
Philogen
innovating targeting
HALF YEAR
REPORT
AS OF 30 JUNE 2024
2024

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

Philochem AG

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

Investor relations

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

Website

https://www.philogen.com

Corporate bodies

Board of Directors

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

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

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

Board of Auditors

- President Dr. Maurizio Di Marcotullio
- Standing auditor Dr. Pierluigi Matteoni
- Standing auditor Dr. Alessandra Pinzuti
- Alternate auditor Dr. Roberto Bonini
- Alternate Auditor Dr. Nadia Fontana

Auditing Company

KPMG S.p.A.

Manager in charge of preparing corporate accounting documents

Dr. Laura Baldi, *Chief Financial Officer*, Certified Public Accountant and Auditor.

Supervisory Board

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

Audit, Risk and Sustainability Committee (*)

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

(*) This committee also serves as the Related Party Transactions Committee.
(**) Independent director pursuant to Article 147-ter paragraph 4 of the TUF and Article 2 of the Corporate Governance Code.

Nominating and Compensation Committee

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

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

Philogen: introduction to the Group

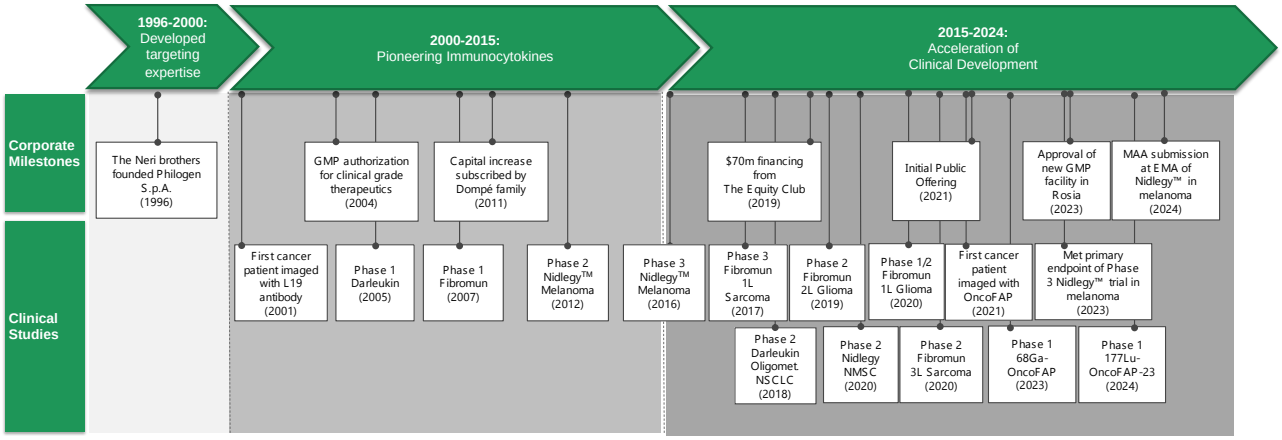
1. History

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

In recent years, Philogen has consolidated and expanded its *Pipeline*, both by bringing new drugs into the clinic and by initiating investigational studies in new indications with products already in development. As of the date of this Report, the Group has a diversified *Pipeline* due to the conduct of several Phase II and III registrational studies. In particular, Nidlegy™ and Fibromun are the subject of international Phase III clinical trials. The Company announced on October 16, 2023, in a special press release that the Phase III study in melanoma of Nidlegy™ has successfully achieved the primary study objective. On June 3, 2024, Philogen submitted the marketing authorization application to the European Medicines Agency for Nidlegy™ in locally advanced resectable melanoma.

The Group has the availability of a research and development facility in Zurich (through its subsidiary "Philochem"), where new experimental drugs are discovered. The most promising prototypes (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 Medicines Agency (AIFA) for the production of experimental, antibody drugs in mammalian cells. A second GMP manufacturing plant was also built at the Rosia (Siena) site aimed at the production of both commercial drugs and for clinical trials. This new plant received certification from AIFA's GMP MED office in 2023. The certification is valid in Europe, the United States, Switzerland, England, Canada, Japan, Australia, New Zealand and Israel (see *Mutual Recognition Agreements of the European Medicines Agency*).

The figure below illustrates the three phases of Philogen's history from 1996 to June 30, 2024, with their respective industrial achievements.



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

2. Group Strategy

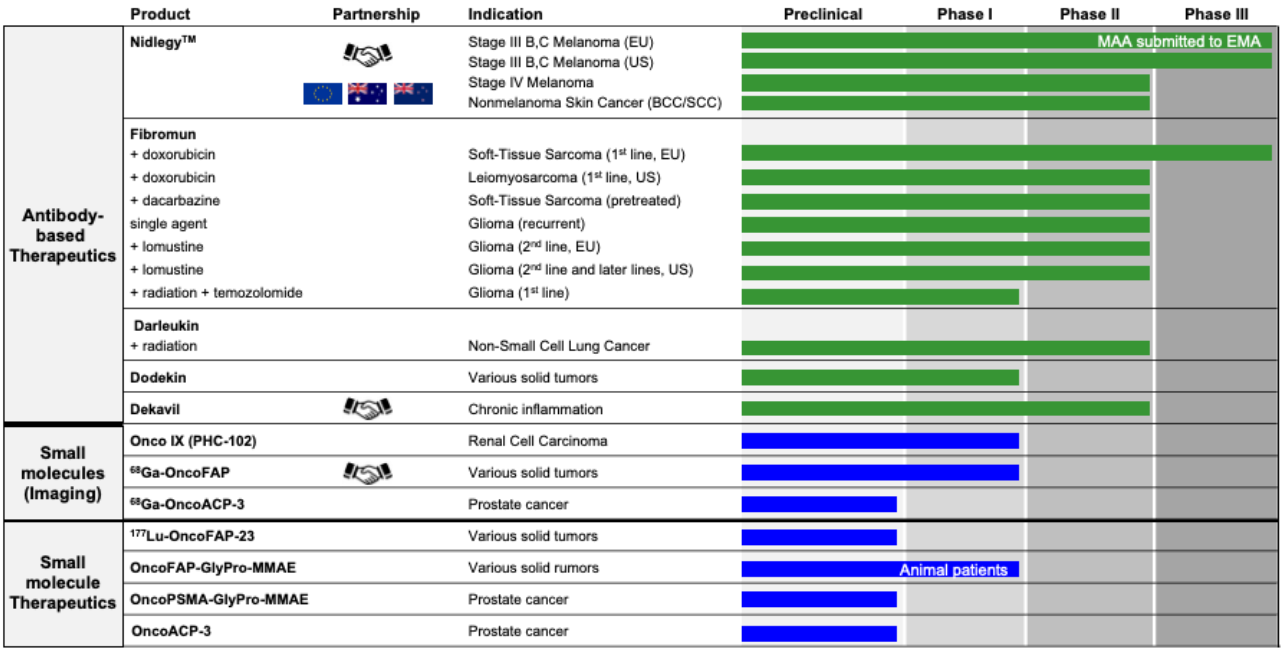
Philogen is a biotechnology company with strong vertical integration, as it covers all phases of drug development, including research, GMP manufacturing, and clinical development. In addition to the research site in Zurich, and the GMP site based in Montarioso (Siena), the Group has expanded its manufacturing capabilities through the construction of a new GMP plant

in Rosia (Siena) to serve future product commercialization. The new plant received certification from AIFA's GMP MED office in 2023.

3. The Group *Pipeline*

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

With the exception of Nidlegy™ (for the treatment of skin cancer in Europe, Australia, and New Zealand), Dodekin, Dekavil, and OncoFAP-diagnostic for which certain rights have been granted to third parties, all other products are in the full availability of the Group.



4. Intellectual property

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

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

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

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

The Group's patents mainly include (i) patents on "vascular *targets*," relating to certain ligands with affinity for *markers* of angiogenesis in certain indications; (ii) "technology" patents relating to key enabling technologies used in the Group's activities; (iii) "product" patents, that is, patents relating to product candidates for preclinical and clinical development and their constituent elements; and (iv) "combination" patents relating to the combination of patented product candidates with off-patent therapeutic agents.

Patent Portfolio

For the purpose of a better understanding of the intellectual properties held by the Company, the following is an outline of patents or patent applications, which are in the name of the Parent Company or of which the Parent Company holds an exclusive license as of June 30, 2024.

Philogen S.p.A.:

Country	Patents Granted/Accepted Applications	Patent Applications
Algeria	1	-
Argentina	-	1
Australia	13	2
Brazil	2	2
Canada	10	2
Chile	-	1
China	3	1
Colombia	1	-
Costa Rica	-	1
Egypt	-	1
United Arab Emirates	-	1
Eurasia	1	-
Europe	14	7
Hong Kong	4	5
India	3	-
Indonesia	1	1
Iraq	1	-
Israel	1	1
Japan	11	2
Jordan	-	1
Lebanon	1	-
Malaysia	2	-
Mexico	6	1
New Zealand	4	-
Gulf Countries (GCC)	-	1
Pakistan	1	-
Panama	-	1
Peru	1	1
Russia	4	1
Singapore	1	1
South Africa	4	-
South Korea	8	-
Taiwan	2	-
Thailand	-	1
United States of America	27	6
Vietnam	1	-
Patent Cooperation Treaty (PCT) (*)	-	8

(*) *PCT* (Patent Cooperation Treaty): patent cooperation treaty - 157 states participating in the treaty to date. The holder of a PCT international patent application may pursue the application in the specific states in which he or she wishes to obtain the patent by perfecting the actual filing of the international application in each of those states within 30 months of the filing (or priority) date of the application.

Philochem AG:

Country	Patents Granted/Accepted Applications	Patent Applications
Australia	3	3
Brazil	-	3
Canada	1	3
China	1	3
Europe	5	4
Hong Kong	2	3
India	-	2
Israel	-	3
Japan	-	3
Mexico	-	3
Singapore	-	3
South Korea	-	3

United States of America	5	4
Patent Cooperation Treaty (PCT)	-	4

Macroeconomic Background

In the first half of 2024, the *soft landing* narrative (a scenario in which the economy slows down enough to reduce inflation without going into recession) dominated markets, leading to positive returns for most risky assets.

Equity markets generally rallied, outperforming bond markets, with major stock indexes reaching all-time highs. Precious and industrial metals *performed* well, supported by the stabilization of the global manufacturing cycle, while energy prices fell.

At the same time, in a global context in which China has resumed export disinflation, global disinflationary trends have been confirmed by the most recent data, although this dynamic is decelerating from the second half of 2023, especially for services inflation.

At the level of global growth, we saw a rotation of it, with the news flow related to the United States in open contrast to that of Europe and China: weaker-than-expected economic data in the United States was offset by positive surprises in Europe and China.

In the Eurozone, forward-looking indicators are signaling a pickup in activity after near stagnation in the first quarter, shaping up to support equity valuations. Export-led economies are improving, with European and Asian PMIs signaling a turn toward a moderate recovery.

The Euro Area seems to have left the low point behind. In China, the government's stimulus policy is expected to support activity in the second half of 2024. Monetary policy remains restrictive in developed countries.

After holding rates steady for the past nine months, the ECB cut the cost of money by 25 basis points in June, but without committing to a particular rate path, with language marked by caution, supporting the assumption that rates will be cut only at meetings where it publishes its forecasts.

The more cautious FED is likely to carry out its first rate cut in September. The release of the U.S. consumer inflation figure for June delivered the expected slowdown in services inflation and particularly the residential component, producing yet another reshaping of monetary policy expectations of future Federal Reserve moves by markets.

The uniqueness of this business cycle and uncertainties related to the transmission of monetary policy focus the main scenario risks on monetary policy and its impact on the business cycle.

We are in fact in a very delicate phase of the business cycle where it is necessary for central banks not to make mistakes. With respect to global growth prospects, geopolitical risks remain tilted to the downside. Ukraine is still far from a ceasefire and tensions persist in the Middle East. Global trade is recovering but does not seem able to reach its full potential due to increasing regionalization.

The events of 2024 showed a significant increase in domestic political risk and economic policy uncertainty, leading to an increase in deficit spending, resulting in inflationary risks, as too loose fiscal policy could result in new inflation.

The 2024 election agenda is quite busy. The French parliamentary elections represented an unexpected first step. Their call had a direct impact on the spread of French debt (compared to German rates). The French and European stock markets were also affected by this event, particularly some companies and sectors, such as French banks and utilities.

After the elections in Europe, attention now turns to the U.S. presidential election. This makes it very difficult to make predictions in both the political and financial fields.

Philogen stock performance

Philogen stock (Ticker: PHIL) closed the first half of 2024 with a positive performance. Specifically, the stock recorded a price per share in the year-end 2023 closing of €18.50 and a price per share in the first-half 2024 closing of €20.40, registering a positive increase of 10.27 percent between the two periods and 20 percent from the IPO on March 3, 2021 at €17.00.

Philogen	
IPO Price March 3, 2021 (Eu)	17,00
Price December 31, 2023 (Eu)*	18,50
Price as of June 30, 2024 (Eu)**	20,40
Price change as of June 30, 2024 vs. IPO (Eu)	3,4
Price change as of June 30, 2024 vs. IPO (%)	20,00%
Price change as of June 30, 2024 vs. price as of December 31, 2023 (Eu)	1,9
Price change as of June 30, 2024 vs. price as of December 31, 2023 (%)	10,27%

**The price refers to December 29, 2023 last trading day of the year (2023).*
***The price refers to June 28, 2024 last trading day of the month (June).*

The minimum closing price in the first half of 2024, recorded on February 12, was €16.30, while the maximum closing price in the reporting period, recorded on June 3, was €21.60. In the table below, reference can be made to the trend for the first 6 months of 2024 in which we show, in particular: (i) the number of shares traded and (ii) the amount (expressed in thousands of Euros).

Dates	Max	Date of High	Min	Date of Low	Closing Price	Average opening price	Average closing price	N. of shared trades	Amount - Figures in thousands of Euros	N. of trading day
Gen-24	18,65	02 Jan	16,90	24 Jan	17,05	17,82	17,66	178.111	3.108	22
Feb-24	18,30	23 Feb	16,30	12 Feb	17,05	17,20	17,14	181.263	3.112	21
Mar-24	18,15	07 Mar	16,90	01 Mar	17,60	17,59	17,64	219.103	3.881	20
Apr-24	18,75	26 Apr	17,30	03 Apr	18,05	17,90	17,98	270.236	4.873	21
May-24	21,50	31 Mag	17,60	20 Mag	21,20	18,55	18,67	286.291	5.604	22
Jun-24	21,60	03 Jun	19,80	13 Jun	20,40	20,42	20,38	153.979	3.175	20

As of June 30, 2024, market capitalization was 828 million euros. This capitalization includes both ordinary shares, listed on the MTA, and special category B shares, which are instead excluded from the capitalization of the Italian Stock Exchange, which only includes ordinary shares in the capitalization calculation.

Philogen	
Price as of June 30, 2024 (Eu)*	20,40
No. shares	40.611.111
Mkt Cap	828.466.664,40

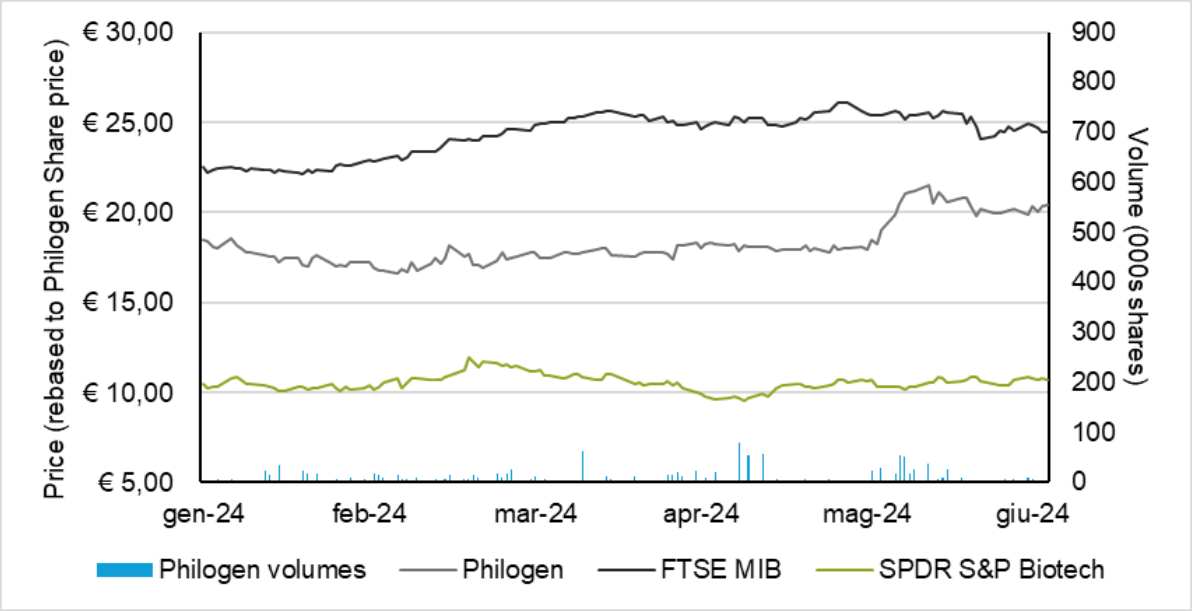
**The price refers to June 28, 2024 last trading day of the month (June).*

The first half of 2024 saw a continuation of the upward *trend* in the world's major stock markets, with particular emphasis on companies with the largest capitalization and liquidity. Please refer to the previous section on the "macroeconomic environment of reference" for more details on this.

Company-specific newsflow was thus the key differentiator from a still very complex market, where macroeconomic issues (wars, inflation, and interest rates) strongly influenced the portfolio choices of global investors. In this context, Philogen managed to create a lot of interest in the name thanks to a pipeline of achievements well spread over the year and solid future prospects.

The first half of 2024 exhibited some volatility, reflecting global economic and geopolitical uncertainties. However, despite the continuation of tight monetary policies by central banks, the gradual easing of inflationary data and the resilience of the main indicators of economic growth, GDP and labor, have mitigated the likelihood of a recession, fostering optimism on the part of investors, reflected this in a positive performance of stock markets.

Comparison of Philogen's performance against key benchmark indices
(January 01, 2024 - June 30, 2024)



The FTSE MIB index closed the first half of 2024 with a growth of 13.1 percent (including dividends), while the FTSE Italia Mid Cap index and the SPDR S&P Biotech index, (surely) more representative by capitalization and sector, closed the six-month period at 8.1 percent and 7.2 percent, respectively. In particular, the latter two values, when compared with the 10.2 percent of Philogen's share, give a way to confirm the positive interest of investors in Philogen's reality.

In summary, while Philogen faces typical challenges in the biotechnology sector, the positioning of its portfolio and the stage of development reached by some of its products show promising expectations for the future.

Philogen
innovating targeting

Interim management report as of June 30, 2024

Foreword

Shareholders,

the Interim Report on Operations of Philogen S.p.A. (hereinafter also referred to as the "Company" or the "Parent Company" and together with its Swiss subsidiary Philochem, the "Group") is presented to accompany the condensed consolidated interim financial statements as of June 30, 2024.

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

The Interim Condensed Consolidated Financial Statements as of June 30, 2024 are prepared in accordance with the international accounting standard concerning interim reporting (IAS 34 - Interim Financial Reporting).

Instead, please refer to the explanatory notes for all news pertaining to the illustration of the condensed consolidated financial statements for the six months ended June 30, 2024.

1. Group Disclosure

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

This is possible thanks to a scientific approach known as *tumor targeting* of which the Group is one of the recognized scientific *leaders* worldwide. In this area, the Group carries out internally all phases of its production cycle, which is divided into the discovery and production activities of new drugs and the coordination of preclinical and clinical studies, at its facilities in Siena, Italy, and at the research center in Zurich, Switzerland, where the subsidiary Philochem AG is based.

Since 2019, the Group has focused development activities mainly on two most advanced products in the *pipeline* namely Fibromun and Nidlegy™ by embarking on registration trials of the two drugs. At the same time, it has redesigned a competitive and diversified *pipeline* in order to opportunistically evaluate licensing agreements on its products or platforms in development. In particular, with reference to the product Nidlegy™ it should be noted that the Company informed the market on October 16, 2023, that it has positively achieved the primary objective of the Phase III Pivotal Study in patients with locally advanced fully resectable melanoma, and the Company submitted on June 3 the regulatory documentation to obtain the *Marketing Authorization*.

The Group has the availability of a research and development facility in Zurich (through its subsidiary "Philochem"), where new experimental drugs are discovered. The most promising prototypes (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 Medicines Agency (AIFA) for the production of experimental, antibody drugs in mammalian cells. A second GMP manufacturing plant was also built at the Rosia (Siena) site aimed at the production of both commercial drugs and for clinical trials. This new plant received certification from AIFA's GMP MED office in 2023. The certification is valid in Europe, the United States, Switzerland, England, Canada, Japan, Australia, New Zealand and Israel (see *Mutual Recognition Agreements of the European Medicines Agency*).

It should be noted that the Parent Company is considered an "SME" in accordance with Article 1, paragraph 1, letter w)-quater 1 of the TUF which defines small and medium-sized enterprises, issuers of listed shares that have a market capitalization of less than 500 million euros, issuers of listed shares that have exceeded this limit for three consecutive financial years are not considered SMEs, (Consob publishes the list of companies on its website). Note that category B shares (multiple voting shares) are excluded from the capitalization of the Italian Stock Exchange. Philogen's average capitalization, net of category B shares, from the date of start of trading (March 3, 2021) to June 30, 2024 is 451 million euros.

2. Activities in the field of research and development

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

The Group operates through:

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

To date, research and development is the main activity of the Group.

However, the Group is also enhancing its production activities at GMP-authorized plants pending receipt of marketing authorization from regulatory authorities.

The following table shows the research and development costs recognized in the income statement during the periods ended June 30, 2024 and June 30, 2023 and their impact on the Group's total revenues from contracts with customers and total operating expenses.

Figures in thousands of euros and in percent	**Period ended June 30**	
	2024	**2023**
Research and development costs	11.241	9.672
Incidence on total contract revenue	*1443,6%*	*44,7%*
Impact on total operating costs	*66,3%*	*69,7%*

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

More details on the Group's research and development activities can be found in the introductory section "*The Story*," while operating costs can be found in Note No. 6 of the condensed consolidated financial statements.

3. Scientific facts that occurred during the first half of 2024

The following are the main scientific facts with reference to the period ended June 30, 2024.

3.1 Summary of development and GMP activities carried out during the period ended June 30, 2024

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

Proprietary products

1) Antibody-based products:

- **Nidlegy™** is a pharmaceutical product, proprietary to Philogen, consisting of two active ingredients, L19-IL2 and L19-TNF. The L19 antibody is specific for Fibronectin B domain, a protein expressed in tumors (and other diseases) but absent in most healthy tissues. Interleukin 2 (IL2) and Tumor Necrosis Factor (TNF) are inflammatory cytokines with antitumor activities. Nidlegy™ is currently being studied in Phase II and III clinical trials.

Regarding the European Phase III study in locally advanced melanoma, it was announced on October 16, 2023 in a special press release that Nidlegy™ had successfully achieved the primary study objective. Submission for marketing application to the European Medicines Agency (EMA) was made on June 3, 2024. The EMA completed the first step of dossier validation on June 20, 2024.

The U.S. Phase III Study in locally advanced melanoma has enrolled more than 50 percent of patients and is being tested at 33 clinical centers.

Finally, two Phase II studies are underway for the treatment of non-melanoma skin cancer (NMSC). The Duncan study is active in Switzerland, Germany, and Poland and focuses on advanced basal cell carcinoma (BCC) and squamous cell carcinoma (cSCC). As of June 30, 2024, 78 patients (57 BCC and 22 cSCC) have been enrolled and 16 BCC patients are missing to complete the study. The Society is currently planning global registrational studies in these indications scheduled to begin in early 2025. The Intrinsic study in Italy and France has also begun, which aspires to explore the activity of Nidlegy™ in 70 patients with various types of NMSCs (e.g., Kaposi's sarcoma, cutaneous T-cell lymphoma, malignant adnexal skin tumors, keratocanthoma, Merkel cell carcinoma, cSCC, and BCC).

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

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

- **Fibromun** is a proprietary drug product consisting of the antibody L19 fused to TNF. The drug is currently being studied in six Phase I, Phase II and Phase III clinical trials.

Regarding the European Phase III Study in first-line soft tissue sarcoma (STS) in combination with doxorubicin, 114 of the 118 patients under the protocol were enrolled (as of June 30, 2024) through the collaboration of 25 open clinical centers in Germany, Italy, Spain, Poland, and France. On Feb. 20, 2024, an independent *Data and* Safety *Monitoring Board* reviewed the efficacy and safety data of the study in the context of a protocol-planned interim analysis and recommended that the trial be continued without changes.

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

Regarding the European Phase II Study in third-line soft tissue sarcoma (STS) in combination with dacarbazine, 78 of 92 planned in 19 centers were enrolled.

Regarding the Phase I/II/IIb Study in first-line glioblastoma in combination with radiotherapy and temozolomide, 13 patients have been enrolled in Phase I. Cohorts 1, 2 and 3 have been completed, and cohort 4 is ongoing. A total of five cohorts are planned for Phase I, before proceeding to the single-arm portion of Phase II. Phase II with 32 patients is scheduled to begin in 2024. The randomized portion of Phase IIb, with registrational potential, envisions between 166 and 206 patients and is expected to begin when consolidated Phase II data are available.

Regarding the Phase I/II Study in monotherapy stage III-IV high-grade second-line Glioma, the study was conducted in 11 clinical centers in Switzerland where the planned 20 patients were enrolled. The last patient was enrolled in December 2020. Data review is ongoing, and the full results will be presented in a peer-reviewed scientific publication.

Regarding the Phase I/II Study in European second-line Glioblastoma in combination with lomustine 15 patients were enrolled in the Phase I part. The 3 cohorts planned for Phase I have been completed and the study has started the randomized Phase II part. As of June 30, 2023, 83 of the 158 patients planned for Phase II of the study have been enrolled. The encouraging data from Cohort 1 were published in the journal *Science Translational Medicine* last May 2023. The study is currently ongoing in Switzerland, Germany and Italy.

The Company is also working to start a new Phase II study in Glioblastoma pretreated in combination with lomustine in the United States. The study has been approved by the U.S. Food and Drug Administration.

2) Small molecule products

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

Regarding the development of OncoFAP-radio-conjugate for diagnostic applications, several patients with different types of cancer have already undergone *imaging* in Germany with^{68} Ga-OncoFAP. In addition, it has completed the Phase I clinical trial and Partner Blue Earth Diagnostic (Bracco) will pursue product development from Phase II onward.

New derivatives of OncoFAP are also reported such as OncoFAP-23-radio-conjugated for therapeutic applications, which has shown excellent tumor-targeting properties in preclinical studies. The product selectively localizes to neoplastic lesions, with stable accumulation in the tumor for at least 96 hours, an important feature for the drug's therapeutic activity. In particular,^{177} Lu-OncoFAP-23 has demonstrated potent antitumor activity in preclinical studies, both as monotherapy and in combination with the Philogen product L19-IL2. GMP manufacturing and future centralized radiolabeling of OncoFAP-23 have been completed at dedicated suppliers. Clinical trial application for a Phase I study has been submitted. The drug was requested in Germany for the treatment of cancer patients without therapeutic alternatives. The first patient was treated and^{177} Lu-OncoFAP-23 showed excellent tolerability.

Another derivative in pre-clinical trials is OncoFAP-GlyPro-MMAE, consisting of (i) the OncoFAP ligand, (ii) a cleavable linker, and (iii) a cytotoxic drug, which is selectively released at the tumor site and has shown superior performance compared with other linker derivatives commonly used in antibody-drug conjugates (such as those with valine-citrulline). These small-molecule organic-based "*drug-conjugates*" are an attractive alternative to *Antibody-Drug Conjugates* due to their superior *targeting* performance and much lower manufacturing costs. To date, the drug is undergoing a clinical trial in dogs with spontaneous neoplasia at the University of Milan where it has demonstrated the ability to induce objective responses in monotherapy. It is also planned to begin GMP production of OncoFAP-GlyPro-MMAE, preparatory to beginning clinical trials in human patients.

Products in *partnerships*

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

GMP

The production workshop and Quality Control Laboratories at the Philogen site in Rosia, Siena, which was already operational at the end of FY2022, reached full functionality during FY2023 and obtained certifications from the AIFA authority.

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

Specifically, the production facility at the Rosia site, has obtained the following GMP authorizations from AIFA: (i) GMP MED Authorization 09.11.2023 (N°aM- 149/2023); (ii) Production Authorization for Commercial Products (Filling); (iii) Production Authorization for Clinical Products (Filling); and (iv) API GMP Authorization 12.06.2024 (N°API- 133/H20204) for the Production of Active Substances for Commercial and Clinical Use.

The Company owns an additional production site in Montarioso (Siena), whose GMP authorization was renewed by AIFA in 08/28/2023 (No. aAPI-100/2023), a plant that is intended only for the production of experimental drugs for clinical trials. The Company has also invested to modernize the production systems with new bioreactors at that site. It should be noted that, the production site in Montarioso (Siena) during the first half of 2024 was also used for contract manufacturing activities.

4. Significant events that occurred during the first half of 2024

4.1 Cyber-attack

In January 2024, the Company experienced an attempted cyber-attack on its information systems that was promptly detected and contained by the Company's IT department, which immediately put in place the security and control procedures required by company protocols for this type of *cyber* attack.

The Company in this activity was supported by a leading IT company specializing in *cyber security*, which assisted it in the process of identifying and identifying the methods used for the attempted access to IT systems and simultaneously contributed its assistance in mapping the data and services affected by the attack.

The type of attack suffered falls into the category of "ransomware" (a cyber attack based on making data on the affected organization's systems no longer available by encrypting it and demanding a "ransom" in order to access the content again).

After an initial IT system outage that lasted about four days, the Company was able to restore its IT services and resume its activities (e.g., experimental drug production and clinical activities).

Notably, the attempted attack, thanks in part to the prompt intervention of the internal IT department, was circumscribed and isolated and did not result in any loss of data and/or operations.

Thanks to the commitment and dedication of the Company's various departments, the temporary suspension of IT systems attributable to the aforementioned attempt did not affect the Company's operations and business.

Following an overall analysis of the event, performed internally by the Company with the support of its consultants from the Ergon Group, it was possible to find that: (i) the percentage of data and/or information subject to the attempted attack was minimal, but more importantly (ii) there was no exfiltration of sensitive data such as to generate harm to the Company and/or third parties.

The findings of the event were detailed in a technical report ("*Incident Response Report*") containing specific "*remediation*" actions that the Company promptly began to implement be in order to further strengthen its IT infrastructure by installing new safeguards to protect it and the data it contains.

In implementation of the *remediation plan* (prepared at the end of the attempted cyber attack), the Company decided to request technical support and ongoing assistance from MGA Labs S.r.l. (the same company that supported Philogen during the *ransomware*) for the implementation of SOC and SIEM services, with the aim of increasing the security level of Philogen's IT infrastructure.

In addition, in July, the Company signed a Memorandum of Understanding for the Prevention and Countering of Computer Crimes, on the Company's own "critical" information systems with the Operational Center for Cybersecurity - Tuscany Postal and Communications Police.

4.1 Internal Dealing Transactions

As of July 20, 2021, director Dr. Sergio Dompé, through the company Dompè Holding S.r.l., by virtue of the confidence placed on the Group's possibilities and capabilities, purchased 402,982 ordinary shares of Philogen S.p.A. on the market, 10,000 of which were purchased during the first half of 2024.

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

4.2 Remuneration policy

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

On April 29, 2024, in accordance with Article 123-ter TUF, the Shareholders' Meeting, having taken note of the Report on Remuneration Policy and Compensation Paid in FY2023, approved by the Board of Directors on March 27, 2024, approved

Section I of the Report on Remuneration Policy and Compensation Paid, and voted favorably on Section II of the Report on Remuneration Policy and Compensation Paid.

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

Monetary Incentive Plan ("MBO")

As of April 1, 2024 and until March 31, 2025, the executive directors (Dario Neri, Duccio Neri and Giovanni Neri) and one Executive with Strategic Responsibilities are beneficiaries of an incentive plan, so-called *management by objectives* ("MBO"), under which they may be entitled to receive an incentive, on an annual basis, the amount of which is commensurate with the achievement of corporate *performance* objectives.

The maximum incidence of the MBO on the annual compensation of Chairman Duccio Neri and CEO Dario Neri, respectively, is 50% (with the possibility of an additional 25% for a total of 75% of the annual compensation), while it is 20% on the annual compensation of the other CEO Giovanni Neri and finally affects 22% on the compensation of the Executive with Strategic Responsibilities.

Notwithstanding the maximum incidence of the MBO described above, on May 07, 2024, the Company's Board of Directors, upon the proposal of the Nomination and Remuneration Committee, assigned the *performance* objectives and defined the *targets* to which the maximum monetary compensation is associated to the aforementioned executive directors and the Executive with Strategic Responsibilities for the period from April 1, 2024 to March 31, 2025.

It should be noted that in line with the Remuneration Policy for the year 2023, executive directors were paid in May 2024 the MBO for the period April 1, 2023 to March 31, 2024.

With regard to the MBO 2023 assigned to a strategic executive, the Company verifies the achievement of the objectives assigned, to the said executive, at the September 25, 2024 board meeting.

4.3 Realization of new building

Fixed assets in progress refer to advances paid for the construction of the new office building at the Rosia (Siena) site within the area currently leased by Rendo S.r.l. to Philogen S.p.A. by virtue of the lease agreement signed in May 2019 and the construction authorization granted by the property. On September 10, the cadastral variation of the new building was registered with the competent technical offices of the Municipality of Sovicille preparatory to the redefinition of the terms and conditions of the current lease agreement between Rendo S.r.l and Philogen S.p.A.

For more information on the subject of the construction of the new building, please refer to Note 28 to the Condensed Consolidated Financial Statements.

4.4 Resignation of Strategic Executives and Review of Executive Directors' Proxies.

On May 06, 2024, Prof. Dario Neri, Dr. Duccio Neri and Dr. Giovanni Neri resigned from their positions as Strategic Executives of the Company, this decision is attributable to the transformation in which the Company is engaged, which is being structured from a *Research-company* to become a *Product-company.* In particular, the Company finds itself operating in an increasingly challenging environment that requires greater celerity in decision-making processes, as well as a review of the management structure in order to align with industry standards and its competitors.

In view of the above, in order to ensure full operation and business continuity, the Board of Directors revised the delegated powers of the executive directors, particularly those of the Chief Executive Officer, the Chairman of the Board of Directors, and Managing Director Dr. Giovanni Neri. This revision of the operational proxies was carried out to respond effectively to the Company's new operational needs, with the aim of optimizing the decision-making process and fostering more efficient collaboration among the various corporate functions and departments. The changes ensure full continuity of leadership and strengthen the CEO's ability to guide the Company toward its strategic goals.

5. Economic and financial results of the Group

5.1 Profit and loss account

The following table shows the Group's consolidated economic data for the periods ended June 30, 2024 and June 30, 2023:

Figures in thousands of euros and in percent	As of June 30				Variations	
	2024	%	2023	%	2024 vs. 2023	%
Revenue from contract with customers	779	100,0%	21.625	100,0%	(20.846)	(96,4)%
Other income	931	119,6%	898	4,2%	33	3,7%
Total Revenues	**1.710**	**219,6%**	**22.522**	**104,2%**	**(20.813)**	**(92,4)%**
Operating costs (*)	(16.958)	(2178,0)%	(13.891)	(64,2)%	(3.068)	22,1%
EBITDA (**)	**(15.249)**	**(1958,4)%**	**8.632**	**39,9%**	**(23.881)**	**(276,7)%**
Depreciation	(1.798)	(230,9)%	(1.704)	(7,9)%	(93)	5,5%
EBIT	**(17.046)**	**(2189,3)%**	**6.928**	**32,0%**	**(23.974)**	**(346,1)%**
Financial income	3.571	458,6%	3.119	14,4%	452	14,5%
Financial charges	(2.033)	(261,1)%	(1.790)	(8,3)%	(243)	13,6%
Earnings before taxes	**(15.509)**	**(1991,8)%**	**8.257**	**38,2%**	**(23.765)**	**(287,8)%**
Taxes	(8)	(1,0)%	(585)	(2,7)%	**578**	(98,7)%
Profit (Loss) for the period	**(15.516)**	**(1992,8)%**	**7.672**	**35,5%**	**(23.188)**	**(302,3)%**

(*) Operating Costs are the sum of the following items in the Condensed Consolidated Financial Statements: purchases of raw materials and consumables, cost of services, cost of leases and rentals, personnel costs, and other operating costs.

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

To date, the Group does not have a steady revenue stream as it currently has no products in the market that generate revenue. Revenues are related and derived from *milestones* attributable to *partnership* agreements, progress on R&D projects, third-party production, and income in the form of operating grants from subsidized projects.

Total Group Revenues as of June 30, 2024 amounted to 1,710 thousand euros, a decrease of approximately 92.4% compared to the period ended June 30, 2023.

The total revenue item is composed of:

(i) Revenues from contracts with customers amounting to 779 thousand Euro accommodate the progress of some contracts with customers and factor in a first tranche of sales to SUN to support pre-marketing plans.

The negative change from the six-month period of 2023 is mainly attributable to the recording last half of the year of a *milestone* related to a new marketing, licensing and supply agreement that was added to the revenues generated from *partnership* and GMP contract manufacturing agreements signed in previous years.

The Group is also actively engaged in a strategic path of enhancing the value and growth of one of its products whose testing is at an advanced stage.

(ii) *Other income* amounting to Euro 931 thousand as of June 30, 2024, was substantially unchanged compared to the previous period (Euro 898 thousand as of June 30, 2023) and is mainly related to the credits from which the Group benefits continuously by virtue of the research and development activities carried out, including the research and development credit amounting to Euro 724 thousand as of June 30, 2024 and the industry 4.0 credit amounting to Euro 193 thousand as of June 30, 2024. It should be noted that the industry 4.0 credit was granted as a result of the investments made during 2022 for the equipment and interconnection of the new GMP *facility* at the Rosia (Siena) site, consistent with Law 160/2019 (so-called Budget Law 2020) and Law 178/2020 (so-called Budget Law 2021). The Industry 4.0 credit realized is a total of Euro 2,586 thousand (it is specified that the accounting of this contribution under revenues is a function of the useful life of the GMP facility to which the contribution refers).

Operating costs mainly include production material costs, clinical and preclinical service costs, personnel costs, and other operating costs and show an increase of about 22.1 percent from the previous year. This variance is mainly attributable to:

(i) to the increase in costs for services related to the Group's *core business* activities, which increased from 5,950 thousand euros as of June 30, 2023 to 7,427 thousand euros as of June 30, 2024;
(ii) to the increase in personnel costs related to the hiring plan aimed at structuring the workforce of the two GMP *facilities*, strengthening management and staff functions, and to the provision of the incentive plan called "Stock Grant Plan 2024-2026," which increased from €5,986 thousand as of June 30, 2023 to €7,466 thousand as of June 30, 2024.

For more details, see Note 6 and Note 25 to the Condensed Consolidated Financial Statements.

EBITDA showed a decrease of approximately Euro 23,881 thousand, from a positive value of Euro 8,632 thousand as of June 30, 2023 to a negative value of Euro 15,249 thousand as of June 30, 2024 as a result of an increase in operating costs against revenues that decreased by approximately 96.4%.

Depreciation and amortization were in line with the previous period showing a slight increase of about 5.5 percent compared to the period ended June 30, 2023.

EBIT, calculated as the difference between EBITDA and depreciation and amortization, showed a negative balance of 17,046 thousand euros for the period ended June 30, 2024.

Net financial management for the period ended June 30, 2024 showed a positive net result of 1,538 thousand Euro showing an increase of approximately 15.6 percent compared to the previous period. This result is the difference between financial income of Euro 3,571 thousand and financial expenses of Euro 2,033 thousand. The net result can be attributed mainly to (i) net valuation gains of Euro 686 thousand related to changes in the *fair value* of the securities portfolio , (ii) net income on the securities portfolio of Euro 605 thousand given by net capital gains from realization, coupon and dividend collections , (iii) interest income collected of Euro 235 thousand of which Euro 196 thousand related to *time deposits* that expired during the six-month period and the remainder related to the extinguishment of the derivative on outstanding loans; (iv) interest expense and other financial expenses of Euro 252 thousand; (v) net foreign exchange gains of Euro 264 thousand.

More details on financial management can be found in Note 7 to the Condensed Consolidated Financial Statements.

Taxes amounting to 8 thousand Euro are represented by deferred taxes mainly attributable to the reversal of the tax effects recognized upon transition to IAS/IFRS and the allocation of current taxes of the subsidiary amounting to 10 thousand Euro.

As a result of the above, the Group closed the period as of June 30, 2024 with a net loss of 15,516 thousand euros.

5.2 Balance sheet

The following table shows the reclassified statement by "Sources and Uses" of the Group's financial position for the period ended June 30, 2024 and December 31, 2023:

Figures in thousands of euros and in percent	As of June 30	As of December 31	Variations	
	2024	2023	2024 vs. 2023	%
Employment				
Property, plant and equipment	16.067	15.912	155	1,0%
Intangible assets	1.216	1.245	(29)	(2,3)%
Activities by right of use	9.392	9.963	(571)	(5,7)%
Other non-current assets	2.768	2.790	(22)	(0,8)%
Deferred tax assets	8	123	(115)	(93,5)%
Employee benefits	(1.122)	(1.202)	80	(6,7)%
Deferred tax liabilities	(130)	(236)	106	(44,8)%
Other non-current liabilities	(1.307)	(1.507)	200	(13,3)%
Net fixed assets (*)	**26.893**	**27.088**	**(196)**	**(0,7)%**
Inventories	2.937	2.248	689	30,6%
Activities arising from contract	417	1.350	(933)	(69,1)%
Trade receivables	657	1.281	(624)	(48,7)%
Tax credits	5.366	8.176	(2.809)	(34,4)%
Other current assets	1.336	837	499	59,7%
Trade payables	(8.923)	(7.799)	(1.124)	14,4%
Liabilities arising from contract	(667)	(466)	(202)	43,3%
Tax debts	(148)	(239)	91	(37,9)%
Other current liabilities	(2.736)	(2.317)	(419)	18,1%
Net working capital (*)	**(1.760)**	**3.071**	**(4.831)**	**(157,3)%**
Net invested capital (*)	**25.132**	**30.159**	**(5.027)**	**(16,7)%**
Sources				
Shareholders' Equity	75.829	90.589	(14.761)	(16,3)%
Net financial debt (*)	(50.696)	(60.430)	9.734	(16,1)%
Total sources	**25.132**	**30.159**	**(5.027)**	**(16,7)%**

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

An analysis of the financial position shows that the Group has a positive net financial position of 50,696 thousand euros, the change in which is detailed in the following section through the Net Financial Debt schedule.

Net Financial Indebtedness

The details of Net Financial Indebtedness as of June 30, 2024 and December 31, 2023 are prepared in accordance with the outline from ESMA Guideline 32-382-1138 of March 4, 2021 and by Consob through Attention Reminder No. 5/21:

Figures in thousands of Euros **Net financial debt**	**June 30, 2024**	**December 31, 2023**
(A) Cash and cash equivalents	12.264	10.635
(B) Cash equivalents to cash and cash equivalents.	-	5.000
(C) Other current financial assets	52.345	59.709
(D) Liquidity (A+B+C)	**64.609**	**75.344**
(E) Current financial debt	74	22
(F) Current part of non-current financial debt	1.884	1.868
(G) Net current financial debt (E+F)	**1.958**	**1.890**
(H) NET CURRENT FINANCIAL DEBT (G-D)	**(62.651)**	**(73.455)**
(I) Non-current financial debt	11.955	13.025
(J) Debt instruments	-	-
(K) Trade and other current payables.	-	-
(L) Non-current financial debt (I+J+K)	**11.955**	**13.025**
(M) NET FINANCIAL DEBT (H+L)	**(50.696)**	**(60.430)**

For the sake of clarity, a reconciliation of the items shown in the Net Financial Debt table with the Statement of Financial Position in the Condensed Consolidated Semi-Annual Financial Statements is provided:

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

Net Financial Debt as of June 30, 2024 shows a financial *surplus* of 50,696 thousand euros, composed as follows:

- Liquidity (D) in the amount of Euro 64,609 thousand, a decrease of approximately 14.2% compared to the period ended June 30, 2023. This change can be attributed to the net balance between (i) collections for revenues from contracts with customers of approximately Euro 2,640 thousand, (ii) collections for vat credit reimbursement of Euro 2,543 thousand, (iii) outflows for operations of approximately Euro 16,271 thousand, (iv) outflows for capital expenditures of Euro 1.718 thousand of which Euro 826 thousand for the construction and equipping of the new office building built at the Rosia (Siena) site, Euro 221 thousand relating to specific plants and the remainder for investments in new machinery and equipment and the maintenance in efficiency of the plants of the Group's production sites; (v) net positive financial management result of Euro 2.070 thousand given by Euro 1,358 thousand related to the net positive change in the *fair value* of the securities portfolio held, by Euro 716 thousand related to the collection of coupons and interest collected at maturity of the term current accounts and for the remaining part equal to negative Euro 3 thousand, by the change in the *market to market* hedging derivative on outstanding loans.
- Current and non-current financial debt (G+L) in the amount of €13,913 thousand represented for approximately €11,462 thousand by the debt related to the right of use of real estate (IFRS 16) and for €2,377 thousand by the medium-long term loan entered into with the Banca Intesa Group (formerly Ubi Banca S.p.A.) in January 2021 in order to partially finance the construction and equipment of the new GMP plant at the Rosia (Siena) site and for €74 thousand by the balance of credit cards as of June 30, 2024. For more information on right-of-use liabilities and borrowings, see Note 12 and Note 22 to the Condensed Consolidated Interim Financial Statements.

It should be noted that the bank loans described above provide for compliance with certain financial and commercial parameters (so-called *covenants*). We specify that failure to comply with these *covenants*, does not lead to early repayment of the loans, but results in the increase of the *spread* component of the interest rate, which would beincreased by an additional 0.50%.

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

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

As of June 30, 2024, the Company certifies that there are no critical issues in complying with the *covenants* described above.

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

5.3 Alternative Performance Indicators

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

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

- GPIs are constructed from historical data and are not indicative of the Group's future performance;
- IAPs are not measures whose determination is regulated by International Financial Reporting Standards (IFRS);
- KPIs should not be considered a substitute for the indicators provided by the relevant accounting standards (IFRS);
- reading of these GPIs should be done in conjunction with the Group's financial information from the Condensed Consolidated Financial Statements as of June 30, 2024;
- the definitions of IAPs used by the Group, as they are not derived from the relevant accounting standards, may not be homogeneous with those adopted by other groups and therefore comparable with them.

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

Figures in thousands of euros and in percent	Period ended June 30	
	2024	2023
Revenue from contract with customers	779	21.625
EBITDA (*)	(15.249)	8.632
EBITDA *Margin*	*(1958,4)%*	*39,9%*
EBIT	(17.046)	*6.928*

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

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

Figures in thousands of Euros	Period ended June 30	
	2024	2023
Profit (loss for the period)	**(15.516)**	**7.672**
Income taxes	(8)	585
Financial income and expenses	1.538	(1.330)
EBIT	**(17.046)**	**6.928**
Depreciation	(1.798)	1.704
EBITDA	**(15.249)**	**8.632**

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

Figures in thousands of euros and in percent	Period ended June 30	
	2024	2023
Revenue from contract with customers (A)	779	21.625

EBITDA (B)	(15.249)	8.632
EBITDA Margin (B/A)	**(1958,4)%**	**39,9%**

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

Figures in thousands of euros and in percent	As of June 30	As of December 31
	2024	2023
Net fixed assets	26.893	27.088
Net working capital	(1.760)	3.071
Net invested capital	25.132	30.159
Net financial debt	(50.696)	(60.430)
Financial independence index	*72,4%*	*76,0%*
Structure margin	*257,5%*	*301,6%*
Liquidity index	*521,9%*	*702,1%*
Indebtedness index	*18,3%*	*16,5%*

The following table details the Financial Independence Index:

Figures in thousands of euros and in percent	As of June 30	As of December 31
	2024	2023
Equity (A)	75.829	90.589
Total assets (B)	104.775	119.270
Financial Independence Index (A/B)	**72,4%**	**76,0%**

The following table shows the details of Structure Margin:

Figures in thousands of euros and in percent	As of June 30	As of December 31
	2024	2023
Equity (A)	75.829	90.589
Non-current assets (B)	29.452	30.034
Structure margin (A/B)	**257,5%**	**301,6%**

The following table shows the details of the Liquidity Index:

Figures in thousands of euros and in percent	As of June 30	As of December 31
	2024	2023
Current assets (A)	75.323	89.236
Current liabilities (B)	14.432	12.710
Liquidity index (A/B)	**521,9%**	**702,1%**

The following table details the Indebtedness Index:

Figures in thousands of euros and in percent	As of June 30	As of December 31
	2024	2023
Financial debt(*) (A)	13.913	14.915
Equity (B)	75.829	90.589
Indebtedness ratio (A/B)	**18,3%**	**16,5%**

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

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

6. Procedure and related party relationships

In application of the current "Procedure for Related Party Transactions," the RPT Presidium (consisting of the *Chief Financial Officer and the Head of Legal Affairs*) sent to the RPT Committee the necessary communications regarding the transactions entered into by the Company, which subsequently, were recorded in the relevant register of Related Party Transactions.

During the first half of 2024, there were transactions with related entities at normal market conditions that produced profitability in line with the company's profitability parameters. Transactions with related parties are disclosed in the financial statements and described in detail in the specific Note No. 30 to the Condensed Consolidated Financial Statements to which reference should be made, and do not qualify as either atypical or unusual.

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

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

In particular, during the first half of 2024, the Company continued its monitoring of possible legislative changes as well as changes to the corporate *governance* structure adopted by the Company following the listing, in order to be able to promptly incorporate them into the Model.

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

The Company has put in place a process to review its Organizational Model, with the support and under the supervision of the Supervisory Board, to verify its adequacy following recent regulatory updates.

8. Information on corporate governance and ownership structure

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

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

In particular, the aforementioned "Report on Corporate Governance and Ownership Structure" indicates the most significant events that have characterized corporate management during 2023, including the revisions to the powers delegated to the executive directors, Dr. Duccio Neri, and Prof. Dario Neri, Chairman of the Board of Directors and Chief Executive Officer, respectively, and the assessments made by the Board of Directors on the "Recommendations of the Committee for 2024" contained in the letter sent to the Company by the Chairman of the Corporate Governance Committee.

This document is available on the Society's website at www.philogen.com .

9. Major risks and uncertainties

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

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

9.1 Operational risks

Risks related to external factors

- Risks associated with products in clinical development

The Group's future revenues are highly dependent on the continued successful development of its product candidates and, in particular, products that are in Phase III trials, such as Nidlegy™ (submitted application for MA to the EMA for melanoma) and Fibromun (enrolled 118 patients). However, there is no guarantee that the so-called registrational clinical trials will be successful according to the authorities, and, therefore, that the product candidates will be eligible for approval to be marketed.

- Risks associated with changes and non-compliance with industry regulations

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

9.2 Strategic risks

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

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

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

The Group's commercial success will also depend on its ability to protect its intellectual or industrial property rights, including potential ones (including processes and use of the same products), in the European Union, the United States of America, Japan and other countries. To date, the Company owns more than 40 families of product and/or process and/or use inventions, patented or pending in numerous countries.

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

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

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

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

9.3 Financial risks

Financial risks are defined as financial risks arising from owning or trading financial instruments. Tables detailing financial risks are shown in Note No. 28 to the Condensed Consolidated Financial Statements.

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

- Credit Risk

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

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

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

However, management also considers variables typical of the Group's customer portfolio, including the insolvency risk of the industry and country in which the customers operate. Contract-derived assets have as their counterparts primary pharmaceutical and multinational companies characterized by a low risk profile. Financial instruments in the portfolio are attributable to issuers of primary *standing*.

- Liquidity risk

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

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

- Market risk

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

- Foreign exchange risk

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

Manufacturing activities are limited to Italy and Switzerland, 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 condensed consolidated financial statements of its Swiss subsidiary Philochem AG, affecting consolidated net income and consolidated shareholders' equity (translation risk).

More details on financial risks can be found in Note 28 of the Condensed Consolidated Financial Statements.

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

The Group is subject to the risk of changes in the *fair value* of financial instruments held in its portfolio, the value of which as of June 30, 2024 was 52,345 thousand euros. The occurrence of this risk could have significant adverse effects on the Group's economic, financial, and equity position.

More details on financial risks can be found in Note 28 of the Condensed Consolidated Financial Statements.

9.4 Risks related to information systems

IT systems are exposed to the risk of computer network failures and/or malfunctions, data security breaches, the risk of viruses, unauthorized access as well as natural events that could result in a loss of data or the dissemination/communication of confidential and/or proprietary information with potential negative effects on the Group's activities and prospects for growth and development.

Philogen, partly in light of the attempted hacker attack suffered in January 2024 (see section 4.1 of the Interim Management Report), is putting in place a process of reviewing and enhancing its IT infrastructure in order to ensure the security of sensitive data and information and intellectual property. In particular, Philogen has implemented monitoring systems for its IT network aimed at detecting attempts at intrusion, attack, or *misuse* in a timely manner, thereby ensuring real-time protection of the network itself.

The Group's IT defense system includes the updating and incorporation of specific organizational safeguards (see SIEM and SOC systems)-in compliance with regulations and reference standards that imply the adoption of specific requirements and timelines in the area of incident and/or data *breach* reporting-as well as ongoing training of operators, group employees and operational tools.

9.5 Country risk management

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

10. Environmental and occupational safety information

The locations where the Company operates and its production activities are subject to stringent environmental and occupational safety regulations.

The Company adopts safety procedures for the management of work activities in accordance with Legislative Decree 81/2008 and Legislative Decree 206/2001 regarding the handling of genetically modified microorganisms (GMOs). Personnel undergo specific training on the subject and operate according to procedures designed to minimize the risks of contamination, not only biological. 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 December 21, 2011, periodic safety training and refresher courses are activated for all employees divided into general and specific training courses, courses that employees follow according to a schedule specified by the applicable industry regulations

In carrying out its activities, the Company employs chemical and biological agents for which specific risk assessments are carried out in accordance with Legislative Decree 81/2008. The staff also uses equipment and personal protective equipment (PPE) in line with regulations.

The Company believes that it conducts its business in compliance with environmental regulations and permits required by applicable laws, and is constantly striving to operate in an environmentally responsible manner.

Group personnel are constantly updated and trained with reference to applicable industry regulations. In particular, in the first half of 2024, training courses aimed at updating and increasing the number of First Aid employees were again carried out in accordance with the increase in the workforce. This course was enriched with an optional module inherent in specific training on the use of the defibrillator, a life-saving device increasingly recommended in Companies.

In the second half of 2024, the staffing of First Aid and use of defibrillator for the Montarioso site will be further implemented. In addition, fire emergency management training courses were conducted to implement ensure full coverage at both the Rosia and Montarioso sites. During the first half of 2024, the ASPP course (Module A and Module B) for a new company figure and training and refresher courses for Managers and Supervisors were conducted. Also in the second half of 2024, a series of training courses is planned that will cover work at heights, confined spaces, work on electrical equipment (PES-PAV-PEI) and 3rd grade boilermaker.

Finally, it should be noted that no final sanctions or penalties have ever been disbursed against the company for environmental crimes or damages.

11. Responsibility to the environment and climate change

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

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

In light of commitments at the international and European level, such as the 2015 Paris Agreement and the European Climate Act as well as numerous interventions by the *regulator* in recent years, the Company recognizes the importance of combating climate change and is committed to contributing positively to environmental protection through the development of strategies and initiatives aimed at encouraging the minimization of environmental impacts related to the conduct of business activities.

In this context, the Group's production plants operate in accordance with current environmental regulations and permits to which they are subject, in particular:

- the Montarioso (Siena) site, has an AUA (Authorizzazione Unica Ambientale) discharge permit issued by the Municipality of Monteriggioni (Siena), which is scheduled to expire in the year 2032;
- the Rosia (Siena) site has an AUA (Autorizzazione Unica Ambientale) discharge permit issued by the Municipality of Sovicille (Siena), which is scheduled to expire in the year 2030;
- with reference to laboratories in Switzerland, Philochem ensures *compliance* with the "CFSL Directive," which regulates how to design, construct, operate, maintain efficient and safe laboratories using flammable and harmful chemicals or substances. The company ensures uniform, appropriate and technically up-to-date application of relevant legal provisions, including the "Federal Law on Environmental Protection."

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

The Group is committed to protecting and preserving the environment through continuous improvement of energy efficiency levels of consumption and promoting the use of renewable sources. The first step toward reducing energy consumption from non-renewable sources is definitely to reduce electricity consumption.

Among the improvement actions, with a view to energy efficiency and emission monitoring, a photovoltaic system was installed at the Rosia (Siena) site. For this purpose, an agreement was signed with the Gestore dei Servizi Energetici (GSE) for the recognition of incentive tariffs for electricity produced by photovoltaic conversion of the solar source, which is incentivized under Article 7 of Legislative Decree 387/03, Ministerial Decree of May 5, 2011.

The electricity consumed is partly purchased from external suppliers and from nonrenewable sources and partly self-generated by the Group. At present, the Philogen Group has integrated a photovoltaic plant with an initial capacity of 70 kW into its energy park, to which a new 40 kW plant has been added.

Continuing with its commitment to sustainable practices, further expansion is planned in 2024 with the installation of photovoltaic panels on outdoor parking canopies and on the roof of the new office building/management center at the Rosia site. This expansion will bring the total capacity of the Group's photovoltaic installations to nearly 440 kW, further increasing levels of self-consumption of energy. As a result of these initiatives, therefore, the Philogen Group can already count on a fully renewable alternative energy source that will cover a further share of consumption in the coming years.

As evidence of this commitment, among the interventions aimed at improving process energy efficiency, the Group has focused on replacing old and obsolete machinery with more modern equipment in many facilities, contributing to the reduction of overall energy consumption. In recent years, Philogen has invested in advanced technologies and innovative practices to optimize energy consumption within its three facilities.

With reference to water resources, the production of injectable solutions makes it necessary to use machinery to treat water taken from aqueducts in order to make it suitable for medical application. During the fine-tuning phase of the Rosia plant, the Group installed only state-of-the-art treatment equipment, which ensures very low energy consumption compared to older equipment.

For a company such as the Group, which is involved in biopharmaceutical research and the production of experimental drugs, the care and proper management of the waste produced is also of fundamental importance. Philogen produces both ordinary municipal waste, which is disposed of through separate collection, and special waste, which is collected by specialized firms. For the former, the separate collection system at the Montarioso site, operated by a specialized company,

ensures proper disposal of all municipal waste. At the Rosia plant, the system of separate disposal of ordinary waste has also been completed. Special waste generated by the laboratories is stored inside a special warehouse, collected in approved containers for sanitary waste, and is disposed of by a specialized company in the manner prescribed by law.

Philogen relies on a company certified under ISO 14001 for the activities of "Special Waste Collection and Transport, Brokering, Asbestos Disposal and Remediation, Environmental Consulting" and present among the organizations registered under EC Regulation No. 1221/2009. Liquid waste generated by the production process, on the other hand, is conveyed by a sewage collection system and then collected in a special collection *tank*. Subsequently, they too are disposed of by a specialized company according to current regulations.

12. Personnel information

As of June 30, 2024, the Group had 174 employees, of whom 136 were hired by Philogen S.p.A., at its plants in Siena (Rosia and Montarioso), and 38 by Philochem AG, at its site in Zurich, marking a total increase of about 6 percent compared to December 31, 2023.

The increase, represented in the table below, is from (i) Philochem: 4 hires and 3 terminations (ii) Philogen: 18 hires and 12 terminations.

Number of Group punctual employees	As of June 30	As of December 31	Variations	
	2024	2023	2024 vs. 2023	%
Employees	174	165	9	5,45%

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

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

Disclosure of new hires:

Qualification	Philochem AG			Philogen S.p.A.			Group		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Ph.D.	1	-	**1**	-	4	**4**	1	4	**5**
Degree	1	2	**3**	4	5	**9**	5	7	**12**
Diploma	-	-	**-**	3	2	**5**	3	2	**5**
No title	-	-	-	-	-	**-**	-	-	**-**
Grand total	**2**	**2**	**4**	**7**	**11**	**18**	**9**	**13**	**22**

In order to keep staff constantly updated with regard to specific issues and industry regulations, various training and refresher courses were conducted during the first half of 2024. Below we indicate the most relevant courses:

- Advanced level course in Business English, with individual lessons lasting 10 hours, dedicated to executive staff.
- Training course "Mini Master - ESG: combinations for sustainability" lasting 82 hours, intended for staff involved in the preparation of the Sustainability Report, with the aim of developing the skills necessary to report sustainability data under the new CSRD "*Corporate Sustainability Reporting Directive*."
- Training course lasting 48 hours, functional for an employee to acquire the role of Prevention and Protection Service Manager (ASPP), according to the provisions of the State-Regions Agreement of 7/7/2016.
- Training plan designed to update the staff of the Pharmacovigilance Department, entitled "*Pharmacovigilance System: Audit & Inspection Readiness*," lasting 8 hours.
- Update on "Good Laboratory Practice," organized by *Quality Management Associates*, for the staff of AQA Laboratory, AQA Quality Assurance department and IT department lasting 1 day.

The Group has also always been attentive to issues of gender equality and inclusion. About 55 percent of employees are female, as well as from more than 15 different countries. The *top management* appears to be gender balanced, a circumstance that has characterized the Group since the pre-listing period: CFO since 2007; HR Manager since 2008, *Company Legal Counsel* since 2016. In addition, a new *Deputy Chief Medical Officer* has joined the Group since 2022 and

a *Qualified Person* for the Montarioso site authorized by AIFA in August 2023. Philogen has also boasted female representation on the Board of Directors since 2016, following the appointment of Dr. Nathalie Dompé and post IPO with the addition of Avv. Marta Bavasso and Dr. Maria Giovanna Calloni. Senior roles within the Research function have also been held by women today and in the past. Prof. Cornelia Halin is a member of the Scientific Advisory Board; the Antibody Research area has been led by a female scientist for many years. Finally, in adherence to Italian law, Philogen employs six people from protected categories.

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

In light of what has just been described in this section, the Company, as of the date of this Report, sees no need to adopt specific diversity policies in relation to employee composition, gender composition, and educational and professional background.

13. Foreseeable development of management

The status of various industrial programs can be summarized as follows:

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

Following the submission of the *Marketing Authorization Application* dossier to the European *Medicines Agency* (EMA), the authority's first round of applications is scheduled for October 2024. The dossier review process is expected to be completed by mid-2025.

Patient enrollment in the U.S. Phase III trial in stage IIIB/C melanoma continues in line with company expectations. To date, 33 centers have been opened.

Two Phase II studies are ongoing in "*High-Risk Locally Advanced*" Basal Cell Carcinoma (BCC) and other non-melanoma skin cancers. The Group has accelerated activities in BCC based on the high rate of complete (clinical and/or pathological CR) and durable remissions observed in patients treated with Nidlegy™. As of the date of this Report, 85 patients have been enrolled in the ongoing Duncan study in Switzerland, Poland, and Germany. Discussions are underway to finalize an industrial development plan to take the drug to registration. The two clinical trials also allow Nidlegy™ to be investigated in other non-melanoma skin cancers (e.g., squamous cell carcinoma, *Merkel Cell Carcinoma).*

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

In the European Phase III study in the first-line STS in combination with doxorubicin, all 118 patients under the protocol were enrolled. The study was conducted in Germany, Italy, Spain, Poland and France. Patients are randomized 1:1. Fifty percent of patients are treated with doxorubicin (control arm) and the other 50 percent of patients are treated with doxorubcine in combination with Fibromun (experimental arm). The study, whose primary endpoint is *Progression Free Survival* (PFS), was designed to observe at least 80% improvement in the experimental arm versus the control arm. Based on historical data, the *median* PFS of doxorubicin alone is expected to be around 4.6 months.

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

The randomized phase of the European Phase II trial in the third-line STS in combination with dacarbazine continues. The *trial* has enrolled 83 patients of the 92 planned by protocol.

Regarding the Phase I/II Study in second-line Glioblastoma in combination with lomustine, Phase I is completed with 15 patients divided into 3 cohorts and Phase II is ongoing. As of the date of this Report, 98 of the 158 patients scheduled for Phase II of the study have been enrolled. The study is currently ongoing in Switzerland, Italy and Germany. Philogen is working with the aim of opening additional centers in major European countries.

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

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

68Ga-OncoFAP (radio-diagnostic derivative) has completed Phase I clinical *trial* in patients with solid tumors. Blue Earth Diagnostic (Bracco) is planning the Phase II study.

The *company-sponsored* clinical study of the 177Lu-OncoFAP-23 derivative (radio-therapeutic derivative) is scheduled to begin in 2024. Submission of the study was submitted on May 25, 2024.

Experimental data obtained in several preclinical models with OncoFAP-GlyPro-MMAE (a nonradioactive derivative of OncoFAP conjugated to cytotoxic drugs) have shown an excellent ability to block the growth of several tumor types. To date, the drug is undergoing a clinical trial in dogs with spontaneous neoplasia at University of Milan. It is also planned to begin GMP production of OncoFAP-GlyPro-MMAE, preparatory to starting clinical trials in human patients.

- Products in *partnerships*

Partnerships continue on (i) Dekavil (Pfizer) and (ii) small molecule organics (Janssen and Bracco) and (iii) Nidlegy™ (Sun Pharma and MSD).

- New GMP Plant Rosia (Siena)

Philogen owns two GMP production facilities in Rosia (Siena) and Montarioso (Siena). The Rosia site is finalized for production of commercial and investigational drugs. The Montarioso (Siena) site will continue to be dedicated to the production of experimental drugs, both Group and third-party.

The Rosia production site currently has the following approvals from AIFA:

- MED GMP Authorization 09.11.2023 No.aM- 149/2023):

    1. Production Authorization for Commercial Products (Filling in asepsis);
    2. Production Authorization for Clinical Products (Filling in asepsis)

- API GMP Authorization 12.06.2024 No.API- 133/H20204)

    1. Authorization for the Production of Active Substances for Commercial Use;

- Montarioso production site

    1. Renewal of Authorization for the Production of Active Substances for Experimental Use (GMP API 28.08.2023 N°aAPI- 100/2023);
    2. Renewal of Authorization for the Production of Experimental Medicines (GMP MED) n - aM 29/2024 dated 13/02/2024 (GMP CERTIFICATE No:IT/38/H/2024).

Philogen
innovating targeting

Interim condensed consolidated financial statements as of June 30, 2024

Consolidated statement of income

Figures in thousands of Euros		Period ended June 30			
	Notes	**2024**	*Of which with related parties*	**2023**	*Of which with related parties*
Revenues from contracts with customers	5	779		21.625	
Other income	5	931		898	
Total revenue and income		**1.710**	**-**	**22.522**	**-**
Purchases of raw materials and consumables	6	(1.601)		(1.629)	
Costs for services	6	(7.427)	*(843)*	(5.950)	*(743)*
Costs for the use of third-party assets	6	(175)		(102)	
Personnel costs	6	(7.466)	*(206)*	(5.986)	*(300)*
Depreciation	6	(1.798)	*(433)*	(1.704)	*(384)*
Other operating costs	6	(289)		(225)	
Total operating costs		**(18.756)**	***(1.482)***	**(15.595)**	***(1.427)***
Operating income		**(17.046)**	***(1.482)***	**6.928**	***(1.427)***
Financial income	7	3.571		3.119	
Financial charges	7	(2.033)	*(238)*	(1.790)	*(172)*
Total financial income and expenses		**1.538**	***(238)***	**1.330**	***(172)***
Earnings before taxes		**(15.509)**	***(1.720)***	**8.257**	***(1.599)***
Taxes	8	(8)		(585)	
Profit (Loss) for the period		**(15.516)**	***(1.720)***	**7.672**	***(1.599)***
Profit (Loss) for the period attributable to shareholders of the parent company		(15.516)		7.672	
Earnings (Loss) per share (in Euros)	9	(0,39)		0,19	
Diluted earnings (loss) per share (in Euros)	9	(0,39)		0,19	

Consolidated statement of comprehensive income

Figures in thousands of **Euros**	Notes	Period ended June 30 2024	2023
Profit (Loss) for the period (A)		**(15.516)**	**7.672**
Other gains (losses) that will be later reclassified to net income (loss) for the period			
Translation differences of foreign financial statements	20	(217)	49
Profit (loss) from *cash flow hedge*	20	(58)	552
Fiscal effect	20	16	(154)
Total other gains (losses) to be later reclassified to profit (loss) for the period (B)		**(259)**	**447**
Other gains (losses) that will not be subsequently reclassified to net income (loss) for the period			
Profit (loss) from valuation of financial assets measured at *fair value*	20	(39)	(192)
Actuarial valuation gain (loss) on employee benefits	20	39	36
Fiscal effect	20	(1)	36
Total other gains (losses) that will not be subsequently reclassified to net income (loss) for the period (C)		**(1)**	**(121)**
Total other components of comprehensive income (B+C)		**(260)**	**326**
Comprehensive income (loss) after tax (A+B+C)		**(15.776)**	**7.998**
Comprehensive income (loss) attributable to shareholders of the parent company		(15.776)	7.998

Consolidated statement of financial position

Figures in thousands of Euros	Notes	June 30, 2024	*Of which with related parties*	December 31, 2023	*Of which with related parties*
ACTIVITIES.					
Property, plant and equipment	10	16.067		15.912	
Intangible assets	11	1.216		1.245	
Activities by right of use	12	9.392	*9.222*	9.964	*9.857*
Other non-current assets	16	2.768		2.790	
Deferred tax assets	8	8		123	
Non-current assets		**29.453**	***9.222***	**30.034**	***9.857***
Inventories	13	2.937		2.248	
Activities arising from contract	14	417		1.350	
Trade receivables	15	656		1.281	*4*
Tax credits	16	5.366		8.176	
Other current financial assets	17	52.345		59.709	
Other current assets	18	1.336		837	
Cash and cash equivalents	19	12.264		15.635	
Current Assets		**75.323**	**-**	**89.236**	***4***
Total assets		**104.775**	***9.222***	**119.270**	***9.861***
EQUITY					
Capital		5.731		5.731	
Share premium reserve		93.594		99.756	
Other reserves		(7.981)		(8.737)	
Profit (loss) for the period		(15.516)		(6.161)	
Equity attributable to shareholders of the parent company	**20**	**75.829**	**-**	**90.589**	**-**
Total equity	**20**	**75.829**	**-**	**90.589**	**-**
PASSIVITY.					
Employee benefits	21	1.122	*56*	1.202	*70*
Non-current lease liabilities	12	10.455	*10.368*	11.100	*10.946*
Non-current financial liabilities	22	1.500		1.926	
Deferred tax liabilities	24	130		1.507	
Other non-current liabilities	8	1.307		236	
Non-current liabilities		**14.515**	***10.424***	**15.971**	***11.016***
Current financial liabilities	22	951		889	
Current lease liabilities	12	1.006	*873*	1.000	*860*
Trade payables	23	8.923		7.799	*76*
Liabilities arising from contract	14	667		466	
Tax debts	16	148		239	
Other current liabilities	24	2.736	*219*	2.317	*226*
Current liabilities		**14.432**	***1.092***	**12.710**	***1.161***
Total liabilities		**28.947**	***11.516***	**28.681**	***12.177***
Total equity and liabilities		**104.775**	***11.516***	**119.270**	***12.177***

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
			Earnings reserves restricted capital increase to service the 2024-2026 Stock Grant Plan	Negative reserve own shares	Legal reserve	FTA Reserve	Merger surplus reserve	IAS 19 reserve	Reserve from valuation of financial assets measured at *fair* value	Share-based payment reserve	Reserve from translation differences	Cash flow hedge reserve	Retained earnings (losses)	Total other reserves		
Opening balances as of January 1, 2023	**5.731**	**106.097**	**(124)**	**(2.461)**	**892**	**(1.265)**	**449**	**(14)**	**(87)**	**125**	**1.261**	**(186)**	**(7.121)**	**(8.531)**	**(5.376)**	**97.921**
Allocation of previous year's result		(6.341)											965	**965**	5.376	-
Purchase of own shares				(1.196)										**(1.196)**		(1.196)
Stock Grant Plan										122				**122**		122
Result for the year														**-**	7.672	7.672
Other comprehensive income (loss) after tax effect								26	(147)		49	398		**326**		326
Ending balances as of June 30, 2023	**5.731**	**99.755**	**(124)**	**(3.658)**	**892**	**(1.265)**	**449**	**12**	**(234)**	**246**	**1.310**	**212**	**(6.156)**	**(8.315)**	**7.672**	**104.844**
Opening balances as of January 1, 2024	**5.731**	**99.756**	**(124)**	**(4.840)**	**892**	**(1.265)**	**449**	**(17)**	**(2)**	**519**	**1.663**	**145**	**(6.156)**	**(8.737)**	**(6.161)**	**90.589**
Allocation of previous year's result		(6.161)												**-**	6.161	-
Stock Grant Plan										1.016				**1.016**		1.016
Result for the year														**-**	(15.516)	(15.516)
Other comprehensive income (loss) after tax effect								28	(29)		(217)	(41)		**(260)**		(260)
Ending balances as of June 30, 2024	**5.731**	**93.595**	**(124)**	**(4,840)**	**892**	**(1.265)**	**449**	**11**	**(31)**	**1.534**	**1.446**	**103**	**(6.156)**	**(7.981)**	**(15.516)**	**75.829**

Consolidated Statement of Cash Flows

Figures in thousands of Euros		Period ended June 30			
	Notes	**2024**	*Of which with related parties*	**2023**	*Of which with related parties*
Cash flow from operating activities					
Result for the period		(15.516)	*(1.720)*	7.672	*(2.707)*
Adjustments for:					
Depreciation of tangible and intangible assets	6	1.798	*(433)*	1.704	*(798)*
Net financial income/(expense)	7	(1.538)	*(433)*	(1.330)	*(344)*
Provisions for funds and employee benefits	21	122		113	
Provisions for group incentive plans.	20	1.016		122	
Income taxes	7	8		585	
Other non-cash adjustments		(115)		(431)	
Variations of:					
Inventories	13	(693)		(610)	
Activities arising from contract	14	933		1.514	
Trade receivables	15	572	*4*	9	*(642)*
Liabilities arising from contract	14	202		372	
Trade payables	23	1.159	*(76)*	1.612	*(3)*
Other assets and liabilities (*)	16, 18, 24	2.555	*(7)*	(747)	*124*
Use of funds and employee benefits	21	(180)		(22)	
Interest paid	7	(356)		(259)	
Income taxes paid	8	-		-	
Cash flow generated/(absorbed) from operations (A)		**(10.036)**	***(2.663)***	**10.305**	***(4.369)***
Cash flow from investing activities					
Interest collected	7	962		733	
Proceeds from the sale of financial assets	17	19.591		5.162	
Purchase of property, plant and equipment	10	(1.423)		(1.518)	
Purchase of intangible assets	11	(78)		(160)	
Purchase of other financial assets	17	(11.459)		(302)	
Cash flow generated/(absorbed) from investing activities (B)		**7.592**	**-**	**3.935**	**-**
Cash flows from financing activities					
Proceeds from the issuance of shares	20	-		-	
Receipts from the assumption of financial liabilities	22	-		-	
Repayment of financial liabilities	22	(411)		(409)	
Payment of lease liabilities	12	(491)	*(435)*	(480)	*(410)*
Purchase of own shares	20	-		(1.196)	
Cash flow generated/(absorbed) from financing activities (C)		**(902)**	***(435)***	**(2.085)**	***(410)***
Total cash flow (A + B + C + D)		**(3.345)**	***(3.099)***	**12.155**	***(4.778)***
Opening cash and cash equivalents	**19**	**15.635**		**24.436**	
Change in cash and cash equivalents for the period		(3.345)		12.155	
Translation effect on cash and cash equivalents		(25)		1	
Closing cash and cash equivalents	**19**	**12.264**		**36.592**	

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

Notes to the condensed interim consolidated financial statements

Preparation criteria

1. Foreword

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

2. Entity preparing the condensed half-year consolidated financial statements

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

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

3. Drafting criteria

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

These condensed interim consolidated financial statements for the first half of 2024 have been prepared in accordance with the international accounting standard concerning interim reporting (IAS 34 Interim Financial Reporting) and do not include all the information required in the annual consolidated financial statements and consequently should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2023, which are published on the institutional website (http://www.philogen.com/) *Financial Statements* section. The estimation processes and assumptions have been kept in continuity with those used in the preparation of the annual financial statements. For comparative purposes, the consolidated statements present a comparison with the consolidated balance sheet figures of the financial statements as of December 31, 2023 and the consolidated income statement figures as of June 30, 2023.

These condensed interim consolidated financial statements were approved and authorized for publication by the Company's Board of Directors on September 25, 2024.

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

Functional and presentation coin

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

Use of estimates and evaluations

As part of the preparation of the Condensed Consolidated Interim Financial Statements, management had to make estimates and judgments that affect the application of accounting principles and the amounts of assets, liabilities, expenses, and revenues recognized in the Condensed Consolidated Interim 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 Condensed Consolidated Interim Financial Statements.

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

The following is a summary of the items in the Condensed Consolidated Financial Statements that require more subjectivity on the part of the Directors than others in making estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the Condensed Consolidated Financial Statements.

i) Evaluations

The decisions made by management that have the most significant effects on the amounts recognized in the Condensed Consolidated Financial Statements are provided in the following notes:

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

(ii) Assumptions of uncertainties in estimates

For the year ended December 31, 2023, information on assumptions and uncertainties in estimates having a significant risk of causing material changes to the carrying value of assets and liabilities in the Condensed Consolidated Financial Statements for the subsequent period is provided in the following notes:

- Notes No. 5 and 32 - revenue accounting: assumptions in determining the total cost of *performance obbligation* in relation to customer contracts accounted for over time;
- Note No. 32 - valuation of financial instruments: main assumptions underlying the calculation of *fair value*;
- Note No. 32 - definition of the discount rate: main assumptions on the calculation of the Incremental Borrowing Rate (IBR), where the implicit interest rate is not present.
- Notes No. 8 and 32 - recognition of deferred tax assets: availability of future taxable profits against which deductible temporary differences and tax loss carryforwards can be used.
- Note 25 - Share-based payment incentive plan: estimation, through the Monte Carlo Method, of the corporate performance component related to the achievement of the *gate* and *target of* the Company's stock.

4. Industry disclosure

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

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

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

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

Profit and loss account

5. Revenues and income

Figures in thousands of Euros	Period ended June 30	
	2024	2023
Revenues from contracts with customers	779	21.625
Other income	931	898
Total revenue and income	**1.710**	**22.522**

Revenues from contracts with customers

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

To date, the Group does not have a steady revenue stream as it currently has no products in the market that generate revenue. Revenues are related and derived from *milestones* attributable to *partnership* agreements, progress on R&D projects, third-party production, and income in the form of operating grants from subsidized projects.

In the period ended June 30, 2024, revenues from contracts with customers amounted to €779 thousand and included the progress of some contracts with customers and factored in a first tranche of sales to SUN to support premarketing plans. The negative change compared to the first half of 2023 is mainly attributable to the recording last half of the year of a milestone related to a new commercialization, licensing and supply agreement, which was added to the revenues generated by partnership and GMP contract manufacturing contracts signed in previous years.

The Group is also actively engaged in a strategic path of enhancing the value and growth of one of its products whose testing is at an advanced stage.

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

Detail by type of consideration

Figures in thousands of Euros	Period ended June 30	
	2024	2023
Revenues from *up-front,* from *milestones*	-	20.052
Revenues from research and development services	779	1.573
Total revenue from contracts with customers	**779**	**21.625**

Detail by mode of recognition

Figures in thousands of Euros	Period ended June 30	
	2024	2023
Revenue recognized *at a point in time*	292	20.082
Revenues recognized *over time*	487	1.543
Total revenue from contracts with customers	**779**	**21.625**

Detail by geographic area

Figures in thousands of Euros	Period ended June 30	
	2024	2023
USA	47	52
European Union	289	20.243
Extra EU (Switzerland)	443	1.330
Total revenue from contracts with customers	**779**	**21.625**

Detail by product or service type

Figures in thousands of Euros	Period ended June 30	
	2024	2023
Product Development 1	47	52
Good Manufacturing Practices (GMP) Services.	487	1.573
Product Development 2	218	20.000
Services related to activities on small organic molecules	27	-
Total revenue from contracts with customers	**779**	**21.625**

The following is a breakdown of the customers that generate revenue for the Group in excess of 10% of total revenue from contracts with customers, as required by IFRS 8, Note No. 30:

Figures in thousands of Euros	Period ended June 30			
	2024	*Inc.*	2023	*Inc.*
Customer 1	218	*28%*	20.000	*92%*
Customer 2	299	*38%*	-	-
Other customers < 10%.	132	*17%*	1.625	*8%*
Total revenue from contracts with customers	**779**	***100%***	**21.625**	***100%***

Other income

Figures in thousands of Euros	Period ended June 30	
	2024	2023
Operating grants	705	704
Equipment grants	193	194
Miscellaneous income	33	-
Total other income	**931**	**898**

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

(i) research and development tax credit amounting to 705 thousand euros as of June 30, 2024;
(ii) the industry 4.0 credit amounting to €193 thousand as of June 30, 2024 related to the investments made for the equipment and interconnection of the new GMP facility at the Rosia (Siena) site, provided for by Law 160/2019 (so-called Budget Law 2020) and Law 178/2020 (so-called Budget Law 2021). The Industry 4.0 credit related to the interconnection of the new GMP facility is a total of €2,586 thousand (it is specified that the accounting of this contribution is based on the amortization rate for the period).

For more details on the receivables available to the Company, see Note 16 and Note 26 to the Condensed Consolidated Financial Statements.

6. Operating costs

Details of operating costs as of June 30, 2024 and June 30, 2023 are shown below:

Figures in thousands of Euros	Period ended June 30	
	2024	2023
Purchases of raw materials and consumables	1.601	1.629
Costs for services	7.427	5.950
Lease and rental costs	175	102
Personnel costs	7.466	5.986
Depreciation	1.798	1.704
Other operating costs	289	225
Total operating costs	**18.756**	**15.595**

Cost of purchasing raw materials and consumables

Costs for the purchase of raw materials and consumables, amounting to 1,601 thousand euros in the period ended June 30, 2024 (1,629 thousand euros in the previous period), are mainly attributable to the cost of materials used in operations, particularly for drug production activities for clinical trials, GMP productions of antibodies on behalf of third parties, and "pilot" productions in accordance with GMP standards carried out at the new site in Rosia (Siena).

Costs for services

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

Figures in thousands of euros	Period ended June 30	
	2024	**2023**
Costs related to Clinical Centers and CROs	3.309	1.926
Outsourcing services for research and development activities	827	842
Compensation of corporate bodies (net of contributions)	684	543
Social contributions on corporate body compensation	88	71
Management by objectives (MBO)	184	77
TFM administrators	22	20
Corporate and consulting expenses	332	373
Utilities and overhead	773	784
Other costs for services	1.210	1.314
Total costs for services	**7.427**	**5.950**

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

(i) The increase of 1,382 thousand euros in costs related to clinical centers can be attributed to higher costs incurred in the period ended June 30, 2024 compared to the previous period due to the progress of ongoing *trials*;
(ii) The increase of 157 thousand Euro related to directors' compensation and contributions mainly related to the increase in executive directors' compensation following the granting of new proxies on May 07, 2024 by the Board of Directors (for more details see section 4.4 of the Interim Management Report);
(iii) The increase of 107 thousand euros in the "Monetary Incentive Plan" (MBO) as a result of the increase, compared to the previous period, in the maximum incidence of the MBO on the annual remuneration of executive directors (for more details, see section 4.2 of the interim management report);
(iv) The decrease of 104 thousand euros in other costs for services is mainly related to general expenses for consultancy compared to the previous period. It is specified that this cost item includes acl certain overhead costs such as transportation expenses, insurance, advertising expenses, bank commissions and expenses, and various consultancies);
(v) Costs for services for research and development activities related to ongoing activities for GMP contracts for third-party production signed in previous years remain essentially unchanged;
(vi) Corporate and consulting expenses and utilities and general expenses remain substantially unchanged, showing a slight decrease from the previous period of approximately 52 thousand euros.

Lease and rental costs

Lease and rental costs amounted to Euro 175 thousand in the period ended June 30, 2024 compared to Euro 102 thousand in the period ended June 30, 2023 showing a slight increase of approximately Euro 73 thousand. This item includes rental charges, exclusively with reference to *leases* with a duration of less than twelve months and those with a small amount (excluded from the scope of IFRS 16) and variable fees related to ancillary expenses quantified in the final balance, which are also not included in the calculation of the financial liability and the related right of use under IFRS 16. Specifically, in view of the increase in personnel during the reporting period, there is an increase in the cost of use of third-party assets, attributable to higher costs incurred for new business license/software contracts with a duration of less than one year.

Personnel costs

The following is a breakdown of the composition of personnel cost in the period ended June 30, 2024 and June 30, 2023 of the Group:

Figures in thousands of Euros	Period ended June 30

	2024	2023
Wages and Salaries	5.122	4.678
Personnel cost for group incentive plans	1.016	121
Management by objectives (MBO)	9	9
Social charges	1.122	999
Provision for severance pay	197	179
Total personnel costs	**7.466**	**5.986**

The increase in personnel cost of 1,480 thousand euros is mainly attributable to the increase in the average number of employees, as shown in the table below in addition to the higher cost associated with the group incentive plans for the provision as of June 30, 2024, of the cost associated not only with the first allocation cycle 2021-2024, but also with the second allocation cycle 2022-2025 and the third allocation cycle 2023-2026.

	June 30, 2024	June 30, 2023	Change
Average number of employees	174	156	18

For the exact number of employees as of June 30, 2024 and December 31, 2023, please refer to Paragraph 12 of the Interim Management Report.

More details about the incentive plan can be found in Note 25 to the condensed consolidated interim financial statements

Depreciation

The breakdown of "Depreciation and amortization" for the period ended June 30, 2024 and June 30, 2023 is shown below:

Figures in thousands of Euros	Period ended June 30	
	2024	2023
Amortization of intangible assets	94	93
Depreciation Property, plant and equipment	1.211	1.150
Depreciation of assets by right of use	492	461
Total depreciation	**1.798**	**1.704**

Depreciation and amortization are substantially unchanged from the previous period, showing a slight change of approximately 93 thousand euros mainly attributable to "Depreciation of property, plant and equipment" reflecting investments made in the period from June 2023 to June 2024. For more details on investments, please refer to Note 10 of the condensed consolidated half-year financial statements.

Other operating costs

The breakdown of "Other operating expenses" for the period ended June 30, 2024 and June 30, 2023 is shown below:

Figures in thousands of Euros	Period ended June 30	
	2024	2023
Membership contributions	9	19
Company vehicle costs	9	10
Taxes and fees	46	34
Entertainment expenses	20	9
Miscellaneous operating costs	206	153
Total other operating costs	**289**	**225**

Other operating expenses are mainly attributable to contingent liabilities and miscellaneous operating expenses and show a slight increase from the previous period.

7. Financial income and expenses

Financial income and expenses are composed as follows:

Figures in thousands of Euros	Period ended June 30	
	2024	2023
Financial income		

Capital gains from realization of financial assets (*)	727	670
Capital gains from the valuation of financial assets at *fair value*	765	1.074
Interest income	235	62
Foreign exchange gains from realization	139	22
Foreign exchange gains from valuation	1.708	1.291
Financial income	**3.571**	**3.119**
Financial charges		
Losses on valuation of financial assets at *fair value*	(79)	(133)
Capital losses on realization of financial assets	(122)	(21)
Interest expense on leasing	(170)	(175)
Interest expense on bank loans	(65)	(63)
Interest cost for employee benefits	(17)	(17)
Foreign exchange losses from realization	(48)	(36)
Losses on foreign exchange from valuation	(1.532)	(1.344)
Financial charges	**(2.033)**	**(1.790)**
Total financial income (expense)	**1.538**	**1.330**

(*) This item includes realized capital gains, coupons and dividends received.

Net financial management for the period ended June 30, 2024 showed a positive net result of 1,538 thousand euros (positive 1,330 thousand euros for the period ended June 30, 2024) showing an increase of approximately 16%.

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

More details on the composition of the securities portfolio can be found in Note 17 to the Condensed Consolidated Financial Statements.

8. Taxes

The Group has allocated taxes based on the application of current tax regulations.

Current taxes as of June 30, 2024 refer to accrued taxes calculated under Swiss tax law on the subsidiary's equity. Deferred taxes refer exclusively to the reversal of tax effects recognized upon transition to IAS/IFRS.

Below is a table detailing the income taxes recorded in the period as of June 30, 2024 and June 30, 2023:

Figures in thousands of Euros	**Period ended June 30**	
	2024	**2023**
Current taxes	(10)	(616)
Deferred taxes	2	31
Total taxes	**(8)**	**(585)**

Reconciliation of effective tax rate

The reconciliation between the tax burden from the Condensed Consolidated Financial Statements and the theoretical tax burden determined based on the IRES rate applicable to the Group for the period ended June 30, 2024 and June 30, 2023, respectively:

Figures in thousands of Euros	**Period ended June 30**	
	2027	**2023**
Earnings before taxes	(15.509)	8.257
Theoretical tax rate (*)	-24,0%	-27,9%
(Burden)/theoretical IRES tax benefit (A)	**3.722**	**(2.304)**
Adjustments for:		
Effect		
Fiscal effect on R&D credit facility	169	114
Tax effect on facilitation for Technology Innovation Credit	-	39
Tax effect on Industry 4.0 credit facility	45	44

Tax effect on Energy Credit facility	-	9
Tax effect on ACE deduction from IRES	-	336
Tax effect on unrecognized accrued tax losses	(3.564)	(381)
Tax effect on tax losses used	-	1.972
Tax effect on other changes in increase (decrease)	(181)	(240)
Tax effect on the Group's different tax rates	(196)	(175)
Total adjustments (B)	**(3.730)**	**1.718**
Total actual income taxes (A+B)	**(8)**	**(585)**
Effective tax rate	***0,0%***	***(7,1)%***

(*) As of June 30, 2023, the Company has calculated a total tax burden of IRES and IRAP such that the theoretical tax rate applied is 27.9% (of which IRES 24% and IRAP 3.9%). Conversely, as of June 30, 2024, the IRAP tax burden is zero such that the theoretical tax rate applied is 24%.

The tax position of the Parent Company evidences accumulated tax losses, from 2017 to date, of over 73,551 thousand euros that could lead to a future tax benefit of approximately 17,652 thousand euros. These losses were generated mainly from prior year losses and tax benefits, from which the Group benefits permanently by virtue of its research activities which do not contribute to the tax base. Among the main tax benefits we can mention the Research and Development Credit, Technology Innovation Credit, and Industry 4.0 Credit.

As of June 30, 2024, however, consistent with what has been done in the past and considering that the Group does not have a constant revenue stream as it currently has no products in the market that generate revenue, it was decided not to recognize deferred tax assets on tax losses . The position will be reviewed as of 12/31/2024.

For more details on the credits from which the Group benefits, see Note No. 16 and Note No. 26 to the condensed consolidated financial statements.

Changes in deferred taxes during the period

Details and changes in deferred tax assets and liabilities from January 1 to December 31, 2023, and from January 1 to June 30, 2024, the balances of which originate exclusively from transition entries to IAS/IFRS, are provided below:

Figures in thousands of Euros	Book value as of January 1, 2023	Use	Acc.to	Change effect	Book value as of December 31, 2023
Deferred tax assets					
Activities by right of use	2.326	(179)	-	33	2.180
IAS 19 reserve (recognized in comprehensive income)	5	-	1	-	6
Cash flow hedge reserve (recognized in comprehensive income)	60	(25)	17	-	52
IFRS 9 reserve (recognized in comprehensive income)	33	(2)	34	-	66
Total Deferred Tax Assets	**2.424**	**(206)**	**52**	**33**	**2.305**
Deferred tax liabilities					
Other financial assets	6	-	-	-	6
Activities by right of use	2.345	(199)	-	34	2.180
Intangible assets	160	(11)	4	3	157
IFRS 9 reserve (recognized in comprehensive income)	6	-	59	-	65
Reserve cost of hedging	-	-	9	-	9
Total Deferred Tax Liabilities	**2.517**	**(210)**	**73**	**37**	**2.417**

Figures in thousands of Euros	Book value as of January 1, 2024	Use	Acc.to	Change effect	Book value as of June 30, 2024
Deferred tax assets					
Activities by right of use	2.180	(94)	-	(20)	2.067
IAS 19 reserve (recognized in comprehensive income)	6	(15)	4	-	(5)
Cash flow hedge reserve (recognized in comprehensive income)	52	(16)	-	-	36
IFRS 9 reserve (recognized in comprehensive income)	66	(11)	24	-	79
Total Deferred Tax Assets	**2.305**	**(136)**	**28**	**(20)**	**2.177**
Deferred tax liabilities					
Other financial assets	6	-	-	-	6

Activities by right of use	2.180	(94)	-	(19)	2.067
Intangible assets	157	(5)	-	-	151
IFRS 9 reserve (recognized in comprehensive income)	65	(13)	17	-	69
Reserve cost of hedging	9	(4)	-	-	5
Total Deferred Tax Liabilities	**2.417**	**(116)**	**17**	**(19)**	**2.298**

Uncertainties regarding the accounting treatment to be applied to taxes

It should be noted that as of June 30, 2024, there are no outstanding disputes with tax authorities that could generate uncertainties regarding the treatment of income taxes.

9. Earnings/(loss) per share

Basic loss per share was calculated by considering the loss attributable to holders of ordinary shares and the weighted average number of ordinary shares outstanding during the period ended June 30, 2024 and June 30, 2023.

The diluted loss per share was calculated by considering the loss attributable to holders of ordinary shares and the weighted average number of ordinary shares outstanding during the period to account for the effects of all potential dilutive ordinary shares.

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

Figures in thousands of Euros **Basic and diluted earnings (loss) per share**	**Period ended June 30**	
	2024	**2023**
Profit (Loss) for the year - in Euro thousands (A)	(15.516)	7.672
Weighted average number of ordinary shares outstanding (B)	40.289.596	40.398.464
Weighted average number of potential dilutive common shares outstanding (C)	-	-
Weighted average number of outstanding share options granted (D)	-	-
Weighted average shares outstanding adjusted for dilution effects (E=B+C+D)	40.289.596	40.398.464
Basic earnings (loss) per share - in Euros (A/B*1000)	(0,39)	0,19
Diluted earnings (loss) per share - in Euros (A/C*100)	(0.39)	0,19

(A) Profit (Loss) for the year.

(B) Weighted average number of ordinary shares outstanding.

(D) The weighted average number of outstanding weighted average number of granted share options potentially amounting to 858,000 *Units* as of June 30, 2024 and 139,000 thousand *Units* as of June 30, 2023 was considered to be 0 for the purpose of the calculation because, in accordance with IAS 33, as of the end of the period these instruments did not have the necessary characteristics to be issued. For further information, see Note 27 to the condensed consolidated half-year financial statements.

Activities

10. Property, plant and equipment

Changes in property, plant and equipment from January 1 to December 31, 2023 and from January 1 to June 30, 2024 are shown below:

Figures in thousands of Euros	**Plant and machinery**	**Industrial and commercial equipment**	**Leasehold improvements**	**Other tangible imm.ni**	**Imm.ni in progress and advances**	**Buildings and land**	**Total**
Historical cost	8.654	12.076	181	1.192	25	-	21.943
Sinking Fund	(2.253)	(6.369)	(42)	(665)	-	-	(9.243)

Net book value as of January 01, 2023	**6.401**	**5.707**	**139**	**427**	**25**	**-**	**12.699**
Increases	344	935	95	18	1.639	2.514	5.545
(Decreases)	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-
Amortization	(1.077)	(1.155)	(23)	(117)	-	-	(2.372)
Exchange rate effects (historical cost)	48	152	-	(163)	-	-	37
Exchange rate effect (depreciation fund)	2	(137)	-	37	-	-	(98)
Historical cost	9.046	13.165	275	1.047	1.664	2.514	27.711
Sinking Fund	(3.328)	(7.660)	(65)	(745)	-	-	(11.798)
Net book value as of December 31, 2023	**5.718**	**5.504**	**211**	**302**	**1.664**	**2.514**	**15.912**
Increases	77	341	10	25	971	-	1.423
(Decreases)	-	-	-	-	-	-	-
Reclassifications	37	-	-	-	(37)	-	-
Depreciation	(527)	(615)	(12)	(57)	-	-	(1.210)
Exchange rate effects (historical cost)	(50)	(111)	0	(10)	(0)	-	(171)
Exchange rate effect (depreciation fund)	15	90	-	8	-	-	113
Historical cost	9.110	13.395	285	1.062	2.597	2.514	28.963
Sinking Fund	(3.840)	(8.185)	(76)	(794)	-	-	(12.896)
Net book value as of June 30, 2024	**5.270**	**5.210**	**209**	**268**	**2.597**	**2.514**	**16.068**

Plant and machinery shows an increase of 114 thousand euros and refers mainly to the setting up and/or renovation of laboratories and production sites instrumental to operations.

Industrial and commercial equipment shows an increase of 341 thousand euros and mainly includes the purchase cost incurred to equip the production unit in Rosia (Siena).

Leasehold improvements show an increase of 10 thousand euros and refer to improvements made during the year on the Group's leased properties.

Other tangible assets show an increase of 25 thousand euros and mainly refer to company cars and furniture and furnishings. Company cars are partly granted for mixed use to employees, partly assigned to some members of the Board of Directors, and partly at the disposal of company personnel.

Fixed assets in progress refer to advances paid for the construction of the new office building at the Rosia (Siena) site within the area currently leased by Rendo S.r.l. to Philogen S.p.A. under the lease agreement signed in May 2019 and the construction authorization granted by the property. On September 10, the cadastral variation of the new building was registered with the competent technical offices of the Municipality of Sovicille preparatory to the redefinition of the terms and conditions of the current lease agreement between Rendo S.r.l and Philogen S.p.A. Buildings and land, on the other hand, refer to the new building adjacent to its Philogen plant located in Montarioso (Siena) purchased in August 2023 and intended for future expansion of the Company. The fixed asset, in line with the provisions of IAS 16, has not been depreciated since it is not in the condition necessary for business operations.

11. Intangible assets

Changes in intangible assets from January 1 to December 31, 2023 and from January 1 to June 30, 2024 are shown below:

Figures in thousands of Euros	Patent rights and rights to use intellectual works	Concessions, licenses, trademarks and similar rights	Imm.ni in progress and advances	Other intangible assets	Total
Historical cost	2.639	456	8	-	3.103
Sinking Fund	(1.670)	(215)	-	-	(1.885)
Book value as of January 01, 2023	**970**	**241**	**8**	**-**	**1.218**
Increases	239	74	-	6	319
(Decreases)	-	-	-	-	-
Reclassifications	-	8	(8)	-	-
Amortization	(210)	(94)	-	-	(305)
Foreign exchange effect	14	-	-	(1)	13
Historical cost	2.870	538	-	5	3.413
Depreciation fund	(1.858)	(309)	-	-	(2.167)

Net book value as of December 31, 2023	**1.011**	**229**	**-**	**5**	**1.245**
Increases	65	13	-	-	78
(Decreases)	-	-	-	-	-
Reclassifications	-	-	-	-	-
Amortization	(48)	(46)	-	-	(94)
Foreign exchange effect	(14)	-	-	1	(13)
Historical cost	2.867	551	-	6	3.424
Depreciation fund	(1.852)	(356)	-	-	(2.207)
Net book value as of June 30, 2024	**1.015**	**195**	**-**	**6**	**1.216**

As of June 30, 2024, the Group held more than 40 international patent families and more than 100 valid national patents. The increases recognized in the period ended June 30, 2024, amounting to 65 thousand euros, relate to expenses incurred by the Group for filing new patent applications, their nationalizations, and patent grants in specific countries of the World.

Concessions, licenses and trademarks mainly include the cost of trademarks and corporate software licenses. The increases recognized in the period ended June 30, 2024, amounting to 13 thousand euros, relate to the registration of the Nidlegy™ trademark.

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

12. Right-of-use assets and lease liabilities

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

Figures in thousands of Euros	**Real Estate**	**Cars**	**IT Services**	**Total**
Historical cost	12.337	161	281	12.779
Sinking Fund	(2.625)	(115)	(177)	(2.917)
Book value as of January 01, 2023	**9.713**	**46**	**103**	**9.862**
Increases	746	85	48	879
(Decreases)	-	-	-	-
Depreciation	(841)	(24)	(93)	(957)
Change effect	180	-	-	180
Historical cost	13.322	246	329	13.897
Sinking Fund	(3.525)	(139)	(270)	(3.933)
Book value as of December 31, 2023	**9.798**	**107**	**59**	**9.964**
Increases	40	-	-	40
(Decreases)	-	-	-	-
Depreciation	(433)	(17)	(42)	(492)
Change effect	(120)	-	-	(120)
Historical cost	13.207	246	329	13.782
Sinking Fund	(3.921)	(156)	(312)	(4.389)
Book value as of June 30, 2024	**9.286**	**90**	**17**	**9.392**

Assets for right of use for the period ended June 30, 2024 are mainly attributable to the lease of real estate used by the Group for operations. The increases recognized in the first half of 2024, amounting to 40 thousand euros, relate to Istat adjustments in rent under the relevant contracts. It is specified that these contracts were entered into in 2019 following the functional and structural reorganization of the Group through which the real estate branch was separated from the operating branch.

Changes in financial lease liabilities from January 1 to December 31, 2023 and from January 1 to June 30, 2024 are provided below:

Figures in thousands of Euros	
Lease liabilities as of January 01, 2023	**11.891**
Increases	879
Decreases	-
Capital repayments	(976)
Foreign exchange effect	305

Lease liabilities as of December 31, 2023	**12.099**
Increases	40
Decreases	-
Capital repayments	(491)
Foreign exchange effect	(188)
Lease liabilities as of June 30, 2024	**11.461**
Of which current	1.006
Of which non-current	10.455

The following table shows the reconciliation of cash outflows with respect to leases by period ended June 30, 2024 and 2023:

Figures in thousands of Euros	Period ended June 30	
	2024	2023
Real estate capital share	435	410
Interest expense for leasing (real estate)	167	172
Automobile capital share	13	34
Interest expense for leasing (cars)	1	1
Capital share IT services	42	37
Interest expense for leasing (IT services)	2	3
Total cash outflows for *leasing*	**660**	**656**

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

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

As of June 30, 2024, the Group has not identified any indicators of impairment with respect to right-of-use assets.

Impairment test

We report that, as of June 30, 2024, there was no evidence that led the Directors to believe that the reasons that led to the recognition of the property, plant and equipment, intangible assets, and right-of-use assets had been disallowed; nor did any additional indicators of impairment emerge that led the Directors to believe that there might be an impairment of the property, plant and equipment, intangible assets, and right-of-use assets; consequently, it was not necessary to conduct impairment tests on the value recorded in the Condensed Consolidated Financial Statements.

13. Inventories

Details of inventories are as follows:

Figures in thousands of Euros	June 30 2024	December 31 2023
Raw materials and consumables	2.937	2.248
Total inventories	**2.937**	**2.248**

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

As of June 30, 2024, inventories, amounting to 2,937 thousand euros, showed an increase mainly due to increased procurement of consumables functional to the Group's operating activities.

14. Contract assets and liabilities

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

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

The net balance of assets and liabilities arising from contracts is as follows: *Contracts with positive net balance*

Figures in thousands of Euros	June 30 2024	December 31 2023
Advances received from customers	(1.350)	(2.728)
Revenue recognized on advances received	1.767	4.078
Contract activities with clients	**417**	**1.350**

Contracts with negative net balance

Figures in thousands of Euros	June 30 2024	December 31 2023
Advances received from customers	2.530	2.271
Revenue recognized on advances received	(1.863)	(1.805)
Liabilities from contract with customers	**667**	**466**

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

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

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

15. Trade receivables

The item "Trade receivables" consists of the following:

Figures in thousands of Euros	June 30 2024	December 31 2023
Receivables from customers	656	1.281
Total trade receivables	**656**	**1.281**

As of June 30, 2024, trade receivables from customers amounted to 656 thousand euros, a decrease compared to December 31, 2023 of approximately 49%. The change can be attributed to the invoicing of some of the activities completed during 2023 under the GMP contract manufacturing contracts for third parties.

Overdue credit positions are monitored by administrative management through periodic analyses of major positions. The estimated expected loss in accordance with IFRS 9 (*"Expected Credit Loss"*) is insignificant due to the type of the Group's customers, the expected contractual terms, and the timing of collection of receivables.

Breakdown of receivables recorded in current assets by geographic area

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

Figures in thousands of Euros	Geographical area	
	June 30 2024	December 31 2023
Italy	197	198
European Union	30	470
Extra European Union (USA)	75	552
Extra European Union (Other)	355	61
Total trade receivables	**656**	**1.281**

16. Tax receivables and payables

The item "Tax receivables" is composed as follows:

Figures in thousands of Euros	June 30 2024	December 31 2023
Miscellaneous tax credits	3.941	4.994
VAT Credits	1.254	3.087
Other tax receivables	171	96
Total tax credits	**5.366**	**8.176**

"Miscellaneous tax credits," as of June 30, 2024 includes the portions of tax credits from which the Company benefits, which can be offset in the period from June 2024 to June 2025. The portion of these credits beyond the fiscal year is reclassified as non-current assets under "Other non-current assets."

Below is a breakdown of available credits as of June 30, 2024.

- Provision for research and development tax credit for the period ended June 30, 2024 in the amount of Euro 724 thousand, the offsetting of which will be in three equal annual installments, in compliance with the relevant regulations (Art.1 paragraph 200 Law 160 of December 27, 2019 and subsequently amended by Art.1 paragraph 1064 Law 178 of December 30, 2020);
- research and development tax credit year 2023 in the amount of €1,160 thousand, the offsetting of which will be in three equal annual installments, in compliance with the relevant regulations (Art.1 paragraph 200 Law 160 of December 27, 2019 and subsequently amended by Art.1 paragraph 1064 Law 178 of December 30, 2020);
- research and development tax credit year 2022 in the amount of €1,812 thousand, the offsetting of which will be in three equal annual installments, in compliance with the relevant regulations (art.1 paragraph 200 Law 160 of December 27, 2019 and subsequently amended by art.1 paragraph 1064 Law 178 of December 30, 2020);
- Technological innovation tax credit year 2023 in the amount of €331 thousand, the offsetting of which will be in three equal annual installments, in compliance with the relevant regulations (Art.1 paragraph 200 Law 160 of December 27, 2019 and subsequently amended by Art.1 paragraph 1064 Law 178 of December 30, 2020);
- Technological innovation tax credit year 2022 in the amount of 260 thousand euros, the offsetting of which will be in three equal annual installments, in compliance with the relevant regulations (art.1 paragraph 200 Law 160 of December 27, 2019 and subsequently amended by art.1 paragraph 1064 Law 178 of December 30, 2020);
- Technological innovation tax credit year 2021 for Euro 49 thousand (total technological innovation tax credit Euro 167 thousand) related to the remaining part to be offset 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);
- industry 4.0 credit, related to generic assets that came into operation in the fiscal year ending December 31, 2020 (Art.1 paragraphs 184 to 194 of Law 160/2019), in the amount of Euro 9 thousand (total industry 4.0 tax credit Euro 46 thousand). Compensation is made in five annual installments from fiscal year 2021;
- industry 4.0 credit, related to the interconnection of the new GMP production plant of the Rosia (Siena) site, for €1,363 thousand (total credit €2,586 thousand) for the remaining part to be offset in compliance with the reference regulations (Art.1 paragraphs 184 to 194 of Law 160/2019 and Art.1 paragraphs 1051 to 1063 of Law 178/2020);

As of June 30, 2024, the portion of the above tax credits that can be offset by June 30, 2025 is 3,941 thousand euros, while the non-current portion that can be offset as of July 2025 is 1,768 thousand euros.

Figures in thousands of Euros	June 30 2024	December 31 2023
Tax receivables non-current portion	2.768	2.790
Other non-current assets	**2.768**	**2.790**

It should be noted that the item tax receivables non-current portion, includes not only the portions of the above-mentioned receivables whose offsetting is provided for by law in the periods after June 30, 2025, but also Euro 1,000 thousand that refer to a foreign *withholding tax* incurred during 2023 for the sale of some license rights.

The item "VAT Receivables" amounts to 3,941 Euros and is a reflection of the costs incurred by the Group. It should be noted that the Company makes purchases mainly in Italy and sales mainly abroad, such that credit vat cannot be offset against debit vat.

"Other tax receivables" mainly include receivables for withholding taxes incurred.

"Tax liabilities" is composed as follows:

Figures in thousands of Euros	June 30 2024	December 31 2023
Current income tax liabilities	-	-
Amounts owed to the tax authorities for withholding taxes	148	239
Other tax liabilities	-	-
Total tax liabilities	**148**	**239**

The Group has quantified a current tax burden of zero for the period ended June 30, 2024.

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

17. Other current financial assets

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

Figures in thousands of Euros	Other current financial assets
Book value as of December 31, 2022	**61.764**
Increases	13.258
(Decreases)	(17.710)
Gains/losses from *fair value* adjustment	2.291
Accrued income on accruing coupons	105
Book value as of December 31, 2023	**59.709**
Increases	11.460
(Decreases)	(19.591)
Gains/losses from fair value adjustment	639
Accrued income on accruing coupons	131
Market to Market derived CAP	(3)
Book value as of June 30, 2024	**52.345**

The Group invests cash in excess of ordinary requirements in financial instruments in accordance with the "Investment Management Policy" approved by the Board of Directors in May 2021 and amended in October 2022 and March 2024.

The item "Other current financial assets" includes:

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

ii) the balance related to the bond segment of the outstanding portfolio that was measured at *fair value* without impact recognized in the profit (loss) for the period (FVTOCI) (as they pass the so-called "SPPI test").

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

Data in Euro thousands	June 30 2024	December 31 2023
Other financial assets (FVTPL)		
ETF	1.214	2.721
Certificates	5.940	6.361
Funds	2.657	4.059
Insurance investment products	18.483	17.938
Total	**28.294**	**31.079**
Other financial assets (FVOCI)		
Bonds	24.054	28.611
Market to Market derived CAP	(3)	20

Total	**24.051**	**28.630**
Total other current financial assets	**52.345**	**59.709**

In order to hedge the interest rate risk generated by these floating-rate loans, the Company has entered into a hedge with the Banca Intesa S.p.A. Group through an *Interest Rate Cap* contract.

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

18. Other current assets

"Other current assets" consists of the following:

Figures in thousands of Euros	June 30 2024	December 31 2023
Other current receivables	833	558
Other current assets	503	279
Other current assets	**1.336**	**837**

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

Other current assets mainly include prepaid expenses related to costs incurred in advance and accounted for in the condensed consolidated interim financial statements to the extent of their accrual.

19. Cash and cash equivalents

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

Figures in thousands of Euros	June 30 2024	December 31 2023
Bank and postal deposits	12.260	15.633
Cash and valuables on hand	4	2
Cash and cash equivalents	**12.264**	**15.635**

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

It should be noted that in May 2024, the escrow current account agreement in place as of December 31, 2023 for a total amount of 5,000 thousand euros at a rate of 2.6 percent expired. At maturity, the escrow account generated interest income cash flows of 150 thousand euros.

Equity and liabilities

20. Net worth

The statement of changes in consolidated shareholders' equity as of June 30, 2024 can be found in the financial statements section.

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

A. Share capital and shares

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

Categories Actions	June 30, 2024
Ordinary shares (listed on the EXM market)	29.242.861
Special shares with multiple voting rights (Class B)	11.368.250
Total	**40.611.111**

The Parent Company has not issued any beneficial shares.

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

Ordinary shares

Ordinary shares are registered, indivisible, freely transferable and confer on their holders equal rights. Specifically, each ordinary share confers the right to one vote at ordinary and extraordinary meetings of the Company as well as other property and administrative rights pursuant to the articles of incorporation and the law.

Multiple voting shares

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

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

B. Nature and purpose of reserves

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

Figures in thousands of Euros	Nature	Possible uses	June 30, 2024	December 31, 2023
Capital			5.731	5.731
Negative reserve of treasury stock (*)			(4.840)	(4.840)
Share premium reserve	Capital	A, B, C	93.595	99.756
Legal reserve	Useful	A, B	892	892
FTA Reserve	Useful	A, B	(1.265)	(1.265)
Merger surplus reserve	Capital	A, B	449	449
Actuarial gain/loss reserve	Useful	A, B	11	(17)
Cash-flow hedge reserve	Useful	A, B	103	145
Financial instruments valuation reserve	Useful	A, B	(31)	(2)
Reserve from translation differences	Useful	A, B	1.446	1.663
Earnings reserve restricted capital increase to service the 2024-2026 *Stock Grant* Plan (**)	Useful	A	(124)	(124)
Share-based payment reserve (***)	Useful	A	1.534	519
Retained earnings (losses)	Useful	A, B, C	(6.156)	(6.156)
Profit (loss) for the year			(15.516)	(6.161)
Net worth			**75.829**	**90.589**

(*) The Negative reserve of treasury shares includes the value of shares purchased by the Company in accordance with the purchase program approved by the Board of Directors on November 24, 2021.
(**) The Earnings Reserve restricted to the capital increase, free of charge and in divisible form, to service the 2024-2026 *Stock Grant* Plan. The reserve will remain restricted to service the plan until the final subscription deadline, December 31, 2026.
(***) The Share-based Payment Reserve includes the *fair value* of shares granted by the 2024-2026 *Stock Grant* Plan for the first, second and third cycles. More details on the *Stock Grant* Plan can be found in Note 25 to the condensed consolidated financial statements.

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

C. Share-based payment incentive plan

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

To service the said Plan, the Shareholders' Meeting also resolved to increase the share capital free of charge in divisible form, pursuant to Article 2349 of the Civil Code, to be carried out by the deadline of December 31, 2026, for a maximum amount of 123 euros.974, to be charged in full to share capital, and to establish for the same amount, a special reserve, taking it from the retained earnings reserve, called "Restricted earnings reserve capital increase to service the 2024-2026 *Stock Grant* Plan," which will remain restricted to service the free share capital increase until the final subscription deadline.

On September 28, 2021, the Company's Board of Directors, upon the proposal of the Nomination and Remuneration Committee, approved the regulations of the aforementioned Plan and implemented it, identifying the beneficiaries and defining the *performance objectives* and related *targets*, of the first granting cycle 2021-2024, awarding a total of 145,000 *Units*.

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

On November 7, 2023, the Company's Board of Directors, subject to the positive opinion of the Nomination and Remuneration Committee, identified the beneficiaries and defined the *performance* objectives and related *targets*, of the third grant cycle 2023-2026, awarding a total of 619,000 *Units.*

The reserve as of June 30, 2024 represents the accrued cost to date of shares to be granted to beneficiaries related to the first, second, and third grant cycles.

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

D. Purchases of own shares

The Shareholders' Meeting, having revoked the authorization of the Shareholders' Meeting of November 24, 2021 for the unexecuted part, resolved on April 28, 2023 to authorize the purchase of treasury shares in order to (i) establish a securities warehouse, to dispose of treasury shares in the context of agreements with strategic *partners* and/or corporate/financial operations of an extraordinary nature; (ii) fulfill obligations arising from incentive plans, whether for consideration or free of charge, in favor of corporate officers, employees or collaborators of the Group. As of June 30, 2024, the Company held 321,515 ordinary shares.

21. Employee benefits

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

Severance pay:

Liabilities for severance pay amounted to 1,014 thousand euros in the period ended June 30, 2024 (1,132 thousand euros as of December 31, 2023). Changes for the period ended June 30, 2024 and December 31, 2023 are shown below:

Figures in thousands of Euros	June 30 2024	December 31, 2023
Balance at the beginning of the period	1.132	933
Uses	(180)	(39)
Provision for severance pay	101	182
Financial charges	16	53
Actuarial gains/(losses)	(54)	4
Total employee benefits	**1.014**	**1.132**

Employee-related provisions represent the estimated obligation, determined on the basis of actuarial techniques, related to the amount to be paid to employees upon termination of employment. As of June 30, 2024 and December 31, 2023, the provisions for employee benefits refer to the Employee Severance Indemnity Provision ("TFR") set aside and allocated to employees.

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

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

Economic recruitment	June 30 2024	December 31, 2023
Annual rate of inflation	2,00%	2,00%
Annual discount rate	3.49%	3,08%
Annual rate of increase in severance pay	3,00%	3,00%

Annual frequencies of turnover and severance pay advances	June 30 2024	December 31, 2023
Frequency of advances	2,00%	2,00%
Turnover frequency	10,00%	10,00%

Demographic assumptions	June 30, 2024	December 31, 2023

Death	RG48 mortality tables published by the State General Accounting Office.	RG48 mortality tables published by the State General Accounting Office.
Inability	INPS tables separated by age and sex	INPS tables separated by age and sex
Retirement	100% upon achievement of AGO requirements adjusted to Legislative Decree No. 4/2019	100% upon achievement of AGO requirements adjusted to Legislative Decree No. 4/2019

Severance pay

The Termination Benefit, provided for in the Remuneration Policy approved by the Shareholders' Meeting on April 27, 2022, consists of an annual provision for the Company's executive directors, equal to one-twelfth of their annual compensation net of actuarial adjustments, to be paid upon termination of their term of office.

Liabilities for severance pay amounted to 107 thousand euros for the period ended June 30, 2024 (70 thousand euros as of December 31, 2024). Changes for the period ended June 30, 2024 and December 31, 2023 are shown below:

Figures in thousands of Euros	June 30 2024	December 31, 2023
Balance at the beginning of the period	70	26
Uses	-	-
Provision for severance pay	22	42
Financial charges	1	1
Actuarial gains/(losses)	15	0
Total employee benefits	**107**	**70**

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

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

Economic recruitment	June 30 2024	December 31, 2023
Annual discount rate	3,46%	3,15%
Annual compensation revaluation rate	-	-

Demographic assumptions	June 30, 2024	December 31, 2023
Death	RG48 mortality tables published by the State General Accounting Office.	RG48 mortality tables published by the State General Accounting Office.
Inability	INPS tables separated by age and sex	INPS tables separated by age and sex
Retirement	100% upon achievement of AGO requirements	100% upon achievement of AGO requirements
Frequency of termination	0,00%	0,00%

22. Current and non-current financial liabilities

The following table shows the changes during the period ended June 30, 2024 and December 31, 2023 in current and non-current financial liabilities:

Figures in thousands of Euros	**Amount**
Financial liabilities as of January 01, 2023	**3.871**
Funding ignitions	-
Financial liability from hedging derivatives	(244)
Liabilities for interest on loans	15
Capital repayments	(827)
Foreign exchange effect	-
Financial liabilities as of December 31, 2023	**2.815**
Funding ignitions	
Financial liability from hedging derivatives	(5)
Liabilities for interest on loans	52
Capital repayments	(411)
Foreign exchange effect	-
Financial liabilities as of June 30, 2024	**2.451**
Of which current	951
Of which non-current	1.500

Figures in thousands of Euros	**June 30 2024**	**December 31 2023**
Current financial liabilities	951	889
Non-current financial liabilities	1.500	1.926
Total financial liabilities	**2.451**	**2.815**

Financial liabilities are represented by a single medium-long term loan taken out with Banca Intesa S.p.A. (formerly UBI Banca S.p.A), which has a remaining balance of Euro 2,451 thousand as of June 30, 2024. The decrease compared to December 31 is attributable for Euro 818 thousand to the repayment of principal amounts made during the first half of 2024. As of June 30, 2024, total financial liabilities of €2,451 thousand consisted of (i) €951 thousand of which €877 thousand related to the current portion of the loan and €74 thousand related to the credit card balance as of June 30, 2024 and (ii) €1,500 thousand related to the non-current portion of the loan.

It should be noted that, the aforementioned loan was entered into on January 5, 2021, for a total amount of 2,350 thousand euros and is composed as follows:

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

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

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

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

-equity of 50 million euros or more.

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

During the period ended June 30, 2024, commercial and financial *covenants* were found to have been met.

23. Trade payables

Trade payables to suppliers amounting to 8,923,000 euros as of June 30, 2024 (7,799,000 euros as of December 31, 2023) are mainly attributable to payables to clinical centers at which the Group conducts clinical trials and the remainder to other suppliers of services and consumables.

Below are the changes in trade payables during the period ended June 30, 2024:

Figures in thousands of Euros	June 30 2024	December 31 2023
Trade payables	8.923	7.799
Total trade payables	**8.923**	**7.799**

Breakdown of payables by geographic area

Figures in thousands of Euros	Geographical area	
	June 30 2024	December 31 2023
Italy	3.199	2.876
European Union	3.274	2.672
Extra European Union (USA)	1.239	986
Extra European Union (other)	1.210	1.265
Total trade payables	**8.923**	**7.799**

24. Other current liabilities and non-current liabilities

The Group's other current liabilities for the period ended June 30, 2024 and December 31, 2023 are detailed below:

Figures in thousands of Euros	June 30 2024	December 31 2023
Payables to social security institutions	606	572
Accrued expenses and deferred income	598	595
Other debts	1.531	1.149
Other current liabilities	**2.736**	**2.317**

Amounts due to social security institutions express the amount of payables to INPS and INAIL for withholdings to be paid and amounted to 606 thousand euros as of June 30, 2024 and showed an increase compared to the year ended December 31, 2023 in line with the increase in personnel costs (for more details on personnel costs, please refer to Note No. 6 of the condensed consolidated half-year financial statements).

Other payables, amounting to 1,531 thousand euros as of June 30, 2024, mainly refer to:

- Payables to employees for outstanding salaries amounting to 1,503 thousand Euro;

- Other payables of various kinds amounting to 28 thousand Euro.

"Accrued expenses and deferred income" amounting to Euro 598 thousand are mainly attributable to the deferred income of the grant related to the Industry 4.0 tax credit certified in fiscal year 2022 totaling Euro 2,586 thousand and specifically to its method of accounting as a grant related to the duration of depreciation of the assets subject to the facility. For this reason, in the period ended June 30, 2024, the deferrals related to Industry 4.0 are classified under current liabilities for the portion that will be reversed to the income statement by the period July 2024 - June 2025, amounting to 578 thousand euros (563 thousand euros as of December 31, 2023) and under noncurrent liabilities for the portion beyond July 2025 amounting to 1,307 thousand euros (1,507 thousand euros as of December 31, 2023).

Below is a breakdown of Other non-current liabilities:

Figures in thousands of Euros	June 30 2024	December 31 2023
Deferred income non-current portion	1.307	1.507
Other non-current liabilities	**1.307**	**1.507**

More information

25. Share-based payment incentive plan

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

To service the said Plan, the Shareholders' Meeting also resolved to increase the share capital free of charge in divisible form, pursuant to Article 2349 of the Civil Code, to be carried out by the deadline of December 31, 2026, for a maximum amount of 123 euros.974, to be charged in full to share capital and to establish for the same amount, a special reserve, taking it from the retained earnings reserve, called "Restricted earnings reserve capital increase to service the 2024-2026 *Stock Grant* Plan," which will remain restricted to service the free share capital increase until the final subscription deadline.

Specifically:

- on September 28, 2021, the Company's Board of Directors, upon the proposal of the Nomination and Remuneration Committee, approved the regulations of the aforementioned Plan and implemented it, identifying the beneficiaries and defining the *performance objectives* and related *targets*, of the first allocation cycle 2021-2024, awarding a total of 121,000 *Units*;
- On October 11, 2022, the Company's Board of Directors, subject to the positive opinion of the Nomination and Remuneration Committee, identified the beneficiaries and defined the *performance* objectives and related *targets*, of the second granting cycle 2022-2025, awarding a total of 130,000 *Units;*
- On November 7, 2023, the Company's Board of Directors, subject to the positive opinion of the Nomination and Remuneration Committee, identified the beneficiaries and defined the *performance* objectives and related *targets*, of the third grant cycle 2023-2026, awarding a total of 619,000 *Units.*

Summary of the regulation

The Plan is divided into three cycles (2021, 2022, and 2023) each lasting three years that provide:

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

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

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

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

b) achievement of individual objectives: in addition to the Company's objectives, the Board of Directors, having consulted with the Nomination and Remuneration Committee, has drawn up individual objectives for the individual Beneficiaries of the Plan on the basis of criteria mainly oriented: (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 authorizations from the competent authorities in the biotechnology sector

for the commercialization of the products developed by the Company and/or the Group; and (iv) the conclusion of commercial agreements with leading companies in the research and development sector in which the Company operates. The Board of Directors, having consulted with the Nomination and Remuneration Committee, verifies the achievement of individual goals at the end of the *performance* period of each Plan Cycle.

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

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

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

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

Evaluation criteria

Consistent with the valuation of the first and second Cycles of the Plan, the valuation of the third Cycle (2023-2026) was also carried out reflecting the financial market conditions valid on the grant date (November 07, 2023).

The evaluation was carried out by considering separately the two *performance* targets, corporate and personal, assigned to each beneficiary. Specifically, the corporate *performance* component (so-called '*market based*') related to the attainment of the *gate* and *target of* the Company's stock was estimated using stochastic simulation with the Monte Carlo Method, which, based on appropriate assumptions, allowed for the definition of a substantial number of alternative scenarios over the time frame considered.

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

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

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

First allocation cycle 2021-2024:

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

Second allocation cycle 2022-2025

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

Third allocation cycle 2023-2026

Number of rights	Date of assignment	Due date	Course on the date of evaluation	Annual volatility	Dividend rate	Exit rate
619.000	December 01, 2023	November 30, 2023	18,250	27,44%	0%	0%

Overall evaluation results

With regard to the first round of allocation, the total *fair value* decreased from €250 thousand as of December 31, 2021 (valuation year) to €204 thousand as of June 30, 2024 (of which €126 thousand related to the subsidiary and €78 thousand to the Company) as a result of the exit of four Group employees. The accrued portion as of June 30, 2024 is €11 thousand related to Philochem AG and €9 thousand related to Philogen S.p.A.

With regard to the second round of allocation, the total *fair value* decreased from €527 thousand as of December 31, 2022 (valuation year) to €504 thousand as of June 30, 2024 (of which €951 thousand related to the subsidiary and €4,518 thousand to the Company) as a result of the exit of two Group employees. The accrued portion as of June 30, 2024 is €54 thousand related to Philochem AG and €27 thousand related to Philogen S.p.A.

With regard to the third allocation cycle, the total *fair value* decreased from €5,497 thousand as of December 31, 2023 (valuation year) to €5,468 thousand as of June 30, 2024 (of which €343 thousand related to the subsidiary and €160 thousand to the Company) as a result of the exit of a Group employee. The accrued portion as of June 30, 2024 is €159 thousand related to Philochem AG and €755 thousand related to Philogen S.p.A.

It should be noted that during 2023, the 2024-2026 *Stock Grant* Plan was fully awarded and the accrued value as of June 30, 2024 was 1,016 thousand euros, accounted for as an increase in personnel costs.

26. Disclosure of financial risks

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

Credit Risk

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

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

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

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

Liquidity risk

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

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

The following is the maturity analysis for trade receivables and payables and financial liabilities as of June 30, 2024:

Figures in thousands of Euros	June 30, 2024				
	Within 90 days	90 days to 1 year	1 to 5 years	Over 5 years	Total
Liabilities for leasing	249	757	4.844	5.611	**11.462**
Financial liabilities	313	638	1.500	-	**2.451**
Trade payables	8.923	-	-	-	**8.923**
Total	**9.485**	**1.395**	**6.344**	**5.611**	**22.836**

Figures in thousands of Euros	June 30, 2024				
	Within 90 days	90 days to 1 year	1 to 5 years	Over 5 years	Total
Trade receivables	1.475	-	-	-	**1.475**

Total	**1.475**	**-**	**-**	**-**	**1.475**

In addition, the Group in addition to cash and cash equivalents totaling €12,264 thousand as of June 30, 2024, holds a portfolio of financial investments totaling €52,344 thousand as of June 30, 2024, which is readily liquid and can be used to meet any liquidity needs. More information on the securities portfolio can be found in Note 17 to the Condensed Consolidated Financial Statements.

Market risk

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

Foreign exchange risk

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

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

In the period ended June 30, 2024, revenues from contracts with customers were mainly in Swiss francs and accounted for about 57% of total revenues.

The following is a breakdown of revenues with customers by currency for the period ended June 30, 2024 and 2023:

Figures in thousands of Euros	Period ended June 30			
	2024	**%**	**2023**	**%**
U.S. dollar (USD)	47	6%	52	-
Euro (EUR)	289	37%	20.243	94%
Swiss Franc (CHF)	443	57%	1.330	6%
Total revenue from contracts with customers	**779**	**100%**	**21.625**	**100%**

The following is an absolute value sensitivity analysis on revenues from contracts with customers resulting from a 1% change in the exchange rate of the currencies listed above for the period ending June 30, 2024 and 2023:

Figures in thousands of euros in absolute value	Period ended June 30	
	2024	**2023**
U.S. dollar (USD)	1	1
Euro (EUR)	3	202
Swiss Franc (CHF)	4	13
Total effect on revenue from contracts with customers	**8**	**216**

The Group also incurs some operating costs in foreign currencies. Details of operating costs by currency for the period ended June 30, 2024 and 2023 are shown below:

Figures in thousands of Euros	Period ended June 30			
	2024	**%**	**2023**	**%**
U.S. dollar (USD)	451	2%	488	3%
Euro (EUR)	14.681	78%	11.603	74%
Pounds Sterling (GPB)	2	-	7	-
Polish Zloty (PLN)	-	-	9	-
India (RUP)	1	-		
UAE Dirham (AED)	2	-		
Swiss Franc (CHF)	3.619	19%	3.487	22%
Total operating costs	**18.756**	**100%**	**15.595**	**100%**

The following is an absolute value sensitivity analysis on operating costs resulting from a 1% change in the exchange rate of the currencies listed above for the period ending June 30, 2024 and 2023:

Figures in thousands of euros in absolute value	Period ended June 30	
	2024	2023
U.S. dollar (USD)	5	5
Euro (EUR)	147	116
Swiss Franc (CHF)	36	35
Total effect on operating costs	**188**	**156**

The Group does not adopt exchange rate hedging instruments.

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

Figures in thousands of Euros	June 30 2024	June 30, 2023
EUR	52.050	56.710
GBP	-	-
RUB	-	-
USD	294	1.000
TRY	-	-
Total Current Financial Assets	**52.344**	**57.710**

Financial investment risk management

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

Based on the logic described in Note No. 17 "Other Current Financial Assets," to which reference is made for more details, the Group adopted an HTCS business model. Failure to pass the SPPI Test, resulted in its evaluation at FVTPL, while passing the SPPI Test resulted in its evaluation at FVTOCI.

Country risk management

The Group does not do business with countries that are economically, politically or socially unstable. By virtue of the ESAM recommendations, published on March 14, 2022, the Company despite the fact that it has no dealings with counterparties residing in Russia and/or Ukraine and/or the Middle East and continues to monitor the impact on financial markets of the War in Ukraine and the sanctions adopted against Russia and the War in the Middle East

27. Disclosure of financial instruments

Categories of financial assets and liabilities

The following tables provide a breakdown of financial assets and liabilities by category, in accordance with IFRS 9, as of June 30, 2024 and December 31, 2023.

Figures in thousands of Euros	June 30 2024	December 31, 2023
Financial assets:		
Financial assets measured at amortized cost		
Trade receivables	1.475	1.281
Current financial assets	-	-
Cash and cash equivalents	12.264	15.635
Other current assets	1.336	837
Financial assets measured at *fair value*		
Current financial assets	52.345	59.709
Non-current financial assets	-	-

Total financial assets	**67.420**	**77.462**
Financial liabilities measured at amortized cost		
Non-current financial liabilities	1.500	1.926
Non-current lease liabilities	10.455	11.100
Current financial liabilities	951	890
Current lease liabilities	1.006	1.000
Trade payables	8.923	7.799
Other current liabilities	2.736	2.317
Total financial liabilities	**25.572**	**25.031**

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

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

Fair value disclosure

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

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

Figures in thousands of Euros	December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Current financial assets measured at *fair value* recognized In the profit (loss) for the year	41.771	17.938	-	**59.709**
Total assets measured at *fair value*	**41.771**	**17.938**	**-**	**59.709**

Figures in thousands of Euros	June 30, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Current financial assets measured at *fair value* recognized In the profit (loss) for the period	33.861	18.483	-	**52.344**
Total assets measured at *fair value*	**33.861**	**18.483**	-	**52.344**

Financial assets related to level 1 of the *fair value* hierarchy refer to portfolio securities related to the bond segment and units of investment funds listed on regulated markets. More details on the securities portfolio can be found in Note 17 to the Condensed Consolidated Financial Statements.

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

These investments represent financial assets managed by insurance companies and are valued on the basis of the NAVs (*Net Asset Values*) reported by insurance companies, which are representative of the settlement value of policies as of the date of the Condensed Consolidated Semi-Annual Financial Statements.

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

28. Related parties

On May 12, 2022, the Board of Directors of the Parent Company reviewed the contents of the "Procedure for Related Party Transactions," which was previously approved on April 27, 2021, and approved a new version of the said procedure, pursuant to Article 2391-bis of the Civil Code and the Related Party Regulations, after receiving the favorable opinion of

the Independent Directors who expressed their opinion on May 11, 2022 (for more details on the related party procedure, please refer to Section 6 of the Interim Management Report).

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

Total related party transactions are summarized below.

Period ended June 30, 2024

Figures in thousands of Euros	Related part						
	Rendo Ltd.	Rendo AG	Strategic executives	Directors and Endoconsiliar Bodies	Board of Auditors	Total	Inc. % on budget item
Statement of financial position							
Activities by right of use	6.364	2.858				**9.222**	98%
Financial liabilities for current leases	593	280				**873**	87%
Financial liabilities for non-current leases	6.134	4.234				**10.368**	99%
Employee benefits				56		**56**	5%
Accounts payable to corporate bodies (*)				15	20	**35**	0%
Other current liabilities			-	184		**184**	7%
Profit and loss account							
Depreciation	325	108				**433**	24%
Costs for services				811	32	**843**	11%
Personnel costs			206			**206**	3%
Financial charges	167	72				**238**	12%

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

Period ended December 31, 2023

Figures in thousands of Euros	Related part							
	Rendo Ltd.	Rendo AG	Nerbio S.r.l	Strategic executives	Directors and Endoconsiliar Bodies	Board of Auditors	Total	Inc. % on budget item
Statement of financial position								
Activities by right of use	6.548	3.309	-	-	-	-	**9.857**	99%
Trade receivables	-	-	4	-	-	-	**4**	0%
Financial liabilities for current leases	582	278	-	-	-	-	**860**	86%
Financial liabilities for non-current leases	6.395	4.552	-	-	-	-	**10.946**	99%
Employee benefits	-	-	-	-	70	-	**70**	6%
Accounts payable to corporate bodies (*)	-	-	-	-	16	60	**76**	1%
Other current liabilities	-	-	-	51	175	-	**226**	10%

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

Period ended June 30, 2023

Figures in thousands of Euros	Related part						
	Rendo Ltd.	Rendo AG	Strategic executives	Directors and Endoconsiliar Bodies	Board of Auditors	Total	Inc. % on budget item
Profit and loss account							
Depreciation	279	105	-	-	-	**384**	23%
Costs for services	-	-	-	711	32	**743**	12%
Personnel costs	-	-	300	-	-	**300**	5%
Financial charges	97	75	-	-	-	**172**	10%

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

Relations with Rendo S.r.l. and Rendo AG

Regarding dealings with Rendo S.r.l. and Rendo AG, the above balances mainly refer to lease payments for the following properties:

- property used as the registered and operational headquarters of Philochem, located at Libernstrasse 3 - 8112 Otelfingen (fee recognized to Rendo AG);
- production plant in Montarioso (Siena) and plant in Rosia (Siena), used as the administrative and operational headquarters of Philogen S.p.A. Regarding this case, following the Company's strong growth and expansion, it became necessary to reevaluate and revise the company's areas and spaces in order to build an office building within the area currently leased by Rendo S.r.l. to Philogen S.p.A. under the lease agreement signed in May 2019. In this regard, the necessary permits for the construction of the building were obtained in February 2023 from the Municipality of Sovicille and construction work on the new building was started, the costs of which, amounting to 2,597 thousand euros, were borne in full by the Company. Discussions are currently underway between the Company itself and Rendo S.r.l. in order to review the terms and conditions of the current lease agreement.

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

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

i) Board of Directors

Figures in thousands of Euros	June 30, 2024	June 30 2023
Duccio Neri - Executive Chairman	165	150
Dario Neri - CEO	128	75
Giovanni Neri - Managing Director	77	45
Sergio Gianfranco Luigi Maria Dompé - Councilor	15	15
Nathalie Francesca Maria Dompé - Councilor	15	15
Leopoldo Zambeletti Pedrotti	15	15
Roberto Ferraresi	16	16
Guido Guidi	16	16
Marta Bavasso (*)	15	15
Maria Giovanna Calloni	16	16
Other Administrators (**)	94	72
Total compensation	**571**	**450**
Monetary incentive plan (***)	184	76
Severance pay (****)	22	20
Total	**776**	**546**

(*) Lead independent director.

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

(***) The cost for the MBO Plan provided for executive directors (section 4.2 of the interim management report) includes the last installment related to MBO 2022 and the provision for the MBO 2023 plan provided for executive directors.

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

ii) Strategic executives

Figures in thousands of Euros	June 30 2024	June 30 2023
Duccio Neri	31	46
Dario Neri	66	158
Giovanni Neri	109	96
Compensation Strategic executives	**206**	**300**

On May 06, 2024, Prof. Dario Neri, Dr. Duccio Neri and Dr. Giovanni Neri resigned from their positions as Strategic Executives of the Company. More details can be found in Section 4.4 of the Interim Management Report.

iii) Board of Auditors

Figures in thousands of Euros	June 30 2024	June 30 2023
Maurizio Di Marcotullio - President	5	-
Stefano Mecacci - President	9	14
Pierluigi Matteoni - Statutory Auditor	9	9

Alessandra Pinzuti - Statutory Auditor	9	6
Remuneration Board of Auditors	**32**	**29**

iv) Endoconsiliar organs

Figures in thousands of Euros	**June 30 2024**	**June 30 2023**
Marta Bavasso	15	15
Roberto Ferraresi	10	10
Maria Giovanna Calloni	10	10
Endoconsiliar Committees Compensation.	**35**	**25**

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

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

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

Accounting principles

29. Evaluation criteria

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

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

30. Main accounting principles

Drafting criteria

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

Consolidated statement of financial position

The statement is presented by showing current and noncurrent assets and current and noncurrent liabilities separately with a description in the notes for each asset and liability item of the amounts expected to be settled or recovered within or beyond 12 months after the balance sheet date.

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

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

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

Consolidated statement of income

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

Consolidated statement of comprehensive income

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

Statement of changes in consolidated shareholders' equity

The statement shows the changes in equity items related to:

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

Consolidated Statement of Cash Flows

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

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

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

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

Cash equivalents include short-term restricted bank deposits.

Consolidation criteria

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

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

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

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

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

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

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

Foreign currency

Foreign currency transactions

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

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

Foreign management

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

The exchange rates used as of December 31, 2023 and December 31, 2022 for the conversions of income statement and balance sheet items in foreign currencies are summarized in the following table and refer to the subsidiary Philochem:

Exchange rates (CHF/EUR)	2024	2023
Spot exchange rate (for conversion of assets and liabilities)	0,96340	0,97880
Average exchange rate (for cost and revenue conversion)	0,96155	0,98558

Revenues from contracts with customers

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

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

(i) Customer contract identification;

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

(iii) determination of the transaction price;

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

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

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

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

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

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

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

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

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

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

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

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

Type of consideration	**Accounting Recognition**
Up-front Fees	They represent consideration received in advance at the conclusion of the contract. If referring to the granting of license fees, they are recognized: — *at point in time*, in case they take the form of intellectual property use rights; — *over time*, in case they take the form of intellectual property access rights. If specific goods/services transferred to the customer are not identified when the *up-front fee* is collected, this collection represents an advance and is recognized as revenue in the future when *performance obligations* are met ("*over time*").

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

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

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

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

Public grants

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

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

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

Cost recognition

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

Financial income and expenses

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

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

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

Taxes

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

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

i) *Current taxes*

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

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

ii) *Deferred taxes*

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

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

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that future taxable income will be available against which such assets can be used. Future taxable income is defined on the basis of the reversal of the related deductible temporary differences. If the amount of taxable temporary differences is not sufficient to fully recognize a deferred tax asset, future taxable income, adjusted for the cancellations of outstanding temporary differences, provided for in the business plans of individual Group companies is considered. The value of deferred tax

assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that the related tax benefit will be realized. These reductions must be restored when the probability of future taxable income increases.

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

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

The 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

Operating income

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

Earnings/loss per share

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

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

Property, plant and equipment

i) *Survey and evaluation*

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

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

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

ii) *Subsequent costs*

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

iii) *Depreciation*

Depreciation of an item of property, plant and equipment is calculated to reduce the cost of that item by a straight-line basis, net of its estimated residual value, over the item's useful life. Depreciation is generally recognized in profit/(loss) for the period under "Depreciation and amortization." Land is not depreciated. Fixed assets are subject to depreciation when the asset is in the condition necessary for it to be capable of operating in the manner intended by management.

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

Category	*Rate*
Buildings	3%
Plant and machinery	20%
Automatic machinery	20%

Industrial and commercial equipment	15%
Cars	25%
Furniture and furnishings	12%
Leasehold improvements	8%

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

Intangible assets

i) Survey and evaluation

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

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

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

ii) Subsequent costs

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

iii) Depreciation

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

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

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

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

Activities by right of use

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

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

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

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

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

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

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

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

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

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

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

Short-term leasing and leasing of low-value assets

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

Lease back

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

Inventories

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

trade discounts, rebates and premiums are deducted from cost. Production cost means all direct costs and indirect costs for the portion reasonably attributable to the product relating to the period of manufacture and up to the time from which the good can be used, considered on the basis of normal production capacity. Realization value that can be inferred from market trends is equal to the estimated selling price of goods and finished products in the normal course of business, net of assumed completion costs and direct selling costs. For the purpose of determining the realizable value inferable from market trends, the rate of obsolescence and the turnaround time of inventories are taken into account, among other things. The cost of inventories is determined using the weighted average cost method. In the case of inventories of goods produced by the Group, the cost includes a share of overhead expenses determined on the basis of normal production capacity.

Financial instruments

i) Survey and evaluation

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

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

ii) Classification and subsequent evaluation

Financial assets:

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

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

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

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

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

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

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

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

Financial activities: business model assessment

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

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

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

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

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

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

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

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

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

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

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

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

an item that allows or requires a prepayment equal to an amount that substantially represents the nominal contractual amount plus accrued (but unpaid) contractual interest (which may include reasonable compensation for early termination of the contract) is accounted for in accordance with this criterion if the *fair value* of the prepayment item is not significant upon initial recognition.

Financial assets: subsequent valuation and gains and losses

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

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

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

iii) Accounting elimination

Financial assets

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

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

Financial liabilities

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

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

iv) Compensation

Financial assets and 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 Group currently has the legal right to offset such amounts and intends to settle the balance on a net basis or realize the asset and settle the liability simultaneously.

Impairment losses

i) Financial instruments and assets arising from contracts

The Group recognizes allowances for expected credit losses related to:

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

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

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

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

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

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

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

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

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

Evaluation of expected credit losses

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

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

Non-financial assets

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

Share capital

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

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

Funds

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

Employee benefits

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

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

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

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

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

Share-based payments

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

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

Fair value assessments

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

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

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

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

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

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

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

Operating area

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

- Involving revenue- and cost-generating business activities;

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

- For which separate economic and financial data are available.

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

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

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

Changes in international accounting standards, interpretations and amendments

Below are the new accounting standards, interpretations and improvements issued by the IASB and adopted as of January 1, 2024.

Amendments to IAS 1: Non-current liabilities with covenants and classification of current and non-current liabilities

Under current IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the balance sheet date. The International Accounting Standards Board (IASB) has removed the unconditional right requirement and instead requires that the right to defer settlement exists at the balance sheet date and is substantial.

A company will classify a liability as noncurrent if it has the right to defer settlement for at least 12 months after the balance sheet date. This right may be subject to compliance with conditions (covenants) specified in a financing agreement.

After reconsidering some aspects of the 20201 amendments, the IASB reconfirmed that only covenants that a company must meet on or before the balance sheet date affect the classification of a liability as current or noncurrent.

Covenants that the company must meet after the balance sheet date (i.e., future covenants) do not affect the classification of a liability at that date. However, when noncurrent liabilities are subject to future covenants, companies will now have to provide information to help users understand the risk that such liabilities may become repayable within 12 months of the balance sheet date.

The above case is not applicable to the Group.

Amendments to IFRS 16 - Liabilities for leases in a sale and leaseback

Changes to IFRS 16 Leases impact the way a seller-lessee accounts for variable lease payments that occur in a sale and leaseback transaction. The amendments introduce a new model for accounting for variable payments and will require seller-lessees to reassess and potentially reformulate sale and leaseback transactions entered into beginning in 2019.

I The above case is not applicable to the Group.

Amendments to IAS 7 and IFRS 7 - Financing Arrangements with Suppliers.

In response to investor requests for greater transparency of the impacts of supplier financing arrangements on financial statements, the International Accounting Standards Board (IASB) has amended IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures. The amendments introduce additional disclosure requirements for companies that enter into these arrangements. However, they do not affect the classification and presentation of related liabilities and cash flows.

I The above case is not applicable to the Group.

Accounting standards, amendments and interpretations not yet endorsed by the European Union as of June 30, 2024.

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

- Amendments to IAS 28 and IFRS 10 - sale or contribution of assets between an investor and its related entities or joint ventures (possible optional application for which the effective date is postponed indefinitely);

- Amendments to IAS 21 - Impossibility of Foreign Exchange (effective January 1, 2025).

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

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

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

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

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

b) The effective application, of administrative and accounting procedures for the preparation of consolidated financial statements during the period January 1 - June 30, 2024.

It is also certified that the Condensed Consolidated Financial Statements as of June 30, 2024 of the Philogen Group:

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

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

Siena, September 25, 2024



Executive chairman (Duccio Neri)



Financial reporting manager (Laura Baldi)