Philogen

innovating targeting



Annual Report

As of 31.12.2022

Index (COURTESY ENGLISH TRANSLATION)

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Group Data and Information for Shareholders

Philogen S.p.A

Registered office:	Piazza La Lizza n.7, 53100 Siena
Secondary locations:	
Local Unit n.SI/2	Via Montarioso n.11, Loc. Monteriggioni, 53035 Siena
Local unit no. SI/5	Loc. Bellaria n.35, Sovicille, 53018 Siena
Arezzo-Siena Business Register:	
VAT No./F.F.	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

Head Office:	Libernstrasse 3, 8112 Otelfingen, Switzerland
Commercial Register:	No. CH-020.3.030.226-7
VAT-Nr:	MWST-Nr/VAT-REG: CHE-113181.443
Share Capital	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 of 27 April 2022, will remain in office for the three-year period 2022-2024, until the approval of the financial statements as at 31 December 2024.

- Executive Chairman (*) Dr Duccio Neri
- Managing Director (*) Prof. Dario Neri
- Deputy Director (*) Dr. Giovanni Neri
- Director Dr. Sergio Gianfranco Dompé
- Director Dr Nathalie Dompé
- Director Dr. Leopoldo Zambeletti
- Director (**) Dr. Roberto Ferraresi
- Director Dr. Guido Guidi
- Councillor Dr Maria Giovanna Calloni
- Councillor (**)/(***) Avv. Marta Bavasso

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

Board of Auditors

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

Auditing Company

KPMG S.p.A.

Manager in charge of preparing corporate accounting documents

Dr. Laura Baldi, Chief Financial Officer.

Supervisory Board

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

Audit, Risk and Sustainability Committee (*)

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

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

Nomination and Remuneration Committee

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

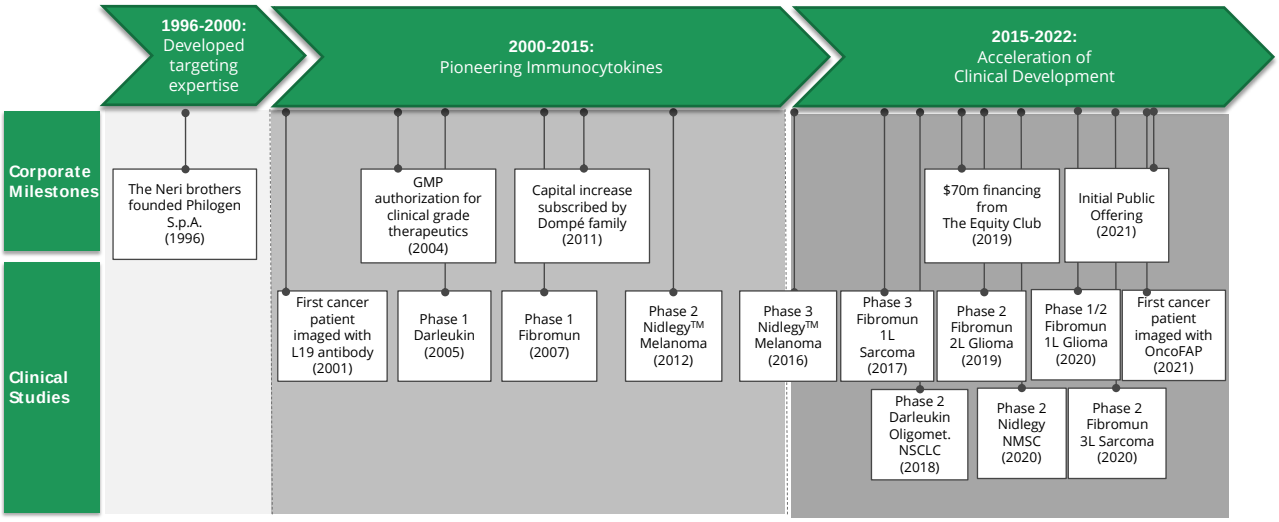
Philogen: Introduction to the Group

1. History

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

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

The Group leases a research and development facility in Zurich (through its subsidiary 'Philochem'), where new drugs are generated. The most promising prototypes (i.e., in terms of biochemical characteristics, safety and efficacy on the basis of preclinical tumour models) are subsequently transferred to Siena where they are produced at the company's GMP (Good Manufacturing Practice) facilities. Philogen has a GMP plant in Montarioso (Siena) approved by the Italian Medicines Agency (AIFA) for the production of drugs, experimental, antibody in mammalian cells. A second GMP production plant was built at the Rosia (Siena) site for the production of commercial drugs. The figure below illustrates the three phases of Philogen's history from 1996 to 31 December 2022, with the respective industrial achievements.



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

2. Group Strategy

Philogen is a Biotech company with strong vertical integration, as it covers all phases of drug development, including research, GMP production and clinical development. In addition to the research site in Zurich, and the GMP site based in Montarioso (SI), the Group concluded in the first half of 2022 the construction of a new GMP plant in Rosia (SI), which will allow inter alia production activities to serve possible future product commercialisation.

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 programmes that are critical to the Group's continued innovation in the future.

With the exception of Dodekin, Dekavil and OncoFAP-diagnostic for which certain rights have been granted to third parties, all other products are fully available to the Group.



4. Intellectual Property

The Group protects the results of its research and development activities through an extensive international portfolio of patents for inventions for industrial use and pending patent applications, consolidating its 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 necessary for their production or their protocols for medical treatment.

The term of individual patents depends on the legal term of the patents in the countries where 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 the country in question.

The Group owns or exclusively licences more than one hundred national patents filed in several countries.

Our patents mainly comprise: (i) 'vascular target' patents, relating to certain ligands with affinity for *markers of* angiogenesis in certain indications; (ii) 'technology' patents relating to key enabling technologies used in the Group's activities; (iii) 'product' patents, i.e. patents relating to product candidates for pre-clinical and clinical development and their constituent elements; and (iv) 'combination' patents relating to the combination of patented product candidates with off-patent therapeutic agents.

Patent Portfolio

In order to provide a better understanding of the intellectual property held by the Company, an outline of patents or patent applications, in the name of the Parent Company or of which the Parent Company held an exclusive licence as at 31 December 2022, is shown below.

Philogen S.p.A.:

Country	Patents Granted/Accepted Applications	Patent Applications
Algeria	1	-
Argentina	-	1
Australia	13	6
Brazil	3	2
Canada	11	3
Chile	-	1
China	4	3
Colombia	-	1
Costa Rica	-	1
Ecuador	-	1
Egypt	-	1
United Arab Emirates	-	1
Eurasia	4	1
Europe	20	7
Guatemala	-	1
Hong Kong	9	5
India	3	1
Indonesia	1	1
Iran	-	1
Iraq	1	-
Israel	1	1
Japan	13	3
Jordan	-	1
Lebanon	-	1
Malaysia	1	1
Mexico	7	1
New Zealand	2	2
Gulf Countries (GCC)	1	-
Pakistan	1	-
Panama	-	1
Peru	1	1
Philippines	-	1
Russia	5	1
Singapore	1	1
South Africa	4	-
South Korea	9	-
Taiwan	1	1
Thailand	-	1
United States of America	33	6
Uruguay	-	1

Country	Patents Granted/Accepted Applications	Patent Applications
Vietnam	-	1
Patent Cooperation Treaty (PCT)	-	3

Philochem AG:

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

Macroeconomic background

2022 was a year marked by restrictive economic policies promoted globally by central banks to counter high inflation, already seen in late 2021 and exacerbated by the outbreak of war between Russia and Ukraine in February.

While the prodromes were already visible during 2021, linking them to the growing aggregate demand stimulated by progressive post-pandemic reopenings as well as persistent expansionary fiscal and monetary policies, it is with 2022 that a real inflationary surge is seen.

The already delicate picture has deteriorated as a result of soaring energy costs caused by the sanctions imposed by Western countries following the Russian invasion of Ukraine.

To give some dimension, inflation in the Eurozone reached a record 10.6% in October and in the US a record 9.1% in June. In China the situation was different because policy makers kept restrictions in place for most of the year, thus keeping demand in check.

More specifically, in late 2021 the impacts of the health emergency on prices were dominated by inflationary effects caused by a shortage of raw materials and bottlenecks in supply chains. The inflationary environment was exacerbated in late February 2022, when tensions between Russia and Ukraine escalated, culminating in the order given by Russian President, *Vladimir Putin*, to invade Ukraine, consequently triggering a Western reaction that promoted a series of economic sanctions against Russia and military support measures for the Ukrainian government of President, *Volodymyr Zelensky*. An economic consequence of the conflict was the sudden rise in electricity prices, strongly correlated to the dynamics of gas prices, which created an inflationary spiral that spread throughout the value chain and affected end consumers.

The response of the world's major central banks, the Fed and the ECB in the lead, has been a sudden increase in interest rates in order to counter the inflationary phenomenon. The first of the major central banks to raise interest rates was the *Bank of England* in December 2021. The upward path culminated for 2022 with the interest rate set at 3.5% at the December meeting. Shortly afterwards, the same upward path was taken by the *Federal Reserve,* which, after a series of decisive hikes, slightly moderated the tone of its restrictive monetary policy in December, deciding on a 0.50% rate increase and raising the target range for Fed Funds rates to 4.25%-4.5%. In the euro area, the ECB signalled a gradual tightening of monetary conditions in April 2022, confirming that net purchases of debt securities under the *Asset Purchase Program* (APP) would stop in July, while reinvestment of maturing PEPP (*Pandemic Emergency Purchase Program*) securities would continue. In July, the restrictive cycle also began on the part of the ECB, with an increase in the key interest rate by 50 basis points, followed in September and October by further increases of 75 basis points and in December by half a percentage point, bringing the key interest rate to 2.5%. The only major economy whose central bank has gone in the opposite direction is Japan. In fact, the *Bank of Japan* reiterated its accommodative policy for most of the year despite the fact that the core inflation rate has exceeded the 2% target for seven consecutive months, rising to 3.8%, a record high in the last 40 years.

According to the latest OECD estimates, globally, 2022 is expected to see economic growth of 3.1% per year, with a marginal slowdown in 2023 to 2.2% and a recovery in 2024 to 2.7%. China will drive the expansion, although performance remains well below pre-pandemic years. GDP is expected to grow by 4.6 % and 4.1 % in 2023 and 2024, respectively, although towards the end of 2022, the Chinese government progressively eased restrictions against Covid-19, which could provide a boost to growth. In the Eurozone, GDP in 2023 is seen increasing by 0.5% and in 2024 by 1.4%. In this context, Italy is expected to slightly underperform the other countries with an increase of 0.2 % and 1.0 %, respectively. The tail end will be the United States, which, again according to OECD analysts, will see its 2023 GDP rise by 0.5%, with growth in 2024 slightly higher at 1.0%.

The context and events described above had a strong impact on the financial markets.

The rapid rise in inflation forced central banks in Europe and the US to change their monetary policy stance in a restrictive direction, thus causing a historic rise in government bond yields.

After years of monetary expansion and ever lower, if not negative, rates, this caused a real *shock* to what was considered the least risky asset class par excellence.

This has contributed to destabilising investors' risk appetite, changing the basis for valuing all other riskier *asset classes* such as equities and credit.

Performance of the Philogen stock

Philogen's share price (Ticker: PHIL) during 2022 showed a slightly negative performance (-1.95%), ending the year at a price per share of EUR 14.06.

In comparative terms, it largely outperformed its reference market. In fact, the FTSE MIB index underperformed by 13.31%, while the benchmark sector index, the SPDR S&P Biotech, fell by 25.87%.

As is well known, 2022 was an extremely negative and volatile market, where macroeconomic issues strongly influenced the portfolio choices of global investors. Against this backdrop, Philogen has shown resilience towards these exogenous factors by being able to count on a highly specialised shareholder base that invests with a medium-term perspective.

As at 30 December 2022, the market capitalisation was EUR 570.99 million

Philogen	
Price @ 30 December 2022 (Eu)	14,06
No. shares (n. mn)	40,61
Mkt Cap (Eu mn)	570,99
Price @ 30 December 2021 (Eu)	14,34
Price change (Eu)	-0,28
Price change (%)	-1,95%

Below is the table of monthly volumes and countervalues from the date of listing to 31 December 2022.

Period	Average volumes Italian Stock Exchange	Average countervalue Italian Stock Exchange	Days on the Italian Stock Exchange
Mar-21	84.044	1.365.674	21
Apr-21	19.241	297.186	20
mag-21	19.614	290.014	21
Jun-21	15.192	221.401	22
Jul-21	25.044	345.163	22
needle-21	13.709	200.180	22
set-21	19.977	287.286	22
Oct-21	15.817	221.544	21
Nov-21	18.917	270.596	22
Dec-21	10.021	144.890	21
Jan-22	13.895	196.643	21
Feb-22	8.614	125.241	20
Mar-22	9.514	128.921	23
Apr-22	8.011	108.927	19
mag-22	9.797	136.871	22
Jun-22	5.546	80.172	22
Jul-22	10.346	144.427	21
needle-22	1.373	19.549	22
set-22	3.145	43.578	22
Oct-22	1.705	23.081	19
Nov-22	2.145	29.441	21
Dec-22	3.942	55.178	20
Average 2022	**6.503,33**	**91.002,83**	**252**
Average 2021	**24.158**	**364.393**	**214**
Average from IPO to 30/12/2022	**14.528**	**215.271**	**466**

Closing price				
	1 month	3 months	6 months	12 months
Simple Media (EU)	14.01	13.82	14.01	14.04
Volume Media (EU)	14.00	13.79	14.00	14.04
Max (EU)	14.50	14.50	14.76	15.12
min (EU)	13.62	13.24	13.24	13.06

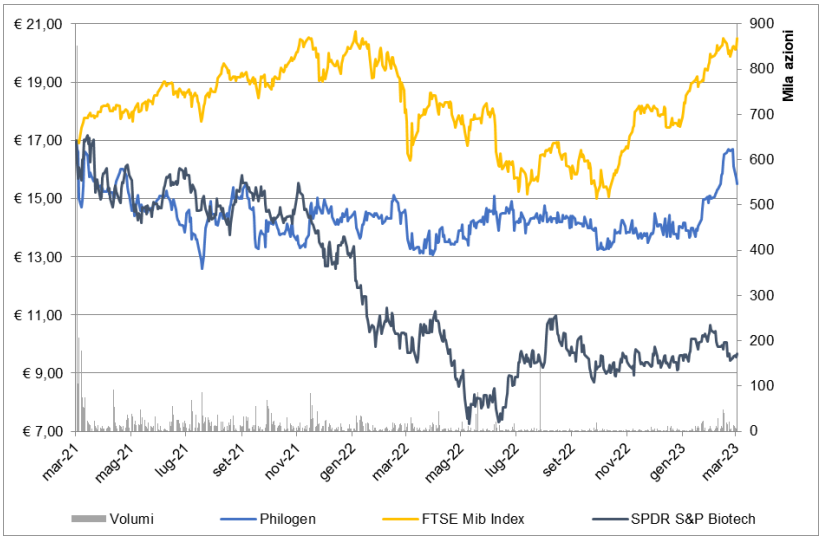
During 2022, the Group's *Investor Relations* (IR) carried out a number of communication activities aimed at updating the financial community.

As in the previous year, Philogen organised periodic *webinars* to *update* on the Group's operational activities. In addition, Management and the Investor Relator participated in *Healthcare Conferences, with the* aim of increasing the Company's international visibility, both in the United States (e.g., *UBS Healthcare Conference in New York*) and in Europe (e.g., *Jefferies Healthcare Conference* in London). *One-to-one* meetings were also held with analysts, investors (both current *shareholders* and non-shareholders) and banks, both in person and electronically.

In the first weeks of 2023, Management and the *Investor Relator* already undertook IR activities by attending San Francisco (in the context of Healthcare Conference JP Morgan) and Milan (Mediobanca *Mid Cap Conference*). In addition, they held a *non-deal roadshow* organised by *Unicredit and Kepler Cheuvreux*.

1. *Comparison of Philogen's performance against key benchmarks*

Comparison of Philogen's performance against key benchmarks
(from IPO 3 March 2021 - 3 March 2023)

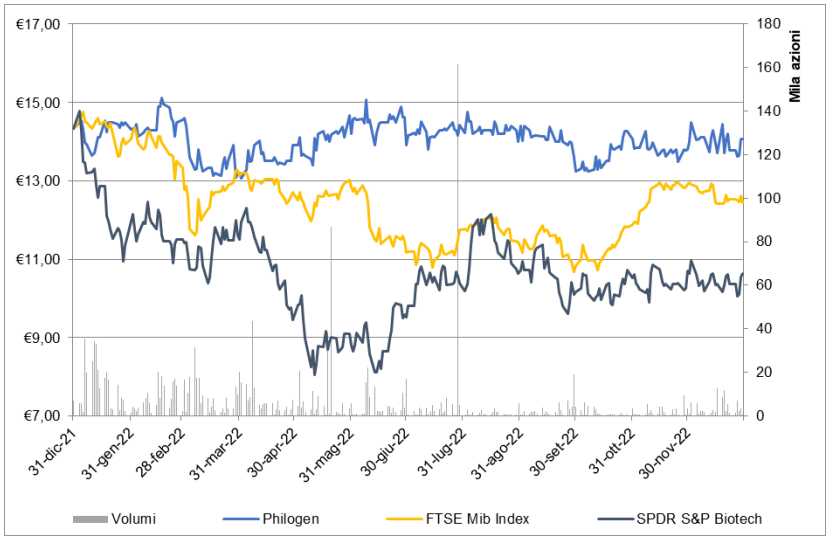


From IPO until this early start of 2023, Philogen's share price performed slightly negatively (-8.82% as of 3 March 2023), positioning itself below the Italian market (FTSE MIB +20.54%), but remaining solidly above the biotech sector's benchmark index, which fell sharply from the last months of 2021 (SPDR S&P Biotech -43.08%).

A distinguishing feature of Philogen's share price is its high stability, as it has moved steadily in a range between €13.00 and €17.00, only breaking the lower threshold on two *trading* days in the last two years (19 and 20 July 2021).

Even extending the period of performance analysis of the stock from the day of the IPO to 3 March 2021, a significant outperformance against its sector benchmark index is evident.

Comparison of Philogen's performance against key benchmarks
(31 December 2021 - 31 December 2022)

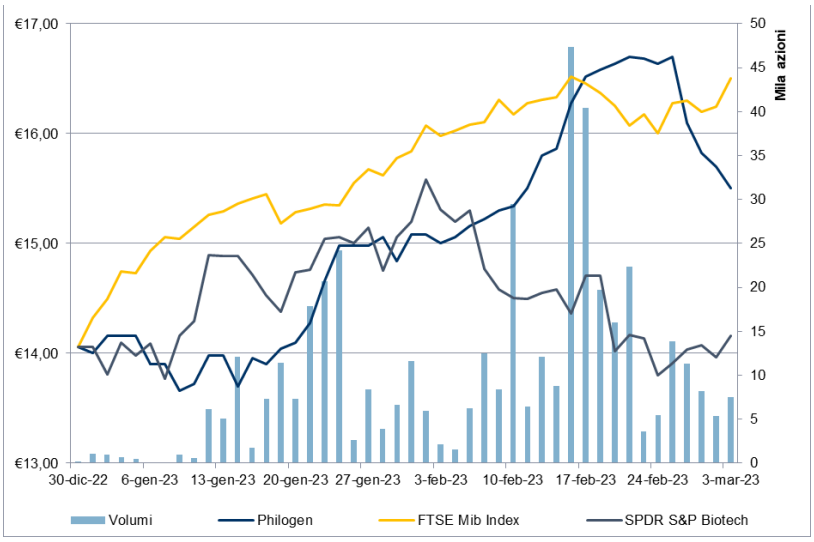


During 2022, the minimum closing price, recorded on 1 April, was €13.06, while the maximum closing price during the period of reference, recorded on 17 February, was €15.12. During 2022, the trading of Philogen shares on the market managed by Borsa Italiana S.p.A. reached an average daily value of €91,373.83, equivalent to an average daily volume of 6,530.33 shares.

Comparison of Philogen's performance against key benchmarks
(31 December 2022 - 3 March 2023)

In this first part of 2023, Philogen's share price performed positively (+10.24% as of 3 March 2023), slightly lower than the Italian market (FTSE MIB +17.37%), but certainly higher than the reference index of the biotechnology sector, which remained almost unchanged compared to the close of last year (SPDR S&P Biotech +0.71%).

During the course of the day on 22 February 2023, Philogen's share price reached EUR 16.76, the highest value since 15 March 2021 and representing a decrease of EUR 0.24 (-1.41%) compared to the IPO price.



Philogen
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Management Report

Foreword

Dear Shareholders,

The Management Report of Philogen S.p.A. (hereinafter also referred to as the 'Company' or 'Parent Company' and together with its Swiss subsidiary Philochem, the 'Group') is presented to accompany the annual financial statements of Philogen S.p.A. and the Group's consolidated financial statements for the year 2022.

This Report on Operations is intended to provide income, equity, financial and management information on 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 24 February 1998 ("Consolidated Finance Act" or "TUF").

Instead, please refer to the notes to the financial statements for all news pertaining to the illustration of the financial statements and consolidated financial statements for the year ended 31 December 2022.

1. Group Information

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

This is possible thanks to a scientific approach known as *tumour targeting* of which the Group is one of the recognised scientific leaders.

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

Since 2019, the Group has focused its development activities mainly on the two most advanced products in the pipeline, namely Fibromun and Nidlegy™ by 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.

It should be noted that the Parent Company is considered an 'SME' within the meaning of Article 1(1)(w)-quater 1 of the Consolidated Law on Finance.

2. Research and development activities

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

The Group operates through:

- Philogen S.p.A., headquartered in Siena, which operates GLP-authorised laboratories, GMP-authorised production facilities and numerous clinical trial centres internationally through its in-house *Contract Research Organisation* (CRO) and external CROs;
- Philochem AG, headquartered in Switzerland and 99.998% owned by Philogen S.p.A., carries out research and development in the fields 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 Zurich laboratories.

Research and development is the Group's main activity to date.

The following table shows the research and development costs recognised in the income statement during the years ended 31 December 2022 and 31 December 2021 and their impact on the Group's total revenues from contracts with customers and total operating costs.

Figures in thousands and percent	Year ended 31 December	
	2022	2021
Research and Development Costs	16.128	12.840
Impact on total contract revenue	*68,0%*	*514,4%*
Impact on total operating costs	*66,4%*	*64,6%*

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

For more details on the Group's research and development activities, please refer to the introductory section '*The Story*' and Note 6 to the consolidated financial statements on operating costs.

3. Scientific facts occurring during the financial year

The following are the main scientific facts, with reference to the financial year ending 31 December 2022.

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

The Group reports the following major industrial *milestones* achieved during the year ended 31 December 2022:

Proprietary products

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

With regard to the European Phase III study in Stage IIIB/C melanoma, enrolment of the 214 patients envisaged in the protocol has been completed, thanks to the collaboration of twenty-two active clinical centres. The study *read-out* will occur upon reaching the 95th event, where an event is defined as disease recurrence in a patient or death. As of 31 December, eighty-one events had been recorded.

Concerning the American Phase III Study in Stage IIIB/C melanoma, patient enrolment is in line with company expectations and is ongoing in twenty-five clinical centres (of which nineteen will be activated in 2022). Further centres will be activated in 2023.

Finally, the two Phase II non-melanoma skin cancer studies showed promising clinical data more than one year after the end of treatment in patients with advanced basal cell carcinoma (BCC) and squamous cell carcinoma. Complete responses (up to complete disease eradication) were observed in patients who were candidates for highly disfiguring surgery caused by the growth of high-risk basal cell carcinomas.

- Fibromun is a proprietary pharmaceutical 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.

As regards the European Phase III Study in first-line soft tissue sarcoma (STS) in combination with doxorubicin, fifty of the one hundred and eighteen patients enrolled in the protocol thanks to the collaboration of seventeen clinical centres (twelve of which will be active in 2022) opened in Germany, Italy, Spain, Poland and France. Further centres are in the process of opening.

As for the US Phase IIb trial in first-line leiomyosarcoma (the most common subtype of STS) in combination with doxorubicin, the study is ongoing at nine centres in the US.

Concerning the European Phase II Study in third-line soft tissue sarcoma (STS) in combination with dacarbazine, twenty of ninety-two planned patients have been enrolled in eight open centres and more than fifteen are expected to be activated by the first half of 2023.

Concerning the Phase I/II study in monotherapy stage III-IV high-grade second-line glioma, the study was conducted in three clinical centres in Switzerland where the planned twenty 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.

Fifteen patients were enrolled in the Phase I/II study in second-line glioblastoma in combination with lomustine. Cohorts 1 and 2 have been completed, while cohort 3 is ongoing. Cohort 3 is the last before proceeding to the randomised part of Phase II. Survival benefits and durable responses observed in both cohorts 1 and 2 are reported, noting also that objective responses are very rare in patients treated with lomustine alone. More mature data from Cohorts 2 and 3 will be available in the first half of 2023. In contrast, for the randomised Phase II part of the study enrolling 158 patients, the start is planned for the first half of 2023. The Phase I study is currently being conducted at the University Hospital of Zurich , but Philogen has already contacted several centres in Switzerland, Italy, France, Germany and the US, with the aim of opening around eighteen to twenty clinical centres in total.

Regarding the Phase I/II/IIb study in first-line glioblastoma in combination with radiotherapy and temozolomide, nine patients were enrolled in Phase I. Cohorts 1 and 2 have been completed, while cohort 3 is ongoing. A total of five cohorts are planned for Phase I, before proceeding to the single-arm part of Phase II. The start of Phase II with thirty-two patients is planned for 2023. The randomised part of Phase IIb, with registration potential, envisages between one hundred and sixty-six and two hundred and six patients and is expected to start when consolidated Phase II data are available.

- OncoFAP is a small molecule ligand with very high affinity for fibroblast activation protein (FAP). The product is suitable for diagnostic and therapeutic applications in a variety of metastatic solid tumours, as FAP is overexpressed in more than 90% of epithelial tumours (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 suffering from different types of cancer have already undergone imaging in Germany with ^{68} Ga-OncoFAP. In addition, the Italian Medicines Agency (AIFA) approved the clinical trial application to formally start a Phase I clinical trial in Italy.

There are also new OncoFAP derivatives such as OncoFAP-23-radio-conjugated for therapeutic applications, which has shown excellent tumour-targeting properties in preclinical studies. The product selectively localises in the neoplastic lesions, with a stable accumulation in the tumour for at least 96 hours, a very important feature for the therapeutic activity of the drug. In particular, ^{177} Lu-OncoFAP-23 has shown potent antitumour activity in preclinical studies, both as monotherapy and in combination with the Philogen product L19.IL2. GMP manufacturing and future centralised radiolabelling of OncoFAP-23 is ongoing at a dedicated supplier. It is expected that ^{177} Lu-OncoFAP-23 will enter clinical trials by the end of 2023.

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

Licensed products

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

GMP

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

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

The implementation of the above, made it possible to plan and start the *Process Validation* activity involving the production of three consecutive batches:

- GMP authorisation, by AIFA, of the site for the commercial production of products intended for the market.
- Drafting the product registration dossier and obtaining the *Marketing Authorisation* (MA).

The Company owns an additional production site in Montarioso (Siena) authorised by AIFA for the sole production of experimental drugs for clinical trials. The Company has also invested to modernise the production systems with new bioreactors at this site. It should be noted that, during 2022, the Montarioso (Siena) production site was mainly used for third-party production activities, as the production necessary for clinical trials was completed. It should be noted that agreements for third-party GMP productions were signed at the end of 2021 for a total of Euro 7,000 thousand, more than 70% of whose activities were carried out in the current year. For further details on revenues with customers, please refer to Note 5 of the consolidated and statutory financial statements.

4. Significant events during the financial year

Below are the main events that, with reference to the financial year ended 31 December 2022, have influenced the Group's financial position.

4.1 Purchase of own shares

On 24 November 2021, the Ordinary Shareholders' Meeting authorised the Company to purchase treasury shares, empowering the Board of Directors, with the power to delegate to the Chairman of the Board of Directors and/or the Chief Executive Officer, to proceed, also through specialised intermediaries, specifically appointed for this purpose, to purchase Philogen S.p.A. shares, establishing the relevant terms and the price per share, in compliance with applicable laws and regulations.

This resolution provides the Company with a strategic flexibility instrument that it can use in order to

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

(ii) operate with a medium- and long-term investment perspective, intervening both on and off the market;

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

(iv) fulfilling obligations arising from incentive plans, whether in return for payment or free of charge, in favour of corporate officers, employees or collaborators of the Group.

Specifically, the Shareholders' Meeting authorised the Company to purchase (i) up to a maximum of 500,000 ordinary shares of Philogen S.p.A, without par value (corresponding to 1.23% of the Company's share capital); (ii) within eighteen months, in whole or in part, on one or more occasions, starting from the date of the shareholders' resolution authorising the purchase, within the limits set forth by Article 2357 paragraph 3 of the Italian Civil Code, and without time limits with reference to acts of disposal (iii) at a purchase or disposal price, as the case may be, to be determined from time to time by the Board of Directors, also taking into account the method chosen to carry out the transaction and in compliance with any applicable regulations, it being understood that such price in any case shall not deviate, either downwards or upwards, by more than 20% from the price recorded by the share on the EXM market session on the day prior to each individual transaction; and (iv) for a total disbursement of the purchase deeds in any case not exceeding Euro 8.500.000.

Also on 24 November 2021, following the Shareholders' Meeting, the Board of Directors met and ap proved the start of the programme for the purchase of treasury shares (the 'Programme') with (i) an object of up to a maximum of 300,000 ordinary shares, (ii) within the limits set forth by Article 2357, paragraph 3 of the Italian Civil Code, (iii) for a total outlay in any case not exceeding Euro 5,100,000. The Programme shall last until the end of 24 May 2023.

In compliance with the limits described above, as of 31 December 2022, the Company held 195,733 treasury shares in its portfolio, purchased from the start of the plan until the reference date, equal to 0.48% of the share capital, for a total outlay of approximately Euro 2,465,000.

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

As of 31 December 2022, the Company's shareholders were as follows:

Shareholder	Shareholders as at 31 December 2022			
	Type of Actions	Actions	% of share capital	% of voting rights
Nerbio S.r.l.	*Actions B*	8.565.018	21,09%	40,56%
	Ordinary Shares	8.098.251	19,94%	12,78%
	Subtotal	**16.663.269**	**41,03%**	**53,35%**
Dompè Holdings S.r.l.	*Actions B*	2.803.232	6,90%	13,28%
	Ordinary Shares	9.857.236	24,272%	15,56%
	Subtotal	**12.660.468**	**31,17%**	**28,84%**
Philogen S.p.A. (*)	*Ordinary Shares*	195.733	0,48%	0,31%
	Subtotal	**195.733**	**0,48%**	**0,31%**
Market	*Actions B*	-	-	-
	Ordinary Shares	11.091.641	27,31%	17,51%
	Subtotal	**11.091.641**	**27,31%**	**17,51%**
Total		**40.611.111**	**100%**	**100%**

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

4.2 Internal Dealing Transactions

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

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

4.3 Lock-up period

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

4.4 Licence Agreement

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

4.5 The remuneration policy

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

On 27 April 2022, pursuant to Article 123-ter of the Consolidated Law on Finance, the Shareholders' Meeting, having taken note of the Report on Remuneration Policy and Remuneration Paid in the Financial Year 2021, approved by the Board of Directors on 28 March 2022, approved the Remuneration Policy as set forth in Section I of the aforementioned Report, and voted favourably on Section II of the Report on Remuneration Policy and Remuneration Paid.

The Report on the Remuneration Policy and the remuneration paid is available and can be consulted on the Company's website at (http://www.philogen.com/).

Monetary Incentive Plan ('MBO')

As of 1 April 2022 and until 31 March 2023, the Executive Directors (Dario Neri, Duccio Neri and Giovanni Neri) are beneficiaries of an incentive plan, known as management by objectives ("MBO"), pursuant to which they may be entitled

to receive an incentive, on an annual basis, the amount of which is commensurate with the achievement of corporate performance objectives.

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

Without prejudice to the maximum incidence of the MBO described above, on 12 May 2022, the Company's Board of Directors, upon the proposal of the Nomination and Remuneration Committee, assigned the performance objectives and defined the targets to which the maximum monetary compensation is associated to the aforementioned Executive Directors for the period from 1 April 2022 to 31 March 2023.

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

Medium- to long-term incentive plan

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

To service the aforesaid Plan, the Shareholders' Meeting also resolved to increase the share capital free of charge, on a divisible basis, pursuant to Article 2349 of the Italian Civil Code, to be carried out by the deadline of 31 December 2026, for a maximum amount of Euro 123.974, to be fully allocated to share capital, and to set up for the same amount, a specific reserve, taking it from the retained earnings reserve, called 'Reserve for restricted earnings capital increase to service the 2024-2026 Stock Grant Plan', which will remain restricted to service the free share capital increase until the final subscription date.

In implementation of the above-mentioned Incentive Plan, on 11 October 2022, the Board of Directors, with the favourable opinion of the Nominations and Remuneration Committee, identified the beneficiaries and defined the performance objectives and related targets for the second cycle 2022-2025, assigning a total of 139,000 units.

It should be noted that the executive directors of the Company (Chairman Duccio Neri, Chief Executive Officer Dario Neri and Chief Executive Officer Giovanni Neri), appointed as of 1 January 2021, strategic executives by virtue of the reorganisation of corporate governance following the listing process, waived the assignment of the first 2021-2024 and second 2022-2025 cycle of the aforementioned Plan.

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

Please refer to Note 27 to the consolidated financial statements and Note 28 to the annual financial statements for more information on the Incentive Plan.

Severance pay ('TFM')

On 27 April 2022, the Shareholders' Meeting approved the Remuneration Policy, which provides, in section no. 11 (Indemnity for early termination of employment), that Executive Directors shall be granted a severance indemnity, allocated annually in an amount equal to one-twelfth of their annual remuneration net of the discounting required by the accounting standard (IAS 19).

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

4.6 Appointment of Board of Directors and Endoconsiliar Bodies

Board of Directors:

On 27 April 2022, the Shareholders' Meeting, in accordance with the applicable laws and regulations, the provisions of the *Articles of Association* (*Article 16 of the Articles of Association*) and the Corporate Governance Code, for the purpose of

submitting the lists for the appointment of the Board of Directors and the indications contained in the "*Explanatory Report of the Board of Directors"* relating to the appointment of the Board of Directors, drafted pursuant to Article 125-ter of Legislative Decree No. 58 of 24 February 1998 ("TUF"), appointed the Board of Directors, which, in the composition indicated below, will remain in office until the approval of the financial statements for the year ending 31 December 2011.ter of Legislative Decree No. 58 of 24 February 1998 ("*TUF*"), appointed the Board of Directors, which, in the composition set forth below, will remain in office until the approval of the financial statements as of 31 December 2024.

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

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

Endoconsiliar Bodies:

On 27 April 2022, the Company's Board of Directors, in compliance with the recommendations of the Corporate Governance Code, established and appointed the following Endoconsiliar Committees: the "*Control, Risks and Sustainability Committee*", with the functions set forth in recommendations 33 and 35 of the Corporate Governance Code, and the "*Nomination and Remuneration Committee*", with the functions set forth in recommendations 19 (on appointments) and 25 (on remuneration). In particular, the Control, Risks and Sustainability Committee was also assigned the functions regarding transactions with Related Parties provided for by the Consob Regulation adopted with resolution no. 17221 of 12 March 2010.

Audit, Risk and Sustainability Committee (*)

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

(*) The Control, Risk and Sustainability Committee was also assigned the function of a Related Party Transactions (RPT) Committee .

Nomination and Remuneration Committee

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

5. Economic and Financial Results of the Group and the Parent Company

5.1 Profit and Loss Account

The following table shows the Group's consolidated financial data for the years ended 31 December 2022 and 31 December 2021:

Figures in thousands and percent	Year ended 31 December				Variations	
	2022	%	2021	%	2022 vs. 2021	%
Revenues from contracts with customers	23.713	100,0%	2.496	100,0%	21.217	850,0%
Other income	3.582	15,1%	2.468	98,9%	1.114	45,1%
Total Revenues	**27.295**	**115,1%**	**4.964**	**198,9%**	**22.331**	**449,9%**
Operating costs (*)	(24.275)	(102,4)%	(19.877)	(796,3)%	(4.397)	22,1%
EBITDA (**)	**3.021**	**12,7%**	**(14.913)**	**(597,5)%**	**17.934**	**(120,3)%**
Depreciation	(2.782)	(11,7)%	(1.862)	(74,6)%	(920)	49,4%
EBIT	**240**	**1,0%**	**(16.775)**	**(672,0)%**	**17.014**	**(101,4)%**
Financial income	1.548	6,5%	2.581	103,4%	(1.033)	(40,0)%
Financial charges	(6.147)	(25,9)%	(1.046)	(41,9)%	(5.101)	487,7%
Profit before tax	**(4.359)**	**(18,4)%**	**(15.240)**	**(610,6)%**	**10.880**	**(71,4)%**
Taxes	(1.017)	(4,3)%	(485)	(19,4)%	**(532)**	109,7%
Profit (Loss) for the Period	**(5.376)**	**(22,7)%**	**(15.725)**	**(630,0)%**	**10.348**	**(65,8)%**

(*) Operating costs are the sum of the following balance sheet items: purchases of raw materials and consumables, costs for services, costs for leases and rentals, personnel costs and other operating costs
(**) EBITDA is the operating result before depreciation and amortisation. EBITDA is a measure defined and used by the Group to monitor and evaluate the Group's operating performance. The Company believes that EBITDA is an important parameter for measuring the Group's performance as it allows the analysis of the Group's margins by eliminating the effects of non-recurring economic elements. Since EBITDA is not a measure whose determination is regulated by the reference accounting standards for the preparation of the Group's consolidated financial statements, the criterion applied to determine EBITDA may not be homogenous with that adopted by other groups, and therefore may not be comparable.

Revenues from contracts with customers amounted to Euro 23,713 thousand as of 31 December 2022 compared to Euro 2,496 thousand as of 31 December 2021, thus recording an increase of Euro 21,217 thousand. This change is mainly attributable to revenues from *milestone* and *up front payments*, research and development services and third-party production, all under customer contracts signed in 2022 and the progress of existing customer contracts.

Other income amounted to about Euro 3,582,000 as of 31 December 2022, showing an increase of about 45.2% compared to the previous year. This item mainly includes contributions for tax benefits provided for by Italian law, such as the research and development tax credit, the technological innovation tax credit and the Industry 4.0 tax credit, as well as the contribution provided by research grants for projects co-financed by the European Community, the Region of Tuscany and Eurostars projects. The increase, compared to the previous year, is mainly attributable to the Industry 4.0 tax credit related to the interconnection of the new GMP, totalling Euro 2.586 thousand (it should be noted that the accounting of this contribution is based on the amortisation quota for the period) as well as two other credits related to "extraordinary" activities carried out during 2021 and in the first six months of 2022, specifically the SME tax credit amounting to Euro 500 thousand for consultancy costs incurred for admission to listing on a regulated market and the ACE tax credit amounting to Euro 180 thousand related to the capital increase raised during the listing phase. For more details on the tax credits available to the company, see Note 5 and Note 16 to the consolidated financial statements.

Operating expenses mainly comprise production material costs, costs for clinical and pre-clinical services, personnel costs and other operating expenses and show an increase of approximately 22% compared to the previous period. The variance net of the extraordinary costs incurred in the first quarter of 2021 for the IPO transaction is about 29%. This variance is mainly attributable to (i) the increase in costs for materials and services related to the Group's *core business* activities, and (ii) the increase in personnel costs related to the recruitment plan aimed at structuring the workforce of the new GMP *facility* and strengthening management and staff functions. For more details, see Note 6 to the consolidated financial statements and paragraph 17 of the interim report on operations.

Consequently, EBITDA increased from a negative amount of Euro 14,913 thousand as of 31 December 2021 to a positive amount of Euro 3,021 thousand as of 31 December 2022.

Depreciation and amortisation showed an increase of about 50% compared to the period ended 31 December 2021 due to the entry into operation of the investments incurred for the equipment and interconnection of the new GMP *facility* at the Rosia (Siena) site. It should be noted that, in line with company forecasts, the investments for the new GMP facility were completed (for further details on the new GMP facility, please refer to section 3.1 of the Report on Operations). As of 31 December 2022, the new facility was in operation in order to carry out the mandatory activities to obtain the AIFA authorisation required for the production of drugs.

EBIT, calculated as the difference between EBITDA and depreciation and amortisation, shows a positive balance of Euro 240,000.

Net financial management for the year ended 31 December 2022 showed a net loss of €4,599 thousand, compared to a net profit of €1,535 thousand for the year ended 31 December 2021. The negative result for the year ended 31 December 2022 was mainly attributable to (i) net valuation losses of €2,879 thousand related to changes in the *fair value* of the securities portfolio, (ii) net realised capital losses of €290 thousand, (iii) net foreign exchange losses of €1,024 thousand of which net valuation losses of €750 thousand and net realised foreign exchange losses of €274 thousand (v) interest expenses and other charges of €405 thousand.

As can be seen from the details above, the main change from the previous year is mainly attributable to valuation items as of 31 December 2022, imposed by accounting standards, related to net foreign exchange valuation losses and *fair value* losses on financial assets generated in turn by exchange rate volatility and financial market instability, factors that characterised the global economy in 2022.

In fact, during 2022, the economy experienced a sharp slowdown, caused by high levels of inflation due in part to the previous two years of pandemic and the consequent restrictions introduced to curb its spread, and in part due to the Russian-Ukrainian conflict, which affected the prices of raw materials and energy, generating high inflation, strong volatility in exchange rates and instability in the financial markets. It is precisely these last two factors that have influenced the Group's financial performance, affecting the valuation of items in foreign currencies (the Group operates with currencies other than the euro, such as the dollar and the Swiss franc) and the *fair value* of the securities portfolio (the Group invests the cash surplus of its core business in readily liquid financial instruments). The instability of the economic and financial context described above induced the Management during 2022 to constantly monitor the market in order to assess and reduce the financial risk connected to it. In particular, it was deemed appropriate to review the risk parameters set forth in the "Investment Management Policy" amended and approved in October 2022 by the Board of Directors.

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

Taxes amounted to Euro 1,017 thousand, an increase of Euro 532 thousand compared to the previous year, of which Euro 383 thousand is attributable to current taxes related to the higher revenues recorded in the year ended 31 December 2022 and Euro 633 thousand to the reversal of deferred taxes, which refer exclusively to the reversal of the tax effects recognised during the transition to IAS/IFRS. For more details on taxes, please refer to Note 8 of the consolidated financial statements.

As a consequence of the above, the Group closed the year as at 31 December 2022 with a negative result of Euro 5,376,000.

5.2 Balance Sheet

The following table shows the reclassified statement by "Sources and Uses" of the Group's financial position for the year ended 31 December 2022 and 31 December 2021:

Figures in thousands and percent	Year ended 31 December		Variations	
	2022	2021	2022 vs. 2021	%
Employment				
Property, Plant and Equipment	12.699	10.984	1.715	15,6%
Intangible Assets	1.218	950	268	28,2%
Activities by right of use	9.862	10.005	(144)	(1,4)%
Other non-current assets (**)	2.987	1.656	1.331	80,3%
Deferred tax assets	98	674	(576)	(85,4)%
Employee benefits	(960)	(1.033)	73	(7,1)%
Deferred tax liabilities	(191)	(183)	(8)	4,4%
Other non-current liabilities (**)	(1.962)	(156)	(1.806)	1156%
Net fixed assets (*)	**23.751**	**22.897**	**6854**	**3,7%**
Inventories	1.922	1.295	627	48,5%
Contract Activities	2.300	87	2.213	2538,6%
Trade receivables	885	688	197	28,6%
Tax Credits (**)	6.796	4.084	2.712	66,4%
Other current assets	860	653	206	31,6%
Trade payables	(6.352)	(5.826)	(526)	9,0%
Liabilities under contract	-	(2.233)	2.233	(100,0)%
Tax debts	(669)	(309)	(360)	116,8%
Other current liabilities	(2.010)	(1.433)	(577)	40,3%
Net working capital (*)	**3.732**	**(2.994)**	**6.726**	**(224,6)%**
Net invested capital (*)	**27.483**	**19.903**	**7.580**	**38,1%**
Sources				
Shareholders' Equity	97.921	105.087	(7.166)	(6,8)%
Net financial debt (*)	(70.438)	(85.184)	14.746	(17,3)%
Total sources	**27.483**	**19.903**	**7.580**	**38,1%**

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

(**) In order to improve the comparability of information between financial years, the following reclassifications have been made to the comparative data at 31 December 2021, although they are not considered material or significant: (i) Euro 1.656 thousand from "Tax receivables" to "Other non-current assets" for tax receivables available to the Company and which, in accordance with reference regulations, can be used as offsets beyond the next financial year and (ii) Euro 156 thousand from "Other current liabilities" to "Other non-current liabilities" for the portion of the capital contribution related to the Industria 4.0 Credit that will be released to the income statement beyond the next financial year in connection with the depreciation of the related asset.

An analysis of the balance sheet and financial situation shows that:

- Net fixed assets amounting to Euro 23,751,000 consisted of:
    1. fixed assets in the amount of Euro 26,864 thousand, made up of (i) Euro 12,699 thousand relative to plant and machinery, mainly related to the new GMP plant at the Rosia (Siena) site for the production of pharmaceuticals for the market, (ii) Euro 1,218 thousand relative to intangible fixed assets, (iii) Euro 9,862 thousand from the right of use attributable to the lease contracts for the three industrial sites in which the Group acts as lessee, (iv) Euro 2987 thousand relative to tax credits available to the company and which, in compliance with current regulations, may be offset after the financial year ended 31 December 2023, and (v) Euro 98 thousand relative to deferred taxes mainly related to the tax effects recognised at the time of the transaction to international accounting standards (IAS/IFRS);
    2. non-current liabilities in the amount of Euro (3,113) thousand comprised of (i) Euro (960) thousand related to employee benefits, (ii) Euro (191) thousand related to deferred taxes mainly related to the tax effects recognised at the time of the transaction to international accounting standards (IAS/IFRS) and (iii) Euro (1.962) thousand related to deferred income for the long-term portion of the Industry 4.0. tax credit that will be released to the income statement in subsequent years based on the duration of depreciation of the machinery and plant that benefited from it.
- Net working capital in the amount of Euro 3,732 thousand is composed of:
    1. Current assets in the amount of Euro 12,763,000 related to operations (inventories, contract assets, trade receivables and tax receivables);

2. Current liabilities of Euro (9,031) thousand related to operations (trade payables, tax payables and other current liabilities)

- Total Sources amounted to €27,483 thousand and consisted of €97,921 thousand relative to shareholders' equity and the positive value of the net financial position in the amount of €(70,438) thousand, the change in which is detailed in the following paragraph.

Net Financial Indebtedness

The details of the Net Financial Indebtedness as of 31 December 2022 and 31 December 2021 are drawn up in accordance with the format of ESMA Guideline 32-382-1138 of 4 March 2021 and Consob's Attention Reminder No. 5/21:

Figures in thousands **Net financial debt**	**31 December 2022**	**31 December 2021**
(A) Cash and cash equivalents	8.436	8.880
(B) Cash equivalents	16.000	-
(C) Other current financial assets	61.764	92.797
(D) Liquidity (A+B+C)	**86.200**	**101.677**
(E) Current financial debt	29	9
(F) Current portion of non-current financial debt	1.726	1.799
(G) Net current financial debt (E+F)	**1.755**	**1.808**
(H) NET CURRENT FINANCIAL DEBT (G-D)	**(84.445)**	**(99.870)**
(I) Non-current financial debt	14.007	14.685
(J) Debt instruments	-	-
(K) Trade and other current payables	-	-
(L) Non-current financial debt (I+J+K)	**14.007**	**14.685**
(M) NET FINANCIAL DEBT (H+L)	**(70.438)**	**(85.184)**

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

- '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 portion 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 Indebtedness as of 31 December 2022 showed a financial *surplus of* €70,438 thousand, composed as follows:

- Cash (D) in the amount of €86,200 thousand, a decrease of about 15% from the year ended 31 December 2021. This change is attributable to the net balance between: (i) collections for revenues from contracts with customers for about Euro 19,451 thousand, (ii) outflows for operations for about Euro 23,719 thousand, (iii) outflows for investments related to the new GMP *facility* at the Rosia (Siena) site for about Euro 5,295 thousand, (iv) purchase of treasury shares for Euro 1.917 thousand, and (v) net negative result of financial management for €2,286 thousand given by investment and divestment activities realised in 2022 and net capital losses from *fair value* valuation, coupons received for €263 thousand, coupons maturing for €152 thousand as well as the repayment of existing loans for €2,126 thousand;
  It should be noted that in November 2022, the Group signed three term current account contracts for a total amount of Euro 16,000 thousand, of which (i) Euro 6,000 thousand at a rate of 2.05% expiring in July 2023, (ii) Euro 5,000 thousand at a rate of 2.35% expiring in November 2023 and (iii) Euro 5,000 at a rate of 2.6% expiring in May 2024. As of 31 December 2022, these deposits accrued interest in the amount of Euro 42 thousand not prudentially recorded in the financial statements as the full amount of interest will only be credited at the maturity date of the deposits if they are not released early.
- Current and non-current financial debt (G+L) in the amount of Euro 15,763 thousand, represented for about Euro 11,892 thousand by the debt relative to the right of use of real estate (IFRS 16) and for Euro 3,842 thousand by the medium-long term loan stipulated with the Banca Intesa Group (formerly Ubi Banca S.p.A.) in January 2021,

in order to partially finance the construction and equipment of the new GMP plant at the Rosia site (Siena) and for Euro 29 thousand by the balance of credit cards as of 31 December 2022. It should be noted that in 2022 there were Istat (Italian institute of statistics) adjustments to real estate rents, which were affected by the high inflation rate of the period, resulting in a consequent increase in financial payables. For more information, please refer to Note 12 to the consolidated financial statements.

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

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

- ratio of net financial debt to EBITDA of 2 or less;
- net worth of EUR 50 million or more.

As of 31 December 2022, the Company certifies that there are no critical issues with respect to compliance with the *covenants* described above.

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

5.3 Alternative Performance Indicators

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

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

- The 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 are not to be regarded as a substitute for the indicators provided for by the relevant accounting standards (IFRS);
- These HICs must be read in conjunction with the Group's financial information from the consolidated financial statements as at 31 December 2022;
- The definitions of the IAPs used by the Group, insofar as they are not derived from the reference 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 and percent	Year ended 31 December	
	2022	2021
Revenues from contracts with customers	23.713	2.496
EBITDA (*)	3.021	(14.913)
EBITDA *Margin*	12,7%	*(597,5)%*
EBIT	240	(16.775)

(*) EBITDA is the operating result before depreciation and amortisation. EBITDA is a measure defined and used by the Group to monitor and evaluate the Group's operating performance, but is not defined within IFRS. 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 homogenous with that adopted by other groups, and therefore may not be comparable.

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

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Profit (loss) for the period	**(5.376)**	**(15.725)**
Income Taxes	(1.017)	485
Financial income and expenses	(4.599)	(1.535)
EBIT	**240**	**(16.775)**
Depreciation	(2.782)	1.862
EBITDA	**3.021**	**(14.913)**

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

Figures in thousands and percent	Year ended 31 December	
	2022	2021
Revenue from contracts with customers (A)	23.713	2.496
EBITDA (B)	3.021	(14.913)
EBITDA Margin (B/A)	**12,7%**	***(597,5)%***

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

Figures in thousands and percent	Year ended 31 December	
	2022	2021
Net fixed assets(*)	23.751	22.897
Net working capital(*)	3.732	(2.994)
Net invested capital	27.483	19.903
Net financial debt	(70.438)	(85.184)
Financial Independence Index	*77,8%*	*79,2%*
Structure margin	*364,5%*	*433,0%*
Liquidity Index	*917,5%*	*934,5%*
Indebtedness Index	*16,1%*	*15,7%*

(*) Please refer to section 5.2 for the reclassifications made to the comparative data as at 31 December 2021.

The table below details the Financial Independence Index:

Figures in thousands and percent	Year ended 31 December	
	2022	2021
Equity (A)	97.921	105.087
Total assets (B)	125.828	132.754
Financial Independence Index (A/B)	**77,8%**	***79,2%***

The table below provides details of the Structure Margin:

Figures in thousands and percent	Year ended 31 December	
	2022	2021
Equity (A)	97.921	105.087
Non-current assets (B)(*)	26.864	24.270
Structure margin (A/B)	**364,5%**	***433,0%***

(*) Please refer to section 5.2 for the reclassifications made to the comparative data as at 31 December 2021.

The liquidity index is detailed in the table below:

Figures in thousands and percent	Year ended 31 December	
	2022	2021
Current assets (A)(*)	98.963	108.485
Current liabilities (B)(*)	10.787	11.609
Liquidity ratio (A/B)	**917,4%**	***934,5%***

(*) Please refer to section 5.2 for the reclassifications made to the comparative data as at 31 December 2021.

The Indebtedness Index is detailed in the table below:

Figures in thousands and percent	Year ended 31 December	
	2022	2021
Financial debt(*) (A)	15.763	16.493
Equity (B)	97.921	105.087
Debt ratio (A/B)	**16,1%**	***15,7%***

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

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

5.4 Performance of the Parent Company

Below are the Parent Company's profit and loss figures for the years ended 31 December 2022 and 31 December 2021:

Figures in thousands and percent	Year ended 31 December				Variations	
	2022	%	2021	%	2022 vs. 2021	%
Revenues from contracts with customers	6.639	100,0%	2.581	100,0%	4.058	157,2%
Other income	3.491	52,6%	2.242	86,9%	1.249	55,7%
Total Revenues	**10.130**	**152,6%**	**4.823**	**186,9%**	**5.307**	**110,0%**
Operating costs (*)	(20.264)	(305,2)%	(17.039)	(660,2)%	(3.225)	18,9%
EBITDA(**)	**(10.134)**	**(152,6)%**	**(12.216)**	**(473,3)%**	**2.082**	**(17,0)%**
Depreciation	(2.345)	(35,3)%	(1.406)	(54,5)%	(939)	66,8%
EBIT	**(12.479)**	**(188,1)%**	**(13.622)**	**(527,8)%**	**1.143**	**(8,4)%**
Financial income	1.470	22,1%	2.559	99,2%	(1.089)	(42,6)%
Financial charges	(4.911)	(74,0)%	(885)	(34,3)%	(4.026)	454,9%
Result from participations	10.187	153,4%	(2.308)	(89,4)%	12.495	(541,4)%
Profit before tax	**(5.733)**	**(86,4)%**	**(14.256)**	**(552,4)%**	**8.523**	**(59,8)%**
Taxes	(608)	(9,2)%	(504)	(19,5)%	(104)	20,6%
Profit (Loss) for the Year	**(6.341)**	**(95,5)%**	**(14.759)**	**(571,9)%**	**8.418**	**(57,0)%**

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

(**) EBITDA is the operating result before depreciation and amortisation. EBITDA is a measure defined and used by the Group to monitor and evaluate the Group's operating performance. The Company believes that EBITDA is an important parameter for measuring the Group's performance as it allows the analysis of the Group's margins by eliminating the effects of non-recurring economic elements. Since EBITDA is not a measure whose determination is regulated by the reference accounting standards for the preparation of the Group's consolidated financial statements, the criterion applied to determine EBITDA may not be homogenous with that adopted by other groups, and therefore may not be comparable.

The reclassified balance sheet data by Sources and Uses of the Parent Company are shown below:

Figures in thousands and percent	As at 31 December		Variations	
	2022	2021	2022 vs. 2021	%
Employment				
Property, Plant and Equipment	11.435	9.769	1.666	17,1%
Intangible Assets	944	759	185	24,4%
Activities by right of use	6.750	6.839	(89)	(1,3)%
Participations	10.467	-	10.467	-
Other **non-current** assets (**)	2.987	1.656	1.331	80,4%
Deferred tax assets	98	664	(566)	(85,2)%
Employee benefits	(960)	(1.033)	73	(7,1)%
Other non-current liabilities (**)	(1.962)	(156)	(1.806)	1157,7%
Deferred tax liabilities	(135)	(145)	10	(7,1)%
Net fixed assets (*)	**29.624**	**18.353**	**12.772**	**61,4%%**
Inventories	1.786	1.166	620	53,2%
Contract Activities	2.300	52	2.248	4323,1%
Trade receivables	1.361	727	634	87,2%
Tax Credits (**)	6.715	4.005	2.710	67,7%
Other current assets	616	541	75	14,0%
Trade payables	(7.128)	(5.593)	(1.535)	27,4%
Liabilities under contract	-	(2.233)	2.233	(100,0)%
Tax debts	(286)	(309)	23	(7,4)%
Other current liabilities (**)	(1.767)	(1.068)	(699)	65,4%
Net working capital (*)	**3.595**	**(2.712)**	**6.307**	**(232,6)%**
Net invested capital (*)	**33.219**	**15.640**	**17.579**	**112,4%**
Sources				
Shareholders' Equity	97.921	106.053	(8.132)	(7,7)%
Net financial debt (*)	(64.701)	(90.412)	25.711	(28,4)%
Total sources	**33.219**	**15.640**	**17.579**	**112,4%**

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

(**) In order to improve the comparability of information between financial years, the following reclassifications have been made to the comparative data at 31 December 2021, although not deemed relevant or material: (i) Euro 1.656 thousand from "Tax receivables" to "Other non-current assets" for tax receivables available to the Company and which, in compliance with reference regulations, can be used as offsets beyond the next financial year and (ii) Euro 156 thousand from "Other current liabilities" to "Other non-current liabilities" for the portion of the capital contribution related to the Industria 4.0 Credit that will be released to the income statement beyond the next financial year in connection with the depreciation of the related asset.

Details of the Parent Company's Net Financial Indebtedness as of 31 December 2022 and 31 December 2021, prepared in accordance with the provisions of ESMA Guideline 32-382-1138 of 4 March 2021 and by Consob through of the Attention Reminder No. 5/21 are shown below:

Figures in thousands **Net financial debt**	31 December 2022	31 December 2021
(A) Cash and cash equivalents	7.938	6.412
a(B) Cash equivalents	16.000	-
(C) Other current financial assets	61.764	95.667
(D) Liquidity (A+B+C)	**85.703**	**102.079**
(E) Current financial debt	29	9
(F) Current portion of non-current financial debt	11.515	1.557
(G) Net current financial debt (E+F)	**11.544**	**1.566**
(H) NET CURRENT FINANCIAL DEBT (G-D)	**(74.159)**	**(100.513)**
(I) Non-current financial debt	9.458	10.101
(J) Debt instruments	-	-
(K) Trade and other current payables	-	-
(L) Non-current financial debt (I+J+K)	**9.458**	**10.101**
(M) NET FINANCIAL DEBT (H+L)	**(64.701)**	**(90.412)**

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

Figures in thousands and percent	Year ended 31 December	
	2022	2021
Revenues from contracts with customers	6.639	2.581
EBITDA	*(10.134)*	*(12.216)*
EBITDA *Margin*	*(152,6)%*	*(473,3)%*
EBIT	*(12.479)*	*(13.622)*

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

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Profit (loss) for the period	**(6.341)**	**(14.759)**
Income Taxes	(608)	(504)
Financial income and expenses	(3.441)	(634)
Result of participation	10.187	-
EBIT	**(12.479)**	**(13.622)**
Depreciation	(2.345)	(1.406)
EBITDA	**(10.134)**	**(12.216)**

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

Figures in thousands and percent	Year ended 31 December	
	2022	2021
Revenues from contracts with customers (A)	6.639	2.581
EBITDA (B)	(10.134)	(12.216)
EBITDA Margin (B/A)	***(152,6)%***	***(473,3)%***

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

Figures in thousands and percent	Year ended 31 December	
	2022	2021
Net fixed assets (*)	29.624	18.352
Net working capital (*)	3.597	(2.712)
Net invested capital	33.219	15.640
Net financial debt	(64.701)	(90.412)
Financial Independence Index	*74,7%*	*82,7%*
Structure margin	*299,6%*	*538,7%*
Liquidity Index	*475,1%*	*1008,2%*
Indebtedness Index	*21,4%*	*11,0%*

(*) Please refer to section 5.4 for the reclassifications made to the comparative data as at 31 December 2021.

It should be noted that Net Fixed Capital, Net Working Capital, Net Capital Employed and Net Financial Debt are alternative performance indicators, not identified as an accounting measure under IFRS, and, therefore, should not be considered as an alternative measure to those provided by the Parent Company's financial statements for the assessment of the Company's financial position.

The table below details the Financial Independence Index:

Figures in thousands and percent	Year ended 31 December	
	2022	2021
Equity (A)	97.921	106.053
Total assets (B)	131.161	128.257
Financial Independence Index (A/B)	**74,7%**	***82,7%***

The table below provides details of the Structure Margin:

Figures in thousands and percent	Year ended 31 December

	2022	2021
Equity (A)	97.921	106.053
Non-current assets (B)(*)	32.680	19.687
Structure margin (A/B)	**299,6%**	***538,7%***

(*) Please refer to section 5.2 for the reclassifications made to the comparative data as at 31 December 2021.

The liquidity index is detailed in the table below:

Figures in thousands and percent	Year ended 31 December	
	2022	2021
Current assets (A)(*)	98.481	108.570
Current liabilities (B)(*)	20.726	10.769
Liquidity ratio (A/B)	**475,2%**	***1008,2%***

(*) Please refer to section 5.2 for the reclassifications made to the comparative data as at 31 December 2021.

The Indebtedness Index is detailed in the table below:

Figures in thousands and percent	Year ended 31 December	
	2022	2021
Financial debt(*) (A)	21.002	11.666
Equity (B)	97.921	106.053
Debt ratio (A/B)	**21,4%**	***11,0%***

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

For further comments, given the relevance of the Parent Company's figures to those of the Group, please refer to sections 5.1, 5.2 and 5.3 above.

5.5 Reconciliation of equity and profit of the Parent Company with the Group

Below is a reconciliation of the Parent Company's equity and result with those of the consolidated financial statements as at 31 December 2021 and 31 December 2022:

Figures in thousands of Euro	Net assets as at 31/12/2021	Result 2022	Other movements	Net assets as at 31/12/2022
Shareholders' Equity Parent Company	**106.053**	**(6.341)**	**(1.792)**	**97.921**
Profit (loss) and shareholders' equity of subsidiaries	(966)	11.153	10.468	20.655
Elimination of carrying value of shareholding	-	(10.187)	(10.468)	(20.655)
Group equity	**105.087**	**(5.375)**	**(1.792)**	**97.921**

6. Impacts from Covid-19

Despite the fact that the financial year ended 31 December 2022 was characterised by a progressive mitigation of the epidemiological risk from Covid-19, certified by the end of the state of emergency as of 31 March, the Group, in compliance with the provisions of the competent Authorities, continued to pay special attention to the issues of prevention of the risk of contagion and the protection of the health and safety of workers, while safeguarding business continuity.

In this context, and in compliance with the recommendations of ESMA and Consob, the Company continued to carry out timely internal monitoring, aimed at assessing the actual and potential impacts of Covid-19 on its business, financial position and economic performance.

In response to the analyses carried out and consistent with the provisions issued by the competent authorities, the Company has periodically updated the Anti-Counterfeiting Protocol. The latest version, disseminated and applied internally, dates back to 6 July 2022 and supplemented and replaced, for the parties concerned, the previous one dated 4 May 2022. This update became opportune following the changes introduced by Law no. 52 of 19 May 2022, which converted Decree Law no. 24 of 24 March 2022, and the publication of the "Shared protocol for updating the measures to combat and contain the spread of the SARSCoV-2/COVID-19 virus in the workplace" between the Ministry of Labour, the Ministry of Health and the social partners on 30 June 2022.

Although the new provisions have introduced progressively less stringent measures and modalities, allowing a gradual return to the ordinary, it is possible to state that since the beginning of the pandemic to date, there have been no COVID-19 outbreaks within the company and no cases of COVID-19 acquired in the company context have been recorded among workers.

It is also worth mentioning that the general improvement in the health situation, which was witnessed during 2022, contributed substantially to the recovery of part of the delays suffered in the last two years by clinical trials, due to the priorities assigned by hospitals to combating the Covid-19 pandemic.

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

Philogen continues to monitor developments very closely in order to take further mitigation measures in a timely manner, if necessary.

7. Impacts of the War in Ukraine

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

- to disclose as soon as possible any inside information regarding the impacts of the crisis on fundamentals, prospects and financial situation, in line with transparency obligations under the Market Abuse Regulation, unless conditions are met for delaying publication; and

- provide information, to the extent possible on both a qualitative and quantitative basis, on the current and foreseeable direct and indirect effects of the crisis on business activities, exposures to affected markets, supply chains, financial position and results of operations in the 2022 financial reports, if these have not yet been approved, and at the Annual General Meeting of Shareholders or otherwise in interim financial reports.

It should be noted, however, that the Company does not have ongoing trade relations with Russia and Ukraine, although it is affected by rising energy prices that have driven inflation to record levels and by the high volatility of the financial markets.

8. Procedure and Related Party Relationships

On 12 May 2022, the Parent Company's Board of Directors revised the contents of the 'Procedure for Related Party Transactions', previously approved on 27 April 2021, and adopted a new version of the aforementioned procedure, pursuant to Article 2391-bis of the Italian Civil Code and the Related Parties Regulation, after receiving the favourable opinion of the Independent Directors who expressed their opinion on 11 May 2022, pursuant to and for the purposes of Article 4, paragraph 3 of the CONSOB Related Party Transactions Regulation (Resolution no. 17221 of 12.3.2010) and SMI. The revision of the aforementioned Procedure became necessary in order to better adapt it to the Company's operations and peculiarities, while still guaranteeing compliance with the requirements of the law and making it easier to apply within the various corporate functions involved.

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

The Procedure revises and regulates, among other things, the composition of the Related Party Transactions Committee, the procedures for verifying the applicability of the aforementioned Procedure, the procedures for examining and approving related party transactions defined as of greater significance on the basis of the criteria indicated by the Related Party Regulation and related party transactions defined as of lesser significance, meaning those other than transactions of greater significance and transactions of small amounts. The latter are those transactions that, individually, have a value not exceeding Euro 50 thousand if the related party is a natural person (including professional associations of which the natural person is a member or companies referable to the same), or a value not exceeding Euro 100 thousand when the related party is a party other than a natural person.

The Procedure, in accordance with the provisions of the Related Parties Regulation, defines as transactions of greater significance with related parties those also carried out by Italian or foreign subsidiaries, in which at least one of the ind ices of significance indicated in Appendix 3 of the Related Parties Regulation exceeds the thresholds set forth therein, and entrusts a specific corporate body with the task of ascertaining whether a transaction falls within the terms of application of the procedure to a specific transaction, OPC Oversight Body (consisting of the Chief Financial Officer and the head of the corporate legal department) the task of ascertaining the terms of application of the Procedure to a given transaction, including whether a transaction falls among the transactions of greater significance or among the transactions of lesser significance, it being understood that if the assessment of the transaction is controversial, the assessment is referred to the committee responsible for Related Party Transactions and the governance of information flows with the responsible functions and corporate bodies. The Procedure envisages that the Company avails itself of the waiver granted by Article 10, paragraph 1, of the Related Parties Regulation, since it is a newly listed company, and, therefore, the approval of transactions of greater significance with related parties will take place according to the procedure envisaged for the approval of transactions of lesser significance with related parties. The aforementioned simplified regime applies until the date of approval of the financial statements for the year ending 31 December 2022.

In application of the aforementioned Procedure, the necessary notifications concerning the transactions carried out by the Company were sent to the RPT Committee, which were subsequently recorded in the relevant register of Related Party Transactions.

Transactions with related parties are shown in the financial statements and are described in detail in the specific Note 29 of the consolidated financial statements to which reference should be made, and are neither atypical nor unusual, falling within the normal course of business of the Group companies and are regulated at market conditions.

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

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

Philogen S.p.A. has decided to adopt the Model in the conviction that, beyond the prescriptions contained in Legislative Decree 231/2001, it can be a valid tool for raising awareness among all the Company's employees and all those who work in the name and on behalf of the Company or who have relations with the latter (i.e. customers, suppliers, partners, collaborators in various capacities), so that they inspire their activities with the principles set out in the Model and behave correctly and consistently in carrying out their activities, in order to prevent the occurrence of any type of criminal offence.e.g. customers, suppliers, partners, collaborators in various capacities), so that they may inspire their activities to the principles set out in the Model and behave correctly and consistently in the performance of their activities, so as to prevent the risk of commission of the offences provided for by Legislative Decree 231/2001.

In the course of 2022, the Company undertook a process aimed at revising and integrating the Organisational Model, in force at the time of listing, in order to update and adapt it to the Company's needs and corporate structure, also in light of recent regulatory changes. The process was concluded in October 2022, with the approval by the Board of Directors, in the meeting of 11 October 2022, of a revised Organisational Model in light of the updated predicate offences introduced by the recent legislation and the revision of the corporate *governance* structure that took place in the 12 months following the listing.

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

10. Information on corporate governance and ownership structure

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

In order to meet the transparency obligations provided for by the sector regulations, the 'Report on Corporate Governance and Ownership' required by Article 123-bis of the Consolidated Finance Act 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 organisational model adopted pursuant to Legislative Decree No. 231 of 2001, and the degree of compliance with the Corporate Governance Code, including the main governance practices applied and the characteristics of the risk management and internal control system in relation to the financial reporting process.

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

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

11. Risk Assessment

In compliance with industry regulations, current laws and the Corporate Governance Code dictated by Borsa Italiana, the Group has adopted an Internal Control and Risk Management System (SCIGR), a set of 'tools' (directives, procedures, etc.) designed to provide reasonable assurance of achieving the objectives of operational efficiency and effectiveness, reliability of financial and management information, compliance with laws and regulations, and safeguarding the company's assets.

The Group has a Corporate Governance model whose main functions and bodies involved in *audit* activities or recipients of *audit* results are:

- Board of Directors, which plays a role in guiding and evaluating the adequacy of the system and has identified an Executive Director from among its members to oversee the SCIGR's functions;
- Board of Auditors, which supervises the effectiveness of the SCIGR;
- Risk Control Committee with the task of supporting, with an adequate preliminary activity, the assessments and decisions of the Board of Directors relating to the internal control and risk management system, as well as those relating to the approval of periodic financial reports;
- Financial Reporting Officer, who supervises the adequacy and effective application of the correct accounting procedures;
- Internal Audit, a function responsible for verifying that the SCIGR is functioning and adequate;
- Single-member Supervisory Board, with the task of verifying the efficiency and effectiveness of the Organisation and Control Model (and, where necessary, amending and supplementing it), with respect to the prevention and commission of the offences provided for in Legislative Decree No. 231/2001;
- Function heads, in charge of overseeing the correct application of company procedures.

Following the listing, on the EXM, the Group started a *Risk Assessment* activity, aimed at identifying the risks that, could have an impact on the achievement of the company's objectives and carried out an evaluation of the same by means of self-assessment tools, according to impact parameters and probability of occurrence, identifying (for both parameters) a valuation scale.

The *Risk Assessment* was carried out in line with the time horizon of the company's strategic plan. The process is constantly evolving and aims to provide Management with assessments and reports on the progress of the application of the various mitigating actions put in place and, at the same time, to prepare periodic reports for top management.

From a methodological point of view, this process is in continuous evolution and refinement, in order to ensure its continuous compliance with regulatory requirements and national and international *best practices.* The methodology for carrying out the *Risk Assessment* activities was based on a *self-assessment* process that involved the various contacts at various levels and the heads of the various corporate functions within the Group.

Once the Risk Assessment phase was completed, Internal Audit activities continued with the definition of the three-year audit plan 2022-2024 approved in its final version by the Board of Directors on 11 November 2021.

In the course of 2022, the Internal Audit function therefore undertook the audit activities set out in the Audit Plan, according to the methods, methodologies and audit techniques indicated therein.

Specifically, the following areas of the company's operations were audited: '*Clinical Trial Management and Clinical Trials*' (Risk R15), '*Research and Development*' (Risk R1) and '*Laws and Regulations*' (Risk R25).

At the end of the audit of each area, the Internal Auditor sent the Company a specific Audit Report containing a summary of the activities performed and any observations and/or suggestions addressed to the Company. In response to each Audit Report, the functions subject to the audit prepared and sent to the Internal Auditor a specific communication, containing

clarifications to the observations received, as well as an implementation plan to respond to the suggestions made by Internal Audit.

For the sake of completeness, it is hereby acknowledged that, at the Board of Directors' meeting of 27 April 2022, the task of Internal Audit was entrusted to Mr. Marco Tanini, given his professional experience and in-depth knowledge of the company, as he also holds the role of monocratic Supervisory Body.

12. Management and coordination activities

Pursuant to Section 5, Article 2497-bis of the Italian Civil Code, it is hereby announced that the Group is not subject to management and coordination activities by other companies.

13. Sub-offices

The company has no branch offices.

14. Main risks and uncertainties

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

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

14.1 Operational Risks

Risks associated with external factors

- Risks associated with products in clinical development

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

- Risks related to changes and non-compliance with industry regulations

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

Strategic risks

Risks associated with conducting research, clinical and pre-clinical studies and production

The Group's strategy is to market pharmaceutical products that are still in the investigational phase, of which only two are in the more advanced study phase. There are significant uncertainties related to the success of the experimental phase and to obtaining authorisations from the competent Authorities to market 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 marketing. Should the Group not be able to market the products and license its product candidates, or should other competing products be preferred by the market over the Group's products, this would have serious adverse effects on the Group's economic, financial and equity 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 the use of the products themselves), 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 to protect its exclusive and intellectual property rights were insufficient, competitors could exploit the Group's technologies to create competing products, erode its competitive advantage and take all or part of the market share. The occurrence of such risks could have a material adverse effect on the Group's financial position, results of operations and cash flows.

Risks linked to dependence on senior figures, key personnel and specialised staff

By virtue of the specialised nature of its activities, the Group is significantly dependent on qualified management and other key scientific personnel, for which it faces intense competition and which it will need to expand in order to grow, such as, in particular, the Chairman of the Scientific Committee and CEO, who has extensive scientific research experience at some of Europe's leading research centres, 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 lead to serious adverse effects on the Group's economic, financial and asset situation.

Financial Risks

Financial risks are defined as financial risks arising from owning or trading in financial instruments. Tables detailing financial risks are set out in Note 28 to the consolidated financial statements and Note 30 to the annual 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 causes a financial loss by failing to fulfil a contractual obligation and arises mainly from the Group's trade receivables and debt securities.

The carrying amount 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 the typical variables of the Group's customer portfolio, including the insolvency risk of the industry and country in which the customers operate. Contract business has primary counterparties in pharmaceutical and multinational companies with a low risk profile.

Liquidity risk

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

The Group ensures that cash on hand and other securities exceed 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 optimising investment returns.

Exchange rate risk

The Group is exposed to exchange rate 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 reference currency is the euro, Philogen is subject to the exchange rate risk arising from the translation of the financial statements of the Swiss subsidiary Philochem AG, which affects the consolidated net result and consolidated equity (translation risk).

In the year ended 31 December 2022, revenues from contracts with customers were mainly realised in Euro (the Group's functional currency) and accounted for approximately 79% of total revenues.

For more details on financial risks, see Note 28 to the consolidated financial statements.

Risks associated with the *fair value* performance of the securities portfolio

The Group is subject to the risk of a change in the *fair value of* the financial instruments held in its portfolio, the value of which amounted to Euro 61,764 thousand at 31 December 2022. The occurrence of this risk could have significant negative effects on the Group's economic, financial and equity situation.

For more details on financial risks, see Note 28 to the consolidated financial statements.

Country Risk Management

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

15. Environmental and occupational safety information

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

The Company adopts safety procedures for the handling and disposal of waste in accordance with Legislative Decree 81/2008 and Legislative Decree 206/2001 on the handling of genetically modified microorganisms (GMOs). The personnel undergo specific training on the subject and operate according to procedures that minimise the risk of contamination, not only biological. Special waste is disposed of in compliance with current regulations (Legislative Decree 152/06), according to dedicated procedures, with the support of a specialised and authorised company.

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

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

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

Group personnel are constantly updated and trained with reference to applicable industry regulations. In particular, in 2022, training courses were once again held to update and increase the number of employees in charge of First Aid, in line with the increase in the workforce. This course was enriched with an optional module concerning specific training on the use of the defibrillator, a life-saving device increasingly recommended in companies. In 2022, in fact, Philogen purchased two

semi-automatic defibrillators with text display, biphasic wave and internal memory, one for each production site. It is also worth mentioning that, during 2022, Philogen contracted out the cleaning service to an external company, which undertook a process of certification of its activities (EN ISO 9001:2015 which concerns Quality Management Systems; EN ISO 14001:2015 concerns a series of international standards relating to the environmental management of organisations; UNI EN ISO 45001:2018 which identifies a number of standards defining the quality of Workers' Health and Safety management systems) and which boasts a commitment to the quality of the company organisation of the services provided and the protection of workers and the environment.

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

16. Sustainability

With Legislative Decree No. 254/2016, the Italian legal system transposed Directive 2014/95/EU on the reporting and disclosure of non-financial and diversity information by particular companies and specific large groups.

This regulation constitutes the transition from a historically voluntary system of sustainability reporting to a system that imposes an obligation to prepare and publish a statement, of an individual or consolidated nature, containing information on environmental and social issues, including personnel and human rights issues, as well as the fight against active or passive corruption.

Also with a view to incentivising companies to act in accordance with a sustainable approach, the European Parliament adopted the 'Corporate Sustainability Reporting Directive - CSRD' (Directive 2022/2464/EU) on 10 November 2022, with which the obligations already laid down in Directive 2014/95/EU were amended and extended.

These recent regulatory changes, together with the growing relevance of sustainability issues (so-called *Sustainable Thinking*), have led to environmental, social and governance factors playing an increasingly important role in medium- to long-term investment decisions.

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

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

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

The result of this activity was reported in the Sustainability *Assessment* document ('*Assessment'), the drafting* and preparation of which involved multiple corporate functions of the Group, demonstrating that sustainability is a cross-cutting issue and requires corporate collaboration at all levels.

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

On the basis of the Group's positioning with respect to the companies taken as reference, operating in the pharmaceutical and biotechnological sector, a number of areas were identified in which it is necessary to strengthen commitment and improve management in the field of sustainability. Specifically, for each of the issues examined in the *Assessment*, a list of actions to be taken was prepared in light of market expectations and the Group's need to comply with the *Corporate Sustainability Reporting Directive*.

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

During the finalisation of the *Assessment*, Philogen promptly took steps to set up an 'ESG Working Group', which works in constant contact with the Risk and Sustainability Control Committee to identify strategies and improvement actions to be implemented, in order to achieve the Company's sustainability goals.

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

The document was prepared by reporting on a selection of the 'GRI *Sustainability Reporting Standards*' published by the *Global Reporting Initiative* (GRI), introduced by a 'Letter to *Stakeholders*', signed by the CEO and the Chairman of the Board of Directors, in which the path followed in the drafting of the Sustainability Brochure 2021 is represented and shared with *stakeholders*, indicating the strategic principles by which the Group is inspired in terms of sustainability.

On 28 September 2022, the Board of Directors, in conjunction with the approval of the Half-Year Financial Report as of 30 June 2022, approved the Sustainability Brochure for the year 2021, published on the Company's website (https://www.philogen.com).

After the publication of the Sustainability Brochure 2021, the Company continued its ESG journey in order to comply with the new European legislation (CSRD) and prepare the Sustainability Report for the year 2022. The latter is to be prepared in accordance with the GRIs mentioned above, in order to provide a detailed analysis of the Company's impacts related to ESG issues.

16.1 Responsibility towards the environment

The European Securities and Markets Authority (ESMA) points out that it is important for the Company to consider the main climate risks and impacts when preparing and presenting its 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 No. 1119 of 30 June 2021).

With a view to combating climate change, the Company is committed to making a positive contribution to environmental protection through the development of strategies and initiatives aimed at favouring the minimisation of environmental impacts related to the performance of company activities.

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

- the Montarioso (Siena) site, is in possession of the AUA (Single Environmental Authorisation) discharge authorisation issued by the Municipality of Monteriggioni (Siena), which is due to expire in 2032;
- the Rosia (Siena) site holds the AUA (Single Environmental Authorisation) discharge authorisation issued by the Municipality of Sovicille (Siena), which is scheduled to expire in 2030.

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

The Group is also committed to protecting and safeguarding the environment by continuously improving energy efficiency levels of consumption and promoting the use of renewable sources. Among the improvement actions, with a view to energy efficiency and emission monitoring, a photovoltaic system has been installed at the Rosia (Siena) headquarters. To this end, an agreement was entered into with the Gestore dei Servizi Energetici (GSE) for the recognition of incentive tariffs for electrical energy produced by photovoltaic conversion of the solar source, incentivised pursuant to Article 7 of Legislative Decree 387/03 and Ministerial Decree of 5 May 2011.

17. Personnel information

As of 31 December 2022, the Group had 157 employees, of which 118 were employed by Philogen S.p.A., at its plants in Siena (Rosia and Montarioso), and 39 by Philochem AG, at its site in Zurich, marking an overall increase of 21% compared to 31 December 2021.

The increase, represented in the table below, is due to: (i) Philochem: 10 hires and 5 terminations (ii) Philogen: 35 hires and 13 terminations.

Number of Group Punctual Employees	As at 31 December		Variations	
	2022	2021	2022 vs. 2021	%
Employees	157	130	27	21

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

The personnel recruited during the year ended 31 December 2022 were highly qualified, being 54% graduates and 28% PhDs.

Information on new hires:

Qualification	Philochem AG			Philogen S.p.a.			Group		
	Men	Women	**Total**	Men	Women	**Total**	Men	Women	**Total**
PhD	12	5	**17**	10	17	**27**	22	22	**44**
Degree	7	13	**20**	22	42	**64**	29	55	**84**
Diploma	-	2	**2**	16	6	**22**	16	8	**24**
No title	-	-	-	3	2	**5**	3	2	**5**
Grand total	**19**	**20**	**39**	**51**	**67**	**118**	**70**	**87**	**157**

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

The Group's staff is highly qualified and specialised, which contributes to the company's competitiveness.

In order to keep staff constantly up-to-date on specific topics and industry regulations, various training and refresher courses were held in 2022. The most important courses are listed below:

- Regulatory update for *Qualified* Persons (XVI National Meeting of Qualified Persons (QP) in the pharmaceutical sector) organised by the Scientific Society AFI (Associazione Farmaceutici Industria), lasting 8 hours.
- Regulatory update on Instrumentation, Calibration according to 21501-4:2018 and Microbiological Monitoring in the light of GMP Revision Annex 1 2022, for GMP personnel (in particular Production, Quality Control and Quality Assurance), organised by QSGroup, a company specialising as a full-service provider for contamination control, lasting 8 hours.
- Training on 'Critical Phase Management in AQA' organised by SIMeF, the Italian Society of Pharmaceutical Medicine, for AQA Quality Assurance Department personnel.
- Training on 'GLP test centres at the time of the pandemic Experiences in Comparison', organised by SIMeF, the Italian Society of Pharmaceutical Medicine, for the staff of the Bioanalytical Department.
- Update on "Good Practices for the Management of Paper Documents and Electronic Data in the GxP Environment", intended for Quality Assurance Departments, in particular in the Clinical field, whose topics were General principles of data *integrity* and *good documentation practice* (GDP), Governance of electronic and paper data, Management of paper data: Regulatory Findings, Risks, Preventive and Corrective Actions to Ensure GDP Compliance, Managing Electronic Data: The Regulatory Requirements on Data *Integrity* (21CFR part 11 and Annex 11), Regulatory *Findings*, Risks, Preventive and Corrective Actions to Ensure Data *Integrity* Compliance. This 24-hour update was organised by LS Academy research, a company that designs and develops scientific contributions in the Life Science sector.
- 24-hour training '*Reporting with GRI Standards 2021 Update' for* staff working in the *Risk Management & Compliance* sector, organised by Deloitte, one of the world's four largest consulting and audit services companies.
- Course for Internal Auditor on the UNI EN ISO 9001:2015 Standard, intended for personnel in the Quality Assurance Department, organised by AREA ISO, a company specialising in consultancy on safety at work, ISO certification, CE marking, Industry 4.0 expertise.

The Group has also always been attentive to issues of gender equality and inclusion. Approximately 55% of employees are female and come from more than 15 different countries. The top management is gender-balanced, a circumstance that has characterised 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. 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. Top 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 headed by a female scientist for many years. Finally, in compliance with Italian law, Philogen employs six people belonging to protected categories.

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

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

18. Protection of information and personal data

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

In the course of drug trial activities, the Group receives, processes and stores anonymised patient data, in accordance with applicable clinical trial regulations. The Group has implemented policies and procedures to comply with applicable privacy laws and industry guidelines that provide mechanisms to ensure that patient data enrolled in clinical trials, received in anonymised form, are protected and kept secure throughout the duration of treatment.

In the context of clinical trials, various medical/clinical information and biological samples are collected. In general, these data are subject to EU laws (i.e. the aforementioned Regulation (EU) No. 536/2014 on clinical trials and the General Data Protection Regulation (EU) No. 2016/679, so-called GDPR) and any additional provisions of the countries where the trial takes place. In particular, in Italy, in 2008, the Garante per la protezione dei dati personali issued the 'Linee guida per i trattamenti di dati personali nell'ambito delle sperimentazioni cliniche di medicinali' (Guidelines for the processing of personal data in the context of clinical trials of medicinal products) (Resolution no. 52 of 24 July 2008); regulations to which the Company adheres in managing, storing and archiving data derived from its trial activities.

For the purposes of clinical trials, the Group enters into specific agreements for the receipt, management and storage of anonymised data received from the clinical centres at which the Group's proprietary drug trials are conducted.

19. Significant events after the end of the financial year

19.1 Purchase of own shares

The Group continues with the share buyback programme approved on 24 November 2021 by the Company's Board of Directors, which commenced on 1 December 2021 and runs for 18 months from the date of approval (see section 4.1 of the Directors' Report).

Since the start of the programme and until 17 March 2022, Philogen has purchased 210,130 ordinary shares (equal to 0.5174% of the share capital), for a total consideration of EUR 3,033,433.31.

In view of the expiry of the share buyback programme in May 2023, the Board of Directors resolved on 28 March 2023 to submit a new programme for the purchase and disposal of treasury shares to the Shareholders' Meeting.

Buyback notices are available on the company's website (https://www.philogen.com).

19.2 Sustainability Report 2022

After having published the 'Sustainability *Brochure* 2021' on 28 September 2022, the Company is continuing on its multi-year 'ESG' path, in order to comply with European legislation and, in particular, with the Directive (EU) 2022/2464 (the so-called *Corporate Sustainability Reporting Directive* - CSRD), which envisages a gradual extension of the obligation to adopt the Sustainability Report also to companies listed on regulated markets.

The *GRI* sustainability reporting *standards* require organisations to focus reporting on the most significant sustainability issues, the so-called material issues.

The Sustainability Report must therefore include reporting on material issues in order to provide a complete picture of significant economic, environmental and social impacts and enable *stakeholders* to assess the organisation's *performance* during the reporting period.

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

Eight categories of *stakeholders* relevant to Philogen were identified, following the discussion during the *workshop*:

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

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

Following an understanding of the organisation's context, the Company has identified these impacts, categorising them, depending on their nature and type, into actual or potential, negative or positive.

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

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

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

After defining a materiality threshold, the impacts considered relevant were aggregated to form the list of material issues.

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

1. Ethics and compliance
2. Contribution to public health
3. Health and patient safety

4. Attracting, developing and retaining workers
5. Waste Management
6. Inclusiveness in experimentation paths
7. Worker health and safety
8. Performance economics and value distribution
9. Data Privacy
10. Local communities
11. Diversity and equal opportunities
12. Energy consumption and emissions

The results of the aforementioned materiality analysis were summarised in a presentation shared with the Board of Directors during the meeting of 27 January 2023, which listed the next steps that the Company will undertake in order to prepare the Sustainability Report 2022.

In particular, by the first half of February 2023, the cycle of interviews with the identified functions was completed , in order to incorporate the information necessary for the drafting of the Sustainability Report and to define the impacts that emerged as a result of the materiality analysis, described in detail in paragraph 16 of the Management Report.

Following the consolidation of the results of the materiality analysis, collection forms for the reporting of GRI indicators will be compiled by the functions involved by the end of March 2023.

Once the activities mentioned in the previous paragraphs have been completed, the Company expects to finalise the 2022 Sustainability Report by the end of April 2023, in order to submit it to the Board of Directors for approval at the meeting scheduled, according to the financial calendar, for 11 May 2023.

19.3 Hedging derivative termination

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

It should be noted that there are two interest rate hedging derivatives (valued at *market-to-market*) on these loans.

On 10 March 2023, the Company, due to favourable market conditions, extinguished this derivative and cashed in Euro 243 thousand. At the same time, the Company, in order to hedge the risk associated with the variable interest rates of these loans, signed with the Banca Intesa S.p.A. Group a new hedging option called "Single Premium Protected Rate", which provides for the payment of an initial premium by receiving any positive difference between the variable rate of the loan (3-month EURIBOR) and the CAP rate (3%); if the variable rate is higher than the CAP rate, the bank's protected rate will be equal to the difference between the variable rate and the CAP rate, otherwise the parameter rate will be zero.

For more details on the hedging derivative, see Note 22 to the consolidated financial statements and Note 24 to the annual financial statements.

20. Foreseeable development of operations

During the year ended 31 December 2022, the rate of patient enrolment increased. This increase is related to the general variable trend of patient enrolment speed from year to year and the improvement of the situation related to the COVID-19 emergency and the opening of new clinical centres. In order to further accelerate recruitment, the Group is opening new centres in several European and non-European countries for the various ongoing studies conducted with the proprietary drugs.

The Group also plans the following scientific events in early 2023:

- NidlegyTM is a biopharmaceutical, proprietary Philogen product designed for the treatment of skin cancer

The European Phase III study in Stage IIIB/C melanoma reached enrolment of 214 patients in 2022. The clinical activities associated with the study (e.g. patient monitoring) will continue in 2023 at the 22 centres involved in France, Italy, Germany

and Poland. As of the date of this release, the study reports 86 events out of the 95 required for the trial read-out (one event corresponds to a disease recurrence or patient death). The 95th event is expected to be reached by the end of 2023.

Patient enrolment in the US Phase III study in Stage IIIB/C melanoma continues in line with company plans. As of the date of this press release, 30 centres have been opened (19 in 2022, 5 in 2023). Additional centres will be opened during 2023.

Two Phase II studies are ongoing in 'High-Risk' Basal Cell Carcinoma (BCC) and other non-melanoma skin cancers. The Group is working to accelerate activities in BCC, based on the high rate of durable complete remissions (clinical and/or pathological CR) observed in patients treated with Nidlegy™. More information on the CR rate will be announced in 2023. The CR rate of competitor products (Odomzo™, Erivedge™, Libtayo™) is 5-6%. Clinical activities will also continue for other non-melanoma skin cancers (e.g. squamous cell carcinoma).

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

The European Phase III study in the first-line STS, in combination with doxorubicin, continues in line with company plans. As of the date of this press release, 18 clinical centres have been opened (12 in 2022) and 59 patients have been enrolled out of the 118 planned in the protocol. The study will continue in 2023 in Germany, Italy, Spain, Poland and France.

The US Phase IIb study in first-line leiomyosarcoma in combination with doxorubicin is ongoing at 9 clinical centres in the US. It should be noted that leiomyosarcoma is the most common subtype of STS.

The randomised phase of the European Phase II trial in the third-line STS in combination with dacarbazine continues. As of the date of this press release, the trial has enrolled 23 patients of the 92 patients envisaged by the protocol and is ongoing at 8 clinical centres. Additional centres are in the process of being activated.

The Phase I/II study in second-line Glioblastoma in combination with lomustine has completed the so-called Phase I Dose Escalation after enrolling 15 patients in 3 cohorts. The benefits of the investigational therapy, both in terms of survival and long-lasting objective responses (i.e., in some cases for more than 15 months), are to date substantially higher than the history reported with standard drugs (e.g., Lomustine alone). The Company will continue to update the financial community in 2023 on the evolution of Phase I patients. The randomised Phase II trial with 158 patients is expected to start in the first half of 2023. Regulatory activities aimed at opening 18-20 clinical centres in Germany, Italy, Switzerland, France and the US are ongoing.

The Phase I/II/IIb study in first-line Glioblastoma in combination with radiotherapy and temozolomide continues at the University Hospital of Zurich. As of the date of this press release, cohort 3 of the 5 planned Phase I trial is ongoing.

- OncoFAP is a small organic molecule with high affinity for Fibroblast Activation Protein (FAP). FAP is highly expressed in over 90% of epithelial tumours. The Company is currently developing several pharmaceutical derivatives based on the OncoFAP ligand.

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

The company-sponsored clinical study of the radio-therapeutic derivative 177Lu-OncoFAP-23 is scheduled to start by the end of 2023.

Further preclinical trials with OncoFAP-GlyPro-MMAE (OncoFAP derivative conjugated to cytotoxic drugs) are in progress.

- Licensed products

Partnerships continue on (i) Dodekin (Confidential Partner), (ii) Dekavil (Pfizer) and (iii) small organic molecules (Janssen and Bracco).

- New GMP plant Rosia (Siena)

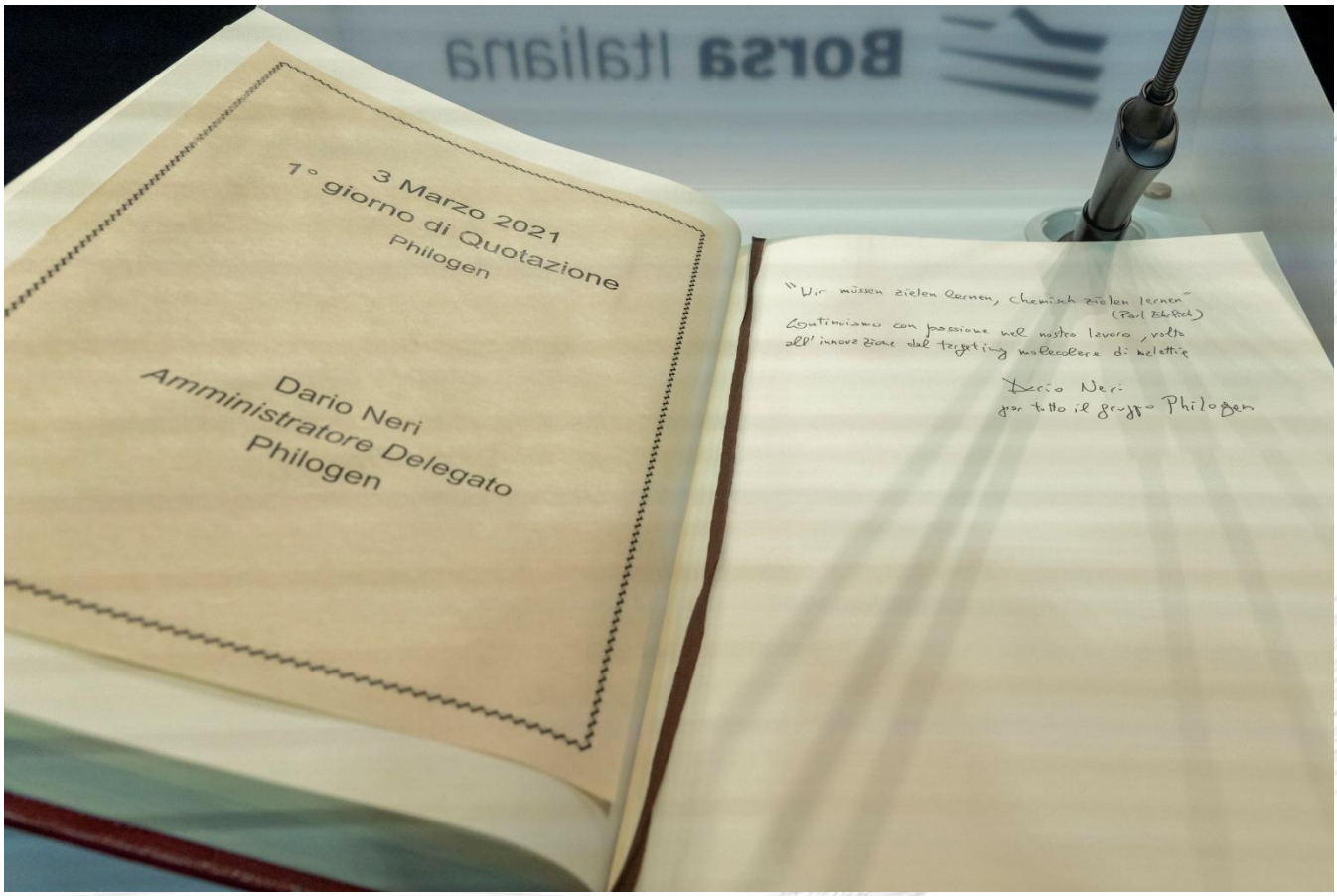
The AIFA inspection of the new GMP production plant in Rosia is expected in 2023. The inspection is aimed at approving the new GMP facility for commercial purposes. It should be noted that this facility will join the existing GMP plant in Montarioso (Siena), which will be strengthened in 2021, dedicated to the production of experimental drugs.

The Group is therefore consolidating its core business by conducting experimental clinical trials with its proprietary drugs, while at the same time planning some industrial activities aimed at the commercialisation of its own drugs.

As part of the above industrial activities, the Group is evaluating the possibility of a collaboration with a partner (with a strong *track-record* in the dermato-oncology sector) for the distribution activities of its Nidlegy ™ product limited to the European territory, reserving the exclusive rights for the exploitation of Nidlegy ™ for the US territory

Proposed Appropriation of the Result for the Year to 31 December 2022

The Financial Statements of Philogen S.p.A., also illustrated through the examination of this Report and the Notes to the Financial Statements, show a loss for the year 2022 of EUR 6,340,980.81. It is proposed to fully cover this result by using the "Share premium reserve" for the same amount.



"Wir müssen zielen lernen, chemisch zielen lernen."

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

Philogen
innovating targeting

Consolidated Financial Statements

Consolidated Income Statement

Figures in thousands of Euro		Year ended 31 December			
	Notes	**2022**	*Of which with related parties*	**2021**	*Of which with related parties*
Revenues from contracts with customers	5	23.713		2.496	
Other income	5	3.582		2.468	
Total revenue and income		**27.295**	**-**	**4.964**	**-**
Purchases of raw materials and consumables	6	(2.853)		(1.652)	
Costs for services	6	(10.334)	*(1.265)*	(8.980)	*(1.103)*
Lease and rental costs	6	(186)		(123)	
Personnel costs	6	(10.464)	*(660)*	(8.944)	*(660)*
Depreciation	6	(2.782)	*(798)*	(1.862)	*(747)*
Other operating costs	6	(437)		(178)	
Total operating costs		**(27.056)**	***(2.723)***	**(21.739)**	***(2.510)***
Operating profit		**240**	***(2.723)***	**(16.775)**	***(2.510)***
Financial income	7	1.548		2.581	
Financial charges	7	(6.147)	*(344)*	(1.046)	*(343)*
Total financial income and expenses		**(4.599)**	***(344)***	**1.535**	***(343)***
Profit before tax		**(4.359)**	***(3.067)***	**(15.240)**	***(2.853)***
Taxes	8	(1.017)		(485)	
Profit (Loss) for the Period		**(5.376)**	***(3.067)***	**(15.725)**	***(2.853)***
Profit (Loss) for the Period Attributable to Shareholders of the Parent Company		(5.376)		(15.725)	
Earnings (Loss) per share (in Euro)	9	(0,13)		(0,39)	
Diluted earnings (loss) per share (in Euro)	9	(0,13)		(0,39)	

Consolidated Statement of Comprehensive Income

Figures in thousands of **Euro**	Notes	Year ended 31 December 2022	2021
Profit (loss) for the period (A)		**(5.376)**	**(15.725)**
Other gains (losses) to be subsequently reclassified to profit (loss) for the period			
Translation Differences of Foreign Financial Statements	20	212	(74)
Profit (loss) from *cash flow hedges*	20	(251)	2
Fiscal effect	20	70	(1)
Total other gains (losses) to be subsequently reclassified to profit (loss) for the period (B)		**31**	**(73)**
Other gains (losses) not subsequently reclassified to profit (loss) for the period			
Profit (loss) from valuation of financial assets at *fair value*	20	(114)	-
Profit (loss) from actuarial valuation of employee benefits	20	118	(96)
Fiscal effect	20	(6)	27
Total other gains (losses) not subsequently reclassified to profit (loss) for the period (C)		**(2)**	**(69)**
Total other comprehensive income (B+C)		**29**	**(142)**
Comprehensive income (loss) after tax (A+B+C)		**(5.347)**	**(15.867)**
Comprehensive Income (Loss) Attributable to Shareholders of the Parent Company		(5.347)	(15.867)

Consolidated Statement of Financial Position

Figures in thousands of Euro	Notes	31 December 2022	*Of which with related parties*	31 December 2021	*Of which with related parties*
ACTIVITIES					
Property, Plant and Equipment	10	12.699		10.984	
Intangible Assets	11	1.218		950	
Activities by right of use	12	9.862	*9.670*	10.005	*9.970*
Other non-current assets (*)	16	2.987		1.656	
Deferred tax assets	8	98		674	
Non-current Assets		**26.864**	***9.670***	**24.269**	***9.970***
Inventories	13	1.922		1.295	
Contract Activities	14	2.300		87	
Trade receivables	15	885	*642*	688	
Tax Credits (*)	16	6.796		4.084	
Other current financial assets	17	61.764		92.797	
Other current assets	18	860		653	
Cash and cash equivalents	19	24.436		8.880	
Current Assets		**98.963**	***642***	**108.484**	**-**
Total assets		**125.827**	***10.312***	**132.754**	***9.970***
NET WORTH					
Capital		5.731		5.731	
Share premium reserve		106.097		119.749	
Other reserves		(8.531)		(4.668)	
Profit (loss) for the period		(5.376)		(15.725)	
Net assets attributable to the shareholders of the parent company	**20**	**97.921**	**-**	**105.087**	**-**
Total net assets	**20**	**97.921**	**-**	**105.087**	**-**
PASSIVITY					
Employee benefits	21	960	*26*	1.033	
Non-current Lease Liabilities	12	11.020	*10.829*	11.099	*11.045*
Non-current financial liabilities	22	2.987		3.587	
Other non-current liabilities (*)	24	1.962		156	
Deferred tax liabilities	8	191		183	
Non-current liabilities		**17.120**	***10.855***	**16.058**	***11.045***
Current financial liabilities	22	884		1.064	
Current lease liabilities	12	871	*771*	743	*713*
Trade payables	23	6.351	*75*	5.826	*78*
Liabilities under contract	14	-		2.233	
Tax debts	16	669		309	
Other current liabilities (*)	24	2.010	*166*	1.433	*41*
Current liabilities		**10.785**	***1.012***	**11.608**	***832***
Total liabilities		**27.906**	***11.867***	**27.667**	***11.877***
Total equity and liabilities		**125.827**	***11.867***	**132.754**	***11.877***

(*) In order to improve the comparability of information between financial years, the following reclassifications have been made to the comparative data at 31 December 2021, although not deemed relevant or material: (i) Euro 1.656 thousand from "Tax receivables" to "Other non-current assets" for tax receivables available to the Company and which, in accordance with reference regulations, can be used as offsets beyond the next financial year and (ii) Euro 156 thousand from "Other current liabilities" to "Other non-current liabilities" for the portion of the capital contribution related to the Industria 4.0 Credit that will be released to the income statement beyond the next financial year in connection with the depreciation of the related asset.

Statement of Changes in Consolidated Shareholders' Equity

Data in thousands of Euro	Capital	Share premium reserve	Other reserves												Profit (loss) for the year	Total consolidated shareholders' equity
			Restricted profit reserves capital increase to service the 2024-2026 Stock Grant Plan	Negative reserve of 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 at 1 January 2021	**5.158**	**54.918**	**-**	**-**	**892**	**(1.265)**	**50**	**(30)**		**-**	**1.123**	**-**	**8.113**	**8.882**	**(13.285)**	**55.673**
Reverse merger with ordinary Palio							399							**399**		399
IPO share capital increase	573	68.466												**-**		69.039
IPO process costs		(3.635)												**-**		(3.635)
Allocation of previous year's result													(13.285)	**(13.285)**	13.285	-
Restricted reserve for free share capital increase to service the Stock Grant Plan			(124)										124	**-**		-
Reserve for purchase of own shares				(537)										**(537)**		(537)
Reserve for Stock Grant Plan										21				**21**		21
Fair value of hedging derivatives												(6)		**(6)**		(6)
Result for the year														**-**	(15.725)	(15.725)
Other comprehensive income (loss) net of tax effect								(69)			(74)	1		**(142)**		(142)
Closing balances as at 31 December 2021	**5.731**	**119.749**	**(124)**	**(537)**	**892**	**(1.265)**	**449**	**(99)**	**-**	**21**	**1.049**	**(5)**	**(5.048)**	**(4.668)**	**(15.725)**	**105.087**
Opening balances as at 1 January 2022	**5.731**	**119.749**	**(124)**	**(537)**	**892**	**(1.265)**	**449**	**(99)**	**-**	**21**	**1.049**	**(5)**	**(5.048)**	**(4.668)**	**(15.725)**	**105.087**
Allocation of previous year's result		(13.652)											(2.073)	**(2.073)**	15.725	-
Purchase of own shares				(1.924)										**(1.924)**		(1.924)
Stock Grant Plan										104				**104**		104
Result for the year														**-**	(5.376)	(5.376)
Other comprehensive income (loss) net of tax effect								85	(87)		212	(181)		**29**		29
Closing balances as at 31 December 2022	**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**

Consolidated Cash Flow Statement

Figures in thousands of Euro		Year ended 31 December			
	Notes	**2022**	*Of which with related parties*	**2021**	*Of which with related parties*
Cash flows from operating activities					
Result for the period		(5.376)	(3.066)	(15.725)	*(2.853)*
Adjustments for:					
Depreciation of tangible and intangible assets	6	2.782	(798)	1.862	*747*
Net financial income/(expenses)	7	4.599	(344)	(1.535)	*343*
Provisions for employee funds and benefits	21	198		121	
Provisions for group incentive plans	20	104		21	
Income Taxes	7	1.017		485	
Other non-monetary adjustments		(1.093)		(48)	
Variations of:					
Inventories	13	(621)		(515)	
Contract Activities	14	(2.212)		121	
Trade receivables	15	368	(642)	(149)	
Liabilities under contract	14	(2.233)		(1.922)	
Trade payables	23	486	(3)	1.709	*20*
Other Assets and Liabilities (*)	16, 18, 24	(1.900)	123	(2.996)	
Utilisation of funds and employee benefits	21	(172)		(36)	
Interest paid	7	(886)		(417)	
Income Taxes Paid	8	-		(8)	
Cash flow from/(used in) operating activities (A)		**(4.939)**	**(4.730)**	**(19.032)**	***(1.743)***
Cash flows from investing activities					
Interest received	7	209		164	
Proceeds from the sale of financial assets	17	54.431		1.743	
Purchase of property, plant and equipment	10	(3.853)		(6.550)	
Purchase of intangible assets	11	(358)		(268)	
Purchase of other financial assets	17	(26.232)		(42.860)	
Cash flow generated/absorbed by investing activities (B)		**24.197**	**-**	**(47.771)**	**-**
Cash flows from financing activities					
Proceeds from the issue of shares	20	-		65.404	
Proceeds from the assumption of financial liabilities	22	-		-	
Repayment of financial liabilities	22	(1.050)		(1.074)	
Payment of lease liabilities	12	(808)	*(808)*	(738)	*(738)*
Purchase of own shares	20	(1.924)		(537)	
Cash flow generated/absorbed by financing activities (C)		**(3.782)**	***(808)***	**63.055**	***(738)***
Increase in cash from merger (D)		**-**		**560**	
Total cash flow (A + B + C + D)		**15.476**	***(5.538)***	**(3.188)**	***(2.481)***
Opening cash and cash equivalents	**19**	**8.880**		**11.958**	
Change in cash and cash equivalents for the period		15.476		(3.188)	
Translation effect on liquid assets		80		110	
Closing cash and cash equivalents	**19**	**24.436**		**8.880**	

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

Notes to the Consolidated Financial Statements

Preparation criteria

1. Foreword

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

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

2. Entity drawing up consolidated financial statements

Philogen S.p.A. is based in Italy. The address of the Company's registered office is Piazza La Lizza, 7 Siena. The Group is mainly active in the field of integrated biotechnology and, in particular, in the development of advanced biopharmaceutical products for the treatment of diseases characterised 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 Section 5 of Article 2497-bis of the Italian Civil Code, it is hereby announced that the Company is not subject to management and coordination by another company.

3. Drafting Criteria

These 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 consolidated financial statements were approved and authorised for publication by the Company's Board of Directors on 28 March 2023.

Details concerning the main accounting principles adopted by the Group are specified in Note 31.

Functional and presentational coinage

These consolidated financial statements are expressed in Euro, the functional currency of the Parent Company. Unless otherwise indicated, all amounts expressed in Euro 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 Euro.

Use of estimates and evaluations

In preparing the consolidated financial statements, management had to make estimates and judgements that affect the application of accounting policies and the amounts of assets, liabilities, expenses and revenues recognised in the financial statements. However, it should be noted that since these are estimates, the results obtained will not necessarily be the same as those represented in these financial statements.

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

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

i) *Evaluations*

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

- Notes Nos. 5 and 32 - accounting for revenues from contracts with customers: analysis of contracts with customers, with particular reference to the recognition at a specific 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) *Estimation uncertainties*

For the year ended 31 December 2022, information on assumptions and estimation uncertainties that have a significant risk of causing material changes to the carrying amount of assets and liabilities in the financial statements of the subsequent period is provided in the notes below:

- Notes Nos. 5 and 32 - revenue recognition: assumptions in determining the total cost of *performance obligation in* relation to customer contracts booked over time;
- Note no. 32 - valuation of financial instruments: main assumptions underlying *fair value* calculation;
- 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 8 and 32 - recognition of deferred tax assets: availability of future taxable profits against which deductible temporary differences and tax loss carryforwards can be utilised.

4. Sector information

For the purposes of IFRS 8, the Management has identified a single operating segment 'Biotechnology', within which all 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 characterised by or associated with angiogenesis, mainly based on antibody conjugates, capable of achieving selective accumulation at the sites where the pathology is present.

Details of revenues from contracts with customers by type of product and service, by geographic area, and information on the Company's degree of dependence on its main customers are provided in Note 5.

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

Profit and Loss Account

5. Revenues and income

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Revenues from contracts with customers	23.713	2.496
Other income	3.582	2.468
Total revenue and income	**27.295**	**4.964**

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.

In the year ended 31 December 2022, revenue from contracts with customers amounted to Euro 23,713,000, an increase of Euro 21,217,000 compared to the previous period. The change is attributable to new third-party contracts entered into in 2022 and the advancement of previous contracts.

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

Detail by type of consideration

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Revenues from *up-front,* from *milestones*	18.872	2.190
Revenues from Research and Development Services	4.841	306
Total revenue from contracts with customers	**23.713**	**2.496**

Detail by recognition mode

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Revenues recognised *at a point in time*	16.802	297
Revenues recognised *over time*	6.911	2.199
Total revenue from contracts with customers	**23.713**	**2.496**

Detail by geographical area

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
USA	3.112	2.190
European Union	18.815	306
Extra-EU (Switzerland)	1.786	-
Total revenue from contracts with customers	**23.713**	**2.496**

Detail by product or service type

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Product Development 1	2.233	1.922
Encoded Self-Assembling Chemical (ESAC) Services	1.263	258
Good Manufacturing Practices (GMP) services	4.457	306
Services related to activities on small organic molecules	15.760	
Transfer of licence right	-	10
Total revenue from contracts with customers	**23.713**	**2.496**

Below are details 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 Euro	Year ended 31 December			
	2022	***Inc.***	**2021**	***Inc.***
Customer 1	15.760	*66%*	-	-
Customer 2	2.033	*9%*	1.922	*77%*
Customer 3	-	-	258	*10%*
Customer 4	2.281	*10%*	312	*12%*
Other customers < 10%.	3.439	*15%*	4	-
Total revenue from contracts with customers	**23.713**	***100%***	**2.496**	***100%***

Other income

Figures in thousands of Euro	Year ended 31 December	
	2022	**2021**
Operating grants	3.023	2.394
Equipment grants	355	-
Miscellaneous income	204	74
Total other income	**3.582**	**2.468**

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

(i) research and development tax credit in the amount of Euro 1,838,000;
(ii) the technology innovation tax credit of Euro 251,000, related to the implementation of the new GMP production process

and other receivables related to "extraordinary" activities carried out during 2021 and early 2022, including the main ones:

(i) the SME tax credit amounting to Euro 500 thousand for consultancy costs incurred for admission to listing on a regulated market, provided for by Article 1 paragraphs 89 to 92 of Law 205/2017 (the so-called 2018 Budget Law);
(ii) the ACE tax credit amounting to €180,000 related to the capital increase raised during the listing phase, provided for by Article 19 of Decree-Law 73/2021 (the so-called "Decreto sostegni Bis") for the tax period following the one in progress as of 31 December 2020, alternatively of the deduction of the notional Ace yield from the income tax base),
(iii) the Industry 4.0 contribution of €335 thousand relating to the investments made for the equipment and interconnection of the new GMP facility at the Rosia site (Siena) 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 Euro 2,586 thousand (it is specified that the accounting of this contribution is based on the amortisation quota for the period).

And other credits of a smaller amount, among which we can mention the tax credit for non-energy consuming companies in the amount of Euro 54 thousand and the contribution related to a Project financed by the Region of Tuscany in the amount of Euro 93 thousand.

In light of the credits mentioned above, Other income in the year ended 31 December 2022 showed an increase of about Euro 1,114,000 compared to the year ended 31 December 2021.

See Note 16 and Note 26 to the Consolidated Financial Statements for more details on the receivables available to the company.

6. Operating Costs

The operating costs as at 31 December 2022 and 31 December 2021 are detailed below:

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Purchases of raw materials and consumables	2.853	1.652
Costs for services	10.334	8.980
Lease and rental costs	186	123
Personnel costs	10.464	8.944
Depreciation	2.782	1.862
Other operating costs	437	178
Total operating costs	**27.056**	**21.739**

Costs for the purchase of raw materials and consumables

Costs for purchases of raw materials and consumables, amounting to Euro 2,853 thousand in the year ended 31 December 2022 (Euro 1.652 thousand in the previous year), are mainly attributable to the cost of materials used in operations, the change in which is linked to the production activities of the drug for ongoing clinical trials and/or for the GMP production of antibodies on behalf of third parties, to the start-up of the new GMP production at the Rosia (Siena) site, as well as to the increase in raw material prices linked to the inflation trend in the market during 2022 due to the Russian -Ukrainian conflict.

Costs for services

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

Figures in thousands	Year ended 31 December	
	2022	2021
Costs related to Clinical Centres and CROs	3.545	2.747
Utilities and overheads	1.604	758
Outsourcing services for research and development activities	1.218	913
Remuneration of corporate bodies (net of contributions)	1.048	987
Corporate and consultancy expenses	829	854
Management by Objectives (MBO)	153	115
Severance pay (TFM)	149	-
Social contributions on corporate body remuneration	92	80
Other costs for services	1.696	1.326
IPO costs	-	1.200
Total costs for services	**10.334**	**8.980**

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

(i) The increase of Euro 798,000 in costs related to clinical centres is attributable to the higher costs incurred in the year ended 31 December 2022 compared to the previous period for the progress of ongoing *trials*;

(ii) The increase in utilities, overhead and other service costs of Euro 846,000 related to the increase in company size, the commissioning of the new *facility* at the Rosia site, the increase in activities and personnel, and the consequent increase in structural costs, particularly the cost of energy

(iii) The increase of €305,000 in service costs for research and development activities is attributable to ongoing activities for GMP third-party production contracts signed in the last quarter of 2021;

(iv) The increase of Euro 38 thousand related to the last quota to be accrued for the MBO foreseen for executive directors for the period March 2021-March 2022 and the accrual of the 2022 MBO relative to the period March 2022-March 2023 equal to Euro 115 thousand (for further details on the incentive plan, please refer to paragraph 4.5 of the report on operations);

(v) The decrease compared to the year ended 31 December 2021 of Euro 1,200,000 related to IPO costs incurred in 2021 as a result of the listing process;

(vi) The increase of €149,000 corresponds to the TFM for the outgoing executive directors (end of mandate with the approval of the financial statements as of 31 December 2021) and the TFM accrued as provided for by the Remuneration Policy year 2022 and always related to the office conferred to the executive directors on 27 April 2022 (for more details on the end of mandate, see section 4.5 of the interim report on operations).

Lease and rental costs

Lease and rental costs amounted to Euro 186,000 in the year ended 31 December 2022. This item includes rental costs, exclusively in reference to leases with a duration of less than twelve months and those with a small amount (excluded from the scope of application 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 relative right of use pursuant to IFRS 16. Specifically, in consideration of the increase in personnel in the year of reference, there was an increase in costs for the use of third party assets, attributable to the higher costs incurred for new company licence/software contracts with a duration of less than one year.

Personnel costs

The breakdown of personnel expenses for the years ended 31 December 2022 and 31 December 2021 of the Group is shown below:

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Wages and Salaries	8.263	7.210
Personnel costs for group incentive plans	102	21
Social charges	1.668	1.467
Provision for severance pay	431	246
Total personnel costs	**10.464**	**8.944**

The increase in personnel costs of €1,520,000 is mainly attributable to the increase in the average number of employees, as shown in the table below.

	31 December 2022	31 December 2021	Variation
Average number of employees	141	121	20

For the exact number of employees as at 31 December 2022 and 31 December 2021, please refer to paragraph 17 of the Management Report.

For more details on the incentive plan, please refer to section 4.5 of the Report on Operations and Note 27 to the Consolidated Financial Statements.

Depreciation

The breakdown of the item "Depreciation and amortisation" for the years ended 31 December 2022 and 31 December 2021 is shown below:

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Amortisation of intangible assets	203	283
Depreciation of property, plant and equipment	1.663	780
Depreciation of assets by right of use	915	799
Total depreciation	**2.781**	**1.862**

The increase in depreciation and amortisation, specifically in the item "Depreciation of property, plant and equipment" amounting to Euro 1,663,000 in the year ended 31 December 2022, reflects the completion and commissioning of the new *facility* in Rosia (Siena), in line with the company's strategy. For more details on the activities underway in the new GMP facility, please refer to section 3.1 of the Report on Operations.

Other operating costs

The composition of "Other operating expenses" for the years ended 31 December 2022 and 31 December 2021 is detailed below:

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Membership contributions	38	33
Company vehicle costs	14	8
Taxes and Fees	198	56
Representation Expenses	58	27
Miscellaneous Operating Costs	129	54
Total other operating costs	**437**	**178**

Other operating expenses are mainly attributable to contingent liabilities and other operating expenses. The change is mainly attributable to (i) the increase in taxes and duties during the year ended 31 December 2022, in relation to the annual charges due to the Italian Stock Exchange on the capitalisation of the Company and (ii) the increase in sundry operating expenses mainly related to costs of a different nature and contingent liabilities.

7. Financial income and expenses

Financial income and expenses are composed as follows:

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Financial income		
Gains on the realisation of financial assets	209	164
Gains from the valuation of financial assets at *fair value*	602	1.713
Foreign Exchange Gains	737	704
Financial income	**1.548**	**2.581**
Financial charges		
Losses from the valuation of financial assets at *fair value*	(3.481)	(17)
Losses on realisation of financial assets	(499)	(19)
Interest expenses on leasing	(347)	(347)
Interest expenses on bank loans	(41)	(52)
Interest cost for employee benefits	(18)	(4)
Foreign exchange losses	(1.761)	(607)
Financial charges	**(6.147)**	**(1.046)**
Total financial income (expenses)	**(4.599)**	**1.535**

Net financial management for the year ended 31 December 2022 showed a negative net result of €4,599 thousand (positive for €1,535 thousand in the year ended 31 December 2021). This result, as shown in the table above, is composed of (i) net valuation losses of €2,879 thousand related to changes in the *fair value of* the securities portfolio, (ii) net realised capital losses of €290 thousand, (iii) net foreign exchange losses of €1,024 thousand, of which net valuation losses of €750 thousand and net realised foreign exchange losses of €274 thousand (v) interest expenses and other charges of €406 thousand.

As can be seen from the detail above, the main change from the previous year is attributable to net foreign exchange valuation losses and *fair value* losses on financial assets generated by exchange rate volatility and financial market instability, factors that characterised the global economy in 2022.

The macroeconomic scenario that characterised the market in the year ended 2022 led *management* to continuously and constantly monitor the economic performance of the financial portfolio held. For this reason, in order to ensure greater profitability of the financial instruments held, in consideration of the market, it was deemed appropriate to review the *asset allocation* set forth in the "Investment Management Policy", the update of which was approved by the Board of Directors in October 2022.

More details on the composition of the securities portfolio can be found in Note 17 to the consolidated financial statements.

8. Taxes

The Group has allocated taxes on the basis of the application of current tax regulations. Taxes and duties have been set aside based on estimates made when preparing the financial statements and will be calculated in a final version in the second half of the year 2023 when the tax return is prepared, with possible updates to the calculation.

Current taxes refer to accrued taxes calculated on the result for the year. The increase compared to the year ended 31 December 2021 of €532 thousand is related to higher revenues incurred in 2022 and, in particular, related to the subsidiary. It should be noted that, as a result of the utilisation of prior tax losses and the *Patent box* benefit connected to the revenues realised, pre-tax profit is more than 90% tax-free.

Finally, deferred taxes refer exclusively to the reversal of the tax effects recognised upon transition to IAS/IFRS.

Below is a table detailing the income taxes recorded for the years ended 31 December 2022 and 31 December 2021:

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Current taxes	(384)	(8)
Deferred taxes	(633)	(477)
Total taxes	**(1.017)**	**(485)**

Reconciliation of effective tax rate

The reconciliation between the tax charge in the consolidated financial statements and the theoretical tax charge determined based on the IRES rate applicable to the Group for the years ended 31 December 2022 and 2021, respectively, is presented below:

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Profit before tax	(4.359)	(15.240)
Theoretical tax rate	-24,0%	-24,0%
Theoretical IRES tax burden/benefit (A)	**1.046**	**3.658**
Adjustments for:		
Effect		
Tax effect on R&D credit facility	442	464
Fiscal effect on Technological Innovation Credit Facility	60	-
Fiscal effect on Lease Credit Facility	-	47
Fiscal effect on Industry 4.0 credit facility	79	-
Tax effect on credit facility for SME listing	120	-
Tax effect on ACE credit facility	43	-
Fiscal effect on Energy Credit facility	16	-
Tax effect on Patent Box relief	319	
Tax effect on utilised and previously unrecognised tax losses	(3.698)	(5.103)
Tax effect on other increases (decreases)	(224)	(99)
Tax effect on different group rates	867	(248)
Tax effect of IPO costs on equity	-	872
Reversal of temporary differences for IRAP purposes	(87)	(75)
Total adjustments (B)	**(2.063)**	**(4.142)**
Total effective income tax (A+B)	**(1.017)**	**(485)**
Effective tax rate	***23,3%***	***3,2%***

The current taxes recognised in the financial statements as at 31 December 2022, amounting to Euro 384,000, are entirely attributed to the Swiss subsidiary (Philochem AG).

The Parent Company's tax position shows accumulated tax losses, from 2017 to date, amounting to over Euro 55,594 thousand that could lead to a future tax benefit of approximately Euro 13,343 thousand. these losses were mainly generated by prior year losses and tax concessions, from which the Group benefits permanently by virtue of the research activity carried out, which do not contribute to the tax base. The main tax benefits include the Research and Development Credit, the Technology Innovation Credit and the Industry 4.0 Credit.

As of 31 December 2022, however, consistent with past practice, it was decided not to recognise deferred tax assets on tax losses in view of the uncertainties that characterise research and development activities and, consequently, the possibility of having convincing evidence of the ability to generate future taxable income.

See Note 16 and Note 26 to the Consolidated Financial Statements for more details on the credits from which the Group benefits.

Changes in deferred taxes during the period

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

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

Figures in thousands of Euro	Book value as at 1 January 2022	Use	Acc.to	Gearbox effect	Book value as at 31 December 2022
Deferred tax assets					
Liabilities from contracts with customers	623	(623)	-	-	-
Intangible Assets	1	(1)	-	-	-
Activities by right of use	11	(11)	-	-	-
IAS 19 reserve (recognised in comprehensive income)	38	(33)	-	-	5
Cash flow hedge reserve (recognised in comprehensive income)	1	-	59	-	60
IFRS 9 reserve (recognised in comprehensive income)	-	-	33	-	33
Total Deferred Tax Assets	**674**	**(668)**	**92**	**-**	**98**
Deferred tax liabilities					
Other financial assets	9	(3)	-	-	6
Activities by right of use	-	-	19	-	19
Intangible Assets	169	(13)	3	1	160
IFRS 9 reserve (recognised in comprehensive income)	-	-	6	-	6
Activities from contracts with customers	5	(5)	-	-	-
Total Deferred Tax Liabilities	**183**	**(21)**	**28**	**1**	**191**

Uncertainties concerning the accounting treatment to be applied to taxes

It should be noted that as at 31 December 2022, there were no disputes with tax authorities that could give rise to uncertainties regarding the treatment of income taxes.

9. Earnings/(loss) per share

The calculation of basic loss per share was made considering the loss attributable to holders of ordinary shares and the weighted average number of ordinary shares outstanding during the year ended 31 December 2022 and 31 December 2021.

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

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

Figures in thousands of Euro **Basic and diluted earnings (loss) per share**	**Year ended 31 December**	
	2022	**2021**
Profit (Loss) for the Year - in Euro thousands (A)	(5.376)	(15.725)
Weighted average number of ordinary shares outstanding (B)	40.611.111	39.644.514
Weighted average number of dilutive potential ordinary shares outstanding (C)	-	167.123
Weighted average number of outstanding share options granted (D)	-	-
Weighted average shares outstanding adjusted for dilution effects (E=B+C+D)	40.611.111	39.831.637
Basic earnings (losses) per share - in Euro (A/B*1000)	(0,13)	(0,39)
Diluted earnings (loss) per share - in Euro (A/C*100) (*)	(0,13)	(0,39)

(*) It should be noted that the diluted loss per share for the year ended 31 December 2021 was determined without taking into account the instruments referred to in point (C) as there was a loss for the year.

(A) Profit (Loss) for the year.

(B) Weighted average number of ordinary shares outstanding

(C) as at 31 December 2021, the number of dilutive potential ordinary shares was weighted for the days from 01 January 2021 to 03 March 2021, the Company's listing date.

(D) The weighted average number of outstanding share options potentially amounting to 145 thousand Units as at 31 December 2021 and 284 thousand Units as at 31 December 2022 was considered to be 0 for the purposes of the calculation, since, in accordance with IAS 33, at the reporting date these instruments did not have the necessary characteristics to be issued. For further information, see Note 27 to the consolidated financial statements.

Activities

10. Property, Plant and Equipment

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

Figures in thousands of Euro	Plant and machinery	Industrial and commercial equipment	Leasehold improvements	Other tangible assets	Construction in progress and advance payments	Total
Historical cost	2.595	6.271	79	740	2.290	11.976
Sinking Fund	(1.412)	(4.790)	(12)	(599)	-	(6.813)
Net book value as at 01 January 2021	**1.183**	**1.481**	**67**	**141**	**2.290**	**5.163**
Increases	211	2.675	102	203	3.359	6.550
(Decreases)	-	-	-	-	-	-
Reclassifications	185	-	-	-	(185)	-
Amortisation	(181)	(518)	(15)	(65)	-	(779)
Exchange rate effects (historical cost)	49	91	-	9	-	149
Exchange rate effect (depreciation provision)	(11)	(82)	-	(6)	-	(99)
Historical cost	3.040	9.038	181	952	5.464	18.675
Sinking Fund	(1.604)	(5.390)	(27)	(670)	-	(7.691)
Net book value as at 31 December 2021	**1.437**	**3.647**	**154**	**282**	**5.464**	**10.984**
Increases	1.104	1.871	-	247	631	3.853
(Decreases)	-	-	-	-	(526)	(526)
Reclassifications	4.456	1.088	-	-	(5.543)	-
Amortisation	(637)	(910)	(15)	(101)	-	(1.663)
Exchange rate effects (historical cost)	(31)	80	-	(108)	-	4
Exchange rate effect (depreciation provision)	72	(68)	-	107	-	48
Historical cost	8.654	12.076	181	1.192	25	21943
Sinking Fund	(2.253)	(6.369)	(42)	(665)	-	(9.243)
Net book value as at 31 December 2022	**6.401**	**5.707**	**139**	**427**	**25**	**12.699**

Plant and machinery mainly refers to the setting up of laboratories and production sites instrumental to operations. For the year ended 31 December 2022, there was an increase of €3,853 thousand and reclassifications of €5,543 thousand from assets under construction, which reflects the completion and commissioning in the year 2022, of the new GMP plant at the Rosia (Siena) site.

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

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

Assets under construction refer to the construction of the new GMP plant and machinery for the Rosia (Siena) site for which full ownership has not yet been acquired. As of 31 December 2022, the reclassification of €5,543 thousand reflects the completion and start-up of the new GMP plant (for further details on the new GMP plant, see section 3.1 of the Report on Operations). On the other hand, the decrease of Euro 526 refers to masonry works carried out by Philogen on behalf of Rendo S.r.l., the owner of the building, and re-invoiced by virtue of a deed of recognition to the existing lease agreement (please refer to Note 30 of the consolidated financial statements).

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

11. Intangible Assets

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

Figures in thousands of Euro	Patent and Intellectual Property Rights	Concessions, licences, trade marks and similar rights	Construction in progress and advance payments	Total
Historical cost	2.483	120		2.604
Sinking Fund	(1.528)	(114)		(1.642)
Book value as at 01 January 2021	**955**	**6**	**-**	**961**
Increases	170	98		268
(Decreases)	-	-		-
Amortisation	(258)	(25)		(283)
Exchange rate effect	4	0		4
Historical cost	2.451	218		2.893
Sinking Fund	(1.580)	(139)		(1.943)
Book value as at 31 December 2021	**871**	**79**	**-**	**950**
Increases	217	155	91	463
(Decreases)	-	-	-	-
Reclassifications	-	83	(83)	-
Amortisation	(127)	(76)	-	(203)
Exchange rate effect	13	83	-	92
Historical cost	2.639	456	8	3.103
Sinking fund	(1.670)	(215)	-	(1.885)
Net book value as at 31 December 2022	**970**	**241**	**8**	**1.218**

As of 31 December 2022, the Group held over 40 international patent families and over 100 valid national patents. The increases recognised in the year ended 31 December 2022, amounting to €217,000, relate to expenses incurred by the Group for the filing of new patent applications and for nationalisations, for concessions, in order to acquire the exclusive right to exploit inventions relating to new cancer applications in specific countries of the World in order to acquire the exclusive right to exploit inventions relating to new cancer applications in specific countries of the World.

Concessions, licences and trademarks mainly include the cost of corporate software licences. Increases recognised in the year ended 31 December 2022, amounting to €463 thousand, together with reclassifications from assets under construction amounting to €83 thousand, relate to the purchase and start-up of the software necessary to realise the interconnection of the new GMP of the Rosia (Siena) site.

Assets under construction refer to the construction of the new GMP plant and new software purchased for the interconnection of the Rosia (Siena) site for which full ownership has not yet been acquired. As of 31 December 2022, the reclassification of Euro 83 thousand reflects the completion and activation of the new GMP plant (for further details on the new GMP plant, see section 3.1 of the Report on Operations).

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

12. Right-of-Use Assets and Lease Liabilities

The main balance sheet information relating to leases held by the Group, which acts solely as lessee, is set out in the following tables:

Figures in thousands of Euro	Properties	Cars	IT Services	Total
Historical cost	11.236	100	111	11.446
Sinking Fund	(1.035)	(63)	(60)	(1.158)
Book value as at 01 January 2021	**10.201**	**37**	**51**	**10.288**
Increases	393	-	-	393
(Decreases)	-	-	-	-
Amortisation	(747)	(30)	(22)	(799)
Gearbox effect	123	-	-	123
Historical cost	11.770	100	68	11.939
Sinking Fund	(1.801)	(93)	(39)	(1.933)
Book value as at 31 December 2021	**9.969**	**7**	**29**	**10.005**
Increases	347	84	212	643
(Decreases)	-	(22)	-	(22)
Amortisation	(798)	(22)	(95)	(915)
Gearbox effect	151	-	-	151
Historical cost	12.337	161	281	12.779
Sinking Fund	(2.625)	(115)	(177)	(2.917)
Book value as at 31 December 2022	**9.713**	**46**	**103**	**9.862**

Assets for right of use for the year ended 31 December 2022 are mainly attributable to the leasing of real estate used by the Group for operating activities. The increases recognised in the first half of 2022, amounting to €347,000, are related to Istat rent adjustments, contractually provided for, which were affected by the high inflation rate of the period. It is specified that these contracts were stipulated in 2019 following the functional and structural reorganisation of the Group through which the real estate branch was separated from the operating branch. These contracts have a duration until the year 2034 and, overall, generate an annual cash outflow for rentals of approximately Euro 1,000 thousand, of which Euro 670 thousand for the Italian sites and Euro 400 thousand for the Swiss site.

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

Figures in thousands of Euro	
Lease liabilities as at 01 January 2021	**11.981**
Increases	393
Decreases	-
Capital repayments	(738)
Exchange rate effect	207
Lease liabilities as at 31 December 2021	**11.842**
Increases	643
Decreases	(22)
Capital repayments	(808)
Exchange rate effect	236
Lease liabilities as at 31 December 2022	**11.891**
Of which current	871
Of which non-current	11.020

The following table shows the reconciliation of cash outflows in respect of leases for the period ended 31 December 2022 and 2021:

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Real estate capital share	757	708
Interest expenses for leasing (real estate)	344	345
Capital share cars	25	22
Interest expenses for leasing (cars)	1	1
Capital share IT services	26	8
Interest expenses for leasing (IT services)	1	1
Total cash outflows for *leasing*	**1.154**	**1.085**

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

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

As at 31 December 2022, the Group did not identify any indicators of impairment for right-of-use assets.

Impairment test

As of 31 December 2022, there were no indications of impairment that led the Directors to believe that the reasons for recognising the property, plant and equipment, intangible assets and right-of-use assets were no longer valid; nor were there any additional indicators of impairment that led the Directors to believe that there might be an impairment of the property, plant and equipment, intangible assets and right-of-use assets; consequently, it was not necessary to perform an impairment test on the value recognised in the financial statements.

13. Inventories

The breakdown of inventories is as follows:

Figures in thousands of Euro	31 December 2022	31 December 2021
Raw materials and consumables	1.922	1.295
Total inventories	**1.922**	**1.295**

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

As at 31 December 2022, inventories, amounting to Euro 1,922 thousand, showed an increase mainly due to the 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 are valued on a *cost-to-cost* basis as they are the subject of a contract already concluded with the customer.

Assets arising from contracts are recognised as assets net of the related liabilities if, based on a contract-by-contract analysis, the gross value of the assets at the date exceeds the advances received from customers. Conversely, if the advances received from customers exceed the related contract assets, the excess is recognised as a liability.

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

Contracts with a positive net balance

Figures in thousands of Euro	31 December 2022	31 December 2021
Advances received from customers	(2.359)	(1.459)
Revenue recognised on advances received	4.659	1.546

Contract activities with customers	**2.300**	**87**

Contracts with a negative net balance

Figures in thousands of Euro	31 December 2022	31 December 2021
Advances received from customers	2.233	11.774
Revenue recognised on advances received	(2.233)	(9.541)
Liabilities from contracts with customers	**-**	**2.233**

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

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

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

15. Trade receivables

Trade receivables are made up as follows:

Figures in thousands of Euro	31 December 2022	31 December 2021
Receivables from customers	885	688
Total trade receivables	**885**	**688**

As of 31 December 2022, trade receivables from customers amounted to Euro 885,000, an increase over 31 December 2021 of about 29%. The change is mainly attributable to masonry works carried out by Philogen on behalf of Rendo S.r.l., the owner of the building, and re-invoiced by virtue of a deed of recognition to the existing lease agreement (see Note 30 to the consolidated financial statements) and to the invoicing of some of the activities completed in 2022 envisaged in the GMP production contracts for third parties.

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

Breakdown of receivables recorded in current assets by geographical area

The following table shows the breakdown of receivables recorded under current assets by geographical area.

Figures in thousands of Euro	Geographical area	
	31 December 2022	31 December 2021
Italy	830	179
European Union	-	198
Non-EU (USA)	-	-
Non-EU (Other)	55	311
Total trade receivables	**885**	**688**

16. Tax receivables and payables

The item 'Tax Credits' is broken down as follows:

Figures in thousands of Euro	31 December 2022	31 December 2021
VAT credits	2.729	2.750
Other tax receivables	26	40
Various tax credits	4.041	1.294
Total tax receivables	**6.796**	**4.084**

The item 'VAT Receivables' amounts to €2,729, substantially unchanged from the previous period. It should be noted that the company makes purchases mainly in Italy and sales mainly abroad, such that VAT credits cannot be offset against VAT debits.

Other tax receivables' mainly include receivables for withholding taxes.

The item "Sundry tax credits" as of 31 December 2022 includes the portions of tax credits from which the Company benefits, which can be offset within the financial year 2023. The portion of these credits beyond the financial year is reclassified under non-current assets in the item 'Other non-current assets'.

Below is a breakdown of available receivables as at 31 December 2022.

- research and development tax credit year 2022 in the amount of Euro 1,838 thousand, the offsetting of which will be in three annual instalments of equal amount, in compliance with the reference legislation (art.1 paragraph 200 Law 160 of 27 December 2019 and subsequently amended by art.1 paragraph 1064 Law 178 of 30 December 2020);

- research and development tax credit year 2021 in the amount of Euro 1,782 thousand, the offsetting of which will be in three annual instalments of equal amount, in compliance with the reference legislation (art.1 paragraph 200 Law 160 of 27 December 2019 and subsequently amended by art.1 paragraph 1064 Law 178 of 30 December 2020);

- research and development tax credit for 2020 in the amount of Euro 329 thousand (total 2020 research and development tax credit of Euro 1,019 thousand) relating to the residual portion to be offset in 2023 in compliance with the reference legislation (Article 1, paragraph 200, Law 160 of 27 December 2019);

-- technological innovation tax credit year 2022 in the amount of Euro 251 thousand, the offsetting of which will be in three equal annual instalments, in compliance with the reference legislation (Article 1 paragraph 200 Law 160 of 27 December 2019 and subsequently amended by Article 1 paragraph 1064 Law 178 of 30 December 2020);

- technological innovation tax credit year 2021 in the amount of Euro 111 thousand, the offsetting of which will be in three annual instalments of equal amount, in compliance with the reference legislation (Article 1 paragraph 200 Law 160 of 27 December 2019 and subsequently amended by Article 1 paragraph 1064 Law 178 of 30 December 2020);

- industry 4.0 credit, relating to generic assets that came into operation in the financial year ending 31 December 2020 (Art.1 paragraphs 184 to 194 of Law 160/2019), in the amount of Euro 27 thousand (the offsetting takes place in five annual instalments from the financial year 2021);

- industry 4.0 credit, relating to the interconnection of the new GMP production plant at the Rosia (Siena) site (Art.1 paragraphs 184 to 194 of Law 160/2019 and Art.1 paragraphs 1051 to 1063 of Law 178/2020), for Euro 2,586 thousand (compensation is made in three annual instalments from the date of interconnection);

- residual SME tax credit of Euro 58 thousand (SME tax credit recognised is Euro 500 thousand) for consultancy costs incurred for admission to listing on the EXM market (Art.1 paragraphs 89 to 92 of Law 205/2017 as amended);

- tax credit in favour of non-energy consuming companies in the amount of Euro 54 thousand relating to the second and third quarters of 2022 and to the two months of October-November 2022 and December 2022 (Article 3 of Decree-Law No. 21 of 21 March 2022, Article 6 paragraph 3 of Decree-Law No. 115 of 9 August 2022 and Article 1 paragraph 3 of Decree-Law No. 23 September 2022).

As of 31 December 2022, the portion of the above tax credits that can be offset up to 31 December 2023 is €4,041 thousand (€1,294 thousand as of 31 December 2021), while the non-current portion that can be offset as of 2024 is €2,987 thousand (€1,656 thousand as of 31 December 2021)

Figures in thousands of Euro	31 December 2022	31 December 2021
Tax receivables non-current portion	2.987	1.656
Other non-current assets	**2.987**	**1.656**

For more information on the utilisation rates of these receivables, please refer to Note 26.

The item 'Taxes payable' is broken down as follows:

Figures in thousands of Euro	31 December 2022	31 December 2021
Current income tax payables	383	-
Payables to tax authorities for withholdings	229	193
Other tax debts	57	116
Total tax payables	**669**	**309**

The Group has quantified a tax liability for current taxes in the amount of Euro 383, net of tax reliefs and past tax losses on the subsidiary's result for the year.

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

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

17. Other current financial assets

Changes in other current financial assets are analysed below:

Figures in thousands of Euro	Other current financial assets
Book value as at 01 January 2021	**49.984**
Increases	42.860
(Decreases)	(1.743)
Fair Value Adjustment Gains/Losses	1.696
Book value as at 31 December 2021	**92.797**
Increases	26.232
(Decreases)	(54.431)
Fair Value Adjustment Gains/Losses	(2.955)
Accrued income on maturing coupons	121
Book value as at 31 December 2022	**61.764**

The Group invests excess liquidity in financial instruments, held at Mediobanca, which also acts as manager, in accordance with the "Investment Management Policy" approved by the Board of Directors in May 2021 and amended in October 2022 in order to revise the parameters relating to *asset allocation* and to allow for greater profitability of the financial instruments in which the Group invests based on the characteristics of the financial market during 2022 characterised by high instability and volatility.

The item "Other current financial assets" includes:

i) the balance relating to financial instruments held in the portfolio, consisting of insurance policies, equity instruments and fund units, held for the purpose of collecting contractual cash flows and for sale and whose contractual terms do not provide for principal repayments and interest payments on the principal amount to be repaid (i.e. which do not pass the 'SPPI test'), which were mandatorily measured at *fair value* with impact recognised in profit (loss) for the period (FVTPL);
ii) the balance related to the bond segment of the outstanding portfolio, which was measured at *fair value* with no impact recognised in profit (loss) for the period (FVTOCI) (as they pass the so-called 'SPPI test').

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

Figures in Euro thousands	31 December 2022	31 December 2021
Other Financial Assets (FVTPL)		
Actions	3.408	2.285
Certificates	2.334	
Funds	4.192	7.191
Insurance investment products	28.905	82.815
Total	**38.839**	**92.291**
Other Financial Assets (FVOCI)		
Bonds	22.804	506
Accrued income on maturing coupons	121	-
Total	**22.925**	**506**
Total other current financial assets	**61.764**	**92.797**

The table above shows the change in *asset allocation that* occurred during 2022 following the amendment to the "Investment Management Policy" approved by the Board of Directors in October 2022. This change became necessary due to the instability of the financial markets throughout the year 2022.

In particular, it should be noted that in 2022 the market was characterised by an unusual volatility generated by the sharp rise in interest rates aimed at controlling inflation; inflation that we recall was initially declared transitory by central bankers, but which then manifested a very different matrix sustained also by the effect on raw materials of the war in Ukraine as well as the imbalances between supply and demand following the uneven post covid reopenings.

In line with the new 'Investment Management Policy', during the year ended 31 December 2022, the Group divested its portfolio for about Euro 51 million in order to invest in liquid instruments and short-term government bonds due to the high yields offered as a result of the numerous interest rate increases in 2022. In particular, it should be noted that insurance investment products decreased from Euro 82,815 thousand as of 31 December 2021 to Euro 28,905 thousand in the year ended 31 December 2022.

The securities portfolio decreased from Euro 92,797,000 as of 31 December 2021 to Euro 61,764,000 as of 31 December 2022, a change of Euro 31,033,000. This change is due to:

(i) Euro 54,431,000 related to disposals made during the year ended 31 December 2022;
(ii) Euro 26,263,000 related to investments made during the year ended 31 December 2022;
(iii) Euro 2,865,000 equal to the net capital losses from the *fair value* valuation of the securities portfolio as of 31 December 2022. This vol is composed as follows:
- Euro 2,879,000 related to net capital losses from the fair value measurement of financial assets recognised in the income statement;
- Euro 114,000 related to net capital losses from the valuation of financial assets at fair value recognised in OCI;
- Euro 6,000 related to the effect of the amortised cost of bonds valued at FVOCI as of 31 December 2022;
- Euro 121,000 related to accrued income on coupons accrued as of 31 December 2022.

18. Other current assets

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

Figures in thousands of Euro	31 December 2022	31 December 2021
Other current receivables	634	457
Other current assets	226	196
Other current assets	**860**	**653**

Other current receivables mainly refer to advances to third-party suppliers and receivables of various kinds.

Other current assets mainly comprise prepaid expenses relating to costs incurred in advance and recognised in the balance sheet for the relevant portion.

19. Cash and cash equivalents

The composition of cash and cash equivalents is detailed below:

Figures in thousands of Euro	31 December 2022	31 December 2021
Bank and postal deposits	24.443	8.879
Cash and valuables on hand	3	1
Cash and cash equivalents	**24.436**	**8.880**

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

It should be noted that in November 2022, the Group signed three term current account contracts for a total amount of Euro 16,000 thousand, of which (i) Euro 6,000 thousand at a rate of 2.05% expiring in July 2023, (ii) Euro 5,000 thousand at a rate of 2.35% expiring in November 2023 and (iii) Euro 5,000 at a rate of 2.6% expiring in May 2024. As of 31 December 2022, these deposits accrued interest in the amount of Euro 42 thousand not prudentially recognised in the financial statements as, the total amount accrued will be credited at the time of maturity, only if they are not released early.

Net Financial Indebtedness

The details of the Net Financial Indebtedness as of 31 December 2022 and 31 December 2021 are drawn up in accordance with the format of ESMA Guideline 32-382-1138 of 4 March 2021 and Consob's Attention Reminder No. 5/21:

Figures in thousands **Net financial debt**	31 December 2022	31 December 2021
(A) Cash and cash equivalents (*)	8.436	8.880
(B) Cash equivalents	16.000	-
(C) Other current financial assets	61.764	92.797
(D) Liquidity (A+B+C)	**86.200**	**101.677**
(E) Current financial debt	29	9
(F) Current portion of non-current financial debt	1.726	1.799
(G) Net current financial debt (E+F)	**1.755**	**1.808**
(H) NET CURRENT FINANCIAL DEBT (G-D)	**(84.445)**	**(99.870)**
(I) Non-current financial debt	14.007	14.685
(J) Debt instruments	-	-
(K) Trade and other current payables	-	-
(L) Non-current financial debt (I+J+K)	**14.007**	**14.685**
(M) NET FINANCIAL DEBT (H+L)	**(70.438)**	**(85.184)**

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

- '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 portion of non-current financial debt" (F) is classified under "Current financial liabilities" and "Current lease liabilities";
- "Non-current financial debt" (I) is classified under "Non-current financial liabilities" and "Non-current lease liabilities".

For more details on the change in cash flows for the period ending 31 December 2022, please refer to the Statement of Cash Flows.

Equity and Liabilities

20. Net assets

The statement of changes in consolidated shareholders' equity as at 31 December 2022 can be found in the financial statements section.

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

A. Share capital and shares

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

Categories Actions	31 December 2022
Ordinary shares (listed on the EXM market)	29.242.861
Special multiple-vote shares (Class B)	11.368.250
Total	**40.611.111**

It should be noted that the shares outstanding at the beginning of the financial year 2022 amounted to 11,250,240 and represented 27.70% of the share capital, whereas at the end of the financial year 2022, the shares outstanding amounted to 11,091,641 and represented 27.31% of the share capital.

The Parent Company did not issue any beneficial shares.

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

Ordinary shares

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

Multiple-voting shares

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

a) attribute a voting right in the assembly equal to 3 votes;
b) are automatically converted into Ordinary Shares at a ratio of one Ordinary Share for each Multiple Voting Share (without the need for resolutions either by the special meeting of the shareholders holding Multiple Voting Shares or by the shareholders' meeting of the Company) 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, in the ratio of one Ordinary Share for each Multiple Voting Share.

B. Nature and purpose of reserves

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

Figures in thousands of Euro	Nature	Possible uses	31 December 2022	31 December 2021
Capital			5.731	5.731

Negative reserve of own shares(*)			(2.461)	(537)
Share premium reserve	Capital	A, B, C	106.097	119.749
Legal reserve	Useful	A, B	892	892
FTA Reserve	Useful	A, B	(1.265)	(1.265)
Merger Surplus Reserve	Capital	A, B	449	449
Actuarial gains/losses reserve	Useful	A, B	(14)	(99)
Cash-flow hedge reserve	Useful	A, B	(186)	(5)
Financial instruments valuation reserve	Useful	A, B	(87)	-
Reserve from translation differences	Useful	A, B	1.261	1.048
Restricted profit reserve for capital increase to service the 2024-2026 Stock Grant Plan (**)	Useful	A	(124)	(124)
Share-based payment reserve(***)	Useful	A	125	21
Retained earnings (losses)	Useful	A, B, C	(7.121)	(5.049)
Profit (loss) for the year			(5.376)	(15.725)
Net assets			**97.921**	**105.087**

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

(**) The profit reserve is tied 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 date, 31 December 2026.

(***) The share-based payment reserve includes the fair value of the shares granted under the 2024-2026 Stock Grant Plan, First Cycle. More details on the Stock Grant Plan can be found in Note 27.

Legend:

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

C. Share-based payment incentive plan

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

To service the aforesaid Plan, the Shareholders' Meeting also resolved to increase the share capital free of charge, on a divisible basis, pursuant to Article 2349 of the Italian Civil Code, to be executed by the deadline of 31 December 2026, for a maximum amount of Euro 123.974 thousand, to be fully allocated to share capital, and to set up for the same amount, a specific reserve, taking it from the retained earnings reserve, called "Retained Earnings Reserve for Capital Increase to Service the 2024-2026 Stock Grant Plan", which will remain tied up to service the free share capital increase until the final subscription date.

On 28 September 2021, the Company's Board of Directors, at 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 assignment cycle 2021-2024, assigning a total of 145,000 Units.

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

The reserve as at 31 December 2022 represents the accrued cost to date of the shares to be granted to the beneficiaries relating to the first and second grant cycles.

Please refer to Note 27 of the consolidated financial statements for further information.

D. Purchases of own shares

On 24 November 2021, the Ordinary Shareholders' Meeting authorised the Company to purchase treasury shares, in order to (i) support the liquidity of Philogen S.p.A. stock(ii) operate with a view to medium- and long-term investment, intervening both on and off the market; (iii) set up a securities warehouse, to dispose of treasury shares in the context of agreements with strategic partners and/or corporate/financial operations of an extraordinary nature; (iv) fulfil obligations deriving from

incentive plans, whether or not for cash, in favour of company representatives, employees or collaborators of the Group (for more detailed information on the share buyback programme, please refer to paragraph 4.1 and 19.1 of the Report on Operations).

21. Employee benefits

This item includes all pension obligations and other benefits in favour of employees and executive directors, subsequent to the termination of employment or to be paid upon the accrual of certain requisites, and is represented by the provision for severance indemnities relative to the Parent Company's personnel and the provision for severance indemnities relative to the Parent Company's executive directors.

Severance pay:

Liabilities for post-employment benefits amounted to Euro 933,000 for the year ended 31 December 2022 (Euro 1,033,000 as of 31 December 2021). Changes for the year ended 31 December 2022 and 31 December 2021 are shown below:

Figures in thousands of Euro	31 December 2022	31 December 2021
Balance at the beginning of the period	1.033	847
Uses	(172)	(36)
Provision for severance pay	171	121
Financial charges	18	5
Actuarial gains/(losses)	(117)	96
Total employee benefits	**933**	**1.033**

Provisions related to employees 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 at 31 December 2022 and 31 December 2021, the provisions for employee benefits refer to the Employee Severance Indemnity Reserve (hereafter 'TFR') set aside and allocated to employees.

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

Below are the main assumptions made for the actuarial estimation process:

Economic recruitment	31 December 2022	31 December 2021
Annual inflation rate	2,30%	1,75%
Annual discount rate	3,63%	0,98%
Annual rate of increase of TFR	3,23%	2,81%

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

Demographic assumptions	31 December 2022	31 December 2021
Death	RG48 mortality tables published by the State General Accounting Office	RG48 mortality tables published by the State General Accounting Office
Inability	INPS tables broken down by age and gender	INPS tables broken down by age and gender
Retirement	100% upon reaching the AGO requirements adjusted to Legislative Decree No. 4/2019	100% upon reaching the AGO requirements adjusted to Legislative Decree No. 4/2019

Severance pay

The Termination Indemnity, provided for by the Remuneration Policy approved by the Shareholders' Meeting on 27 April 2022, consists of an annual provision in favour of the Company's Executive Directors, equal to one-twelfth of their annual remuneration net of actuarial adjustments, to be paid upon termination of office. For further details, please refer to section 4.5 of the Management Report.

Liabilities for severance pay amounted to €26,000 for the year ended 31 December 2022. Changes for the year ended 31 December 2022 and 31 December 2021 are shown below:

Figures in thousands of Euro	31 December 2022	31 December 2021
Balance at the beginning of the period	-	-
Uses	-	-
Provision for severance pay	27	-
Financial charges	0	-
Actuarial gains/(losses)	(1)	-
Total employee benefits	**26**	**-**

The actuarial valuation of post-employment benefits is performed using the 'accrued benefits' method by means of the '*Projected Unit* Credit' (PUC) criterion as provided for in paragraphs 67-69 of IAS 19.

Below are the main assumptions made for the actuarial estimation process:

Economic recruitment	31 December 2022	31 December 2021
Annual discount rate	3,34%	-
Annual fee revaluation rate	-	-

Demographic assumptions	31 December 2022
Death	RG48 mortality tables published by the State General Accounting Office
Inability	INPS tables broken down by age and gender
Retirement	100% upon fulfilment of AGO requirements
Frequency of revocation	0,00%

22. Current and non-current financial liabilities

The following table shows the changes in current and non-current financial liabilities for the years ended 31 December 2021 and 31 December 2022:

Figures in thousands of Euro	**Amount**
Financial liabilities as at 01 January 2021	**5.723**
Financing ignitions	-
Financial liabilities from hedging derivatives	6
Liabilities for interest on loans	7
Capital repayments	(1.074)
Exchange rate effect	(11)
Financial liabilities as at 31 December 2021	**4.651**
Financing ignitions	-
Financial liabilities from hedging derivatives	239
Liabilities for interest on loans	11
Capital repayments	(1.030)
Exchange rate effect	-
Financial liabilities as at 31 December 2022	**3.871**
Of which current	884
Of which non-current	2.987

Figures in thousands of Euro	**31 December 2022**	**31 December 2021**
Current financial liabilities	884	1.064
Non-current financial liabilities	2.987	3.587
Total financial liabilities	**3.871**	**4.651**

Financial liabilities are represented by:

1) medium/long-term loan stipulated with Banca Intesa S.p.A. (formerly UBI Banca S.p.A), amounting to €3,580 thousand as of 31 December 2022, and €4,393 thousand as of 31 December 2021. The decrease compared to 31 December is attributable to the repayment of the principal amounts made in 2022. The two loans were stipulated on 5 January 2021 for a total amount of €5,000 thousand and are composed as follows:

(i) a loan in the amount of €2,350,000, maturing on 7 January 2027, with a variable rate equal to the three-month EURIBOR rate plus a spread of 1.15%;

(ii) a loan in the amount of €2,650,000, maturing on 7 April 2024, with a variable rate equal to the three-month EURIBOR rate plus a spread of 1.15%.

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

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

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

-equity of EUR 50 million or more.

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

In the year ended 31 December 2022, the commercial and financial *covenants* were met.

It should also be noted that these loans were taken out in order to partially finance the expansion project of the Rosia (Siena) site, which envisages the construction of a new biotechnology "GMP" plant for the production of pharmaceuticals for the market and additional to the Montarioso (Siena) site, for a total value of about €12 million, financed partly with the Company's liquidity and partly through the two loans mentioned above.

2) The residual balance consists of payables given by the *market-to-market* valuation of the derivative hedging the interest on the Banca Intesa S.p.A. loans described above, interest accrued as of 31 December 2022 also on these loans, and payables due to banks for the debit balances of the corporate credit cards.

In order to verify the hedging of the derivative, a hedge effectiveness test was performed, based on the requirements of IFRS 9. From the checks carried out, it emerged that the derivative meets the substantial requisites for the application of *hedge accounting in* accordance with IFRS 9, considering the substantial alignment between the characteristics of the derivative and those of the underlying loan. For the purposes of the analysis, a quantitative verification of the effectiveness of the hedging relationship was carried out; this verification was performed by measuring and comparing the fair value of the derivative actually stipulated by the Company with that of the liability being hedged, measured in terms of a hypothetical derivative. The checks carried out showed that the hedging relationship in question had no ineffectiveness to be recognised in the Income Statement at the date under examination.

At 31 December 2022, the *fair value* of the hedging derivative on the loan was €244,000, of which €216,000 related to current loans and €28,000 related to non-current loans.

It should be noted that on 10 March 2023, due to favourable market conditions, the Company extinguished this derivative and cashed in €243 thousand. At the same time, the Company, in order to hedge the risk associated with the variable interest rates of these loans, signed with the Banca Intesa S.p.A. Group a new hedging option called "Single Premium Protected Rate", which envisages the payment of an initial premium by receiving any positive difference between the variable rate of the loan (3-month EURIBOR) and the CAP rate (3%); if the variable rate is higher than the CAP rate, the bank's protected rate will be equal to the difference between the variable rate and the CAP rate, otherwise the parameter rate will be zero.

23. Trade payables

Trade payables to suppliers amounting to Euro 6,351,000 as of 31 December 2022 (Euro 5,826,000 as of 31 December 2020) are mainly attributable to payables to clinical centres at which the Group performs clinical trials and for the remainder to other suppliers of services and consumables.

Below are the changes in trade payables during the year ended 31 December 2022:

Figures in thousands of Euro	31 December 2022	31 December 2021
Trade payables	6.351	5.826
Total trade payables	**6.351**	**5.826**

Breakdown of debts by geographical area

Figures in thousands of Euro	Geographical area	
	31 December 2022	31 December 2021
Italy	2.961	3.066
European Union	2.411	1.692
Outside the European Union (USA)	507	284
Non-EU (other)	472	784
Total trade payables	**6.351**	**5.826**

24. Other current liabilities and non-current liabilities

The Group's other current liabilities for the year ended 31 December 2022 and 31 December 2021 are detailed below:

Figures in thousands of Euro	31 December 2022	31 December 2021
Payables to social security institutions	456	452

Accrued expenses and deferred income	541	87
Other debts	1.013	894
Other current liabilities	**2.010**	**1.433**

Payables to social security institutions express the amount of payables to INPS and INAIL for withholdings to be paid and amounted to €456,000 as of 31 December 2022 and were substantially unchanged from the year ended 31 December 2021.

Other payables, amounting to Euro 1,013,000 as of 31 December 2022, mainly refer to:

- Payables to employees for outstanding salaries and wages amounted to Euro 959,000;

- Other payables of various kinds in the amount of Euro 54,000.

Accrued expenses and deferred income" in the amount of Euro 541 thousand are mainly attributable to the deferred income of the contribution related to the Industry 4.0 tax credit certified in the year 2022 for a total of Euro 2,586 thousand and specifically to its method of accounting as a contribution on account of plants correlated to the duration of the depreciation of the assets subject to the facilitation. For this reason, in the year ended 31 December 2022, the Industry 4.0 deferrals are classified among current liabilities for the portion that will be reversed to the income statement within the year 2023 for €306 thousand (€74 thousand as of 31 December 2021) and among non-current liabilities for the portion beyond the year 2023 for €1,962 thousand (€156 thousand as of 31 December 2021).

Other non-current liabilities are detailed below:

Figures in thousands of Euro	31 December 2022	31 December 2021
Deferred income non-current portion	1.962	156
Other non-current liabilities	**1.962**	**156**

Other information

25. Commitments

It should be noted that, as at 31 December 2022 and 31 December 2021, there were no commitments not reflected in the balance sheet.

26. Information pursuant to Article 1(125) of Law No. 124/2017

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

Tax Credits:

Nature of the contribution	Contribution amount
Research & Development Credit 2020	**1.008**
Amount offset 2021	232
Amount offset 2022	447
Amount to be offset 2023	329
Research & Development Credit 2021	**1.782**
Amount to be offset 2022	594
Amount to be offset 2023	594
Amount to be offset 2024	594
Process Innovation Credit 2021	**167**
Amount offset 2021	56
Amount to be offset 2023	56
Amount to be offset 2024	56

Research & Development Credit 2022	**1.838**
Amount to be offset 2023	613
Amount to be offset 2024	613
Amount to be offset 2025	613
Process Innovation Credit 2022	**251**
Amount to be offset 2023	84
Amount to be offset 2024	84
Amount to be offset 2025	84
Industry 4.0 generic goods credit year 2020	**46**
Amount offset 2021	9
Amount offset 2022	9
Amount to be offset 2023	9
Amount to be offset 2024	9
Amount to be offset 2025	9
Industry 4.0 generic goods credit year 2021	**193**
Amount offset 2022	193
Industry 4.0 Credit 2022	**2.586**
Amount to be offset 2022	816
Amount to be offset 2023	844
Amount to be offset 2024	844
Amount to be offset 2025	28
Amount to be offset 2026	28
Amount to be offset 2027	28
Energy Credit II Quarter 2022	**11**
Amount offset 2022	11
Energy Credit Q3 2022	**20**
Amount to be offset 2023	20
Energy Credit October-November 2022	**25**
Amount to be offset 2023	25
Energy Credit December 2022	**10**
Amount to be offset 2023	10
SME listing credit	**500**
Amount offset 2022	442
Amount to be offset 2023	58
ACE credit	**180**
Amount offset 2022	180
Total credits	**8.605**
Offset credits	1.578
To be compensated	7.037

Project collection

Project	Description	Collection date	Contribution collected 2022
European Commission "European Consortium for High-Throughput Research in Rare Kidney Diseases.' Acronym: 'EURenOmics', the coordinator UNIVERSITAETSKLINIKUM HEIDELBERG Grant agreement № HEALTH-F5-2012-305608 "Clinical proof of concept through a randomised phase II study: a combination of immunotherapy and stereotactic ablative radiotherapy as a curative treatment for limited metastatic lung cancer. " Acronym: 'IMMUNOSABR', the coordinator UNIVERSITEIT MAASTRICHT Grant Agreement number: 733008	The European Call for Proposals was realised in partnership with a co-financing of a non-repayable contribution of 75% of eligible costs on dedicated project investments to R&D. FP7 intervention line The European Call for Proposals was realised in partnership with a co-financing of a non-repayable contribution of 100% of eligible costs on dedicated project investments to R&D. Line of action HORIZON 2020	06/04/2022	1
Tuscany Region	The Project facilitates investments in industrial research and	14/04/2022	93

Notice 3 "Research and development projects implementing the Settlement Protocols". Project title: 'New GMP infrastructure for clinical experimental research'. NEW GMP acronym. Project number CU D-53D1700044009		experimental development. Lineof intervention POR CREO 2014/2020 - Action 1.1.5 sub-action a1). The intensity of the non-repayable contribution is 50% of the eligible costs in Industrial Research.	
Fondimpresa			
Reimbursement of training plan fee		21/02/2022	1
Reimbursement of training plan fee		21/09/2022	1
Total contributions received 2022			**96**

Provision for ongoing projects:

Provision for ongoing projects	**31 December 2022**
Acc.to Magicbullet Project	92
Total provision for ongoing projects	**92**

27. Share-based payment incentive plan

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

To service the aforesaid Plan, the Shareholders' Meeting also resolved to increase the share capital free of charge, on a divisible basis, pursuant to Article 2349 of the Italian Civil Code, to be executed by the deadline of 31 December 2026, for a maximum amount of Euro 123.974 thousand, to be fully allocated to the share capital, and to set up for the same amount, a specific reserve, taking it from the retained earnings reserve, called "Restricted earnings reserve for capital increase to service the 2024-2026 Stock Grant Plan", which will remain restricted to service the free share capital increase until the final subscription date.

In addition to the first cycle assigned on 28 September, which envisages a total of 145,000 units, on 11 October 2022, the Company's Board of Directors, subject to the positive opinion of the Appointments and Remuneration Committee, identified the beneficiaries and defined the performance objectives and related targets, of the second cycle of assignment 2022-2025, assigning a total of 139,000 units.

Summary of the Regulation

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

- the allocation of a certain number of Units (free of charge) to the beneficiaries;
- the definition, at the allocation stage, of *performance* targets;
- a three-year *performance* period;
- the allocation of shares to beneficiaries, subject to the achievement of *performance* targets over the three-year period.

The object of the Plan is the assignment of a maximum of 877,286 Units that grant the right to receive, free of charge, a maximum of 877,286 shares corresponding to approximately 3% of the current share capital, with reference to ordinary shares only. The beneficiaries receive the shares following the allocation decided by the Board of Directors at the end of the performance period for each cycle of the Plan.

At the end of each Performance Period, the Board of Directors will assess whether the gate, if any, has been passed and whether the performance objectives have been achieved, determining the number of shares to be granted to each

beneficiary. In particular, the Board of Directors, after ascertaining that the gate, if any, has been exceeded, will evaluate the following

a) achievement of the corporate objectives: for each Cycle of the Plan, the allocation of the shares is subject to the condition that the corporate objectives connected to the Company's performance and/or the performance of the stock that will be identified by the Board of Directors for each beneficiary are achieved, in whole or in part. The Board of Directors, in consultation with the Nomination and Remuneration Committee, verifies 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 Nominations and Remuneration Committee, has drawn up individual objectives for the individual beneficiaries of the Plan based on criteria that are mainly oriented (i) to the development of the projects in which the individual Beneficiary is involved; (ii) to the achievement of the results of such projects in accordance with the methods and timescales set by the Company and/or the Group; (iii) to obtaining authorisations from the competent authorities in the biotechnology sector for the commercialisation of the products developed by the Company and/or the Group; (iv) to the conclusion of commercial agreements with leading companies in the research and development sector in which the Company operates. The Board of Directors, having consulted with the Appointments and Remuneration Committee, verifies the achievement of individual objectives at the end of the performance period of each Plan cycle.

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

Individual performance targets will be measured with reference to the specific three-year period of each cycle, starting from the relevant date of assignment.

The Plan will end on the day coinciding with the allocation date of the shares for the third Cycle.

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

Evaluation Criteria

The valuation of the second cycle of the Plan (2022-2025) was carried out reflecting the financial market conditions valid on the grant date (11 October 2022).

The assessment was carried out considering separately the two performance objectives, corporate and personal, assigned to each beneficiary. Specifically, the corporate performance component (so-called 'market based') linked to the achievement of the gate and target of the Company's stock was estimated using a stochastic simulation with the Monte Carlo Method that, on the basis of appropriate assumptions, allowed for the definition of a substantial number of alternative scenarios over the time period considered.

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

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

In particular, 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	Expiry date	Course on the date of evaluation	Annual volatility	Dividend rate	Exit rate
145.000	28 September 2021	30 September 2024	13,340	30%	0%	14%

Second allocation cycle 2022-2025

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

Overall evaluation results

With regard to the first allocation cycle at 31 December 2022, the value of the Plan was updated following the exit of three Group employees, who were beneficiaries of the Plan at the date of the first valuation. The total *fair value* went from Euro 250 thousand at 31 December 2021 to Euro 214 thousand at 31 December 2022. The portion pertaining to 31 December 2022 was Euro 46 thousand relating to Philochem AG and Euro 29 thousand relating to Philogen S.p.A..

A total *fair value of* Euro 527 thousand emerged for the second assignment cycle, of which Euro 152 thousand related to the Company and Euro 375 thousand related to the subsidiary. The portion pertaining to the year ended 31 December 2022 was Euro 29 thousand, of which Euro 21 thousand related to Philochem AG and Euro 8 thousand related to Philogen S.p.A..

28. 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 causes a financial loss by failing to fulfil a contractual obligation and arises mainly from the Group's trade receivables and debt securities.

The carrying amount 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 the typical variables of the Group's customer portfolio, including the insolvency risk of the industry and country in which the customers operate. Contract business has primary counterparties in pharmaceutical and multinational companies with a low risk profile.

Liquidity risk

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

The Group ensures that cash on hand and other securities exceed 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.

An analysis of maturities for trade receivables and payables and for financial liabilities as at 31 December 2022 is presented below:

Figures in thousands of Euro	**31 December 2022**

	Within 90 days	90 days to 1 year	1 to 5 years	Over 5 years	Total
Leasing liabilities	217	654	2.854	8.166	**11.891**
Financial liabilities	256	628	2.987	-	**3.871**
Trade payables	6.351	-	-	-	**6.351**
Total	**6.824**	**1.282**	**5.841**	**8.166**	**22.114**

Figures in thousands of Euro	31 December 2022				
	Within 90 days	90 days to 1 year	1 to 5 years	Over 5 years	Total
Trade receivables	885	-	-	-	**885**
Total	**885**	**-**	**-**	**-**	**885**

In addition to cash and cash equivalents, the Group holds a portfolio of financial investments totalling €61,764,000 as of 31 December 2022 that is readily liquid and can be used to meet any liquidity needs. Please refer to Note 19 of the 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 optimising investment returns.

Exchange rate risk

The Group is exposed to exchange rate 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 reference currency is the euro, Philogen is subject to the exchange rate risk arising from the translation of the financial statements of the Swiss subsidiary Philochem AG, which affects the consolidated net result and consolidated equity (translation risk).

In the year ended 31 December 2022, revenues from contracts with customers were mainly realised in Euro (the Group's functional currency) and accounted for approximately 79% of total revenues.

Below is a breakdown of revenue from customers by currency for the years ended 31 December 2022 and 2021:

Figures in thousands of Euro	Year ended 31 December			
	2022	%	2021	%
US Dollar (USD)	3.112	13%	2.189	88%
Euro (EUR)	18.815	79%	307	12%
Swiss Franc (CHF)	1.786	8%	-	-
Total revenue from contracts with customers	**23.713**	**100%**	**2.496**	**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 years ending 31 December 2022 and 2021:

Figures in thousands of Euro in absolute value	Year ended 31 December	
	2022	2021
US Dollar (USD)	31	22
Euro (EUR)	188	3
Swiss Franc (CHF)	18	-
Total effect on revenues from contracts with customers	**237**	**25**

The Group also incurs operating costs in foreign currencies, mainly in US Dollars and Swiss Francs. Details of operating costs by currency for the years ended 31 December 2022 and 2021 are shown below:

Figures in thousands of Euro	Year ended 31 December			
	2022	%	2021	%
US Dollar (USD)	985	4%	604	3%
Euro (EUR)	20.161	75%	15.674	72%
Pounds Sterling (GPB)	48	-	20	-
Polish Zloty (PLN)	6	-	2	-
Swiss Franc (CHF)	5.855	22%	5.439	25%
Total operating costs	**27.056**	**100%**	**21.739**	**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 years ended 31 December 2022 and 2021:

Figures in thousands of Euro in absolute value	Year ended 31 December	
	2022	2021
US Dollar (USD)	10	6
Euro (EUR)	202	157
Pounds Sterling (GPB)	-	-
UAE Dirham (AED)	-	-
Polish Zloty (PLN)	-	-
Swiss Franc (CHF)	59	54
Total effect on operating costs	**271**	**217**

The Group does not use exchange rate hedging instruments.

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

Figures in thousands of Euro	31 December 2022	31 December 2021
EUR	59.768	90.776
GBP	-	-
RUB	-	-
USD	1.996	2.021
TRY	-	-
Total Current Financial Assets	**61.764**	**92.797**

Financial investment risk management

Following careful financial planning, the Parent Company invested the portion of liquidity 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 securities depository banks. Constant information on the solvency of issuers, country risk and market variables is made available to the company in order to take prompt corrective action.

Based on the logic described in Note 17 'Other current financial assets', to which reference is made for further details, the Group adopted an HTCS business model. Failure to pass the SPPI Test resulted in its valuation at FVTPL, while passing the SPPI Test resulted in its valuation 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 14 March 2022, the Company, despite not having relations with Russia and Ukraine, continues to monitor the impact on the financial markets of the War in Ukraine and the sanctions adopted against Russia.

29. Disclosure of financial instruments

Categories of financial assets and liabilities

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

Figures in thousands of Euro	31 December 2022	31 December 2021
Financial assets:		
Financial assets measured at amortised cost		
Trade receivables	885	688
Current financial assets	-	-
Cash and cash equivalents	24.436	8.880
Other current assets	860	653
Financial assets measured at *fair value*		
Current financial assets	61.764	92.797
Non-current financial assets	-	-
Total financial assets	**87.945**	**103.018**
Financial liabilities measured at amortised cost		
Non-current financial liabilities	2.987	3.587
Non-current Lease Liabilities	11.020	11.099
Current financial liabilities	884	1.064
Current lease liabilities	871	743
Trade payables	6.352	5.826
Other current liabilities	2.010	1.590
Total financial liabilities	**24.124**	**23.909**

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

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

Fair Value Disclosure

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

The following tables summarise the financial assets and liabilities measured at *fair value*, broken down according to the levels in the hierarchy:

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

Figures in thousands of Euro	31 December 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Current financial assets measured at *fair value* in the profit (loss) for the period	32.859	28.905	-	**61.764**
Total assets measured at *fair value*	**32.859**	**28.905**	-	**61.764**

Financial assets in level 1 of the *fair value* hierarchy refer to securities in the portfolio relating to bonds, equities and units of investment funds listed on regulated markets. Please refer to Note 17 for more details.

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

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

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

30. Related Parties

On 12 May 2022, the Board of Directors of the Parent Company reviewed the contents of the 'Procedure for Related Party Transactions', previously approved on 27 April 2021, and approved a new version of the aforementioned procedure, pursuant to Article 2391-bis of the Italian Civil Code and the Related Parties Regulation, after receiving the favourable opinion of the Independent Directors, who expressed their opinion on 11 May 2022 (for more details on the Related Parties Procedure, please refer to section 8 of the Interim Report on Operations).

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

Total transactions with related parties are summarised below.

Period ended 31 December 2022

Figures in thousands	Related part						
	Rendo S.r.l.	Rendo AG	Strategic managers	Administrators and Endoconsiliar Bodies	Board of Auditors	Total	Inc. % on balance sheet item
Statement of Financial Position							
Activities by right of use	6.558	3.112	-	-	-	**9.670**	98%
Trade receivables	642					**642**	73%
Financial liabilities for current leases	510	261	-	-	-	**771**	88%
Financial liabilities for non-current leases	6.279	4.550	-	-	-	**10.829**	98%
Employee Benefits	-	-	-	26	-	**26**	3%
Payables to corporate bodies(*)	-	-	-	15	60	**75**	1%
Other current liabilities	-	-	51	115	-	**166**	8%
Profit and Loss Account							
Depreciation	592	206	-	-	-	**798**	29%
Costs for services	-	-	-	1.202	63	**1.265**	12%
Personnel costs	-	-	660	-	-	**660**	6%
Financial charges	193	151	-	-	-	**344**	6%

(*)In the balance sheet, payables to corporate bodies are included under 'Trade payables'.

Period ended 31 December 2021

Figures in thousands	Related part						
	Rendo S.r.l.	Rendo AG	Strategic managers	Administrators and Endoconsiliar Bodies	Board of Auditors	Total	Inc. % on balance sheet item
Statement of Financial Position							
Activities by right of use	6.803	3.167	-	-	-	**9.970**	100%
Financial liabilities for current leases	472	241	-	-	-	**713**	96%
Financial liabilities for non-current leases	6.459	4.586	-	-	-	**11.045**	100%
Payables to corporate bodies(*)	-	-	-	15	63	**78**	1%
Other current liabilities	-	-	41	-	-	**41**	2%
Profit and Loss Account							
Depreciation	555	192	-	-	-	**747**	40%
Costs for services	-	-	-	1.040	63	**1.103**	12%
Personnel costs	-	-	660	-	-	**660**	7%
Financial charges	196	147	-	-	-	**343**	33%

(*)In the balance sheet, payables to corporate bodies are included under 'Trade payables'.

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

Remuneration of directors, strategic managers, auditors, other endoconsiliar bodies and the 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	31 December 2022	31 December 2021
Duccio Neri - Executive Chairman	300	300
Dario Neri - CEO	150	150
Giovanni Neri - Managing Director	90	90
Sergio Gianfranco Luigi Maria Dompé - Director	30	30
Roberto Marsella - Director	11	32
Nathalie Francesca Maria Dompé - Director	30	30
Leopoldo Zambeletti Pedrotti	30	30
Roberto Ferraresi	32	32
Guido Guidi	32	32
Marta Bavasso (*)	30	25
Maria Giovanna Calloni	21	-
Other Directors (**)	144	174
Total fees	**900**	**925**
Monetary Incentive Plan (***)	153	115
Severance pay (****)	149	
Total	**1.202**	**1.040**

(*) Lead Independent director.

(**) The item Other directors includes the remuneration of the Board of Directors of the subsidiary (Philochem)

(***) The cost for the MBO Plan envisaged for executive directors (section 4.5 of the Directors' Report) includes the last instalment for the MBO 2021 and the provision for the MBO 2022 plan envisaged for executive directors.

(****) The Termination Indemnity (TFM) includes the portion of TFM paid for the outgoing executive directors (end of term with the approval of the financial statements as at 31 December 2021) and the TFM set aside related to the new office conferred on the executive directors (appointed with the Share holders' Meeting on 27 April 2022). Please refer to section 4.5 of the interim report on operations.

ii) Strategic managers

Figures in thousands	31 December 2022	31 December 2021
Duccio Neri	100	100
Dario Neri	350	350
Giovanni Neri	210	210
Remuneration Strategic Managers	**660**	**660**

Pursuant to the resolution of the Board of Directors of 16 December 2020, the three executive members of the Board of Directors were appointed as strategic executives as of 1 January 2021, by virtue of the reorganisation of corporate governance following the listing process.

iii) Board of Auditors

Figures in thousands	31 December 2022	31 December 2021
Stefano Mecacci - President	27	27
Pierluigi Matteoni - Standing auditor	18	18
Marco Tanini - Standing Auditor(*)	0	3
Alessandra Pinzuti - Statutory Auditor	18	15
Remuneration Board of Auditors	**63**	**63**

(*) Acting auditor until March 2021.

iv) Endoconsiliar organs

Figures in thousands	31 December 2022	31 December 2021
Marta Bavasso	30	25
Roberto Marsella	7	17
Leopoldo Zambeletti Pedrotti	3	8
Roberto Ferraresi	17	8
Maria Giovanna Calloni	13	-
Remuneration of Endoconsiliar Committees	**70**	**58**

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

Remuneration and Appointments Committee: Marta Bavasso (Chairman), 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 President. 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 the Director Guido Guidi and Wofgang Berdel and Cornelia Halin Winter, who collaborate with the Group as consultants, due to their experience in scientific fields related to the Group's research area.

Accounting Principles

31. Evaluation Criteria

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

These consolidated financial statements have also been prepared on a going concern basis. The assessment of this assumption made by the Directors takes into consideration the Group's current development strategies, the Group's equity and financial position and the possibility of reviewing the timing and structure of its development strategy, as well as its ability to obtain the financial resources necessary to continue its activities, also through licensing some of its proprietary products to third parties through *outlicensing* agreements.

32. Main accounting principles

Drafting Criteria

The consolidated financial statements consist of the mandatory financial statements required by IAS 1. All schedules comply with the minimum content required by international accounting standards and the applicable provisions of the national legislator and Consob. The schedules used are deemed adequate for the purpose of providing a fair representation of the Group's financial position, results of operations and cash flows; in particular, it is believed that the income statements reclassified by nature provide reliable and relevant information for the purpose of correctly representing the Group's economic performance. The schedules that make up the Financial Statements are as follows:

Consolidated Statement of Financial Position

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

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

- expected to be realised/extinguished or expected to be sold or utilised in the normal operating cycle of the Group;
- is owned primarily for the purpose of being traded;
- is expected to be realised/extinguished within 12 months from the balance sheet date.

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

Consolidated Income Statement

The classification of costs is by nature, showing the intermediate results for operating profit and pre-tax profit.

Consolidated Statement of Comprehensive Income

The statement includes the components constituting the result for the period and income and expenses recognised directly in equity for transactions other than those with shareholders.

Consolidated Statement of Changes in Equity

The table illustrates the changes in equity items related to:

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

Consolidated Cash Flow Statement

The Statement of Cash Flows is presented using the indirect method, whereby net income is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past 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 according to the type of underlying transaction that generated them.

Cash and cash equivalents included in the cash flow statement comprise the balance sheet balances of this item at the reporting date. Cash flows in foreign currencies were converted 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 a cash equivalent, it must be readily convertible to 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 the subsidiary Philochem AG, a company under Swiss law in which the Parent Company holds a controlling interest pursuant to Article 26 of Legislative Decree 127/91. Summarised information on the Group companies and consolidation methods is shown below:

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

Subsidiaries are those entities in which the Group has control, i.e. where the Group is exposed to variable returns arising from its relationship with the entity, or has rights to such returns, while having the ability to influence them by exercising 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 to bring them into line with the accounting principles and valuation criteria of the parent company in the event of significant differences. All Group companies close their financial year on 31 December.

The book value of participations in companies included in the consolidation is eliminated against the corresponding fractions of the shareholders' equity of the investees, attributing to the individual assets and liabilities their current value at the date of acquisition. Any residual difference, if positive, is recorded under non-current assets and, residually, under goodwill; if negative, it is charged to the income statement.

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

When preparing consolidated financial statements, the balances of intra-group transactions and unrealised intra-group revenues and expenses are eliminated. Unrealised losses are eliminated, as are unrealised gains, to the extent that there are no indicators that they are impaired.

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 denominated in a foreign currency at the end of the reporting period are translated into the functional currency using the exchange rate at that date. Non-monetary items that are measured at *fair value in a foreign currency are translated into the functional currency using* the exchange rates in effect at the date the *fair value* was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the same date of the transaction. Exchange differences arising from translation are generally recognised in profit/(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 converted into euros using the exchange rate at the end of the reporting period. Revenues and expenses of foreign operations are converted into euros using the exchange rate in effect at the date of the transactions. Exchange rate differences are recognised in other comprehensive income and included in the translation reserve, except for exchange

rate differences that are attributed to non-controlling 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 profit/(loss) for the period as an adjustment to the gain or loss on disposal.

The exchange rates used at 31 December 2021 and 31 December 2020 for the conversion of income statement and balance sheet items in foreign currencies are summarised in the following table and refer to the subsidiary Philochem:

Exchange rates (CHF/EUR)	2022	2021
Spot exchange rate as at 31 December (for conversion of assets and liabilities)	0,98470	1,0331
Average exchange rate for the year (for conversion of costs and revenues)	1,00518	1,0814

Changes in International Accounting Standards, Interpretations and Amendments

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

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

By Regulation (EU) No. 2020/1434 of 9 October 2020, published in the Official Journal of the European Union on 12 October 2020, the IASB document 'Concessions on royalties related to COVID-19 (amendment to IFRS 16 Leases)' was adopted ('endorsed').

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

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

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

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

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

Amendments to the References to the Conceptual Framework in IFRS Standards

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

Amendments to IFRS 3 - Defining a Business

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

Amendments to IAS 1 and IAS 8

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

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

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

Revenues from contracts with customers

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

IFRS 15 'Revenue from contracts with customers' defines the criteria for recognising and measuring revenue from contracts with customers. In general, IFRS 15 requires the recognition of revenue at 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 five steps:

(i) identification of the contract with the customer;

(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 *performance* obligations identified on the basis of the stand-alone selling price of each good or service;

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

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

With regard to contracts for the granting of licensing rights to the Group's intellectual property, first of all it is analysed whether the granting of licensing rights is distinguishable from other *performance obligations*. The Group recognises separate performance obligations when:

- the customer 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 the other promises in the contract.

If it is found that the granting of a licence right is indistinguishable from the promise to transfer other goods or services, the Group accounts for the promise to grant a licence and the other promised goods or services as a single obligation to do so.

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

- The contract provides for, or the client expects, the Group to carry out 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;

- The rights arising from the licence expose the customer to positive/negative effects on the Group's activities with regard to intellectual property.

If the granting of the licence right confers a right of access to the intellectual property, revenue is recognised *over* the term of that right ("*over time*"). Conversely, if the licence is a right to use the intellectual property, the related revenue is recognised at the time the right is granted ("*at a point in time*").

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

Type of consideration	**Accounting Recognition**
Up-front Fees	They represent consideration received in advance of the conclusion of the contract. If they relate to the granting of licence fees, they are recognised: — *at point in time*, in the case of rights of use of intellectual property; — *over time*, in the case of access rights to intellectual property. If no specific goods/services transferred to the customer are identified at the time of collection of the *up-front fee*, such collection represents an advance and is recognised as revenue in the future when the *performance obligations* are fulfilled ("*over time*"). The Group issues an invoice for the *up-front fee* upon conclusion of the contract. This invoice is usually due in 30 days. The payment terms do not provide for commercial discounts.
Commercial Option Fees	If the licence right is separable from other obligations to do things, they are recognised as rights to use the intellectual property and the related revenue is recognised *at a point in time when* the licence right is granted. If the licence fee is not separable from the other obligations to *perform*, this receipt represents an advance and is recognised as income in the future when the *performance obligations* are fulfilled ("*over time*"). The Group issues an invoice for the *commercial* option *fee* at the same time as the customer's notification of the wish to exercise that option. This invoice is usually due in 30 days. The payment terms do not provide for commercial discounts.
Milestones	They represent variable payments conditional on the achievement of certain significant milestones in product development (e.g. the start of Phase III clinical trials). Upon entering into the contract, management assesses whether achievement of the *milestones* is highly probable and estimates the amount to be included in the transaction price using the *most likely amount* method. If it is probable that no subsequent significant revenue reversal will occur, the *milestone* value is included in the transaction price. Payments related to events which are not under the Group's control and which typically depend on obligations to do on the part of the counterparty (such as product approval by regulatory authorities or the achievement of research steps conducted by the customer), are not considered highly probable until there is certainty that the *milestone* will be achieved (e.g. a communication from the customer or regulatory authorities).

	At the end of each financial 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's notification of the achievement of the target/event. This invoice is usually due in 30 days. There are no commercial discounts in the payment terms.
Royalties (based on sales)	The Group recognises sales-based royalty revenue only when (or as and when) the last of the following events occurs: — subsequent sale or use; and — the performance (or partial performance) of the obligation to do all or part of the sales-based royalty.

With 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 recognises 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 utilises the benefits of the service provided by the Group as it performs it;
- the Group's performance creates or improves the activity that the customer controls as the activity is created or improved;
- the performance does not create an asset with an alternative use for the Group and the Group has the enforceable right to payment for the completed performance up to the relevant date.

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

Public Contributions

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

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

Grants that offset costs incurred by the Group are recognised 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.

Recognition of costs

Costs are recognised 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 recognised on an accrual basis based on the interest accrued on the net value of the related financial assets and liabilities using the effective interest rate.

Financial expenses are accounted for on an accrual basis and recognised in the income statement in the period in which they accrue.

Financial income is recorded on the basis of the actual rate of return on an accrual basis.

The Group's financial income and expenses include:

- interest income;
- interest expenses;
- dividends received;
- net gains or losses from financial assets to the FVTPL;
- net gains or losses from financial assets to FVOCI;
- exchange gains or losses on financial assets and liabilities;
- reclassifications of net gains or losses previously recognised in other comprehensive income on cash flow hedges related to interest rate risk and foreign exchange risk for borrowings.

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

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

- the gross book value of the financial asset; or
- to the amortised cost of the financial liability.

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

Taxes

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

The Group has determined that interest and penalties relating to income taxes, including the accounting treatment 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 the taxable income or tax loss for the year, as well as any adjustments to taxes for prior years. The amount of taxes payable or receivable, determined on the basis of tax rates in effect or substantively in effect at the end of the reporting period, also includes the best estimate of any amount payable or receivable that is subject to uncertainty. Current taxes also include any taxes related to dividends.

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

ii) *Deferred taxes*

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

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

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that future taxable profit will be available against which these assets can be utilised. Future taxable income is defined on the basis of the

reversal of the related deductible temporary differences. If the amount of the taxable temporary differences is not sufficient to recognise a deferred tax asset in full, the future taxable income, adjusted for the reversal of existing temporary differences, provided for in the business plans of the individual Group companies is considered. The value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that the related tax benefit will be realised. These reductions must be reinstated when the probability of future taxable income increases.

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

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

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

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

Operating Profit

Operating profit 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 the operating result.

Earnings per share

The calculation of basic earnings per share was based on 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 performed 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 measured at cost, including capitalised borrowing costs, less accumulated depreciation and impairment losses.

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

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

ii) *Subsequent costs*

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

iii) *Amortisation*

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

The estimated useful lives of the current and comparative periods 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 recognised in profit/(loss) for the period in which they are incurred. Development expenditure is capitalised only if the cost attributable to the asset during its development can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends and has sufficient resources to complete its development and to use or sell the asset. Other development expenditure is recognised in profit/(loss) for the period as incurred. Capitalised development expenditure is recognised at cost less accumulated amortisation and any accumulated impairment losses.

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

Other Intangible Assets: other intangible assets, patents and licences that have a finite useful life, are recognised at cost less accumulated amortisation and impairment losses, if any.

ii) *Subsequent costs*

Costs subsequent to initial recognition are capitalised 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 brands, are recognised in profit/(loss) for the period in which they are incurred.

iii) *Amortisation*

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

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

Category	Average rate
Patent and Intellectual Property Rights	5%
Concessions, licences, trade marks and similar rights	10%

Depreciation methods, useful lives and residual values are reviewed at each period end and amended 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 commencement of a contract or upon amendment of a contract containing a leasing component, the Group allocates the consideration for the contract to each leasing component on the basis of its stand-alone price.

At the lease inception date, the Group recognises the right-of-use asset and the lease liability. The right-of-use asset is measured initially at cost, including the amount of the initial measurement of the lease liability, adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to be incurred by the lessee to dismantle and remove the underlying asset or to restore the underlying asset or the site where it is located, less any lease incentives received.

The right-of-use asset is depreciated successively on a straight-line basis from the commencement 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 this case, the right-of-use asset will be depreciated over the useful life of the underlying asset, determined on the same basis as property and equipment. In addition, the right-of-use asset is regularly reduced by any impairment losses and adjusted to reflect any changes arising from subsequent valuations of the lease liability.

The Group measures the lease liability at the present value of unpaid lease payments at the effective date, discounting them using the lease's implicit interest rate. Where it is not possible to determine this rate easily, the Group uses the marginal borrowing rate. Generally, the Group uses the marginal borrowing rate as the discount rate.

The Group's marginal financing rate is calculated on the basis of 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.

The lease payments included in the measurement of the lease liability include:

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

The lease liability is measured at amortised cost using the effective interest method and is remeasured when there is a change in the future lease payments due as a result of a change in the index or rate, when there is a change in the amount the Group expects to have to pay as security over the residual value or when the Group changes its assessment with respect to the exercise or non-exercise of an option to purchase, extend or terminate or when there is a revision of the lease payments due that are fixed in substance.

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

The Group has applied IFRS 16 using the modified retrospective application method as at 1 January 2017.

Short-term leasing and leasing of low-value assets

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

Lease back

If an entity transfers an asset to another entity and obtains it on leaseback, it is necessary to determine, based on the requirements of IFRS 15, whether the transfer should be accounted for as a sale. If so, the lessee-seller shall measure the asset consisting of the right of use arising from the leaseback at the proportion of the previous carrying amount of the asset that is transferred to the right of use retained by the lessee-seller. Accordingly, the lessee-seller shall recognise 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 is not the same as the *fair value of the* asset, or if the lease payments payable are not at market prices, the entity shall make the following adjustments to measure the sale proceeds at *fair value*: (i) terms below market prices shall be accounted for as an up-front payment of the lease payments payable; and (ii) terms above market prices shall be accounted for as additional financing provided by the lessor-buyer to the lessee-seller.

Real estate investments

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

The carrying value of investment property is reviewed for impairment if events or changes in circumstances indicate that the carrying value cannot be recovered. Impairment losses are recognised in the income statement under depreciation and impairment costs. Such impairment losses are reversed if the reasons for which they were incurred no longer apply.

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

Inventories

Inventories are valued at the lower of purchase or production cost and net realisable value. Purchase cost is defined as the actual purchase price plus ancillary charges. The purchase cost of materials includes not only the price of the material, but also transport, customs, other taxes and other costs directly attributable to that material. Returns, trade discounts, rebates and premiums are deducted from costs. Production cost means all direct costs and indirect costs for the portion reasonably attributable to the product relating to the period of manufacture and up to the time from which the good can be used, considered on the basis of normal production capacity. The realisable value is equal to the estimated selling price of the goods and finished products in the normal course of business, net of presumed completion costs and direct selling costs. In determining the realisable value based on market trends, account is taken, inter alia, of the rate of obsolescence and inventory turnover times. 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 costs determined on the basis of normal production capacity.

Financial instruments

i) *Survey and evaluation*

Trade receivables and debt securities issued are recognised at the time they are originated. All other financial assets and liabilities are initially recognised on the trade date, i.e. when the Group becomes a contractual party to the financial instrument.

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

ii) Classification and subsequent evaluation

Financial assets:

Upon initial recognition, a financial asset is classified according to its measurement: amortised cost; *fair value* recognised in other comprehensive income (FVOCI) - debt security; FVOCI - equity security; or *fair value* recognised 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 that case, all affected financial assets are reclassified on the first day of the first financial year following the change in business model.

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

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

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

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

Upon initial recognition of an equity security not held for trading, 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 amortised 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 or loss for the period if doing so eliminates or significantly reduces an accounting asymmetry that would otherwise result from measuring the financial asset at amortised cost or FVOCI.

Financial activities: assessing the business model

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

i. "Held To Collect: a business model in which financial assets are held with the objective of realising 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 realising the contractual cash flows over the life of the asset and collecting the proceeds from the sale of the asset;
iii. "Other": business model includes financial instruments not classifiable in the previous categories, mainly consisting of financial assets held for the purpose of realising cash flows through sale (assets held for trading).

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

The Group assesses the objective of the business model under which the financial asset is held at 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, inter alia, 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 on expected cash flows or raising cash flows through the sale of assets;
- how portfolio performance is assessed 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 these risks are managed;
- the way in which the company's managers are remunerated (e.g. whether the remuneration is based on the *fair value* of the assets under management or on the 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 the purposes of evaluating the business model, in line with the Group's retention of these assets on the balance sheet.

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

Financial assets: assessment of whether contractual cash flows consist solely of principal and interest payments.

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 the 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 other things, whether the financial asset contains a contractual term that changes the timing or amount of the contractual cash flows such that the following condition is not met. For assessment purposes, the Group considers:

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

A prepayment item is consistent with the criterion of 'cash flows represented solely by payments of principal and interest' when the amount of the prepayment substantially represents the unpaid principal and accrued interest amounts 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 contractual nominal amount, an item that permits or requires a prepayment equal to an amount that substantially represents the contractual nominal 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 at initial recognition.

Financial Assets: Subsequent Valuation and Gains and Losses

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

Financial Liabilities: Classification, Subsequent Measurement and Gains and Losses

Financial liabilities are classified as being measured at amortised 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 recognised in profit/(loss) for the period. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains/(losses) are recognised in profit/(loss) for the period, as are any gains or losses arising from derecognition.

iii) *Accounting elimination*

Financial assets

Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset 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 that involve the transfer of assets recognised 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 derecognised.

Financial liabilities

The Group derecognises a financial liability when the obligation specified in the contract has been discharged or cancelled or has expired. The Group also derecognises a financial liability when the related contractual terms have changed and the cash flows of the modified liability are substantially different. In this case, a new financial liability is recognised at *fair value based on* the modified contractual terms.

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

iv) Compensation

Financial assets and financial liabilities may be offset and the amount resulting from the offsetting 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 realise the asset and settle the liability simultaneously.

Impairment Losses

i) Financial Instruments and Assets from Contracts

The Group recognises allowances for expected credit losses related to

- financial assets measured at amortised cost;
- debt securities valued at FVOCI; and
- contractual activities.

In addition, the Group recognises as trade and other receivables allowances for expected losses over the life of the receivables implicit in the leasing 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 since initial recognition.

Allowances for impairment of trade receivables (including leasing receivables) and contract assets are always valued at an amount equal to the expected losses over the life of the receivable.

To determine whether the credit risk related to a financial asset has increased significantly since initial recognition for the purpose of estimating 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 analyses based on the Group's historical experience, credit evaluation and information indicative of expected developments ('forward-looking information').

Expected losses on long-lived receivables are the expected losses on receivables 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 taken into account 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. Credit losses are the present value of all uncollected receivables (i.e. the difference between the cash flows due to the entity under the contract and the cash flows the Group expects to receive).

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

Non-financial assets

At each reporting date, the Group tests for objective evidence of impairment with respect to the carrying amounts of its non-financial assets, excluding investment property, inventories, assets arising from contracts and deferred tax assets. If, based on 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 issue of ordinary shares are recognised as a decrease in equity. Income taxes on the transaction costs of an equity transaction are recognised in accordance with IAS 12.

Funds

The amount of the provisions is the present value of the 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 1 January 2007, the 2007 Budget Law and its implementing decrees introduced significant changes in the rules governing severance pay, including the employee's choice as to whether to allocate his accruing severance pay to complementary pension funds or to the 'Treasury Fund' managed by INPS. It follows, therefore, that the obligation to INPS and the contributions to complementary pension funds assume, under IAS 19, the nature of 'Defined Contribution Plans', while the TFR quotas 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 their service in the current and prior periods; this benefit is discounted and the *fair value of* any plan assets are deducted from liabilities.

The calculation is performed by an independent actuary using the projected unit credit method. If the calculation generates a benefit to the Group, the amount of the recognised asset 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 determining the present value of economic benefits, the minimum funding requirements applicable to any plan of the Group are considered.

Actuarial gains and losses, returns from plan assets (excluding interest) and the effect of the asset ceiling (excluding any interest) that arise from remeasurements of the net defined benefit liability are recognised 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 are instead recognised in profit/(loss) for the period.

When changes are made to a plan's benefits or when a plan is curtailed, the portion of the economic benefit relating to past service or the gain or loss resulting from the curtailment is recognised in profit or loss for the period when the adjustment or curtailment occurs.

Share-based payments

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

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

Fair Value Measurements

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 inputs used in the valuation techniques, as illustrated below.

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than 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 relating to the asset or liability that are not based on observable market data.

Fair value is the price that would be received at the valuation date for the sale of an asset or that would be paid for the transfer of a liability in an arm's length transaction 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 relating to the asset or liability occur with a frequency and volume sufficient 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 maximising the use of observable input data and minimising the use of unobservable input data. The chosen valuation technique includes all factors that market participants would consider in estimating the transaction price.

If an asset or liability measured at *fair value* has a bid price and a ask price, the Group measures 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 recognises 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. Subsequently, this difference is recognised in profit/(loss) for the period over the life of the instrument using an appropriate method, but no later than when the valuation is fully supported by observable market data or the transaction is completed.

Operational sector

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

- involving revenue- and cost-generating business activities;

- whose operational results are periodically reviewed 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, mainly from the *Chief Medical Officer* (CMO) and the *Chief Financial Officer* (CFO), regarding the progress of research programmes, licensing agreements and products, in order to monitor the progress of the business and to take the relevant decision-making actions.

In this regard, the Company Management has identified a single business segment. The substantially homogenous type of business, together with the progress of projects under development, does not allow for the division into several segments subject to different risks and benefits from the other business segments. Furthermore, the services provided, the nature of the production processes and the type of clientele by product do not allow the company's activity to be divided into different business segments. Therefore, the company believes that at present, an economic-financial representation by business and geographical segments would not provide a better representation and understanding of the business or its risks and benefits.

Accounting standards, amendments and interpretations not yet applicable

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

Amendment to IAS 1: Classification of Liabilities into Current and Non-Current

In January 2020, the IASB published amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right of postponement of maturity;
- that the right of subordination must exist at the close of the financial year;
- classification is not impacted by the likelihood that the entity will exercise its subordination right;
- Only if a derivative embedded in a convertible liability is itself an equity instrument does the maturity of the liability have no impact on its classification.

The amendments will be effective for financial years beginning on or after 1 January 2023, and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on the current situation.

Deferred taxes on assets and liabilities arising from a single transaction (Amendments to IAS 12)

The amendments narrow the scope of the exemption to the initial recognition of deferred taxes in order to exclude transactions that give rise to equal and offsettable temporary differences, such as leases and decommissioning obligations. The changes will become effective for financial years beginning on or after 1 January 2023. Deferred tax assets and liabilities relating to leases and decommissioning obligations will therefore have to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions occurring after the beginning of the earliest period presented. The Group is currently evaluating the impact that the changes will have on the statement of financial position; from the analyses performed at this time, an effect on retained earnings is not expected and the Group will recognise the deferred tax asset and liability separately.

Definition of Accounting Estimates - Amendments to IAS 8

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

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

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'materiality' accounting policies; in addition, guidance is added on how entities apply the concept of materiality in making accounting policy disclosure decisions. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023, early application is permitted. As the amendments to IFRS Practice Statement 2 Making Materiality Judgements provide non-mandatory guidance on the application of the definition of materiality to accounting policy disclosures, an effective date for these amendments is not required. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

Disclosure pursuant to Article 149-duodecies of the Regulation on Issuers

Figures in thousands of Euro **Type of services**	**Service provider**	**Recipient**	**notes**	**Total Fees 2022**
Auditing	Parent Company Auditor	Group leader		168.800
Other Services	i) Auditor of the Parent Company	Group leader	1	21.400
Subtotal				**189.400**
Auditing	Parent Company Auditor's Network	Subsidiaries		18.803
Subtotal				**18.803**
Total				**208.203**

1) This item refers to the Research & Development Credit and Technological Innovation Credit and the Net Financial Debt verifications as of 31 March and 30 September 2022

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

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

a) suitability in relation to the characteristics of the enterprise, and

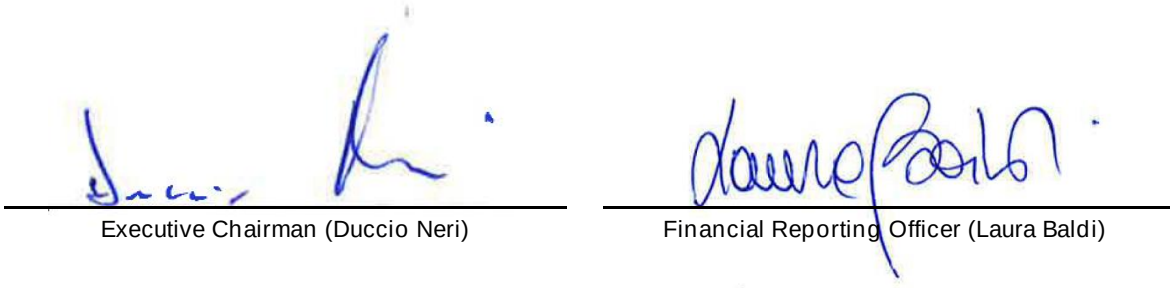
b) the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements during the period from 1 January to 31 December 2022.

It is also certified that the Consolidated Financial Statements as at 31 December 2022 of the Philogen Group:

- is prepared in accordance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, as amended;
- corresponds to the entries in the books and records;
- is capable of giving a true and fair view of the assets and liabilities, economic and financial situation of the Issuer and the companies included in the consolidation.

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

Siena, 28 March 2023



Executive Chairman (Duccio Neri) | Financial Reporting Officer (Laura Baldi)

Annual accounts

Income Statement

Data in Euro	Notes	2022	*Of which with related parties*	2021	*Of which with related parties*
Revenues from contracts with customers	5	6.638.937	602.647	2.580.831	346.323
Other income	5	3.491.392		2.242.481	
Total revenue and income		**10.130.329**	**602.647**	**4.823.312**	**346.323**
Purchases of raw materials and consumables	6	(1.866.074)		(942.206)	
Costs for services	6	(10.887.549)	(3.305.252)	(10.273.591)	(3.530.142)
Lease and rental costs	6	(147.479)		(103.960)	
Personnel costs	6	(6.999.713)	(660.000)	(5.589.830)	660.000
Depreciation	6	(2.345.211)	(591.506)	(1.406.075)	(555.456)
Other operating costs	6	(363.741)		(129.229)	
Total operating costs		**(22.609.767)**	**(4.556.758)**	**(18.444.891)**	**(3.425.598)**
Operating Profit		**(12.479.438)**	**(3.954.111)**	**(13.621.579)**	**(3.079.275)**
Financial income	7	1.469.511	8.160	2.559.333	4.653
Financial charges	7	(4.910.638)	(269.435)	(885.432)	(201.167)
Total financial income and expenses		**(3.441.127)**	**(261.275)**	**1.673.901**	**(196.514)**
Result from participations	8	10.187.136	10.187.136	(2.308.085)	(3.273.347)
Profit before tax		**(5.733.429)**	**5.971.750**	**(14.255.763)**	**(6.549.136)**
Taxes	9	(607.552)		(503.663)	
Profit (Loss) for the Year		**(6.340.981)**	**5.971.750**	**(14.759.426)**	**(6.549.136)**
Earnings (Loss) per share (in Euro)	10	(0,16)		(0,37)	
Diluted earnings (loss) per share (in Euro)	10	(0,16)		(0,37)	

Statement of Comprehensive Income

Data in Euro	Notes	2022	2021
Profit (loss) for the period (A)		**(6.340.981)**	**(14.759.426)**
Other gains (losses) to be subsequently reclassified to profit (loss) for the period			-
Share of components of comprehensive income of equity-accounted investees	22	212.564	(73.853)
Profit (loss) from *cash flow hedges*	22	(251.480)	1.898
Fiscal effect	22	70.163	(530)
Total other gains (losses) to be subsequently reclassified to profit (loss) for the year (B)		**31.247**	**(72.485)**
Other gains (losses) not subsequently reclassified to profit (loss) for the period			
Profit (loss) from valuation of financial assets at *fair value*	22	(113.849)	-
Profit (loss) from actuarial valuation of employee benefits	22	117.952	(95.812)
Fiscal effect	22	(5.585)	26.732
Total other gains (losses) not subsequently reclassified to profit (loss) for the year (C)		**(1.482)**	**(69.080)**
Total other comprehensive income (B+C)		**29.765**	**(141.565)**
Comprehensive income (loss) after tax (A+B+C)		**(6.311.216)**	**(14.900.991)**
Comprehensive Income (Loss) Attributable to Shareholders of the Parent Company		(6.311.216)	(14.900.991)

Statement of Financial Position

Data in Euro	Notes	31 December 2022	*Of which with related parties*	31 December 2021	*Of which with related parties*
ACTIVITIES					
Property, Plant and Equipment	11	11.434.857		9.768.735	
Intangible Assets	12	943.602		758.677	
Activities by right of use	13	6.750.150	6.558.308	6.838.690	6.803.107
Participations	14	10.466.599	10.466.599	-	
Other non-current assets (*)	18	2.986.698		1.656.398	
Deferred tax assets	9	98.313		664.455	
Non-current Assets		**32.680.219**	**17.024.907**	**19.686.955**	**6.803.107**
Inventories	15	1.786.065		1.166.273	
Contract Activities	16	2.299.946		52.155	
Trade receivables	17	1.360.787	1.172.336	727.470	350.850
Tax Credits (*)	18	6.714.975		4.004.754	
Other current financial assets	19	61.764.331		95.667.142	2.869.901
Other current assets	20	616.471		540.777	
Cash and cash equivalents	21	23.938.320		6.411.480	
Current Assets		**98.480.895**	**1.172.336**	**108.570.051**	**3.220.751**
Total assets		**131.161.114**	**18.197.243**	**128.257.006**	**10.023.859**
NET WORTH					
Capital		5.731.227		5.731.227	
Share premium reserve		106.096.415		119.748.571	
Other reserves		(7.565.708)		(4.667.743)	
Profit (loss) for the year		(6.340.981)		(14.759.426)	
Total net assets	**22**	**97.920.953**		**106.052.629**	**-**
Total net assets	**22**	**97.920.953**		**106.052.629**	**-**
PASSIVITY					
Employee benefits	23	959.788	26.404	1.033.349	
Non-current Lease Liabilities	13	6.470.696	6.278.898	6.513.264	6.459.152
Non-current financial liabilities	24	2.986.972		3.587.346	
Other non-current liabilities (*)	26	1.962.259		156.224	
Deferred tax liabilities	9	134.823		145.087	
Non-current liabilities		**12.514.538**	**6.305.302**	**11.435.270**	**6.459.152**
Current financial liabilities	24	10.933.822	10.050.000	1.064.022	
Current lease liabilities	13	610.213	509.671	501.777	471.923
Trade payables	25	7.128.363	1.080.429	5.593.320	344.256
Liabilities under contract	16	-		2.233.013	
Tax debts	18	286.240		308.716	
Other current liabilities (*)	26	1.766.985	165.519	1.068.259	41.276
Current liabilities		**20.725.623**	**11.805.619**	**10.769.107**	**857.455**
Total liabilities		**33.240.161**	**18.110.921**	**23.169.639**	**7.316.607**
Total equity and liabilities		**131.161.114**	**18.110.921**	**128.257.006**	**7.316.607**

(*) In order to improve the comparability of information between financial years, the following reclassifications have been made to the comparative data at 31 December 2021, although not deemed relevant or material: (i) Euro 1.656 thousand from "Tax receivables" to "Other non-current assets" for tax receivables available to the Company and which, in accordance with reference regulations, can be used as offsets beyond the next financial year and (ii) Euro 156 thousand from "Other current liabilities" to "Other non-current liabilities" for the portion of the capital contribution related to the Industria 4.0 Credit that will be released to the income statement beyond the next financial year in connection with the depreciation of the related asset.

Statement of Changes in Net Assets

Data in Euro	Capital	Share premium reserve	Other reserves												Profit (loss) for the year	Total PN
			Restricted profit reserve capital increase to service the 2024-2026 Stock Grant Plan	Negative reserve of own shares	Legal reserve	FTA Reserve	Translation reserve	Cash flow hedge reserve	Merger Surplus Reserve	IAS 19 Reserve	Reserve from valuation of financial assets measured at *fair value*	Share-based payment reserve	Retained earnings (losses)	Total other reserves		
Opening balances as at 1 January 2021	**5.158.105**	**54.917.761**	**-**		**891.916**	**(7.421.458)**	**1.122.712**	**-**	**50.236**	**(29.842)**	**-**	**-**	**14.268.704**	**8.882.266**	**(13.285.227)**	**55.672.904**
Reverse merger with ordinary Palio									398.646					398.646		398.646
IPO share capital increase	573.122	68.465.765												-		69.038.887
IPO process costs		(3.634.954)												-		(3.634.954)
Allocation of previous year's result													(13.285.227)	(13.285.227)	13.285.227	-
Restricted reserve for free share capital increase to service the Stock Grant Plan			(123.794)										123.794	-		-
Purchase of own shares				(536.971)										(536.971)		(536.971)
Stock Grant Plan												20.810		20.810		20.810
Fair value of hedging derivatives								(5.702)						(5.702)		(5.702)
Result for the year														-	(14.759.426)	(14.759.426)
Other comprehensive income (loss) net of tax effect							(73.853)	1.368		(69.080)				(141.565)		(141.565)
Closing balances as at 31 December 2021	**5.731.227**	**119.748.571**	**(123.794)**	**(536.971)**	**891.916**	**(7.421.458)**	**1.048.859**	**(4.334)**	**448.882**	**(98.922)**	**-**	**20.810**	**1.107.271**	**(4.667.743)**	**(14.759.426)**	**106.052.629**
Opening balances as at 1 January 2022	**5.731.227**	**119.748.571**	**(123.794)**	**(536.971)**	**891.916**	**(7.421.458)**	**1.048.859**	**(4.334)**	**448.882**	**(98.922)**	**-**	**20.810**	**1.107.271**	**(4.667.743)**	**(14.759.426)**	**106.052.629**
Allocation of previous year's result		(13.652.156)											(1.107.271)	(1.107.271)	14.759.426	-
Purchase of own shares				(1.924.216)										(1.924.216)		(1.924.216)
Stock Grant Plan												103.756		103.756		103.756
Result for the year														-	(6.340.981)	(6.340.981)
Other comprehensive income (loss) net of tax effect							212.566	(181.317)		85.043	(86.525)			29.765		29.765
Closing balances as at 31 December 2022	**5.731.227**	**106.096.415**	**(123.794)**	**(2.461.187)**	**891.916**	**(7.421.458)**	**1.261.425**	**(185.652)**	**448.882**	**(13.879)**	**(86.525)**	**124.566**	**-**	**(7.565.708)**	**(6.340.981)**	**97.920.953**

Cash flow statement

Data in Euro	Notes	2022	Of which with related parties	2021	Of which with related parties
Cash flows from operating activities					
Operating result		(6.340.981)	*5.971.750*	(14.759.426)	*(5.583.874)*
Adjustments for:					
Depreciation of tangible and intangible assets and assets for right of use	6	2.345.211	*591.506*	1.406.075	*555.456*
Net financial income/(expenses)	7	3.441.127	*261.276*	(1.673.901)	*201.167*
Provisions for employee funds and benefits	23	198.206		121.699	
Provision for stock grant plans	22	103.756	66.896	20.810	12.616
Income Taxes	9	607.552		503.663	
Write-downs/(reinstatements of holdings)	8	(10.187.136)	(10.187.136)	2.308.085	*2.308.085*
Other non-monetary adjustments		(1.252.821)		(231.248)	
Variations of:					
Inventories	15	(619.792)		(454.237)	
Contract Activities	16	(2.247.791)		(52.155)	
Trade receivables	17	(107.144)	(1.172.336)	26.429	*(105.850)*
Liabilities under contract	16	(2.233.013)		(1.922.356)	
Trade payables	25	1.535.043	736.173	635.879	*(977.744)*
Other Assets and Liabilities*	18, 20 26	(1.633.931)	124.244	(2.748.281)	
Utilisation of funds and employee benefits	23	(171.830)		(35.675)	
Interest paid	7	(806.903)		(274.698)	
Income Taxes Paid	9	-		-	
Cash flow generated/absorbed by operations (A)		**(17.370.467)**	**(3.607.627)**	**(17.129.337)**	***(3.590.144)***
Cash flows from investing activities					
Interest received	7	216.670		168.847	
Proceeds from the sale of property, plant and equipment		-		-	
Proceeds from the sale of financial assets	19	57.300.437		1.742.532	
Purchase of property, plant and equipment	11	(3.659.413)		(6.498.069)	
Purchase of intangible assets	12	(358.295)		(171.106)	
Purchase of other financial assets	19	(26.232.458)		(45.730.047)	*(2.869.901)*
Cash flow generated/absorbed by investing activities (B)		**27.266.941**	**-**	**(50.487.842)**	***(2.869.901)***
Cash flows from financing activities					
Proceeds from the issue of shares	22	-		65.403.933	
Proceeds from the assumption of financial liabilities	24	12.000.000		-	
Repayment of financial liabilities	24	(2.999.734)	*(1.950.000)*	(2.543.760)	*(1.464.306)*
Payment of lease liabilities	13	554.316	*(528.714)*	(504.249)	*(473.805)*
Dividends paid		-		-	
Purchase of own shares	22	(1.924.216)		(536.971)	
Cash flow generated/absorbed by financing activities (C)		**7.630.366**	***(2.478.714)***	**61.818.953**	***(1.938.111)***
Increase in cash from merger (D)		**-**		**559.726**	
Total cash flow (A + B + C + D)		**17.526.840**	**(6.086.341)**	**(5.238.500)**	**(8.398.156)**
Opening cash and cash equivalents	**21**	**6.411.480**		**11.649.980**	
Change in cash and cash equivalents for the year		17.526.840		(5.238.500)	
Closing cash and cash equivalents	**21**	**23.938.320**		**6.411.480**	

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

Notes to the Financial Statements as at 31 December 202 2

Preparation criteria

1. Foreword

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

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

2. Entity drawing up the annual accounts

Philogen S.p.A. is based in Italy. The address of the company's registered office is Piazza La Lizza, 7 Siena. The company is mainly active in the field of integrated biotechnology and, in particular, in the development of advanced biopharmaceutical products for the treatment of diseases characterised by or associated with angiogenesis, mainly based on antibody conjugates, capable of achieving selective accumulation at the sites where the pathology is present. Philogen holds a controlling interest in Philochem AG of 99.998%, of the share capital of the subsidiary, based in Zurich, Switzerland, which is engaged in pharmaceutical research and discovery of therapeutic antibodies and self-assembling chemical libraries, encoded through DNA fragments.

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

3. Drafting Criteria

These 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 financial statements were approved and authorised for publication by the Company's Board of Directors on 28 March 2023.

Details concerning the accounting principles adopted are specified in Note No. 34.

Functional and presentational coinage

These financial statements are expressed in Euro, the Company's functional currency. Unless otherwise indicated, all amounts expressed in Euro 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 values expressed in thousands of Euro.

Use of estimates and evaluations

In preparing the annual financial statements, management had to make estimates and judgements that affect the application of accounting principles and the amounts of assets, liabilities, expenses and revenue recognised in the financial statements. However, it should be noted that since these are estimates, the results obtained will not necessarily be the same as those represented in these financial statements.

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

Below is a summary of those items in the financial statements that require more subjectivity on the part of the directors in making estimates than others, and for which a change in the conditions underlying the assumptions used could have a significant impact on the financial statements.

— *Evaluations*

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

- Notes Nos. 5 and 35 - accounting for revenues from contracts with customers: analysis of contracts with customers, with particular reference to the recognition at a specific 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*.

— *Estimation uncertainties*

For the year ended 31 December 2022, information on assumptions and estimation uncertainties that have a significant risk of causing material changes to the carrying amount of assets and liabilities in the financial statements of the subsequent period is provided in the notes below:

- Notes Nos. 5 and 35 - revenue recognition: assumptions in the determination of the total cost of *performance obligation in* relation to customer contracts booked over time;
- Note no. 35 - valuation of financial instruments: main assumptions underlying *fair value* calculation;
- Note no. 35 - 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 9 and 35 - recognition of deferred tax assets: availability of future taxable profits against which deductible temporary differences and tax loss carryforwards can be utilised.
- Notes No. 13 and 14 - Impairment Test of Non-current Assets and Equity Investments: Main Assumptions for Determining Recoverable Values

4. Sector information

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

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

Details of revenues from contracts with customers by type of product and service, by geographic area, and information on the Company's degree of dependence on its main customers are provided in Note 5.

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

Profit and Loss Account

5. Revenues and income

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Revenues from contracts with customers	6.639	2.581
Other income	3.491	2.242
Total revenue and income	**10.130**	**4.823**

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 Company performs under existing contracts.

In the year ended 31 December 2022, revenues from contracts with customers amounted to Euro 6,639,000, an increase of Euro 4,058,000 compared to the previous period. The change is mainly attributable to the progress of ongoing contracts.

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

Detail by type of consideration

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Revenues from *up-front,* from *milestones*	2.233	1.922
Revenues from Research and Development Services	4.406	658
Total revenue from contracts with customers	**6.639**	**2.581**

Detail by recognition mode

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Revenues recognised *at a point in time*	828	356
Revenues recognised *over time*	5.811	2.225
Total revenue from contracts with customers	**6.639**	**2.581**

Detail by geographical area

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
USA	2.233	1.922
European Union	2.807	313
Extra-EU (Switzerland)	1.599	346
Total revenue from contracts with customers	**6.639**	**2.581**

Detail by product or service type

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Product 1	2.233	1.922
Other research and development services	4.406	659
Total revenue from contracts with customers	**6.639**	**2.581**

Below are details of the customers that generate more than 10% of the Company's total revenue from contracts with customers, as required by IFRS 8:

Figures in thousands of Euro	Year ended 31 December			
	2022	%	2021	*Inc.*
Customer 1	2.233	*34%*	1.922	*74%*
Customer 2	2.033	*31%*	313	*12%*
Customer 3	997	*15%*		
Customer 4	774	*12%*		
Other customers < 10%.	602	*9%*	346	*13%*
Total revenue from contracts with customers	**6.639**	***100%***	**2.581**	***100%***

Other income

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Operating grants	2.932	2.169
Contribution to plant account	355	-
Miscellaneous income	204	73
Total other income	**3.491**	**2.242**

Other income mainly relates to contributions for tax relief provided for by law and, to a lesser extent, research grants for projects co-financed by the European Community and the Region of Tuscany. This item includes the recognition of certain receivables from which the Group benefits on an ongoing basis by virtue of its "ordinary" business, such as:

(i) research and development tax credit in the amount of Euro 1,838,000;
(ii) the technology innovation tax credit of Euro 251,000, related to the implementation of the new GMP production process

and other receivables related to "extraordinary" activities carried out during 2021 and early 2022, including the main ones:

(i) the SME tax credit amounting to Euro 500 thousand for consultancy costs incurred for admission to listing on a regulated market, provided for by Article 1 paragraphs 89 to 92 of Law 205/2017 (the so-called 2018 Budget Law);
(ii) the ACE tax credit amounting to €180,000 related to the capital increase raised during the listing phase, provided for by Article 19 of Decree-Law 73/2021 (the so-called "Decreto sostegni Bis") for the tax period following the one in progress as of 31 December 2020, alternatively of the deduction of the notional Ace yield from the income tax base),
(iii) the Industry 4.0 contribution amounting to Euro 336 thousand relating to the investments made for the equipment and interconnection of the new GMP facility at the Rosia site (Siena) 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 Euro 2,586 thousand (it is specified that the accounting of this contribution is based on the amortisation quota for the period).

And other credits of smaller amounts, among which we can mention the tax credit for non-energy companies in the amount of Euro 54 thousand and the contribution related to a Project financed by the Region of Tuscany in the amount of Euro 93 thousand.

In light of the aforementioned credits, Other income in the year ended 31 December 2022 showed an increase of about Euro 1,249,000 compared to the year ended 31 December 2021.

For more details on the receivables available to the company, see Note 17 and Note 27 to the annual financial statements.

6. Operating Costs

The operating costs as at 31 December 2022 and 31 December 2021 are detailed below:

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Purchases of raw materials and consumables	1.866	942
Costs for services	10.888	10.274
Lease and rental costs	147	104
Personnel costs	7.000	5.590
Depreciation	2.345	1.406
Other operating costs	364	129
Total operating costs	**22.610**	**18.445**

Costs for the purchase of raw materials and consumables

Costs for the purchase of raw materials and consumables, amounting to Euro 1.866 thousand in the year ended 31 December 2022 (Euro 942 thousand in the previous year), are mainly attributable to the cost of materials used for operations, the change in which is linked to the production of the drug for ongoing clinical trials and/or for the GMP production of antibodies on behalf of third parties, to the start-up of the new GMP production at the Rosia (Siena) site, as well as to the increase in raw material prices linked to the inflation trend in the market during 2022 due to the Russian-Ukrainian conflict.

Costs for services

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

Figures in thousands	Year ended 31 December	
	2022	2021
Costs related to Clinical Centres and CROs	3.545	2.747
Intercompany services	2.035	2.544
Utilities and overheads	1.610	559
Outsourcing services for research and development activities	1.060	760
Remuneration of corporate bodies (net of contributions)	904	886
Corporate and consultancy expenses	528	776
Management by Objectives (MBO)	153	115
Severance pay (TFM)	149	-
Social contributions on corporate body remuneration	80	71
IPO costs	-	1.201
Other costs for services	824	615
Total costs for services	**10.888**	**10.274**

Costs for services consist mainly of costs related to the Company's operating activities, i.e., costs incurred for clinical trials and costs related to outsourced research and development services. The most significant changes are:

(i) The increase of Euro 798,000 in costs related to clinical centres is attributable to the higher costs incurred in the year ended 31 December 2022 compared to the previous period for the progress of ongoing trials;

(ii) The increase in utilities, general expenses, and other service costs of Euro 1,051,000 related to the increase in company size, the commissioning of the new *facility* at the Rosia (Siena) site, the increase in activities and personnel, and the consequent increase in structural costs.

(iii) The increase of €300,000 in costs related to services for research and development activities is attributable to ongoing activities for third-party production GMP contracts signed in the last quarter of 2021;

(iv) The increase of Euro 38 thousand related to the last quota to be accrued for the MBO foreseen for executive directors for the period March 2021 - March 2022 and to the accrual of the MBO relative to the period March 2022 - March 2023 equal to Euro 115 thousand (for further details on the incentive plan, see section 4.5 of the Report on Operations);

(v) The increase of €149,000 corresponds to the TFM for the outgoing executive directors (end of mandate with the approval of the financial statements as of 31 December 2021) and the TFM accrued as provided for by the

Remuneration Policy year 2022 and always related to the office conferred to the executive directors on 27 April 2022 (for more details on the end of mandate, see section 4.5 of the interim report on operations);

(vi) The decrease compared to the year ended 31 December 2021 of Euro 1,201,000 related to IPO costs incurred in 2021 as a result of the listing process;

Lease and rental *costs*

Lease and rental costs amounted to €147,000 in the year ended 31 December 2022. This item includes rental costs, exclusively in reference to leases with a duration of less than twelve months and those with a small amount (excluded from the scope of application 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 relative right of use pursuant to IFRS 16. Specifically, in consideration of the increase in personnel in the year of reference, there was an increase in costs for the use of third party assets, attributable to the higher costs incurred for new company licence/software contracts with a duration of less than one year.

Personnel costs

The breakdown of personnel costs for the years ended 31 December 2022 and 31 December 2021 is shown below:

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Wages and Salaries	5.082	4.186
Social charges	1.429	1.150
Provision for severance pay	452	246
Personnel costs for incentive plans	37	8
Total personnel costs	**7.000**	**5.590**

The increase in personnel costs of €1,410,000 is mainly attributable to the increase in the average number of employees, as shown in the table below.

	31 December 2022	31 December 2021	Variation
Average number of employees	106	86	20

For the exact number of employees as at 31 December 2022 and 31 December 2021, please refer to paragraph 17 of the Management Report.

For more details on the incentive plan, please refer to section 4.5 of the Management Report and Note 28 to the Annual Report.

Depreciation

The breakdown of "Depreciation and amortisation" as at 31 December 2022 and 2021 is shown below:

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Amortisation of intangible assets	173	203
Depreciation Property, Plant and Equipment	1.463	596
Depreciation of assets by right of use	709	607
Total depreciation	**2.345**	**1.406**

The increase in depreciation is mainly attributable to the item "Depreciation of property, plant and equipment" amounting to Euro 867,000 in the year ended 31 December 2022, reflects the completion and start-up of the new *facility* in Rosia (Siena), in line with the company's strategy. For more details on the activities underway in the new GMP facility, please refer to section 3.1 of the Report on Operations.

Other operating costs

The breakdown of "Other operating expenses" for the years ended 31 December 2022 and 2021 is shown below:

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Taxes and Fees	197	54
Representation Expenses	53	24
Membership contributions	35	31
Company vehicle costs	14	8
Miscellaneous Operating Costs	65	12
Total other operating costs	**364**	**129**

Other operating expenses are mainly attributable to contingent liabilities and other operating expenses. The change is mainly attributable to (i) the increase in taxes and duties during the year ended 31 December 2022, in relation to the annual charges due to the Italian Stock Exchange on the capitalisation of the Company and (ii) the increase in sundry operating expenses mainly related to costs of a different nature and specifically costs related to other years not previously accounted for.

7. Financial income and expenses

Financial income and expenses are composed as follows:

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Financial income		
Gains on the realisation of financial assets	209	164
Gains from the valuation of financial assets at *fair value*	602	1.713
Intercompany interest income	8	4
Foreign Exchange Gains	651	678
Financial income	**1.470**	**2.559**
Financial charges		
Losses from the valuation of financial assets at *fair value*	(3.481)	(17)
Losses on realisation of financial assets	(498)	(19)
Interest expenses on leasing	(196)	(199)
Interest on bank loans	(40)	(52)
Interest cost for employee benefits	(18)	(5)
Intercompany interest expense	(73)	(4)
Foreign exchange losses	(605)	(589)
Financial charges	**(4.911)**	**(885)**
Total financial income (expenses)	**(3.441)**	**1.674**

Net financial management for the year ended 31 December 2022 showed a negative net result of €3,441 thousand (positive for €1,674 thousand in the year ended 31 December 2021). This result, as shown in the table above, is made up of (i) net valuation losses of €2,879 thousand related to changes in the *fair value* of the securities portfolio, (ii) net realised capital losses of €290 thousand, (iii) net foreign exchange gains of €46 thousand, of which net valuation gains of €28 thousand and net realised foreign exchange gains of €18 thousand (v) interest expenses and other charges of €318 thousand.

As can be seen from the detail above, the main change from the previous year is attributable to changes related to capital losses from the *fair value* measurement of financial assets generated by exchange rate volatility and financial market instability, factors that characterised the global economy in 2022.

The macroeconomic scenario that characterised the market in the financial year that ended in 2022 led *management* to continuously and constantly monitor the economic performance of the financial portfolio held. For this reason, in order to ensure greater profitability of the financial instruments held, in consideration of the market, it was deemed appropriate to review the *asset allocation* set forth in the "Investment Management Policy", the update of which was approved by the Board of Directors in October 2022. .

More details on the composition of the securities portfolio can be found in Note 18 to the Annual Report.

8. Result from participations

This item consists of:

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Positive (negative) differences from Equity Method valuations in subsidiaries	10.187	(2.308)
Dividends from participations	-	-
Total Income from Participations	**10.187**	**(2.308)**

9. Taxes

The Company has allocated taxes based on the application of current tax regulations. Current taxes refer to taxes accrued for the year as resulting from the estimate made when preparing the financial statements, whereas current legislation provides for tax returns to be filed in the second half of the following year, with possible updates to the calculation that could result in differences being recognised in the following year.

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

Below is a table detailing the income taxes recorded as at 31 December 2022 and 2021:

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Current taxes	-	-
Deferred taxes	(608)	(504)
Total taxes	**(608)**	**(504)**

Reconciliation of effective tax rate

The reconciliation between the tax charge in the financial statements and the theoretical tax charge determined based on the IRES rate applicable to the Company for the years ended 31 December 2022 and 2021, respectively, is presented below:

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Profit before tax	(5.733)	(14.256)
Theoretical tax rate	-24%	-24,0%
Theoretical IRES tax burden/benefit (A)	**1.376**	**3.421**
Adjustments for:		
Tax effect on R&D credit revenue	442	464
Tax effect on revenues for Industry 4.0 credit	79	-
Tax effect on revenue for Technological Innovation Credit	60	-
Tax effect on revenue for Lease Credit	-	47
Tax effect on revenue for SME listing credit	120	-
Tax effect on revenue for ACE credit	43	-
Tax effect on revenues for Energy Credit	13	
Tax effect on unrecognised tax losses	(4.875)	(4.563)
Tax effect on IPO costs in equity	-	872
Tax effect on other increases (decreases)	(224)	(670)
Tax effect on income/expenses from participations	2.445	-
Reversal of temporary differences for IRAP purposes	(87)	(75)
Total adjustments (B)	**(1.984)**	**(3.925)**
Total effective income tax (A+B)	**(608)**	**(504)**
Effective tax rate	***10,6%***	***3,5%***

The Company's tax position shows accumulated tax losses, from 2017 to date, amounting to over Euro 55,594 thousand that could lead to a future tax benefit of approximately Euro 13,343 thousand. these losses were mainly generated by prior year losses and tax benefits, from which the Group benefits permanently by virtue of the research activity carried out which do not contribute to the tax base. The main tax benefits include the Research and Development Credit, the Technology Innovation Credit and the Industry 4.0 Credit. As of 31 December 2022, however, it was decided not to recognise deferred tax assets on tax losses in consideration of the uncertainties that characterise research and development activities and, consequently, the possibility of having convincing evidence of the ability to achieve future taxable income.

For more details on the tax credits from which the Company benefits, see Note 17 to the annual financial statements.

Changes in deferred taxes during the year

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

Figures in thousands of Euro	Book value as at 1 January 2021	Use	Acc.to	Book value as at 31 December 2021
Deferred tax assets				
Liabilities from contracts with customers	1.159	(535)	-	624
Intangible Assets	1	-	-	1
IAS 19 reserve (recognised in comprehensive income)	12	-	26	38
Cash-flow hedge reserve (recognised in comprehensive income)	-	-	1	1
Total Deferred Tax Assets	**1.172**	**(535)**	**27**	**664**
Deferred tax liabilities				
Other financial assets	10	(1)	-	9
Intangible Assets	167	(31)	-	136
Total Deferred Tax Liabilities	**177**	**(32)**	**-**	**145**

Figures in thousands of Euro	Book value as at 1 January 2022	Use	Acc.to	Book value as at 31 December 2022
Deferred tax assets				
Liabilities from contracts with customers	624	(624)	-	-
Intangible Assets	1	(1)	-	-
IAS 19 reserve - (recognised in comprehensive income)	38	(32)	-	6
IFRS 9 reserve - (recognised in comprehensive income)	-	-	33	33
Cash-flow hedge reserve (recognised in comprehensive income)	1	-	59	60
Total Deferred Tax Assets	**664**	**(657)**	**91**	**98**
Deferred tax liabilities				
Other financial assets	9	(3)	-	6
IFRS 9 reserve - (recognised in comprehensive income)	-	-	6	6
Intangible Assets	136	(13)	-	123
Total Deferred Tax Liabilities	**145**	**(16)**	**6**	**135**

Uncertainties concerning the accounting treatment to be applied to taxes

It should be noted that as at 31 December 2022, there were no disputes with tax authorities that could give rise to uncertainties regarding the treatment of income taxes.

10. Earnings/(loss) per share

The calculation of the basic loss per share was made considering the loss attributable to holders of ordinary shares and the weighted average number of ordinary shares outstanding during the financial year ending 2022 and 2021.

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

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

Basic and diluted earnings (loss) per share	Year ended 31 December	
	2022	2021
Profit (Loss) for the Year - in Euro thousands (A)	(6.341)	(14.759)
Weighted average number of ordinary shares outstanding (B)	40.611.111	39.664.514
Weighted average number of dilutive potential ordinary shares outstanding (C)	-	167.123
Weighted average number of outstanding share options granted (D)	-	-
Weighted average shares outstanding adjusted for dilution effects (E=B+C+D)	40.611.111	39.831.637
Basic earnings (losses) per share - in Euro (A/B*1000)	(0,16)	(0,37)
Diluted earnings (loss) per share - in Euro (A/C*1000) (*)	(0,16)	(0,37)

(*)It should be noted that the diluted loss per share for the years ended 31 December 2022 and 31 December 2021 was determined without considering the instruments referred to in point (D) because in the presence of a loss for the year

(A) Profit (loss) for the year
(B) Weighted average number of ordinary shares outstanding
(C) The number of dilutive potential ordinary shares for the period ending 31 December 2021 was weighted for the days from 01 January 2021 to 03 March 2021, the Company's listing date.
(D) The weighted average number of outstanding granted share options potentially amounting to 145 thousand Units as at 31 December 2021 and 284 thousand Units as at 31 December 2022 was considered for the purposes of the calculation to be 0, since, in accordance with IAS 33, at the balance sheet date these instruments did not have the necessary characteristics to be issued. For further information, please refer to Note 20 of the annual financial statements.

Activities

11. Property, Plant and Equipment

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

Figures in thousands of Euro	Plant and machinery	Industrial and commercial equipment	Leasehold improvements	Other tangible assets	Construction in progress and advance payments	Total
Historical cost	1.554	4.246	79	519	2.290	8.688
Sinking Fund	(1.231)	(3.109)	(12)	(471)	-	(4.822)
Net book value as at 1 January 2021	**323**	**1.137**	**67**	**49**	**2.290**	**3.866**
Increases	191	2.645	102	203	3.359	6.499
(Decreases)	-	-	-	-	-	-
Reclassifications	185	-	-	-	(185)	-
Amortisation	(129)	(407)	(15)	(44)	-	(596)
Historical cost	1.930	6.891	181	684	5.464	15.150
Sinking Fund	(1.360)	(3.516)	(27)	(478)	-	(5.381)
Net book value as at 31 December 2021	**569**	**3.375**	**154**	**206**	**5.464**	**9.769**
Increases	1.094	1.695	-	240	631	3.659
(Decreases)	-	-	-	(84)	(526)	(610)
Reclassifications	4.456	1.088	-	-	(5.543)	-
Amortisation	(578)	(791)	(15)	(79)	-	(1.463)
Historical cost	7.453	9.673	181	840	25	18.140
Sinking Fund	(1.912)	(4.307)	(42)	(476)	-	(6.705)
Net book value as at 31 December 2022	**5.541**	**5.366**	**139**	**364**	**25**	**11.435**

Plant and machinery mainly refers to the setting up of laboratories and production sites instrumental to operations. For the year ended 31 December 2022, there was an increase of €5,550 thousand, including reclassifications from assets under construction, which reflects the completion and commissioning in the year 2022, of the new *facility* at the Rosia (Siena) site.

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

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

Assets under construction refer to the construction of the new *facility* and machinery for the Rosia (Siena) site for which full ownership has not yet been acquired. As of 31 December 2022, the reclassification of €5,543 thousand reflects the completion and start-up of the new GMP plant (for further details on the new GMP plant, see section 3.1 of the Report on Operations). On the other hand, the decrease of Euro 526 refers to masonry works carried out by Philogen on behalf of Rendo S.r.l., owner of the building and re-invoiced by virtue of a deed of recognition to the existing lease agreement (please refer to Note 31 of the financial statements).

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

12. Intangible Assets

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

Figures in thousands of Euro	Patent and Intellectual Property Rights	Concessions, licences, trade marks and similar rights	Construction in progress and advance payments	Total
Historical cost	2.004	120	-	2.124
Sinking Fund	(1.219)	(114)	-	(1.333)
Book value as at 1 January 2021	**785**	**6**	**-**	**791**
Increases	74	98	-	171
(Decreases)	-	-	-	-
Amortisation	(178)	(25)	-	(203)
Historical cost	1.852	218	-	2.071
Sinking Fund	(1.173)	(139)	-	(1.312)
Book value as at 31 December 2021	**680**	**79**	**-**	**759**
Increases	108	155	91	358
(Decreases)	-	-	-	-
Reclassifications	-	83	(83)	-
Amortisation	(97)	(76)	-	(173)
Historical cost	1.961	456	8	2.653
Sinking Fund	(1.212)	(215)	-	(1.709)
Book value as at 31 December 2022	**695**	**241**	**8**	**944**

As of 31 December 2022, the Company held over 40 international patent families and over 100 valid national patents. The increases recognised in the year ended 31 December 2022, amounting to €112,000, relate to expenses incurred in connection with the filing of new patent applications, nationalisations and concessions, in order to acquire the exclusive right to exploit inventions relating to new cancer applications in specific countries of the World in order to acquire the exclusive right to exploit inventions relating to new cancer applications in specific countries of the World.

Concessions, licences and trademarks mainly include the cost of company software licences. The additions recognised in the year ended 31 December 2022, amounting to €238, including reclassifications from assets under construction relate to the purchase and start-up of the software necessary to implement the interconnection of the new GMP of the Rosia (Siena) site.

Assets under construction refer to the construction of the new GMP plant and new software purchased for the interconnection of the Rosia (Siena) site for which full ownership has not yet been acquired. As of 31 December 2022, the reclassification of Euro 83 thousand reflects the completion and activation of the new GMP plant (for further details on the new GMP plant, see section 3.1 of the Report on Operations).

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

13. Right-of-Use Assets and Lease Liabilities

The main asset information relating to the leases held by the Company, which acts solely as lessee, is set out in the following tables:

Figures in thousands of Euro	Properties	Cars	IT Services	Total
Historical cost	8.106	100	111	8.317
Sinking Fund	(818)	(63)	(60)	(940)
Net book value as at 1 January 2021	**7.288**	**37**	**51**	**7.376**
Increases	70	-	-	70
(Decreases)	-	-	-	-
Amortisation	(555)	(30)	(22)	(607)
Historical cost	8.176	100	68	8.344
Sinking Fund	(1.373)	(93)	(39)	(1.505)
Net book value as at 31 December 2021	**6.803**	**7**	**29**	**6.839**
Increases	347	84	212	643
(Decreases)	-	(22)	-	(22)
Amortisation	(592)	(22)	(95)	(709)
Historical cost	8.523	118	280	8.921
Sinking Fund	(1.965)	(72)	(134)	(2.171)
Net book value as at 31 December 2022	**6.558**	**46**	**146**	**6.750**

Assets for right of use as at 31 December 2022 are mainly attributable to rents for real estate used by the Company for operations. In particular, during 2019, a project for the functional and structural reorganisation of the Group was implemented, through which the real estate branch was to be separated from the operating branch of the Companies. At the same time, lease agreements were entered into, which resulted in the recognition of assets for rights of use and related financial liabilities in accordance with IFRS 16.

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

Figures in thousands of Euro	
Lease liabilities as at 1 January 2021	**7.449**
Increases	70
Decreases	-
Capital repayments	(504)
Lease liabilities as at 31 December 2021	**7.015**
Increases	643
Decreases	(22)
Capital repayments	(555)
Lease liabilities as at 31 December 2022	**7.081**
Of which current	610
Of which non-current	6.471

The following table shows the reconciliation of cash outflows in respect of leases for the years ended 2022 and 2021:

Figures in thousands of Euro	Year ended 31 December	
	2022	2021
Real estate capital share	504	474
Interest expenses for leasing (real estate)	193	199
Capital share cars	25	22
Interest expenses for leasing (cars)	1	0
Capital share IT services	27	8
Interest expenses for leasing (IT services)	2	0
Total cash outflows for *leasing*	**752**	**703**

It should be noted that the Company has applied a discount rate of 2.73% for the purpose of determining leasing liabilities and the related right-of-use assets for leases relating to buildings, cars and IT services.

As at 31 December 2022, the Company did not identify any indicators of impairment with respect to right-of-use assets.

Impairment test

As of 31 December 2022, there was no evidence of impairment that led the Directors to believe that the reasons for recognising the property, plant and equipment, intangible assets and right-of-use assets were no longer valid; nor were there any other indicators of impairment that led the Directors to believe that there might be an impairment of the property, plant and equipment, intangible assets and right-of-use assets; consequently, it was not necessary to perform an impairment test on the value recorded in the financial statements.

14. Participations

Below is the main information from the statutory financial statements of Philochem, the only subsidiary of Philogen:

Company	Registered office	Shareholding held directly or indirectly (*)	Share capital as at 31 December 2022	Net assets as at 31 December 2022 ( )***	Annual result 2022 ( )***
Philochem AG	Switzerland	99,998% (**)	CHF 5,051,000	CHF 10,307,700	CHF11,210,205

(*) Philogen's capital share in Philochem corresponds to the percentage of voting rights.
(**) Duccio Neri and Dario Neri each hold 1 share in Philochem.
(***) Data related to the IFRS Reporting Package.

Company	Registered office	Shareholding held directly indirectly (*)	Share capital as at 31 December 2022	Net assets as at 31 December 2022 ( )***	Annual result 2022 ( )***
Philochem AG	Switzerland	99,998% (**)	EURO 3,501,020	EURO 684,532	EUR 11,152,398

The item Equity Investments is broken down as follows:

Figures in thousands of Euro	31 December 2022	31 December 2021
Participations	10.467	-
Total participations	**10.467**	**-**

The change in the value of the investment from 1 January to 31 December 2021 showed an impairment of the investment. The amount of the write-down was determined in consideration of the negative result for the financial year ended 31 December 2021 of the subsidiary Philochem AG until the value of the investment was reduced to zero in the absence of legal or implied obligations of the parent company to cover further losses and rebuild the share capital.

Changes in the value of the investment from 1 January to 31 December 2021 and from 1 January to 31 December 2022 are shown below:

Figures in thousands of Euro	1 January 2021	FV stock grant 2021	Result 2021	Translation reserve	Decreases	Dividends	31 December 2021
Participations	2.369	13	(3.273)	(74)	-	-	-
Total Participations	**2.369**	**13**	**(3.273)**	**(74)**	**-**	**-**	**-**

Figures in thousands of Euro	1 January 2022	FV stock grant 2022	Result 2022	Translation reserve	Decreases	Dividends	31 December 2022
Participations	-	67	10.187	213	-	-	10.467
Total Participations	**-**	**67**	**10.187**	**213**	**-**	**-**	**10.467**

15. Inventories

The breakdown of inventories is as follows:

Figures in thousands of Euro	31 December 2022	31 December 2021
Raw materials and consumables	1.786	1.166
Total inventories	**1.786**	**1.166**

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

As of 31 December 2022, inventories, amounting to €1,786,000, showed an increase compared to the year ended 31 December 2021, mainly due to the increased procurement of consumable materials functional to the Company's operations.

16. Contract Assets and Liabilities

Assets arising from contracts relate to *performance obligations* fulfilled *over time* and are valued on a *cost-to-cost* basis as they are the subject of a contract already concluded with the customer.

Assets arising from contracts are recognised as assets net of the related liabilities if, based on a contract-by-contract analysis, the gross value of the assets at the date exceeds the advances received from customers. Conversely, if the advances received from customers exceed the related contract assets, the excess is recognised as a liability.

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

Contracts with a positive net balance

Figures in thousands of Euro	31 December 2022	31 December 2021
Advances received from customers	(1.030)	(250)
Contract Activities	3.330	302
Contract activities with customers	**2.300**	**52**

Contracts with a negative net balance

Figures in thousands of Euro	31 December 2022	31 December 2021
Advances received from customers	2.233	9.782
Revenue recognised on advances received	(2.233)	(7.549)
Liabilities from contracts with customers	**-**	**2.233**

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

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

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

17. Trade receivables

Trade receivables are made up as follows:

Figures in thousands of Euro	31 December 2022	31 December 2021
Receivables from customers	831	376
Intercompany Credits	530	351
Total trade receivables	**1.361**	**727**

As at 31 December 2022, trade receivables from customers amounted to €1,361 thousand. The change from the previous year is mainly attributable to the masonry work carried out by Philogen on behalf of Rendo S.r.l., owner of the building, and re-invoiced by virtue of a deed of recognition to the lease agreement in place (see Note 31 to the financial statements) and to the invoicing of some of the activities envisaged in the GMP production contracts for third parties, signed in 2021.

Overdue credit positions are monitored by the administrative management through periodic analyses of the main positions. The estimate of the expected loss pursuant to IFRS 9 (*"Expected Credit Loss"*) is not significant due to the type of customers of the Company, the contractual terms envisaged and the timing of credit collection. It should be noted that, in accordance with IFRS 15, the invoicing of assets does not necessarily coincide with revenue if the consideration is recognised over time.

Breakdown of receivables under current assets by geographical area

The following table shows the breakdown of receivables recorded under current assets by geographical area.

Figures in thousands of Euro	Geographical area	
	31 December 2022	**31 December 2021**
Italy	831	178
European Union	-	198
Outside the European Union (USA)	-	-
Non-EU (other)	530	351
Total trade receivables	**1.361**	**727**

18. Tax receivables and payables

The item 'Tax Credits' is broken down as follows:

Figures in thousands of Euro	**31 December 2022**	**31 December 2021**
VAT credits	2.648	2.672
Other tax receivables	26	39
Various tax credits	4.041	1.294
Total tax receivables	**6.715**	**4.005**

The item 'VAT Receivables' is equal to €2,648, substantially unchanged from the previous period. It should be noted that the Company makes purchases mainly in Italy and sales mainly abroad, such that VAT credits cannot be offset against VAT debits.

Other tax receivables' mainly include receivables for withholding taxes.

The item "Sundry tax credits" as of 31 December 2022 includes the portions of tax credits from which the Company benefits, which can be offset within the financial year 2023. The portion of these credits beyond the financial year is reclassified under non-current assets in the item 'Other non-current assets'.

Below is a breakdown of available receivables as at 31 December 2022.

- research and development tax credit year 2022 in the amount of Euro 1,838 thousand, the offsetting of which will be in three annual instalments of equal amount, in compliance with the reference legislation (art.1 paragraph 200 Law 160 of 27 December 2019 and subsequently amended by art.1 paragraph 1064 Law 178 of 30 December 2020);

- research and development tax credit year 2021 in the amount of Euro 1,782 thousand, the offsetting of which will be in three annual instalments of equal amount, in compliance with the reference legislation (art.1 paragraph 200 Law 160 of 27 December 2019 and subsequently amended by art.1 paragraph 1064 Law 178 of 30 December 2020);

- research and development tax credit for 2020 in the amount of Euro 329 thousand (total 2020 research and development tax credit of Euro 1,019 thousand) relating to the residual portion to be offset in 2023 in compliance with the reference legislation (Article 1, paragraph 200, Law 160 of 27 December 2019);

-- technological innovation tax credit year 2022 in the amount of Euro 251 thousand, the offsetting of which will be in three equal annual instalments, in compliance with the reference legislation (Article 1, paragraph 200, Law 160 of 27 December 2019 and subsequently amended by Article 1, paragraph 1064, Law 178 of 30 December 2020);

- technological innovation tax credit year 2021 in the amount of Euro 111 thousand, the offsetting of which will be in three annual instalments of equal amount, in compliance with the reference legislation (Article 1 paragraph 200 Law 160 of 27 December 2019 and subsequently amended by Article 1 paragraph 1064 Law 178 of 30 December 2020);

- industry 4.0 credit, relating to generic assets that came into operation in the financial year ended 31 December 2020 (Art.1 paragraphs 184 to 194 of Law 160/2019), in the amount of Euro 27 thousand (the offsetting takes place in five annual instalments from the financial year 2021);

- industry 4.0 credit, relating to the interconnection of the new GMP production plant at the Rosia (Siena) site (Art.1 paragraphs 184 to 194 of Law 160/2019 and Art.1 paragraphs 1051 to 1063 of Law 178/2020), for Euro 2,586 thousand (compensation is made in three annual instalments from the date of interconnection);

- residual SME tax credit of Euro 58 thousand (SME tax credit recognised is Euro 500 thousand) for consultancy costs incurred for admission to listing on the EXM market (Article 1 paragraphs 89 to 92 of Law 205/2017 as amended);

- tax credit in favour of non-energy consuming companies in the amount of Euro 54 thousand relating to the second and third quarters of 2022 and to the two months of October-November 2022 and December 2022 (Article 3 of Decree-Law No. 21 of 21 March 2022, Article 6 paragraph 3 of Decree-Law No. 115 of 9 August 2022 and Article 1 paragraph 3 of Decree-Law No. 23 September 2022).

As of 31 December 2022, the portion of the above-mentioned tax credits that can be offset by 31 December 2023 was €4,041 thousand (€1,294 thousand as of 31 December 2021), while the non-current portion that can be offset as of 2024 was €2,987 thousand (€1,656 thousand as of 31 December 2021).

Figures in thousands of Euro	31 December 2022	31 December 2021
Tax receivables non-current portion	2.987	1.656
Other non-current assets	**2.987**	**1.656**

For more information on the utilisation rates of these receivables, please refer to Note 28.

The item 'Taxes payable' is broken down as follows:

Figures in thousands of Euro	31 December 2022	31 December 2021
Current income tax payables	-	-
Payables to tax authorities for withholdings	229	193
Other tax debts	57	116
Total tax payables	**286**	**309**

The Company has estimated a current tax burden of zero.

Other tax payables mainly include the debt to the tax authorities accrued as a result of an assessment that ended in December 2019. The company has decided to reschedule the tax debt with quarterly payments, to be offset against other taxes. The debt will be repaid in full in September 2023.

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

19. Other current financial assets

Changes in other current financial assets are analysed below:

Figures in thousands of Euro	Other current financial assets
Book values as at 1 January 2021	**49.984**
Increases	42.860

(Decreases)	(1.743)
Gains/Losses from *Fair Value* Adjustment of Financial Assets	1.696
Change in accrued income on coupons	2.870
Book values as at 31 December 2021	**95.667**
Increases	26.232
(Decreases)	(54.431)
Fair Value Adjustment Gains/Losses	(2.955)
Accrued income on coupons	121
Intercompany financing	(2.870)
Book value as at 31 December 2022	**61.764**

The Company invests excess liquidity in financial instruments, held at Mediobanca, which also acts as manager, in accordance with the "Investment Management Policy" approved by the Board of Directors in May 2021 and amended in October 2022 in order to revise the parameters relating to *asset allocation* and to allow for greater profitability of the financial instruments in which the Group invests based on the characteristics of the financial market during 2022 characterised by high instability and volatility.

The item "Other current financial assets" includes:

i) the balance of financial instruments held in the portfolio, consisting of insurance policies, equity instruments and fund units, which are held for the purpose of collecting contractual cash flows and for sale and whose contractual terms do not provide for principal repayments and interest payments on the principal amount to be repaid (i.e., which do not pass the 'SPPI test'), which were mandatorily measured at *fair value* with impact recognised in profit (loss) for the period (FVTPL);
ii) the balance relating to the bond segment of the outstanding portfolio, which was measured at *fair value* with no impact recognised in profit (loss) for the period (FVTOCI) (as they pass the so-called 'SPPI test').

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

Figures in Euro thousands	31 December 2022	31 December 2021
Other Financial Assets (FVTPL)		
Actions	3.408	2.285
Certificates	2.334	
Funds	4.192	7.191
Insurance investment products	28.905	82.815
Total	**38.839**	**92.291**
Other Financial Assets (FVOCI)		
Bonds	22.804	506
Accrued income on maturing coupons	121	-
Total	**22.925**	**506**
Total other current financial assets	**61.764**	**92.797**

The table above shows the change in *asset allocation that* occurred during 2022 following the amendment to the "Investment Management Policy" approved by the Board of Directors in October 2022. This change became necessary due to the instability of the financial markets throughout the year 2022.

In particular, it should be noted that in 2022 the market was characterised by an unusual volatility generated by the sharp rise in interest rates aimed at controlling inflation; inflation that we recall was initially declared transitory by central bankers, but which then manifested a very different matrix sustained also by the effect on raw materials of the war in Ukraine as well as the imbalances between supply and demand following the uneven post covid reopenings.

In line with the new 'Investment Management Policy', during the year ended 31 December 2022, the Company disposed of its portfolio for about Euro 51 million to invest in liquid instruments, money market instruments and short-term government bonds due to the high yields offered as a result of the numerous interest rate increases in 2022. Specifically, insurance investment products decreased from Euro 82,815 thousand as of 31 December 2021 to Euro 28,905 thousand in the year ended 31 December 2022.

The securities portfolio decreased from Euro 92,797,000 at 31 December 2021 to Euro 61,764,000 at 31 December 2022, a change of Euro 31,033,000. This change is due to:

(iv) Euro 54,431,000 related to disposals made during the year ended 31 December 2022;
(v) Euro 26,263,000 related to investments made during the year ended 31 December 2022;
(vi) Euro 2,865,000 equal to the net capital loss from the *fair value* measurement of financial assets in the securities portfolio as of 31 December 2022. This vol is composed as follows:
- Euro 2,879,000 related to net capital losses from the valuation of financial assets at fair value through profit or loss;
- Euro 114,000 related to net capital losses from the valuation of financial assets at fair value recognised in OCI;
- Euro 6,000 related to the effect of the amortised cost of bonds valued at FVOCI as of 31 December 2022;
- Euro 121 thousand related to accrued income on coupons pertaining to 31 December 2022
- Euro 2,870 thousand related to the reimbursement received from the subsidiary for the intercompany loan granted in the previous year.

20. Other current assets

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

Figures in thousands of Euro	31 December 2022	31 December 2021
Other current receivables	390	344
Other current assets	226	197
Other current assets	**616**	**541**

Other current receivables mainly refer to advances to third-party suppliers and receivables of various kinds.

Other current assets mainly comprise prepaid expenses relating to costs incurred in advance and recognised in the balance sheet for the relevant portion.

21. Cash and cash equivalents

The composition of cash and cash equivalents is detailed below:

Figures in thousands of Euro	31 December 2022	31 December 2021
Bank and postal deposits	23.936	6.411
Cash and valuables on hand	2	-
Cash and cash equivalents	**23.938**	**6.411**

The Company holds current accounts in both Euro and foreign currency (USD).

It should be noted that in November 2022, the Group signed three term current account contracts for a total amount of Euro 16,000 thousand, of which (i) Euro 6,000 thousand at a rate of 2.05% expiring in July 2023, (ii) Euro 5,000 thousand at a rate of 2.35% expiring in November 2023 and (iii) Euro 5,000 at a rate of 2.6% expiring in May 2024. As of 31 December 2022, these deposits accrued interest in the amount of Euro 42 thousand not prudentially recorded in the financial statements as the entire amount accrued will be paid at maturity if not released early.

Details of the Company's Net Financial Indebtedness as of 31 December 2022 and 31 December 2021, prepared in accordance with ESMA Guideline 32-382-1138 of 4 March 2021 and Consob's Attention Reminder No. 5/21, are set out below:

Figures in thousands **Net financial debt**	31 December 2022	31 December 2021
(A) Cash and cash equivalents (*)	7.938	6.412
(B) Cash equivalents (*)	16.000	-
(C) Other current financial assets	61.764	95.667

(D) Liquidity (A+B+C)	**85.703**	**102.079**
(E) Current financial debt	29	9
(F) Current portion of non-current financial debt	11.515	1.557
(G) Net current financial debt (E+F)	**11.544**	**1.566**
(H) NET CURRENT FINANCIAL DEBT (G-D)	**(74.159)**	**(100.513)**
(I) Non-current financial debt	9.458	10.101
(J) Debt instruments	-	-
(K) Trade and other current payables	-	-
(L) Non-current financial debt (I+J+K)	**9.458**	**10.101**
(M) NET FINANCIAL DEBT (H+L)	**(64.701)**	**(90.412)**

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

For more details on the change in cash flows for the year ending 31 December 2022, please refer to the Statement of Cash Flows.

Equity and Liabilities

22. Net assets

The statement of changes in shareholders' equity as at 31 December 2022 can be found in the financial statements section.

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

A. Share capital and shares

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

Categories Actions	31 December 2022
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**

It should be noted that the shares outstanding at the beginning of the financial year 2022 amounted to 11,250,240 and represented 27.70% of the share capital, whereas at the end of the financial year 2022, the shares outstanding amounted to 11,091,641 and represented 27.31% of the share capital.

The Company has not issued any beneficial shares.

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

Ordinary shares

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

Multiple-voting shares

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

a) attribute a voting right in the assembly equal to 3 votes;
b) are automatically converted into Ordinary Shares at a ratio of one Ordinary Share for each Multiple Voting Share (without the need for resolutions either by the special meeting of the shareholders holding Multiple Voting Shares or

by the shareholders' meeting of the Company) 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, in the ratio of one Ordinary Share for each Multiple Voting Share.

B. Nature and purpose of reserves

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

Figures in thousands of Euro	Nature	Possible uses	31 December 2022	31 December 2021
Capital			5.731	5.731
Negative reserve of own shares(*)			(2.461)	(537)
Share premium reserve	Capital	A, B, C	106.096	119.749
Legal reserve	Useful	A, B	892	892
Reserve from FTA	Useful	A, B	(7.421)	(7.421)
Reserve from merger surplus	Capital	A, B	449	449
Reserve for actuarial gains/losses	Useful	A, B	(14)	(99)
Cash-flow hedge reserve	Useful	A, B	(186)	(5)
Financial instruments valuation reserve	Useful	A, B	(87)	-
Reserve from translation differences	Useful	A, B	1.261	1.049
Share-based payment reserve(***)	Useful	A	125	21
Restricted stock grant reserve 2024-2026 (**)	Useful	A	(124)	(124)
Retained earnings (losses)	Useful	A, B, C	-	1.107
Profit (loss) for the year			(6.341)	(14.759)
Net assets			**97.921**	**106.053**

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

(**) The profit reserve is tied 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 date, 31 December 2026.

(***) The share-based payment reserve includes the fair value of the shares granted under the 2024-2026 Stock Grant Plan, First Cycle. For more details on the Stock Grant Plan, please refer to Note 28.

Legend:

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

C. Share-based payment incentive plan

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

To service the aforesaid Plan, the Shareholders' Meeting also resolved to increase the share capital free of charge, on a divisible basis, pursuant to Article 2349 of the Italian Civil Code, to be executed by the deadline of 31 December 2026, for a maximum amount of Euro 123.974 thousand, to be fully allocated to share capital, and to set up for the same amount, a specific reserve, taking it from the retained earnings reserve, called "Retained Earnings Reserve for Capital Increase to Service the 2024-2026 Stock Grant Plan", which will remain tied up to service the free share capital increase until the final subscription date.

On 28 September 2021, the Company's Board of Directors, at 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 assignment cycle 2021-2024, assigning a total of 145,000 Units.

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

The reserve as at 31 December 2022 represents the accrued cost of the shares to be granted to the beneficiaries relating to the first and second grant cycles.

Please refer to Note 28 of the Annual Report for further information.

D. Purchases of own shares

On 24 November 2021, the Ordinary Shareholders' Meeting authorised the Company to purchase treasury shares, in order to (i) support the liquidity of Philogen S.p.A. stock(ii) operate with a view to medium- and long-term investment, intervening both on and off the market; (iii) set up a securities warehouse, to dispose of treasury shares in the context of agreements with strategic partners and/or corporate/financial operations of an extraordinary nature; (iv) fulfil obligations deriving from incentive plans, whether for consideration or free of charge, in favour of company representatives, employees or collaborators of the Group (for more detailed information on the share buyback programme, please refer to Paragraphs 4.1 and 19.1 of the Report on Operations).

23. Employee benefits

This item includes all pension obligations and other benefits in favour of employees and executive directors, subsequent to the termination of employment or to be paid upon the accrual of certain requirements, and is represented by provisions for severance indemnities relative to employees and the provision for severance indemnities relative to executive directors of the Company.

Severance pay:

Liabilities for post-employment benefits amounted to Euro 933,000 for the year ended 31 December 2022 (Euro 1,033,000 as of 31 December 2021). Changes for the year ended 31 December 2022 and 31 December 2021 are shown below:

Figures in thousands of Euro	31 December 2022	31 December 2021
Balance at the beginning of the period	1.033	847
Uses	(172)	(36)
Provision for severance pay	171	121
Financial charges	18	5
Actuarial gains/(losses)	(117)	96
Total employee benefits	**933**	**1.033**

Provisions related to employees 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 at 31 December 2022 and 31 December 2021, the provisions for employee benefits refer to the Employee Severance Indemnity Reserve (hereafter 'TFR') set aside and allocated to employees.

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

Below are the main assumptions made for the actuarial estimation process:

Economic recruitment	31 December 2022	31 December 2021
Annual inflation rate	2,30%	1,75%
Annual discount rate	3,63%	0,98%
Annual rate of increase of TFR	3,23%	2,81%

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

Demographic assumptions	31 December 2022	31 December 2021

Death	RG48 mortality tables published by the State General Accounting Office	RG48 mortality tables published by the State General Accounting Office
Inability	INPS tables broken down by age and gender	INPS tables broken down by age and gender
Retirement	100% upon reaching the AGO requirements adjusted to Legislative Decree No. 4/2019	100% upon reaching the AGO requirements adjusted to Legislative Decree No. 4/2019

Severance pay

The Termination Indemnity, provided for by the Remuneration Policy approved by the Shareholders' Meeting on 27 April 2022, consists of an annual provision in favour of the Company's Executive Directors, equal to one-twelfth of their annual remuneration net of actuarial adjustments, to be paid upon termination of office. For further details, please refer to section 4.5 of the Management Report.

Liabilities for severance pay amounted to €26,000 for the year ended 31 December 2022. Changes for the year ended 31 December 2022 and 31 December 2021 are shown below:

Figures in thousands of Euro	31 December 2022	31 December 2021
Balance at the beginning of the period	-	-
Uses	-	-
Provision for severance pay	27	-
Financial charges	0	-
Actuarial gains/(losses)	(1)	-
Total employee benefits	**26**	**-**

The actuarial valuation of post-employment benefits is performed using the 'accrued benefits' method by means of the '*Projected Unit* Credit' (PUC) criterion as provided for in paragraphs 67-69 of IAS 19.

Below are the main assumptions made for the actuarial estimation process:

Economic recruitment	31 December 2022	31 December 2021
Annual discount rate	3,34%	-
Annual fee revaluation rate	-	-

Demographic assumptions	31 December 2022
Death	RG48 mortality tables published by the State General Accounting Office
Inability	INPS tables broken down by age and gender
Retirement	100% upon fulfilment of AGO requirements
Frequency of revocation	0,00%

24. Current and non-current financial liabilities

The following tables show the changes in current and non-current financial liabilities in 2021 and 2022:

Figures in thousands of Euro	Liabilities financial
Financial liabilities as at 1 January 2021	**7.177**
Taking out new medium-/long-term loans	-
Financial liability from hedging derivatives (MtM)	6
Liabilities for accrued interest on loans	6
Credit Cards	5
(Repayment of principal)	(1.079)
(Repayment of *intercompany* financing)	(1.464)
Financial liabilities as at 31 December 2021	**4.651**
Taking out new medium-/long-term loans	12.000
Financial liability from hedging derivatives (MtM)	239
Liabilities for accrued interest on loans	11
Credit Cards	20
(Repayment of principal)	(1.050)
(Repayment of *intercompany* financing)	(1.950)
Financial liabilities as at 31 December 2022	**13.921**
Of which current	10.934
Of which non-current	2.987

Figures in thousands of Euro	31 December 2022	31 December 2021
Current financial liabilities	10.934	1.064
Non-current financial liabilities	2.987	3.587
Total financial liabilities	**13.921**	**4.651**

Financial liabilities are represented by:

- an intercompany loan granted in April 2022 in the amount of €12,000,000 under the policy of centralising liquidity with the Parent Company (as of 31 December 2022, the outstanding balance of the loan was €10,050,000);
- a medium/long-term loan stipulated with Banca Intesa S.p.A. (formerly UBI Banca S.p.A), amounting to €3,580 thousand as of 31 December 2022, and €4,393 thousand as of 31 December 2021. The decrease compared to 31 December is attributable to the repayment of the principal amounts made during the year 2022. The two loans were stipulated on 5 January 2021 for a total amount of €5,000 thousand and are composed as follows:

  (i) a loan of €2,350,000, maturing on 7 January 2027, with a variable rate equal to the three-month EURIBOR rate plus a spread of 1.15%;

  (ii) a loan in the amount of €2,650,000, maturing on 7 April 2024, with a variable rate equal to the three-month EURIBOR rate plus a spread of 1.15%.

Both loans taken out with Banca Intesa S.p.A. are 90% guaranteed by Medio Credito Centrale, benefiting from the facilities set forth in Decree-Law No. 23 of 8 April 2020, converted with amendments by Law No. 40 of 5 June 2020, as subsequently amended and supplemented (the so-called Liquidity Decree).

The existing loans require compliance with certain financial and commercial parameters ("*covenants*"). The commercial *covenants* will be tested beginning with the consolidated financial statements for the year ending 31 December 2021 and

the financial covenants beginning with the consolidated financial statements for the year ending 31 December 2022 and provide for compliance with the following ratios:

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

-equity of EUR 50 million or more.

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

In the year ended 31 December 2022, the commercial and financial *covenants* were met.

It should also be noted that these loans were taken out in order to partially finance the expansion project of the Rosia (Siena) site, which envisages the construction of a new biotechnology "GMP" plant for the production of pharmaceuticals for the market and additional to the Montarioso (Siena) site, for a total value of about €12 million, financed partly with the Company's liquidity and partly through the two loans mentioned above.

The residual balance consists of payables from the *market-to-market* valuation of the derivative hedging the interest on the Banca Intesa S.p.A. loans described above, interest accrued as of 31 December 2022 also on these loans, and payables to credit institutions for debit balances on corporate credit cards.

In order to verify the hedging of the derivative, a hedge effectiveness test was performed, based on the requirements of IFRS 9. From the checks carried out, it emerged that the derivative meets the substantial requisites for the application of *hedge accounting in* accordance with IFRS 9, considering the substantial alignment between the characteristics of the derivative and those of the underlying loan. For the purposes of the analysis, a quantitative verification of the effectiveness of the hedging relationship was carried out; this verification was performed by measuring and comparing the fair value of the derivative actually stipulated by the Company with that of the liability being hedged, measured in terms of a hypothetical derivative. The checks carried out showed that the hedging relationship in question had no ineffectiveness to be recognised in the Income Statement at the date under examination.

At 31 December 2022, the *fair value* of the hedging derivative on the loan was €244,000, of which €216,000 related to current loans and €28,000 related to non-current loans.

It should be noted that on 10 March 2023, due to favourable market conditions, the Company extinguished this derivative and cashed in €243 thousand. At the same time, the Company, in order to hedge the risk associated with the variable interest rates of these loans, signed with the Banca Intesa S.p.A. Group a new hedging option called "Single Premium Protected Rate", which envisages the payment of an initial premium by receiving any positive difference between the variable rate of the loan (3-month EURIBOR) and the CAP rate (3%); if the variable rate is higher than the CAP rate, the bank's protected rate will be equal to the difference between the variable rate and the CAP rate, otherwise the parameter rate will be zero.

25. Trade payables

Trade payables to suppliers amounting to Euro 7,128 thousand as of 31 December 2022 (Euro 5,593 thousand as of 31 December 2021) are mainly attributable to payables to medical institutions where the Company performs clinical *trials*, to payables to the subsidiary Philochem AG, and for the remainder to other suppliers of services and consumables.

Figures in thousands of Euro	31 December 2022	31 December 2021
Payables to third parties	6.123	5.327
Intercompany payables	1.005	266
Total trade payables	**7.128**	**5.593**

Breakdown of debts by geographical area

Figures in thousands of Euro	Geographical area	
	31 December 2022	31 December 2021

Italy	2.960	3.065
European Union	2.074	1.575
Outside the European Union (USA)	616	285
Non-EU (other)	1.478	668
Total trade payables	**7.128**	**5.593**

26. Other current liabilities and non-current liabilities

The Company's other current liabilities as at 31 December 2022 and 31 December 2021 are detailed below:

Figures in thousands of Euro	31 December 2022	31 December 2021
Payables to social security institutions	368	292
Accrued expenses and deferred income	541	88
Other debts	858	688
Other current liabilities	**1.767**	**1.068**

Payables to social security institutions" express the amount of payables to INPS and INAIL for withholdings to be paid and amount to Euro 368,000 as of 31 December 2022, the increase is related to the increase in the number of employees in the year ended 31 December 2022.

Other payables', amounting to Euro 858,000 as of 31 December 2022, mainly refer to:

- Payables to employees for wages and salaries to be paid, amounting to Euro 702,000;

- Other payables of various kinds in the amount of Euro 156,000.

Accrued expenses and deferred income" in the amount of Euro 541 thousand are mainly attributable to the deferred income of the contribution related to the Industry 4.0 tax credit certified in the year 2022 for a total of Euro 2,586 thousand and specifically to its method of accounting as a contribution on account of plants correlated to the duration of the depreciation of the assets subject to the facilitation. For this reason, in the year ended 31 December 2022, the Industry 4.0 deferrals are classified among current liabilities for the portion that will be reversed to the income statement within the year 2023 for €306 thousand (€74 thousand as of 31 December 2021) and among non-current liabilities for the portion beyond the year 2023 for €1,962 thousand (€156 thousand as of 31 December 2021).

Other non-current liabilities are detailed below:

Figures in thousands of Euro	31 December 2022	31 December 2021
Deferred income non-current portion	1.962	156
Other non-current liabilities	**1.962**	**156**

Other information

27. Commitments

It should be noted that, as at 31 December 2022 and 31 December 2021, there were no commitments not reflected in the balance sheet.

28. Information pursuant to Article 1(125) of Law No. 124/2017

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

Tax Credits:

Nature of the contribution	Contribution amount
Research & Development Credit 2020	**1.008**
Amount offset 2021	232
Amount offset 2022	447
Amount to be offset 2023	329
Research & Development Credit 2021	**1.782**
Amount to be offset 2022	594
Amount to be offset 2023	594
Amount to be offset 2024	594
Process Innovation Credit 2021	**167**
Amount offset 2021	56
Amount to be offset 2023	56
Amount to be offset 2024	56
Research & Development Credit 2022	**1.838**
Amount to be offset 2023	613
Amount to be offset 2024	613
Amount to be offset 2025	613
Process Innovation Credit 2022	**251**
Amount to be offset 2023	84
Amount to be offset 2024	84
Amount to be offset 2025	84
Industry 4.0 generic goods credit year 2020	**46**
Amount offset 2021	9
Amount offset 2022	9
Amount to be offset 2023	9
Amount to be offset 2024	9
Amount to be offset 2025	9
Industry 4.0 generic goods credit year 2021	**193**
Amount offset 2022	193
Industry 4.0 Credit 2022	**2.586**
Amount to be offset 2022	816
Amount to be offset 2023	844
Amount to be offset 2024	844
Amount to be offset 2025	28
Amount to be offset 2026	28
Amount to be offset 2027	28
Energy Credit II Quarter 2022	**11**
Amount offset 2022	11
Energy Credit Q3 2022	**20**
Amount to be offset 2022	20
Energy Credit October-November 2022	**25**
Amount to be offset 2023	25
Energy Credit December 2022	**10**
Amount to be offset 2023	10
SME listing credit	**500**
Amount offset 2022	442
Amount to be offset 2023	58
ACE credit	**180**
Amount offset 2022	180
Total credits	**8.605**
Offset credits	1.578
To be compensated	7.037

Project collection

Project	Description	Collection date	Contribution collected 2022
Tuscany Region			

Reimbursement of Youth Traineeships Yes		25/10/2021	2
Reimbursement of Youth Traineeships Yes		29/10/2021	2
CCIAA Announcement Voucher 2020		08/01/2021	1
CCIAA Announcement Voucher 2020		12/05/2021	4
Chamber of Commerce Announcement Sanitation 2021		30/11/2021	3
Notice 3 "Research and development projects implementing the Settlement Protocols". Project title: 'New GMP infrastructure for clinical experimental research'. NEW GMP acronym. Project number CU D-53D1700044009	The Project facilitates investments in industrial research and experimental development. Line of intervention POR CREO 2014/2020 - Action 1.1.5 sub-action a1). The intensity of the non-repayable contribution is 50% of the eligible costs in Industrial Research.	14/10/2021	93
MISE			
Call for proposals IPA4SME		22/05/2021	3
Fondimpresa			
Reimbursement of training plan fee		17/06/2021	5
Total contributions received 2022			**194**

29. Share-based payment incentive plan

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

To service the aforesaid Plan, the Shareholders' Meeting also resolved to increase the share capital free of charge, on a divisible basis, pursuant to Article 2349 of the Italian Civil Code, to be executed by the deadline of 31 December 2026, for a maximum amount of Euro 123.974 thousand, to be fully allocated to the share capital, and to set up for the same amount, a specific reserve, taking it from the retained earnings reserve, called "Restricted earnings reserve for capital increase to service the 2024-2026 Stock Grant Plan", which will remain restricted to service the free share capital increase until the final subscription date.

In addition to the first cycle assigned on 28 September, which envisages a total of 145,000 units, on 11 October 2022, the Company's Board of Directors, subject to the positive opinion of the Appointments and Remuneration Committee, identified the beneficiaries and defined the performance objectives and related targets, of the second cycle of assignment 2022-2025, assigning a total of 139,000 units.

Summary of the Regulation

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

- the allocation of a certain number of Units (free of charge) to the beneficiaries;
- the definition, at the allocation stage, of *performance* targets;
- a three-year *performance* period;
- the allocation of shares to beneficiaries, subject to the achievement of *performance* targets over the three-year period.

The object of the Plan is the assignment of a maximum of 877,286 Units that grant the right to receive, free of charge, a maximum of 877,286 shares corresponding to approximately 3% of the current share capital, with reference to ordinary shares only. The beneficiaries receive the shares following the allocation decided by the Board of Directors at the end of the performance period for each cycle of the Plan.

At the end of each Performance Period, the Board of Directors will assess whether the gate, if any, has been passed and whether the performance objectives have been achieved, determining the number of shares to be granted to each beneficiary. In particular, the Board of Directors, after ascertaining that the gate, if any, has been exceeded, will assess the following

a) achievement of the corporate objectives: for each Cycle of the Plan, the allocation of the shares is subject to the condition that all or part of the corporate objectives connected to the Company's performance and/or the performance of the stock that will be identified by the Board of Directors for each beneficiary are achieved. The Board of Directors, in consultation with the Nomination and Remuneration Committee, verifies 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 Nominations and Remuneration Committee, has drawn up individual objectives for the individual beneficiaries of the Plan based on criteria that are mainly oriented (i) to the development of the projects in which the individual Beneficiary is involved; (ii) to the achievement of the results of such projects in accordance with the methods and timescales set by the Company and/or the Group; (iii) to obtaining authorisations from the competent authorities in the biotechnology sector for the commercialisation of the products developed by the Company and/or the Group; (iv) to the conclusion of commercial agreements with leading companies in the research and development sector in which the Company operates. The Board of Directors, having consulted with the Appointments and Remuneration Committee, verifies the achievement of individual objectives at the end of the performance period of each Plan cycle.

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

Individual performance targets will be measured with reference to the specific three-year period of each cycle, starting from the relevant date of assignment.

The Plan will end on the day coinciding with the allocation date of the shares for the third Cycle.

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

Evaluation Criteria

The valuation of the second cycle of the Plan (2022-2025) was carried out reflecting the financial market conditions valid on the grant date (11 October 2022).

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

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

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

In particular, 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	Expiry date	Course on the date of evaluation	Annual volatility	Dividend rate	Exit rate
145.000	28 September 2021	30 September 2024	13,340	30%	0%	14%

Second allocation cycle 2022-2025

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

Overall evaluation results

With regard to the first allocation cycle at 31 December 2022, the value of the Plan was updated following the exit of three Group employees, who were beneficiaries of the Plan at the date of the first valuation. The total *fair value* went from Euro 250 thousand at 31 December 2021 to Euro 214 thousand at 31 December 2022. The portion pertaining to 31 December 2022 was Euro 46 thousand relating to Philochem AG and Euro 29 thousand relating to Philogen S.p.A..

A total *fair value of* Euro 527 thousand emerged for the second assignment cycle, of which Euro 152 thousand related to the Company and Euro 375 thousand related to the subsidiary. The portion pertaining to the year ended 31 December 2022 was Euro 29 thousand, of which Euro 21 thousand related to Philochem AG and Euro 8 thousand related to Philogen S.p.A..

30. 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 Company are as follows:

- *Credit Risk*

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

The carrying amount of financial assets and assets under contract represents the Company's maximum exposure to credit risk.

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

However, management also considers the typical variables of the Company's customer portfolio, including the insolvency risk of the industry and country in which the customers operate. Contract business has as its counterparts primary pharmaceutical and multinational companies characterised by a low risk profile.

- *Liquidity risk*

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

The Company ensures that cash on hand and other securities exceed the expected cash outflows for financial liabilities (other than trade payables). In addition, the Company regularly monitors the level of expected cash inflows from trade and other receivables, as well as outflows related to trade and other payables.

An analysis of maturities for trade receivables and payables and for financial liabilities as at 31 December 2022 is presented below:

Figures in thousands of Euro	31 December 2022				
	Within 90 days	90 days to 1 year	1 to 5 years	Over 5 years	Total
Leasing liabilities	153	458	1.947	4.523	**7.081**
Financial liabilities	10.306	628	2.987	-	13.921
Trade payables	7.128	-	-	-	7.128
Total	**17.587**	**1.086**	**4.934**	**4.523**	**28.130**

Figures in thousands of Euro	31 December 2022				
	Within 90 days	90 days to 1 year	1 to 5 years	Over 5 years	Total
Trade receivables	1.361	-	-	-	1.361

Total	**1.361**	**-**	**-**	**-**	**1.361**

In addition to cash and cash equivalents, the Company holds a portfolio of financial investments totalling €61,764,000 as of 31 December 2022 that is readily liquid and can be used to meet any liquidity needs. Please refer to Note 21 of the annual 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 Company's exposure to this risk within acceptable levels while optimising investment returns.

- *Exchange rate risk*

The Company is exposed to exchange rate risk when sales, purchases, receivables and loans are denominated in a currency other than the functional currency.

Production activities are limited to Italy and Switzerland and therefore the company is exposed to fluctuations between the euro and the Swiss franc.

The Company realises revenues from contracts with customers in foreign currencies, primarily in US Dollars. Revenues denominated in US Dollars for the period ended 31 December 2021 represented 74% of total revenues from contracts with customers while for the period ended 31 December 2022% represented 34% of total revenues from contracts with customers. Therefore, an unfavourable trend in the value of the US dollar against other major currencies could adversely affect the business and financial position. The breakdown of revenue from contracts with customers by currency for the years ended 31 December 2022 and 31 December 2021 is shown below:

Figures in thousands of Euro	Year ended 31 December			
	2022	**%**	**2021**	**%**
US Dollar (USD)	2.233	34%	1.922	74%
Euro (EUR)	2.806	42%	313	13%
Swiss Franc (CHF)	1.599	24%	346	13%
Total revenue from contracts with customers	**6.639**	**100%**	**2.581**	**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 years ended 31 December 2021 and 31 December 2020:

Figures in thousands of Euro in absolute value	Year ended 31 December	
	2022	**2021**
US Dollar (USD)	22	19
Euro (EUR)	28	3
Swiss Franc (CHF)	16	3
Total effect on revenues from contracts with customers	**66**	**26**

The Company also incurs operating costs in foreign currencies, mainly in US Dollars and Swiss Francs. Details of operating expenses by currency for the years ended 31 December 2022 and 31 December 2021 are set forth below:

Figures in thousands of Euro	Year ended 31 December			
	2022	**%**	**2021**	**%**
US Dollar (USD)	909	4%	548	3%
Euro (EUR)	20.213	89%	14.523	79%
Pounds Sterling (GPB)	3	-	7	-
Polish Zloty (PLN)	6	-	2	-
Swiss Franc (CHF)	1.479	7%	3.385	18%
Total operating costs	**22.610**	**100%**	**18.465**	**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 years ended 31 December 2022 and 2021:

Figures in thousands of Euro in absolute value	Year ended 31 December	
	2022	2021
US Dollar (USD)	9	5
Euro (EUR)	202	145
Pounds Sterling (GPB)	-	-
Polish Zloty (PLN)	-	-
Swiss Franc (CHF)	15	34
Total effect on operating costs	**226**	**185**

The Company does not use exchange rate hedging instruments.

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

Figures in thousands of Euro	31 December 2021	31 December 2021
EUR	59.768	90.776
GBP	-	-
RUB	-	-
USD	1.996	2.021
CHF	-	2.870
TRY	-	-
Total Current Financial Assets	**61.764**	**95.667**

- *Financial investment risk management*

Following careful financial planning, Philogen 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 securities depository banks. Constant information on the solvency of issuers, country risk and market variables is made available to the company in order to take prompt corrective action.

Based on the logic described in Note 17 'Other Current Financial Assets', to which reference is made for further details, the Company adopted an HTCS business model. Failure to pass the SPPI Test, resulted in its valuation at FVTPL, while passing the SPPI Test, resulted in its valuation at FVTOCI.

Country Risk Management

The Company does not do business with countries that are unstable economically, politically or socially. By virtue of the ESMA recommendations, published on 14 March 2022, the Company, despite not having relations with Russia and Ukraine, continues to monitor the impact on financial markets of the war in Ukraine and the sanctions adopted against Russia.

31. Disclosure of financial instruments

Categories of financial assets and liabilities

The following tables provide a breakdown of financial assets and liabilities by category, in accordance with IFRS 9, as at 31 December 2022 and 31 December 2020.

Figures in thousands of Euro	31 December 2022	31 December 2021
Financial assets:		
Financial assets measured at amortised cost		
Trade receivables	1.361	727
Current financial assets	-	2.870

Cash and cash equivalents	23.938	6.411
Other current assets	616	541
Financial assets measured at *fair value*		
Current financial assets	61.764	92.797
Non-current financial assets		-
Total financial assets	**87.680**	**103.347**
Financial liabilities measured at amortised cost		
Non-current financial liabilities	2.987	3.587
Non-current Lease Liabilities	6.471	6.513
Current financial liabilities	10.934	1.064
Current lease liabilities	610	502
Trade payables	7.128	5.593
Other current liabilities	1.767	1.224
Total financial liabilities	**29.897**	**18.484**

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

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

Fair Value Disclosure

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

The following tables summarise the financial assets and liabilities measured at *fair value*, broken down according to the levels in the hierarchy:

Figures in thousands of Euro	31 December 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Current financial assets measured at *fair value* in the profit (loss) for the year	32.859	28.905	-	**61.764**
Total assets measured at *fair value*	**32.859**	**28.905**	-	**61.764**

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

Financial assets in level 1 of the *fair value* hierarchy refer to securities in the portfolio relating to bonds, equities and units of investment funds listed on regulated markets. Please refer to Note 18 for more details.

Level 2 of the *fair value* hierarchy includes current financial assets measured at *fair value* through profit (loss) for the year in accordance with IFRS 9, consisting of insurance investment products held by the Company for the purpose of investing excess cash (see Note 18 for more details on the nature of these assets).

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

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

32. Related Parties

Total transactions with related parties are summarised below.

Year ending 31 December 2022

Figures in thousands	Related part						
	Rendo S.r.l.	Philochem AG	Strategic managers	Directors and endoconsiliar bodies	Board of Auditors	Total	Inc. % on balance sheet item
Statement of Financial Position							
Activities by right of use	6.558	-	-	-	-	**6.558**	97%
Participation	-	10.467	-	-	-	**10.467**	100%
Trade receivables	642	530	-	-	-	**1.172**	86%
Financial liabilities for non-current leases	6.279	-	-	-	-	**6.279**	97%
Financial liabilities for current leases	510	-	-	-	-	**510**	84%
Current financial liabilities	-	10.050	-	-	-	**10.050**	92%
Employee benefits	-	-	-	26	-	**26**	3%
Trade payables	-	1.005	-	-	-	**1.005**	14%
Payables to corporate bodies(*)	-	-	-	15	60	**75**	1%
Other current liabilities	-	-	51	115	-	**166**	9%
Profit and Loss Account							
Revenues from contracts with customers	-	603	-	-	-	**603**	9%
Depreciation	592	-	-	-	-	**592**	25%
Costs for services	-	2.035	-	1.207	63	**3.305**	30%
Personnel costs	-	-	660	-	-	**660**	9%
Financial income	-	8	-	-	-	**8**	1%
Financial charges	193	76	-	-	-	**269**	5%
Result from participation	-	10.187	-	-	-	**10.187**	100%

(*) In the balance sheet, payables to corporate bodies are included under 'Trade payables'.

Year ending 31 December 2021

Figures in thousands	Related part						
	Rendo S.r.l.	Philochem AG	Strategic managers	Directors and endoconsiliar bodies	Board of Auditors	Total	Inc. % on balance sheet item
Statement of Financial Position							
Activities by right of use	6.803	-	-	-	-	**6.803**	99%
Current financial assets	-	2.870	-	-	-	**2.870**	3%
Trade receivables	-	351	-	-	-	**351**	48%
Financial liabilities for current leases	472	-	-	-	-	**472**	94%
Financial liabilities for non-current leases	6.459	-	-	-	-	**6.459**	99%
Payables to corporate bodies (*)	-	267	-	15	63	**344**	6%
Other current liabilities	-	-	41	-	-	**41**	3%
Profit and Loss Account							
Revenues from contracts with customers	-	346	-	-	-	**346**	13%
Depreciation	555	-	-	-	-	**555**	40%
Costs for services	-	2.544	-	924	63	**3.530**	34%
Personnel costs	-	-	660	-	-	**660**	12%
Financial income	-	5	-	-	-	**5**	0%
Financial charges	196	5	-	-	-	**201**	23%
Result from participation	-	1.686	-	-	-	**1.686**	100%

(*) In the balance sheet, payables to corporate bodies are included under 'Trade payables'.

It should be noted that in the year ended 31 December 2022, intercompany contracts with a total value of Euro 2,035,000 were signed for research and development activities and services performed by the subsidiary Philochem A.G. in favour of the Company. All transactions were carried out at market values. Similarly, the company Philogen performed administrative and *subcontracting* services for the subsidiary Philochem totalling Euro 603 thousand.

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

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

With regard to relations with the Company's Directors, Board Committees, Statutory Auditors and Scientific Committee, these are limited to the payment of emoluments and remuneration as shown in the following tables:

i) Board of Directors

Figures in thousands	31 December 2022	31 December 2021
Duccio Neri - Executive Chairman	300	300
Dario Neri - CEO	150	150
Giovanni Neri - Managing Director	90	90
Sergio Gianfranco Luigi Maria Dompé - Director	30	30
Roberto Marsella - Director	11	32
Nathalie Francesca Maria Dompé - Director	30	30
Leopoldo Zambeletti Pedrotti	30	30
Roberto Ferraresi	32	32
Guido Guidi	32	32
Marta Bavasso (*)	30	25
Maria Giovanna Calloni	21	-
Total fees	**756**	**750**
Monetary Incentive Plan (***)	153	115
Severance pay(****)	149	-
Total	**1.058**	**865**

(*) Lead Independent director.

(**) The item Other directors includes the remuneration of the Board of Directors of the subsidiary (Philochem)

(***) The cost for the MBO Plan envisaged for executive directors (section 4.5 of the Directors' Report) includes the last instalment for the MBO 2021 and the provision for the MBO 2022 plan envisaged for executive directors.

(****) The Termination Indemnity (TFM) includes the portion of TFM paid for the outgoing executive directors (end of term with the approval of the financial statements as at 31 December 2021) and the TFM set aside related to the new office conferred on the executive directors (appointed with the Shareholders' Meeting on 27 April 2022). Please refer to section 4.5 of the interim report on operations.

ii) Strategic managers

Figures in thousands	31 December 2022	31 December 2021
Duccio Neri	100	100
Dario Neri	350	350
Giovanni Neri	210	210
Remuneration Strategic Managers	**660**	**660**

Pursuant to the resolution of the Board of Directors of 16 December 2020, the three executive members of the Board of Directors were appointed as strategic executives as of 1 January 2021, by virtue of the reorganisation of corporate governance following the listing process.

iii) Board of Auditors

Figures in thousands	31 December 2022	31 December 2021
Stefano Mecacci - President	27	27
Pierluigi Matteoni - Standing auditor	18	18
Marco Tanini - Standing auditor(*)	0	3
Alessandra Pinzuti - Statutory Auditor	18	15
Remuneration Board of Auditors	**63**	**63**

(*) Acting auditor until March 2021.

iv) Endoconsiliar organs

Figures in thousands	31 December 2022	31 December 2021
Marta Bavasso	30	25
Roberto Marsella	7	17
Leopoldo Zambeletti Pedrotti	3	8
Roberto Ferraresi	17	8
Maria Giovanna Calloni	13	-
Remuneration of Endoconsiliar Committees	**70**	**58**

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

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

v) Scientific Committee: the Scientific Committee is chaired by Prof. Dario Neri, and consists of a total of three members, in addition to the President. 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 the Director Guido Guidi and Wofgang Berdel and Cornelia Halin Winter, who collaborate with the Group as consultants, due to their experience in scientific fields related to the Group's research area.

33. Events occurring after the end of the financial year

No significant events occurred after the close of the financial year as at 31 December 2022.

Accounting Principles

34. Evaluation Criteria

These financial statements have been prepared using the historical cost convention, with the exception of financial instruments, which are measured at *fair value at* each balance sheet date.

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

35. Main accounting principles

Drafting Criteria

The financial statements consist of the mandatory accounting schedules required by IAS 1. All prospectuses comply with the minimum content required by international accounting standards and the applicable provisions of the national legislator and Consob. The schedules used are deemed adequate for the purposes of the fair representation of the Company's equity, financial and economic situation and cash flows; in particular, the income statements reclassified by nature are deemed to provide reliable and relevant information for the purposes of the correct representation of the Company's economic performance. The schedules that make up the Financial Statements are as follows:

Statement of Financial Position

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

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

ii) expected to be realised/extinguished or expected to be sold or used in the Company's normal operating cycle;
iii) is owned primarily for the purpose of being traded;
iv) is expected to be realised/extinguished within 12 months from the balance sheet date.

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

Income Statement

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

Statement of Comprehensive Income

The statement includes the components constituting the result for the year and the income and expenses recognised directly in equity for transactions other than those with shareholders.

Statement of Changes in Equity

The table illustrates the changes in equity items related to:

- allocation of the profit for the year of the Company and subsidiaries to third-party shareholders;
- amounts relating to transactions with shareholders (purchase and sale of treasury shares);

vi) each item of profit and loss net of any tax effects, which, as required by IFRS, are either recognised directly in equity (gains or losses from the purchase or sale of treasury shares, actuarial gains and losses generated by the valuation of defined benefit plans), or have a balancing entry in an equity reserve (share-based payments for incentive plans);
vii) changes in valuation reserves for derivative instruments hedging future cash flows, net of any tax effect.

Cash flow statement

The Statement of Cash Flows is presented using the indirect method, whereby net income is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past 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 according to the type of underlying transaction that generated them.

Cash and cash equivalents included in the cash flow statement comprise the balance sheet balances of this item at the reporting date. Cash flows in foreign currencies were converted 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 a cash equivalent, it must be readily convertible to a known amount of cash and be subject to an insignificant risk of change in value.

Cash equivalents include short-term restricted bank deposits.

Foreign Currency

Foreign Currency Transactions

Transactions in foreign currencies are converted into the Company's functional currency at the exchange rate prevailing on the date of the transaction.

Monetary items in a foreign currency at the reporting date are translated into the functional currency using the exchange rate at that date. Non-monetary items that are measured at *fair value in a foreign currency are translated into the functional*

currency using the exchange rates in effect at the date the *fair value was* determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the same date of the transaction. Exchange rate differences arising from the translation are generally recognised in profit/(loss) for the year within financial expenses.

Foreign management

Assets and liabilities of foreign operations, including goodwill and *fair value* adjustments arising from the acquisition, are converted into euros using the exchange rate at the balance sheet date. Revenues and expenses of foreign operations are converted into euros using the exchange rate in effect at the date of the transactions. Exchange rate differences are recognised in other comprehensive income and included in the translation reserve, with the exception of exchange rate differences that are attributed to non-controlling interests. When the Company disposes of an investment in a foreign operation, in whole or in part, such that it loses control, significant influence or joint control over the same, the amount accumulated in the translation reserve relating to that foreign operation is reclassified to profit/(loss) for the year as an adjustment to the gain or loss on disposal.

Changes in International Accounting Standards, Interpretations and Amendments

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

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

By Regulation (EU) No. 2020/1434 of 9 October 2020, published in the Official Journal of the European Union on 12 October 2020, the IASB document 'Concessions on royalties related to COVID-19 (amendment to IFRS 16 Leases)' was adopted ('endorsed').

This amendment introduces a practical expedient to simplify the accounting by lessees for rent *concessions* (i.e. reductions, cancellations and/or deferrals of leases granted to a lessee by the lessor) obtained as a result of the Covid-19 pandemic. The practical expedient, where the rent *concession* arises from an acquired right of the lessee due to a specific contractual clause or specific local legislation, allows a 'negative variable rent' to be recognised in the income statement as an operating income directly reducing the lease liability.

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

viii) as a result of the *rent concession,* the total lease payments due are substantially equal to or lower than those that were originally set forth in the contract
ix) the rent *concession* shall relate to a partial or total reduction in the lease payments that were expected in the year 2020; in the event the agreement with the lessor provides for a deferment in the payment of lease payments, income may be recognised for a negative variable payment in 2020 for only the portion of the actual reduction in lease payments expected in 2020 net of the increases expected in subsequent years
x) there have been no material changes with respect to other terms and conditions of the leasing agreement.

If the above conditions are not met, the Company accounts for lease *concessions in accordance* with the general principle dictated by IFRS 16 regarding *lease modifications, which* does not take into account the practical expedient and requires for each individual contract a legal analysis of the clauses and applicable local regulations, in order to redetermine the lease liability using a new discount rate. The reduction of the lease liability, thus determined, is made as a direct adjustment to the right-of-use asset.

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

Amendments to the References to the Conceptual Framework in IFRS Standards

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

Amendments to IFRS 3 - Defining a Business

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

Amendments to IAS 1 and IAS 8

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

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

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 'Financial Instruments: Disclosures', concluding the first phase of its work to respond to the effects of the Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary changes that allow hedge accounting to be applicable during the period of uncertainty brought about by the replacement of the pre-existing interest rate benchmark with an alternative risk-free interest rate. The changes assume that the benchmark on which the hedged cash flows and/or the hedging instrument are based will not change as a result of the IBOR reform. The changes are to be applied retroactively. The amendments are effective for financial years beginning on or after 1 January 2020. The Company will monitor the evolution of the ongoing changes on the reform. These amendments had no impact on the financial statements as at 31 December 2020 as the Company does not have any interest rate hedging transactions in place.

Revenues from contracts with customers

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

IFRS 15 'Revenue from contracts with customers' defines the criteria for recognising and measuring revenue from contracts with customers. In general, IFRS 15 requires the recognition of revenue at 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 five steps:

- identification of the contract with the customer;
- identification of *performance* obligations (i.e. contractual promises to transfer goods and/or services to a customer;
- determination of the transaction price;

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

- revenue recognition when the relevant *performance* obligation is met.

The Company's revenues mainly derive from licensing agreements and contracts to perform research and development services commissioned by customers.

With regard to contracts concerning the granting of licensing rights to intellectual property, it is first analysed whether the granting of licensing rights is distinguishable from other *performance obligations*. The Company recognises distinct performance obligations when:

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

If it is found that the granting of a licence right is indistinguishable from the promise to transfer other goods or services, the company accounts for the promise to grant a licence and the other promised goods or services as a single obligation to do so.

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

i. The contract provides for, or the client expects, the Company to carry out activities that have significant impacts on intellectual property;
ii. Such activities at the time they are performed do not transfer distinct goods/services to the customer;
iii. The rights arising from the licence expose the customer to positive/negative effects on the company's activities with regard to intellectual property.

If the granting of the licence right confers a right of access to the intellectual property, revenue is recognised *over* the term of that right ("*over time*"). Conversely, if the licence is a right to use the intellectual property, the related revenue is recognised at the time the right is granted ("*at a point in time*").

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

Type of consideration	**Accounting Recognition**
Up-front Fees	They represent consideration received in advance at the conclusion of the contract. If they relate to the granting of licence fees, they are recognised: 1. *at point in time*, in the case of rights of use of intellectual property; 2. *over time*, in the case of access rights to intellectual property. If no specific goods/services are identified and transferred to the customer at the time of collection of the *up-front fee*, such collection represents an advance and is recognised as revenue in the future when the *performance obligations* are fulfilled ("*over time*"). The company issues an invoice for the *up-front fee* upon conclusion of the contract. This invoice is usually due in 30 days. The payment terms do not provide for commercial discounts.
Commercial Option Fees	If the licence right is separable from other obligations to do things, they are recognised as rights to use the intellectual property and the related revenue is recognised *at a point in time when* the licence right is granted. If the licence fee is not separable from the other obligations to *perform*, this receipt represents an advance and is recognised as income in the future when the *performance obligations* are fulfilled ("*over time*"). The company issues an invoice for the *commercial* option *fee* at the same time as the customer's notification of the wish to exercise that option. This invoice is usually due in 30 days. The payment terms do not provide for commercial discounts.

Milestones	They represent variable payments conditional on the achievement of certain significant milestones in product development (e.g. the start of Phase III clinical trials). Upon entering into the contract, management assesses whether achievement of the *milestones* is highly probable and estimates the amount to be included in the transaction price using the *most likely amount* method. If it is probable that no subsequent significant revenue reversal will occur, the *milestone* value is included in the transaction price. Payments related to events that are not under the Company's control and that typically depend on obligations to do on the part of the counterparty (such as product approval by regulatory authorities or the achievement of research *milestones* conducted by the customer), are not considered highly probable until there is certainty that the *milestone* will be achieved (e.g. a communication from the customer or regulatory authorities). At the end of each financial year, management reassesses the probability of achieving all *milestones* and, if necessary, adjusts its estimate of the overall transaction price. The company issues an invoice for the *milestone* at the same time as the customer's notification of the achievement of the target/event. This invoice is usually due in 30 days. The payment terms do not provide for commercial discounts.
Royalties (based on sales)	The Company recognises sales-based royalty revenue only when (or as and when) the last of the following events occurs: 1. subsequent sale or use; and 2. the performance (or partial performance) of the obligation to do all or part of the sales-based royalty.

With 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 Company recognises the transaction price allocated to these activities as the *performance obligation* is fulfilled ("*over time*") if one of the following criteria is met:

i. the customer simultaneously receives and uses the benefits of the service provided by the company as and when it performs it;
ii. the company's performance creates or improves the activity that the customer controls as the activity is created or improved;
iii. the performance does not create an asset with an alternative use for the Company and the latter has a claim to payment of the completed performance up to the relevant date.

If not even one of the above criteria is met, the *performance obligation* is deemed to be fulfilled at the time the good or service is transferred and the related revenues are recognised *At a piont in time*.

Public Contributions

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

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

Grants that offset costs incurred by the Group are recognised 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.***Recognition of costs***

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

Financial income and expenses

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

Financial expenses are accounted for on an accrual basis and recognised in the income statement in the year they accrue.

Financial income is recorded on the basis of the actual rate of return on an accrual basis.

The Company's financial income and expenses include:

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

Interest income and expenses are recognised in profit/(loss) for the year on an accrual basis using the effective interest method. Dividend income is recognised when the Company's right to receive payment is established.

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

- the gross book value of the financial asset; or
- to the amortised cost of the financial liability.

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

Taxes

The tax expense for the year includes current and deferred taxes recognised in profit/(loss) for the year, except for those related to business combinations or items recognised directly in equity or other comprehensive income.

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

(vi) *Current taxes*

Current taxes include an estimate of the amount of income taxes payable or receivable, calculated on the taxable income or tax loss for the year, as well as any adjustments to prior years' taxes. The amount of taxes payable or receivable, determined on the basis of tax rates in effect or substantively 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. Current taxes also include any taxes related to dividends.

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

(vii) *Deferred taxes*

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

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

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that future taxable profit will be available against which these assets can be utilised. 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 recognise a deferred tax asset in full, the future taxable income, adjusted for the reversal of existing temporary differences, provided for in the company's business plan 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 realised. These reductions must be reversed when the probability of future taxable income increases.

Unrecognised deferred tax assets are reviewed at the end of each reporting period and are recognised to the extent that it has become probable that the Company will earn sufficient taxable profit in the future to utilise them.

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

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

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

Operating profit

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

Earnings/loss per share

The calculation of basic earnings per share was based on the profit attributable to holders of ordinary shares and the weighted average number of ordinary shares outstanding during the year.

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

Property, Plant and Equipment

iii) *Survey and evaluation*

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

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

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

iv) *Subsequent costs*

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

v) *Amortisation*

Depreciation of an item of property, plant and equipment is calculated to reduce the cost of that item by the estimated residual value on a straight-line basis over the useful life of the item. Depreciation is generally recognised in profit/(loss) for the year under the caption "Depreciation". Land is not depreciated.

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

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

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

Intangible Assets

iv) *Survey and evaluation*

Research *and development:* research expenses are recognised in profit/(loss) for the period in which they are incurred. Development expenditure is capitalised only if the cost attributable to the asset during its development can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends and has sufficient resources to complete its development and to use or sell the asset. Other development expenditure is recognised in profit/(loss) for the period as incurred. Capitalised development expenditure is recognised at cost less accumulated amortisation and any accumulated impairment losses.

If all capitalisation requirements are not met, costs incurred by the Company for research and development activities are charged to the profit and loss account in the year in which they are incurred.

Other intangible assets: other intangible assets, patents and licences that have a finite useful life, are recorded at cost less accumulated amortisation and impairment losses, if any.

v) Subsequent costs

Costs subsequent to initial recognition are capitalised 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 brands, are recognised in profit/(loss) for the period in which they are incurred.

vi) Amortisation

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

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

Category	Average rate
Patent and Intellectual Property Rights	5%
Concessions, licences, trade marks and similar rights	10%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and amended as necessary.

Activities by right of use

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

At the commencement of a contract or upon modification of a contract containing a leasing component, the Company shall allocate the consideration for the contract to each leasing component on the basis of its stand-alone price.

At the lease inception date, the Company recognises the right-of-use asset and the lease liability. The right-of-use asset is initially measured at cost, including the amount of the initial measurement of the lease liability, adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to be incurred by the lessee to dismantle and remove the underlying asset or to restore the underlying asset or the site where it is located, less any lease incentives received.

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

The Company measures the lease liability at the present value of unpaid lease payments at the effective date, discounting them using the lease's implied interest rate. Where it is not possible to determine this rate easily, the Company uses the marginal borrowing rate. Generally, the Company uses the marginal borrowing rate as the discount rate.

The Company's marginal financing rate is calculated on the basis of 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.

The lease payments included in the measurement of the lease liability include:

- fixed payments (including substantially fixed payments);
- variable lease payments that depend on an index or rate, initially measured using an index or rate at the effective date;
- the amounts expected to be paid by way of residual value guarantee; and
- the exercise price of a purchase option that the Company is reasonably certain to exercise, payments due under the lease in an optional renewal period if the Company is reasonably certain to exercise the renewal option, and penalties for early termination of the lease, unless the Company is reasonably certain not to terminate the lease early.

The lease liability is measured at amortised cost using the effective interest method and is remeasured when there is a change in the future lease payments due as a result of a change in the index or rate, when there is a change in the amount that the Company expects to have to pay as security on the residual value or when the Company changes its valuation with reference to the exercise or non-exercise of an option to purchase, extend or terminate or when there is a revision of the payments due for the lease that is fixed in substance.

When the lease liability is remeasured, the lessee makes a corresponding change to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to nil, the lessee recognises the change in profit/(loss) for the period.

The Company has applied IFRS 16 using the modified retrospective application method as of 1 January 2019.

Short-term leasing and leasing of low-value assets

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

Investments in subsidiaries, joint ventures and associates

Investments in subsidiaries, associates and joint ventures are included in the financial statements using the equity method, as permitted by IAS 27 and in accordance with IAS 28 (Investments in Associates and Joint Ventures).

Subsidiaries, associates and joint ventures are included in the financial statements from the date on which control, significant influence or joint control commences and until such time as this situation ceases to exist.

The financial statements of subsidiaries, associates and joint ventures are amended and reclassified, where necessary, to bring them into line with international accounting standards and uniform classification criteria within the Group.

Under the equity method, an investment in a subsidiary, associate or joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the investee's profit or loss realised after the acquisition date. The investor's share of the profit (loss) of the investee is recognised in the separate income statement. Dividends received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount of the investment are also due to changes in the investee's other comprehensive income (e.g. changes arising from foreign currency translation differences). The investor's share of such changes is recognised in other comprehensive income. If an entity's share of losses in a subsidiary, associate or joint venture equals or exceeds its interest in the subsidiary, associate or joint venture, the entity discontinues recognising its share of further losses. After the interest is eliminated, further losses are accrued and recognised as a liability only to the extent that the entity has incurred constructive legal obligations or made payments on behalf of the subsidiary, associate or joint venture. If the subsidiary or associate or joint venture subsequently reports profits, the entity resumes recognising its share of those profits only after it has matched its share of unrecognised losses. Gains and losses resulting from "upstream" and "downstream" transactions between an entity and a subsidiary, associate or joint venture are recognised in the entity's financial statements only to the extent of the minority interest in the subsidiary, associate or joint venture. The investor's share of the subsidiary's, associate's or joint venture's profits and losses resulting from such transactions is eliminated against the profit or loss line item 'net investment income' and the value of the asset, in 'upward' transactions, and the value of the investment, in 'downward' transactions. If there is objective evidence of impairment, the investment is subjected to the impairment test procedure, described in the section "Impairment" to which reference should be made for further details.

Finally, separate financial statements are prepared in the currency of the primary economic environment in which the subsidiary, associate or joint venture operates (functional currency). For the purposes of applying the equity method, the financial statements of each foreign entity are expressed in euro, which is the functional currency of Philogen S.p.A. and the presentation currency of the separate financial statements.

All assets and liabilities of foreign companies in currencies other than the euro are converted using the exchange rates prevailing on the balance sheet date (current exchange rate method). Income and expenses are converted at the average exchange rate for the year. Exchange rate differences resulting from the application of this method, as well as exchange rate differences resulting from the comparison between opening shareholders' equity converted at current exchange rates and the same converted at historical exchange rates, pass through the statement of comprehensive income and are accumulated in a special equity reserve until the disposal of the investment.

The exchange rates used to translate the financial statements of subsidiaries, associates and joint ventures into euro are shown in the appropriate table:

Currency	Punctual Exchange Rate 31 December 2022	Exchange Average 31 December 2022	Punctual Exchange Rate 31 December 2021	Exchange Average 31 December 2021
Swiss Franc	0,9847	1,0052	1,0331	1,0814

Inventories

Inventories are valued at the lower of purchase or production cost and net realisable value. Purchase cost is defined as the actual purchase price plus ancillary charges. The purchase cost of materials includes not only the price of the material, but also transport, customs, other taxes and other costs directly attributable to that material. Returns, trade discounts, rebates and premiums are deducted from costs. Production cost means all direct costs and indirect costs for the portion reasonably attributable to the product relating to the period of manufacture and up to the time from which the good can be used, considered on the basis of normal production capacity. The realisable value is equal to the estimated selling price of goods and finished products in the normal course of business, net of presumed completion costs and direct selling costs. In determining the realisable value based on market trends, account is taken, inter alia, of the rate of obsolescence and inventory turnover times. The cost of inventories is determined using the weighted average cost method. In the case of inventories of goods produced by the Company, the cost includes a share of overhead determined on the basis of normal production capacity.

Financial instruments

iv) *Survey and evaluation*

Trade receivables and debt securities issued are recognised at the time they are originated. All other financial assets and liabilities are initially recognised on the trade date, i.e. when the company becomes a contractual party to the financial instrument.

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

Classification and subsequent evaluation

Financial assets:

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

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

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

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

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

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

Upon initial recognition of an equity security not held for trading, the Company 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 amortised cost or FVOCI, as indicated above, are measured at FVTPL. This includes all derivative financial instruments. Upon initial recognition, the Company may irrevocably designate the financial asset as measured at *fair value* through profit or loss if doing so eliminates or significantly reduces an accounting asymmetry that would otherwise result from measuring the financial asset at amortised cost or FVOCI.

Financial activities: assessing the business model

With specific reference to the Business Model, IFRS 9 identifies three different business models, which in turn reflect the ways in which financial assets are managed:

- "Held To Collect: a business model in which financial assets are held with the objective of realising contractual cash flows by holding the financial instrument to maturity;
- "Held to Collect and Sell: a business model that includes financial assets held with the objective of both realising the contractual cash flows over the life of the asset and collecting the proceeds from the sale of the asset;
- "Other": business model includes financial instruments not classifiable in the previous categories, mainly consisting of financial assets held for the purpose of realising cash flows through sale (assets held for trading).

The business model thus represents how the company manages its financial assets, i.e. how it intends to realise its cash flows from them.

The Company assesses the objective of the business model under which the financial asset is held at 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, inter alia, 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 on expected cash flows or raising cash flows through the sale of assets;
- the manner in which portfolio performance is assessed and the manner in which performance is reported to the Company's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within the business model) and how these risks are managed;
- the way in which the company's managers are remunerated (e.g. whether the remuneration is based on the *fair value* of the assets under management or on the 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 the purposes of evaluating the business model, in line with the Company's retention of these assets on the balance sheet.

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

Financial assets: assessment of whether contractual cash flows consist solely of principal and interest payments.

For valuation purposes, 'principal' is the *fair value* of the financial asset upon initial recognition, while 'interest' is the consideration for the time value of money, for the credit risk associated with the amount of principal to be repaid during a given period of time, and for the 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 Company considers the contractual terms of the instrument. Therefore, it assesses, among other things, whether the financial asset contains a contractual clause that changes the timing or amount of the contractual cash flows such that the following condition is not met. For assessment purposes, the Company considers:

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

A prepayment item is consistent with the criterion of 'cash flows represented solely by payments of principal and interest' when the amount of the prepayment substantially represents the unpaid principal and accrued interest amounts 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 contractual nominal amount, an item that permits or requires a prepayment equal to an amount that substantially represents the contractual nominal 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 at initial recognition.

Financial Assets: Subsequent Valuation and Gains and Losses

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

Financial Liabilities: Classification, Subsequent Measurement and Gains and Losses

Financial liabilities are classified as being measured at amortised 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 recognised in profit/(loss) for the period. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains/(losses) are recognised in profit/(loss) for the year, as are any gains or losses arising from derecognition.

v) Accounting elimination

Financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset 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 Company 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 Company is involved in transactions that involve the transfer of assets recognised in its statement of financial position, but retains all or substantially all of the risks and rewards of the transferred asset. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when the obligation specified in the contract has been discharged or cancelled or has expired. The Company also derecognises a financial liability when the related contractual terms have changed and the cash flows of the modified liability are substantially different. In this case, a new financial liability is recognised at *fair value* based on the modified contractual terms.

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

vi) Compensation

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

Impairment Losses

v) Financial Instruments and Assets from Contracts

The Company recognises impairment provisions for expected losses on receivables related to:

- financial assets measured at amortised cost;
- debt securities valued at FVOCI; and
- contractual activities.

In addition, the Company recognises under trade and other receivables provisions for expected losses over the life of the receivables implicit in the leasing contracts.

The Company assesses impairment provisions at an amount equal to the expected losses over the life of the loan, except as noted below, for the next 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 since initial recognition.

Allowances for impairment of trade receivables (including leasing receivables) and contract assets are always valued at an amount equal to the expected losses over the life of the receivable.

To determine whether the credit risk relating to a financial asset has increased significantly since initial recognition for the purpose of estimating expected credit losses, the Company considers reasonable and demonstrable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information and analyses based on the Company's historical experience, credit evaluation and information indicative of expected developments ('forward-looking information').

Expected losses on long-lived receivables are the expected losses on receivables 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 taken into account in assessing expected credit losses is the maximum contractual period during which the Company is exposed to credit risk.

Evaluation of expected credit losses

Expected credit losses (ECLs) are a probability-weighted estimate of credit losses. Credit losses are the present value of all uncollected receivables (i.e. the difference between the cash flows due to the entity under the contract and the cash flows the Company expects to receive).

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

Non-financial assets

At each balance sheet date, the Company verifies whether there is objective evidence of impairment with respect to the carrying amounts of its non-financial assets, excluding investment property, inventories, assets arising from contracts and deferred tax assets. If, based on this review, it appears that the assets are indeed impaired, the Company estimates their recoverable amount.

Share Capital

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

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

Funds

The amount of the provisions is the present value of the 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 1 January 2007, the 2007 Budget Law and its implementing decrees introduced significant changes in the rules governing severance pay, including the employee's choice as to whether to allocate his accruing severance pay to complementary pension funds or to the 'Treasury Fund' managed by INPS. It follows, therefore, that the obligation to INPS and the contributions to complementary pension funds assume, under IAS 19, the nature of 'Defined Contribution Plans', while the TFR quotas retain the nature of 'Defined Benefit Plans'.

The Company'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 their service in the current and prior periods; this benefit is discounted and the *fair value of* any plan assets are deducted from the liability.

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

Actuarial gains and losses, returns from plan assets (excluding interest) and the effect of the asset ceiling (excluding any interest) that arise from remeasurements of the net defined benefit liability are recognised 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 are instead recognised in profit/(loss) for the year.

When changes are made to the benefits of a plan or when a plan is curtailed, the portion of the economic benefit relating to past service or the gain or loss resulting from the curtailment is recognised in profit or loss for the period when the adjustment or curtailment occurs.

Share-based payments

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

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

Fair Value Measurements

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

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than 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 relating 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 Company has access at that time. The *fair value* of a liability reflects the effect of a default risk.

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

In the absence of a quoted price in an active market, the Company uses valuation techniques maximising the use of observable input data and minimising 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 Company values the asset and long positions at the bid price and the liability and short positions at the ask price.

The best evidence of the *fair value of* a financial instrument at initial recognition is usually the transaction price (i.e. the *fair value* of the consideration given or received). If the Company recognises 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. Subsequently, this difference is recognised in profit/(loss) for the period over the life of the instrument using an appropriate method, but no later than when the valuation is fully supported by observable market data or the transaction is completed.

Operational sector

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

- involving revenue- and cost-generating business activities;

- whose operational results are periodically reviewed 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, mainly from the *Chief Medical Officer* (CMO) and the *Chief Financial Officer* (CFO), regarding the progress of research programmes, licence agreements and products, in order to monitor the progress of the business and to take the relevant decision-making actions.

In this regard, the Company Management has identified a single business segment. The substantially homogenous type of business, together with the progress of projects under development, does not allow for the division into several segments subject to different risks and benefits from the other business segments. Furthermore, the services provided, the nature of the production processes and the type of clientele by product do not allow the company's activity to be divided into different business segments. Therefore, the Company believes that at present, an economic-financial representation by business and geographical segments would not provide a better representation and understanding of the business or its risks and benefits.

Accounting standards, amendments and interpretations not yet applicable

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

Amendment to IAS 1: Classification of Liabilities into Current and Non-Current

In January 2020, the IASB published amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right of postponement of maturity;
- that the right of subordination must exist at the close of the financial year;
- classification is not impacted by the likelihood that the entity will exercise its subordination right;
- Only if a derivative embedded in a convertible liability is itself an equity instrument does the maturity of the liability have no impact on its classification.

The amendments will be effective for financial years beginning on or after 1 January 2023, and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on the current situation.

Deferred taxes on assets and liabilities arising from a single transaction (Amendments to IAS 12)

The amendments narrow the scope of the exemption to the initial recognition of deferred taxes in order to exclude transactions that give rise to equal and offsettable temporary differences, such as leases and decommissioning obligations. The amendments will become effective for financial years beginning on or after 1 January 2023. Deferred tax assets and liabilities relating to leases and decommissioning obligations will therefore have to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions occurring after the beginning of the earliest period presented. The Group is currently evaluating the impact that the changes will have on the statement of financial position; from the analyses performed at this time, an effect on retained earnings is not expected and the Group will recognise the deferred tax asset and liability separately.

Definition of Accounting Estimates - Amendments to IAS 8

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

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

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'materiality' accounting policies; in addition, guidance is added on how entities apply the concept of materiality in making accounting policy disclosure decisions. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023, early application is permitted. As the amendments to IFRS Practice Statement 2 Making Materiality Judgements provide non-mandatory guidance on the application of the definition of materiality to accounting policy disclosures, an effective date for these amendments is not required. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

Disclosure pursuant to Article 149-duodecies of the Regulation on Issuers i

Figures in thousands of Euro **Type of services**	**Service provider**	**Recipient**	**notes**	**Total Fees 2022**
Auditing	Parent Company Auditor	Group leader		168.800
Other Services	i) Auditor of the Parent Company	Group leader	1	21.400
Subtotal				**189.400**

1) This item relates to the Research and Development Credit and Net Financial Debt verifications as of 31 March and 30 September 2022

Proposed Appropriation of the Result for the Year to 31 December 2022

The Financial Statements of Philogen S.p.A., also illustrated through the examination of this Report and the Notes to the Financial Statements, show a loss for the financial year 2022 of €6,340,980.81. It is proposed to fully cover this result by using the "Share premium reserve" for the same amount.

Certification of the annual financial statements pursuant to Article 154-bis of Legislative Decree 58/98

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 records of Philogen S.p.A., certify, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998

a) suitability in relation to the characteristics of the enterprise, and

b) the effective application of the administrative and accounting procedures for the preparation of the annual financial statements during the period from 1 January to 31 December 2022.

It is also certified that the Company's financial statements as at 31 December 2022:

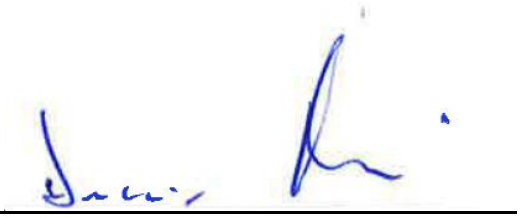
- is prepared in accordance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002, as amended;

- corresponds to the entries in the books and records;

- is capable of giving a true and fair view of the assets and liabilities, economic and financial situation of the Issuer.

The management report includes a reliable analysis of the development and result of operations, as well as the situation of the Issuer, together with a description of the main risks and uncertainties to which it is exposed.

Siena, 28 March 2023



Executive Chairman (Duccio Neri)



Financial Reporting Officer (Laura Baldi)