Pakistan	1	-
Panama	-	1
Peru	1	1
Philippines	-	1
Russia	6	1
Singapore	1	1
South Africa	4	-
South Korea	8	1
Taiwan	1	1
Thailand	-	1
United States of America	36	6
Uruguay	-	1
Venezuela	-	1
Vietnam	-	1
Patent Cooperation Treaty (PCT)	-	3

Philochem AG:

Country	Patents Granted/Applications Accepted	Patent Applications
Australia	5	1
Canada	5	0

Europe	7	2
Hong Kong	2	1
Mexico	1	-
United States of America	8	2
Patent Cooperation Treaty (PCT)	-	1

Reference macroeconomic context and performance of Philogen stock

ECONOMIC ENVIRONMENT

The year 2021 was still marked by the COVID-19 emergency. Unlike 2020, however, in major geographies the progress of vaccination campaigns avoided harsh lockdowns. The spread of COVID-19 variants, such as Delta and Omicron, slowed the full recovery of the economy, still forcing, albeit to a lesser extent, governments to introduce lockdowns for temporary periods.

Governments and major central banks, in this context, have continued to implement measures to support the economy, with the intention of supporting growth and economic recovery.

According to the latest OECD estimates, markets in 2021 have anticipated an economic recovery that, in 2022, should see the global economy exceed $100 trillion in global GDP for the first time, two years ahead of previous estimates. Specifically, 2021 is expected to see global economic growth of 5.6% annually. In the next two years, 2022 and 2023, growth is estimated to slow slightly and be +4.5% and +3.2% respectively.

Leaders of the expansion will be the United States and China. The former, thanks to the tax reforms approved, have seen the Gross Domestic Product for 2021 rise by 5.7% and that for 2022 should slow down slightly, marking a growth of +3.7%. The Chinese economy will record an even more vertiginous rise, with GDP for 2021 growing by 8.1% and that of 2022 marking a growth of +5.1%. Europe will be the tail-end of the post-Covid 19 recovery with GDP 2021 growing by 5.3% and that of 2022, according to OECD analysts, increasing by 4.3%. Against this backdrop, Italy should be able to outperform the European average in 2022 with a projected growth of 4.6%, after having already reported growth of 6.6% in 2021.

However, the OECD, in a recent study on the impact of the conflict triggered by Russia's invasion of Ukraine, pointed out that continued conflict will limit global economic growth and lead to further inflationary pressures. Based on simulations, the organization estimates a reduction in growth of more than 1% in the first full year since the conflict began.

Returning to 2021, during the year in the United States the Biden plan to support families and businesses (financed entirely through deficits) and the plan to relaunch infrastructure (financed through an increase in corporate taxation) were approved; in Europe the first tranches of resources from the Recovery Fund were disbursed, while in China, despite the rosy growth forecasts, the difficulties in the real estate sector and the shortage of raw materials weighed heavily.

The impacts of the health emergency also spilled over into prices. 2021, unlike 2020, was characterized by inflationary effects caused by a shortage of raw materials and more generally by bottlenecks in supply chains. According to recent surveys, annual inflation in the Eurozone in December 2021 reached 5%, while in the USA it stood at 5.5%, at the highest level for several years. Although monetary policies remained accommodative towards the economy in 2021, central banks announced a reduction in asset purchases towards the end of the year. The Federal Reserve reduced Quantitative Easing, while the European Central Bank announced a slowdown and the end of the PEPP in March 2022. Only the Bank of England, in December, announced an increase of 15 bps in the reference rate. The consequence of these declarations was an across-the-board increase in reference interest rates, both short and medium/long-term, from the lows recorded during 2020.

The year 2022 began with an extremely complex macroeconomic context due to the continuing complexities linked to the supply of raw materials, inflationary pressures and a still uncertain health situation. At the end of February 2022, the scenario was further destabilized by the escalation of tensions between Russia and Ukraine, which resulted in the order given by Russian President Vladimir Putin to invade Ukraine, going well beyond what was defined as a "peacekeeping" operation in the Donbass. The Western reaction was not long in coming, promoting a series of economic sanctions, such as the removal of a "selected" number of Russian banks from the Swift international payments system and the freezing of

assets of President Putin and various members of his entourage, and military support to the Ukrainian government of President Volodymyr Zelensky. From this, world financial markets reacted by further amplifying the volatility seen in the early months of 2022, rewarding "protective" assets at the outset and subsequently promoting very volatile daily performances supported by continuous speculation of possible peace agreements.

SHARE PERFORMANCE

Philogen's (Ticker: PHIL) share price ended 2021 at €14.34 per share compared to an IPO price per share of €17.00 as of March 3, 2021, a decrease of €2.66 (-15.65%). As of December 30, 2021, capitalization was €582.36 million.

Philogen	
Prezzo @ 30 dicembre 2021 (Eu)	14,34
N. azioni (n. mn)	40,61
Mkt Cap (Eu mn)	582,36
Prezzo di IPO @ 3 marzo 2021 (Eu)	17,00
Variazione di prezzo (Eu)	-2,66
Variazione di prezzo (%)	-0,16

The minimum closing price in 2021, recorded on July 20, was €12.60, while the maximum closing price in the reporting period, recorded on March 3, was €16.69. During 2021, trading in Philogen shares on the market managed by Borsa Italiana S.p.A. reached an average daily value of €362,383.47, equivalent to an average daily volume of 24,049.92 shares. In 2021, the Company did not distribute dividends, but on November 24, 2021 it launched a program to purchase treasury shares up to a maximum of no. 300,000 ordinary shares with a total outlay not exceeding €5,100,000.00.

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	10.348	140.901	15
Media 2021	**24.050**	**362.383**	**214**
Media da IPO a 21/03/2022	**21.355**	**319.622**	**270**

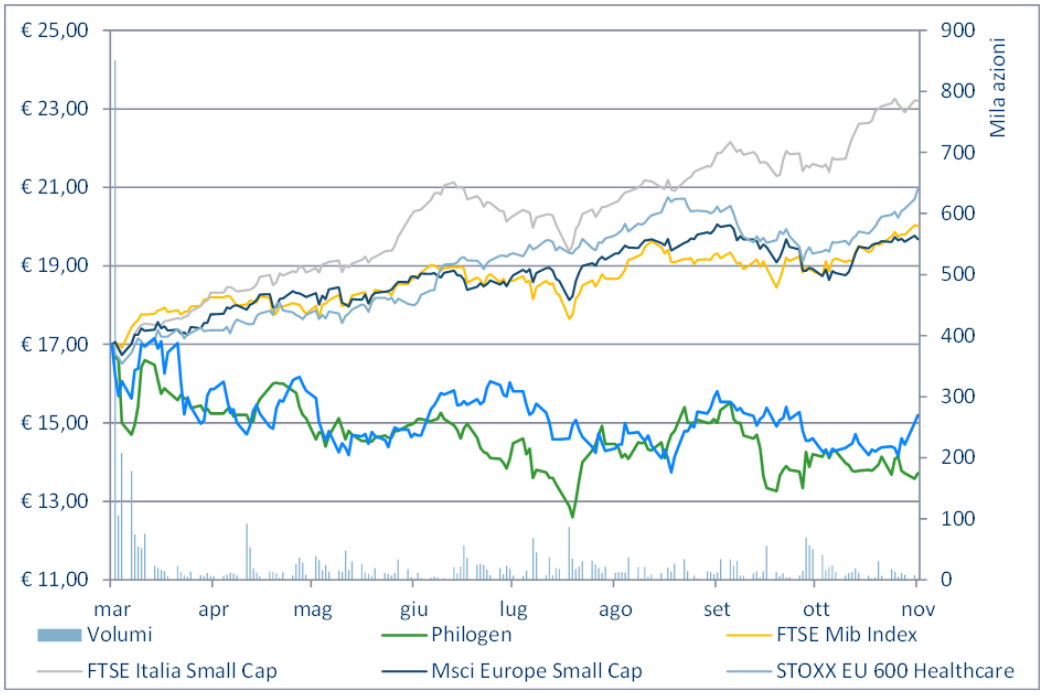
Prezzo di chiusura				
	1 mese	3 mesi	6 mesi	12 mesi
Media Semplice (EU)	14,43	14,16	14,22	14,59
Media Poderata per i volumi (EU)	14,42	14,15	14,23	14,62
Max (EU)	14,98	15,02	15,52	17,00
min (EU)	14,10	13,30	12,60	12,60

Between the date of Philogen's stock market debut and the end of 2021, the FTSE MIB Index recorded a positive performance of 17.79%, while the FTSE Italia Small Cap Index rose 36.50%. In Europe, the Msci Europe Small Cap index

rose 15.76% in 2021, while the STOXX EU 600 Healthcare rose 23.30%. The XBI US Equity biotech market index, on the other hand, declined 10.62% between March 3 and December 31, 2021.

Comparison of Philogen's performance against key benchmarks

(March 3, 2021 - December 31, 2021)



Note: Bloomberg data indexed to the placement price of €17.00 per share.

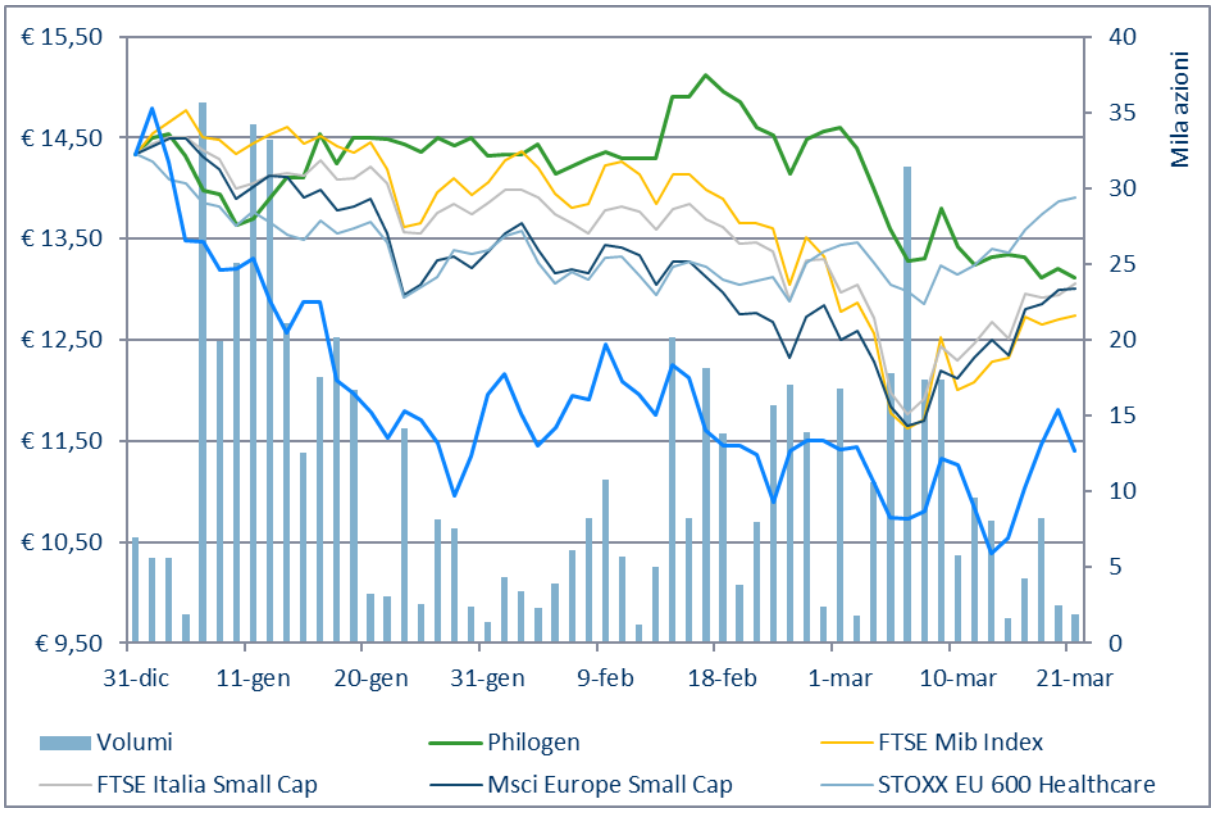
In a positive market environment, supported by the substantial economic incentives promoted by the various world governments, in 2021 Philogen's shares underperformed the Italian and European market benchmark indices, mainly driven by the specificity of the business, the general performance of the biotech sector and the limited level of volumes traded.

In the course of 2021, Investor Relations activities were still affected by the measures promoted at the national and international level by various governments to contain Covid-19, allowing only partial physical meetings with active investors in the main European financial centres.

In the first months of 2022, the stock slowed down (-8.51% as of March 21, 2022), more or less in line with the main Italian and European reference markets, which suffered from high volatility, following a macroeconomic scenario that includes several elements of complexity, such as the war in Ukraine, generalized inflation and the misaligned monetary policies promoted by the various global central banks. It should also be noted that the biotech index XBI US Equity recorded in the same period a performance that was markedly worse (-20.49%) than that of Philogen.

Comparison of Philogen's performance against key benchmarks

(December 31, 2021 - March 21, 2022)




Borsa Italiana
1° giorno di quotazione
London
Stock Exchange Group
BORSA

Philogen
innovating targeting

Management Report

Background

Dear Shareholders,

the Management Report of Philogen S.p.A. (hereinafter also the "Company" or the "Parent Company" and together with its Swiss subsidiary Philochem, the "Group") is presented to accompany the annual financial statements of Philogen S.p.A and the consolidated financial statements of the Group for the year 2021.

This Management Report is intended to provide information on the income statement, balance sheet, financial position and operations of the Company and the Group, accompanied, where possible, by historical data and/or alternative performance indicators, and has been prepared in compliance with the provisions of Article 2428 of the Italian Civil Code and Legislative Decree no. 58 of 24 February 1998 ("Consolidated Law on Finance" or "TUF").

However, reference should be made to the explanatory notes for all information concerning the illustration of the separate and consolidated financial statements for the year ended December 31, 2021.

1. Group information

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

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

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

Since 2019, the Group has focused its development activities mainly on the two most advanced products in the pipeline namely Fibromun and Nidlegy™ by undertaking a pathway to registration trials for 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.

The Parent Company is considered an "SME" pursuant to article 1, paragraph 1, letter w)-quater 1 of the Consolidated Law on Finance, according to which: "small and medium-sized enterprises, issuers of listed shares with a market capitalisation of less than 500 million euros are considered as "SMEs". It should be noted that for the purpose of calculating the market capitalisation, only the ordinary shares listed on the market are taken into account.

2. Research and development activities

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

The Group operates through:

- Philogen S.p.A. based in Siena, Italy, which operates GLP-authorized laboratories, GMP-authorized manufacturing facilities, and numerous clinical trial centers internationally through its internal *Contract Research Organization* (CRO) and external CRO collaboration;
- Philochem AG, headquartered in Switzerland and 99.998% owned by 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.

Research and development is therefore the Group's main activity.

The following table shows the research and development costs recognized in profit or loss during the years ended December 31, 2021 and December 31, 2020, and their impact on the Group's total revenue from contracts with customers and total operating expenses.

Figures in thousands of euros and as a percentage	Year ended 31 December	
	2021	2020
Research and development costs	12.840	11.569
Incidence on total contract revenues	*514,4%*	*242,1%*
Incidence on total operating costs	*64,6%*	*68,1%*

For more details on the Group's research and development activities, please refer to the introductory section "*History*".

3. Scientific events occurring during the fiscal year

The following are key scientific facts as they relate to the year ended December 31, 2021.

3.1 Summary of development and GMP activities carried out during the year

The Group reports the following key industrial milestones achieved during the year ended December 31, 2021:

Proprietary Products

- Nidlegy™ is a pharmaceutical product, proprietary to Philogen, consisting of two active ingredients, L19-IL2 and L19-TNF. The L19 antibody is specific for the B domain of Fibronectin, 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 anti-tumor activities. Nidlegy™ is currently being studied in three Phase II and III clinical trials.
  - Patient enrollment in clinical trials in line with company expectations;
  - Enrolled 196 patients as of December 31, 2021 in the European Phase III study for the treatment of locoregional melanoma;
  - Signed a contract with a *Contract Research Organization* to open up to 38 clinical centers to add to the U.S. Phase III study of Nidlegy™ in melanoma;
  - New Phase II study in stage IV melanoma initiated;
  - Promising clinical data more than one year after the end of treatment in patients with basal cell carcinoma and squamous cell carcinoma;
  - Planned second Phase II study in several non-melanoma skin cancers.
- Fibromun is a proprietary drug product consisting of the L19 antibody fused to TNF. The drug is currently being studied in six Phase I, Phase II and Phase III clinical trials
  - Expected completion of Fibromun clinical trials in line with company forecasts;
  - Opening of new clinical centers in Germany, Spain, Italy, Poland, and the United States, with the aim of accelerating enrollment, for studies in soft tissue sarcoma;
  - Completed the Run-in portion of the European Phase II study in soft tissue sarcoma with at least two recurrences (i.e., ≥ third line of treatment). The objective of the Run-in phase is to confirm the tolerability of the drug in combination with Dacarbazine, the standard drug for these patients. The randomized (*blinded*) phase of the study is ongoing.
  - Completed a Parallel Scientific Advice (PSA) with the European Medicines Agency and the US Food and Drug Administration in June 2021. The business plan for the treatment of glioblastoma has been discussed and agreed with the relevant authorities. Philogen will follow the recommendations that were provided during the PSA;
  - Completion of the European Phase I/II study, in which Fibromun is being studied as monotherapy for the treatment of WHO grade III-IV wildtype IDH glioma at first relapse.
  - The first part of the European Phase I/II study is underway, in which Fibromun is combined with lomustine for the treatment of glioblastoma at first relapse and where objective responses (i.e., 50% decrease in tumor size) have already been reported. The historical rate of objective responses for these patients is 4.3% (Wick et al., J Clin Oncol 2010, 28,1168). However, in patients with recurrent glioblastoma with unmethylated MGMT promoter status, objective responses with Lomustine alone approach 0% (Weller and Le Rhun et al., Cancer Treat Rev 2020, 87,102029).
- OncoFAP is an organic, Philochem-owned small molecule with high affinity for Fibroblast Activation Protein (FAP).

- Conjugated OncoFAP-radio - excellent targeting properties of OncoFAP in patients with various tumor types have been published in the *European Journal of Nuclear Medicine and Molecular Imaging* [Backhaus et al., *EJNMMI* 2021, Online ahead of print].
- OncoFAP-cytotoxic conjugates - these drugs consist of (i) the OncoFAP ligand, (ii) a cleavable linker and (iii) a cytotoxic drug, which is selectively delivered to the tumor site. This class of drugs represents a differentiated and improved version of *Antibody-drug conjugates*.

Licensed products

- Continue partnerships on Dodekin (Confidential Partner) and Dekavil (Pfizer);
- ABBV-022 is a product generated by Philogen and licensed to AbbVie. The drug consists of the cytokine interleukin 22 fused to a monoclonal antibody;
  - Phase I clinical trial for the treatment of ulcerative colitis initiated.

GMP

- The structural works of the second GMP production plant at the Philogen site in Rosia (Siena) are underway and in line with the company's plans. The new plant has been designed to comply with the highest regulatory standards for the production of therapeutic protein-based drugs and will be used for the production of commercial pharmaceuticals and pharmaceuticals for clinical trials. It should be noted that the Company has an additional production site in Montarioso authorized by AIFA for the sole production of experimental drugs for clinical trials. Philogen has also invested to modernize the production systems with new bioreactors at the Montarioso site;
- It should also be noted that the Group is carrying out activities related to GMP contract manufacturing with certain foreign research centers. During the year ended December 31, 2021, four new contract manufacturing agreements were signed.



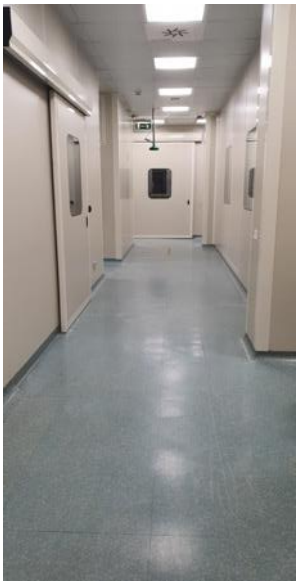
Local Fermentation, Class D



Local Filling, Class B (Open rabs, Class A)



Local Bulk, class C





Quality Control

4. Significant events during the year

The following are the main events that, with reference to the year ended December 31, 2021, have influenced the Group's financial position.

4.1 Reverse merger with Palio Ordinarie S.p.A.

Palio Ordinarie S.p.A. (hereinafter also "Palio Ordinarie"), incorporated on April 4, 2019, as a special purpose vehicle, for the purpose of assuming, holding and disposing of interests in the share capital of Philogen S.p.A. so as to support, with its capital and managerial capabilities, the Company's related research and scientific consulting activities. The shareholding structure of Palio Ordinarie was composed of 139 shareholders identified among (i) physical persons, (ii) partnerships and (iii) corporations.

Consistent with the investment agreement, signed in 2019 between Philogen S.p.A. and Palio Ordinary S.p.A., aimed at regulating the rights and obligations between the parties in the period between the date of subscription and the date of listing on the market, on January 8, 2021 the deed of merger by incorporation of Palio Ordinarie into Philogen S.p.A. was signed, in accordance with the merger project filed with the CCIAA of Siena (with regard to Philogen) and the CCIAA of Milan (with regard to Palio Ordinarie) in December 2020. The merger became effective on January 12, 2021, while the accounting and tax effects of the merger run from January 01, 2021.

The incorporation of the vehicle Palio Ordinarie into Philogen S.p.A. contributed to generate free float to help enable the listing process of the Company (paragraph 4.2 of the Management Report).

For greater clarity, a breakdown of Palio Ordinary's merged assets and liabilities as of January 1, 2021 is provided below:

Figures in thousands of Euros	**Merger assets and liabilities**
ASSETS	
Fixed assets	**61.964**
Intangible fixed assets	21
Financial fixed assets	61.943
Current assets	**560**
Cash and cash equivalents	560
Total assets	**62.524**
LIABILITES	
Shareholders' equity	**62.363**
Share Capital	62.920
Profit (loss) carried forward	(67)
Operating loss	(490)
Payables	159
Accruals and deferrals	2
Total liabilities	**62.524**

4.2 First year of listing on the Mercato Telematico Azionario (MTA)

On March 3, 2021, the global subscription offer for the Company's ordinary shares, reserved for institutional investors, aimed at listing on the Mercato Telematico Azionario (MTA), organized and managed by Borsa Italiana S.p.A (now called Euronext Milan), was successfully concluded.



Institutional demand came from leading Italian and foreign investors, with a wide geographical diversification, including the United Kingdom (14%), the United States of America (11%), Italy (49%) and Continental Europe (26%).

On the basis of the requests received as part of the institutional placement, (i) 4,061,111 shares resulting from a capital increase with exclusion of pre-emptive rights corresponding to approximately 10% of the Company's share capital post capital increase were allocated; and (ii) 406.111 shares underlying the overallotment option granted on loan by the shareholders Nerbio S.r.l. and Dompé Holdings S.r.l. to the joint global coordinators (Goldman Sachs International, Mediobanca and Stifel Europe Bank AG), corresponding to an additional approximately 1% of Philogen's share capital post capital increase.

The free float of approximately 29% required by the MTA market (standard segment) was achieved by issuing approximately 10% new ordinary shares and the remainder following the reverse merger with the vehicle Palio Ordinarie S.p.A., via the ordinary shares of minority shareholders (Matthias Winter, Palio Speciali S.r.l., and MRS S.r.l.).

The offer price of the shares was set at 17 euros per share.

On the basis of the offer price, the Company's capitalization at the start of trading amounted to approximately 690 million euros, including all ordinary shares (29,242,861) and class B multiple-vote shares (11,368,250).

Market capitalization, on the other hand, as of the date of the start of trading, amounted to approximately Euro 497 thousand, taking into account only the listed ordinary shares.

Following admission to listing and the entry into force of the new Articles of Association, the categories of shares are divided into (i) ordinary shares and (ii) class B multi-vote shares. Only ordinary shares are listed on the electronic share market of Borsa Italiana, while class B multiple-vote shares are excluded from the listing and do not therefore contribute to the Stock Exchange capitalisation of the Company.

4.3 *Internal Dealing*

As of July 20, 2021, Director Dr. Sergio Dompé, through the company Dompè Holding S.r.l., by virtue of the confidence placed in the Company's possibilities and capabilities (of which, as of July 20, 2021 he held 28.199% of the ordinary share capital), purchased 351,582 ordinary shares of Philogen on the market as of December 31, 2021.

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

4.4 *Lock-up period*

On August 30, 2021, the lock-up commitment ceased on the part of the former shareholders of the company Palio Ordinarie S.p.A. (merged by incorporation into Philogen effective in 2021) which was provided for during the merger by the lock-up agreement signed between the companies participating in the merger on January 13, 2021. As a result of the merger, the holders of the shares of Palio Ordinary S.p.A. became holders of the ordinary shares of Philogen S.p.A.. The lock-up agreement aimed to stabilize the ordinary shares of Philogen S.p.A., prohibiting their transfer for a period of 180 days from the start of trading. At the end of this period, the shares became freely transferable.

On August 30, 2021 (180 days from the start of negotiations), the lock-up commitment on the part of the other minority shareholders of Philogen S.p.A. (Palio Speciali S.r.l., MRS S.r.l. and Mathias Winter) ceased to apply.

Please refer to Section 18.3, "*Lock-up Period*," for more information regarding the aggregate lock-up period for all shareholders.

4.5 Remuneration policy

Following admission to listing, the Group adopted a remuneration policy in line with the *best practices* applicable to listed companies.

On May 31, 2021, pursuant to Article 123-ter TUF, the Shareholders' Meeting, having acknowledged the Report on remuneration policy and compensation paid in fiscal year 2020, approved by the Board of Directors on April 27, 2021, approved the remuneration policy set forth in Section I of the aforementioned Report, and voted favorably on Section II of the Report on remuneration policy and compensation paid.

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

Monetary Incentive Plan

From 1 April 2021, the executive Directors (Dario Neri, Duccio Neri and Giovanni Neri) are beneficiaries of an incentive plan, known as *management by objectives* ("MBO"), pursuant to which they may be entitled to receive an annual incentive whose amount is proportionate to the achievement of corporate performance objectives.

The maximum incidence of the MBO on the annual remuneration of the Chairman Duccio Neri and the Managing Director Dario Neri is 30%, while the maximum incidence on the annual remuneration of the other Managing Director Giovanni Neri, is 20%.

Without prejudice to the maximum MBO incidence described above, on September 28, 2021, the Company's Board of Directors, upon the recommendation of the Nominating and Compensation Committee, assigned *performance objectives* and defined the *targets* with which the maximum monetary compensation is associated.

Medium-long term incentive plan

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

In order to service the above-mentioned Plan, the Shareholders' Meeting also approved the free share capital increase in divisible form, pursuant to art. 2349 of the Italian Civil Code, to be carried out by the deadline of 31 December 2026, for a maximum amount of EUR 123.974, to be charged in full to the share capital and to set up a specific reserve for the same amount, taking it from the retained earnings reserve, called *"Reserve for restricted earnings to service the 2024-2026 Stock Grant Plan"*, which will remain restricted to service the free share capital increase until the final subscription date.

On September 28, 2021, the Company's Board of Directors, on the proposal of the Nominations and Remuneration Committee, approved the regulations of the aforementioned Plan and implemented it, identifying the beneficiaries and defining the *performance objectives* and related *targets*, and assigning a total of 145,000 *units, with* respect to the first cycle 2021-2024.

It should be noted that the Company's executive directors (Chairman Duccio Neri, Chief Executive Officer Dario Neri and Managing Director Giovanni Neri), appointed as of January 1, 2021, strategic executives by virtue of the reorganization of corporate governance following the listing process, waived the first 2021-2024 cycle of the aforementioned Plan.

The features of the 2024-2026 Stock Grant Plan are set forth in the disclosure document available and viewable on the Company's website at (http://www.philogen.com/).

See Note 27 to the Consolidated Financial Statements and Note 29 to the Annual Financial Statements for additional information regarding the Incentive Plan.

4.6 Purchase of own shares

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

This resolution provides the Company with an instrument of strategic flexibility to be used in order to

(i) support the liquidity of the Philogen S.p.A. stock;
(ii) operate with a view to medium and long-term investment, intervening both on and outside the market;
(iii) set up a securities warehouse, in order to dispose of own shares within the framework of agreements with strategic partners and/or corporate/financial operations of an extraordinary nature;

(iv) to fulfil the obligations deriving from incentive plans, whether for payment or free of charge, in favour of company representatives, employees or collaborators of the Group.

The Company has the possibility to purchase (i) up to a maximum of 500,000 ordinary shares (corresponding to 1.23% of the share capital of the Company (ii) for eighteen months as from the date of the meeting's resolution authorising the purchase, within the limits set out by art. 2357 paragraph 2 of the Italian Civil Code, and without time limits with regard to the acts of disposal; (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 chosen method of carrying out the transaction and in compliance with any regulatory provisions in force, it being understood that such price shall in any case not differ by more than 20% from the price recorded by the share during the session on the MTA market on the day preceding each single transaction; and (iv) for a total disbursement of the purchase deeds not exceeding EUR 8.500.000.

As at 31 December 2021, the Company held 37,134 treasury shares in its portfolio, equal to 0.09% of the Share Capital, purchased during the financial year, which ended on 31 December 2021, for a total outlay, amounting to approximately Euro 537 thousand.

All communications relating to the purchase of own shares are available and can be consulted on the Company's website at (http://www.philogen.com/).

As of December 31, 2021, the Company's shareholder base is as follows:

Shareholder	*As of December 31, 2021*			
	Type of Actions	**Actions**	**% of share capital**	**% of voting rights**
Nerbio S.r.l.	*B Shares*	8.565.018	21,09%	40,59%
	Ordinary Shares	8.098.251	19,94%	12,79%
	Subtotal	**16.663.269**	**41,03%**	**53,38%**
Dompé Holdings S.r.l.	*B Shares*	2.803.232	6,90%	13,28%
	Ordinary Shares	9.805.836	24,15%	15,49%
	Subtotal	**12.609.068**	**31,05%**	**28,77%**
Philogen S.p.A	*Ordinary shares*	37.134	0,09%	-
	Subtotal	**37.134**	**0,09%**	**-**
Market	*B Shares*	-	0.000%	-
	Ordinary Shares	11.301.640	27,83%	17,85%
	Subtotal	**11.301.640**	**27,83%**	**17,85%**
Total		**40.611.111**	**100,00%**	**100,00%**



Philogen S.p.A - Headquarters in Rosia (Siena)

5. Group and Parent Company financial results

5.1 Profit and Loss Account

The following table sets forth the Group's consolidated results of operations for the years ended December 31, 2021 and December 31, 2020:

Figures in thousands of euros and as a percentage	Year ended 31 December				Variations	
	2021	%	2020	%	2021 vs 2020	%
Revenues from customer contracts	2.496	100,0%	4.778	100,0%	(2.282)	(47,8)%
Other income	2.468	98,9%	1.567	32,8%	901	57,5%
Total Revenues	**4.964**	**198,9%**	**6.345**	**132,8%**	**(1.381)**	**(21,8)%**
Operating costs (*)	(19.877)	(796,3)%	(16.977)	(355,3)%	(2.900)	17,1%
EBITDA (**)	**(14.913)**	**(597,5)%**	**(10.633)**	**(222,5)%**	**(4.281)**	**40,3%**
Depreciation	(1.862)	(74,6)%	(1.496)	(31,3)%	(365)	24,4%
EBIT	**(16.775)**	**(672,0)%**	**(12.129)**	**(253,9)%**	**(4.646)**	**38,3%**
Financial income	2.581	103,4%	2.179	45,6%	402	18,4%
Financial charges	(1.046)	(41,9)%	(2.469)	(51,7)%	1.423	(57,6)%
Profit before tax	**(15.240)**	**(610,6)%**	**(12.419)**	**(259,9)%**	**(2.821)**	**22,7%**
Taxes	(485)	(19,4)%	(866)	(18,1)%	**381**	(44,0)%
Profit (loss) for the period	**(15.725)**	**(630,0)%**	**(13.285)**	**(278,0)%**	**(2.439)**	**18,4%**

(*) Operating costs are given by the sum of the following items: purchase of raw materials and consumables, costs for services, costs for leases and rentals, payroll costs and other operating costs.
(**) EBITDA is represented by the operating income before amortization and depreciation. EBITDA is a measure defined and used by the Group to monitor and assess the Group's operating performance, but is not defined within IFRS. The Company believes that EBITDA is an important parameter for measuring the Group's performance, as it makes it possible to analyze the Group's margins by eliminating the effects deriving from non-recurring economic elements. Given that EBITDA is not a measure whose determination is regulated by the reference accounting standards for the preparation of the Group's consolidated financial statements, the criterion applied to determine EBITDA may not be homogeneous with that adopted by other groups, and therefore may not be comparable.

Revenue from contracts with customers reflects the change in strategy, initiated in 2019, which has led the Group to focus primarily on the clinical development of the most advanced proprietary products (Nidlegy™ and Fibromun) while continuing the development activities under existing contracts. The change with respect to the year ended December 31, 2020 shows a decrease in revenues from contracts with customers of approximately 47.8% mainly related to the completion, during the year 2020, of certain existing contracts. It should also be noted that in the last quarter of 2021, GMP production contracts were entered into on behalf of third parties for a total of approximately €7,000 thousand, which will contribute to generating revenues based on the progress of the contracts during 2022 and in subsequent years.

Other income mainly relates to research grants for projects co-financed by the European Community, the Region of Tuscany and Eurostars projects as well as the contribution of tax benefits provided by Italian law such as the Research and Development Tax Credit and the Industry 4.0 Tax Credit. In the year ended December 31, 2021, there was an increase in Other income of approximately 57.5% compared to the previous period. This change is mainly attributable to (i) the 2021 research and development tax credit amounting to € 1,980 thousand, an increase compared to the 2020 research and development credit of more than 90% as a direct reflection of the higher research and development costs incurred in the period, (ii) the 2021 lease credit, amounting to € 195 thousand, provided for by Decree 73/2021 (the so-called *Decreto sostegni Bis*) through which new measures were introduced to support the economic system still affected by the crisis linked to the Covid-19 pandemic, (iii) the Industry 4.0 tax credit, for a total of € 193 thousand (accounted for as a plant account contribution) relating to investments made during the year 2021 for the equipment of the new GMP facility that will be interconnected in the year 2022.

Operating costs, which include costs for production materials, costs for clinical and preclinical services, personnel costs and other operating costs, showed an increase of 17.1% compared to the previous period. The change is mainly attributable to:

(i) extraordinary costs related to the listing process amounting to approximately Euro 1,200 thousand, net of IPO costs directly reducing the share premium reserve by approximately Euro 3,600 thousand in accordance with IAS 32 and

(ii) an increase in payroll costs due to the recruitment plan aimed at structuring the workforce at the new GMP facility in Rosia and the strengthening of staff functions on the basis of the new corporate governance code (during 2021 44 new

resources were hired). For further details on the composition of the headcount, reference should be made to paragraph 16 of the Management Report on Operations and note no. 6 to the Consolidated and Separate Financial Statements.

For further details on the composition of operating costs, see Note 6 to the consolidated and statutory financial statements.

Consequently, EBITDA, shows a decrease compared to the year ended December 31, 2020 of approximately 40.3% as a reflection of the above.

Depreciation and amortization shows an increase of approximately Euro 365 thousand due to the investments made during the year ended December 31, 2021, for the equipment of the new GMP facility at the Rosia (Siena) site.

EBIT, calculated as the difference between EBITDA and amortization and depreciation, reports a negative balance, reflecting the reduction in EBITDA described above.

Net Financial Management as at December 31, 2021 closed with a positive balance equal to € 1,535 thousand, while in the previous year it showed a negative balance equal to € 290 thousand, which reflected the negative trend of the financial markets related to the effects of the Covid-19 pandemic. For further details on the changes in financial income/charges, please refer to note no. 7 of the consolidated and statutory financial statements.

Taxes show a decrease of approximately 44% mainly related to the lower revenues recorded in the year ended December 31, 2021 compared to the same period last year. The item also includes the reversal of deferred tax effects recognized upon transition to IAS/IFRS.

As a result of the above, the Group closed the year as at 31 December 2021 with a loss of EUR 15,725 thousand.

5.2 Balance Sheet

The following table sets forth the reclassified statement of financial position of the Group by "Sources and Uses" for the year ended December 31, 2021 and December 31, 2020:

Figures in thousands of euros and as a percentage	Year ended 31 December		Variations	
	2021	2020	2021 vs 2020	%
Uses				
Property, plant and equipment	10.984	5.163	5.821	112,8%
Intangible assets	950	961	(11)	(1,2)%
Right-of-use activity	10.005	10.288	(283)	(2,7)%
Deferred tax assets	674	1.176	(502)	(42,7)%
Employee Benefits	(1.033)	(847)	(187)	22,1%
Deferred tax liabilities	(183)	(234)	51	(21,9)%
Net fixed assets (*)	**21.397**	**16.507**	**4.890**	**29,6%**
Inventories	1.295	774	520	67,2%
Contractual activities	87	207	(120)	(57,8)%
Trade receivables	688	515	173	33,7%
Tax receivables	5.740	3.812	1.928	50,6%
Other current assets	876	635	241	37,9%
Trade payables	(5.826)	(3.920)	(1.906)	48,6%
Liabilities under contract	(2.233)	(4.155)	1.922	(46,3)%
Tax payables	(309)	(362)	53	(14,7)%
Other current liabilities	(1.812)	(2.578)	766	(29,7)%
Net working capital (*)	**(1.494)**	**(5.072)**	**3.578**	**(70,5)%**
Net invested capital (*)	**19.903**	**11.435**	**8.468**	**74,0%**
Sources				
Shareholders' equity	105.087	55.673	49.414	88,8%
Net financial debt (*)	(85.184)	(44.238)	(40.946)	92,6%
Total sources	**19.903**	**11.435**	**8.468**	**74,0%**

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

An analysis of the financial position shows that the Group has good liquidity and, in particular, shows a positive net financial position of 85,184 thousand euros with an increase of over 90% compared to the year ended December 31, 2020, mainly due to the capital raised in the IPO process. For an understanding of the changes in net financial debt, please refer to the table below.

Net Financial Indebtedness

Details of Net Debt as of December 31, 2021 and December 31, 2020 are prepared in accordance with the framework from ESMA Guidance 32-382-1138 dated March 4, 2021 and Consob by Attention Reminder No. 5/21:

Figures in thousands of euros **Net financial debt**	**December 31, 2021**	**December 31, 2020**
(A) Cash and cash equivalents (*)	8.880	11.959
(B) Cash equivalent (*)	-	-
(C) Other current financial assets	92.797	49.984
(D) Liquidity (A+B+C)	**101.677**	**61.943**
(E) Current financial debt	9	15
(F) Current portion of non-current financial debt	1.799	1.790
(G) Net current financial debt (E+F)	**1.808**	**1.805**
(H) NET CURRENT FINANCIAL INDEBTEDNESS (G-D)	**(99.870)**	**(60.138)**
(I) Non-current financial debt	14.685	15.899
(J) Debt instruments	-	-
(K) Trade payables and other current payables	-	-
(L) Non-current financial debt (I+J+K)	**14.685**	**15.899**
(M) NET FINANCIAL DEBT (H+L)	**(85.184)**	**(44.238)**

(*) In accordance with the recommendations issued by ESMA, in order to standardize and make the indicators comparable, item (B) Cash equivalent (bank current accounts) was reclassified within item (A) Cash and cash equivalents (cash on hand).

For the sake of clarity, a reconciliation between the items shown in the Net Financial Debt table and the Statement of Financial Position is provided below:

- "Cash and cash equivalents" (A) are classified under "Cash and cash equivalents";
- "Other current financial assets" (C) are classified under "Other current financial assets";
- "Current financial debt" (E) is classified under "Current financial liabilities";
- "Current portion of non-current 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 indebtedness as at 31 December 2021 shows a financial surplus of €85,184 thousand, broken down as follows:

- liquidity of € 101,677 thousand, an increase of approximately 64.1% compared to the year ended December 31, 2020 thanks to the capital raised in the IPO process for € 65,404 thousand net of commissions paid to the placement consortium and costs related to the issue of new shares;
- current and non-current financial indebtedness amounting to Euro 16,493 thousand is represented for Euro 11,842 thousand by the notional debt of the right of use of the real estate (IFRS 16), for Euro 4,414 thousand by the medium-long term loan stipulated with Gruppo Banca Intesa (former Ubi Banca S.p.A.) in January 2021, in order to partially finance the expansion project of the site of Rosia (Siena), which provides for the construction of a new GMP plant and for Euro 237 thousand to the facilitated loan deriving from the Sabatini Law, whose term is expected by April 2022.

The bank loans, stipulated with the Banca Intesa Group, are 90% guaranteed by Medio Credito Centrale, taking advantage of the facilitations put in place by Legislative Decree no. 23 of April 8, 2020, converted with amendments by Law no. 40 of June 5, 2020, as subsequently amended and supplemented (so-called Liquidity Decree).

It should be noted that these loans require compliance with certain financial and commercial parameters ("*covenants*"). The commercial covenants will be tested beginning with the consolidated financial statements for the year ended December

31, 2021 and the financial covenants beginning with the consolidated financial statements for the year ended December 31, 2022 and require compliance with the following ratios:

- ratio of net debt to EBITDA equal to or less than 2;
- shareholders' equity equal to or greater than Euro 50 million.

Failure to comply with the *covenants* described above does not entail early repayment of the loans, but does result in an increase in the *spread* component of the interest rate, which will be raised by a further 0.50%.

As of December 31, 2021, the commercial *covenants* have been met.

5.3 Alternative Performance Indicators

In order to assess the Group's performance, management monitors, among other things, the Alternative Asset and Financial Performance Indicators ("APIs").

For a correct interpretation of these APIs, the following should be noted:

- the APIs are constructed from historical data and are not indicative of the Group's future performance;
- APIs are not measures whose determination is regulated by the International Financial Reporting Standards (IFRS);
- the APIs must not be considered as substitutes for the indicators provided for by the reference accounting standards (IFRS);
- the reading of these APIs must be made in conjunction with the Group's financial information taken from the consolidated financial statements as of December 31, 2021;
- the definitions of the API used by the Group, inasmuch as they do not derive from the reference accounting standards, may not be the same as 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 as a percentage	Year ended 31 December	
	2021	2020
Revenues from customer contracts	2.496	4.778
EBITDA (*)	(14.913)	(10.632)
EBITDA *Margin*	*(597,5)%*	*(222,5)%*
EBIT	(16.775)	(12.129)

(*) EBITDA is represented by the operating income before amortization and depreciation. EBITDA is a measure defined and used by the Group to monitor and assess its operating performance. However, it is not defined within IFRS. As EBITDA is not a measure whose determination is regulated by the accounting standards used to prepare 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 a reconciliation of EBIT and EBITDA with net income (loss) for the period.

Figures in thousands of euros	Year ended 31 December	
	2021	2020
Profit (loss) for the period	**(15.725)**	**(13.285)**
Income Taxes	485	866
Financial income and expenses	(1.535)	290
EBIT	**(16.775)**	**(12.129)**
Depreciation	1.862	1.496
EBITDA	**(14.913)**	**(10.632)**

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

Figures in thousands of euros and as a percentage	Year ended 31 December	
	2021	2020
Revenues from contracts with customers (A)	2.496	4.778
EBITDA (B)	(14.913)	(10.632)
EBITDA Margin (B/A)	***(597,5)%***	***(222,5)%***

Below are the Alternative Asset Performance Indicators identified by the Group:

Figures in thousands of euros and as a percentage	Year ended 31 December	
	2021	2020
Net fixed assets	21.397	16.507
Net working capital	(1.494)	(5.072)
Net invested capital	19.903	11.435
Net financial debt	**(85.184)**	**(44.238)**
Financial Independence Index	*79,0%*	*65,1%*
Structure Margin	*464,7%*	*316,5%*
Liquidity index	*920,7%*	*529,5%*
Debt ratio	*15,7%*	*31,8%*

It should be noted that Net Fixed Capital, Net Working Capital, Net Invested Capital and Net Financial Indebtedness are alternative performance indicators, not identified as an accounting measure under IFRS, and therefore should not be considered as an alternative measure to those provided in the Group's financial statements for the purpose of assessing the Group's financial position.

The table below details the Financial Independence Index:

Figures in thousands of euros and as a percentage	Year ended 31 December	
	2021	2020
Shareholders' equity (A)	105.087	55.673
Total assets (B)	132.977	85.473
Financial Independence Index (A/B)	***79,0%***	***65,1%***

The following table provides details of the Structure Margin:

Figures in thousands of euros and as a percentage	Year ended 31 December	
	2021	2020
Shareholders' equity (A)	105.087	55.673
Non-current assets (B)	22.613	17.588
Structure Margin (A/B)	***464,7%***	***316,5%***

The table below details the Liquidity Index:

Figures in thousands of euros and as a percentage	Year ended 31 December	
	2021	2020
Current assets (A)	110.364	67.885
Current liabilities (B)	11.987	12.820
Liquidity ratio (A/B)	***920,7%***	***529,5%***

The following table details the Indebtedness Index:

Figures in thousands of euros and as a percentage	Year ended 31 December	
	2021	2020
Financial indebtedness(*) (A)	16.493	17.704
Shareholders' equity (B)	105.087	55.673
Debt ratio (A/B)	***15,7%***	***31,8%***

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

The indicators shown in the tables above demonstrate the Group's solid and liquid financial position.

5.4 Performance of the Parent Company

The Parent Company's financial information for the years ended December 31, 2021 and December 31, 2020 is presented below:

Figures in thousands of euros and as a percentage	Year ended 31 December				Variations	
	2021	%	2020	%	2021 vs 2020	%
Revenues from contracts with customers	2.581	100,0%	4.099	100,0%	(1.518)	(37,0)%
Other income	2.242	86,9%	1.211	29,5%	1.031	85,1%
Total Revenues	**4.823**	**186,9%**	**5.310**	**129,5%**	**(487)**	**(9,2)%**
Operating costs (*)	(17.039)	(660,2)%	(14.909)	(363,7)%	(2.130)	14,3%
EBITDA(**)	**(12.216)**	**(473,3)%**	**(9.599)**	**(234,2)%**	**(2.616)**	**27,3%**
Depreciation	(1.406)	(54,5)%	(1.074)	(26,2)%	(332)	30,9%
EBIT	**(13.622)**	**(527,8)%**	**(10.673)**	**(260,4)%**	**(2.948)**	**27,6%**
Financial income	2.559	99,2%	2.137	52,1%	422	19,8%
Financial charges	(885)	(34,3)%	(2.333)	(56,9)%	1.448	(62,1)%
Result from equity investments	(2.308)	(89,4)%	(1.686)	(41,1)%	(622)	36,9%
Profit before tax	**(14.256)**	**(552,4)%**	**(12.555)**	**(306,3)%**	**(1.700)**	**13,5%**
Taxes	**(504)**	(19,5)%	**(730)**	(17,8)%	**226**	(31,0)%
Net income (loss) for the period	**(14.759)**	**(571,9)%**	**(13.285)**	**(324,1)%**	**(1.474)**	**11,1%**

(*) Operating costs are given by the sum of the following items: purchase of raw materials and consumables, costs for services, costs for leases and rentals, payroll costs and other operating costs.

(**) EBITDA is represented by the operating income before amortization and depreciation. EBITDA is a measure defined and used by the Group to monitor and assess the Group's operating performance, but is not defined within IFRS. The Company believes that EBITDA is an important parameter for measuring the Group's performance, as it makes it possible to analyze the Group's margins by eliminating the effects deriving from non-recurring economic elements. Given that EBITDA is not a measure whose determination is regulated by the reference accounting standards for the preparation of the Group's consolidated financial statements, the criterion applied to determine EBITDA may not be homogeneous with that adopted by other groups, and therefore may not be comparable.

Reclassified Balance Sheet data by Sources and Uses of the Parent Company are shown below:

Figures in thousands of euros and as a percentage	As of December 31		Variations	
	2021	2020	2021 vs 2020	%
Uses				
Property, plant and machinery	9.769	3.866	5.902	152,7%
Intangible assets	759	791	(32)	(4,0)%
Right-of-use activity	6.839	7.376	(537)	(7,3)%
Participations	-	2.369	(2.369)	(100,0)%
Deferred tax assets	664	1.172	(508)	(43,3)%
Employee Benefits	(1.033)	(847)	(187)	22,1%
Deferred tax liabilities	(145)	(177)	32	(18,0)%
Net fixed assets (*)	**16.852**	**14.551**	**2.301**	**15,8%**
Inventories	1.166	712	454	63,8%
Contractual activities	52	-	52	-
Trade receivables	727	754	(26)	(3,5)%
Tax receivables	5.661	3.780	1.881	49,8%
Other current assets	541	668	(127)	(19,0)%
Trade payables	(5.593)	(5.117)	(477)	9,3%
Liabilities under contract	(2.233)	(4.155)	1.922	(46,3)%
Tax payables	(309)	(362)	53	(14,7)%
Other current liabilities	(1.224)	(2.166)	941	(43,5)%
Net working capital (*)	**(1.212)**	**(5.886)**	**4.674**	**(79,4)%**
Net invested capital (*)	**15.640**	**8.665**	**6.975**	**80,5%**
Sources				
Shareholders' equity	106.053	55.673	50.380	90,5%
Net financial debt (*)	(90.412)	(47.007)	(43.405)	92,3%
Total sources	**15.640**	**8.665**	**6.975**	**80,5%**

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

Details of the Parent Company's Net Financial Indebtedness as of December 31, 2021 and December 31, 2020 are set forth below, prepared in accordance with ESMA Guidance 32-382-1138 dated March 4, 2021 and by Consob through of Attention Reminder No. 5/21 :

Figures in thousands of euros **Net financial debt**	**December 31, 2021**	**December 31, 2020**
(A) Cash and cash equivalents (*)	6.412	11.650
(B) Cash equivalents (*)	-	-
(C) Other current financial assets	95.667	49.984
(D) Liquidity (A+B+C)	**102.079**	**61.635**
(E) Current financial debt	9	4
(F) Current portion of non-current financial debt	1.557	3.045
(G) Net current financial debt (E+F)	**1.566**	**3.049**
(H) NET CURRENT FINANCIAL INDEBTEDNESS (G-D)	**(100.513)**	**(58.586)**
(I) Non-current financial debt	10.101	11.577
(J) Debt instruments	-	-
(K) Trade payables and other current payables	-	-
(L) Non-current financial debt (I+J+K)	**10.101**	**11.577**
(M) NET FINANCIAL DEBT (H+L)	**(90.412)**	**(47.009)**

(*) In accordance with the recommendations issued by ESMA, in order to standardize and make the indicators comparable, item (B) Cash equivalent (bank current accounts) was reclassified within item (A) Cash and cash equivalents (cash on hand).

Below are the Alternative Economic Performance Indicators relating to the Parent Company:

Figures in thousands of euros and as a percentage	**Year ended 31 December**	
	2021	**2020**
Revenues from customer contracts	2.581	4.099
EBITDA	(12.216)	(9.599)
EBITDA *Margin*	*(473,3)%*	*(234,2)%*
EBIT	(13.622)	(10.673)

The following table shows a reconciliation of the Company's EBIT and EBITDA with its net income (loss) for the year.

Figures in thousands of Euros	**Year ended 31 December**	
	2021	**2020**
Profit (loss) for the period	**(14.759)**	**(13.285)**
Income Taxes	(504)	730
Financial income and expenses	(634)	1.882
EBIT	**(13.622)**	**(10.673)**
Depreciation	(1.406)	1.074
EBITDA	**(12.216)**	**(9.599)**

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

Figures in thousands of euros and as a percentage	**Year ended 31 December**	
	2021	**2020**
Revenues from contracts with customers (A)	2.581	4.099
EBITDA (B)	(12.216)	(9.599)
EBITDA Margin (B/A)	***(473,3)%***	***(234,2)%***

Below are the Alternative Asset Performance Indicators for the Parent Company:

Figures in thousands of euros and as a percentage	Year ended 31 December	
	2021	2020
Net fixed assets	16.852	14.550
Net working capital	(1.212)	(5.886)
Net invested capital	15.640	8.664
Net financial debt	**(90.412)**	**(47.009)**
Financial Independence Index	*82,7%*	*67,0%*
Structure Margin	*588,2%*	*357,5%*
Liquidity index	*1008,9%*	*454,9%*
Debt ratio	*13,8%*	*26,3%*

It should be noted that net fixed assets, net working capital, net invested capital and net debt are alternative performance indicators, not identified as an accounting measure under IFRS and, therefore, should not be considered as an alternative measure to those provided by the Parent Company's financial statements for evaluating the Company's financial position.

The table below details the Financial Independence Index:

Figures in thousands of euros and as a percentage	Year ended 31 December	
	2021	2020
Shareholders' equity (A)	106.053	55.673
Total assets (B)	128.257	83.122
Financial Independence Index (A/B)	***82,7%***	***67,0%***

The following table provides details of the Structure Margin:

Figures in thousands of euros and as a percentage	Year ended 31 December	
	2021	2020
Shareholders' equity (A)	106.053	55.673
Non-current assets (B)	18.031	15.575
Structure Margin (A/B)	***588,2%***	***357,5%***

The table below details the Liquidity Index:

Figures in thousands of euros and as a percentage	Year ended 31 December	
	2021	2020
Current assets (A)	110.226	67.548
Current liabilities (B)	10.925	14.848
Liquidity ratio (A/B)	***1008,9%***	**454,9%**

The following table details the Indebtedness Index:

Figures in thousands of euros and as a percentage	Year ended 31 December	
	2021	2020
Financial indebtedness(*) (A)	11.666	14.626
Shareholders' equity (B)	106.053	55.673
Debt ratio (A/B)	***13,8%***	**26,2%**

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

For further comments, given the relevance of the Parent Company's figures compared with those of the Group, reference should be made to paragraphs 5.1, 5.2 and 5.3 above.

5.5 Reconciliation of shareholders' equity and net income of the Parent Company with those of the Group

The following is a reconciliation of the Parent Company's shareholders' equity and results of operations with those in the consolidated financial statements as of December 31, 2020 and December 31, 2021:

Figures in thousands of Euros	Shareholders' equity at 31/12/2020	Result 2021	Other movements	Shareholders' equity at 31/12/2021
Parent Company shareholders' equity	**55.673**	**(14.759)**	**65.139**	**106.053**
Net income and shareholders' equity of subsidiaries	2.369	(3.274)	(61)	(966)
Elimination of the book value of the shareholding	(2.369)	2.308	61	-
Group shareholders' equity	**55.673**	**(15.725)**	**65.139**	**105.087**

6. Impacts from Covid-19

The year ended December 31, 2021 continues to be characterized by the Covid-19 epidemic emergency, which has impacted companies, including the Philogen Group, by limiting their level of operations.

In compliance with the recommendations of ESMA and Consob, the Group has launched internal analyses aimed at assessing the actual and potential impact of Covid-19 on its business, financial position and economic performance.

Since the beginning of the pandemic emergency, the Board of Directors of Philogen S.p.A. and the subsidiary Philochem AG have analyzed and monitored the implementation and application of the measures adopted in response to the Covid-19 pandemic, in full compliance with the provisions issued from time to time by the competent authorities. Among these, the most significant involved restrictions and controls on the movement of products and people and the organization of staggered working hours within the production facilities. The Group therefore modified its business management, introducing social distancing plans for employees and reducing physical participation in meetings, events and conferences, in the best interest of employees and collaborators. These changes have partly negatively affected productivity, slowing down development operations and delaying planned and ongoing clinical trials.

In addition, the initiation of clinical trials, including patient enrollment activities and engagement of investigators and staff for the study was delayed in some cases because of the priorities assigned by clinical centers (hospitals) to counter the Covid-19 pandemic. The diversion of health care resources away from conducting clinical trials to focus on pandemic-related issues has affected (i) the expected timing of enrollments, (ii) clinical trial data processing, and (iii) trial monitoring by substantially reducing the ability to monitor trials.

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

Philogen continues to monitor events very closely in order to take additional mitigation measures promptly, if necessary. As a result, in April 2021 Philogen adopted a new Anti-Counterfeiting Protocol that incorporates legislative changes introduced at the national level as well as specifically regulating certain business activities, such as travel management of particular interest given the resumption of clinical monitoring activities in presence and no longer only remotely.

In addition to the implemented measures described above, Philogen, in execution of Decree-Law 127/21, implemented on October 5, 2021, the aforementioned regulatory provision, approving, applying and disseminating a company internal regulation called "Methodology defined for the application of Legislative Decree 127/21". The aforementioned document defines the operating methods of assessment and verification pursuant to Legislative Decree 127/21 relating to "Green-Pass" for access to workplaces, both by employees and outsiders.

In this regard, the Company has formally appointed 7 employees at the Rosia site and 6 employees at the Montarioso site to carry out the controls required by the above Decree-Law. Moreover, the Company has opted for the possibility of carrying out, in addition to access controls, also subsequent controls. The controller is also authorized to carry out spot checks on the validity of the green-pass of personnel (internal and external) after they have entered the company, or if they have for

some reason bypassed the access controls, for the period of their stay. Lastly, the Company's Internal Regulations provide that the green pass check must be recorded by the person in charge on a special form that will be kept at the doors of the respective sites.

7. Procedure and relations with related parties

On April 27, 2021, the Board of Directors of the Parent Company approved the "Procedure for Related Party Transactions" pursuant to Article 2391-bis of the Italian Civil Code and the Related Party Regulations, following the opinion, issued on April 12, 2021, by the Control, Risk and Sustainability Committee (the competent body) in relation to related party transactions.

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

The Procedure governs, among other things, the procedures for the examination and approval of transactions with related parties defined as of greater importance on the basis of the criteria indicated in the Related Parties Regulation and transactions with related parties defined as of lesser importance, meaning those other than transactions of greater importance and transactions of minor amounts. The latter are those transactions that, individually, have a value no greater than EUR 50 thousand if the related party is a natural person (including professional associations of which the natural person is a member or companies that can be referred to), or a value no greater than EUR 100 thousand when the related party is a party other than a natural person.

The Procedure, in accordance with the provisions of the Related Parties Regulation, defines as highly significant transactions with related parties those carried out also by Italian or foreign subsidiaries, in which at least one of the relevance indexes indicated in Annex 3 of the Related Parties Regulation exceeds the thresholds set out therein, and entrusts a specific corporate body (consisting of the Chief Financial Officer and the head of the corporate legal department) with the task of ascertaining the terms of application of the procedure to a given transaction, including whether a transaction falls under transactions of greater importance or under transactions of lesser importance, it being understood that if the assessment of the transaction is controversial, the assessment is referred to the committee responsible for Related Party Transactions. The Procedure envisages that the Company avails itself of the exemption granted by article 10, paragraph 1, of the Related Parties Regulation, since it is a newly listed company, and therefore the approval of significant transactions with related parties will be carried out according to the procedure envisaged for the approval of less significant transactions with related parties. The above-mentioned simplified regime applies until the date of approval of the financial statements for the year ending on 31 December 2022.

In application of the above-mentioned Procedure, the necessary communications concerning the transactions carried out by the Company were sent to the RPT Committee.

Related party transactions are reported in the financial statements and described in detail in specific note 30 to the consolidated financial statements and note 32 to the statutory financial statements, to which reference should be made.

8. Organisation, management and control model pursuant to Legislative Decree 231/2001

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

Philogen S.p.A. has decided to adopt the Model in the conviction that, beyond the prescriptions contained in Legislative Decree 231/2001, the same can constitute a valid instrument for sensitizing all of the Company's employees and all those who operate in the name of and on behalf of the Company or who have relations with the latter (i.e.: clients, suppliers, partners, collaborators of various kinds), so that they may behave correctly and consistently in carrying out their activities, such as to prevent the risk of committing the crimes provided for by Legislative Decree 231/2001.

The Company has undertaken to revise the Model in order to update it in line with recent regulatory changes. The current version of the Model and the Code of Ethics are available on the Company's website (http://www.philogen.com/).

9. Information on corporate governance and ownership structure

Philogen S.p.A. complies with the Self-Regulatory Code of listed Italian companies, adapting it to its own characteristics.

In order to comply with the transparency requirements set out by sector regulations, the "Report on Corporate Governance and ownership structure" was prepared, pursuant to art. 123-bis of the Consolidated Law on Finance, containing a general description of the governance system adopted by Philogen S.p.A. as well as information on the ownership structure, on the organisational model adopted pursuant to Legislative Decree no. 231 of 2001, and on the degree of compliance with the Corporate Governance Code, including the main governance practices applied and the characteristics of the risk management and internal control system in relation to the financial reporting process.

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

10. Risk Assessment

In compliance with industry regulations, current laws and the Corporate Governance code laid down by Borsa Italiana, the Group has set up an internal control and risk management system (ICSGR), a set of "tools" (directives, procedures, etc.) designed to provide reasonable assurance of achieving the objectives of operational efficiency and effectiveness, reliability of financial and management information, compliance with laws and regulations, and safeguarding of corporate assets.

The Group has adopted a corporate governance model whose main functions and bodies involved in audit activities or recipients of audit results are:

- Board of Directors, which plays a role in guiding and evaluating the adequacy of the system and has identified an Executive Director from within the Board to oversee the functionality of the SGCIR;
- Board of Statutory Auditors, which supervises the effectiveness of internal control and risk management;
- Risk Control Committee with the task of supporting, by means of an adequate preliminary activity, the assessments and decisions made by the Board of Directors concerning the internal control and risk management system, as well as those relating to the approval of periodic financial reports;
- Manager in charge of preparing the company's financial reports, who supervises the adequacy and effective application of the correct accounting procedures;
- Internal Audit, the function responsible for verifying that the internal control and risk management system is functioning and adequate;
- Monocratic Supervisory Body, with the task of verifying the efficiency and effectiveness of the Organization and Control Model with respect to the prevention and commission of the crimes provided for by Legislative Decree 231/2001;
- Department managers, responsible for overseeing the correct application of company procedures.

At the same time as listing on the MTA, the Group launched a *risk assessment process*, identifying the risks that could potentially impact on the achievement of corporate objectives, and carried out an evaluation of these risks using self-assessment tools, according to impact and probability of occurrence parameters, identifying (for both parameters) a valuation scale.

Risk Assessment was carried out in line with the time horizon of the Company's strategic plan. However, the process is managed on an ongoing basis, providing assessments and reports on the progress of the application of mitigation actions and preparing periodic reports for top management.

From a methodological point of view, this process is constantly evolving and being refined, in order to ensure its ongoing compliance with regulatory requirements and national and international best practices. The method used to carry out the *Risk Assessment* activities was based on a *self-assessment* process that involved the various representatives of the Group at various levels.

The first phase of the *Risk Assessment* was completed on September 8, 2021. The results of this activity were examined in a meeting with the CEO, the Executive Chairman, the Manager in Charge, the Head of Legal Affairs and the Internal Auditor.

Following the first phase of *Risk Assessment* and having available a risk rating for each area of the Group, the Internal Audit activity continued in September/October 2021 with the three-year planning of the audits with *Risk Based* approach for the period 2022/2024.

The three-year audit plan was submitted for prior approval by the Board of Directors meeting held on November 11, 2021. The plan identifies the objectives, scope, methodology, audit methods and techniques, as well as the audit checks scheduled for the three-year period of reference and the information flows between the Internal Control Bodies. The purpose of the document is to plan, over a three-year period, the audits that the Internal Audit function is called upon to carry out on the priority and significant corporate risks identified through the *Risk Assessment* process.

Considering the strategic importance of the Clinical area in the scientific and development activities of the Company and also considering the criticality threshold that this area has highlighted during the *Risk assessment*, the Company has deemed it appropriate to schedule a first specific Audit in the first months of the year 2022.

11. Management and coordination activities

Pursuant to paragraph 5 of Article 2497-bis of the Italian Civil Code, it should be noted that the Group is not subject to management and coordination by other companies.

12. Secondary locations

The company does not have any branch offices.

13. Main risks and uncertainties

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

The mapping and management of corporate risks is an activity constantly carried out by the Group in order to frame in terms of probability and impact all the aspects that, in some way, may hinder the achievement of corporate objectives. Corporate risks are divided into operational risks, if linked to corporate processes and activities, and financial risks, if linked to the financial area.

13.1 Operational risks

13.1.1 Risks associated with 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™ and Fibromun for which the Group assumes completion of patient enrollment for Phase III by mid-2022 and late 2023, respectively. However, there can be no assurance that these clinical trials will be completed within these timeframes or that ongoing and future advanced clinical trials will be successful and, therefore, that the product candidates will be eligible for marketing approval.

Risks associated with changes and non-compliance with industry regulations

When carrying out clinical trials on compounds, the Group must comply with the relevant national and international regulations in force, including, in particular, the Good Manufacturing Practice (GMP) guidelines and the Good Clinical Practice (GCP) guidelines. Any changes to the current regulatory framework could lead to a lengthening of the timescale for the production of the compounds and/or for their clinical trials and an increase in costs, with consequent negative effects on the Group's economic and financial situation and assets.

13.1.2 Strategic risks

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

The Group's strategy is to market pharmaceutical products that are still in the experimental phase, of which only two are in the more advanced study phase. There are significant uncertainties connected with the success of the experimental phase and with obtaining authorisations from the competent authorities to market pharmaceutical products. Moreover, the products might not meet market expectations in terms of efficacy and safety and, therefore, no revenue could be generated from their marketing. Should the Group be unable to market the products and license its product candidates, or should other competing products be preferred by the market over the Group's products, this will have a serious adverse effect on the Group's financial position, results and cash flows.

Risks associated with 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 the 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 usage inventions, patented or pending in numerous countries.

If the Group's efforts in protecting its 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 market share. The occurrence of such risks could result in material adverse effects on the Group's financial position, results of operations and cash flows.

Risks associated with dependence on senior management, key personnel and specialist staff

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 which it 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 have an adverse effect on the development and marketing of product candidates. The occurrence of such risks could result in serious adverse effects on the Group's financial position, results of operations and cash flows.

13.2 Financial risks

Financial risks are understood to be the economic/financial risks arising from the holding or trading of financial instruments. Tables detailing financial risks are set forth in Note 28 to the Consolidated Financial Statements and Note 30 to the Annual Report.

Within the scope 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 meet a contractual obligation and arises primarily 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 primarily on the specific characteristics of each customer.

However, management also considers the variables typical of the Group's client portfolio, including the insolvency risk of the sector and country in which the clients 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, both in normal and stressed financial conditions, without incurring excessive charges or risking damage to its reputation.

The Group ensures that there is cash on hand 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 cash 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 such risk within acceptable levels while optimizing investment returns.

Exchange rate 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.

Production 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, which affects consolidated net income and consolidated shareholders' equity (translation risk).

The Group earns revenue from contracts with customers in foreign currencies and primarily in U.S. dollars. Revenues denominated in U.S. Dollars for the period ended December 31, 2021 and 2020 accounted for 88% and 75% of total revenues from contracts with customers, respectively. Therefore, an unfavorable trend in the value of the U.S. dollar relative to other relevant currencies could adversely affect our business and financial condition.

Risks connected with the *fair value* of the securities portfolio

The Group is subject to the risk of changes in the *fair value of* the financial instruments held in its portfolio, whose value as at 31 December 2021 was 92,797 thousand euros. The occurrence of this risk could have significant negative effects on the Group's income statement, balance sheet and financial position.

Country Risk Management

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

14. Environmental and occupational safety information

The locations in which the Company operates and its manufacturing operations are subject to stringent environmental and occupational safety regulations.

The Company adopts safety procedures for the management of work activities and the handling and disposal of waste in accordance with Legislative Decree 81/2008 and Legislative Decree 206/2001 on the handling of genetically modified micro-organisms (GMM). Personnel undergo specific training on the subject and operate according to procedures designed to minimize the risk of contamination, not only biological. The disposal of special waste is carried out in accordance with current regulations (D. Lgs.152/06), according to dedicated procedures, with the support of a specialized and authorized company.

Based on the obligations of art. 37 of Legislative Decree 81/2008 and the methods defined by the State-Regions agreement of 21 December 2011, periodic training and refresher courses on safety are activated for all employees divided into general and specific training courses.

In carrying out its activities, the Company employs chemical and biological agents for which specific risk assessments are carried out pursuant to Legislative Decree no. 81/2008. Personnel also use equipment and personal protective equipment (PPE) in line with regulations.

The Company believes that it conducts its business in compliance with environmental regulations and the authorizations required by applicable laws and is constantly committed to operating in an environmentally responsible manner, including by identifying methods to improve the impact of its activities on the surrounding environment by progressively reducing its consumption of natural resources, consistent with its economic, financial and investment management systems.

Group personnel are constantly updated and trained with reference to applicable industry regulations. In particular, in 2021 training courses were once again held aimed at updating and increasing the number of employees assigned to First Aid, in line with the increase in the workforce. This course was enriched with an optional module regarding specific training on the use of the defibrillator, a life-saving device that will soon be purchased for both Philogen offices.

In addition, the staff of the Maintenance Department, who occasionally carry out work at height within the company, took part in a theoretical and practical course on working at height. In fact, working at height is one of the work activities with the highest risk of accident. Fundamental to ensuring safety in activities with risk of falling from heights is the education and training of workers on the proper use of equipment and collective and individual protection devices made available to them to work safely during work at height.

Finally, there have never been any fines or final penalties issued against the company for environmental crimes or damage.

15. Sustainability

With Legislative Decree no. 254/2016, the Italian legal system transposes Directive 2014/95/EU on the reporting and disclosure of non-financial and diversity information by particular companies and specific large groups. This regulation constitutes the transition from a sustainability reporting system, historically voluntary, to a system that imposes the obligation to prepare and publish a statement, of an individual or consolidated nature, containing information relating to environmental, social and personnel-related issues, respect for human rights as well as the fight against active or passive corruption.

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

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

In execution of the above, the Group has embarked on a structured and organic process of reporting on sustainability issues, examining economic, social and environmental sustainability aspects in a manner consistent with the organizational characteristics of the business. The Group has therefore decided to launch internal analyses aimed at preparing the following sustainability reports:

(i) Sustainability brochure 2021 for the Philogen Group (prepared according to *GRI-Referenced* standards);
(ii) definition of strategic positioning on areas of sustainability with respect to best practices;
(iii) Identification of areas of improvement on which to focus management and monitoring of sustainability issues.

In particular, in order to investigate the Group's "as-is" situation with respect to sustainability issues, management systems, policies, processes and business practices currently in place, and in light of the company's functions and competencies, a series of interviews were conducted in the first quarter of 2022 with the heads of functions (Research and Development, Clinical Operations, Quality, Intellectual Property, Human Resources, Environment/HSE, Administration/Compliance, Purchasing and Plant Management).

On the basis of the information gathered from these interviews it will be possible to conduct a benchmark analysis to identify best practices at national and European level and to define the strategic positioning on sustainability issues with respect to the best practices identified. This activity is preparatory to the drafting of the 2021 Sustainability brochure

prepared according to the GRI Sustainability Reporting Standards (GRI Standards), defined by the *Global Reporting Initiative* (GRI).

With reference to the Group's industrial production, this is limited in view of the fact that Philogen is a biotech company with products undergoing clinical trials and therefore not yet on the market. Despite this, it has always operated in compliance with environmental regulations and good manufacturing practice, including with regard to waste management.

It should also be noted that the site in Rosia (Siena) is certified EN ISO 9001:2015 until January 3, 2023, while the site in Montarioso (Siena) has been regularly inspected by AIFA, as part of the periodic checks that this body reserves for companies producing drugs. Philogen's production process does not require the use of hazardous raw materials and the new GMP plant, which is nearing completion, will partly use energy produced with photovoltaic panels, using renewable sources and limiting the use of non-renewable ones.

During the year ended December 31, 2021, the bioanalytical laboratory at the Rosia site (Siena) implemented a management system in accordance with Good Laboratory Practices ("GLP" or "GLP" according to the international notation), with certification issued on February 24, 2022 pursuant to Legislative Decree no. 50 of March 2, 2007, regarding toxicology experiments on animal models, with the aim of expanding the range of services offered and giving further consistency and validity to the data produced. Philogen's bioanalytical laboratory is responsible for the analysis of biological samples collected during toxicity studies in animal models and biological samples from subjects participating in clinical trials. The analyses carried out are used to determine the levels of the drug in the blood (pharmacokinetics) and to verify the immune response induced by the administration of the drug (immunogenicity); biomarker analyses can also be conducted to evaluate the pharmacodynamic profile of the product under examination. The laboratory has a quality system certified ISO 9001:2015 and is organized in such a way as to keep under control all aspects of its activities and ensure reproducibility of performance and therefore the maintenance but also the continuous improvement of quality standards provided.

15.1 Environmental responsibility

The European Securities and Markets Authority (ESMA) points out the importance for the Company to consider major climate risks and impacts when preparing 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 of June 30, 2021).

With a view to combating climate change, the Company is committed to making a positive contribution to safeguarding the environment through the development of strategies and initiatives aimed at minimising the environmental impact of its business activities.

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

- the Montarioso (Siena) site is in possession of the AUA (Autorizzazione Unica Ambientale) discharge authorization issued by the Municipality of Monteriggioni (Siena), which is due to expire in 2032;
- the Rosia (Siena) site is in possession of an AUA (Autorizzazione Unica Ambientale) discharge authorization issued by the Municipality of Sovicille (Siena) which is due to expire in 2030.

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

The Group is also committed to protecting and safeguarding the environment by continuously improving the energy efficiency of consumption and promoting the use of renewable sources. Among the improvement actions, with a view to energy efficiency and monitoring of emissions, a photovoltaic system was installed at the Rosia (Siena) offices. To this end, an agreement was entered into with the Energy Services Manager (GSE) for the recognition of incentive tariffs for electricity produced by photovoltaic conversion of the solar source, incentivized pursuant to art. 7 of Legislative Decree 387/03 and the Ministerial Decree of May 5, 2011.

It should be noted that during the year ended December 31, 2021, the Group received, as a photovoltaic incentive, a contribution of 18 thousand euros, the share of which was included in the item "Other income" in the consolidated and statutory financial statements.

On average, 6,332.92 kw/h were generated per month.

16. Personnel Information

As of December 31, 2021, the Group's workforce numbered 130 employees, of which 96 were hired by Philogen S.p.A., at the plants in Siena (Rosia and Montarioso) and 34 by Philochem AG, at the Zurich site, marking an overall increase of 24% compared to December 31, 2020.

The increase, represented in the table below given by: (i) Philochem: 12 hires and 12 terminations (ii) Philogen: 32 hires and 7 terminations.

Number of Group employees	As of December 31		Variations	
	2021	2020	2021 vs 2020	%
Employees	130	105	25	24%

This growth is in line with what is planned for FY 2021.

The personnel hired during the year ended December 31, 2021 are highly qualified, and 50% are graduates and 41% are PhDs.

New Hire Disclosure:

Qualification	Philochem AG			Philogen S.p.a.			Group		
	Men	Women	**Total**	Men	Women	**Total**	Men	Women	**Total**
PhD	4	6	**10**	5	3	**8**	9	9	**18**
Degree	1	1	**2**	8	12	**20**	9	13	**22**
Diploma	-	-	-	3	-	**3**	3	-	**3**
No title	-	-	-	1	-	**1**	1	-	**1**
Grand total	**5**	**7**	**12**	**17**	**15**	**32**	**22**	**22**	**44**

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, encouraging training and exchanges of *know-how* at an international level.

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

In order to keep staff constantly up to date on specific issues and sector regulations, various training and refresher courses were held in 2021. Among the most important courses we indicate:

- Pharmacovigilance Department: advanced course of 20 hours organized by EMA (European Medicines agency) and DIA Europe on the following topics: Mandatory use of ISO/ICH E2B(R3), Safety reporting of individual cases in the EU: Practical training course conducted using the EudraVigilance system;
- Department of Bioanalytics and Regulatory Affairs: 4-hour advanced course organized by Health Publishing & Services, titled "Good Documentation Practices" aimed at exploring the following topics: (I) How to best manage documentation in a regulated environment (e.g. GCP, GLP, ISO), (II) What are the principles of data *integrity* and how they find practical implementation, (III) How to build a vision of corporate quality through proper documentation management;
- Regulatory Affairs Department: refresher webinar of a total duration of 4 hours organized by SIMEF (Italian Society of Pharmaceutical Medicine), entitled Regulatory Activities: updates in the Clinical and Preclinical Field, aimed at deepening topics related to the role of ISS in the evaluation of applications for eligibility to Phase 1 Clinical Trials, Clinical trials and quality requirements: current standards and future standards according to the EU Regulation 536/2014 on drug trials. Rare diseases and data integrity, Quality assurance of genetic testing. Clinical trial data integrity and management of critical issues during data collection;

- Quality Assurance Department: advanced course lasting 12 hours held as part of the Congress organized by the Italian Quality Assurance Group (GIQAR) in Responsible Research, entitled "L'Impatto della Pandemia Covid 19 sulle Qualità" (The Impact of the Covid 19 Pandemic on Quality), with the aim of describing the changes and innovations that have occurred in the field of Quality Assurance due to Covid;
- Pharmacovigilance Department: webinar lasting 3 hours organized by SIMEF (Italian Society of Pharmaceutical Medicine) entitled "Pills Of Statistics In Pharmacovigilance";
- Administrative Office: webinar lasting a total of 24 hours on international accounting standards (IFRS) organized by the company Eutekne, training course on sustainability and constant updating on tax matters with participation in Telefisco 2021;
- Legal Department: 6-hour workshop organized by InVeo Company, entitled "Clinical Trials in the Regulatory Framework of the GDPR" focusing on updating the regulatory requirements of 536/2014 for clinical trials and primary and secondary uses of clinical trial data, in light of GDPR 679/2019 and European Data Protection Board guidelines 7/2020 and 3/2019.

The Group has also always been attentive to issues of gender equality and inclusion. Approximately 50% of the employees are female and come from over 15 different countries. The top management is gender-balanced, a circumstance that has characterized the Group since the pre-listing period (CFO since 2007; HR Manager since 2008, Regulatory Manager since 2015, Company Legal Counsel since 2016). Philogen also has a female representation in the Board of Directors since 2016 following the appointment of Dr. Nathalie Dompé and post IPO with the inclusion of Avv. Marta Bavasso. Apex roles within the Research function have been held by women today and in the past. Prof. Cornelia Halin is a member of the Scientific Advisory Board, and the Antibodies research area has been led by a female scientist for many years. Finally, in compliance with Italian law, Philogen employs four people belonging to protected categories.

The Group does not foresee any specific risks related to the issue of "diversity and inclusion", but identifies in a correct and careful management of this aspect, through the integration and enhancement of diversity, an opportunity to create a working environment that fosters creativity and confrontation.

In light of what has been described in this section, as of the date of this Report, the Company does not deem it necessary to adopt specific diversity policies in relation to the composition of its workforce, its gender composition and its training and professional background.

17. Protection of information and personal data

The Group operates in the pharmaceutical and biotechnology industry, which, being highly regulated, provides for and requires the application and compliance with numerous laws and regulations at the European, Swiss and Italian level regarding the protection of personal data. These laws and regulations, such as the GDPR, regulate the collection, protection and processing of personal data, including the processing of particular categories of data such as health data. In Italy, in particular, the Italian Data Protection Authority has issued specific guidelines for the processing of personal data in the context of clinical trials of medicines. The Group is also subject to industry guidelines and internal privacy policies and procedures, as well as data protection obligations to third parties.

In the course of research activities, the Group receives, processes and stores sensitive data, including anonymized patient data. The Group has implemented policies and procedures to comply with applicable privacy laws and industry guidelines that provide mechanisms to ensure that data from patients enrolled in clinical trials is protected and kept secure and is transferred in anonymized form.

In the context of clinical trials, various medical/clinical information and biological samples are collected. In general, these data are subject to EU laws (i.e., the aforementioned Regulation (EU) No. 536/2014 on clinical trials and the General Regulation (EU) No. 2016/679 on the protection of personal data, so-called GDPR) and any additional provisions of the countries in which the trial takes place. In particular, in Italy, in 2008, the Guarantor for the protection of personal data issued the "Guidelines for the processing of personal data in the context of clinical trials of medicinal products" (Deliberation no. 52); regulations to which the Company adheres in the management, storage and archiving of data derived from its experimentation activities.

18. Significant events after the end of the financial year

18.1 Purchase of own shares

The Group is continuing with the share buyback program approved on November 24, 2021 by the Company's Board of Directors, which began on December 1, 2021 and runs for 18 months from approval (see section 4.6 of the Management Report).

Since the start of the program and until March 11, 2022, Philogen has purchased 114,267 ordinary shares (equal to 0.2814% of the share capital), for a total consideration of €1,637,556.99

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

18.2 *Internal Dealing*

The *Internal Dealing* transactions undertaken by the director Dr. Sergio Dompé, through the company Dompè Holding S.r.l., started in July 2021, will continue in the first months of 2022 (see paragraph 4.3 "*Internal Dealing Transactions*").

Specifically, there are 51,400 shares of Philogen common stock purchased by the Director in 2022.

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

18.3 *Lock-up Period*

On March 3, 2022 the *lock-up* commitment for the majority shareholders (Nerbio S.r.l. and Dompé Holding S.r.l.), for which the lock-up period lasted 365 days from the date on which trading began, expired; therefore, from that date all outstanding shares are free of lock-up. As from this date, all ordinary shares have been in circulation.

18.4 License Agreement

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

18.5 Impact of the war in Ukraine

Pursuant to ESMA recommendations issued 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 condition, consistent with transparency obligations under the Market Abuse Regulation, unless conditions exist to delay publication thereof; and

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

It should be noted, however, that the Company has no commercial relations with countries affected by the current war.

19. Foreseeable evolution of operations

During the year ended December 31, 2021, the patient enrollment rate, which declined slightly in 2020, increased. In addition to the general variable trend in patient enrollment speed from year to year and the improvement in the situation related to the COVID-19 emergency, this increase is related to the opening of new clinical centers. In order to further

accelerate recruitment, the Group is opening new centers in several European and non-European countries for the various ongoing studies conducted with proprietary drugs.

The Group also reports the following scientific events in early 2022:

- Nidlegy ™
  - Recruitment of new patients and opening of new centers in the various ongoing clinical trials;
  - as of February 28, 2022, recruited an additional 9 patients compared to December 31, 2021, reaching a total number of 205 patients in the European Phase III study in stage III B/C melanoma;
  - start of new Phase II study in France in non-melanoma skin cancers. The study is expected to expand to Italy in 2022;
- Fibromun
  - Recruitment of new patients and opening of new centers in the various ongoing clinical trials;
  - opening of new centers in Germany, Spain, Italy and Poland for the European Phase III study in first-line soft tissue sarcoma. In this setting, Fibromun is administered in combination with Doxorubicin;
  - opening of new centers in the United States for the Phase IIb study in first-line soft tissue sarcoma. In this setting, Fibromun is administered in combination with Doxorubicin;
  - Publication of *Overall Survival* data from the Phase I/II study in Grade III-IV first recurrence/recurrence glioma conducted with Fibromun as monotherapy;
  - Monitoring of Safety, Presence of Objective Responses, and *Progression Free Survival* in patients treated in the dose escalation portion of the European Phase I/II trial in patients with recurrent glioblastoma. In the first patient, a decrease of ~98% at 12 months after the start of treatment of the tumor. Additional objective responses (i.e., tumor decrease of more than 50%) were also observed in patients enrolled in the dose escalation portion of the study.
- Radio-conjugated OncoFAP
  - planning several international Phase I/II clinical trials with the aim of exploring OncoFAP-^{68} Ga (diagnostic agent) and OncoFAP-^{177} Lu (diagnostic and therapeutic agent) in a larger number of patients with cancer of different origins. These trials are scheduled to begin in 2022.
- New GMP Rosia (Siena) facility: the completion of the installation and validation of the process machines of the new GMP site is expected in the first half of 2022, after which the AIFA authorization for the production and marketing of drugs will be requested. It should be noted that this new facility will join the already existing GMP plant in Montarioso (Siena), strengthened in 2021, which is dedicated to the production of experimental drugs.



Biotech Rosia Production - Rosia Plant (Siena)

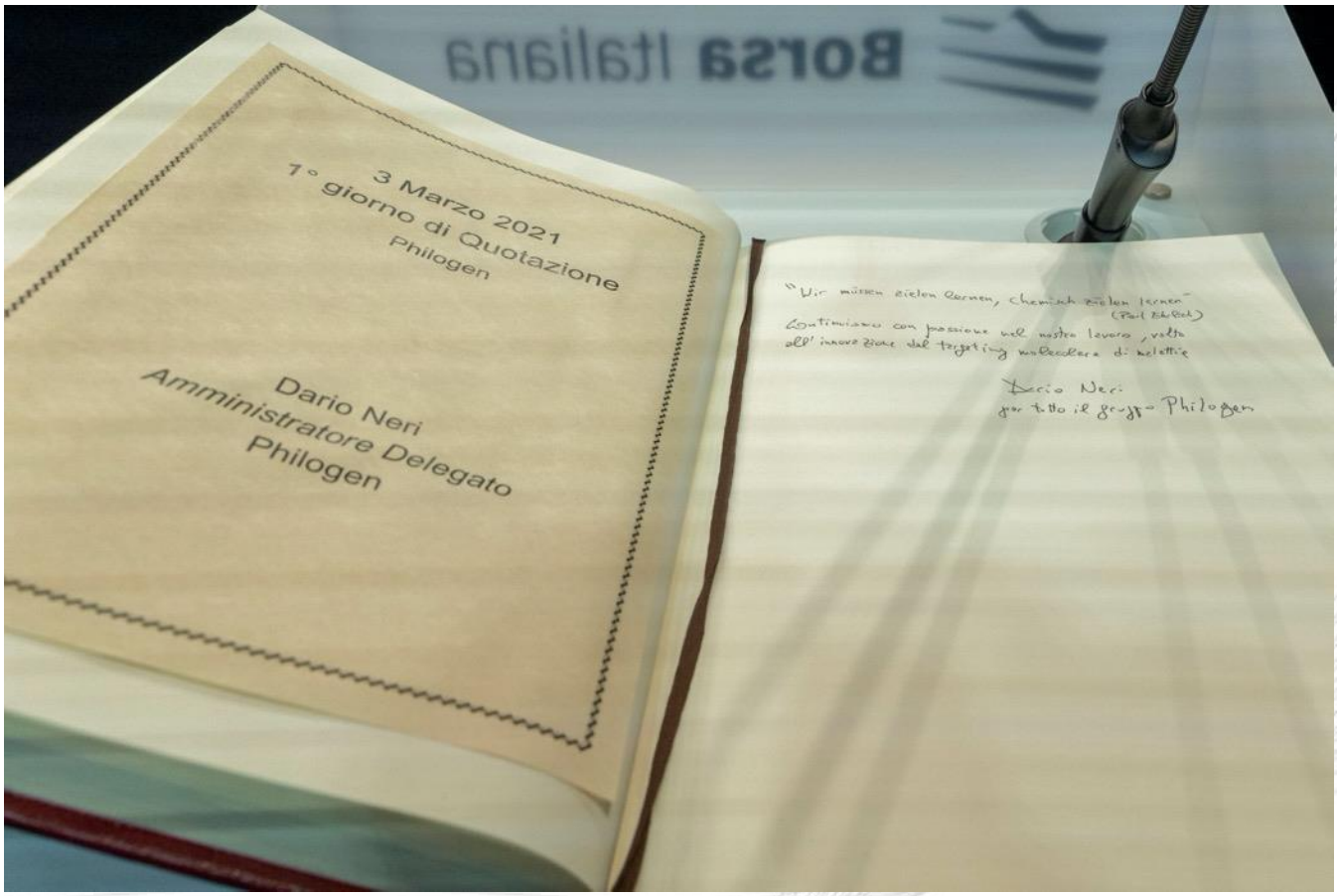
As is well known, the Group is committed to developing its contractual activities as well as strengthening its internal research and development activities. It also maintains numerous contacts with other potential industrial partners in order to develop its business and seek new opportunistic scientific collaboration agreements.

While waiting to see how the pandemic evolves, the Group implemented the prevention systems indicated by the relevant ministerial authorities, while also maintaining constant work activity in view of the sector in which it operates. *Business development* activities, *webinars*, roadshows, scientific conferences and investor conferences organized by the Healthcare Departments of international banks were carried out on web platforms. It is reasonable to assume for 2022 that there will be a return towards in-person, rather than virtual, events, in line with an improvement in the situation related to Covid-19.

Despite this emergency situation, the Group has continued its research and development activities on an ongoing basis. The continuation of the current situation in 2022 and the consequent measures, including regulatory measures, that have become, and may become, necessary to combat the emergency could have a negative impact on the above activities, slowing them down in part.

Proposed allocation of the result for the year ended December 31, 2021

The Financial Statements, which are also illustrated through examination of this Report and the Notes, show a loss for the year 2021 of 14,759,426 euros. It is proposed to fully cover this result through the use of 1,107,270 Euros from the "Retained earnings" reserve and 13,652,156 Euros from the "Share premium" reserve.



"Wir müssen zielen lernen, chemisch zielen lernen."

"We have to learn to aim, learn to aim chemically." (Paul Ehrlich)

Philogen
innovating targeting

Consolidated financial statements

Consolidated Income Statement

Figures in thousands of euros		Year ended 31 December			
	Notes	**2021**	*Of which with related parties*	**2020**	*Of which with related parties*
Revenues from contracts with customers	5	2.496		4.778	
Other income	5	2.468		1.567	
Total revenues and income		**4.964**	**-**	**6.345**	
Purchases of raw materials and consumables	6	(1.652)		(1.233)	
Costs for services	6	(8.980)	*(1.103)*	(8.599)	*(2.757)*
Costs for use of third party assets	6	(123)		(59)	
Personnel costs	6	(8.944)	*(660)*	(6.922)	
Depreciation	6	(1.862)	*(747)*	(1.496)	*(709)*
Other operating costs	6	(178)		(173)	
Total operating costs		**(21.739)**	***(2.590)***	**(18.474)**	***(3.467)***
Operating income		**(16.775)**	***(2.590)***	**(12.129)**	***(3.467)***
Financial income	7	2.581		2.179	
Financial charges	7	(1.046)	*(343)*	(2.469)	*(353)*
Total financial income and charges		**1.535**	***(343)***	**(290)**	***(353)***
Profit before tax		**(15.240)**	***(2.853)***	**(12.419)**	***(3.820)***
Taxes	8	(485)		(866)	
Profit (loss) for the period		**(15.725)**	***(2.853)***	**(13.285)**	***(3.820)***
Profit (loss) for the period attributable to the shareholders of the parent company		(15.725)		(13.285)	
Earnings (Loss) per share (in Euro)	9	(0,39)		(0,37)	
Diluted earnings (loss) per share (in Euro)	9	(0,39)		(0,37)	

Consolidated statement of comprehensive income

Figures in thousands of **euros**	Notes	Year ended 31 December 2021	2020
Profit (loss) for the period (A)		**(15.725)**	**(13.285)**
Other gains (losses) to be reclassified subsequently to net income (loss) for the period			
Translation differences of foreign financial statements	20	(74)	37
Profit (loss) from *cash flow hedges*	20	2	-
Fiscal effect	20	(1)	-
Total other income (loss) to be subsequently reclassified to net income (loss) for the period (B)		**(73)**	**37**
Other gains (losses) that will not be subsequently reclassified to net income (loss) for the period			
Profit (loss) from actuarial valuation of employee benefits	20	(96)	(10)
Fiscal effect	20	27	3
Total other income (loss) not subsequently reclassified to net income (loss) for the period (C)		**(69)**	**(7)**
Total other components of comprehensive income (B+C)		**(142)**	**29**
Comprehensive income (loss) after taxes (A+B+C)		**(15.866)**	**(13.256)**
Comprehensive income (loss) attributable to the shareholders of the parent company		(15.866)	(13.256)

Consolidated statement of financial position

Figures in thousands of Euros	Notes	December 31, 2021	*Of which with related parties*	December 31, 2020	*Of which with related parties*
ASSETS					
Property, plant and equipment	10	10.984		5.163	
Intangible assets	11	950		961	
Right-of-use activity	12	10.005	*9.970*	10.288	*10.117*
Deferred tax assets	8	674		1.176	
Non-current assets		**22.613**	***9.970***	**17.588**	***10.117***
Inventories	13	1.295		774	
Contractual activities	14	87		207	
Trade receivables	15	688		515	
Tax receivables	16	5.740		3.812	
Other current financial assets	17	92.797		49.984	
Other current assets	18	653		635	
Cash and cash equivalents	19	8.880		11.958	
Current assets		**110.141**	**-**	**67.885**	-
Total assets		**132.755**	***9.970***	**85.473**	***10.117***
EQUITY					
Capital		5.731		5.158	
Share premium reserve		119.749		54.918	
Other reserves		(4.668)		8.882	
Profit (loss) for the period		(15.725)		(13.285)	
Shareholders' equity attributable to the shareholders of the parent company	**20**	**105.087**	**-**	**55.673**	-
Total shareholders' equity	**20**	**105.087**	**-**	**55.673**	-
LIABILITIES					
Employee Benefits	21	1.033		847	
Non-current lease liabilities	12	11.099	*11.045*	11.270	*11.186*
Non-current financial liabilities	22	3.587		4.629	
Deferred tax liabilities	8	183		234	
Non-current liabilities		**15.902**	***11.045***	**16.980**	***11.186***
Current financial liabilities	22	1.064		1.094	
Current lease liabilities	12	743	*713*	711	*665*
Trade payables	23	5.826	*78*	3.920	*58*
Liabilities under contract	14	2.233		4.155	
Tax payables	16	309		362	
Other current liabilities	24	1.590	*41*	2.578	
Current liabilities		**11.765**	***832***	**12.820**	***723***
Total liabilities		**27.667**	***11.877***	**29.800**	***11.909***
Total shareholders' equity and liabilities		**132.755**	***11.877***	**85.473**	***11.909***

Statement of changes in consolidated shareholders' equity

Data in thousands of Euros	Capital	Share premium reserve	Other reserves											Profit (loss) for the year	Total consolidated shareholders' equity
			Restricted earnings reserve capital increase to service the 2024-2026 Stock Grant Plan	Negative reserve for own shares	Legal reserve	FTA Reserve	Merger surplus reserve	IAS 19 reserve	Share-based payment reserve	Reserve from translation differences	Cash flow hedge reserve	Profit (loss) carried forward	Total other reserves		
Opening balances as at 1 January 2020	**5.158**	**54.918**	**-**	**-**	**850**	**(1.265)**	**50**	**(23)**	**-**	**1.086**	**-**	**6.627**	**7.325**	**1.402**	**68.803**
Allocation of previous year's result					42							1.360	**1.402**	(1.402)	**-**
Distributed dividends													**-**		**-**
Share capital increase													**-**		**-**
Incentive Plan									627				**627**		**627**
Cancellation of Incentive Plan									(627)			127	**(500)**		**(500)**
Result for the year													**-**	(13.285)	**(13.285)**
Other comprehensive income (loss) net of tax effect								(7)		37		(1)	**28**		**28**
Closing balances as at December 31, 2020	**5.158**	**54.918**	**-**	**-**	**892**	**(1.265)**	**50**	**(30)**	**-**	**1.123**	**-**	**8.113**	**8.882**	**(13.285)**	**55.673**
Opening balances as at 1 January 2021	**5.158**	**54.918**	**-**	**-**	**892**	**(1.265)**	**50**	**(30)**	**-**	**1.123**	**-**	**8.113**	**8.882**	**(13.285)**	**55.673**
Reverse merger with ordinary Palio							399						**399**		399
IPO share capital increase	573	68.466											**-**		69.039
IPO process costs		(3.635)											**-**		(3.635)
Allocation of previous year's result												(13.285)	**(13.285)**	13.285	-
Distributed dividends													**-**		-
Restrictions on the reserve for free share capital increase to service the Stock Grant Plan			(124)									124	**-**		-
Reserve for purchase of own shares				(537)									**(537)**		(537)
Reserve for Stock Grant Plan									21				**21**		21
Fair value of hedging derivatives											(6)		**(6)**		(6)
Result for the year													**-**	(15.725)	(15.725)
Other comprehensive income (loss) net of tax effect								(69)		(74)	1		**(142)**		(142)
Closing balances as at 31 December 2021	**5.731**	**119.749**	**(124)**	**(537)**	**892**	**(1.265)**	**449**	**(99)**	**21**	**1.049**	**(5)**	**(5.048)**	**(4.668)**	**(15.725)**	**105.087**

Consolidated cash flow statement

Figures in thousands of Euros		Year ended 31 December			
	Notes	2021	*Of which with related parties*	2020	*Of which with related parties*
Cash flow from operating activities					
Result for the period		(15.725)	*(2.853)*	(13.285)	*(3.820)*
Adjustments for:					
Depreciation of tangible and intangible assets	6	1.862	*747*	1.496	*709*
Net financial income/(charges)	7	(1.535)	*343*	290	*353*
Provisions for risks and employee benefits	21	121		94	
Provisions for group incentive plans	20	21		-	
Income Taxes	7	485		866	
Other non-cash adjustments		(48)		345	
Variations of:					
Inventories	13	(515)		(157)	
Contractual activities	14	121		(209)	
Trade receivables	15	(149)		685	
Liabilities under contract	14	(1.922)		(3.643)	
Trade payables	23	1.709	*20*	634	*(2)*
Other current assets and liabilities (*)	16, 18, 24	(2.996)		690	
Utilisation of provisions and employee benefits	21	(36)		(66)	
Interest paid	7	(417)		(898)	
Income taxes paid	8	(8)		(7)	
Cash flow generated/absorbed by operations (A)		**(19.031)**	***(1.742)***	**(13.165)**	***(2.759)***
Cash flow from investment activities					
Interest received	7	164		1.084	
Proceeds from the sale of property, plant and equipment		-		-	
Proceeds from the sale of investment property		-		-	
Proceeds from the sale of financial assets	17	1.743		28.338	
Purchase of property, plant and equipment	10	(6.550)		(3.454)	
Purchase of intangible assets	11	(268)		(195)	
Purchase of other financial assets	17	(42.860)		(8.005)	
Cash flow generated/absorbed by investing activities (B)		**(47.771)**	**-**	**17.767**	
Cash flow from financing activities					
Proceeds from the issue of shares	20	65.404		-	
Proceeds from the assumption of financial liabilities	22	-		5.011	
Repayment of financial liabilities	22	(1.074)		(487)	
Payment of lease liabilities	12	(738)	*(738)*	(736)	*(736)*
Purchase of own shares	20	(537)		-	
Cash flow generated/absorbed by financing activities (C)		**63.055**	***(738)***	**3.786**	***(736)***
Increase in cash and cash equivalents from merger (D)		**560**		**-**	
Total cash flow (A + B + C + D)		**(3.188)**	***(2.480)***	**8.389**	***(3.495)***
Opening cash and cash equivalents	**19**	**11.958**		**3.564**	
Change in cash and cash equivalents for the period		(3.188)		8.389	
Translation effect on cash and cash equivalents		110		5	
Closing cash and cash equivalents	**19**	**8.880**		**11.958**	

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

Notes to the consolidated financial statements

Preparation criteria

1. Background

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 at the start of trading at a price of €17 each.

Regulation (EC) no. 1606/2002 of the European Parliament and the European Council of July 19, 2002 (the "EU Regulation") introduced the obligation, as of 2005, for all companies with securities admitted for trading on a regulated market, to prepare consolidated financial statements in accordance with IAS/IFRS. In Italy, the matter was regulated by Legislative Decree no. 38 of February 28, 2005, which provided for companies excluded from the obligation laid down in the EU Regulations to prepare their statutory and consolidated financial statements in accordance with IAS/IFRS as of the financial year ended December 31, 2005.

2. Entity drawing up the consolidated financial statements

Philogen S.p.A. is based 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 Italian Civil Code, it is hereby stated that the Company is not subject to management and coordination activities by another company.

3. Drafting criteria

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

These consolidated financial statements were approved and authorized for issue by the Company's Board of Directors on March 28, 2022.

Details concerning the main accounting standards adopted by the Group are specified in no. 31.

Functional and presentation currency

These consolidated financial statements are expressed in euros, which is the functional currency of the Parent Company. Unless otherwise indicated, all amounts expressed in euros have been rounded off to the nearest thousand. It should also be noted that any differences in certain tables are due to the rounding of amounts expressed in thousands of euros.

Use of estimates and valuations

As part of the preparation of the consolidated financial statements, management has had to make estimates and judgments that affect the application of accounting policies 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 underlying assumptions are reviewed regularly. Any changes resulting from the revision of accounting estimates are recognized prospectively.

The following is a summary of those items in the financial statements that require greater subjectivity on the part of the Directors in developing estimates than others and for which a change in the conditions underlying the assumptions used could have a material impact on the consolidated financial statements.

i) Assessments

The 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 #5 and 30 - revenue recognition: determine whether licensing and contract manufacturing revenue should be recognized at a specific point in time or over time;
- Note No. 17 and 30 - accounting for securities: evaluating the business model and related accounting treatment;
- Notes No. 12 and 30 - lease term: key assumptions regarding renewal options at the end of the non-cancelable lease term.

ii) Estimation uncertainty assumptions

For the year ended December 31, 2021, information about assumptions and uncertainties in estimates that have a significant risk of causing material changes to the carrying amount of assets and liabilities in the financial statements of the subsequent period is provided in the notes below:

- Notes No. 5 and 30 - revenue recognition: assumptions in determining total transaction price with respect to variable consideration;
- Notes 21 and 30 - valuation of defined benefit obligations: key actuarial assumptions;
- Note no. 30 - valuation of financial instruments: main assumptions underlying calculation of *fair value*;
- Note no. 30 - 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 8 and 30 - recognition of deferred tax assets: availability of future taxable profits against which deductible temporary differences and tax loss carryforwards can be utilized;
- Notes no. 10 and 11 - impairment test of non-current assets: main assumptions used to determine recoverable amounts;
- Note No. 30 - recognition and measurement of provisions and contingent liabilities: key assumptions about the probability and extent of resource outflows;
- Note no. 30 - valuation of allowance for expected losses on trade receivables and assets arising from contracts: key assumptions in determining "Expected Credit Losses".

4. Industry information

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

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.

Details of revenues from contracts with customers by type of product and service, by geographical area and information regarding the Company's degree of dependence on its main customers are provided in note 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	Year ended 31 December	
	2021	2020
Revenues from contracts with customers	2.496	4.788

Other income	2.468	1.567
Total revenues and income	**4.964**	**6.345**

Revenues from contracts with customers

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

In the year ended December 31, 2021, revenues from contracts with customers amounted to € 2,496 thousand, a decrease of € 2,292 thousand compared to the previous year. The change is mainly due to the conclusion during 2020 of existing contracts and, in particular, is attributable to the Group's desire to opportunistically evaluate new licensing activities for proprietary products, focusing on the clinical development of some more advanced products in the *pipeline,* while continuing the development activities under existing contracts.

Revenues as of December 31, 2021 comprise approximately 88% of the fees recognized *over time* for the development of Product 1 and approximately 23% of revenues for Research and Development services, of which approximately 11% are recognized *over time* and the remaining 12% are recognized on an accrual basis.

Additional details of revenues from customer contracts are provided below.

Detail by type of consideration

Figures in thousands of Euros	Year ended 31 December	
	2021	**2020**
Revenues from *up-front* and *maintenance fees*	2.190	3.052
Revenues from Research and Development services	306	1.727
Total revenues from contracts with customers	**2.496**	**4.778**

Detail by recognition mode

Figures in thousands of Euros	Year ended 31 December	
	2021	**2020**
Revenues recognized *at a point in time*	297	801
Revenues recognized *over time*	2.199	3.976
Total revenues from contracts with customers	**2.496**	**4.778**

Detail by geographical area

Figures in thousands of euros	Year ended 31 December	
	2021	**2020**
USA	2.190	3.592
European Union	306	801
Extra EU (Switzerland)	-	385
Total revenues from contracts with customers	**2.496**	**4.778**

Detail by product or service type

Figures in thousands of Euros	Year ended 31 December	
	2021	2020
Product Development 1	1.922	3.051
Encoded Self-Assembling Chemical (ESAC) Services	258	538
Good Manufacturing Practices (GMP) Services	306	1.188
Transfer of license right	10	-
Total revenues from contracts with customers	**2.496**	**4.778**

Details of the customers that generate revenues for the Group in excess of 10% of total revenues from contracts with customers, as required by IFRS 8, note no. 30, are provided below:

Figures in thousands of Euros	Year ended 31 December			
	2021	*Inc.*	2020	*Inc.*
Customer 1	1.922	*77%*	3.052	*64%*
Customer 2	-	-	801	*17%*
Customer 3	258	*10%*	540	*11%*
Customer 4	312	*12%*	-	-
Other clients < 10%	4	-	385	*8%*
Total revenues from contracts with customers	**2.496**	***100%***	**4.778**	***100%***

Other income

Figures in thousands of Euros	Year ended 31 December	
	2021	2020
Operating grants	2.394	1.540
Miscellaneous income	74	27
Total other income	**2.468**	**1.567**

Other income consists primarily of operating grants and research subsidies, relating primarily to research projects co-financed by the European Community and the Region of Tuscany, and tax credits relating to tax benefits provided for by Italian legislation.

The increase of approximately Euro 901 thousand in other income, is mainly due to the allocation in the year ended December 31, 2021 (i) from the 2021 Research and Development Tax Credit amounting to Euro 1,933 (Euro 1.019 in the year ended December 31, 2020) as a reflection of the higher research and development costs incurred and (ii) from the tax credit for leases, amounting to € 195 thousand, provided for by Decree Law 73/2021 (so-called *Decree Support bis*), a new government intervention to support the economic system still affected by the economic crisis due to the Covid-19 pandemic.

6. Operating costs

Details of operating expenses as of December 31, 2021 and December 31, 2020 are shown below:

Figures in thousands of Euros	Year ended 31 December	
	2021	2020
Purchases of raw materials and consumables	1.652	1.233
Costs for services	8.980	8.599
Costs for use of third party assets	123	59
Personnel costs	8.944	6.922
Depreciation	1.862	1.496
Other operating costs	178	173
Total operating costs	**21.739**	**18.474**

Costs for the purchase of raw materials and consumables

Costs for the purchase of raw materials and consumables, amounting to € 1,652 thousand for the year ended December 31, 2021 (€ 1.233 thousand in the previous year), are mainly attributable to the cost of materials used for the laboratories, the change in which is linked to the production activities of the drug for ongoing clinical trials and/or for the production of antibodies on behalf of third parties as well as the need for advance procurement to deal with delays in deliveries, caused by the Covid-19 emergency (for more information see paragraph 6 of the report on operations.

Costs for services

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

Figures in thousands of euros	Year ended 31 December	
	2021	2020
Costs related to Clinical Centers and CROs	2.747	2.015
Outsourcing services for research and development activities	913	1.819
IPO costs	1.200	-
Remuneration of corporate bodies (net of contributions)	987	2.868
Social contributions on remuneration of corporate bodies	80	111
Management by objectives (MBO)	115	-
Corporate and consulting expenses	854	638
Utilities and overheads	758	323
Other costs for services	1.326	825
Total costs for services	**8.980**	**8.599**

Costs for services mainly comprise costs relating to the Group's operating activities, i.e. costs incurred for trials at clinical centers and costs relating to outsourced research and development services. The most significant changes are:

(i) The change of € 732 thousand in costs relating to services for research and development activities is attributable to higher costs incurred in 2020 for some preclinical activities requested, on a one-off basis, by the FDA for a product under development in the USA;

(ii) The total IPO costs incurred in the first half of 2021 amounted to approximately Euro 4,800 thousand, of which Euro 1,200 thousand are to be charged directly to the income statement as they are attributable to the general process of listing the Company and the remainder as a reduction of the Share Premium Reserve. In order to cover the expenses incurred for the IPO process, the Company applied for the tax credit for SMEs listed on regulated markets. The application is currently being examined;

(iii) The decrease in compensation for corporate bodies, amounting to approximately €1,797, is mainly due to the allocation, in the year ended December 31, 2020 of the *bonus* provided for a member of the Board of Directors by the incentive plan approved on March 26, 2020 and amended on November 25, 2020 by agreement between the parties due to his operational commitment to the development of certain products. The *bonus* was paid in March 2021 following the successful listing of the Company;

(iv) MBO amounting to 115 thousand euros as at December 31, 2021, corresponds to the allocation of the monetary incentive plan envisaged for executive directors as from April 1, 2021. For further details on the plan, please refer to paragraph 4.5 of the management report ;

(v) The increase in corporate expenses in the year ended December 31, 2021 was due to higher post-listing operating expenses of the Company;

(vi) The increase in utilities, overhead and service costs is related to the increase in company size, the increase in activities and personnel and the resulting increase in overhead costs.

Costs for use of third party assets

Lease and rental costs amounted to EUR 123 thousand in the financial year ended 31 December 2021. This item includes rental costs, exclusively with reference to leases with a duration of less than twelve months and leases with a small amount (excluded from the scope of application of IFRS 16) and variable fees related to ancillary expenses quantified on an actual basis, which are also not included in the calculation of the financial liability and the related right of use pursuant to IFRS 16. In view of the increase in the number of staff in the year under review (for the precise increase in the number of staff in the year ended December 31, 2021, reference should be made to paragraph 16 of the Management Report on

Operations), there was an increase in the cost of leases and rentals, attributable to the higher costs incurred for new contracts for company licenses/software with a duration of less than one year.

Personnel costs

Details of the composition of personnel costs for the years ended December 31, 2021 and December 31, 2020 of the Group are set forth below:

Figures in thousands of Euros	Year ended 31 December	
	2021	2020
Wages and Salaries	7.210	5.660
Personnel costs for group incentive plans	21	-
Social charges	1.467	1.073
Provision for severance indemnities	246	189
Total personnel costs	**8.944**	**6.922**

The increase in payroll costs of €2,022 thousand is primarily due to the increase in the average number of employees, as shown in the following table.

	December 31, 2021	December 31, 2020	Change
Average number of employees	121	106	15

For the precise number of employees as of December 31, 2021 and December 31, 2020, please refer to paragraph 16 of the management report.

In addition, effective January 1, 2021, as per the resolution of the Board of Directors of December 16, 2020, the three executive members of the Board of Directors were appointed as strategic executives, pursuant to the reorganization of corporate governance following the listing process.

Finally, for further details on the incentive plan, please refer to paragraph 4.5 of the Management Report and Note 27 to the consolidated financial statements.

Depreciation

A breakdown of "Depreciation and amortization" for the years ended December 31, 2021 and December 31, 2020 is provided below:

Figures in thousands of euros	Year ended 31 December	
	2021	2020
Amortization of intangible assets	283	168
Depreciation of property, plant and equipment	780	546
Amortization of assets for right of use	799	781
Total depreciation	**1.862**	**1.496**

The increase in amortization and depreciation, specifically in the item "Depreciation of property, plant and equipment", in the year ended December 31, 2021, primarily reflects the investments made during the year for the construction and equipping of the new facility in Rosia (Siena) as well as the maintenance of the site in Montarioso (Siena).

Other operating costs

The following is a breakdown of "Other operating expenses" for the years ended December 31, 2021 and December 31, 2020:

Figures in thousands of Euros	Year ended 31 December	
	2021	2020
Membership fees	33	34
Company vehicle costs	8	13
Taxes and fees	56	14
Representation expenses	27	21
Other operating costs	54	91
Total other operating costs	**178**	**173**

Other operating expenses are primarily attributable to contingent liabilities and other operating expenses. The change is primarily due to (i) the increase in taxes and duties during the year ended December 31, 2021, in connection with the annual charges due to the Italian Stock Exchange on the Company's market capitalization and (ii) the reduction in other operating expenses primarily related to extraordinary costs.

7. Financial income and expenses

Finance income and expenses are comprised as follows:

Figures in thousands of Euros	Year ended 31 December	
	2021	2020
Financial income		
Capital gains from the disposal of financial assets	164	1.085
Capital gains from the valuation of financial assets at *fair value*	1.713	463
Profits on exchange rates	704	631
Financial income	**2.581**	**2.179**
Financial charges		
Losses from valuation of financial assets at *fair value*	(17)	(843)
Losses on disposal of financial assets	(19)	(507)
Interest payable on leasing	(347)	(358)
Interest payable on bank loans	(52)	(33)
Interest cost for employee benefits	(4)	(6)
Foreign exchange losses	(607)	(722)
Financial charges	**(1.046)**	**(2.469)**
Total financial income (expense)	**1.535**	**(290)**

The net financial management result for the year ended December 31, 2021 was a positive €1,535 thousand, compared to the year ended December 31, 2020, which showed a negative net financial management balance of €290 thousand.

The main impact on net financial management in the year ended December 31, 2021 relates to net gains recognized on financial assets measured at *fair value in the* amount of €1,696 thousand due to the positive performance of the financial markets, compared to a negative market performance in the year ended December 31, 2020, where the *fair value* measurement shows a loss of approximately €380 thousand related to the effects of the Covid-19 pandemic.

8. Taxes

The Group has made provisions for taxes on the basis of the application of current tax laws. Current taxes refer to taxes for the period as estimated in the financial statements, whilst current legislation provides for tax returns to be submitted in the second half of the following year, with consequent possible updates to the calculation that could result in differences being recorded in the subsequent period.

The following table provides a breakdown of income taxes recorded for the year ended December 31, 2021 and December 31, 2020:

Figures in thousands of Euros	Year ended 31 December	
	2021	2020
Current taxes	(8)	(7)
Deferred taxes	(477)	(859)
Total taxes	**(485)**	**(866)**

Deferred taxes refer exclusively to the reversal of the tax effects recorded at the time of transition to IAS/IFRS. Changes during the period are shown in the relevant tables below.

Reconciliation of effective tax rate

A reconciliation between the tax expense from the consolidated financial statements and the theoretical tax expense determined based on the IRES rate applicable to the Group for the years ended December 31, 2021 and 2020, respectively, is presented below:

Figures in thousands of Euros	Year ended 31 December	
	2021	2020
Profit before tax	(15.240)	(12.419)
Theoretical tax rate	-24,0%	-24,0%
Theoretical IRES tax charge (A)	**3.658**	**2.981**
Adjustments for:		
Effect		
Fiscal effect on Research and Development credit facility	464	245
Fiscal effect on credit facility for leases	47	-
Fiscal effect on credit facility for Industry 4.0	-	11
Tax effect on unrecognized tax losses	(5.103)	(3.662)
Tax effect on other increases (decreases)	(347)	(322)
Tax effect of IPO costs on equity	872	-
Reversal of temporary differences for IRAP purposes	(75)	(119)
Total adjustments (B)	**(4.142)**	**(3.847)**
Total effective income taxes (A+B)	**(485)**	**(866)**
Effective tax rate	***3,2%***	***7,0%***

As of 2015, the Parent Company benefits from the tax credit recognized pursuant to Decree Law 145/2013 (as amended) for investments made in research and development activities.

In addition, starting in fiscal year 2020, the Parent Company benefits from the Industry 4.0 credit introduced by Law No. 160 of December 27, 2019, replacing the super and hyper-amortization regime, which consists of a tax credit for investments incurred by the Company in the year of reference in a variable percentage based on the nature of the investment.

The tax benefits described above result in a decreasing change for purposes of calculating taxable income of a permanent nature.

As a result of the benefits described above, the Group has estimated, for the years ended December 31, 2021 and December 31, 2020, prior tax losses of more than € 35 million (for a tax benefit of approximately € 8.5 million) on which, however, it was decided not to recognize deferred tax assets in view of the uncertainties that characterize research and development activities and consequently the possibility of having convincing evidence of 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, 2020 and from January 1 to December 31, 2021 are provided below, the balances of which originate exclusively from the transition entries to IAS/IFRS:

Figures in thousands of euros	Book value as at 1 January 2020	Use	Acc.to	Gearbox effect	Book value as at 31 December 2020
Deferred tax assets					
Liabilities from contracts with customers	2.107	(948)	-	1	1.159
Intangible assets	1	-	-	-	1
Right-of-use activity	-	-	5	-	5
IAS 19 reserve (recorded in the comprehensive income statement)	8	-	3	-	11
Total Deferred tax assets	**2.115**	**(948)**	**8**	**1**	**1.176**
Deferred tax liabilities					
Other financial assets	142	(131)	-	(1)	10
Intangible assets	178	-	11	2	191
Activities from contracts with customers	-	-	34	-	34
Total deferred tax liabilities	**320**	**(131)**	**45**	**1**	**234**

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

Uncertainties regarding the accounting treatment to be applied to taxes

It should be noted that as of December 31, 2021, there are no disputes with tax authorities that could generate uncertainties regarding the treatment of income taxes.

9. Earnings per share

The calculation of basic earnings per share was based on earnings attributable to holders of common stock and the weighted average number of common shares outstanding during the year ended December 31, 2021 and December 31, 2020.

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

The income and stock information used in the calculation of basic and diluted earnings per share is presented below:

Figures in thousands of euros	Year ended 31 December	
Basic and diluted earnings (loss) per share	**2021**	**2020**
Profit (Loss) for the period - in Euro thousands (A)	(15.725)	(13.285)
Weighted average number of ordinary shares in circulation (B)	39.644.514	35.550.000
Weighted average number of dilutive potential ordinary shares outstanding (C)	167.123	1.000.000
Weighted average number of outstanding share options granted (D)	-	-
Weighted average number of shares outstanding adjusted for dilution effects (E=B+C+D)	39.831.637	36.550.000
Basic earnings (loss) per share - in Euro (A/B*1000)	(0,39)	(0,37)
Diluted earnings (loss) per share - in Euro (A/C*100) (*)	(0,39)	(0,37)

(*) Note that the diluted loss per share for the year ended December 31, 2020 and December 31, 2021 was determined without considering the instruments referred to in (C) above because there was a loss for the year.

(C) The number of dilutive potential shares of common stock as of December 31, 2020 totaled 1,000,000, as each performance share, special share 1 and special share 2 could be converted at the rate of 6 shares of common stock, special share or performance share. Conversion of these shares to common stock occurred with the listing. As of December 31, 2021, such value was weighted for the days from January 01, 2021 to March 03, 2021, the date of the Company's listing.

(D) The weighted average number of outstanding granted share options potentially amounting to 145 thousand Units at December 31, 2021, has been considered for calculation purposes as 0, since, in accordance with IAS 33, at the end of the year these instruments did not have the necessary characteristics to be issued. For further information, reference should be made to note no. 20 of the consolidated financial statements.

Assets

10. Property, plant and equipment

Changes in property, plant and equipment from January 1 through December 31, 2020 and January 1 through December 31, 2021 are shown below:

Figures in thousands of Euros	Plants and machinery	Industrial and commercial equipment	Leasehold improvements	Other tangible assets	Construction in progress and advances	Total
Historical cost	1.699	5.436	61	665	616	8.476
Depreciation fund	(1.270)	(4.440)	(5)	(513)	-	(6.229)
Net book value as at 01 January 2020	**429**	**995**	**56**	**152**	**616**	**2.248**
Increases	73	826	18	19	2.519	3.454
(Decreases)	-	-	-	-	-	-
Reclassifications	823	-	-	25	(848)	-
Depreciation	(142)	(344)	(7)	(55)	-	(547)
Exchange rate effects (historical cost)	1	10	(0)	32	3	45
Exchange rate effect (accumulated depreciation)	(0)	(6)	0	(31)	-	(37)
Historical cost	2.595	6.271	79	740	2.290	11.976
Depreciation fund	(1.412)	(4.790)	(12)	(599)	-	(6.813)
Net book value as at 31 December 2020	**1.183**	**1.481**	**67**	**141**	**2.290**	**5.163**
Increases	211	2.675	102	203	3.359	6.550
(Decreases)	-	-	-	-	-	-
Reclassifications	185	-	-	-	(185)	-
Depreciation	(181)	(518)	(15)	(65)	-	(779)
Exchange rate effects (historical cost)	49	91	-	9	-	149

Exchange rate effect (accumulated depreciation)	(11)	(82)	-	(6)	-	(99)
Historical cost	3.040	9.038	181	952	5.464	18.675
Depreciation fund	(1.604)	(5.390)	(27)	(670)	-	(7.691)
Net book value as at 31 December 2021	**1.437**	**3.647**	**154**	**282**	**5.464**	**10.984**

Plant and machinery mainly refer to the fitting out of laboratories instrumental to operations.

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

Other tangible assets mainly refer to company cars and furniture and fittings. Company cars are partly used for mixed purposes by employees, partly allocated to certain members of the Board of Directors and partly at the disposal of company personnel.

Assets in progress and advances mainly show the amounts paid for the construction of the new GMP plant, as well as the reactivation and *revamping* of the current research and development and quality control laboratories at the Rosia (Siena) facility, activities which began in 2020. The aforementioned project for the expansion of the Rosia (Siena) site involves the construction of a new biotechnology "GMP" plant including all the advanced technology and automated systems and equipment, for a total value of approximately € 12 million, financed partly with the Group's liquidity and partly through loans taken out with Gruppo Banca Intesa at the end of 2020 (see note no. 22 for further details). During the year ended December 31, 2021, the company made investments, related to the construction of the new GMP plant, of approximately €6,550 thousand (in the year ended December 31, 2020, the company made investments mainly related to the construction of the new GMP plant of approximately €2,519 thousand). The total investments, for the new "GMP" facility, made between 2020 and 2021 amount to more than Euro 9 million. It is therefore expected that there will be a residual investment of approximately € 3 million in 2022.

11. Intangible assets

Changes in intangible assets from January 1 to December 31, 2020 and from January 1 to December 31, 2021 are shown below:

Figures in thousands of Euros	Patent and intellectual property rights	Concessions, licenses, trademarks and similar rights	Total
Historical cost	2.276	115	2.391
Depreciation fund	(1.345)	(104)	(1.449)
Book value as at 01 January 2020	**931**	**10**	**941**
Increases	190	5	195
(Decreases)	-	-	-
Depreciation	(166)	(10)	(175)
Exchange rate effect	(1)	-	(1)
Historical cost	2.483	120	2.604
Depreciation fund	(1.528)	(114)	(1.642)
Book value as at 31 December 2020	**955**	**6**	**961**
Increases	170	98	268
(Decreases)	-	-	-
Depreciation	(258)	(25)	(283)
Exchange rate effect	4	0	4
Historical cost	2.451	218	2.893
Depreciation fund	(1.580)	(139)	(1.943)
Net book value as at 31 December 2021	**871**	**79**	**950**

As of December 31, 2021, the Group holds over 40 international patent families and over 100 valid national patents. The increases recorded in 2021, amounting to 170 thousand Euros, relate to the expenses incurred by the Group for the filing of new patent applications and for their nationalisation, in order to acquire the exclusive right to exploit inventions relating to new cancer applications in specific countries of the World.

Concessions, licenses and trademarks primarily include the cost of corporate software licenses.

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

12. Right-of-use assets and lease liabilities

The principal balance sheet information regarding 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	11.221	100	43	11.363
Depreciation fund	(311)	(30)	(37)	(378)
Book value as at 01 January 2020	**10.910**	**70**	**6**	**10.985**
Increases	-	-	68	68
(Decreases)	-	-	-	-
Depreciation	(725)	(33)	(23)	(781)
Gearbox effect	16	-	-	16
Historical cost	11.236	100	111	11.446
Depreciation fund	(1.035)	(63)	(60)	(1.158)
Book value as at 31 December 2020	**10.201**	**37**	**51**	**10.288**
Increases	393	-	-	393
(Decreases)	-	-	-	-
Depreciation	(747)	(30)	(22)	(799)
Gearbox effect	123	-	-	123
Historical cost	11.770	100	68	11.939
Depreciation fund	(1.801)	(93)	(39)	(1.933)
Book value as at 31 December 2021	**9.969**	**7**	**29**	**10.005**

Right-of-use assets as of December 31, 2021 are primarily attributable to the leasing of properties used by the Group to manage its operations. In particular, during 2019, a project for the functional and structural reorganization of the Group was implemented through which the real estate business was separated from the Group's operating business. At the same time, lease agreements were entered into for the properties, resulting in the recognition of assets for rights of use and the related financial liabilities in accordance with IFRS 16.

Changes in financial lease liabilities from January 1 through December 31, 2020 and January 1 through December 31, 2021 are provided below:

Figures in thousands of Euros	
Lease liabilities as of January 01, 2020	**12.627**
Increases	68
Decreases	-
Capital repayments	(736)
Exchange rate effect	22
Lease liabilities as at 31 December 2020	**11.981**
Increases	393
Decreases	-
Capital repayments	(738)
Exchange rate effect	207
Lease liabilities as at 31 December 2021	**11.842**
Of which current	743
Of which non-current	11.099

The following table provides a reconciliation of cash outflows with respect to leases for the period ended December 31, 2021 and 2020:

Figures in thousands of Euros	Year ended 31 December	
	2021	2020
Real estate capital share	708	646
Interest expense for leasing (real estate)	345	353
Capital share cars	22	41
Interest expense for leasing (cars)	1	4
IT services capital share	8	49
Interest expense for leasing (IT services)	1	1
Total cash outflows for *leasing*	**1.085**	**1.094**

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

i. for leases relating to buildings, motor vehicles and IT services leased to the Parent Company, a discount rate of 2.73%;
ii. for the lease relating to the building leased to the Swiss subsidiary, Philochem AG, a discount rate of 3.10%.

As of December 31, 2021, the Group has not identified any indicators of impairment with respect to right-of-use assets.

Impairment test

We point out that, as of December 31, 2021, no elements have emerged such as to lead the Directors to believe that the reasons that led to the recognition of property, plant and equipment, intangible assets and rights of use had been disregarded; furthermore, no further indicators of impairment have emerged that would have led the Directors to believe that there might be a reduction in the value of property, plant and equipment, intangible assets and assets for rights of use; consequently, it has not been necessary to carry out impairment tests on the value recorded in the financial statements.

13. Inventories

Details of inventories are as follows:

Figures in thousands of Euros	December 31 2021	December 31 2020
Raw materials and consumables	1.295	774
Total inventories	**1.295**	**774**

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

As at December 31, 2021 inventories, amounting to 1,295 thousand euros, show an increase mainly due to the increased procurement of consumables used in the Group's operating activities.

14. Contract assets and liabilities

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

Assets arising from contracts are entered under assets net of the corresponding liabilities if, on the basis of an analysis conducted contract by contract, the gross value of the assets carried out at the date exceeds the down payments received from clients. Conversely, if the advance payments received from customers exceed the related contract assets, the excess is recognized as a liability.

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

Contracts with positive net balance

Figures in thousands of Euros	December 31 2021	December 31 2020
Advances received from customers	(1.459)	(1.609)
Revenues recognized on advances received	1.546	1.816
Contract activities with net customers	**87**	**207**

Contracts with negative net balance

Figures in thousands of Euros	December 31 2021	December 31 2020
Advances received from customers	11.774	11.774
Revenues recognized on advances received	(9.541)	(7.619)
Net customer contract liabilities	**2.233**	**4.155**

Payments on account received from clients 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 the related contract costs (revenues recognized on payments on account).

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

Liabilities from contracts with customers are classified under current liabilities as the Group expects to complete *performance obligations over the* next 12 months.

15. Trade receivables

The item "Trade receivables" breaks down as follows:

Figures in thousands of Euros	December 31 2021	December 31 2020
Receivables due from clients	688	515
Total trade receivables	**688**	**515**

At December 31, 2021, trade receivables from customers amounted to € 688 thousand, an increase of approximately 34% compared to December 31, 2020. The change is attributable to third-party production contracts signed in 2021. It should be noted that, in accordance with the international accounting standard IFRS 15, the invoicing of activities does not necessarily coincide with the revenue, if the consideration is recognized *over time*.

Past due receivables are monitored by the administrative department through periodic analyses of the main positions. The estimate of the expected loss pursuant to IFRS 9 (*"Expected Credit Loss"*) is not significant in view of the type of Group customers, the contractual terms envisaged and the timing of credit collection.

Breakdown of receivables posted to current assets by geographical area

The following table shows the breakdown of receivables posted to current assets by geographical area.

Figures in thousands of Euros	Geographical area	
	December 31 2021	December 31 2020
Italy	179	-
European Union	198	509
Extra European Union (USA)	-	6
Extra European Union (Other)	311	-
Total trade receivables	**688**	**515**

16. Tax receivables and payables

The item "Tax credits" breaks down as follows:

Figures in thousands of Euros	December 31 2021	December 31 2020
Various tax credits	2.950	2.138
VAT credits	2.750	1.338
Other tax receivables	40	336
Total tax receivables	**5.740**	**3.812**

As of December 31, 2021, "Miscellaneous tax credits" include:

- research and development tax credit year 2021 for € 1,933 thousand whose compensation will be in three annual instalments of the same amount, in compliance with the reference legislation (art. 1 paragraph 200 Law 160 of December 27, 2019 and subsequently amended by art. 1 paragraph 1064 Law 178 of December 30, 2020);

- research and development tax credit year 2020 for € 592 thousand (total 2020 research and development tax credit, amounting to € 1,019 thousand) relating to the remaining part to be offset in 2022 and 2023 in compliance with the reference legislation (art. 1 paragraph 200 Law 160 of December 27, 2019);

- industry 4.0 credit, relating to generic assets that became operational during the year ended December 31, 2021, in the amount of €193 thousand;

- lease credit 2021 for € 195 thousand provided for by Law Decree 73/2021 (so-called *Support Decree bis*), a new government intervention to support the economic system still affected by the economic crisis due to the Covid-19 pandemic.

The item "VAT receivables" as of December 31, 2021 shows an increase of approximately 1,412 Euros compared to the previous year due to the higher costs incurred during 2021 mainly for the investments related to the new GMP facility at the Rosia (Siena) site. It should be noted that the Company purchases mainly in Italy and sells mainly abroad, which means that VAT credits cannot be offset against VAT debits.

Other tax receivables primarily include receivables for withholding tax.

The item "Taxes payable" breaks down as follows:

Figures in thousands of Euros	December 31 2021	December 31 2020
Due to tax authorities for withholdings	193	169
Other tax payables	116	193
Total taxes payable	**309**	**362**

The Group has estimated a current tax liability of zero.

Other tax payables mainly include the amount due to the tax authorities accrued as a result of an assessment that ended with a settlement in December 2019. The Company has decided to accrue the tax payable with quarterly payments, with the possibility of offsetting with other taxes.

17. Other current financial assets

An analysis of changes in other current financial assets is provided below:

Figures in thousands of Euros	Other current financial assets
Book value as at 01 January 2020	**70.962**
Increases	8.005
(Decreases)	(28.471)
Gains/losses from *fair value* adjustment	(380)
Change in accrued income on coupons	(132)
Book value as at 31 December 2020	**49.984**
Increases	42.860
(Decreases)	(1.743)
Gains/Losses from *fair value* adjustment	1.696
Book value as at 31 December 2021	**92.797**

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

The item "Other current financial assets" includes:

i. the balance relating to securities held in the portfolio, consisting of insurance policies, equity instruments and fund units, which are held to collect contractual cash flows and to sell and whose contractual terms do not provide exclusively for repayment of principal and payment of interest on the principal amount to be repaid (i.e. which do not pass the so-called "SPPI test"), which have been obligatorily measured at *fair value* with an impact recorded in the profit (loss) for the period (FVTPL);
ii. the balance relating to the bond segment of the outstanding portfolio, included in the "Other" Business Model, which are measured at *fair value* with an impact recorded in the profit (loss) for the period (FVTPL).

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

Figures in Euro thousands	December 31, 2021	31 December2020
Financial assets held for collection		
Held to collect and sell cash flows		
Actions	2.285	3.159
Funds	7.191	4.917
Insurance investment products	82.815	41.552
Total	**92.291**	**49.628**
Other financial assets (Other)		
Bonds and Certificates	506	356
Total	**506**	**356**
Total other current financial assets	**92.797**	**49.984**

With regard to insurance investment products, amounting to Euro 82,815 thousand in the year ended 31 December 2021 (Euro 41,552 thousand as at 31 December 2020), the Group has signed three investment contracts, whose contractor and sole beneficiary is Philogen S.p.A., with three different insurance companies.

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

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

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

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

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

- 7 million euros in a separate management (Branch I) managed by the Company with annual yield capitalization. The management mainly invests in bonds, including government and supranational securities. The management can be partially or totally liquidated at any time starting from the twelfth month from the original investment.

- 3 million euros divided equally between two internal funds (Ramo III), one of which is a bond fund and the other a predominantly equity fund. The two funds can be liquidated at any time. The financial instruments described above can be redeemed promptly at the request of the beneficiary .

During the year ended December 31, 2021, the net *fair value* of non-current financial assets was €1,696 consisting of (i) €1,713 thousand gain on valuation of financial assets at *fair value and* (ii) €17 thousand loss on valuation of financial assets at *fair value*.

18. Other current assets

The item "Other current assets" is made up as follows:

Figures in thousands of euros	December 31, 2021	31 December2020
Other current receivables	457	529
Other current assets	196	106
Other current assets	**653**	**635**

Other current receivables primarily refer to advances to third-party suppliers and sundry receivables.

Other current assets mainly include prepaid expenses relating to costs incurred in advance and recorded in the financial statements for the relevant portion.

19. Cash and cash equivalents

A breakdown of cash and cash equivalents is provided below:

Figures in thousands of euros	December 31, 2021	31 December2020
Bank and postal deposits	8.879	11.957
Cash and valuables on hand	1	1
Cash and cash equivalents	**8.880**	**11.958**

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

The following are changes in cash and cash equivalents that occurred during the year ended December 31, 2021:

Figures in thousands of Euros	Cash and cash equivalents
Book value as at 31 December 2020	11.958
Fusion	560
Change during the period	(3.638)
Book value as at 31 December 2021	**8.880**

Refer to the Statement of Cash Flows for more details on the change in cash flows for the period ended December 31, 2021.

Shareholders' equity and liabilities

20. Equity

A statement of changes in consolidated shareholders' equity as of December 31, 2021 is included in the financial statements section.

As already mentioned in the introduction, on 3 March 2021 the Company was admitted to listing on the Electronic Equity Market organised and managed by Borsa Italiana S.p.A.. More specifically, 4,061,111 shares were issued, corresponding to approximately 10% of the share capital as at the start of trading, at a price of EUR 17 each.

A. Share capital and shares

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

Categories of Shares	December 31, 2021
Ordinary shares (listed on the MTA market)	29.242.861
Special shares with multiple voting rights (Class B)	11.368.250
Total	**40.611.111**

The Parent Company has not issued any beneficial shares.

The main characteristics of the types of shares listed above are outlined below.

Ordinary shares

Ordinary shares are registered, indivisible, freely transferable and confer on their holders equal rights. In particular, each ordinary share confers the right to one vote at the Company's ordinary and extraordinary Shareholders' Meetings, as well as other property and administrative rights pursuant to the articles of association and the law.

Multi-voting shares

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

a) grant a voting right at the meeting equal to 3 votes;
b) are automatically converted into Ordinary Shares at the rate of one Ordinary Share for each Multiple Voting Share (without the need for a resolution by either the special meeting of shareholders holding Multiple Voting Shares or the Company's shareholders' meeting) in the event of a change of control of the Company or the transfer of Multiple Voting Shares to persons who do not already hold Multiple Voting Shares
c) may be converted, in whole or in part, including in several *tranches,* into Ordinary Shares at the simple request of the holder of the same, to be sent to the Chairman of the Board of Directors and in copy to the Chairman of the Board of Statutory Auditors, in the ratio of one Ordinary Share for each Multiple Voting Share.

B. Nature and purpose of reserves

A breakdown of shareholders' equity is provided below, indicating the nature and purpose of the reserves:

Figures in thousands of euros	Nature	Possibility of use	December 31 2021	31 December2020
Capital			5.731	5.158
Negative reserve for own shares(*)			(537)	-
Share premium reserve(**)	Capital	A, B, C	119.749	54.918
Legal reserve	Profits	A, B	892	892
FTA Reserve	Profits	A, B	(1.265)	(1.265)
Merger surplus reserve	Capital	A, B	449	50
Actuarial gains/losses reserve	Profits	A, B	(99)	(30)
Cash-flow hedge reserve	Profits	A, B	(5)	-
Reserve from translation differences	Profits	A, B	1.048	1.123
Earnings reserve restricted to capital increase to service Stock Grant Plan 2024-2026 (***)	Profits	A	(124)	-
Share-based payment reserve(****)	Profits	A	21	-
Profit (loss) carried forward	Profits	A, B, C	(5.049)	8.113
Profit (loss) for the year			(15.725)	(13.285)
Shareholders' equity			**105.087**	**55.673**

(*) The Negative reserve for treasury shares includes the value of the shares purchased by the Company in accordance with the purchase program approved by the Board of Directors on November 24, 2021 (paragraph 4.6 Management report)
(**) The Share premium reserve represents the share capital increase through the listing of the Company net of the costs of the IPO process recorded directly in equity, equal to approximately € 3.6 million.
(***) Earnings reserve restricted to the increase in share capital, free of charge and divisible, to service the 2024-2026 Stock Grant Plan. The reserve will remain restricted to service the plan until the final subscription date, December 31, 2026 (section 4.5 Management Report).
(****) The Share-based Payment Reserve includes the fair value of shares granted under the 2024-2026 Stock Grant Plan, First Cycle. Refer to section 4.5 of the Management's Report on Operations and Note 27 to the Consolidated Financial Statements for further information.

Legend:
A) For capital increase
B) To cover losses
C) For distribution to members

C. Incentive plan with share-based payment

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

In order to service the above-mentioned Plan, the Shareholders' Meeting also approved the free share capital increase in divisible form, pursuant to art. 2349 of the Italian Civil Code, to be carried out by the deadline of 31 December 2026, for a maximum amount of EUR 123. 974 thousand, to be fully allocated to the share capital and to set up a specific reserve for the same amount, taking it from the retained earnings reserve, called "Retained earnings reserve". 974 thousand, to be charged in full to the share capital, and to set up a specific reserve for the same amount, taking it from the retained earnings reserve, called "Retained earnings reserve for the 2024-2026 Stock Grant Plan", which will remain tied up to service the free share capital increase until the final subscription date.

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

The reserve as of December 31, 2021 represents the *fair value* of the shares to be granted to the beneficiaries identified by the Board of Directors, on September 28, 2021, during the first year related to the first three-year cycle (2021-2024).

See Note 27 to the consolidated financial statements for additional information.

D. Purchases of own shares

On November 24, 2021, the Ordinary Shareholders' Meeting authorized the Company to purchase treasury shares in order to (i) support the liquidity of Philogen S.p.A.'s stock; (ii) operate with a view to medium- and long-term investment, intervening both on the market and outside it; (iii) set up a securities warehouse, in order to dispose of treasury shares in the context of agreements with strategic partners and/or corporate/financial operations of an extraordinary nature; (iv) meet the obligations deriving from incentive plans, against payment or free of charge, in favour of company representatives, employees or collaborators of the Group (for more detailed information on the treasury share purchase program, please refer to paragraph 4.6 of the Management Report on Operations).

21. Employee benefits

This item includes all pension obligations and other employee benefits, subsequent to termination of employment or to be paid upon maturity of certain requirements, and is represented by the provisions for severance indemnities relating to the staff of the Parent Company. Liabilities for severance indemnities amounted to € 1,033 thousand for the year ended December 31, 2021 (€ 847 thousand for the year ended December 31, 2020). Changes for the year ended December 31, 2021 and December 31, 2020 are shown below:

Figures in thousands of Euros	December 31, 2021	31 December2020
Balance at the beginning of the period	847	803
Uses	(36)	(66)
Provision for severance indemnities	121	94
Financial charges	5	6
Actuarial gains/(losses)	96	10
Total employee benefits	**1.033**	**847**

Provisions for staff expenses represent an estimate of the obligation, determined on the basis of actuarial techniques, relating to the amount payable to employees on termination of employment. At December 31, 2021 and December 31, 2020, the provisions for employee benefits refer to the Employee Severance Indemnity (hereinafter "TFR") set aside and allocated to employees.

In application of IAS 19, the valuation of Severance Indemnity has been carried out using the method laid down in the recent provisions on the subject introduced by the National Order of Actuaries in conjunction 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 shown below:

Economic recruitment	December 31, 2021	31 December2020
Annual inflation rate	1,75%	0,80%
Annual discount rate	0,98%	0,34%
Annual rate of increase in severance pay	2,81%	2,10%

Annual frequency of turnover and severance indemnity advances	December 31, 2021	31 December2020
Frequency of advances	2,00%	2,00%
Frequency of turnover	10,00%	10,00%

Demographic assumptions	December 31, 2021	December 31, 2020
Death	RG48 mortality tables published by the State General Accounting Office	RG48 mortality tables published by the State General Accounting Office
Inability	INPS tables broken down by age and sex	INPS tables broken down 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

22. Current and non-current financial liabilities

The following table shows the changes in current and non-current financial liabilities during the year ended December 31, 2020 and December 31, 2021:

Figures in thousands of euros	**Amount**
Financial liabilities as at 01 January 2020	**1.200**
Financing	5.011
Capital repayments	(488)
Exchange rate effect	-
Financial liabilities as at 31 December 2020	**5.723**
Financing	-
Financial liabilities from hedging derivatives	6
Interest on loans	7
Capital repayments	(1.074)
Exchange rate effect	(11)
Financial liabilities as at 31 December 2021	**4.651**
Of which current	1.064
Of which non-current	3.587

Figures in thousands of Euros	**December 31 2020**	**December 31 2020**
Current financial liabilities	1.064	1.094
Non-current financial liabilities	3.587	4.629
Total financial liabilities	**4.651**	**5.723**

Financial liabilities are represented by:

- subsidised loan at a rate of 1.70% under the Sabatini Law, amounting to € 236 thousand as at December 31, 2021 and € 709 thousand as at December 31, 2020. The decrease compared to December 31, 2020 is attributable to the repayment of the principal carried out during the year 2021.

- medium/long-term loan with Banca Intesa S.p.A. (formerly UBI Banca S.p.A), amounting to Euro 4,393 thousand as at 31 December 2021, and Euro 5,000 thousand as at 31 December 2020. The decrease compared to 31 December is due to the repayment of the principal amounts during the year 2021. It should be noted that the two loans were stipulated on January 5, 2021, for a total amount of Euro 5,000 thousand and are broken down as follows:

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

  (ii) a loan amounting to 2,650 thousand Euros, with expiry date on 7 April 2024, with a variable rate equal to the 3-month EURIBOR rate, increased by a spread of 1.15%.

The amount of the two loans was disbursed as a pre-funding on November 26, 2020.

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

Existing loans require compliance with certain financial and commercial parameters ("*covenants*"). The commercial covenants will be tested beginning with the consolidated financial statements for the year ended December 31, 2021 and the financial covenants beginning with the consolidated financial statements for the year ended December 31, 2022 and require compliance with the following ratios:

-ratio of net debt to EBITDA equal to or less than 2;

-shareholders ' equity equal to or greater than EUR 50 million.

Failure to comply with the *covenants* described above does not entail early repayment of the loans, but does result in an increase in the spread component of the interest rate, which will be raised by a further 0.50%.

During the year ended December 31, 2021, the commercial *covenants* were 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 provides for the construction of a new biotechnology "GMP" plant intended for the production of drugs for the market and in addition to the Montarioso (Siena) site, for a total value of approximately € 12 million, financed in part with the Company's liquidity and in part through the two loans mentioned above.

The residual balance consists of payables given by the market-to-market valuation of the derivative hedging the interest on the Banca Intesa S.p.A. loans described above, the interest accruing as of December 31, 2021 on these loans and payables due to banks for balances due on company credit cards.

23. Trade payables

Trade payables to suppliers amounting to € 5,826 thousand as of December 31, 2021 (€ 3,920 thousand as of December 31, 2020) are mainly attributable to payables to clinical centers at which the Group performs clinical trials and for the remaining part to other suppliers of services and consumables.

The following are the changes in trade payables that occurred during the year ended December 31, 2021:

Figures in thousands of euros	**Trade payables**
Book value as at 31 December 2020	3.920
Fusion	159
Change during the period	1.747
Book value as at 31 December 2021	**5.826**

Breakdown of payables by geographical area

Figures in thousands of Euros	**Geographical area**	
	December 31 2021	**December 31 2020**
Italy	3.066	1.874
European Union	1.692	1.323
Extra European Union (USA)	284	413
Extra European Union (other)	784	310
Total trade payables	**5.826**	**3.920**

24. Other current liabilities

The Group's other current liabilities for the year ended December 31, 2021 and December 31, 2020 are detailed below:

Figures in thousands of Euros	**December 31 2021**	**December 31 2020**
Payables to social security institutions	452	360
Accrued expenses and deferred income	244	24
Other payables	894	2.193
Other current liabilities	**1.590**	**2.578**

Payables to social security institutions express the amount of payables to INPS and INAIL for withholdings to be paid and amount to Euro 452 thousand as at December 31, 2021. The increase of approximately Euro 92 thousand compared to the year ended December 31, 2020 reflects the increase in personnel costs in the year ended December 31, 2021.

The increase in accrued expenses and deferred income in the year ended December 31, 2021 is attributable for € 193 thousand to the method of accounting for the Industry 4.0 Credit among grants for equipment.

The residual part, amounting to 894 thousand Euros as at December 31, 2021 mainly refers to:

- Payables to employees for wages and salaries to be paid, amounting to 850 thousand Euros;

- Other payables of various kinds amounting to 44 thousand euros.

Changes in "Other current liabilities" during the year ended December 31, 2021 and December 31, 2020 are shown below:

Figures in thousands of Euros	**Other current liabilities**
Book value as at 31 December 2020	2.578
Fusion	2
Change during the period	(990)
Book value as at 31 December 2021	**1.590**

The change in payables in fiscal 2021 is primarily attributable to the accrual in fiscal 2020 of a *bonus*, provided for a member of the Board of Directors, as well as a member of the Scientific Committee due to the operational commitment of the aforementioned to the development of the two most advanced products, paid in March 2021.

More information

25. Commitments

It should be noted that, at both December 31, 2021 and December 31, 2020, there are no commitments that are not reflected in the statement of financial position. Please refer to Note 10 for more details regarding the construction of a new "GMP" biotechnology facility at the Rosia site.

26. Information pursuant to art. 1, paragraph 125 of Law no. 124/2017

In relation to the provisions of Article 1, paragraph 125, of Law 124/2017, regarding the obligation to provide evidence in the explanatory notes of any sums of money received during the financial year by way of grants, contributions, paid assignments and in any case economic benefits of any kind from the public administrations and the entities referred to in paragraph 125 of the same article, the Company certifies that:

Tax benefits	**Contribution amount**
Research & Development Tax Credit 2019	**1.980**
Amount offset 2020	929
Amount offset 2021	1.051
Research & Development Tax Credit 2020	**1.019**
Amount offset 2021	232
Amount to be offset 2022	447
Amount to be offset 2023	340
Research & Development tax credit 2021	**1.932**
Amount to be offset 2022	644
Amount to be offset 2023	644
Amount to be offset 2024	644
Industry 4.0 tax credit year 2020	**46**
Amount offset 2021	9
Amount to be offset 2022	9
Amount to be offset 2023	9
Amount to be offset 2024	9
Amount to be offset 2025	9
Industry 4.0 tax credit year 2021	**193**
Amount to be offset 2022	193

Lease tax credit (art.4 paragraph 2 DL 73/2021)	**195**
Amount offset 2021	195
2020 Sanitation Tax Credit	**28**
Plywood 2020	9
Plywood 2021	19
Total tax credits	**5.393**
Compensated 2020	938
Compensated 2021	1.506
Residual credits	2.948

Provision for projects in progress	December 31, 2021
Acc.to IMMUNOSABR Project	6
Acc.to Atect Project	13
Acc.to Ecompair Project	144
Acc.to Magicbullet Project	84
Total provision for ongoing projects	**247**

Project	Description	Collection date	Contribution collected 2021
Tuscany Region			
Reimbursement internships Youth Yes		25/10/2021	2
Reimbursement internships Youth Yes		29/10/2021	2
CCIAA Announcement Voucher 2020		08/01/2021	1
CCIAA Announcement Voucher 2020		12/05/2021	4
CCIAA Call for Sanitation 2021		30/11/2021	3
Call 3 " Research and Development Projects Implementing Settlement Protocols." Project Title: "New GMP infrastructure for clinical experimental research". NEW GMP Acronym. Project Number CU D-53D1700044009	The Project facilitates the implementation of investments in industrial research and experimental development. Line of action POR CREO 2014/2020 - Action 1.1.5 sub-action a1). The intensity of the non-refundable contribution is 50% of eligible costs in Industrial Research.	14/10/2021	73
MISE			
Call for proposals IPA4SME		22/05/2021	3
Fondimpresa			
Reimbursement of training plan fee		17/06/2021	5
INNOSUISSE			
Eurostars E-ComPAIR		17/12/2021	101
Total contributions collected 2021			**194**

In 2021, the Company also participated in the Tuscany Region's call for tenders "Fondo Investimenti", whose acronym is "QC-GMP" whose contribution will be collected during 2022, for approximately €93 thousand.

27. Incentive plan with share-based payment

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

In order to service the above-mentioned Plan, the Shareholders' Meeting also approved the free share capital increase in divisible form, pursuant to art. 2349 of the Italian Civil Code, to be carried out by the deadline of 31 December 2026, for a maximum amount of EUR 123. 974 thousand, to be fully allocated to the share capital and to set up a specific reserve for the same amount, taking it from the retained earnings reserve, called "Retained earnings reserve". 974 thousand, to be

charged in full to the share capital and to set up a specific reserve for the same amount, taking it from the retained earnings reserve, called "Reserve for restricted earnings 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 date.

On September 28, 2021, the Board of Directors of the Company, on the proposal of the Appointments and Remuneration Committee, approved the regulations of the aforementioned Plan and implemented it, identifying the beneficiaries, among the Group's personnel, defining the performance objectives and the related targets and assigning a total of 145,000 units, in relation to the first cycle 2021-2024.

Summary of the regulation

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

- the assignment to the beneficiaries of a certain number of Units (free of charge);
- the definition, in the assignment phase, of *performance* objectives;
- A three-year *performance* period;
- the allocation of the shares to the beneficiaries, subject to the achievement of the *performance* objectives achieved during the three-year period.

The Plan has as its object the assignment of a maximum of 877,286 Units that give the right to receive free of charge a maximum of 877,286 shares corresponding to approximately 3% of the current share capital, with reference to ordinary shares only. The beneficiaries receive the shares following the allocation resolved by the Board of Directors at the end of the performance period for each cycle 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 objectives have been achieved, and will determine the number of shares to be granted to each beneficiary. In particular, the Board of Directors, after ascertaining that the gate, if any, has been passed, will evaluate the following:

a) achievement of corporate objectives: for each Cycle of the Plan, the allocation of the shares is subject to the condition that the corporate objectives related to the Company's performance and/or the performance of the stock, which will be identified by the Board of Directors for each beneficiary, are fully or partially 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 corporate objectives, the Board of Directors, having consulted the Appointments and Remuneration Committee, has drawn up the individual objectives for the individual beneficiaries of the Plan on the basis of criteria that are mainly oriented towards (i) the development of the projects in which the individual Beneficiary is involved; (ii) the achievement of the results of these projects in accordance with the methods and timeframes set by the Company and/or the Group; (iii) the obtaining of authorisations from the competent authorities in the biotechnology sector for the commercialisation of the products developed by the Company and/or the Group; (iv) 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 Appointments and Remuneration Committee, verifies the achievement of the individual objectives at the end of the performance period of each Cycle of the Plan.

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

The individual performance objectives will be measured with reference to the specific three-year period of each cycle, starting from the relative assignment date.

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

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

Evaluation criteria

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

The assessment was carried out considering separately the two performance objectives, corporate and personal, assigned to each beneficiary. Specifically, the corporate performance component (so-called "market based") linked to the achievement of the gate and the target of the Company's shares was estimated using stochastic simulation with the Monte Carlo method, which, on the basis of appropriate assumptions, made it possible to define a large number of alternative scenarios over the time span considered.

With regard to individual performance objectives, on the basis of various assumptions of achievement, a probability of success estimated by the Company itself was defined.

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

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

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

Overall evaluation results

At the valuation date, in accordance with IFRS 2 and the above assumptions, a total *fair value of* Euro 250 thousand emerged, of which Euro 98 thousand related to the Company and Euro 152 thousand related to the subsidiary. The portion pertaining to the year ended December 31, 2021 is equal to Euro 21 thousand, of which Euro 13 thousand relate to Philochem AG and Euro 8 thousand relate to Philogen S.p.A..

28. Disclosure of financial risks

Within the scope 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 meet a contractual obligation and arises primarily 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 primarily on the specific characteristics of each customer.

However, management also considers the variables typical of the Group's client portfolio, including the insolvency risk of the sector and country in which the clients operate. Assets under contract have as 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, both in normal and stressed financial conditions, without incurring excessive charges or risking damage to its reputation.

The Group ensures that there is cash on hand 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 cash outflows related to trade and other payables.

The following is a maturity analysis for trade receivables and payables and financial liabilities as of December 31, 2021:

Figures in thousands of euros	December 31, 2021				
	Within 90 days	From 90 days to 1 year	From 1 to 5 years	More than 5 years	Total
Liabilities for leasing	304	439	3.119	7.980	**11.842**
Financial liabilities	219	845	3.371	216	**4.651**
Trade payables	5.826	-	-	-	**5.826**
Total	**6.349**	**1.284**	**6.490**	**8.196**	**22.319**

Figures in thousands of Euros	December 31, 2021				
	Within 90 days	From 90 days to 1 year	From 1 to 5 years	More than 5 years	Total
Trade receivables	688	-	-	-	**688**
Total	**688**	**-**	**-**	**-**	**688**

In addition, the Group holds a portfolio of financial investments totaling 92,797 thousand euros at December 31, 2021, which is readily liquid and can be used to meet any liquidity requirements.

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 such risk within acceptable levels while optimizing investment returns.

Currency 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.

Production 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, which affects consolidated net income and consolidated shareholders' equity (translation risk).

The Group earns revenue from contracts with customers in foreign currencies and primarily in U.S. dollars. Revenues denominated in U.S. Dollars for the years ended December 31, 2021 and December 31, 2020 accounted for 85% and 75%, respectively, of total revenues from contracts with customers. Therefore, an unfavorable trend in the value of the U.S. dollar relative to other relevant currencies could adversely affect the business and financial condition. Details of revenue with customers by currency for the year ended December 31, 2021 and 2020 are set forth below:

Figures in thousands of euros	Year ended 31 December			
	2021	%	2020	%
US Dollar (USD)	2.189	88%	3.592	75%
Euro (EUR)	307	12%	801	17%
Swiss Franc (CHF)	-	-	385	8%
Total revenues from contracts with customers	**2.496**	**100%**	**4.778**	**100%**

The following is an absolute value sensitivity analysis on revenue from contracts with customers resulting from a 1% change in the exchange rate of the currencies listed above for the years ended December 31, 2021 and 2020:

Figures in thousands of euros in absolute terms	Year ended 31 December	
	2021	2020
US Dollar (USD)	22	36
Euro (EUR)	3	8
Swiss Franc (CHF)	-	4
Total effect on revenues from contracts with customers	**25**	**48**

The Group also incurs operating costs in foreign currencies, and primarily in U.S. dollars and Swiss francs. Details of operating expenses by currency for the years ended December 31, 2021 and 2020 are set forth below:

Figures in thousands of euros	Year ended 31 December			
	2021	%	2020	%
US Dollar (USD)	604	3%	685	4%
Euro (EUR)	15.674	72%	14.106	76%
Pounds Sterling (GPB)	20	-	63	-
Dirham United Arab Emirates (AED)	-	-	3	-
Polish Zloty (PLN)	2	-	-	-
Swiss Franc (CHF)	5.439	25%	3.617	20%
Total operating costs	**21.739**	**100%**	**18.474**	**100%**

The following is an absolute value sensitivity analysis on operating expenses resulting from a 1% change in the exchange rate of the currencies listed above for the years ended December 31, 2021 and 2020:

Figures in thousands of euros in absolute terms	Year ended 31 December	
	2021	2020
US Dollar (USD)	6	7
Euro (EUR)	157	141
Pounds Sterling (GPB)	-	1
Dirham United Arab Emirates (AED)	-	-
Polish Zloty (PLN)	-	-
Swiss Franc (CHF)	54	36
Total effect on operating costs	**217**	**185**

The Group does not adopt exchange rate hedging instruments.

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

Figures in thousands of Euros	31 December2021	31 December2020
EUR	90.776	48.063
GBP	-	-
RUB	-	-
USD	2.021	1.921
TRY	-	-
Total current financial assets	**92.797**	**49.984**

Financial investment risk management

Following careful financial planning, the Parent Company invested the portion of liquidity in excess of ordinary cash requirements in current financial assets. The choice of investments was made on the basis of monitoring and consultation with the study office of the banks holding the securities. Constant information regarding the solvency of issuers, country risk and market variables is made available to the company in order to take prompt corrective action.

Based on the logic described in note no. 17 "Other current financial assets", to which reference should be made for further details, the Group adopted an HTCS business model. Failure to pass the SPPI Test resulted in its valuation at FVTPL. The Group has adopted an "Other" business model for the bond segment of its portfolio, resulting in its valuation at FVTPL.

Country Risk Management

The Group does not operate with countries that are unstable from an economic, political or social point of view. By virtue of the ESAM 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. For further details in this regard, please refer to paragraph 18.5 of the Management Report.

29. 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 December 31, 2021 and December 31, 2020.

Figures in thousands of Euros	December 31 2021	31 December2020
Financial Assets:		
Financial assets valued at amortized cost		
Trade receivables	688	515
Current financial assets	-	-
Cash and cash equivalents	8.880	11.958
Other current assets	653	635
Financial assets measured at *fair value*		
Current financial assets	92.797	49.984
Non-current financial assets	-	-
Total financial assets	**103.018**	**63.092**
Financial liabilities valued at amortized cost		
Non-current financial liabilities	3.587	4.629
Non-current lease liabilities	11.099	11.270
Current financial liabilities	1.064	1.094
Current lease liabilities	743	711
Trade payables	5.826	3.920
Other current liabilities	1.590	2.578
Total financial liabilities	**23.909**	**24.202**

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

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

Fair value disclosures

With regard to the assets and liabilities recognised in the statement of financial position and measured at *fair value*, IFRS 13 requires these values to be classified on the basis of a hierarchy of levels, which reflects the significance of the inputs used to determine the *fair value*.

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

Figures in thousands of Euros	December 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Current financial assets measured at *fair value* in the profit (loss) for the year	8.432	41.552	-	**49.984**
Total assets measured at *fair value*	**8.432**	**41.552**	**-**	**49.984**

Figures in thousands of Euros	December 31, 2021

	Level 1	Level 2	Level 3	Total
Current financial assets measured at *fair value* in the profit (loss) for the period	9.983	82.815	-	**92.797**
Total assets measured at *fair value*	**9.983**	**82.815**	**-**	**92.797**

Financial assets relating to level 1 of the *fair value* hierarchy refer to securities in the portfolio relating to bonds, equities and investment fund units listed on regulated markets. Please refer to note no. 17 for further details.

Level 2 of the *fair value* hierarchy includes current financial assets measured at *fair value* through 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 liquidity (see Note 17 for further details on the nature of these assets).

These investments represent financial assets managed by insurance companies and are valued, at the balance sheet date, on the basis of the NAV (*Net Asset Value*) communicated by the insurance companies, representing the liquidation value of the policies at the balance sheet date.

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

30. Related parties

On April 27, 2021, following the favorable opinion of the Committee for Related Party Transactions issued on April 14, 2021, the Board of Directors of the Parent Company, approved the "Procedure for Related Party Transactions" pursuant to Article 2391-bis of the Italian Civil Code and the Related Party Regulations.

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

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

Total transactions with related parties are summarized below.

Period ended December 31, 2021

Figures in thousands of euros	Related party						
	Rendo S.r.l.	Rendo AG	Strategic Executives	Administrators and Endoconsiliar Bodies	Board of Auditors	Total	Inc. % on balance sheet item
Statement of financial position							
Right-of-use activity	6.803	3.167	-	-	-	**9.970**	100%
Financial liabilities for current leases	472	241	-	-	-	**713**	96%
Financial liabilities for non-current leases	6.459	4.586	-	-	-	**11.045**	100%
Trade payables	-	-	-	15	63	**78**	1%
Other current liabilities	-	-	41	-	-	**41**	2%
Profit and Loss Account							
Depreciation	555	192	-	-	-	**747**	40%
Costs for services	-	-	-	1.040	63	**1.103**	12%
Personnel costs	-	-	660	-	-	**660**	7%
Financial charges	196	147	-	-	-	**343**	33%

Year ended 31 December 2020

Figures in thousands of euros	Related party						
	Rendo S.r.l.	Rendo AG	Neri-Tanini Consulting S.r.l.	Administrators and Scientific Committee	Board of Auditors	Total	Inc. % on balance sheet item
Statement of financial position							
Right-of-use activity	7.205	2.912	-	-	-	**10.117**	98%
Financial liabilities for current leases	455	210	-	-	-	**655**	93%
Financial liabilities for non-current leases	6.864	4.322	-	-	-	**11.186**	99%
Trade payables	-	-	6	-	52	**58**	1%
Profit and Loss Account							
Depreciation	534	175	-	-	-	**709**	47%
Costs for services	-	-	20	2.685	52	**2.757**	32%
Financial charges	207	146	-	-	-	**353**	14%

The related party transactions described above do not qualify as atypical or unusual, as they are carried out in the normal course of business by Group companies and are conducted on an arm's length basis.

Remuneration of directors, strategic managers, statutory auditors, other endoconsiliar bodies and scientific committee

With regard to the relationships with the Directors, Auditors and the Scientific Committee of the Group companies, these are limited to the payment of fees and remunerations as shown in the tables below:

i) Board of Directors

Figures in thousands of euros	31 December2021	December 31 2020
Duccio Neri - Executive Chairman	300	280
Dario Neri - CEO	150	149
Giovanni Neri - Managing Director	90	200
Sergio Gianfranco Luigi Maria Dompé - Director	30	30
Roberto Marsella - Director	32	32
Nathalie Francesca Maria Dompé - Director	30	30
Leopoldo Zambeletti Pedrotti	30	30
Roberto Ferraresi	32	32
Guido Guidi	32	32
Marta Bavasso (*)	25	-
Other Directors (**)	174	104
Total compensation	**925**	**919**
Monetary incentive plan (***)	115	-
Total	**1.040**	**919**

(*) Independent director as of March 2021.
(**) The item Other directors includes the remuneration related to the Board of Directors of the subsidiary (Philochem).
(***) As at December 31, 2021, nine twelfths of the MBO plan provided for executive directors has been set aside (section 4.5 of the Management Report)

ii) Strategic Executives

Figures in thousands of euros	31 December2021	December 31 2020
Duccio Neri	100	-
Dario Neri	350	-
Giovanni Neri	210	-
Compensation Strategic Executives	**660**	**-**

As per the resolution of the Board of Directors of December 16, 2020, the three executive members of the Board of Directors were appointed as strategic executives effective January 1, 2021, pursuant to the reorganization of corporate governance following the listing process.

iii) Board of Auditors

Figures in thousands of euros	31 December2021	December 31 2020
Stefano Mecacci - President	27	23
Pierluigi Matteoni - Standing auditor	18	15
Marco Tanini - Standing Auditor(*)	3	15
Alessandra Pinzuti - Standing auditor	15	-
Remuneration of the Board of Statutory Auditors	**63**	**53**

(*) Standing Auditor until March 2021.

iv) Endoconsiliar bodies

Figures in thousands of euros	31 December2021	December 31 2020
Marta Bavasso	25	-
Roberto Marsella	17	-
Leopoldo Zambeletti Pedrotti	8	-
Roberto Ferraresi	8	-
Remuneration of Endoconsiliar Committees	**58**	**-**

Control, Risk and Sustainability Committee: Marta Bavasso (Chairman), Roberto Marsella and Roberto Ferraresi. This committee also acts as the Committee for Transactions with Related Parties.

Remuneration and Appointments Committee: Marta Bavasso (Chairman), Roberto Marsella and Roberto Ferraresi.

v) Scientific Committee

Figures in thousands of euros	31 December2021	December 31 2020
Dario Neri - Chairman	-	168
Guido Guidi	-	60
Wolfgang Berdel	8	22
Cornelia Halin	11	17
Scientific Committee Fees	**19**	**267**

By resolution of the Board of Directors on October 5, 2020, the compensation for the position of Chair of the Scientific Committee was absorbed into the compensation of the Board of Directors.

Accounting principles

31. Evaluation criteria

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

These consolidated financial statements have also been prepared on a going concern basis. The assessment of this assumption made by the Directors takes into account the Group's current development strategies, its equity and financial position 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 activities, including by licensing some of its proprietary products to third parties through *outlicensing* agreements.

32. Main accounting principles

Drafting criteria

The consolidated financial statements comprise the mandatory accounting schedules required by IAS 1. All the statements comply with the minimum content required by the international accounting standards and the applicable regulations issued by the national legislator and CONSOB. The statements used are deemed adequate for the purposes of fairly representing the Group's financial position, income statement and cash flows. In particular, it is believed that the income statements reclassified by nature provide reliable and relevant information for the purposes of correctly representing the Group's operating performance. The tables that make up the Financial Statements are as follows:

Consolidated statement of financial position

The statement is presented by presenting current and non-current assets and current and non-current 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 from the reporting 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 held primarily for negotiation;
- is expected to be realized/extinguished within 12 months of the balance sheet date.

If all three conditions are not met, the assets/liabilities are classified as non-current.

Consolidated Income Statement

Costs are classified by nature, highlighting the intermediate results relating to operating income and pre-tax income.

Consolidated statement of comprehensive income

The table includes the components making up the result for the period and the income and charges posted directly to shareholders' equity for transactions other than those carried out with shareholders.

Statement of changes in consolidated shareholders' equity

The table shows the changes in the items of shareholders' equity relating to:

- allocation of the profit for the period of the parent company and subsidiaries to minority shareholders;
- amounts relating to transactions with shareholders (purchase and sale of own shares);
- each item of profit and loss net of any tax effect that, as required by IFRS, are either posted directly to shareholders' equity (profits or losses from the purchase and sale of treasury shares, actuarial profits and losses generated by the valuation of defined benefit plans), or have a contra-entry in an equity reserve (share-based payments for incentive plans);
- movements in the valuation reserves for derivative instruments hedging future cash flows, net of any tax effect.

Consolidated cash flow statement

The Statement of Cash Flows is presented using the indirect method, whereby net income is adjusted for the effects of non-cash transactions, any deferral or accrual of prior or future operating cash receipts or payments, and items of revenue 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 statement of cash flows comprise the balance sheet balances of this item as of the reporting date. Cash flows in foreign currencies have been translated at the average exchange rate for the period.

Consolidation criteria

The consolidated financial statements of the Philogen Group include the period accounts of Philogen S.p.A. and those of its subsidiary undertaking, Philochem AG, a company incorporated under Swiss law, in which the Parent Company exercises control in accordance with art. 26 of Legislative Decree no. 127/91. Brief information about Group companies and the methods of consolidation are summarized 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. where the Group is exposed to variable returns arising from its relationship with the entity, or has rights to such returns, while having the ability to influence them by exercising its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the time when the parent company begins to exercise control until the date when such control ceases.

These financial statements are reclassified and adjusted, where necessary, in order to bring them into line with the accounting standards and valuation criteria of the Parent Company in the event of significant differences. All Group companies close their financial year on 31 December.

The book value of equity investments in businesses included in the scope of consolidation is eliminated against the corresponding fractions of shareholders' equity of the investee companies, attributing to the individual elements of the assets and liabilities their current value on the date of acquisition. Any residual difference, if positive, is entered among 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 shareholders in their capacity as shareholders.

When preparing the consolidated financial statements, intercompany transaction balances and unrealized intercompany revenues and costs are eliminated. Unrealized losses are eliminated, as are unrealized profits, insofar as there are no indicators of impairment.

Foreign currency

Foreign currency transactions

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

Monetary items denominated in a foreign currency at the end of the period are translated into the functional currency using the exchange rate at that 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 at 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

The assets and liabilities of overseas operations, including goodwill and *fair value* adjustments deriving from the acquisition, are translated into euros using the exchange rate at the end of the period. Revenues and expenses of overseas operations are translated into euros using the exchange rate in force at the date of the transactions. Any exchange rate differences are recorded in other comprehensive income and included in the currency translation reserve, with the exception of exchange rate differences attributable to minority interests. When the Group disposes of an equity investment in a foreign operation, either wholly or partially, in such a way as to lose control, significant influence or joint control over the same, the

amount accumulated in the translation reserve relating to such foreign operation is reclassified to profit/(loss) for the period as an adjustment to the profit or loss deriving from the disposal.

The exchange rates used at December 31, 2021 and December 31, 2020 for the conversion 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)	2021	2020
Spot exchange rate as of December 31 (for conversion of assets and liabilities)	1,0331	1,0802
Average exchange rate for the year (for conversion of costs and revenues)	1,0814	1,0703

Changes in international accounting standards, interpretations and amendments

The following are the new accounting standards, interpretations and enhancements issued by the IASB and adopted as of January 1, 2020.

Covid-19-Related Rent Concessions (Amendment to IFRS 16)

With Regulation (EU) No. 2020/1434 of October 9, 2020, published in the Official Journal of the European Union on October 12, 2020, the IASB document "Concessions on Leases Related to COVID-19 (Amendment to IFRS 16 Leases)" was adopted ("endorsed").

This amendment introduces a practical expedient to simplify the accounting by lessees of rent *concessions* (i.e., reductions, cancellations and/or deferrals of lease payments granted to a lessee by the lessor) obtained as a result of the Covid-19 pandemic. The practical expedient, where the *rent concession* derives from a right acquired by the lessee by virtue of a specific contractual clause or specific local legislation, makes it possible to record a "negative variable rent" to be recognized in the income statement as operating income directly reducing the lease liability.

The practical expedient only applies to *concessions* directly attributable to the Covid-19 event if all of the following conditions are met:

- as a result of the *rent concession,* the total lease payments due are substantially equal to or less than those that were originally provided for in the contract
- the *rent concession* must refer to a partial or total reduction in lease payments that were expected in the year 2020; in the event that the agreement with the lessor provides for a deferment in the payment of lease payments, income may be recognized for a negative variable payment in 2020 for only the portion of the actual reduction in lease payments expected in 2020, net of increases expected in subsequent years
- there have been no material changes with respect to other terms and conditions of the lease.

If the above conditions are not met, the Group accounts for *rent concessions on the* basis of the general principle laid down by IFRS 16 concerning *lease modifications, which* does not take into account the practical expedient and requires a legal analysis of the clauses and applicable local regulations for each individual contract, in order to redetermine the lease liability using a new discount rate. The reduction in the lease liability determined in this way is deducted as a direct adjustment to the right-of-use asset.

It should be noted that the Group, as of December 31, 2020, did not benefit from any *concession*; therefore, this new accounting standard had no impact on the consolidated financial statements as of December 31, 2021.

Amendments to "References to the Conceptual Framework in IFRS Standards".

The IASB published the Conceptual Framework in March 2018, which establishes a comprehensive set of concepts for financial reporting, standard setting, guidance in developing consistent accounting policies, and assistance in understanding and interpreting the standards. It includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities, and clarifies some important concepts. These amendments had no impact on the consolidated financial statements as of December 31, 2020.

Amendments to IFRS 3 - Definition of a Business

The IASB has issued amendments to the definition of business in IFRS 3 Business Combinations to help entities determine whether or not an acquired set of assets and liabilities is a business. They clarify the minimum requirements for having a business, remove the assessment of whether market participants are able to replace any missing elements, add guidance to help entities assess whether an acquired process is substantial, and narrow the definitions of a business. New illustrative examples were provided along with the changes. These amendments had no impact on the consolidated financial statements as of December 31, 2020.

Amendments to IAS 1 and IAS 8

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of "material" between the standards and clarify certain aspects of the definition. The new definition states that "Information is material if the omission, misrepresentation, or obscuration could reasonably be expected to affect the decisions that primary users of general purpose financial statements make on the basis of those financial statements." The amendments clarify that materiality will depend on the nature or size of the information, or both. An entity will need to assess whether the information, individually or in combination with other information, is material in the context of the financial statements. These amendments had no impact on the consolidated financial statements as of December 31, 2020.

Interest rate benchmark reform - Amendments to IFRS9, IAS 39 and IFRS7

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 "Financial Instruments: Disclosures," concluding the first phase of its work to address the effects of the Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary changes that allow hedge accounting to be applicable during the period of uncertainty brought about by the replacement of the pre-existing interest rate benchmark with an alternative risk-free interest rate. The amendments assume that the benchmark on which the hedged cash flows and/or the hedging instrument are based will not change as a result of the IBOR reform. The amendments are to be applied retroactively. The amendments are effective for fiscal years opening on or after January 1, 2020. The amendments are effective for fiscal years opening on or after January 1, 2021. The Group will monitor the evolution of the ongoing changes on the reform. These amendments have had no impact on the Group's consolidated financial statements.

Revenues from contracts with customers

Revenue is 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 recognising and measuring revenues from contracts with customers. Generally speaking, IFRS 15 provides for the recognition of revenues for 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) identification of the contract with the client;

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

(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) recognition of revenue when the related *performance* obligation is satisfied.

The Group's revenues derive primarily from licensing agreements and contracts for the provision of research and development services commissioned by customers.

With regard to contracts for the granting of licensing rights to the Group's intellectual property, it is first analyzed whether the granting of the 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 the license 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 grant of the license right is distinct from the promise to transfer other goods or services, the Group analyzes whether the customer obtains an access right or a right to use the intellectual property. The customer has a right of access to the company's intellectual property if all of the following conditions are met:

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

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

- The rights arising from the license expose the customer to positive/negative effects for the Group's activities with respect to intellectual property.

If the granting of the license right confers a right of access to the intellectual property, the revenues are recognized *over the* duration of this right ("*over time*"). On the other hand, if the license is a right to use the intellectual property, the related revenues are recognized *at the time the* right is granted ("*at a point in time*").

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

Type of consideration	**Accounting records**
Up-front Fees	They represent consideration received in advance of entering into the contract. If they relate to the granting of license rights, they are recognized: — *at point in time*, in the case of rights of use of intellectual property; — *over time*, in case they are configured as intellectual property access rights. If no specific goods/services transferred to the client are identified when the *up-front fee is* collected, this collection represents an advance and is recognized as revenue in the future when the *performance obligations* are met ("*over time*"). The Group invoices the *up-front fee* at the same time as entering into the contract. This invoice is usually due within 30 days. The payment terms do not provide for commercial discounts.
Commercial Option Fees	If the license right is separable from other obligations to do, they are recognized as rights to use the intellectual property 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 satisfied ("*over time*"). The Group issues an invoice for the *commercial* option *fee* at the same time as the client notifies the Group that he wishes to exercise this option. This invoice is usually due within 30 days. The payment terms do not include commercial discounts.
Milestones	They represent variable payments contingent upon the achievement of certain significant objectives in product development (e.g., initiation of Phase III clinical trials). Upon entering into the contract, management assesses whether achievement of the *milestones* is highly probable and estimates the amount to be included in the transaction price using the *most likely amount* method. If it is probable that a

	subsequent significant reversal of revenue will not occur, 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 research milestones conducted by the customer), 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 adjusts its estimate of the overall transaction price if necessary. The Group issues an invoice for the *milestone at the* same time as the customer notifies the Group of the achievement of the objective/event. This invoice is usually due within 30 days. The payment terms do not include commercial discounts.
Royalties (based on sales)	The Group recognizes sales-based royalty revenue only when (or as) the last of the following events occurs: — subsequent sale or use; and — the performance (or partial performance) of the obligation to do all or part of the sales-based royalty.

With respect 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 client simultaneously receives and uses the benefits deriving from the service provided by the Group as it performs it;
- The Group's performance creates or improves the activity that the client controls as the activity is created or improved;
- the service does not create an asset with an alternative use for the Group and the Group has the enforceable right to payment for the completed service up to the date in question.

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

Public contributions

Unrestricted government grants are recognized in net income/(loss) for the period as other income when the government grant becomes receivable. Other government grants related to assets are initially recognized at *fair value* as deferred revenue if there is reasonable assurance that they will be received and that the Group will meet 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.

Grants that are intended to offset costs incurred by the Group are recognized in net income/(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 recorded on an accruals basis on the basis of the interest accrued on the net value of the related financial assets and liabilities using the effective interest rate.

Borrowing costs are accounted for on an accruals basis and recorded in the income statement in the period in which they accrue.

Financial income is recorded on the basis of the effective rate of return on an accruals basis.

The Group's financial income and expenses include:

- interest income;
- interest expense;
- dividends received;
- Net gains or losses from financial assets at FVTPL;
- exchange rate 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 currency 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' corresponds to the rate that exactly discounts estimated future payments or receipts over the expected life of the financial asset:

- 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 carrying amount 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* as 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 amount payable or receivable that is subject to uncertainty. Current taxes also include any taxes related to dividends.

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

ii) *Deferred taxes*

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

- temporary differences relating 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 relating to investments in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that, in the foreseeable future, the temporary difference will not reverse; and
- taxable timing differences relating to the initial recognition of goodwill.

Deferred tax assets are recorded for deductible temporary differences, to the extent that it is probable that future taxable income will be available against which these 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, the future taxable income, adjusted for the reversal of existing temporary differences, envisaged by the business plans of the individual Group companies is taken into consideration. The value of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Such reductions must be restored when the likelihood 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 apply to temporary differences in the period in which they reverse based on tax rates established by enactments that are in effect or substantially in effect at the end of the reporting period and reflect any uncertainties related to income taxes.

The measurement of deferred taxes reflects the tax effects arising from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of assets and liabilities. The presumption that the carrying amount 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 only offset when certain criteria are met.

Operating income

Operating profit is determined by the Group's operating activities that generate ongoing revenues and other income and expenses related to operating activities. Net finance costs and income taxes are excluded from operating income.

Earnings per share

The calculation of basic earnings per share has been made 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 carried out considering the profit attributable to holders of ordinary shares and the weighted average number of ordinary shares outstanding during the period, taking account of the effects of all potential ordinary shares with a dilutive effect. The calculation of the dilutive effect of potential ordinary shares was carried out on the basis of the *treasury share method* provided for by IAS 33 .

Property, plant and machinery

i) *Detection and Evaluation*

An item of property, plant and equipment is measured 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 with different useful lives, these components are accounted for separately (significant components).

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

ii) *Subsequent costs*

Subsequent costs are only capitalized 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 computed to reduce the cost of that item by the net of its estimated residual value on a straight-line basis over the useful life of the item. Depreciation is generally recognized in net income/(loss) for the period under "Depreciation and amortization." Land is not depreciated.

The estimated useful lives for the current period and comparative periods are as follows:

Category	*Rate*
Buildings	3%
Plants 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 reviewed at the end of the period and adjusted where necessary.

Intangible assets

i) *Detection and Evaluation*

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

If all capitalisation 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 recorded at cost less accumulated amortization and impairment losses, if any.

ii) Subsequent costs

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

iii) Depreciation

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

The estimated useful lives for the current period and comparative periods are as follows:

Category	Average rate
Patent and intellectual property rights	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.

Right-of-use activity

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 transfers 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 amendment 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 measurement of the lease liability, adjusted for lease payments due on or before the effective date, plus initial direct costs incurred and an estimate of the costs to be incurred by the lessee to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, net of lease incentives received.

The right-of-use asset is subsequently depreciated 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 its option to purchase. In this 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 reduced by any impairment losses and adjusted to reflect any changes arising from subsequent valuations of the lease liability.

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

The Group's marginal financing rate is calculated based on interest rates obtained from various external financing sources by making certain adjustments that 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 that depend on an index or rate, initially measured using an index or rate on the effective date;
- The amounts expected to be paid under the residual value guarantee; and

- the exercise price of a purchase option that the Group is reasonably certain to exercise, payments due on the lease over 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 review of the lease payments due that are fixed in substance.

When the lease liability is remeasured, the lessee makes a corresponding change in the right-of-use asset. If the carrying amount 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 retrospective application method as of January 1, 2017.

Short-term leases and leases of low-value assets

The Group has elected 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 a leaseback basis, 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 resulting 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-purchaser. 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 shall make the following adjustments to measure the sale proceeds at *fair value*: (i) terms below market prices should be accounted for as a prepayment 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

Property, plant and equipment held for income purposes and not for instrumental use are classified in a specific class called "Investment property", in accordance with IAS 40, and are accounted for at cost. These assets consist of land and/or buildings (or parts of buildings) held by the owner or by the lessee under a finance or operating lease agreement for the purpose of renting them out. These types of property are classified separately from other property held. Investment property is shown net of the related accumulated depreciation and any impairment losses. The useful life of the Group's investment properties is 33 years.

The book value of investment property is reviewed for impairment if events or changes in circumstances indicate that the book value cannot be recovered. Impairment losses are recorded in the Income Statement under depreciation and amortization. Such impairment losses are reversed if the reasons for them cease to exist.

Investment property is eliminated from the financial statements when it is disposed of (i.e. on the date on which the purchaser obtains control of it) 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 on derecognition of an investment property is determined in accordance with the transaction pricing requirements in IFRS 15.

Inventories

Inventories are valued at the lower of purchase or production cost and net realizable value. Purchase cost is understood to be the actual purchase price plus ancillary charges. The purchase cost of materials includes, in addition to the price of the material, transportation, customs, other taxes and other costs directly attributable to that material. Returns, trade

discounts, rebates and bonuses 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 moment from which the asset can be used, considered on the basis of normal production capacity. The realizable value that can be inferred from market trends is equal to the estimated selling price of goods and finished products in the course of normal operations, net of presumed completion costs and direct selling costs. For the purpose of determining the realizable value based on 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 portion of overheads determined on the basis of normal production capacity.

Financial instruments

i) *Detection and Evaluation*

Trade receivables and debt securities issued are recognized at the time they are originated. All other financial assets and liabilities are initially recognized on the trade date, i.e. 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 measured at their transaction price.

ii) *Classification and further evaluation*

Financial Assets:

Upon initial recognition, a financial asset is classified based on its measurement: amortized cost; *fair value* recognized in other comprehensive income (FVOCI) - debt security; FVOCI - equity security; or *fair value* recognized in net income/(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 this case, all affected financial assets are reclassified on the first day of the first financial 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 for the purpose of 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 must be assessed at FVOCI if both of the following conditions are met and it is not designated at FVTPL:

- the financial asset is held 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 election is made for each asset.

All financial assets not classified as measured at amortized cost or FVOCI, as noted 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 mismatch 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, the IFRS9 standard identifies three different business models, which in turn reflect the methods with which financial assets are managed:

i. "Held To Collect": a business model that includes financial assets held with the objective of realizing contractual cash flows, maintaining the financial instrument until 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 in the previous categories, mainly represented by financial assets held in order to realize cash flows through sale (assets held for trading).

The business model therefore represents the way in which the Group manages its financial assets, i.e. how it intends to realise the cash flows from them.

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

- the stated criteria and objectives of the portfolio and the practical application of those criteria, including, among others, whether management's strategy is based on earning interest income from the contract, maintaining a specified 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 manner in which the firm's executives are compensated (for example, whether compensation is based on the *fair value* of assets under management or contractual cash flows collected); and
- the frequency, value, and timing of sales of financial assets in prior periods, the reasons for the 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 the purposes of business model valuation, in line 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 based on *fair value* are measured at FVTPL.

Financial assets: evaluation to determine whether contractual cash flows consist solely of principal and interest payments.

For valuation purposes, 'principal' is the *fair value* of the financial asset upon initial recognition, while 'interest' is the consideration for the time value of money, the credit risk associated with the amount of principal to be repaid during a given period of time, and other basic risks and costs associated with the loan (e.g., liquidity risk and administrative costs), as well as 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 provision that changes the timing or amount of the 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;
- prepayment and extension elements; and
- clauses limiting the Group's requests for cash flows from specific assets (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 amount of the prepayment represents substantially 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 permits or requires a prepayment in 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 that 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 valued at amortized cost	These assets are subsequently measured at amortized cost in accordance with the effective interest method. The amortized cost is reduced 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 on derecognition.
Debt securities valued at FVOCI	After passing the SPPI Test, these assets 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 net income/(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 as part of a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or when the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and does not retain control of the financial asset.

The Group is involved in transactions that involve 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 these 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 related contractual terms have changed and the

cash flows of the modified liability are substantially different. In this case, a new financial liability is recognized at *fair value* based on the modified contractual terms.

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

iv) Compensation

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

Impairment losses

i) Financial instruments and assets from contracts

The Group recognizes allowances for expected credit losses related to:

- financial assets valued at amortized cost;
- debt securities valued at FVOCI; and
- activities arising from the contract.

In addition, the Group recognizes allowances for expected losses throughout the life of the receivables implicit in lease agreements under trade and other receivables.

The Group assesses allowances for impairment 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 reporting date; and
- other debt securities and bank accounts whose credit risk (i.e., the risk of default arising over the expected life of the financial instrument) has not significantly increased since initial recognition.

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

To determine whether the 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 excessive cost or effort. This includes quantitative and qualitative information and analysis, based on the Group's historical experience, credit evaluation as well as information indicative of expected developments ('forward-looking information').

Expected losses on long-lived receivables are the expected losses on receivables resulting 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.

Measurement of expected credit losses

Expected credit losses (ECLs) are a probability-weighted estimate of credit losses. Credit losses are the present value of all uncollected receivables (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 method of the financial asset.

Non-financial assets

At each period end, the Group verifies whether there is objective evidence of impairment with reference to the carrying amounts of its non-financial assets, with the exception of investment property, inventories, assets arising from contracts and deferred tax assets. If, on the basis of this assessment, it emerges that the assets have actually been impaired, the Group estimates their recoverable value.

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 common stock are recorded 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 represented by 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 Finance Act and the related implementing decrees introduced significant changes in the regulations governing employee severance indemnities, including the choice left to workers as to whether to allocate their accruing severance indemnities to complementary pension funds or to the "Treasury Fund" managed by INPS. It follows, therefore, that the obligation to INPS and the contributions to complementary pension funds assume, pursuant to IAS 19, the nature of "Defined contribution plans", whilst the amounts recorded for employee severance indemnities maintain the nature of "Defined benefit plans**"**.

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

The calculation is performed by an independent actuary using the projected unit credit method. If the calculation generates a benefit for 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 plan of the Group are considered.

Actuarial gains and losses, returns from plan assets (excluding interest) and the effect of the asset ceiling (excluding any interest) that arise from 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 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 profit/(loss) for the period.

When changes are made to a plan's benefits 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 in the plan is recognized in net income/(loss) for the period when the adjustment or reduction occurs.

Share-based payments

The grant date *fair value* of the 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 service and non-market performance have vested, so that the final amount recognized as an expense is based on the number of incentives that meet those 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 set forth at the grant date and the actual assumptions will have no impact on the financial statements.

The *fair value* of the amount to be paid to employees with respect to cash-settled stock 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 and 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 valuations

Various accounting standards and certain disclosure requirements require the Group to measure the *fair value* of financial and non-financial assets and liabilities. In measuring 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 inputs used in the valuation techniques, as discussed below.

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

The *fair value* is the price that would be received at the valuation date for the sale of an asset or that would be paid for the transfer of a liability in a regular transaction between market operators 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.

When available, the Group measures the *fair value of* an instrument using the quoted price of that instrument in an active market. A market is active when transactions relating to 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 measures active and long positions at the bid price and passive 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 not significant, 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. Subsequently, this difference is recognized in profit/(loss) for the period over the life of the instrument using an appropriate method, but no later than when the valuation is fully supported by observable market data or the transaction is completed.

Operational sector

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 *Chief Financial Officer* (CFO), regarding the status of research programs, licensing agreements and products in order to monitor business performance 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 for the division of the Company's business into several segments subject to different risks and benefits from other business segments. Furthermore, the services provided, the nature of the production processes and the type of clientele by product do not allow the company's activities to be broken down into different business segments. Therefore, the company believes that at this time, 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.

Accounting standards, amendments and interpretations not yet applicable

Moreover, at the date of these Financial Statements, the competent bodies of the European Union have not yet completed the endorsement process necessary for the adoption of the following accounting standards and amendments.

- In May 2017, the IASB issued the new standard IFRS 17 "Insurance Contracts." The new standard, which will replace IFRS 4 and will be applicable as of January 1, 2023, was amended in June 2020.

- In January 2020, the IASB published amendments to IAS 1 that clarify that the definition of "current" or "non-current" of a liability is a function of the right in place at the balance sheet date. The amendments will be applicable effective January 1, 2023.

- In May 2020, the IASB published certain narrow amendments to IFRS 3, IAS 16, IAS 37 and certain annual revisions to IFRS 1, IFRS 9, IAS 41 and IFRS 16. The amendments will be applicable effective January 1, 2022.

- In February 2021, the IASB issued narrow amendments to IAS 1, Practice Statement 2, and IAS 8. The amendments are intended to improve disclosures about accounting policies and to help users of financial statements distinguish between changes in accounting estimates and changes in accounting policies. The amendments will be effective January 1, 2023. However, the IASB plans to publish a draft in the fourth quarter of 2021, in which it will propose deferring the effective date of application to no earlier than January 1, 2024.

- In March 2021, the IASB published amendments to IFRS 16 that move from June 30, 2021, to June 30, 2022, the final date to take advantage of a practical expedient for measuring leases where renegotiated lease payments have occurred as a result of Covid-19. A lessee may elect to account for the concession as a variable rent in the period in which a lower payment is recognized. The amendments will be effective April 1, 2021.

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

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

Disclosure pursuant to art. 149-duodecies of the Issuers' Regulation

Figures in thousands of Euros Type of services	Service provider	Recipient	notes	Total Compensation 2021
Auditing	Parent Company Auditor	Group Leader		127.000
Other Services	i) Auditor of the Parent Company	Group Leader	1	20.000
Subtotal				**147.000**
Auditing	Network of the Parent Company's auditor	Subsidiaries		12.761
Subtotal				**12.761**
Total				**159.761**

1) This item refers to the attestation related to the Research & Development Credit and to the verifications of the Net Financial Position as of March 31 and September 30, 2021

Certification of the consolidated financial statements pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions Legislative Decree no. 58 of 24 February 1998

The undersigned, Duccio Neri, as Executive Chairman, and Laura Baldi, as Manager in charge of drawing up the corporate and accounting documents of Philogen S.p.A. hereby attest, also taking into account the provisions of Article 154-bis, Paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

a) the appropriateness in relation to the characteristics of the company, and

b) the effective application, of the administrative and accounting procedures for the preparation of the consolidated financial statements during the period January 1 - December 31, 2021.

We further certify that the Consolidated Financial Statements as of December 31, 2021 of the Philogen Group:

- has been prepared in accordance with the applicable international accounting standards recognized by the European Community pursuant to EC Regulation no. 1606/2002 of the European Parliament and Council dated 19 July 2002 and subsequent supplements;
- corresponds to the results of the books and accounting records;
- is suitable to provide a true and correct representation of the equity, economic and financial position of the Issuer and the companies included in the consolidation.

The Management Report includes a reliable analysis of the trend and results of operations, as well as the situation of the Issuer and all the businesses included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Siena, March 28, 2022

Executive Chairman (Duccio Neri)

Manager in charge of drawing up the corporate and accounting documents (Laura Baldi)

Balance Sheet

Income Statement

Data in Euro	Notes	2021	*Of which with related parties*	2020	*Of which with related parties*
Revenues from contracts with customers	5	2.580.831	346.323	4.098.828	*245.372*
Other income	5	2.242.481		1.211.194	
Total revenues and income		**4.823.312**	**346.323**	**5.310.022**	***245.372***
Purchases of raw materials and consumables	6	(942.206)		(762.614)	
Costs for services	6	(10.273.591)	(3.530.142)	(10.185.656)	*(4.874.425)*
Costs for use of third party assets	6	(103.960)		(57.501)	
Personnel costs	6	(5.589.830)	660.000	(3.769.062)	
Depreciation	6	(1.406.075)	(555.456)	(1.074.194)	*(533.669)*
Other operating costs	6	(129.229)		(134.263)	
Total operating costs		**(18.444.891)**	**(3.425.598)**	**(15.983.290)**	***(5.408.094)***
Operating income		**(13.621.579)**	**(3.079.275)**	**(10.673.268)**	***(5.162.772)***
Financial income	7	2.559.333	4.653	2.137.049	
Financial charges	7	(885.432)	(201.167)	(2.333.364)	*(207.386)*
Total financial income and charges		**1.673.901**	**(196.514)**	**(196.315)**	***(207.386)***
Result from equity investments	8	(2.308.085)	(3.273.347)	(1.686.080)	(1.686.080)
Profit before tax		**(14.255.763)**	**(6.549.136)**	**(12.555.663)**	***(7.056.238)***
Taxes	9	(503.663)		(729.564)	
Net income (loss) for the period		**(14.759.426)**	**(6.549.136)**	**(13.285.227)**	***(7.056.188)***
Earnings (Loss) per share (in Euro)	10	(0,37)		(0,37)	
Diluted earnings (loss) per share (in Euro)	10	(0,37)		(0,37)	

Statement of comprehensive income

Data in Euro	Notes	2021	2020
Profit (loss) for the period (A)		**(14.759.426)**	**(13.285.227)**
Other gains (losses) to be reclassified subsequently to net income (loss) for the period		**-**	**-**
Share of comprehensive income of investee companies accounted for by the equity method	22	(73.853)	36.587
Profit (loss) from *cash flow hedges*	22	1.898	-
Fiscal effect	22	(530)	-
Total other gains (losses) to be subsequently reclassified to net income (loss) for the year (B)		**(72.485)**	**36.587**
Other gains (losses) that will not be subsequently reclassified to net income (loss) for the period			
Profit (loss) from actuarial valuation of employee benefits	22	(95.812)	(10.421)
Fiscal effect	22	26.732	2.907
Total other gains (losses) that will not subsequently be reclassified to net income (loss) for the year (C)		**(69.080)**	**(7.514)**
Total other components of comprehensive income (B+C)		**(141.565)**	**29.073**
Comprehensive income (loss) after taxes (A+B+C)		**(14.900.991)**	**(13.256.154)**
Comprehensive income (loss) attributable to the shareholders of the parent company		(14.900.991)	(13.256.154)

Statement of Financial Position

Data in Euro	Notes	December 31, 2021	Of which with related parties	December 31, 2020	Of which with related parties
ASSETS					
Property, plant and equipment	11	9.768.735		3.866.408	
Intangible assets	12	758.677		790.504	
Right-of-use activity	13	6.838.690	6.803.107	7.376.146	7.204.530
Participations	14	-		2.369.323	2.369.323
Deferred tax assets	9	664.455		1.172.260	
Non-current assets		**18.030.557**	**6.803.107**	**15.574.641**	**9.573.853**
Inventories	15	1.166.273		712.036	
Contractual activities	16	52.155		-	
Trade receivables	17	727.470	350.850	753.899	239.586
Tax receivables	18	5.661.152		3.780.107	
Other current financial assets	19	95.667.142	2.869.901	49.983.756	
Other current assets	20	540.777		667.881	
Cash and cash equivalents	21	6.411.480		11.649.980	
Current assets		**110.226.449**	**3.220.751**	**67.547.659**	**239.586**
Total assets		**128.257.006**	**10.023.859**	**83.122.300**	**9.813.439**
EQUITY					
Capital		5.731.227		5.158.105	
Share premium reserve		119.748.571		54.917.761	
Other reserves		(4.667.743)		8.882.266	
Profit (loss) for the year		(14.759.426)		(13.285.227)	
Total shareholders' equity	**22**	**106.052.629**	**-**	**55.672.904**	**-**
Total shareholders' equity	**22**	**106.052.629**	**-**	**55.672.904**	**-**
LIABILITIES					
Employee Benefits	23	1.033.349		846.646	
Non-current lease liabilities	13	6.513.264	6.459.152	6.948.116	6.864.149
Non-current financial liabilities	24	3.587.346		4.629.357	
Deferred tax liabilities	9	145.087		176.925	
Non-current liabilities		**11.279.046**	**6.459.152**	**12.601.044**	**6.864.149**
Current financial liabilities	24	1.064.022		2.547.564	1.464.306
Current lease liabilities	13	501.777	471.923	501.229	454.882
Trade payables	25	5.593.320	344.256	5.116.651	1.321.613
Liabilities under contract	16	2.233.013		4.155.369	
Tax payables	18	308.716		361.906	
Other current liabilities	26	1.224.483	41.276	2.165.633	
Current liabilities		**10.925.331**	**857.455**	**14.848.352**	**3.240.801**
Total liabilities		**23.169.639**	**7.316.607**	**27.449.396**	**10.104.950**
Total shareholders' equity and liabilities		**128.257.006**	**7.316.607**	**83.122.300**	**10.104.950**

Statement of changes in shareholders' equity

Data in Euro	Capital	Share premium reserve	Other reserves										Profit (loss) for the year	Total PN
			Restricted profit reserve for capital increase to service the 2024-2026 Stock Grant Plan	Negative reserve for own shares	Legal reserve	FTA Reserve	Translation reserve	Cash flow hedge reserve	Merger surplus reserve	IAS 19 reserve	Share-based payment reserve	Profit (loss) carried forward	Total other reserves		
Opening balances as at 1 January 2020	**5.158.105**	**54.917.761**	**-**		**850.000**	**(7.421.458)**	**1.086.125**		**50.236**	**(22.329)**	**-**	**12.782.350**	**7.324.924**	**1.402.027**	**68.802.817**
Allocation of previous year's result					41.916							1.360.112	1.402.027	(1.402.027)	**-**
Incentive Plan											627.059		627.059		**627.059**
Cancellation of Incentive Plan											(627.059)	127.000	(500.059)		**(500.059)**
Operating result													-	(13.285.227)	**(13.285.227)**
Other comprehensive income (loss) net of tax effect							36.587			(7.513)			29.073		**29.073**
Closing balances as at December 31, 2020	**5.158.105**	**54.917.761**	**-**		**891.916**	**(7.421.458)**	**1.122.712**	**-**	**50.236**	**(29.842)**	**-**	**14.268.704**	**8.882.266**	**(13.285.227)**	**55.672.904**
Opening balances as at 1 January 2021	**5.158.105**	**54.917.761**	**-**		**891.916**	**(7.421.458)**	**1.122.712**	**-**	**50.236**	**(29.842)**	**-**	**14.268.704**	**8.882.266**	**(13.285.227)**	**55.672.904**
Reverse merger with ordinary Palio									398.646				398.646		398.646
IPO share capital increase	573.122	68.465.765											-		69.038.887
IPO process costs		(3.634.954)											-		(3.634.954)
Allocation of previous year's result												(13.285.227)	(13.285.227)	13.285.227	-
Restrictions on the reserve for free share capital increase to service the Stock Grant Plan			(123.794)									123.794	-		-
Reserve for purchase of own shares				(536.971)									(536.971)		(536.971)
Reserve for stock grant plans											20.810		20.810		20.810
Fair value of hedging derivatives								(5.702)					(5.702)		(5.702)
Exercise result													-	(14.759.426)	(14.759.426)
Other comprehensive income (loss) net of tax effect							(73.853)	1.368		(69.080)			(141.565)		(141.565)
Closing balances as at 31 December 2021	**5.731.227**	**119.748.571**	**(123.794)**	**(536.971)**	**891.916**	**(7.421.458)**	**1.048.859**	**(4.334)**	**448.882**	**(98.922)**	**20.810**	**1.107.271**	**(4.667.743)**	**(14.759.426)**	**106.052.629**

Cash flow statement

Data in Euro	Notes	2021	*Of which with related parties*	2020	*Of which with related parties*
Cash flow from operating activities					
Operating result		(14.759.426)	*(5.583.874)*	(13.285.227)	*(7.056.660)*
Adjustments for:					
Amortization of tangible and intangible assets and assets for right of use	6	1.406.075	*555.456*	1.074.194	*533.669*
Net financial income/(charges)	7	(1.673.901)	*201.167*	196.315	*207.386*
Provisions for risks and employee benefits	23	121.699		93.609	
Provision for stock grant plans	22	20.810	12.616	-	
Income Taxes	9	503.663		729.564	
Write-downs/reversals of investments	8	2.308.085	*2.308.085*	1.686.080	*1.686.080*
Other non-cash adjustments		(231.248)		278.448	
Variations of:					
Inventories	15	(454.237)		(180.461)	
Contractual activities	16	(52.155)		-	
Trade receivables	17	26.429	*(105.850)*	(114.291)	*106.557*
Liabilities under contract	16	(1.922.356)		(3.052.185)	
Trade payables	25	635.879	*(977.744)*	2.007.704	*(1.276.375)*
Other current assets and liabilities *	18, 20, 26	(2.748.281)		708.050	
Utilisation of provisions and employee benefits	23	(35.675)		(66.399)	
Interest paid	7	(274.698)		(774.618)	
Income taxes paid	9	-		(386)	
Cash flow generated/absorbed by operations (A)		**(17.129.337)**	***(3.590.144)***	**(10.699.603)**	***(5.799.343)***
Cash flow from investment activities					
Interest received	7	168.847		1.084.399	
Proceeds from the sale of property, plant and equipment		-		-	
Proceeds from the sale of financial assets	19	1.742.532		28.338.756	
Purchase of property, plant and equipment	11	(6.498.069)		(3.157.753)	
Purchase of intangible assets	12	(171.106)		(191.463)	
Purchase of other financial assets	19	(45.730.047)	*(2.869.901)*	(8.004.856)	
Cash flow generated/absorbed by investing activities (B)		**(50.487.842)**	***(2.869.901)***	**18.069.083**	**-**
Cash flow from financing activities					
Proceeds from the issue of shares	22	65.403.933		-	
Proceeds from the assumption of financial liabilities	24	-		5.000.000	
Repayment of financial liabilities	24	(2.543.760)	*(1.464.306)*	(3.169.000)	*(2.681.631)*
Payment of lease liabilities	13	(504.249)	*(473.805)*	(532.357)	*(531.794)*
Dividends paid		-		-	
Purchase of own shares	22	(536.971)		-	
Cash flow generated/absorbed by financing activities (C)		**61.818.953**	***(1.938.111)***	**1.298.643**	***(3.213.425)***
Increase in cash and cash equivalents from merger (D)		**559.726**		**-**	
Total cash flow (A + B + C + D)		**(5.238.500)**	**(8.398.156)**	**8.668.123**	**(9.012.768)**
Opening cash and cash equivalents	**21**	**11.649.980**		**2.981.857**	
Change in cash and cash equivalents for the period		(5.238.500)		8.668.123	
Closing cash and cash equivalents	**21**	**6.411.480**		**11.649.980**	

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

Notes to the financial statements as at December 31, 2020

Preparation criteria

1. Background

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 at the start of trading at a price of €17 each.

Regulation (EC) no. 1606/2002 of the European Parliament and Council of July 19, 2002 (the "EU Regulation") introduced the obligation, as of 2005, for all companies with securities admitted for trading on a regulated market, to prepare their financial statements in accordance with IAS/IFRS. In Italy, the matter was regulated by Legislative Decree no. 38 of February 28, 2005, which provided for companies excluded from the obligation laid down in the EC Regulation to prepare their financial statements in compliance with IAS/IFRS as of the financial year ended December 31, 2005.

2. Reporting entity

Philogen S.p.A. is based in Italy. The address of the Company's registered office is Piazza La Lizza, 7 Siena. The company 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. Philogen holds a controlling interest in Philochem AG of 99.998%, of the share capital of the subsidiary, based in Zurich, Switzerland, which is engaged in pharmaceutical research and discovery of therapeutic antibodies and self-assembling chemical libraries, encoded via DNA fragments.

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

3. Drafting criteria

These financial statements have been prepared in accordance with the 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 the interpretations of the *International Financial Reporting Interpretation Committee* (IFRIC) and the former *Standing Interpretations Committee* (SIC).

These financial statements were approved and authorized for issue by the Company's Board of Directors on March 28, 2022.

Details concerning the accounting principles adopted are specified in note no. 34.

Functional and presentation coin

These financial statements are expressed in Euro, the Company's functional currency. Unless otherwise indicated, all amounts expressed in euros have been rounded to the nearest thousand. It should also be noted that any differences in certain tables are due to the rounding of amounts expressed in thousands of euros.

Use of estimates and valuations

As part of the preparation of the financial statements, management has had to make estimates and judgments that affect the application of accounting policies 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 underlying assumptions are reviewed regularly. Any changes resulting from the revision of accounting estimates are recognized prospectively.

The following is a summary of those items in the financial statements that require greater subjectivity on the part of the Directors in developing estimates than others and for which a change in the conditions underlying the assumptions used could have a material impact on the financial statements.

— *Assessments*

The decisions made by management that have the most significant effects on the amounts recognized in the financial statements are provided in the notes below:

- Notes #5 and 34 - revenue recognition: determine whether license revenue should be recognized at a specific point in time or over time;
- Notes No. 18 and 34 - accounting for securities: evaluation of business model and related accounting treatment;
- Notes No. 13 and 34 - lease term: key assumptions regarding renewal options at the end of the non-cancelable lease term.

— *Estimation uncertainty assumptions*

For the year ended December 31, 2021, information about assumptions and uncertainties in estimates that have a significant risk of causing material changes to the carrying amount of assets and liabilities in the financial statements of the subsequent year is provided in the notes below:

- Notes No. 5 and 34 - revenue recognition: assumptions in determining total transaction price in relation to variable consideration;
- Notes 22 and 34 - valuation of defined benefit obligations: key actuarial assumptions;
- Note no. 34 - valuation of financial instruments: main assumptions underlying calculation of *fair value*;
- Note no. 34 - 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 8 and 34 - recognition and measurement of investments;
- Notes 9 and 34 - recognition of deferred tax assets: availability of future taxable profits against which deductible temporary differences and tax loss carryforwards can be utilized;
- Notes no. 13 and 14 - Impairment test of non-current assets and equity investments: main assumptions used to determine recoverable amounts;
- Note No. 34 - recognition and measurement of funds and contingent liabilities: key assumptions about the probability and extent of resource outflows;
- Note no. 34 - valuation of allowance for expected losses on trade receivables and assets arising from contracts: key assumptions in determining "Expected Credit Losses".

4. Industry information

For the purposes of IFRS 8, Management has identified a single operating segment "Biotechnology", within which all the activities carried out by the Company and its subsidiary are included.

The Company is mainly active in the field of integrated biotechnology and, in particular, it is active 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.

Details of revenues from contracts with customers by type of product and service, by geographical area and information regarding the Company's degree of dependence on its main customers are provided in note 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	**Year ended 31 December**

	2021	2020
Revenues from contracts with customers	2.581	4.099
Other income	2.242	1.211
Total revenues and income	**4.823**	**5.310**

Revenues from contracts with customers

Revenues from contracts with customers mainly refer to fees from license agreements and research and development activities that Philogen carries out on behalf of third parties. Moreover, € 346 thousand refer to intercompany revenues related to low value-added activities (administrative support, legal support, HR, IT, IP and maintenance) that Philogen carries out in support of the subsidiary Philochem.

At December 31, 2021, revenues from contracts with customers amounted to € 2,581 thousand, a decrease of € 1,518 compared to the previous year. The change is mainly attributable to the Company's desire to opportunistically evaluate the licensing activities of proprietary products, focusing on the clinical development of some more advanced products in the *pipeline,* while continuing the development activities under existing contracts.

Revenues recognized as of December 31, 2021 comprise approximately 74% of fees recognized *over time in* connection with the development of Product 1 and approximately 26% of revenues for research and development services, of which approximately 12% are recognized *over time* and 15% are recognized on an accrual basis.

Additional details of revenues from customer contracts are provided below.

Detail by type of consideration

Figures in thousands of Euros	Year ended 31 December	
	2021	2020
Revenues from *up-front* and *maintenance fees*	1.922	3.052
Revenues from Research and Development services	658	1.047
Total revenues from contracts with customers	**2.581**	**4.099**

Detail by recognition mode

Figures in thousands of euros	Year ended 31 December	
	2021	2020
Revenues recognized *at a point in time*	356	1.047
Revenues recognized *over time*	2.225	3.052
Total revenues from contracts with customers	**2.581**	**4.099**

Detail by geographical area

Figures in thousands of Euros	Year ended 31 December	
	2021	2020
USA	1.922	3.052
European Union	313	801
Extra EU (Switzerland)	346	245
Total revenues from contracts with customers	**2.581**	**4.099**

Detail by product or service type

Figures in thousands of Euros	Year ended 31 December	
	2021	2020
Product 1	1.922	3.052
Other research and development services	659	1.047
Total revenues from contracts with customers	**2.581**	**4.099**

Details of the customers that generate revenue for the Company in excess of 10% of total revenue from contracts with customers, as required by IFRS 8, are provided below:

Figures in thousands of Euros	Year ended 31 December			
	2021	*Inc.*	2020	*Inc.*
Customer 1	1.922	*74%*	3.052	*74%*
Customer 2	-	-	801	*20%*
Customer 3	313	*12%*	-	-
Other clients < 10%	346	*13%*	245	*6%*
Total revenues from contracts with customers	**2.581**	***100%***	**4.099**	***100%***

Other income

Figures in thousands of euros	Year ended 31 December	
	2021	2020
Operating grants	2.169	1.181
Miscellaneous income	73	30
Total other income	**2.242**	**1.211**

Other income consists primarily of operating grants and research subsidies, relating primarily to research projects co-financed by the European Community and the Region of Tuscany, and tax credits relating to tax benefits provided for by Italian legislation.

The increase of approximately Euro 987 thousand in other income, is mainly due to the allocation in the year ended 31 December 2021 (i) from the 2021 Research and Development Tax Credit amounting to Euro 1,933 (Euro 1.019 in the year ended December 31, 2020) as a reflection of the higher research and development costs incurred and (ii) the tax credit for leases, amounting to € 195 thousand, provided for by the Decree Law 73/2021 (so-called *Support Decree bis*), a new government intervention to support the economic system still affected by the economic crisis due to the Covid-19 pandemic.

6. Operating costs

Details of operating expenses as of December 31, 2021 and December 31, 2020 are shown below:

Figures in thousands of euros	Year ended 31 December	
	2021	2020
Purchases of raw materials and consumables	942	763
Costs for services	10.274	10.186
Costs for use of third party assets	104	58
Personnel costs	5.590	3.769
Depreciation	1.406	1.074
Other operating costs	129	134
Total operating costs	**18.445**	**15.983**

Costs for the purchase of raw materials and consumables

Costs for the purchase of raw materials and consumables, amounting to € 942 thousand as at December 31, 2020 (€ 763 thousand as at December 31, 2020), are mainly attributable to the cost of materials used in the laboratory, the change in which is linked to the drug production activities for ongoing clinical trials and/or the production of antibodies on behalf of third parties.

Costs for services

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

Figures in thousands of euros	Year ended 31 December	
	2021	2020
Costs related to Clinical Centers and CROs	2.747	2.015
Outsourcing services for research and development activities	760	1.693
Intercompany services	2.544	2.221
IPO costs	1.201	-
Remuneration of corporate bodies (net of contributions)	886	2.764
Social contributions on remuneration of corporate bodies	71	102
Management by objectives (MBO)	115	
Corporate and consulting expenses	776	572
Utilities and overheads	559	263
Other costs for services	615	556
Total costs for services	**10.274**	**10.186**

Costs for services mainly comprise costs relating to the Company's operating activities, and in particular costs incurred for *trials* at clinical centers and costs relating to outsourced research and development services. The most significant changes are:

(vii) The change of € 732 thousand in costs relating to services for research and development activities is attributable to higher costs incurred in 2020 for some preclinical activities requested, on a one-off basis, by the FDA for a product under development in the USA;

(viii) The total IPO costs incurred in the first half of 2021 amounted to approximately Euro 4,800 thousand, of which Euro 1,200 thousand are to be charged directly to the income statement as they relate to the Company's general listing process and the remainder as a reduction of the Share Premium Reserve;

(ix) The decrease in compensation for corporate bodies, amounting to approximately 1,794 euros, is due to the allocation, in the year ended December 31, 2020, of the *bonus* provided for a member of the Board of Directors under the incentive plan approved on March 26, 2020 and amended on November 25, 2020 by agreement between the parties due to his operational commitment to the development of certain products. The *bonus* was paid in March 2021 following the successful listing of the Company;

(x) MBO amounting to 115 thousand euros as at December 31, 2021, corresponds to the allocation of the monetary incentive plan envisaged for executive directors as from April 1, 2021. For further details on the plan, please refer to paragraph 4.5 of the Management Report;

(xi) The increase in corporate expenses in the year ended December 31, 2021 was due to higher post-listing operating expenses of the Company;

(xii) The increase in utilities, overhead and service costs is related to the increase in company size, the increase in activities and personnel and the resulting increase in overhead costs.

Costs for use of third party assets

Lease and rental costs amounted to € 104 thousand at December 31, 2021 (€ 58 thousand at December 31, 2020). This item includes rental costs, exclusively with reference to leases with a duration of less than twelve months and those of small amounts (excluded from the scope of application of IFRS 16) and variable fees related to ancillary expenses quantified on an actual basis, which are also not included in the calculation of the financial liability and the related right of use pursuant to IFRS 16. In view of the increase in the number of staff in the year under review (for the precise increase in the number of staff in the year ended December 31, 2021, reference should be made to note no. 12 of the Management Report on Operations), there was an increase in the cost of leases and rentals, attributable to the higher costs incurred for new contracts for company licenses/software with a duration of less than one year.

Personnel costs

The following table provides a breakdown of personnel costs for the years ended December 31, 2021 and December 31, 2020:

Figures in thousands of Euros	Year ended 31 December

	2021	2020
Wages and Salaries	4.186	2.753
Social charges	1.150	828
Provision for severance indemnities	246	188
Personnel costs for incentive plans	8	-
Total personnel costs	**5.590**	**3.769**

The increase in the cost of personnel, amounting to €1,821 thousand, is attributable to (i) the appointment of the three executive members of the Board of Directors, as of January 1, 2021 (as per the resolution of the Board of Directors of December 16, 2020) to strategic managers by virtue of the reorganization of corporate governance following the listing process and (ii) the increase in the average number of employees, as shown in the table below.

	December 31, 2021	December 31, 2020	Change
Average number of employees	86	69	17

Finally, for further details on the incentive plan, reference should be made to paragraph 4.5 of the Management Report on Operations and Note no. 29 to the Financial Statements.

Depreciation

The breakdown of "Depreciation and amortization" at December 31, 2021 and 2020 is shown below:

Figures in thousands of Euros	Year ended 31 December	
	2021	2020
Amortization of intangible assets	203	140
Depreciation of property, plant and equipment	596	329
Amortization of assets for right of use	607	605
Total depreciation	**1.406**	**1.074**

Amortization of intangible assets mainly relates to the amortization of patents. The balance as at December 31, 2021 shows an increase of € 78 thousand compared to the previous year mainly due to: new capitalizations made in the year 2021 and acceleration of the amortization of certain types of patents that, during the year, have exhausted their useful life in advance, as the Company does not expect to receive further economic benefits from their use.

Depreciation of property, plant and equipment mainly relates to the depreciation of production facilities and laboratory equipment. The increase compared with the year ended December 31, 2020, of approximately 48%, relates to investments made during the year for the construction and equipping of the new facility in Rosia (Siena).

Amortization of right-of-use assets is in line with the previous year,

Other operating costs

The following is a breakdown of "Other operating expenses" for the years ended December 31, 2021 and 2020:

Figures in thousands of euros	Year ended 31 December	
	2021	2020
Membership fees	31	33
Company vehicle costs	8	11
Taxes and fees	54	4
Representation expenses	24	21
Other operating costs	12	66
Total other operating costs	**129**	**134**

Other operating expenses are primarily attributable to contingent liabilities and other operating expenses. The change from the year ended December 31, 2020 is primarily due to (i) an increase in taxes and duties in the year ended December 31, 2021 in connection with annual charges due to Borsa Italiana on the Company's market capitalization and (ii) a reduction in other operating expenses primarily related to extraordinary costs.

7. Financial income and expenses

Finance income and expenses are comprised as follows:

Figures in thousands of Euros	Year ended 31 December	
	2021	2020
Financial income		
Capital gains from the disposal of financial assets	164	1.084
Capital gains from the valuation of financial assets at *fair value*	1.713	463
Intercompany interest income	4	-
Profits on exchange rates	678	589
Financial income	**2.559**	**2.137**
Financial charges		
Losses from valuation of financial assets at *fair value*	(17)	(843)
Capital losses on disposal of financial assets	(19)	(506)
Interest payable on leasing	(199)	(212)
Interest payable on bank loans	(52)	(56)
Interest cost for employee benefits	(5)	(6)
Intercompany interest expense	(4)	-
Foreign exchange losses	(589)	(710)
Financial charges	**(885)**	**(2.333)**
Total financial income (expense)	**1.674**	**(196)**

The net financial management result for the year ended December 31, 2021 was a positive €1,674 thousand, compared to the year ended December 31, 2020, which showed a negative net financial management balance of €196 thousand.

The main impact on net financial management in the year ended December 31, 2021 relates to net gains recognized on financial assets measured at *fair value* of €1,696 thousand due to the positive performance of financial markets, compared to a negative market performance in the year ended December 31, 2020, where the *fair value* measurement shows a loss of approximately €380 thousand related to the effects of the Covid-19 pandemic

8. Result from equity investments

This item consists of:

Figures in thousands of Euros	Year ended 31 December	
	2021	2020
Negative differences from valuations Equity Method in subsidiaries	(2.308)	(1.686)
Dividends from equity investments	-	-
Total income from equity investments	**(2.308)**	**(1.686)**

The amount of Euro 2,308 thousand was determined in consideration of the actual negative result for the financial year ended December 31, 2021 of the subsidiary Philochem AG, until the value of the investment was reduced to zero, in the absence of legal or implicit obligations of the parent company to cover further losses. Please refer to Note 14 to the financial statements for further details.

9. Taxes

The Company has made provisions for taxes on the basis of the application of current tax laws. Current taxes refer to taxes for the period as estimated in the financial statements, whilst current legislation provides for tax returns to be submitted in the second half of the following year, with consequent possible updates to the calculation that could lead to differences being recognized in the following year.

The following is a table detailing income taxes recorded as of December 31, 2021 and 2020:

Figures in thousands of Euros	Year ended 31 December	
	2021	2020
Current taxes	-	-

Deferred taxes	(504)	(730)
Total taxes	**(504)**	**(730)**

Deferred taxes refer exclusively to the reversal of the tax effects recorded at the time of transition to IAS/IFRS. Changes during the period are shown in the tables below.

Reconciliation of effective tax rate

A reconciliation between the tax expense from the financial statements for the year and the theoretical tax expense determined based on the IRES rate applicable to the Company for the years ended December 31, 2020 and 2019, respectively, is presented below:

Figures in thousands of Euros	Year ended 31 December	
	2021	2020
Profit before tax	(14.256)	(12.556)
Theoretical tax rate	-24,0%	-24,0%
Theoretical IRES tax charge (A)	**3.421**	**3.014**
Adjustments for:		
Tax effect on revenues for R&D credit	464	245
Tax effect on revenues for industry 4.0 credit	-	11
Tax effect for credit Leases	47	-
Tax effect on unrecognized tax losses	(4.563)	(3.662)
Tax effect on IPO costs in shareholders' equity	872	-
Tax effect on other increases (decreases)	(670)	(218)
Reversal of temporary differences for IRAP purposes	(75)	(119)
Total adjustments (B)	**(3.925)**	**(3.743)**
Total effective income taxes (A+B)	**(504)**	**(730)**
Effective tax rate	***3,5%***	***5,8%***

The Company, by virtue of the research activities it carries out, benefits from tax relief, resulting in a decrease in the calculation of taxable income of a permanent nature.

Among these, starting in 2015, it benefits from the tax credit recognized under Decree Law 145/2013 (as amended) for investments made in research and development activities.

In addition, starting in fiscal year 2020, the Company benefits from the Industry 4.0 credit introduced by Law No. 160 of December 27, 2019, replacing the super- and hyper-amortization regime, which consists of a tax credit for investments incurred by the Company in the relevant fiscal year in a variable percentage based on the nature of the investment itself.

As a result of the benefits described above, the Company has estimated, for the years ended December 31, 2021 and December 31, 2020, prior tax losses of more than € 35 million (for a tax benefit of approximately € 8.5 million) on which, however, it was decided not to recognize deferred tax assets in view of the uncertainties that characterize research and development activities and consequently the possibility of having convincing evidence of the ability to achieve future taxable income.

Deferred taxes refer exclusively to the reversal of the tax effects recorded at the time of transition to IAS/IFRS. Changes during the period are shown in the tables below.

Changes in deferred taxes during the year

Details and changes in deferred tax assets and liabilities from January 1 to December 31, 2020 and from January 1 to December 31, 2021, the balances of which originate exclusively from the transition entries to IAS/IFRS, are provided below:

Figures in thousands of Euros	Book value as at 1 January 2020	Use	Acc.to	Book value as at 31 December 2020
Deferred tax assets				
Liabilities from contracts with customers	2.011	(850)		1.159
Intangible assets	1	-	-	1
Property, plant and equipment	-	-	-	-
Right-of-use activity	-	-	-	-
IAS 19 reserve (recorded in the comprehensive income statement)	8	-	4	12
Total Deferred tax assets	**2.020**	**(850)**	**4**	**1.172**
Deferred tax liabilities				
Other financial assets	141	(131)	-	10
Intangible assets	159	-	8	167
Total deferred tax liabilities	**300**	**(131)**	**8**	**177**

Figures in thousands of Euros	Book value as at 1 January 2021	Use	Acc.to	Book value as at 31 December 2021
Deferred tax assets				
Liabilities from contracts with customers	1.159	(535)	-	624
Intangible assets	1	-	-	1
IAS 19 reserve (recorded in the comprehensive income statement)	12	-	26	38
Cash-flow hedge reserve (recorded in the comprehensive income statement)	-	-	1	1
Total Deferred tax assets	**1.172**	**(535)**	**27**	**664**
Deferred tax liabilities				
Other financial assets	10	(1)	-	9
Intangible assets	167	(31)	-	136
Total deferred tax liabilities	**177**	**(32)**	**-**	**145**

Uncertainties regarding the accounting treatment to be applied to taxes

It should be noted that as of December 31, 2021, there are no disputes with tax authorities that could generate uncertainties regarding the treatment of income taxes.

10. Earnings per share

The calculation of basic earnings per share was based on earnings attributable to holders of common stock and the weighted average number of common shares outstanding during the year ended 2021 and 2020.

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

The income and stock information used in the calculation of basic and diluted earnings per share is presented below:

Basic and diluted earnings (loss) per share	Year ended 31 December	
	2021	2020
Profit (Loss) for the period - in Euro thousands (A)	(14.759)	(13.285)
Weighted average number of ordinary shares in circulation (B)	39.664.514	35.550.000
Weighted average number of dilutive potential ordinary shares outstanding (C)	167.123	1.000.000
Weighted average number of outstanding share options granted (D)	-	-
Weighted average number of shares outstanding adjusted for dilution effects (E=B+C+D)	39.831.637	36.550.000
Basic earnings (loss) per share - in Euro (A/B*1000)	(0,37)	(0,37)
Diluted earnings (loss) per share - in Euro (A/C*1000) (*)	(0,37)	(0,37)

(*)Note that the diluted loss per share for the year ended December 31, 2020 and December 31, 2021 has been determined without regard to the instruments referred to in (D) above because in the presence of a loss for the year

(C) The number of dilutive potential shares of common stock as of December 31, 2021, totaled 1,000,000, as each performance share, special share 1 and special share 2 could be converted at the rate of 6 shares of common stock, special share or performance share. Conversion of these shares to common stock occurred with the listing. As of December 31, 2021, such value was weighted for the days from January 01, 2021 to March 03, 2021, the date of the Company's listing.

(D) The weighted average number of assigned share options in circulation potentially amounting to 145 thousand Units as at December 31, 2021, has been considered for calculation purposes as 0, since, in accordance with IAS 33, at the end of the financial year these instruments did not have the necessary characteristics to be issued. For further information, reference should be made to note no. 22 of the financial statements.

Assets

11. Property, plant and machinery

Changes in property, plant and equipment from January 1, 2020 to December 31, 2021 are shown below:

Figures in thousands of Euros	Plants and machinery	Industrial and commercial equipment	Leasehold improvements	Other tangible assets	Construction in progress and advances	Total
Historical cost	1.499	3.440	61	502	28	5.530
Depreciation fund	(1.128)	(2.923)	(5)	(438)	-	(4.494)
Net book value as at 1 January 2020	**371**	**517**	**56**	**64**	**28**	**1.037**
Increases	55	806	18	17	2.262	3.158
(Decreases)	-	-	-	-	-	-
Depreciation	(103)	(186)	(7)	(33)	-	(329)
Historical cost	1.554	4.246	79	519	2.290	8.688
Depreciation fund	(1.231)	(3.109)	(12)	(471)	-	(4.822)
Net book value as at 31 December 2020	**323**	**1.137**	**67**	**49**	**2.290**	**3.866**
Increases	191	2.645	102	203	3.359	6.499
(Decreases)	-	-	-	-	-	-
Reclassifications	185	-	-	-	(185)	-
Depreciation	(129)	(407)	(15)	(44)	-	(596)
Historical cost	1.930	6.891	181	684	5.464	15.150
Depreciation fund	(1.360)	(3.516)	(27)	(478)	-	(5.381)
Net book value as at 31 December 2021	**569**	**3.375**	**154**	**206**	**5.464**	**9.769**

Plant and machinery mainly refer to the fitting out of laboratories instrumental to operations.

Industrial and commercial equipment primarily includes the purchase cost incurred to equip the production unit in Montarioso and the new site in Rosia (Siena).

Other tangible assets mainly refer to company cars and furniture and fittings. Company cars are partly used for mixed purposes by employees, partly allocated to certain members of the Board of Directors and partly at the disposal of company personnel.

Assets in progress and advances mainly include the amounts paid for the construction of the new GMP plant as well as for the reactivation and revamping of the current research and development and quality control laboratories at the Rosia (Siena) property complex, activities which started in 2020 and will be completed by the first half of 2022. The aforementioned project for the expansion of the Rosia (Siena) site includes the construction of a new biotechnology "GMP" plant including all the advanced and automated technology facilities and equipment, for a total value of approximately € 12 million, financed partly with the Company's cash and partly through bank loans entered into at the end of 2020 (see note no. 22 for further details).

12. Intangible assets

Changes in intangible assets from January 1, 2020 to December 31, 2021 are shown below:

Figures in thousands of Euros	Patent and intellectual property rights	Concessions, licenses, trademarks and similar rights	Total
Historical cost	1.825	115	1.940
Depreciation fund	(1.081)	(111)	(1.192)
Book value as at 1 January 2020	**744**	**4**	**748**
Increases	179	4	183
(Decreases)	-	-	-
Depreciation	(138)	(3)	(140)
Historical cost	2.004	120	2.124
Depreciation fund	(1.219)	(114)	(1.333)
Book value as at 31 December 2020	**785**	**6**	**791**
Increases	74	98	171
(Decreases)	-	-	-
Depreciation	(178)	(25)	(203)
Historical cost	1.853	218	2.071
Depreciation fund	(1.173)	(139)	(1.312)
Book value as at 31 December 2021	**680**	**79**	**759**

As of December 31, 2021, the Company held over 40 international patent families and over 100 valid national patents. The increases recognized in FY 2021, amounting to €74 thousand, relate to expenses incurred by the Company to file new patent applications and for their nationalisations and concessions in order to acquire the exclusive right to exploit inventions relating to new cancer applications in specific countries around the world.

Concessions, licenses and trademarks primarily include the cost of corporate software licenses.

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

13. Right-of-use assets and lease liabilities

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

Figures in thousands of Euros	Real Estate	Cars	IT Services	Total
Historical cost	8.106	100	43	8.249
Depreciation fund	(268)	(30)	(37)	(335)
Net book value as at 1 January 2020	**7.838**	**70**	**6**	**7.914**
Increases	-	-	68	68
(Decreases)	-	-	-	-
Depreciation	(549)	(33)	(23)	(605)
Historical cost	8.106	100	111	8.317
Depreciation fund	(818)	(63)	(60)	(940)
Net book value as at 31 December 2020	**7.288**	**37**	**51**	**7.376**
Increases	70	-	-	70
(Decreases)	-	-	-	-
Depreciation	(555)	(30)	(22)	(607)
Historical cost	8.176	100	68	8.344
Depreciation fund	(1.373)	(93)	(39)	(1.505)
Net book value as at 31 December 2021	**6.803**	**7**	**29**	**6.839**

Right-of-use assets as of December 31, 2021 are primarily attributable to rentals for properties used by the Companies for operations. In particular, during 2019, a project for the functional and structural reorganization of the Group was put in place through which the real estate branch was to be separated from the operating branch of the Companies. At the same time, lease agreements were entered into, resulting in the recognition of assets for rights of use and the related financial liabilities in accordance with IFRS 16.

Changes in financial lease liabilities from January 1 through December 31, 2020 and January 1 through December 31, 2021 are provided below:

Figures in thousands of Euros	
Lease liabilities at 1 January 2020	**7.914**
Increases	68
Decreases	-
Capital repayments	(532)
Lease liabilities as at 31 December 2020	**7.449**
Increases	70
Decreases	-
Capital repayments	(504)
Lease liabilities as at 31 December 2021	**7.015**
Of which current	502
Of which non-current	6.513

The following table provides a reconciliation of cash outflows with respect to leases for the years ended 2021 and 2020:

Figures in thousands of Euros	Year ended 31 December	
	2021	2020
Real estate capital share	474	443
Interest expense for leasing (real estate)	199	207
Capital share cars	22	41
Interest expense for leasing (cars)	0	4
IT services capital share	8	49
Interest expense for leasing (IT services)	0	1
Total cash outflows for *leasing*	**703**	**745**

It should be noted that the Company, for the purposes of determining lease liabilities and the related right-of-use assets, has applied a discount rate of 2.73% for leases relating to buildings, cars and IT services.

As of December 31, 2021, the Company has not identified any indicators of impairment related to right-of-use assets.

Impairment test

We point out that, as of December 31, 2021, no elements have emerged such as to lead the Directors to believe that the reasons that led to the recognition of property, plant and equipment, intangible assets and rights of use had been disregarded; furthermore, no further indicators of impairment have emerged that would have led the Directors to believe that there might be a reduction in the value of property, plant and equipment, intangible assets and assets for rights of use; consequently, it has not been necessary to carry out impairment tests on the value recorded in the financial statements.

14. Participations

The following is the key information derived from the statutory financial statements of Philochem, the only subsidiary of Philogen:

Company	Registered office	Shareholding held directly or indirectly (*)	Share capital as at 31 December 2021	Shareholders' equity as at 31 December 2021 (***)	Operating result 2021 (***)
Philochem AG	Switzerland	99,998% (**)	CHF 5,051,000	CHF (968,375)	CHF(3,539,833)

(*) Philogen's ownership interest in Philochem corresponds to the percentage of voting rights.
(**) Duccio Neri and Dario Neri each hold 1 share in Philochem.
(***) Data related to the IFRS Reporting Package.

The item Equity investments breaks down as follows:

Figures in thousands of Euros	December 31, 2021	December 31, 2020
Participations	-	2.369
Total equity investments	**-**	**2.369**

Changes in the value of the investment from January 1 to December 31, 2020 and from January 1 to December 31, 2021 are shown below:

Figures in thousands of Euros	1 January 2020	2020 Result	Translation reserve	Decreases	Dividends	December 31, 2020
Participations	4.019	(1.686)	37	-	-	2.369
Total equity investments	**4.019**	**(1.686)**	**37**	**-**	**-**	**2.369**

Figures in thousands of Euros	January 1, 2021	FV stock grant 2021	Result 2021	Translation reserve	Decreases	Dividends	December 31, 2021
Participations	2.369	13	(3.273)	(74)	-	-	-
Total equity investments	**2.369**	**13**	**(3.273)**	**(74)**	**-**	**-**	**-**

The change in the value of the investment from January 1 to December 31, 2021 shows an impairment of the investment. The amount of the write-down was determined in view of the actual negative result for the year ended December 31, 2021 of the subsidiary Philochem AG until the value of the investment was reduced to zero in the absence of legal or implied obligations of the parent company to cover further losses and rebuild the share capital. Please refer to what is described in section 18.4 of the management report with reference to a major new research and development contract signed by the subsidiary in the early months of the current financial year.

15. Inventories

Details of inventories are as follows:

Figures in thousands of euros	December 31 2021	December 31 2020
Raw materials and consumables	1.166	712
Total inventories	**1.166**	**712**

Inventories of raw materials and consumables include inventories valued at the lower of purchase cost and market value. As at December 31, 2021, inventories amounted to Euro 1,166 thousand, an increase of more than Euro 454 thousand compared to the year 2020, mainly due to the increased procurement of consumables used in the development and production of pharmaceuticals.

16. Contract assets and liabilities

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

Assets arising from contracts are entered under assets net of the corresponding liabilities if, on the basis of an analysis conducted contract by contract, the gross value of the assets carried out at the date exceeds the down payments received from clients. Conversely, if the advance payments received from customers exceed the related contract assets, the excess is recognized as a liability.

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

Contracts with positive net balance

Figures in thousands of euros	December 31 2021	December 31 2020
Advances received from customers	(250)	-
Contractual activities	302	-
Contract activities with net customers	**52**	**-**

Contracts with negative net balance

Figures in thousands of Euros	December 31 2021	December 31 2020
Advances received from customers	9.782	9.782
Revenues recognized on advances received	(7.549)	(5.627)
Net customer contract liabilities	**2.233**	**4.155**

Payments on account received from clients 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 the related contract costs (revenues recognized on payments on account).

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

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

17. Trade receivables

The item "Trade receivables" breaks down as follows:

Figures in thousands of Euros	December 31 2021	December 31 2020
Receivables due from clients	376	515
Intercompany receivables	351	240
Total trade receivables	**727**	**754**

As at 31 December 2021, trade receivables from customers amounted to € 727 thousand, in line with the previous year.

Past due receivables are monitored by the administrative department through periodic analyses of the main positions. The estimate of the expected loss pursuant to IFRS 9 (*"Expected Credit Loss"*) is not significant given the type of the Company's customers, the contractual terms envisaged and the timeframe for collection of the receivables. It should be noted that, in compliance with IFRS 15, the invoicing of assets does not necessarily coincide with the revenue, if the consideration is recorded over time.

Breakdown of receivables posted to current assets by geographical area

The following table shows the breakdown of receivables posted to current assets by geographical area.

Figures in thousands of Euros	Geographical **area**	
	December 31 2021	**December 31 2020**
Italy	178	-
European Union	198	508
Extra European Union (USA)	-	6
Extra European Union (other)	351	240
Total trade receivables	**727**	**754**

18. Tax receivables and payables

The item "Tax credits" breaks down as follows:

Figures in thousands of Euros	**December 31 2021**	**December 31 2020**
Various tax credits	2.950	2.138
VAT credits	2.672	1.306
Other tax receivables	39	336
Total tax receivables	**5.661**	**3.780**

As of December 31, 2021, "Miscellaneous tax credits" include:

- research and development tax credit year 2021 for € 1,933 thousand whose compensation will be in three annual instalments of equal amount, in compliance with the reference legislation (art. 1 paragraph 200 Law 160 of December 27, 2019 and subsequently amended by art.1 paragraph 1064 Law 178 of December 30, 2020);

- research and development tax credit year 2020 for € 592 thousand (total 2020 research and development tax credit, amounting to € 1,019 thousand) relating to the remaining part to be offset in 2022 and 2023 in compliance with the reference legislation (art. 1 paragraph 200 Law 160 of December 27, 2019);

- industry 4.0 credit, relating to generic assets that went into operation during the year ended December 31, 2021, for €193 thousand;

- lease credit 2021 for € 195 thousand provided for by Law Decree 73/2021 (so-called *Support Decree bis*), a new government intervention to support the economic system still affected by the economic crisis due to the Covid-19 pandemic.

VAT receivables" in the year ended December 31, 2021 show an increase of € 1,366 thousand mainly due to higher costs incurred in 2021, with particular reference to investments for the new GMP facility at the Rosia (Siena) site. It should be noted that the Company makes purchases mainly in Italy and sales mainly abroad, so that the VAT credit cannot be offset against the VAT payable.

Other tax receivables primarily include receivables for withholdings.

The item "Taxes payable" breaks down as follows:

Figures in thousands of euros	December 31 2021	December 31 2020
Current income tax payables	-	-
Due to tax authorities for withholdings	193	169
Other tax payables	116	193
Total tax payables	**309**	**362**

The Company has estimated a current tax liability of zero.

Other tax payables mainly include the amount due to the tax authorities accrued as a result of an assessment that ended with a settlement in December 2019. The Company has decided to accrue the tax payable with quarterly payments, to be offset against other taxes.

19. Other current financial assets

An analysis of changes in other current financial assets is provided below:

Figures in thousands of Euros	Other current financial assets
Book values as at 1 January 2020	**70.962**
Increases	8.005
(Decreases)	(28.472)
Gains/Losses from *fair value* adjustment of financial assets	(380)
Change in accrued income on coupons	(132)
Book values as at 31 December 2020	**49.984**
Increases	42.860
(Decreases)	(1.743)
Gains/losses from *fair value* adjustment	1.696
Intercompany financing	2.870
Book value as at 31 December 2021	**95.667**

The Company invests excess liquidity in financial instruments, held with Mediobanca, which also acts as manager.

The item "Other current financial assets" includes:

i. the balance relating to securities held in the portfolio, consisting of insurance policies, equity instruments and fund units, which are held to collect contractual cash flows and to sell and whose contractual terms do not provide exclusively for repayment of principal and payment of interest on the principal amount to be repaid (i.e. which do not pass the so-called "SPPI test"), which have been obligatorily measured at *fair value* with an impact recorded in the profit (loss) for the period (FVTPL);
ii. the balance relating to the bond segment of the outstanding portfolio, included in the "Other" Business Model, which are measured at *fair value* with an impact recorded in the profit (loss) for the period (FVTPL)
iii. *the intercompany* loan signed in December 2021 with the aim of supporting the liquidity of the Swiss subsidiary and valued using the amortized cost method.

Details of financial assets measured at *fair value are provided* below, broken down by type of instrument and *business model*:

Figures in thousands of Euros	December 31, 2021	31 December2020
Financial assets held for collection		
Held to collect and sell cash flows		
Actions	2.285	3.159
Funds	7.191	4.917
Insurance investment products	82.815	41.552
Total	**92.291**	**49.628**
Other financial assets (Other)		
Bonds and Certificates	506	356
Total	**506**	**356**
Total other current financial assets	**92.797**	**49.984**

With regard to insurance investment products, amounting to Euro 82,815 thousand in the year ended 31 December 2021 (Euro 41,552 thousand as at 31 December 2020), the Group has signed three investment contracts, whose contractor and sole beneficiary is Philogen S.p.A., with three different insurance companies.

The first contract, signed in 2013 for approximately € 10 million, is represented by a whole life insurance investment product with capital that can be revalued according to the performance of the separate asset management. The management invests the resources mainly in the following asset classes: government securities or bonds directly or through OICR fund units, residually in cash and equities listed on regulated markets also directly or through OICR units. At least 70% of the assets are made up of bonds and the exposure in equities and OICR units does not exceed 10% of the management assets. This contract provides for the guarantee of the invested capital.

The second contract, signed during fiscal year 2019, is represented by a multi-branch whole life insurance investment product with a total value of approximately € 60 million. This investment is in turn divided into two separate funds consisting of:

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

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

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

- 7 million euros in a separate management (Branch I) managed by the Company with annual yield capitalization. The management mainly invests in bonds, including government and supranational securities. The management can be partially or totally liquidated at any time starting from the twelfth month from the original investment.

- 3 million euros divided equally between two internal funds (Ramo III), one of which is a bond fund and the other a predominantly equity fund. The two funds can be liquidated at any time. The financial instruments described above can be promptly redeemed at the request of the beneficiary.

During the year ended December 31, 2021, the net fair value of non-current financial assets was €1,696 consisting of: (i) Euro 1,713 thousand gain on valuation of financial assets at fair value and (i) Euro 17 thousand loss on valuation of financial assets at *fair value*.

20. Other current assets

The item "Other current assets" is made up as follows:

Figures in thousands of Euros	December 31 2021	December 31 2020
Other current receivables	344	561
Other current assets	197	106
Other current assets	**541**	**668**

Other current receivables primarily refer to advances to third-party suppliers and sundry receivables.

Other current assets mainly include prepaid expenses relating to costs incurred in advance and recorded in the financial statements for the relevant portion.

21. Cash and cash equivalents

A breakdown of cash and cash equivalents is provided below:

Figures in thousands of euros	December 31 2021	December 31 2020
Bank and postal deposits	6.411	11.648
Cash and valuables on hand	-	2
Cash and cash equivalents	**6.411**	**11.650**

The Company maintains current accounts receivable in both Euro and foreign currency (USD).

The following are changes in cash and cash equivalents that occurred during the year ended December 31, 2021:

Figures in thousands of Euros	Cash and cash equivalents
Book value as at 31 December 2020	11.650
Fusion	560
Change during the period	(5.799)
Book value as at 31 December 2021	**6.411**

Refer to the Statement of Cash Flows for more details on the change in cash flows for the year ended December 31, 2021.

Shareholders' equity and liabilities

22. Equity

A statement of changes in stockholders' equity as of December 31, 2021 is included in the financial statements section.

As already mentioned in the introduction, on 3 March 2021 the Company was admitted to listing on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A. More specifically, 4,061,111 shares were issued, corresponding to approximately 10% of the share capital as at the start of trading, at a price of EUR 17 each.

A. Share capital and shares

The shares issued by the Company represent the entire share capital of 5,731,226.64 euros, which is made up of 40,611,111 shares. The categories of shares held are shown below:

Categories Actions	December 31, 2021
Ordinary shares (listed on the MTA market)	29.242.861
Special shares with multiple voting rights (class B)	11.368.250
Total	**40.611.111**

The Company has not issued any beneficial shares.

The main characteristics of the types of actions listed above are outlined below.

Ordinary shares

Ordinary shares are registered, indivisible, freely transferable and confer on their holders equal rights. In particular, each ordinary share confers the right to one vote at the Company's ordinary and extraordinary Shareholders' Meetings, as well as other property and administrative rights pursuant to the articles of association and the law.

Multi-voting shares

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

a) grant a voting right at the meeting equal to 3 votes;
b) are automatically converted into Ordinary Shares at the rate of one Ordinary Share for each Multiple Voting Share (without the need for a resolution by either the special meeting of shareholders holding Multiple Voting Shares or the Company's shareholders' meeting) in the event of a change of control of the Company or the transfer of Multiple Voting Shares to persons who do not already hold Multiple Voting Shares
c) may be converted, in whole or in part, including in several *tranches,* into Ordinary Shares at the simple request of the holder of the same, to be sent to the Chairman of the Board of Directors and in copy to the Chairman of the Board of Statutory Auditors, in the ratio of one Ordinary Share for each Multiple Voting Share.

B. Nature and purpose of reserves

A breakdown of shareholders' equity is provided below, indicating the nature and purpose of the reserves:

Figures in thousands of Euros	Nature	Possibility of use	December 31, 2021	December 31, 2020
Capital			5.731	5.158
Negative reserve for own shares(*)			(537)	-
Share premium reserve(**)	Capital	A, B, C	119.749	54.918
Legal reserve	Profits	A, B	892	892
Reserve from FTA	Profits	A, B	(7.421)	(7.421)
Reserve from merger surplus	Profits	A, B	449	50
Reserve for actuarial gains/losses	Profits	A, B	(99)	(30)
Cash-flow hedge reserve	Profits	A, B	(5)	-
Reserve from translation differences	Profits	A, B	1.049	1.123
Share-based payment reserve(***)	Profits	A	21	-
Restricted reserve stock Grant 2024-2026 (****)	Profits	A	(124)	-
Profit (loss) carried forward	Profits	A, B, C	1.107	14.269
Profit (loss) for the year			(14.759)	(13.285)
Shareholders' equity			**106.053**	**55.673**

(*) The Negative reserve for treasury shares includes the value of the shares purchased by the Company in accordance with the purchase program approved by the Board of Directors on November 24, 2021 (paragraph 4.6 Management report)
(**) The Share premium reserve represents the share capital increase through the listing of the Company net of the costs of the IPO process recorded directly in equity, equal to approximately € 3.6 million.
(***) The Share-based payment reserve includes the fair value of the shares granted under the 2024-2026 Stock Grant Plan, re-cycle. For further information, please refer to section 4.5 of the management report and note no. 29 to the financial statements.
(****) Earnings reserve restricted to the free, divisible increase in share capital to service the 2024-2026 Stock Grant Plan. The reserve will remain restricted in service of the plan until the final subscription date, December 31, 2026 (section 4.5 management report).

Legend:

A) For capital increase
B) To cover losses
C) For distribution to members

C. Incentive plan with share-based payment

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

In order to service the above-mentioned Plan, the Shareholders' Meeting also approved the free share capital increase in divisible form, pursuant to art. 2349 of the Italian Civil Code, to be carried out by the deadline of 31 December 2026, for a maximum amount of EUR 123. 974 thousand, to be fully allocated to the share capital and to set up a specific reserve for the same amount, taking it from the retained earnings reserve, called "Retained earnings reserve". 974 thousand, to be charged in full to the share capital, and to set up a specific reserve for the same amount, taking it from the retained earnings reserve, called "Retained earnings reserve for the 2024-2026 Stock Grant Plan", which will remain tied up to service the free share capital increase until the final subscription date.

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

The reserve as of December 31, 2021 represents the fair value of the shares to be granted to the beneficiaries identified by the Board of Directors, on September 28, 2021, during the first year related to the first three-year cycle (2021-2024).

Refer to Note #29 to the financial statements for additional information.

D. Purchases of own shares

On November 24, 2021, the Ordinary Shareholders' Meeting authorized the Company to purchase treasury shares, in order to (i) support the liquidity of Philogen S.p.A.'s stock(ii) operate with a view to medium- and long-term investment, intervening both on the market and outside it; (iii) set up a securities warehouse, in order to dispose of treasury shares in the context of agreements with strategic partners and/or corporate/financial operations of an extraordinary nature; (iv) meet the obligations deriving from incentive plans, against payment or free of charge, in favour of company representatives, employees or collaborators of the Group (for more detailed information on the treasury share purchase program, please refer to paragraph 4.6 of the Management Report on Operations).

23. Employee benefits

This item includes all pension obligations and other benefits in favour of employees, subsequent to termination of employment or to be paid upon maturity of certain requirements, and is represented by provisions for staff severance indemnities. Liabilities for severance indemnities amounted to € 1,033 thousand at December 31, 2021 (€ 847 thousand at December 31, 2020). Changes for the year as of December 31, 2021 and December 31, 2020 are shown below:

Figures in thousands of euros	December 31 2021	December 31 2020
Balance at the beginning of the year	847	803
Uses	(36)	(66)
Provision for severance indemnities	121	94
Financial charges	5	6
Actuarial gains/(losses)	96	10
Total employee benefits	**1.033**	**847**

Provisions for staff expenses represent an estimate of the obligation, determined on the basis of actuarial techniques, relating to the amount payable to employees on termination of employment. At December 31, 2021 and December 31, 2020, the provisions for employee benefits refer to the Employee Severance Indemnity (hereinafter "TFR") set aside and allocated to employees.

Employee Severance Indemnity has been accounted for in accordance with IAS 19 as a "defined benefit plan" and has been determined on the basis of an actuarial calculation prepared by an expert in the field, in line with the provisions of international accounting standards.

In application of IAS 19, the valuation of Severance Indemnity has been carried out using the method laid down in the recent provisions on the subject introduced by the National Order of Actuaries in conjunction 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 shown below:

Economic recruitment	December 31 2021	December 31 2020
Annual inflation rate	1,75%	0.80%
Annual discount rate	0,98%	0.34%
Annual rate of increase in severance pay	2,81%	2,10%

Annual frequency of turnover and severance indemnity advances	December 31 2021	December 31 2020
Frequency of advances	2,00%	2,00%
Frequency of turnover	10,00%	10,00%

Demographic assumptions	December 31, 2021	December 31, 2020
Death	RG48 mortality tables published by the State General Accounting Office	RG48 mortality tables published by the State General Accounting Office
Inability	INPS tables broken down by age and sex	INPS tables broken down 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

24. Current and non-current financial liabilities

The following tables show the changes in current and non-current financial liabilities in FY 2020 and 2021:

Figures in thousands of euros	Liabilities financial
Financial liabilities as at 1 January 2020	**5.346**
Financing	5.000
(Capital repayments)	(3.169)
(Change in short-term financial liabilities)	-
Financial liabilities as at 31 December 2020	**7.177**
New medium/long-term loans taken out	-
Financial liabilities from hedging derivatives (MtM)	6
Liabilities for interest on loans	6
Credit Cards	5
(Repayment of principal)	(1.079)
(Repayment of *intercompany* loan)	(1.464)
Financial liabilities as at 31 December 2021	**4.651**
Of which current	1.064
Of which non-current	3.587

Figures in thousands of Euros	December 31 2021	December 31 2020
Current financial liabilities	1.064	2.548
Non-current financial liabilities	3.587	4.629
Total financial liabilities	**4.651**	**7.177**

Financial liabilities are represented by:

- subsidised loan at a rate of 1.70% under the Sabatini Law, amounting to € 236 thousand as at December 31, 2021 and € 709 thousand as at December 31, 2020. The decrease compared to December 31, 2020 is attributable to the repayment of the principal carried out during the year 2021.

- medium/long-term loan with Banca Intesa S.p.A. (formerly UBI Banca S.p.A), equal to Euro 4,393 thousand as at 31 December 2021, and Euro 5,000 thousand as at 31 December 2020. The decrease compared to 31 December is due to the repayment of the principal amounts during the year 2021. It should be noted that the two loans were stipulated on January 5, 2021, for a total amount of Euro 5,000 thousand and are made up as follows:

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

  (ii) a loan amounting to 2,650 thousand Euros, with expiry date on 7 April 2024, with a variable rate equal to the 3-month EURIBOR rate, increased by a spread of 1.15%.

The amount of the two loans was disbursed as a pre-funding on November 26, 2020.

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

Existing loans require compliance with certain financial and commercial parameters ("*covenants*"). The commercial covenants will be tested beginning with the consolidated financial statements for the year ended December 31, 2021 and the financial covenants beginning with the consolidated financial statements for the year ended December 31, 2022 and require compliance with the following ratios:

-ratio of net debt to EBITDA equal to or less than 2;

-shareholders ' equity equal to or greater than EUR 50 million.

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 interest rate spread component, which will be raised by a further 0.50%.

It should also be noted that these loans were taken out in order to finance, in part, the expansion project of the Rosia (Siena) site, which provides for the construction of a new biotechnology "GMP" plant, including all the plants and equipment of advanced and automated technology, for a total value of approximately € 10-12 million, financed in part with the Company's liquidity and in part through the two loans mentioned above.

The residual balance consists of payables given by the market-to-market valuation of the derivative hedging the interest on the Banca Intesa S.p.A. loans described above, the interest accruing as of December 31, 2021 on these loans and payables due to banks for balances due on company credit cards.

25. Trade payables

Trade payables to suppliers amounting to € 5,593 thousand as of December 31, 2021 (€ 5,117 thousand as of December 31, 2020) are mainly attributable to payables to medical institutions at which the Company performs clinical *trials*, to payables to the subsidiary Philochem AG and for the remainder to other suppliers of services and consumables.

Figures in thousands of Euros	December 31 2021	December 31 2020
Payables to third parties	5.327	3.854
Intercompany payables	266	1.263
Total trade payables	**5.593**	**5.117**

The following are the changes in trade payables that occurred during the year ended December 31, 2021:

Figures in thousands of Euros	**Trade payables**
Book value as at 31 December 2020	5.117
Fusion	159
Change during the period	317
Book value as at 31 December 2021	**5.593**

Breakdown of payables by geographical area

Figures in thousands of Euros	Geographical **area**	
	December 31 2021	**December 31 2020**
Italy	3.065	1.873
European Union	1.575	1.314
Extra European Union (USA)	285	413
Extra European Union (other)	668	1.517
Total trade payables	**5.593**	**5.117**

26. Other current liabilities

The Company's other current liabilities as of December 31, 2021 and December 31, 2020 are detailed below:

Figures in thousands of Euros	**December 31 2021**	**December 31 2020**
Payables to social security institutions	292	205
Accrued expenses and deferred income	244	25
Other payables	688	1.936
Other current liabilities	**1.224**	**2.166**

Payables to social security institutions express the amount of payables to INPS and INAIL for withholdings to be paid and amounted to Euro 292 thousand as of December 31, 2021. The increase of approximately 42% compared to the year ended December 31, 2020 reflects the increase in personnel costs in the year ended December 31, 2021.

The increase in accrued expenses and deferred income in the year ended December 31, 2021 is attributable in the amount of €193 thousand to the method of accounting for the Industry 4.0 Credit under grants for equipment.

The residual part, amounting to 688 thousand Euros as at December 31, 2021 mainly refers to:

- Payables to employees for wages and salaries to be paid, amounting to 660 thousand Euros;

- Other payables of various kinds amounting to 28 thousand euros.

The change in the residual portion of other payables, in fiscal year 2021 is primarily attributable to the accrual in fiscal year 2020, of a *bonus*, provided for a member of the Board of Directors, as well as a member of the Scientific Committee due to the operational commitment of the aforementioned to the development of the two most advanced products, paid in March 2021.

The following are the changes in "Other current liabilities" that occurred during the year ended December 31, 2021:

Figures in thousands of Euros	**Other current liabilities**
Book value as at 31 December 2020	2.166
Fusion	2
Change during the period	(944)
Book value as at 31 December 2021	**1.224**

More information

27. Commitments

It should be noted that, at both December 31, 2021 and December 31, 2020, there are no commitments not reflected in the statement of financial position. Please refer to Note 11 for more details regarding the construction of a new "GMP" biotechnology facility at the Rosia site.

28. Information pursuant to art. 1, paragraph 125, of Law no. 124/2017

In relation to the provisions of art. 1, paragraph 125 of Law 124/2017, regarding the obligation to provide evidence in the explanatory notes of any sums of money received during the financial year by way of grants, contributions, paid assignments and in any case economic benefits of any kind from the public administrations and the entities referred to in paragraph 125 of the same article, the Company certifies that:

Tax benefits	Contribution amount
Research & Development Tax Credit 2019	**1.980**
Amount offset 2020	929
Amount offset 2021	1.051
Research & Development Tax Credit 2020	**1.019**
Amount offset 2021	232
Amount to be offset 2022	447
Amount to be offset 2023	340
Research & Development tax credit 2021	**1.932**
Amount to be offset 2022	644
Amount to be offset 2023	644
Amount to be offset 2024	644
Industry 4.0 tax credit year 2020	**46**
Amount offset 2021	9
Amount to be offset 2022	9
Amount to be offset 2023	9
Amount to be offset 2024	9
Amount to be offset 2025	9
Industry 4.0 tax credit year 2021	**193**
Amount to be offset 2022	193
Lease tax credit (art.4 paragraph 2 DL 73/2021)	**195**
Amount offset 2021	195
2020 Sanitation Tax Credit	**28**
Plywood 2020	9
Plywood 2021	19
Total tax credits	**5.393**
Compensated 2020	938
Compensated 2021	1.506
Residual credits	2.948

Provision for projects in progress	December 31, 2021
Acc.to IMMUNOSABR Project	6
Acc.to Atect Project	13
Total provision for ongoing projects	**19**

Project	Description	Collection date	Contribution collected 2021
Tuscany Region			
Reimbursement internships Youth Yes		25/10/2021	2
Reimbursement internships Youth Yes		29/10/2021	2
CCIAA Announcement Voucher 2020		08/01/2021	1

CCIAA Announcement Voucher 2020		12/05/2021	4
CCIAA Call for Sanitation 2021		30/11/2021	3
Call 3 " Research and Development Projects Implementing Settlement Protocols." Project Title: "New GMP infrastructure for clinical experimental research". NEW GMP Acronym. Project Number CU D-53D1700044009	The Project facilitates the implementation of investments in industrial research and experimental development. Line of intervention POR CREO 2014/2020 - Action 1.1.5 sub-action a1). The intensity of the non-refundable contribution is 50% of eligible costs in Industrial Research.	14/10/2021	73
MISE			
Call for proposals IPA4SME		22/05/2021	3
Fondimpresa			
Reimbursement of training plan fee		17/06/2021	5
Total contributions collected 2021			**93**

In 2021, the Company also participated in the Tuscany Region's call for tenders "Fondo Investimenti", whose acronym is "QC-GMP" whose contribution will be collected during 2022, for approximately €93 thousand.

29. Incentive plan with share-based payment

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

In order to service the above-mentioned Plan, the Shareholders' Meeting also approved the free share capital increase in divisible form, pursuant to art. 2349 of the Italian Civil Code, to be carried out by the deadline of 31 December 2026, for a maximum amount of EUR 123. 974 thousand, to be fully allocated to the share capital and to set up a specific reserve for the same amount, taking it from the retained earnings reserve, called "Retained earnings reserve".974 thousand, to be charged in full to the share capital and to set up a specific reserve for the same amount, taking it from the retained earnings reserve, called "Reserve for restricted earnings 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 date.

On September 28, 2021, the Board of Directors of the Company, on the proposal of the Appointments and Remuneration Committee, approved the regulations of the aforementioned Plan and implemented it, identifying the beneficiaries, among the Group's personnel, defining the performance objectives and the related targets and assigning a total of 145,000 units, in relation to the first cycle 2021-2024.

Summary of the regulation

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

- the assignment to the beneficiaries of a certain number of Units (free of charge);
- the definition, in the assignment phase, of *performance* objectives;
- A three-year *performance* period;
- the allocation of the shares to the beneficiaries, subject to the achievement of the *performance* objectives achieved during the three-year period.

The Plan has as its object the assignment of a maximum of 877,286 Units that give the right to receive free of charge a maximum of 877,286 shares corresponding to approximately 3% of the current share capital, with reference to ordinary shares only. The beneficiaries receive the shares following the allocation deliberated by the Board of Directors at the end of the performance period for each cycle 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 objectives have been achieved, and will determine the number of shares to be granted to each

beneficiary. In particular, the Board of Directors, after ascertaining that the gate, if any, has been passed, will evaluate the following:

a) achievement of corporate objectives: for each Cycle of the Plan, the allocation of the shares is subject to the condition that the corporate objectives related to the performance of the Company and/or the performance of the stock, which will be identified by the Board of Directors for each beneficiary, are fully or partially 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 corporate objectives, the Board of Directors, having consulted the Appointments and Remuneration Committee, has drawn up the individual objectives for the individual beneficiaries of the Plan on the basis of criteria that are mainly oriented towards (i) the development of the projects in which the individual Beneficiary is involved; (ii) the achievement of the results of these projects in accordance with the methods and timeframes set by the Company and/or the Group; (iii) the obtaining of authorisations from the competent authorities in the biotechnology sector for the commercialisation of the products developed by the Company and/or the Group; (iv) 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 Appointments and Remuneration Committee, verifies the achievement of the individual objectives at the end of the performance period of each Cycle of the Plan.

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

The individual performance objectives will be measured with reference to the specific three-year period of each cycle, starting from the relative assignment date.

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

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

Evaluation criteria

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

The assessment was carried out considering separately the two performance objectives, corporate and personal, assigned to each beneficiary. Specifically, the corporate performance component (so-called "market based") linked to the achievement of the gate and the target of the Company's shares was estimated using stochastic simulation with the Monte Carlo method, which, on the basis of appropriate assumptions, made it possible to define a large number of alternative scenarios over the time span considered.

With regard to individual performance objectives, on the basis of various assumptions of achievement, a probability of success estimated by the Company itself was defined.

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

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

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

Overall evaluation results

At the valuation date, in accordance with IFRS 2 and the above assumptions, a total *fair value of* Euro 250 thousand emerged, of which Euro 98 thousand related to the Company and Euro 152 thousand related to the subsidiary. The portion

pertaining to the year ended December 31, 2021 is equal to Euro 21 thousand, of which Euro 13 thousand relate to Philochem AG and Euro 8 thousand relate to Philogen S.p.A..

30. Disclosure of financial risks

Within the scope of business risks, the main risks identified, monitored and, to the extent specified below, actively managed by the Company, 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 meet a contractual obligation and arises primarily from the Company's trade receivables and debt securities.

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

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

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

- *Liquidity risk*

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

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

The following is a maturity analysis for trade receivables and payables and financial liabilities as of December 31, 2021:

Figures in thousands of Euros	December 31, 2021				
	Within 90 days	From 90 days to 1 year	From 1 to 5 years	More than 5 years	Total
Liabilities for leasing	244	258	2.076	4.438	7.015
Financial liabilities	219	845	3.371	216	4.651
Trade payables	5.594	-	-	-	5.594
Total	**6.056**	**1.103**	**5.447**	**4.654**	**17.259**

Figures in thousands of Euros	December 31, 2021				
	Within 90 days	From 90 days to 1 year	From 1 to 5 years	More than 5 years	Total
Trade receivables	727	-	-	-	**727**
Total	**727**	**-**	**-**	**-**	**-**

In addition, the Company holds a portfolio of financial investments totaling 92,797 thousand euros at December 31, 2021, which is readily liquid and can be used to meet any liquidity requirements.

- *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 such risk within acceptable levels while optimizing investment returns.

- *Exchange rate risk*

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

Production activities are limited to Italy and Switzerland and the Company is therefore exposed to fluctuations between the euro and the Swiss franc.

The Company earns revenue from contracts with customers in foreign currencies and primarily in U.S. Dollars. Revenues denominated in U.S. Dollars for the periods ended December 31, 2021 and December 31, 2020 represented 74% of total revenues from contracts with customers. Therefore, an unfavorable trend in the value of the U.S. dollar relative to other relevant currencies could adversely affect the business and financial condition. Details of revenue with customers by currency for the years ended December 31, 2021 and December 31, 2020 are set forth below:

Figures in thousands of Euros	Year ended 31 December			
	2021	%	2020	%
US Dollar (USD)	1.922	74%	3.052	74%
Euro (EUR)	313	13%	801	20%
Swiss Franc (CHF)	346	13%	246	6%
Total revenues from contracts with customers	**2.581**	**100%**	**4.099**	**100%**

The following is an absolute value sensitivity analysis on customer contract revenue resulting from a 1% change in the exchange rate of the currencies listed above for the years ended December 31, 2021 and December 31, 2020:

Figures in thousands of euros in absolute terms	Year ended 31 December	
	2021	2020
US Dollar (USD)	19	30
Euro (EUR)	3	8
Swiss Franc (CHF)	3	2
Total effect on revenues from contracts with customers	**26**	**40**

The Company also incurs operating expenses in foreign currencies, and, primarily in U.S. Dollars and Swiss Francs. Details of operating expenses by currency for the years ended December 31, 2021 and December 31, 2020 are set forth below:

Figures in thousands of Euros	Year ended 31 December			
	2021	%	2020	%
US Dollar (USD)	548	3%	621	4%
Euro (EUR)	14.523	79%	13.891	87%
Pounds Sterling (GPB)	7		22	-
Dirham United Arab Emirates (AED)	-	-	3	-
Polish Zloty (PLN)	2	-	-	
Swiss Franc (CHF)	3.385	18%	1.446	9%
Total operating costs	**18.465**	**100%**	**15.983**	**100%**

The following is an absolute value sensitivity analysis on operating expenses resulting from a 1% change in the exchange rate of the currencies listed above for the years ended December 31, 2021 and 2020:

Figures in thousands of euros in absolute terms	Year ended 31 December	
	2021	2020
US Dollar (USD)	5	6
Euro (EUR)	145	139
Pounds Sterling (GPB)	-	-
Dirham United Arab Emirates (AED)	-	-
Polish Zloty (PLN)	-	-
Swiss Franc (CHF)	34	14
Total effect on operating costs	**185**	**159**

The Company does not employ exchange rate hedging instruments.

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

Figures in thousands of euros	December 31 2021	December 31st 2020
EUR	90.776	.48.063
GBP	-	-
RUB	-	-
USD	2.021	1.921
CHF	2.870	
TRY	-	-
Total current financial assets	**95.667**	**49.984**

- *Financial investment risk management*

Following careful financial planning Philogen invested the portion of liquidity in excess of ordinary cash requirements in current financial assets. The choice of investments was made on the basis of monitoring and consultations with the study office of the banks depositing the securities. Constant information regarding the solvency of the issuers, country risk and 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 should be made for further details, the Group adopted an HTCS business model. Failure to pass the SPPI Test resulted in its valuation at FVTPL. The Group has adopted an "Other" business model for the bond segment of its portfolio, resulting in its valuation at FVTPL.

Country Risk Management

The Company does not do business with countries that are unstable economically, politically or socially. By virtue of the ESAM 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. For further details in this regard, please refer to paragraph 18.5 of the Management Report.

31. 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 December 31, 2021 and December 31, 2020.

Figures in thousands of Euros	31 December2021	December 31st 2020
Financial Assets:		
Financial assets valued at amortized cost		
Trade receivables	727	754
Current financial assets	2.870	-
Cash and cash equivalents	6.411	11.650
Other current assets	541	668
Financial assets measured at *fair value*		
Current financial assets	92.797	49.984
Non-current financial assets	-	-
Total financial assets	**103.347**	**63.056**
Financial liabilities valued at amortized cost		
Non-current financial liabilities	3.587	4.629
Non-current lease liabilities	6.513	6.948
Current financial liabilities	1.064	2.548
Current lease liabilities	502	501
Trade payables	5.593	5.117
Other current liabilities	1.224	2.166
Total financial liabilities	**18.484**	**21.909**

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

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

Fair value disclosures

With regard to the assets and liabilities recognised in the statement of financial position and measured at *fair value*, IFRS 13 requires these values to be classified on the basis of a hierarchy of levels, which reflects the significance of the inputs used to determine the *fair value*.

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

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

Figures in thousands of Euros	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Current financial assets measured at *fair value* in the profit (loss) for the year	8.432	41.552	-	**49.984**
Total assets measured at *fair value*	**8.432**	**41.552**	**-**	**49.984**

Financial assets relating to level 1 of the *fair value* hierarchy refer to securities in the portfolio relating to bonds, equities and investment fund units listed on regulated markets. Please refer to Note 18 for further details.

Level 2 of the *fair value* hierarchy includes current financial assets measured at *fair value* through profit (loss) for the year in accordance with IFRS 9, consisting of insurance investment products held by the Company for the purpose of investing excess liquidity (see Note 18 for further details on the nature of these assets).

These investments represent financial assets managed by insurance companies and are valued, at the balance sheet date, on the basis of the NAV (*Net Asset Value*) communicated by the insurance companies, representing the liquidation value of the policies at the balance sheet date.

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

32. Related parties

Total transactions with related parties are summarized below.

Year ended 31 December 2021

Figures in thousands of euros	Related party						
	Rendo S.r.l.	Philochem AG	Strategic Executives	Administrators and endoconsecutive bodies	Board of Auditors	Total	Inc. % on balance sheet item
Statement of financial position							
Right-of-use activity	6.803	-	-	-	-	**6.803**	99%
Current financial assets	-	2.870	-	-	-	**2.870**	3%
Trade receivables	-	351	-	-	-	**351**	48%
Financial liabilities for current leases	472	-	-	-	-	**472**	94%
Financial liabilities for non-current leases	6.459	-	-	-	-	**6.459**	99%
Trade payables	-	267	-	15	63	**344**	6%
Other current liabilities	-	-	41	-	-	**41**	3%
Profit and Loss Account							
Revenues from contracts with customers	-	346	-	-	-	**346**	13%
Depreciation	555	-	-	-	-	**555**	40%
Costs for services	-	2.544	-	924	63	**3.530**	34%
Personnel cost	-	-	660	-	-	**660**	12%
Financial income	-	5	-	-	-	**5**	0%
Financial charges	196	5	-	-	-	**201**	23%
Result from participation	-	1.686	-	-	-	**1.686**	100%

Year ended 31 December 2020

Figures in thousands of euros	Related party						
	Rendo S.r.l.	Philochem AG	Neri-Tanini Consulting S.r.l.	Administrators and Scientific Committee	Board of Auditors	Total	Inc. % on balance sheet item
Statement of financial position							
Right-of-use activity	7.205	-	-	-	-	**7.205**	98%
Participation	-	2.369	-	-	-	**2.369**	100%
Trade receivables	-	245	-	-	-	**245**	32%
Financial liabilities for current leases	455	-	-	-	-	**455**	91%
Financial liabilities for non-current leases	6.864	-	-	-	-	**6.864**	99%
Current financial liabilities	-	1.464	-	-	-	**1.464**	57%
Trade payables	-	1.263	6	-	53	**1.322**	26%
Profit and Loss Account							
Revenues from contracts with customers	-	240	-	-	-	**240**	9%
Depreciation	534	-	-	-	-	**534**	50%
Costs for services	-	2.221	20	2.581	53	**4.875**	41%
Financial charges	207	-	-	-	-	**207**	9%
Result from equity investments	-	2.308	-	-	-	**2.308**	100%

It should be noted that during the year ended December 31, 2021, intercompany agreements with a total value of €2,544 thousand were signed for research and development activities and services performed by the subsidiary Philochem A.G

in favor of the Company. All transactions were carried out at market value. Similarly, the company Philogen also carried out administrative and *subcontracting* services for the subsidiary Philochem for a total of € 346 thousand.

The related party transactions described above do not qualify as atypical or unusual, as they are carried out in the normal course of business by Group companies and are conducted on an arm's length basis.

Remuneration of directors, strategic managers, statutory auditors, other endoconsiliar bodies and scientific committee

With regard to relations with the Company's Directors, Appointments Committees, Statutory Auditors and Scientific Committee, these are limited to the payment of fees and remuneration as shown in the following tables:

i) Board of Directors

Figures in thousands of euros	December 31 2021	31 December2020
Duccio Neri - Executive Chairman	300	280
Dario Neri - CEO	150	149
Giovanni Neri - Managing Director	90	200
Sergio Gianfranco Luigi Maria Dompé - Director	30	30
Roberto Marsella - Director	32	32
Nathalie Francesca Maria Dompé - Director	30	30
Leopoldo Zambeletti Pedrotti	30	30
Roberto Ferraresi	32	32
Guido Guidi	32	32
Marta Bavasso(*)	25	-
Total compensation	**750**	**815**
Monetary incentive plan (**)	115	-
Total	**865**	**815**

(*) Independent director as of March 2021.
(**) At December 31, 2021, nine-twelfths of the MBO plan provided for executive directors has been set aside (section 4.6 of the Management Report).

ii) Strategic Executives

Figures in thousands of euros	December 31 2021	31 December2020
Duccio Neri	100	-
Dario Neri	350	-
Giovanni Neri	210	-
Compensation Strategic Executives	**660**	**-**

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

iii) Board of Auditors

Figures in thousands of euros	31 December2021	31 December2020
Stefano Mecacci - President	27	23
Pierluigi Matteoni - Standing auditor	18	15
Marco Tanini - Standing Auditor(*)	3	15
Alessandra Pinzuti - Standing auditor	15	-
Remuneration of the Board of Statutory Auditors	**63**	**53**

(*) Standing Auditor until March 2021

iv) Endoconsiliar Organs

Figures in thousands of euros	31 December2021	31 December2020
Marta Bavasso	25	-
Roberto Marsella	17	-
Leopoldo Zambeletti Pedrotti	8	-
Roberto Ferraresi	8	-
Remuneration of Endoconsiliar Committees	**58**	**-**

Control, Risk and Sustainability Committee: Marta Bavasso (Chairman), Roberto Marsella and Roberto Ferraresi. This committee also acts as the Committee for Transactions with Related Parties.

Remuneration and Appointments Committee: Marta Bavasso (Chairman), Roberto Marsella and Roberto Ferraresi.

v) Scientific Committee

Figures in thousands of euros	31 December2021	31 December2020
Dario Neri - Chairman	-	168
Guido Guidi	-	60
Wolfgang Berdel	8	22
Cornelia Halin	11	17
Scientific Committee Fees	**19**	**267**

By resolution of the Board of Directors on October 5, 2020, the compensation for the position of Chair of the Scientific Committee was absorbed into the compensation of the Board of Directors.

33. Events occurring after the closing date of the financial year

No significant events occurred after the close of the fiscal year at December 31, 2021.

Accounting principles

34. Evaluation criteria

These financial statements have been prepared using the historical cost basis of accounting, except for financial instruments which are measured at *fair value at* each reporting date.

These financial statements have also been prepared on a going concern basis. The assessment of this assumption made by the Directors takes into account the Company's current development strategies, its equity and financial position 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 activities, including by licensing some of its proprietary products to third parties through *outlicensing* agreements.

35. Main accounting principles

Drafting criteria

The financial statements consist of the mandatory accounting schedules required by IAS 1. All the statements comply with the minimum content required by the international accounting standards and the applicable regulations issued by the national legislator and CONSOB. The statements used are deemed adequate for the purpose of fairly representing the Company's assets and liabilities, financial position and cash flows. In particular, it is believed that the income statements reclassified by nature provide reliable and relevant information for the purpose of correctly representing the Company's operating performance. The tables that make up the Financial Statements are as follows:

Statement of financial position

The statement is presented by presenting current and non-current assets and current and non-current 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 from the reporting date.

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

ii) expected to be realized/extinguished or expected to be sold or used in the Company's normal operating cycle;
iii) Is owned primarily to be traded;
iv) is expected to be realized/extinguished within 12 months of the balance sheet date.

If all three conditions are not met, the assets/liabilities are classified as non-current.

Income Statement

Costs are classified by nature, highlighting results related to operating income and pre-tax income.

Statement of comprehensive income

The table includes the components making up the result for the period and the income and charges posted directly to shareholders' equity for transactions other than those carried out with shareholders.

Statement of changes in shareholders' equity

The table shows the changes in the items of shareholders' equity relating to:

- Allocation of the net income of the Company and its subsidiaries to minority shareholders;
- amounts relating to transactions with shareholders (purchase and sale of own shares);

E. each item of profit and loss net of any tax effect that, as required by IFRS, are either posted directly to shareholders' equity (profits or losses from the purchase and sale of treasury shares, actuarial profits and losses generated by the valuation of defined benefit plans), or have a contra-entry in an equity reserve (share-based payments for incentive plans);
F. movements in the valuation reserves for derivative instruments hedging future cash flows, net of any tax effect.

Cash flow statement

The Statement of Cash Flows is presented using the indirect method, whereby net income is adjusted for the effects of non-cash transactions, any deferral or accrual of prior or future operating cash receipts or payments, and items of revenue 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 statement of cash flows comprise 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 year.

Foreign currency

Foreign currency transactions

Foreign currency transactions are translated into the Company's functional currency at the exchange rate in effect on the date of the transaction.

Monetary items that are denominated in a foreign currency at the reporting date are translated into the functional currency using the exchange rate at that 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 at 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

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

Changes in international accounting standards, interpretations and amendments

The following are the new accounting standards, interpretations and enhancements issued by the IASB and adopted as of January 1, 2020.

Covid-19-Related Rent Concessions (Amendment to IFRS 16)

With Regulation (EU) No. 2020/1434 of October 9, 2020, published in the Official Journal of the European Union on October 12, 2020, the IASB document "Concessions on Leases Related to COVID-19 (Amendment to IFRS 16 Leases)" was adopted ("endorsed").

This amendment introduces a practical expedient to simplify the accounting by lessees of rent *concessions* (i.e., reductions, cancellations and/or deferrals of lease payments granted to a lessee by the lessor) obtained as a result of the Covid-19 pandemic. The practical expedient, where the *rent concession* derives from a right acquired by the lessee under a specific contractual clause or specific local legislation, makes it possible to record a "negative variable rent" to be recognized in the income statement as operating income directly reducing the lease liability.

The practical expedient only applies to *concessions* directly attributable to the Covid-19 event if all of the following conditions are met:

G. as a result of the *rent concession,* the total lease payments due are substantially equal to or less than those that were originally provided for in the contract
H. the *rent concession* must refer to a partial or total reduction in lease payments that were expected in the year 2020; in the event that the agreement with the lessor provides for a deferment in the payment of lease payments, income may be recognized for a negative variable payment in 2020 for only the portion of the actual reduction in lease payments expected in 2020, net of increases expected in subsequent years
I. there have been no material changes with respect to other terms and conditions of the lease.

If the above conditions are not met, the Company accounts for *rent concessions on the* basis of the general principle dictated by IFRS 16 concerning *lease modifications, which* does not take into account the practical expedient and requires for each individual contract a legal analysis of the clauses and the applicable local regulations, in order to redetermine the lease liability using a new discount rate. The reduction in the lease liability determined in this way is deducted as a direct adjustment to the right-of-use asset.

It should be noted that the Company, as of December 31, 2020, did not benefit from any *concession*, so this new accounting standard had no impact on the financial statements.

Amendments to "References to the Conceptual Framework in IFRS Standards".

The IASB published the Conceptual Framework in March 2018, which establishes a comprehensive set of concepts for financial reporting, standard setting, guidance in developing consistent accounting policies, and assistance in understanding and interpreting the standards. It includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities, and clarifies some important concepts. These amendments had no impact on the December 31, 2020, financial statements.

Amendments to IFRS 3 - Definition of a Business

The IASB has issued amendments to the definition of business in IFRS 3 Business Combinations to help entities determine whether or not an acquired set of assets and liabilities is a business. They clarify the minimum requirements for having a business, remove the assessment of whether market participants are able to replace any missing elements, add guidance to help entities assess whether an acquired process is substantial, and narrow the definitions of a business. New illustrative examples were provided along with the changes. These amendments had no impact on the December 31, 2020 financial statements.

Amendments to IAS 1 and IAS 8

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of "material" between the standards and clarify certain aspects of the definition. The new definition states that "Information is material if the omission, misrepresentation, or obscuration could reasonably be expected to affect the decisions that primary users of general purpose financial statements make on the basis of those financial statements." The amendments clarify that materiality will depend on the nature or size of the information, or both. An entity will need to assess whether the information, individually or in combination with other information, is material in the context of the financial statements. These amendments had no impact on the December 31, 2020 financial statements.

Interest rate benchmark reform - Amendments to IFRS9, IAS 39 and IFRS7

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 "Financial Instruments: Disclosures," concluding the first phase of its work to address the effects of the Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary changes that allow hedge accounting to be applicable during the period of uncertainty brought about by the replacement of the pre-existing interest rate benchmark with an alternative risk-free interest rate. The amendments assume that the benchmark on which the hedged cash flows and/or the hedging instrument are based will not change as a result of the IBOR reform. The amendments are to be applied retroactively. The amendments are effective for fiscal years opening on or after January 1, 2020. The Company will monitor the evolution of the ongoing changes on the reform. These amendments had no impact on the December 31, 2020 financial statements as the Company does not have any interest rate hedges in place.

Revenues from contracts with customers

Revenue is measured by taking into account the consideration specified in the contract with the customer. The Company recognizes revenue when it transfers control of goods or services.

IFRS 15 "Revenue from contracts with customers" defines the criteria for recognising and measuring revenues from contracts with customers. Generally speaking, IFRS 15 provides for the recognition of revenues for 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:

- identification of the contract with the client;
- Identification of *performance* obligations (i.e. contractual promises to transfer goods and/or services to a client;
- determination of the transaction price;

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

- recognition of revenue when the related *performance* obligation is satisfied.

The Company's revenues are primarily derived from license agreements and contracts to perform research and development services commissioned by customers.

With regard to contracts for the granting of licensing rights over intellectual property, firstly it is analyzed whether the granting of the licensing right is distinguishable from other *performance obligations*. The Company recognizes distinct performance obligations when:

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

If it is determined that the grant of a license right is not distinguishable from the promise to transfer other goods or services, the Company 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 grant of the license right is distinct from the promise to transfer other goods or services, the Company analyzes whether the customer obtains a right of access or a right to use the intellectual property. The customer has a right of access to the Company's intellectual property if all of the following conditions are met:

i. The contract requires, or the client expects, the Company to engage in activities that have significant impacts on intellectual property;
ii. These activities at the time they are performed do not transfer distinct goods/services to the customer;
iii. The rights under the license expose the client to positive/negative effects for the Company's activities with respect to intellectual property.

If the granting of the license right confers a right of access to the intellectual property, the revenues are recognized *over the* duration of this right ("*over time*"). On the other hand, if the license is a right to use the intellectual property, the related revenues are recognized *at the time the* right is granted ("*at a point in time*").

Below is a summary of the main fees and related payment terms covered by the Company's license agreements:

Type of consideration	**Accounting records**
Up-front Fees	They represent consideration received in advance of entering into the contract. If they relate to the granting of license rights, they are recognized: 1. *at point in time*, in the case of rights of use of intellectual property; 2. *over time*, in case they are configured as intellectual property access rights. If no specific goods/services transferred to the client are identified when the *up-front fee is* collected, this collection represents an advance and is recognized as revenue in the future when the *performance obligations* are met ("*over time*"). The Company issues an invoice for the *up-front fee* at the same time as entering into the contract. This invoice is usually due within 30 days. The payment terms do not provide for commercial discounts.
Commercial Option Fees	If the license right is separable from other obligations to do, they are recognized as rights to use the intellectual property 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 satisfied ("*over time*"). The Company issues an invoice for the *commercial* option *fee* at the same time as the customer notifies the Company of the intention to exercise this option. This invoice is usually due within 30 days. The payment terms do not provide for commercial discounts.

Milestones	They represent variable payments contingent upon the achievement of certain significant objectives in product development (e.g., initiation of Phase III clinical trials). Upon entering into the contract, management assesses whether achievement of the *milestones* is highly probable and estimates the amount to be included in the transaction price using the *most likely amount* method. If it is probable that a subsequent significant reversal of revenue will not occur, the *milestone* value is included in the transaction price. Payments related to events that are not within the Company'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 research milestones conducted by the customer), 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 adjusts its estimate of the overall transaction price if necessary. The Company issues an invoice for the *milestone at the* same time that the customer notifies the Company of the achievement of the goal/event. This invoice is typically due in 30 days. Payment terms do not include commercial discounts.
Royalties (based on sales)	The Company recognizes sales-based royalty revenue only when (or as) the later of the following events occurs: 1. subsequent sale or use; and 2. the performance (or partial performance) of the obligation to do all or part of the sales-based royalty.

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

i. the client simultaneously receives and uses the benefits arising from the service provided by the Company as it performs it;
ii. the Company's performance creates or improves the activity that the customer controls as the activity is created or improved;
iii. the service does not create an asset that has an alternative use for the Company and the Company has the enforceable right to payment of the completed service up to the relevant date.

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

Public contributions

Unrestricted government grants are recognized in net income/(loss) for the year as other income when the government grant becomes receivable. Other government grants related to assets are initially recognized at *fair value* as deferred revenue if there is reasonable assurance that they will be received and that the Company will meet the expected conditions for their receipt and are then recognized in net income/(loss) for the year as other income on a systematic basis over the useful life of the asset to which they relate.

Grants that are intended to offset costs incurred by the Company are recognized in net income/(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 recorded on an accruals basis on the basis of the interest accrued on the net value of the related financial assets and liabilities using the effective interest rate.

Borrowing costs are accounted for on an accruals basis and recorded in the income statement in the year in which they accrue.

Financial income is recorded on the basis of the actual rate of return on an accruals basis.

The Company's financial income and expenses include:

- interest income;
- interest expense;
- dividends received;
- Net gains or losses from financial assets at FVTPL;
- exchange rate 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 currency risk for borrowings.

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

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

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

The Company 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* as they do not meet the definition of income taxes.

(vi) *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 fiscal year, also includes the best estimate of any amount payable or receivable that is subject to uncertainty. Current taxes also include any taxes related to dividends.

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

(vii) *Deferred taxes*

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

- temporary differences relating 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 relating to investments in subsidiaries, associates and joint ventures to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that, in the foreseeable future, the temporary difference will not reverse; and
- taxable timing differences relating 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 these assets can be utilized. 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, the future taxable income, adjusted by the reversal of the existing temporary differences, envisaged in the company's business plan is taken into consideration. The value of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Such reductions must be restored when the likelihood 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 Company will earn sufficient taxable profit in the future to utilize them.

Deferred taxes are measured using the tax rates that are expected to apply to temporary differences in the period in which they reverse based on tax rates established by enactments that are 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 that result from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount 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 only offset when certain criteria are met.

Operating income

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

Earnings per share

The calculation of basic earnings per share has been made considering the profit attributable to holders of ordinary shares and the weighted average number of ordinary shares outstanding during the year.

The calculation of diluted earnings per share was carried out considering the profit attributable to holders of ordinary shares and the weighted average number of ordinary shares outstanding during the year, taking account of the effects of all

potential ordinary shares with a dilutive effect. The calculation of the dilutive effect of potential ordinary shares was carried out on the basis of the *treasury share method* provided for by IAS 33.

Property, plant and machinery

iii) *Detection and Evaluation*

An item of property, plant and equipment is measured 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 with different useful lives, these components are accounted for separately (significant components).

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

iv) *Subsequent costs*

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

v) *Depreciation*

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

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

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

Depreciation methods, useful lives and residual values are reviewed at the end of the fiscal year and adjusted where necessary.

Intangible assets

iv) *Detection and Evaluation*

Research and development: research expenses are recognized in profit/(loss) for the period in which they are incurred. Development expenses are capitalized only if the cost attributable to the asset during its development can be reliably measured, the product or process is feasible in technical and commercial terms, future economic benefits are probable and the Company intends and has sufficient resources to complete its development and use or sell the asset. Other development expenses are recognized in net income/(loss) for the period as 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 Company in connection with research and development activities are charged to income in the period in which they are incurred.

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

v) *Subsequent costs*

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

vi) Depreciation

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

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

Category	Average rate
Patent and intellectual property rights	5%
Concessions, licenses, trademarks and similar rights	10%

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

Right-of-use activity

At the inception of the contract, the Company 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 transfers the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

At the inception of the contract or upon amendment of a contract containing a lease component, the Company shall allocate the contract consideration to each lease component on the basis of its stand-alone price.

On the effective date of the lease, the Company 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 measurement of the lease liability, adjusted for lease payments due on or before the effective date, plus initial direct costs incurred and an estimate of the costs to be incurred by the lessee to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, net of lease incentives received.

The right-of-use asset is subsequently depreciated 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 Company at the end of the lease term or, considering the cost of the right-of-use asset, the Company is expected to exercise its option to purchase. In such 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 reduced by any impairment losses and adjusted to reflect any changes resulting from subsequent valuations of the lease liability.

The Company measures the lease liability at the present value of the unpaid lease payments due on the effective date, discounting them using the lease's implied interest rate. Where this rate cannot be readily determined, the Company uses the marginal borrowing rate. Generally, the Company uses the marginal financing rate as its discount rate.

The Company's marginal borrowing rate is calculated based on interest rates obtained from various external financing sources by making certain adjustments that 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 that depend on an index or rate, initially measured using an index or rate on the effective date;
- The amounts expected to be paid under the residual value guarantee; and
- the exercise price of a purchase option that the Company is reasonably certain to exercise, payments due on the lease over an optional renewal period if the Company is reasonably certain to exercise the renewal option, and penalties for early termination of the lease, unless the Company 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 Company expects to have to pay as security on the residual value or when the Company changes its valuation with respect to whether or not the Company exercises a purchase, extension or termination option or when there is a revision to the lease payments due that are fixed in substance.

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

The Company has applied IFRS 16 using the modified retrospective application method as of January 1, 2019.

Short-term leases and leases of low-value assets

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

Equity investments in subsidiaries, joint ventures and associated companies

Investments in subsidiaries, associated companies and joint ventures are included in the financial statements using the equity method, as permitted by IAS 27 and in accordance with IAS 28 (Investments in Associates and Joint Ventures).

Subsidiaries, associates and joint ventures are included in the financial statements from the date on which control, significant influence or joint control commences and until such time as this situation ceases to exist.

The financial statements of subsidiaries, associated undertakings and joint ventures are amended and reclassified, where necessary, in order to bring them into line with international accounting standards and to provide a uniform basis of classification within the Group.

In application of the equity method, the investment in a subsidiary, associated company or joint venture is initially recognised at cost and the book value is increased or decreased to record the investor's share of the investee company's profits or losses realised after the acquisition date. The investor's share of the investee's profit (loss) for the year is recognized in the separate income statement. Dividends received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount of the investee are also due to changes in the investee's other comprehensive income (e.g. changes arising from translation differences of foreign currency items). The investor's share of these changes is recognized in other comprehensive income. If an entity's share of losses in a subsidiary, associate or joint venture equals or exceeds its interest in the subsidiary, associate or joint venture, the entity discontinues recognition of its share of the additional losses. After the interest is written off, further losses are accrued and recognized as a liability, only to the extent that the entity has incurred constructive legal obligations or made payments on behalf of the subsidiary, associate or joint venture. If the subsidiary or associate or joint venture subsequently makes profits, the entity resumes recognizing its share of profits only after it has matched its share of unrecognized losses. Gains and losses arising from "upward" and "downward" transactions between an entity and a subsidiary, associate or joint venture are recognized in the entity's financial statements only to the extent of the minority interest in the subsidiary, associate or joint venture. The investor's share of the profits and losses of the subsidiary, associate or joint venture resulting from these transactions is eliminated in the income statement line "profit (loss) from equity investments" with a contra entry to the value of the asset, in "upward" transactions, and the value of the equity investment, in "downward" transactions. If there is objective evidence of impairment, the equity investment is subject to an impairment test, described in the section "Impairment", to which reference should be made for further details.

Finally, it should be borne in mind that the separate financial statements are prepared in the currency of the primary economic environment in which the subsidiary, associate or joint venture operates (functional currency). For the purposes of applying the equity method, the financial statements of each foreign entity are expressed in euros, which is the functional currency of Philogen S.p.A. and the presentation currency of the separate financial statements.

All assets and liabilities of foreign companies denominated in currencies other than the euro are translated using closing exchange rates (current exchange rate method). Income and expenses are translated at the average exchange rate for

the period. Any exchange rate differences deriving from the application of this method, as well as exchange rate differences deriving from a comparison between initial shareholders' equity translated at current exchange rates and the same shareholders' equity translated at historical exchange rates, pass through the statement of comprehensive income and are accumulated in a specific shareholders' equity reserve until the investment is sold.

The exchange rates used to translate the financial statements of subsidiary and associated undertakings and joint ventures into euros are shown in the relevant table:

Currency	Punctual Exchange Rate 31 December 2021	Average exchange rate 31 December 2021	Punctual Exchange Rate 31 December 2020	Average exchange rate 31 December 2020
Swiss Franc	1,0331	1,0814	1,0802	1,0703

Inventories

Inventories are valued at the lower of purchase or production cost and net realizable value. Purchase cost is understood to be the actual purchase price plus ancillary charges. The purchase cost of materials includes, in addition to the price of the material, transportation, customs, other taxes and other costs directly attributable to that material. Returns, trade discounts, rebates and bonuses 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 moment from which the asset can be used, considered on the basis of normal production capacity. The realizable value that can be inferred from market trends is equal to the estimated selling price of goods and finished products in the course of normal operations, net of presumed completion costs and direct selling costs. For the purpose of determining the realizable value based on 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 Company, the cost includes a portion of overhead determined on the basis of normal production capacity.

Financial instruments

iv) *Detection and Evaluation*

Trade receivables and debt securities issued are recognized at the time they are originated. All other financial assets and liabilities are initially recognized on the trade date, which is when the Company 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 measured at their transaction price.

v) *Classification and further evaluation*

Financial Assets:

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

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets. In this 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 for the purpose of 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 must be assessed at FVOCI if both of the following conditions are met and it is not designated at FVTPL:

- the financial asset is held 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 Company may make an irrevocable election to present subsequent changes in *fair value* in other comprehensive income. This election is made for each asset.

All financial assets not classified as measured at amortized cost or FVOCI, as noted above, are measured at FVTPL. This includes all derivative financial instruments. Upon initial recognition, the Company may irrevocably designate the financial asset as measured at *fair value* recognized in net income (loss) if doing so eliminates or significantly reduces an accounting mismatch 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, IFRS 9 identifies three different business models, which in turn reflect the methods with which financial assets are managed:

- "Held To Collect": a business model that includes financial assets held with the objective of realizing contractual cash flows, maintaining the financial instrument until maturity;
- "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;
- "Other": business model includes financial instruments that cannot be classified in the previous categories, mainly represented by financial assets held in order to realize cash flows through sale (assets held for trading).

The business model thus represents the way in which the Company manages its financial assets, i.e., how it intends to realize the cash flows from them.

The Company evaluates 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 earning interest income from the contract, maintaining a specified 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;
- the manner in which portfolio performance is evaluated and the manner in which performance is reported to the Company'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 manner in which the firm's executives are compensated (for example, whether compensation is based on the *fair value* of assets under management or contractual cash flows collected); and
- the frequency, value, and timing of sales of financial assets in prior periods, the reasons for the 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 to be sales for business model valuation purposes, consistent with the Company's retention of such assets on its balance sheet.

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

Financial assets: evaluation to determine whether contractual cash flows consist solely of principal and interest payments.

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

In assessing whether the contractual cash flows consist solely of principal and interest payments, the Company considers the contractual terms of the instrument. Therefore, it evaluates, among other things, whether the financial asset contains a contractual provision that changes the timing or amount of the contractual cash flows such that the following condition is not met. For evaluation purposes, the Company 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;
- prepayment and extension elements; and clauses that limit the Company's requests for cash flows from specific activities (e.g., non-recourse elements).

The prepayment element is consistent with the criterion of "cash flows represented solely by payments of principal and interest" when the amount of the prepayment represents substantially 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 permits or requires a prepayment in 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 that 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 valued at amortized cost	These assets are subsequently measured at amortized cost in accordance with the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment losses are recognized in net income/(loss) for the year as are any gains or losses on derecognition.
Debt securities valued at FVOCI	After passing the SPPI Test, these assets 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 year 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 year.

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 net income/(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.

vi) *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 as part of a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or when the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and does not retain control of the financial asset.

The Company is involved in transactions that involve 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 these cases, the transferred assets are not derecognized.

Financial liabilities

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

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

vii) Compensation

Financial assets and financial liabilities may be offset and the amount resulting from the offset is presented in the statement of financial position if, and only if, the Company 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

v) Financial instruments and assets from contracts

The Company recognizes allowances for expected credit losses related to:

- financial assets valued at amortized cost;
- debt securities valued at FVOCI; and
- activities arising from the contract.

In addition, the Company recognizes allowances for expected losses over the life of the receivables implicit in the leases under trade and other receivables.

The Company assesses valuation allowances 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 reporting date; and
- other debt securities and bank accounts whose credit risk (i.e., the risk of default arising over the expected life of the financial instrument) has not significantly increased since initial recognition.

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

To determine whether the credit risk relating to a financial asset has increased significantly since initial recognition in order to estimate expected credit losses, the Company 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 Company's historical experience, credit evaluation as well as information indicative of expected developments ('forward-looking information').

Expected losses on long-lived receivables are the expected losses on receivables resulting 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 Company is exposed to credit risk.

Measurement of expected credit losses

Expected credit losses (ECLs) are a probability-weighted estimate of credit losses. Credit 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 Company expects to receive).

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

Non-financial assets

At each balance sheet date, the Company verifies whether there is objective evidence of impairment with reference to the carrying amounts of its non-financial assets, with the exception of investment property, inventories, assets arising from contracts and deferred tax assets. If, on the basis of this check, it emerges that the assets have actually been impaired, the Company estimates their recoverable value.

Share Capital

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

Incremental costs directly attributable to the issuance of common stock are recorded 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 represented by 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 Finance Act and the related implementing decrees introduced significant changes in the regulations governing employee severance indemnities, including the choice left to workers as to whether to allocate their accruing severance indemnities to complementary pension funds or to the "Treasury Fund" managed by INPS. It follows, therefore, that the obligation to INPS and the contributions to complementary pension funds assume, pursuant to IAS 19, the nature of "Defined contribution plans", whilst the amounts recorded for employee severance indemnities maintain the nature of "Defined benefit plans**"**.

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

The calculation is performed by an independent actuary using the projected unit credit method. If the calculation generates a benefit to the Company, 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 of the Company's plans are considered.

Actuarial gains and losses, returns from plan assets (excluding interest) and the effect of the asset ceiling (excluding any interest) that arise from remeasurements of the net defined benefit liability are recognized immediately in other comprehensive income. Net interest for the year on the net defined benefit liability/(asset) is calculated by applying to the net liability/(asset), the discount rate used to discount the defined benefit obligation, determined at the beginning of the year, considering any changes in the net defined benefit liability/(asset) that occurred during the year 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 profit/(loss) for the year.

When changes are made to a plan's benefits 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 in the plan is recognized in net income/(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 service and non-market performance have vested, so that the final amount recognized as an expense is based on the number of incentives that meet those 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 set forth on the grant date and the actual assumptions will have no impact on the financial statements.

The *fair value* of the amount to be paid to employees with respect to cash-settled stock 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 reporting date and at the date of settlement 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 year.

Fair value valuations

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

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

Fair value is the price that would be received at the valuation 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 Company has access at that time. The *fair value* of a liability reflects the effect of a default risk.

When available, the Company measures the *fair value of* an instrument using the quoted price of that instrument in an active market. A market is active when transactions relating to 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 Company uses valuation techniques by maximizing the use of observable input data and minimizing the use of unobservable input data. The valuation technique selected 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 Company measures active and long positions at the bid price and passive 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 Company 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 a valuation technique whose unobservable inputs are considered not significant, 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. Subsequently, this difference is recognized in net income/(loss) for the period over the life of the instrument using an appropriate method, but no later than when the valuation is fully supported by observable market data or the transaction is completed.

Operational sector

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 *Chief Financial Officer* (CFO), regarding the status of research programs, licensing agreements and products in order to monitor business performance 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 for the division of the Company's business into several segments subject to different risks and benefits from other business segments. In addition, the services provided, the nature of the production processes and the type of clientele by product do not allow the Company's activities to be broken down into different business segments. Therefore, the Company believes that at this time, a business segment and geographic representation would not provide a better representation and understanding of the business or its risks and rewards.

Accounting standards, amendments and interpretations not yet applicable

Moreover, at the date of these Financial Statements, the competent bodies of the European Union have not yet completed the endorsement process necessary for the adoption of the following accounting standards and amendments.

- In May 2017, the IASB issued the new standard IFRS 17 "Insurance Contracts." The new standard, which will replace IFRS 4 and will be applicable as of January 1, 2023, was amended in June 2020.

- In January 2020, the IASB published amendments to IAS 1 that clarify that the definition of "current" or "non-current" of a liability is a function of the right in place at the balance sheet date. The amendments will be applicable effective January 1, 2023.

- In May 2020, the IASB published certain narrow amendments to IFRS 3, IAS 16, IAS 37 and certain annual revisions to IFRS 1, IFRS 9, IAS 41 and IFRS 16. The amendments will be applicable effective January 1, 2022.

- In February 2021, the IASB issued narrow amendments to IAS 1, Practice Statement 2, and IAS 8. The amendments are intended to improve disclosures about accounting policies and to help users of financial statements distinguish between changes in accounting estimates and changes in accounting policies. The amendments will be effective January 1, 2023. However, the IASB plans to publish a draft in the fourth quarter of 2021, in which it will propose deferring the effective date of application to no earlier than January 1, 2024.

- In March 2021, the IASB published amendments to IFRS 16 that move from June 30, 2021, to June 30, 2022, the final date to take advantage of a practical expedient for measuring leases where renegotiated lease payments have occurred as a result of Covid-19. A lessee may elect to account for the concession as a variable rent in the period in which a lower payment is recognized. The amendments will be effective April 1, 2021.

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

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

Disclosure pursuant to art. 149-duodecies of the Issuer Regulation i

Figures in thousands of euros **Type of services**	**Service provider**	**Recipient**	**notes**	**Total Compensation 2021**
Auditing	Parent Company Auditor	Group Leader		73.000
Other Services	i) Auditor of the Parent Company	Group Leader	1	20.000
Subtotal				**93.000**

1) This item refers to the attestation related to the Research and Development Credit and the audits of the Net Financial Position as of March 31 and September 30, 2021

Certification of the financial statements pursuant to art. 154-bis of Legislative Decree no. 58/98

The undersigned, Duccio Neri, as Executive Chairman, and Laura Baldi, as Manager in charge of drawing up the corporate and accounting documents of Philogen S.p.A. hereby attest, also taking into account the provisions of Article 154-bis, Paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:

a) the appropriateness in relation to the characteristics of the company, and

b) the effective application, of the administrative and accounting procedures for the preparation of the financial statements during the period January 1 - December 31, 2021.

We further certify that the financial statements as of December 31, 2021 of the Company:

- has been prepared in accordance with the applicable international accounting standards recognized by the European Community pursuant to EC Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002 and subsequent supplements;

- corresponds to the results of the books and accounting records;

- is able to provide a true and correct representation of the equity, economic and financial position of the Issuer.

The Management Report includes a reliable analysis of the trend and results of operations, as well as the Issuer's situation, together with a description of the main risks and uncertainties to which it is exposed.

Siena, March 28, 2022

Executive Chairman (Duccio Neri)

Manager in charge of drawing up the corporate and accounting documents (Laura Baldi)