

2023

Philogen
innovating targeting

ANNUAL REPORT

AS OF 31 DECEMBER 2023

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Group data and information for Shareholders

Philogen S.p.A.

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

Philochem AG

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

Investor relations

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

Website

https://www.philogen.com

Corporate bodies

Board of Directors

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

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

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

Board of Auditors

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

Auditing Company

KPMG S.p.A.

Manager in charge of preparing corporate accounting documents

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

Supervisory Board

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

Audit, Risk and Sustainability Committee (*)

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

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

Nominating and Compensation Committee

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

Philogen: introduction to the Group

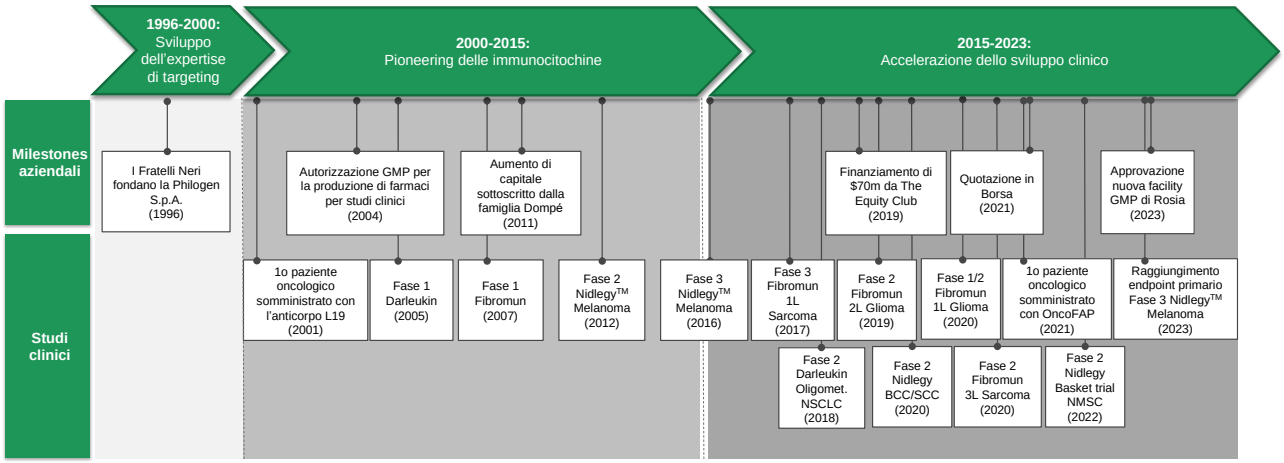
1. History

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

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

The Group has the availability of a research and development facility in Zurich (through its subsidiary "Philochem"), where new experimental drugs are discovered. The most promising prototypes (in terms of biochemical characteristics, safety and efficacy on the basis of preclinical tumor models) are subsequently transferred to Siena where they are produced at the Company's GMP (*Good Manufacturing Practice*) facilities. Philogen has a GMP plant in Montarioso (Siena) approved by the Italian Medicines Agency (AIFA) for the production of experimental, antibody drugs in mammalian cells. A second GMP manufacturing plant was also built at the Rosia (Siena) site aimed at the production of both commercial drugs and for clinical trials. This new plant received certification from AIFA's GMP MED office in 2023. The certification is valid in Europe, the United States, Switzerland, England, Canada, Japan, Australia, New Zealand and Israel (see *Mutual Recognition Agreements of the European Medicines Agency*).

The figure below illustrates the three phases of Philogen's history from 1996 to Dec. 31, 2023, with their respective industrial achievements.



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

2. Group Strategy

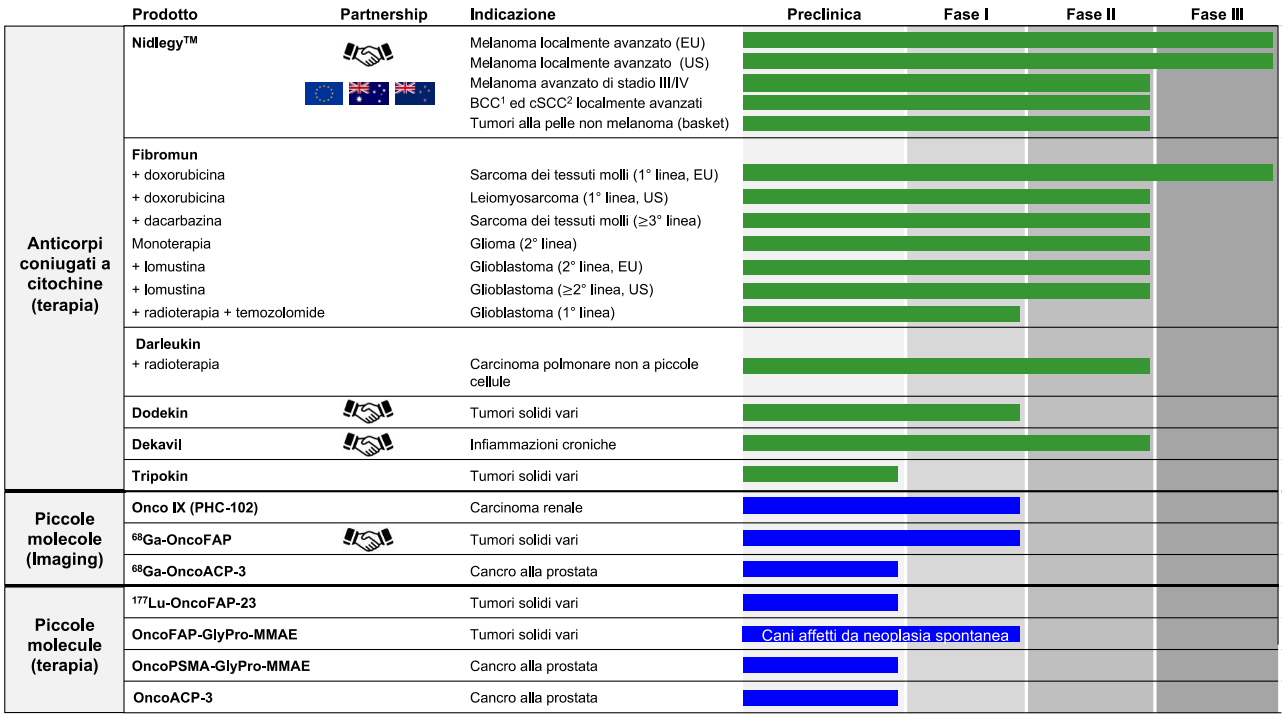
Philogen is a biotechnology company with strong vertical integration, as it covers all phases of drug development, including research, GMP manufacturing, and clinical development. In addition to the research site in Zurich, and the GMP site based in Montarioso (Siena), the Group has expanded its manufacturing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

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

3. The Group *Pipeline*

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

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



1 Carcinoma Basocellulare; 2 Carcinoma delle Cellule Squamose cutaneo

4. Intellectual property

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

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

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

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

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

Patent Portfolio

For the purpose of a better understanding of the intellectual properties held by the Company, the following is an outline of patents or patent applications, which are in the name of the Parent Company or of which the Parent Company holds an exclusive license as of December 31, 2023.

Philogen S.p.A.:

Country	Patents Granted/Accepted Applications	Patent Applications
Algeria	1	-
Argentina	-	1
Australia	13	3
Brazil	3	2
Canada	11	1
Chile	-	1
China	3	2
Colombia	1	-
Costa Rica	-	1
Ecuador	-	1
Egypt	-	1
United Arab Emirates	-	1
Eurasia	2	-
Europe	20	9
Guatemala	-	1
Hong Kong	5	5
India	3	1
Indonesia	1	1
Iran	-	-
Iraq	1	-
Israel	1	1
Japan	12	3
Jordan	-	1
Lebanon	1	-
Malaysia	2	-
Mexico	6	1
New Zealand	3	1
Gulf Countries (GCC)	-	1
Pakistan	1	-
Panama	-	1
Peru	1	1
Philippines	-	1
Russia	4	1
Singapore	1	1
South Africa	4	-
South Korea	9	-
Taiwan	1	1
Thailand	-	1
United States of America	28	7
Uruguay	-	1
Vietnam	1	-
Patent Cooperation Treaty (PCT)(*)	-	7

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

Philochem AG:

Country	Patents Granted/Accepted Applications	Patent Applications
Australia	3	2
Brazil	-	2
Canada	3	2
China	-	2
Europe	5	3
Hong Kong	2	2
India	-	1
Israel	-	2

Japan	-	2
Mexico	-	2
Singapore	-	2
South Korea	-	2
United States of America	5	3
Patent Cooperation Treaty (PCT)	-	5

Macroeconomic background

The year 2023 was antithetical and mirror-image to 2022; it saw global growth significantly higher than consensus expectations developed in late 2022. Driven by the private sector, the global economy managed to absorb the exceptional *tightening of* financial conditions, triggered by the most abrupt rise in interest rates in four decades, without weakening excessively and thus avoiding recession in major economies. This resilience was most evident in the United States, which led global growth: the robustness of the labor market, the gradual disinflationary process, and the management of excess savings were the key variables that partially offset the challenges created by the Federal *Reserve's* (FED) rise in interest rates and supported American consumption, contrary to all expectations.

At the same time, the desynchronization of economic growth across countries and geographic areas has increased. In the U.S., growth is maintaining a positive trend with a concomitant slowdown in inflation, justifying the FED's recent decision to suspend increases in the *FED fund rate* and maintain high rates for a longer period. While the disinflationary process continues, the real economy shows unchanged resilience in the face of a gradually weakening labor market. In contrast, Europe, hit by the energy crisis and German fragility presents lower-than-expected growth and inflation data. Eurozone GDP in the third quarter of the year continued to be supported by private consumption in the face of returning consumer confidence in the wake of the accumulation of the savings rate and the decline in inflation, which especially in November and October recorded powerful favorable base effects. This relieves some of the pressure on the European Central Bank (ECB), which may be moving up the timetable for monetary easing. China, which experienced accordion-like economic dynamics in the second half of 2023, is experiencing signs of stabilization in both economic activity and price developments in the last quarter, while the housing sector continues to be a drag.

Against this backdrop, the disinflationary process is underway with significant progress toward the central banks' inflation targets. During 2023, inflation fell sharply, influenced by the base effect, lower energy prices, and the resolution of restrictions in production and distribution chains. Against a backdrop of more likely *soft landing in the* face of gradual disinflation, central banks are therefore close to easing their restrictive measures. The FED needs to maintain its credibility and cannot run the risk of a second inflationary flare-up. In contrast, the ECB needs to closely monitor the peripheral countries. Perceptions of a more accommodative stance by central banks in developed countries have led to a significant downward revision in bond yields, while the correlation between equity and bond yields is becoming increasingly positive in an *asset reflation* environment, where investors are able to benefit from lower inflation and economic growth.

With respect to the global growth outlook, risks remain tilted to the downside, both due to the evolving geopolitical situation and possible monetary policy errors. The unique characteristics of this business cycle and uncertainties related to the transmission of monetary policy focus the main risks on its impact on the business cycle. With the start of a new monetary policy chapter, the timing of the start of the cutting cycle is the main scenario risk, followed by the possibility of a new external *shock* that could trigger a further acceleration of inflation and increases in the cost of money. A monetary policy error could keep policy too tight for too long, with negative consequences. For example, inflation, being a lagged indicator, could signal problems only when it is already too late, while more intense monetary tightening could cause a significant tightening of financial conditions, bringing back risks to financial stability. The FED needs to maintain its credibility, considering that *break-even inflation* has not yet declined. In contrast, the ECB needs to closely monitor the peripheral countries. The strongest monetary tightening in forty years has led to a significant tightening of financial conditions, bringing back potential new risks to financial stability.

Geopolitical tensions remain a major source of uncertainty. Risks have further increased after Hamas terrorist attacks on Israel while the situation in Ukraine still remains far from any ceasefire. In the short term, these outbreaks of geopolitical tensions could put pressure on global energy markets, causing price increases and higher inflation. At present, however, structural supply and demand data indicate no significant reason to fear excessive increases in oil and gas prices. There remains a risk of accidents or sabotage that could involve the United States more. In addition, there remains a risk that heightened geopolitical tensions could translate into a long-term decline in international trade growth.

Philogen stock performance

The Philogen (Ticker: PHIL) stock during 2023 performed extremely well (+32.14%) ending the year at a price per share of 18.50 euros.

In comparative terms, it outperformed the benchmark market by a wide margin; in fact, only the FTSE MIB index, which represents major domestic companies, had a similar performance of 28.03%, while the FTSE Italia *Mid Cap* index, which represents companies with a similar capitalization to Philogen, had a positive performance of 13.13%. At the sector level, the benchmark index, the SPDR S&P *Biotech*, rose 7.58 percent.

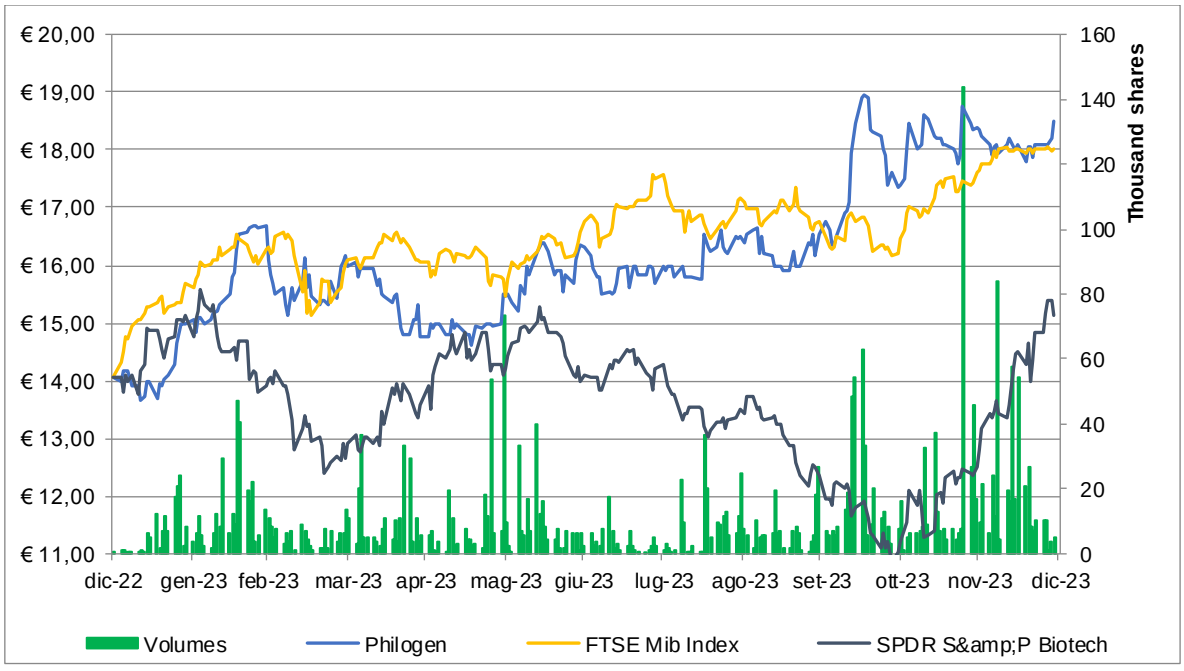
As is well known, 2023 expressed a positive but polarized market toward larger-capitalization and more liquid companies. *Company-specific newsflow* was thus the key determinant to differentiate itself from a still very complex market where macroeconomic issues (wars, inflation, and interest rates) strongly conditioned the portfolio choices of global investors. In this context Philogen managed to create a lot of interest in the name thanks to a pipeline of achievements well spread over the year and solid future prospects.

As of December 31, 2023, market capitalization was 751.31 million euros. This capitalization includes both ordinary shares, listed on MTA, and special category B shares, which are instead excluded from the capitalization of the Italian Stock Exchange, which only includes ordinary shares in the capitalization calculation. In particular, it should be noted that the average capitalization, net of category B shares, from the date of the start of trading (March 3, 2021) to December 31, 2023 is 437 million euros.

Philogen	
Price December 31, 2023 (Eu)*	18,50
No. shares (n. mn)	40,61
Mkt Cap (Eu mn)	751,31
IPO Price March 3, 2021 (Eu)	17,00
Price 01 January 2023 (Eu)*	14,00
Price change (Eu) vs. IPO	1,50
Price change (%) vs. IPO	8,82%
Price change (Eu) 2023	4,50
Price change (%) 2023	32,14%

**The price refers to December 29, 2023 last trading day of the year 2023 and January 2, 2024 first trading day of the year.*

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



During 2023, the lowest closing price, recorded on January 10, was €13.66, while the highest closing price during the reporting period, recorded on October 17, was €18.95. During 2023, trading of Philogen shares on the market managed by Borsa Italiana S.p.A. reached an average daily value of 188,608 euros, equivalent to an average daily volume of 11,306 shares.

In 2023, the Company did not distribute dividends, but on May 11, 2023 it authorized a share buyback program, initially initiated on November 24, 2021, up to a maximum of 270,000 ordinary shares with a total outlay of no more than 4,590,000.00 euros. As of December 31, 2023, Philogen held 321,515 ordinary shares (equivalent to 0.7917% of the share capital). More details on the share buyback program can be found in Section 4.1 of the management report.

Below is the table of monthly volumes and countervalues from the listing date to Dec. 31, 2023.

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
Jan-23	6.386	91.591	22
Feb-23	14.262	227.525	20
Mar-23	5.537	86.887	23
Apr-23	11.524	177.364	18
mag-23	11.463	173.504	22
Jun-23	9.058	143.884	22
Jul-23	3.783	59.473	21
needle-23	9.191	149.760	22
set-23	7.422	121.184	21
Oct-23	17.199	307.438	22
Nov-23	18.843	344.664	22
Dec-23	21.005	380.015	19
Average 2023	**11.306**	**188.608**	**254**
Average 2022	**6.503**	**91.002**	**252**
Average 2021	**24.158**	**364.393**	**214**
Average from IPO to 12/31/2023	**13.391**	**205.860**	**720**

Closing price				
	1 month	3 months	6 months	12 months
Simple Media (EU)	18,08	17,95	17,00	16,16
Media Poderata for volumes (EU)	18,08	17,93	16,99	16,15
Max (EU)	18,50	18,95	18,95	18,95
Min (EU)	17,80	16,35	15,50	13,66

During 2023, the Group's *Investor Relations* (IR) carried out a series of communication activities aimed at updating the financial community.

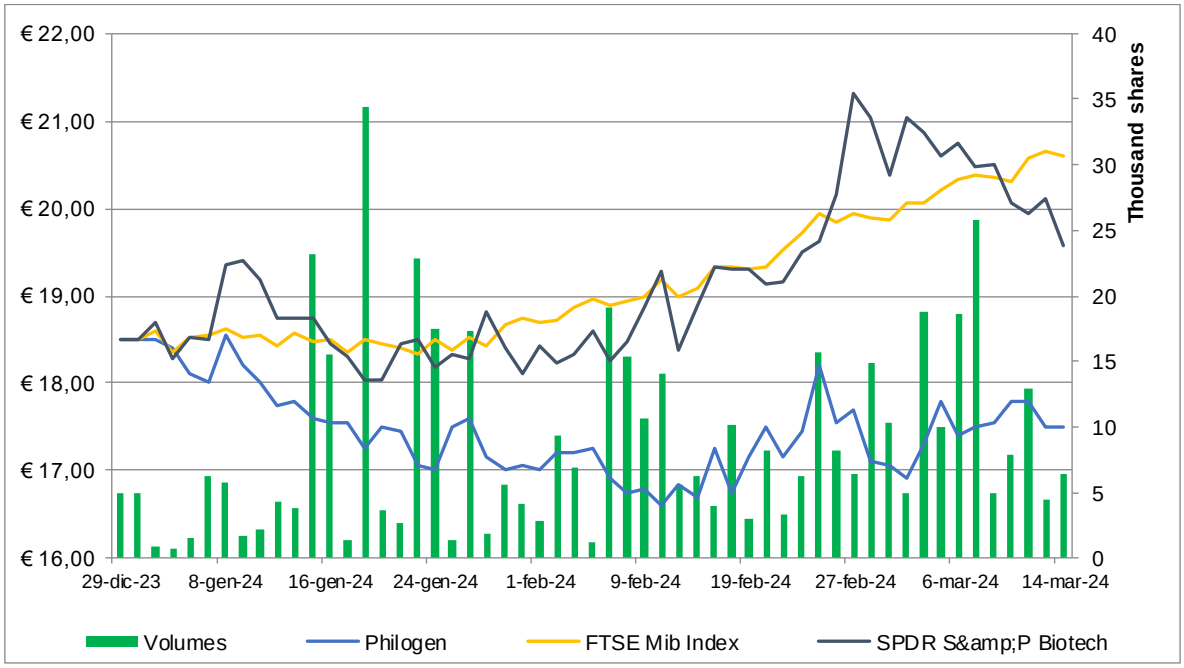
Philogen organized, as in the previous year, periodic *Webinars* to *update* on the Group's operational activities. In addition, Management and the Investor Relator participated in *Healthcare Conferences* (e.g., *Stifel European Healthcare Conference* in Bordeaux), with the aim of increasing the Company's international visibility. *One-on-one* meetings were also held with analysts and investors (both current *shareholders* and non-shareholders) and banks, both in person and via electronic means.

In the first weeks of 2024, Management and *Investor Relator* have already undertaken IR activities by attending San Francisco (in the context of Healthcare Conference JP Morgan), Milan, and London (Mediobanca *Mid Cap Conference*). In addition, they have conducted *non-deal Roadshows* organized by *Unicredit , Mediobanca, Goldman Sachs, and Stifel*.

Comparison of Philogen's performance against key benchmark indices
(December 31, 2023 - March 14, 2024)

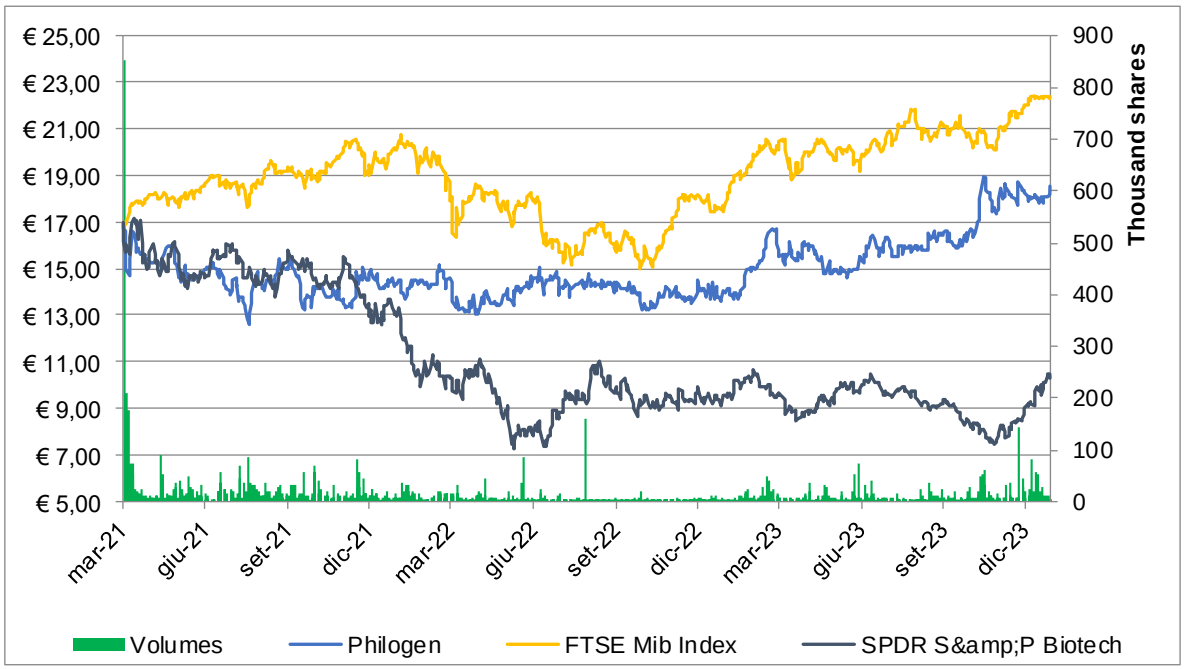
In this early part of 2024, Philogen's stock has performed below par with its IPO price of €17.00 and slightly below the Italian market (FTSE MIB +0.39%) and the biotechnology sector benchmark index (SPDR S&P Biotech +1.27%), which have remained virtually unchanged since last year's close.

On March 14, 2024, Philogen's stock closed at a price per share of 17.50 euros, showing a slight decrease from the 2023 close (-5.71 percent).



Comparison of Philogen's performance against key benchmark indices
(from IPO March 3, 2021 - December 31, 2023)

From IPO until the end of 2023, Philogen's stock performed positively (+8.82% as of Dec. 31, 2023), ranking below the Italian market (FTSE MIB +31.49%), but remaining solidly above the biotechnology sector's benchmark index, which fell sharply from the last months of 2021 (SPDR S&P *Biotech* -39.20%). An element that sets Philogen stock apart is the high stability of the stock, which has moved steadily in a range between €13.00 and €19.00 and breaking the lower threshold only on two *trading* days in the last 2 years (July 19 and 20, 2021).



Philogen
innovating targeting

Management report

Foreword

Shareholders,

the Management Report of Philogen S.p.A. (hereinafter also referred to as the "Company" or the "Parent Company" and together with its Swiss subsidiary Philochem, the "Group") is presented to accompany the annual financial statements of Philogen S.p.A. and the consolidated financial statements of the Group for the year 2023.

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

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 December 31, 2023.

1. Group Disclosure

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

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

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

The Group has the availability of a research and development facility in Zurich (through its subsidiary "Philochem"), where new experimental drugs are discovered. The most promising prototypes (in terms of biochemical characteristics, safety and efficacy on the basis of preclinical tumor models) are subsequently transferred to Siena where they are produced at the Company's GMP (*Good Manufacturing Practice*) facilities. Philogen has a GMP plant in Montarioso (Siena) approved by the Italian Medicines Agency (AIFA) for the production of experimental, antibody drugs in mammalian cells. A second GMP manufacturing plant was also built at the Rosia (Siena) site aimed at the production of both commercial drugs and for clinical trials. This new plant received certification from AIFA's GMP MED office in 2023. The certification is valid in Europe, the United States, Switzerland, England, Canada, Japan, Australia, New Zealand and Israel (see *Mutual Recognition Agreements of the European Medicines Agency*).

It should be noted that the Parent Company is considered an "SME" in accordance with Article 1, paragraph 1, letter w) - quater 1 of the TUF which defines small and medium-sized enterprises, issuers of listed shares that have a market capitalization of less than 500 million euros, issuers of listed shares that have exceeded this limit for three consecutive financial years are not considered SMEs, (Consob publishes the list of companies on its website). Note that category B shares (multiple voting shares) are excluded from the capitalization of the Italian Stock Exchange. Philogen's average capitalization, net of category B shares, from the date of start of trading (March 3, 2021) to December 31, 2023 is 437 million euros.

2. Activities in the field of research and development

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

The Group operates through:

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

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

The following table shows the research and development costs recognized in the income statement during the years ended December 31, 2023 and December 31, 2022 and their impact on the Group's total revenues from contracts with customers and total operating expenses.

Figures in thousands of euros and in percent	Year ended December 31	
	2023	2022
Research and development costs	20.831	16.128
Incidence on total contract revenue	*90,1%*	*68,0%*
Impact on total operating costs	*68,7%*	*66,4%*

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

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

3. Scientific facts that occurred during the fiscal year

The following are the main scientific facts with reference to the year ended December 31, 2023.

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

The Group reports the following major industrial *milestones* achieved during the year ended December 31, 2023:

Proprietary products

1) Antibody-based products:

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

Regarding the European Phase III study in locally advanced melanoma, it was announced on October 16, 2023 in a special press release that Nidlegy™ has positively achieved the primary study objective. Submission for marketing application to the authorities is expected by the first half of 2024.

Regarding the U.S. Phase III Study in locally advanced melanoma, patient enrollment is in line with company expectations and is ongoing in 33 clinical centers.

Finally, two Phase II studies are underway for the treatment of non-melanoma skin cancer (NMSC). The Duncan study is active in Switzerland, Germany, and Poland and focuses on advanced basal cell carcinoma (BCC) and squamous cell carcinoma (cSCC). As of December 31, 2023, 52 patients have been enrolled, compared with 26 enrolled as of June 30, 2023. The promising clinical data reported in 2022, will also be confirmed in 2023 in a larger number of patients. The Intrinsic trial in Italy and France has also begun, which aspires to explore the activity of Nidlegy™ in 70 patients with various types of NMSC (e.g., Kaposi's sarcoma, cutaneous T-cell lymphoma, malignant adnexal skin tumors, keratocanthoma, Merkel cell carcinoma, cSCC and BCC).

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

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

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

Regarding the European Phase III Study in first-line soft tissue sarcoma (STS) in combination with doxorubicin, 89 of 118 patients under the protocol were enrolled through the collaboration of 24 open clinical centers in Germany, Italy, Spain, Poland, and France.

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

Regarding the European Phase II Study in third-line soft tissue sarcoma (STS) in combination with dacarbazine, 52 of ninety-two planned patients were enrolled at 19 centers.

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

Regarding the Phase I/II Study in monotherapy stage III-IV high-grade second-line Glioma, the study was conducted in 3 clinical centers in Switzerland where the planned 20 patients were enrolled. The last patient was enrolled in December 2020. Data review is ongoing, and the full results will be presented in a peer-reviewed scientific publication.

Regarding the Phase I/II Study in European second-line Glioblastoma in combination with lomustine 15 patients were enrolled in the Phase I part. The 3 cohorts planned for Phase I have been completed and the study has started the randomized Phase II part. As of December 31, 2023, 27 of the 158 patients planned for Phase II of the study have been enrolled. The encouraging data from Cohort 1 were published in the journal *Science Translational Medicine* last May 2023. The study is currently ongoing in Switzerland, Germany and Italy, but Philogen has already contacted several centers in major European countries, with the goal of opening about eighteen to twenty clinical centers in total.

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

2) Small molecule products

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

Regarding the development of OncoFAP-radio-conjugate for diagnostic applications, several patients with different types of cancer have already undergone *imaging* in Germany with ^{68}Ga-OncoFAP. In addition, a Phase I clinical trial is underway in Italy.

New derivatives of OncoFAP are also reported such as OncoFAP-23-radio-conjugated for therapeutic applications, which has shown excellent tumor *targeting* properties in preclinical studies. The product selectively localizes to neoplastic lesions, with stable accumulation in the tumor for at least 96 hours, a feature that is very important for the therapeutic activity of the drug. In particular, ^{177}Lu-OncoFAP-23 has demonstrated potent antitumor activity in preclinical studies, both as monotherapy and in combination with the Philogen product L19-IL2. GMP manufacturing and future centralized radiolabeling of OncoFAP-23 have been completed at dedicated suppliers. It is expected that ^{177}Lu-OncoFAP-23 will enter clinical trials in 2024.

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

Products in *partnerships*

- Initiated *partnerships* on Nidlegy™ with Sun Pharma in Europe, Australia, and New Zealand (marketing, licensing, and supply agreement) and with *Merck Sharp & Dohme* (clinical collaboration in the United States)
- Continued *partnerships on* 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), already in operation at the end of FY 2022, reached their full functionality during 2023 in order to obtain AIFA approvals. After the qualification of all process *equipment* and quality control systems, and after the validation of aseptic production techniques, necessary to ensure the quality of injectable pharmaceutical products, through the challenge of three batches of *APS* (*Aseptic Proccess Simulation*), a representative *Demo batch* of the entire process was produced in order to challenge the correctness of personnel flows, materials and product intermediates.

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

The implementation of the above made it possible to plan and begin *Process Validation* activities that resulted in the production of three consecutive batches, the data from which were used for the following objectives:

- Obtaining GMP authorization, from AIFA, of the Rosia site for both commercial production of products intended for the market and products intended for clinical trials (GMP MED Authorization 09.11.2023 N°aM- 149/2023).
- The preparation of the product registration dossier and obtaining the *Marketing Authorization* (MA) for submission to EMA.

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

4. Significant events that occurred during the fiscal year

The following are the main events that, with reference to the year ended December 31, 2023, affected the Group's financial position.

4.1 Purchase of own shares

On April 28, 2023, the Ordinary Shareholders' Meeting, having revoked the resolution authorizing the purchase and disposition of treasury shares adopted on November 24, 2021 for the unexecuted part, authorized the Company to purchase, on one or more occasions, treasury shares, empowering the Board of Directors, with the power to delegate to the Chairman of the Board of Directors and/or the Vice Chairman of the Board of Directors, if appointed, and/or the Chief Executive Officer, to proceed, including through specialized intermediaries, specially appointed, to purchase Philogen Sp.A., establishing the related terms and the price per share, in compliance with applicable laws and regulations.

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

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

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

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

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

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

Then, on May 11, 2023, the Board of Directors met and approved the start of the program for the purchase of treasury shares (the "Program") with (i) object up to a maximum of 270,000 ordinary shares (unexecuted part of the first program that had resolved the purchase of a maximum of 500,00 ordinary shares), (ii) within the limits of the provisions of Article 2357 paragraph 3 of the Civil Code, (iii) for a total outlay in any case not exceeding Euro 4,590,000. The Program has a duration until October 28, 2024.

Within the limits described above, as of December 31, 2023, the Company holds in its portfolio:

- No. 227,770 treasury shares purchased from the beginning of the first Buyback Program until April 28, 2023, equal to 0.5609% of the share capital, for a total outlay, amounting to approximately EUR 3,307 thousand at an average price of EUR 14.52;

- 93,745 treasury shares purchased from the beginning of the Second Buyback Program until December 31, 2023, equivalent to 0.2308% of the share capital, with a total value of EUR 1,533 thousand at an average price of EUR 16.35.

As of December 31, 2023, Philogen held a total of 321,515 ordinary shares equal to 0.7917% of the share capital for a total outlay of €4,840 thousand at an average price of €15.05.

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

As of December 31, 2023, the Company's shareholding structure was composed as follows:

Shareholder	Shareholding as of December 31, 2023			
	Type of Actions	Actions	% of share capital	% of voting rights
Nerbio Ltd.	*B shares*	8.565.018	21,09%	40,56%
	Ordinary Shares	8.098.251	19,94%	12,78%
	Subtotal	**16.663.269**	**41,03%**	**53,35%**
Dompè Holdings S.r.l.	*B shares*	2.803.232	6,90%	13,28%
	Ordinary Shares	9.857.236	24,272%	15,56%
	Subtotal	**12.660.468**	**31,17%**	**28,84%**
Philogen S.p.A. (*)	*Ordinary Shares*	321.515	0,79%	0,51%
	Subtotal	**321.515**	**0,79%**	**0,51%**
Market	*B shares*	-	-	-
	Ordinary Shares	10.965.859	27,00%	17,31%
	Subtotal	**10.965.859**	**27,00%**	**17,31%**
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 Remuneration policy

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

On April 28, 2023, in accordance with Article 123-ter TUF, the Shareholders' Meeting, having taken note of the Report on Remuneration Policy and Compensation Paid in FY2022, approved by the Board of Directors on March 28, 2023, approved Section I of the Report on Remuneration Policy and Compensation Paid, and voted favorably on Section II of the Report on Remuneration Policy and Compensation Paid.

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

Monetary Incentive Plan ("MBO")

As of April 1, 2023 and until March 31, 2024, the executive directors (Dario Neri, Duccio Neri and Giovanni Neri) and one Executive with Strategic Responsibilities are beneficiaries of an incentive plan, so-called *management by objectives* ("MBO"), under which they may be entitled to receive an incentive, on an annual basis, the amount of which is commensurate with the achievement of corporate performance targets.

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

Notwithstanding the maximum incidence of the MBO described above, on May 11, 2023, the Company's Board of Directors, upon the proposal of the Nomination and Remuneration Committee, assigned the performance objectives and defined the *targets* to which the maximum monetary compensation is associated to the aforementioned executive directors and the Executive with Strategic Responsibilities for the period from April 1, 2023 to March 31, 2024.

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

Medium to long-term incentive plan

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

The aforementioned *Stock Grant* Plan is supported, among other things, by the share buyback program approved at the May 11, 2023 Board of Directors meeting, in accordance with the resolution of the Shareholders' Meeting held on April 28, 2023, and which provides for the purchase, within 18 months of the authorization, of a maximum of 270,000 ordinary shares (i) at a maximum price of EUR 17.00 and (ii) for a total outlay of no more than EUR 4,590,000.

In implementation of the above Incentive Plan, on November 7, 2023, the Board of Directors, with the favorable opinion of the Appointments and Remuneration Committee, identified the beneficiaries and defined the *performance objectives* and related *targets for* the third cycle 2023-2026, awarding a total of 619,000 *Units*, relative to the third cycle 2023-2026. 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/).

See Note 27 to the consolidated financial statements and Note 29 to the annual financial statements for more information about the Incentive Plan.

4.1 License Agreement

In the first quarter of 2023, Sun Pharma and Philogen entered into an exclusive Commercialization, License and Supply Agreement for the innovative product Nidlegy™ in Europe, Australia and New Zealand. Nidlegy™, whose clinical trial has ended, as communicated to the market on October 16, 2023, having successfully met the primary endpoint of the Phase III Pivotal Study Nidlegy™ is a novel anti-tumor immunotropic drug that Philogen is developing for the treatment of melanoma and non-melanoma skin cancers.

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

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

4.2 Hedging derivative termination

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

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

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

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

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

4.3 Realization of new building

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

For the sake of completeness of information, it should be noted that the aforementioned building is located in the immediate vicinity of the production plant built by the Company at the Rosia site, which , as specified above, has obtained the following GMP authorizations from AIFA: GMP Authorization MED 09.11.2023 N°aM- 149/2023): *(i)* Production Authorization for Commercial Products (Filling); *(ii)* Production Authorization for Clinical Products (Filling) and the Recognition and appointment of the related figure of "Qualified Person" (*QP*) of site.

More information on the subject of the construction of the new building can be found in Note 30 to the consolidated financial statements and Note 32 to the annual financial statements.

4.4 Purchase of new building

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

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

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

4.5 Sustainability Report 2022 and Sustainability Report 2023

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

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

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

The Sustainability Report 2022 was approved by the Board of Directors at its meeting held on May 11, 2023.

Following approval by the Board of Directors, the document was published in the "Sustainability" section on the Company's website at (http://www.philogen.com/) in the Governance/Sustainability - ESG section.

In pursuing the structured path of reporting on sustainability issues, through the Sustainability Report and its update for 2023, the Company carried out a *stakeholder engagement* activity with the twofold objective of (i) enhancing relations and dialogue with *stakeholders* that have been identified as priorities by the organization and (ii) collecting and mapping *stakeholders*' expectations, perceptions and priorities on the impacts generated by the Group, with reference to sustainability issues, through direct *stakeholder* engagement activity.

In this case, the ESG Working Group selected a sample of *stakeholders* (from among suppliers and employees) for a survey ("*online survey*") on the significance of the impacts the organization has or could have on the economy, the environment, and people.

The results of the update of the above materiality analysis were summarized within a presentation shared at the meeting of the Board of Directors held on January 22, 2024, in which the steps the Company has taken for the purpose of preparing the Sustainability Report 2023 were listed and shared.

The Sustainability Report 2023, prepared *in accordance with* GRIs, will be approved by the Board of Directors at its meeting on March 27, 2024. The document will be published in the "Sustainability" section on the Company's website at (http://www.philogen.com/) in the Governance/Sustainability - ESG section.

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

5.1 Profit and loss account

The following table shows the Group's consolidated economic data for the years ended December 31, 2023 and December 31, 2022:

Figures in thousands of euros and in percent	Year ended December 31				Variations	
	2023	%	2022	%	2023 vs. 2022	%
Revenue from contract with customers	23.130	100,0%	23.713	100,0%	(583)	(2,5)%
Other income	1.991	8,6%	3.582	15,1%	(1.592)	(44,4)%
Total Revenues	**25.121**	**108,6%**	**27.295**	**115,1%**	**(2.175)**	**(8,0)%**
Operating costs(*)	(30.320)	(131,1)%	(24.275)	(102,4)%	(6.046)	24,9%
EBITDA(**)	**(5.199)**	**(22,5)%**	**3.021**	**12,7%**	**(8.221)**	**(272,1)%**
Depreciation	(3.641)	(15,7)%	(2.782)	(11,7)%	(859)	30,9%
EBIT	**(8.840)**	**(38,2)%**	**240**	**1,0%**	**(9.080)**	**(3793,6)%**
Financial income	5.141	22,2%	1.548	6,5%	3.593	232,0%
Financial charges	(2.482)	(10,7)%	(6.147)	(25,9)%	3.665	(59,6)%
Earnings before taxes	**(6.181)**	**(26,7)%**	**(4.359)**	**(18,4)%**	**(1.822)**	**41,8%**
Taxes	20	0,1%	(1.017)	(4,3)%	**1.037**	(102,0)%
Profit (Loss) for the period	**(6.161)**	**(26,6)%**	**(5.376)**	**(22,7)%**	**(785)**	**14,6%**

(*) Operating costs are given by the sum of the following balance sheet items: purchases of raw materials and consumables, costs for services, costs for use of third-party assets, personnel costs, and other operating costs

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

Revenues from contracts with customers amounted to Euro 23,130 thousand in the year ended December 31, 2023 remaining substantially unchanged from the previous year, showing a slight decrease of approximately 2.5% (Euro 23,713 thousand as of December 31, 2022). However, the origin of these revenues varied from one year to the next: during 2022, in fact, the revenues were mainly derived from the *partnership* between the subsidiary Philochem and a leading pharmaceutical company in the field of small organic molecules; 2023, on the other hand, was characterized by the contract between Philogen and SUN Pharma, relating to the product Nidlegy™, commented on earlier.

Other income amounted to 1,991 thousand euros in the year ended December 31, 2023, showing a decrease of approximately 44.4% from the previous year. This change is mainly attributable to: (i) tax credits, which the Company benefited from during 2022, related to "extraordinary" activities carried out during 2021 such as the SME tax credit amounting to €500 thousand for consulting costs incurred for admission to listing in a regulated market and the ACE tax credit amounting to €180 thousand related to the capital increase raised during the listing, and (ii) to the reduction in the rate of the research and development credit facility from which the Company benefits continuously by virtue of the research activity carried out. This decrease can be attributed to the entry into force of the new percentages provided for in the Budget Law 2022, which envisage a reduction in the facilitation rate from 20% to 10%. As a result of this reduction, as of December 31, 2023, the research and development credit amounted to 1,161 thousand euros, while as of December 31, 2022, it amounted to 1,812 thousand euros.

Operating costs mainly include production material costs, clinical and preclinical service costs, personnel costs, and other operating costs and show an increase of about 24.9 percent over the previous year. This variance is mainly attributable to:

(i) to the increase in material costs from 2,853 thousand euros as of December 31, 2022, to 3,472 thousand euros as of December 31, 2023, and to the increase in service costs related to the Group's *core business* activities from 10,334 thousand euros as of December 31, 2022, to 13,990 thousand euros as of December 31, 2023;

(ii) to the increase in personnel costs related to the recruitment plan aimed at structuring the staffing of the two GMP *facilities* and strengthening management and staff functions and rising from 10,464 thousand euros as of December 31, 2022 to 12,176 thousand euros as of December 31, 2023.

For more details, see Note 6 to the consolidated financial statements and Note 6 to the annual financial statements.

EBITDA shows a decrease of approximately Euro 8,221 thousand, from a positive value of Euro 3,021 thousand as of December 31, 2022 to a negative value of Euro 5,350 thousand as of December 31, 2023 as a result of an increase in operating costs against revenues that decreased by 8.0%.

Depreciation and amortization shows an increase of approximately 30.9% compared to the year ended December 31, 2022 due to the entry into operation of the investments incurred for the equipment and interconnection of the new GMP *facility* at the Rosia (Siena) site. It should be noted that, in line with the company's forecasts, the investments for the new GMP were completed and the new facility came into operation during the year 2022, in order to carry out the mandatory activities to obtain the AIFA authorization necessary for the production of drugs.

EBIT, calculated as the difference between EBITDA and depreciation and amortization, shows a negative balance of 8,840 thousand euros for the year ended December 31, 2023.

Net financial management for the year ended December 31, 2023 shows a net positive result of Euro 2,659 thousand given by the difference between financial income of Euro 5,141 thousand and financial expenses of Euro 2,482 thousand (negative for Euro 4,599 thousand in fiscal year 2022). The net result can mainly be attributed to (i) net valuation gains of Euro 2,184 thousand related to changes in the *fair value* of the securities portfolio , (ii) net income on the securities portfolio of Euro 1.158 thousand given by net capital gains on realization, coupon and dividend collections , (iii) interest income collected amounting to Euro 392 thousand of which Euro 195 thousand relates to *time deposits* collected at maturity and the remainder relating to the extinguishment of the derivative on outstanding loans ; (iv) interest expense and other financial charges amounting to Euro 546 thousand; and (v) net foreign exchange losses amounting to Euro 529 thousand. The change from the previous year is mainly attributable to valuation items and in particular the *fair value* of financial assets related to a recovery in financial markets. More details on financial management can be found in Note No. 7 to the consolidated financial statements and Note No. 7 to the statutory financial statements.

It should be noted that the Company invests excess liquidity, compared to ordinary requirements, in easily liquidated financial instruments, in compliance with the "Policy for Financial Investment Management" approved by the Board of Directors. The average stock of the financial investment portfolio in the year 2023 amounted to Euro 57,972 thousand and brought a total return of approximately 6% given by realized income and *fair value* from valuation (represented in accordance with IFRS accounting standards, partly in the income statement and partly in the equity reserve of FVOCI). More details on current financial assets can be found in Note No. 17 to the consolidated financial statements and Note No. 19 to the statutory financial statements.

Taxes amounting to 20 thousand Euro are represented by deferred taxes mainly attributable to the reversal of tax effects recognized upon transition to IAS/IFRS.

As a result of the above, the Group closed the year as of December 31, 2023 with a net loss of 6,161 thousand euros.

5.2 Balance Sheet

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

Figures in thousands of euros and in percent	Year ended December 31		Variations	
	2023	2022	2023 vs. 2022	%
Employment				
Property, plant and equipment	15.912	12.699	3.212	25,3%
Intangible assets	1.245	1.218	28	2,3%
Activities by right of use	9.963	9.862	101	1,0%
Other non-current assets	2.790	2.987	(197)	(6,6)%
Deferred tax assets	123	98	25	25,6%
Employee benefits	(1.202)	(960)	(242)	25,3%
Deferred tax liabilities	(236)	(191)	(45)	23,6%
Other non-current liabilities	(1.507)	(1.962)	455	(23,2)%
Net fixed assets(*)	**27.088**	**23.751**	**3.337**	**14,0%**
Inventories	2.248	1.922	326	17,0%
Activities arising from contract	1.350	2.300	(950)	(41,3)%
Trade receivables	1.281	885	396	44,7%
Tax credits	8.176	6.796	1.380	20,3%
Other current assets	837	860	(23)	(2,7)%
Trade payables	(7.799)	(6.352)	(1.447)	22,8%
Liabilities arising from contract	(466)	-	(466)	-
Tax debts	(239)	(669)	430	(64,3)%
Other current liabilities	(2.317)	(2.010)	(307)	15,2%
Net working capital(*)	**3.071**	**3.732**	**(661)**	**(17,7)%**
Net invested capital(*)	**30.159**	**27.483**	**2.676**	**9,7%**
Sources				
Shareholders' Equity	90.589	97.921	(7.332)	(7,5)%
Net financial debt(*)	(60.430)	(70.438)	10.008	(14,2)%
Total sources	**30.159**	**27.483**	**2.676**	**9,7%**

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

An analysis of the financial position shows that the Group shows a positive net financial position of 60,430 thousand euros, the change in which is detailed in the following section through the Net Financial Debt schedule.

Net Financial Indebtedness

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

Figures in thousands of euros **Net financial debt**	December 31, 2023	December 31, 2022
(A) Cash and cash equivalents	10.635	8.436
(B) Cash equivalents to cash and cash equivalents.	5.000	16.000
(C) Other current financial assets	59.709	61.764
(D) Liquidity (A+B+C)	**75.344**	**86.200**
(E) Current financial debt	22	29
(F) Current part of non-current financial debt	1.868	1.726
(G) Net current financial debt (E+F)	**1.890**	**1.755**
(H) NET CURRENT FINANCIAL DEBT (G-D)	**(73.455)**	**(84.445)**
(I) Non-current financial debt	13.025	14.007
(J) Debt instruments	-	-
(K) Trade and other current payables.	-	-
(L) Non-current financial debt (I+J+K)	**13.025**	**14.007**
(M) NET FINANCIAL DEBT (H+L)	**(60.430)**	**(70.438)**

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

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

Net Financial Debt as of December 31, 2023 shows a financial *surplus of* 60,430 thousand euros, composed as follows:

- Liquidity (D) in the amount of Euro 75,344 thousand, a decrease of approximately 12.6% compared to the year ended December 31, 2022. This change is attributable to the net balance between (i) collections for revenues from contracts with customers of approximately Euro 23,477 thousand, (ii) outflows for operations of approximately Euro 29,482 thousand, (iii) outflows for capital expenditures of Euro 6,157 thousand related of which Euro 2.300 thousand related to the purchase of a new building adjacent to the Montarioso (Siena) plant, Euro 1,639 thousand related to the construction of the new office building still under construction at the Rosia (Siena) site and the remainder for the maintenance of the plants of the Group's production sites; (iv) purchase of treasury shares for Euro 2.381 thousand and (v) net positive result of financial management for Euro 3,687 thousand given by Euro 1,034 thousand related to the collection of coupons and interest collected at maturity of the term current accounts during the year 2023, by Euro 2,415 thousand related to the net positive change in the *fair value* of the securities portfolio held, by Euro 238 thousand related to the collection of the extinguishment value of the hedging derivative in March 2023 and by the change in the *market to market of* the new hedging derivative instrument on the outstanding loans. It should also be noted that part of the liquidity, amounting to Euro 5,000 thousand as of December 31, 2023, is still invested in short-term *time deposits*, which are remunerated at market rates on maturity.

- Current and non-current financial debt (G+L) in the amount of Euro 14,915 thousand represented for approximately Euro 12,100 thousand by the debt related to the right of use of real estate (IFRS 16) and for Euro 2,793 thousand by two medium-long term loans entered into with the Banca Intesa Group (formerly Ubi Banca S.p.A.) in January 2021, in order to partially finance the construction and equipment of the new GMP plant at the Rosia (Siena) site and for Euro 22 thousand by the balance of credit cards as of December 31, 2023. These loans expire in April 2024 and January 2027, respectively. It should be noted that during 2023 there were Istat adjustments in the rent of real estate that were affected by the high rate of inflation during the period, resulting in a consequent increase in financial debt. Specifically, the current portion of financial debt amounting to Euro 1,890 thousand consists of (i) Euro 1,000 thousand current debt related to the right of use, (ii) Euro 890 thousand current portion of financial debt, and (iii) Euro 22 thousand credit card balance as of December 31, 2023. While the non-current portion amounting to Euro 13,025 thousand consists of (i) Euro 11,100 thousand non-current debt related to right of use and (ii) Euro 1,926 thousand non-current portion of financial debt. For more information, please refer to Note No. 12 to the consolidated financial statements and Note No. 13 to the statutory financial statements.

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

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

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

As of December 31, 2023, the Company certifies that there are no critical issues in complying with the *covenants* described above.

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

5.3 Alternative Performance Indicators

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

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

- GPIs are constructed from historical data and are not indicative of the Group's future performance;
- IAPs are not measures whose determination is regulated by International Financial Reporting Standards (IFRS);
- KPIs should not be considered a substitute for the indicators provided by the relevant accounting standards (IFRS);
- reading of these GPIs should be done in conjunction with the Group's financial information from the consolidated financial statements as of December 31, 2023;
- the definitions of IAPs used by the Group, as they are not derived from the relevant accounting standards, may not be homogeneous with those adopted by other groups and therefore comparable with them.

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

Figures in thousands of euros and in percent	Year ended December 31	
	2023	2022
Revenue from contract with customers	23.130	23.713
EBITDA(*)	(5.199)	3.021
EBITDA *Margin*	*(22,5)%*	12,7%
EBIT	*(8.840)*	240

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

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

Figures in thousands of Euros	Year ended December 31	
	2023	2022
Profit (loss for the period)	**(6.161)**	**(5.376)**
Income taxes	20	(1.017)
Financial income and expenses	2.659	(4.599)
EBIT	**(8.840)**	**240**
Depreciation	(3.641)	(2.782)
EBITDA	**(5.199)**	**3.021**

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

Figures in thousands of euros and in percent	Year ended December 31	
	2023	2022
Revenue from contract with customers (A)	23.130	23.713
EBITDA (B)	(5.199)	3.021
EBITDA Margin (B/A)	**(22,5)%**	**12,7%**

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

Figures in thousands of euros and in percent	Year ended December 31	
	2023	2022
Net fixed assets	27.088	23.751
Net working capital	3.071	3.732
Net invested capital	30.159	27.483

Net financial debt	(60.430)	(70.438)
Financial independence index	*76,0%*	*77,8%*
Structure margin	*301,6%*	*364,5%*
Liquidity index	*702,1%*	*917,5%*
Indebtedness index	*16,5%*	*16,1%*

The following table details the Financial Independence Index:

Figures in thousands of euros and in percent	Year ended December 31	
	2023	2022
Equity (A)	90.589	97.921
Total assets (B)	119.270	125.828
Financial Independence Index (A/B)	**76,0%**	**77,8%**

The following table shows the details of Structure Margin:

Figures in thousands of euros and in percent	Year ended December 31	
	2023	2022
Equity (A)	90.589	97.921
Non-current assets (B)	30.034	26.864
Structure margin (A/B)	**301,6%**	**364,5%**

The following table shows the details of the Liquidity Index:

Figures in thousands of euros and in percent	Year ended December 31	
	2023	2022
Current assets (A)	89.236	98.963
Current liabilities (B)	12.710	10.787
Liquidity Index (A/B)	**702,1%**	**917,4%**

The following table details the Indebtedness Index:

Figures in thousands of euros and in percent	Year ended December 31	
	2023	2022
Financial debt(*) (A)	14.915	15.763
Equity (B)	90.589	97.921
Indebtedness ratio (A/B)	**16,5%**	**16,1%**

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

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

5.4 Performance of the parent company

The financial figures of the Parent Company for the years ended December 31, 2023 and December 31, 2022 are shown below:

Figures in thousands of euros and in percent	Year ended December 31				Variations	
	2023	%	2022	%	2023 vs. 2022	%
Revenues from contracts with customers	23.738	100,0%	6.639	100,0%	17.099	257,6%
Other income	1.950	8,2%	3.491	52,6%	(1.542)	(44,2)%
Total Revenues	**25.687**	**108,2%**	**10.130**	**152,6%**	**15.557**	**153,6%**
Operating costs (*)	(26.415)	(111,3)%	(20.264)	(305,2)%	(6.151)	30,4%
EBITDA(**)	**(728)**	**(3,1)%**	**(10.134)**	**(152,6)%**	**9.406**	**(92,8)%**
Depreciation	(3.143)	(13,2)%	(2.345)	(35,3)%	(797)	34,0%
EBIT	**(3.870)**	**(16,3)%**	**(12.479)**	**(188,1)%**	**8.609**	**(69,0)%**
Financial income	4.394	18,5%	1.470	22,1%	2.924	199,0%
Financial charges	(1.370)	(5,8)%	(4.911)	(74,0)%	3.541	(72,1)%
Income from equity investments	(5.325)	(22,4)%	10.187	153,4%	(15.513)	(152,3)%
Earnings before taxes	**(6.172)**	**(26,0)%**	**(5.733)**	**(86,4)%**	**(438)**	**7,6%**
Taxes	11	0,0%	(608)	(9,2)%	618	(101,8)%

Profit (Loss) for the year	**(6.161)**	**(26,0)%**	**(6.341)**	**(95,5)%**	**180**	**(2,8)%**

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

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

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

Figures in thousands of euros and in percent	As of December 31		Variations	
	2023	2022	2023 vs. 2022	%
Employment				
Property, plant and equipment	14.478	11.435	3.044	26,6%
Intangible assets	895	944	(48)	(5,1)%
Activities by right of use	6.878	6.750	128	1,9%
Participations	5.738	10.467	(4.728)	(45,2)%
Other **non-current** assets	2.790	2.987	(197)	(6,6)%
Deferred tax assets	123	98	25	25,6%
Employee benefits	(1.202)	(960)	(242)	25,3%
Other non-current liabilities	(1.507)	(1.962)	455	(23,2)%
Deferred tax liabilities	(192)	(135)	(58)	42,8%
Net fixed assets(*)	**28.001**	**29.624**	**(1.622)**	**(5,5)%**
Inventories	2.128	1.786	342	19,1%
Activities arising from contract	1.350	2.300	(950)	(41,3)%
Trade receivables	1.937	1.361	577	42,4%
Tax credits	8.101	6.715	1.386	20,6%
Other current assets	708	616	91	14,8%
Trade payables	(8.890)	(7.128)	(1.760)	24,7%
Liabilities arising from contract	(466)	-	(466)	-
Tax debts	(239)	(286)	47	(16,5)%
Other current liabilities	(2.001)	(1.767)	(234)	13,2%
Net working capital	**2.629**	**3.595**	**(967)**	**(26,9)%**
Net invested capital(*)	**30.630**	**33.219**	**(2.589)**	**(7,8)%**
Sources			-	
Shareholders' Equity	90.589	97.921	(7.330)	(7,5)%
Net financial debt(*)	(59.959)	(64.701)	4.742	(7,3)%
Total sources	**30.630**	**33.219**	**(2.588)**	**(7,8)%**

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

Details of the Parent Company's Net Financial Indebtedness as of December 31, 2023 and December 31, 2022, prepared in accordance with ESMA Guideline 32-382-1138 dated March 4, 2021 and by Consob through of Attention Reminder No. 5/21 are shown below:

Figures in thousands of euros **Net financial debt**	**December 31, 2023**	**December 31, 2022**
(A) Cash and cash equivalents	9.976	7.938
a(B) Cash equivalents to cash and cash equivalents	5.000	16.000
(C) Other current financial assets	59.709	61.764
(D) Liquidity (A+B+C)	**74.686**	**85.703**
(E) Current financial debt	22	29
(F) Current part of non-current financial debt	6.231	11.515
(G) Net current financial debt (E+F)	**6.253**	**11.544**
(H) NET CURRENT FINANCIAL DEBT (G-D)	**(68.433)**	**(74.159)**
(I) Non-current financial debt	8.474	9.458
(J) Debt instruments	-	-
(K) Trade and other current payables.	-	-
(L) Non-current financial debt (I+J+K)	**8.474**	**9.458**
(M) NET FINANCIAL DEBT (H+L)	**(59.959)**	**(64.701)**

Below are the Alternative Economic Performance Indicators related to the parent company:

Figures in thousands of euros and in percent	**Year ended December 31**	
	2023	**2022**
Revenues from contracts with customers	23.738	6.639
EBITDA	*(728)*	*(10.134)*
EBITDA *Margin*	*(3,1)%*	*(152,6)%*
EBIT	*(3.870)*	*(12.479)*

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

Figures in thousands of Euros	**Year ended December 31**	
	2023	**2022**
Profit (loss for the period)	**(6.161)**	**(6.341)**
Income taxes	11	(608)
Financial income and expenses	3.024	(3.441)
Result of participation	(5.325)	10.187
EBIT	**(3.870)**	**(12.479)**
Depreciation	(3.143)	(2.345)
EBITDA	**(728)**	**(10.134)**

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

Figures in thousands of euros and in percent	**Year ended December 31**	
	2023	**2022**
Revenues from contracts with customers (A)	23.738	6.639
EBITDA (B)	(728)	(10.134)
EBITDA Margin (B/A)	**(3,1)%**	***(152,6)%***

Below are the Alternative Capital Performance Indicators related to the parent company:

Figures in thousands of euros and in percent	**Year ended December 31**	
	2023	**2022**
Net fixed assets	28.001	29.624
Net working capital	2.629	3.597
Net invested capital	30.630	33.219
Net financial debt	(59.959)	(64.701)
Financial independence index	*75,6%*	*74,7%*
Structure margin	*293,1%*	*299,6%*
Liquidity index	*498,1%*	*475,1%*

Indebtedness index	*16,3%*	*21,4%*

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

The following table details the Financial Independence Index:

Figures in thousands of euros and in percent	Year ended December 31	
	2023	2022
Equity (A)	90.589	97.921
Total assets (B)	119.814	131.161
Financial Independence Index (A/B)	**75,6%**	**74,7%**

The following table shows the details of Structure Margin:

Figures in thousands of euros and in percent	Year ended December 31	
	2023	2022
Equity (A)	90.589	97.921
Non-current assets (B)	30.903	32.680
Structure margin (A/B)	**293,1%**	**299,6%**

The following table shows the details of the Liquidity Index:

Figures in thousands of euros and in percent	Year ended December 31	
	2023	2022
Current assets (A)	88.910	98.481
Current liabilities (B)	17.849	20.726
Liquidity Index (A/B)	**498,1%**	**475,2%**

The following table details the Indebtedness Index:

Figures in thousands of euros and in percent	Year ended December 31	
	2023	2022
Financial debt(*) (A)	14.727	21.002
Equity (B)	90.589	97.921
Indebtedness ratio (A/B)	**16,3%**	**21,4%**

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

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

5.5 Reconciliation statement of shareholders' equity and profit of the parent company with the Group

The following is a reconciliation of the parent company's shareholders' equity and income with those of the consolidated financial statements as of December 31, 2022 and December 31, 2023:

Figures in thousands of Euros	Shareholders' equity as of 12/31/2022	Result 2023	Other movements	Shareholders' equity as of 12/31/2023
Shareholders' equity Parent company	**97.921**	**(6.161)**	**(1.171)**	**90.589**
Profit and shareholders' equity subsidiaries	20.655	(5.325)	(5.738)	9.591
Elimination of carrying value of equity investment	(20.655)	5.325	5.738	(9.591)
Group equity	**97.921**	**(6.161)**	**(1.171)**	**90.589**

6. Procedure and related party relationships

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

During FY2023, transactions with related entities were carried out at normal market conditions that produced profitability in line with the company's profitability parameters. Transactions with related parties are disclosed in the financial statements and described in detail in the specific Note No. 30 to the consolidated financial statements and Note No. 32 to the statutory financial statements, to which reference should be made, and do not qualify as either atypical or unusual.

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

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

In particular, during 2023, the Company continued its monitoring of possible legislative changes as well as changes to the corporate *governance* structure adopted by the Company following the listing, in order to be able to promptly incorporate them within the Model.

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

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

8. Information on corporate governance and ownership structure

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

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

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

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

9. Risk Assessment

In accordance with industry regulations, applicable laws and the Corporate Governance Code dictated by the Italian Stock Exchange, the Group has adopted an Internal Control and Risk Management System (SCIGR), a set of "tools" (directives, procedures, etc.) intended to provide reasonable assurance regarding the achievement of the objectives of operational efficiency and effectiveness, reliability of financial and management information, compliance with laws and regulations, and safeguarding of corporate assets.

The Group has 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 from among its members an Executive Director to oversee the functionality of the SCIGR;
- Board of Auditors, which oversees the effectiveness of the SCIGR;
- Risk Control Committee with the task of supporting, with adequate preliminary activity, the evaluations and decisions of the Board of Directors related to the internal control and risk management system, as well as those related to the approval of periodic financial reports;
- Financial Reporting Officer, who oversees the adequacy and effective application of proper 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 Organization Control Model (and where necessary amend and supplement this Model), with respect to the prevention and commission of the crimes provided for in Legislative Decree 231/2001;
- Function heads, responsible for overseeing the proper application of company procedures.

Subsequent to listing, on the EXM, the Group undertook a *Risk Assessment* activity, aimed at identifying risks that could have an impact on the achievement of the company's objectives, and carried out an assessment of them by means of self-assessment tools, according to parameters of impact 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 corporate strategic plan. The process is constantly evolving and is intended to provide Management with assessments and reports on the progress of the application of the various mitigating actions put in place and simultaneously prepare periodic reporting for senior 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 *Risk Assessment* activities was based on a *self-assessment* process (*Self Assessment*) involving the various contact persons at different levels and the heads of the various corporate functions within the Group.

Once the *Risk Assesment* 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 November 11, 2021.

The adequacy of risk mapping and, consequently, of the related Audit Plan is constantly monitored by the Company , which is supported in this activity by the Internal Auditor's function. Specifically, the Audit, Risk and Sustainability Committee assessed the current *Risk Assesment* approved by the Board of Directors on September 28, 2023, at its meeting on September 18, 2023, as still suitable, since neither the Company's business nor its organizational structure has undergone any substantial changes that would result in the emergence of new risks. It is specified that the *Risk Assesment* will be revised to formalize the new audit plan.

Therefore, during 2023, the Internal Audit function undertook the audit activities stipulated in the Audit Plan, according to the Audit methods, methodologies, and techniques outlined in it.

Specifically, the following risks were audited as per the audit plan: "*Dependence on key figures*" (Risk R33), "*Fraud*" (Risk R30) and "*Legal disputes*" (Risk R31).

Upon the outcome of the audit of each area, Internal Audit sent the Company a specific Audit Report containing a summary of the activities carried out and any observations and/or suggestions addressed to the Company.

For the sake of completeness, it is acknowledged that at the Board of Directors' meeting of March 28, 2023, the appointment of Internal Auditor was renewed to Dr. Marco Tanini given his professional experience as well as in-depth knowledge of the company, as he also holds the position of single-member Supervisory Board.

10. Management and coordination activities

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

11. Secondary locations

The company has no branch offices.

12. Major risks and uncertainties

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

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

12.1 Operational risks

Risks related to external factors

- Risks associated with products in clinical development

The Group's future revenues are highly dependent on the continued successful development of its product candidates and, in particular, products that are in Phase III trials, such as Nidlegy ™ (completed patient enrollment and achieved primary endpoint) and Fibromun (completed patient enrollment expected in 2024). However, there is no guarantee that said clinical trials, with reference to Fibormun will be completed within said timeframes or advanced clinical trials, will be successful and, therefore, that the product candidates will be eligible for approval to be marketed.

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

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

Strategic risks

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

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

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

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

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

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

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

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

Risks related to information systems

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

Philogen ensures the security of sensitive data and information and intellectual property, managing the entire cycle that includes detecting threats and defining countermeasures in response to attacks suffered. The Group's cyber defense system includes specific organizational safeguards - in compliance with regulations and reference standards, which imply the adoption of specific requirements and timelines in the area of incident and/or data *breach* reporting - as well as ongoing operator training and operational tools

Financial risks

Financial risks are defined as financial risks arising from owning or trading financial instruments. Detailed tables of 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 will cause a financial loss by failing to fulfill a contractual obligation and arises mainly from the Group's trade receivables and debt securities.

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

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

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

Liquidity risk

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

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

Market risk

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

Foreign exchange risk

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

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

More details on financial risks can be found in Note 28 to the consolidated financial statements and Note 30 to the annual financial statements.

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

The Group is subject to the risk of changes in the *fair value of* financial instruments held in its portfolio, the value of which as of December 31, 2023 was 59,709 thousand euros. The occurrence of this risk could have significant adverse effects on the Group's economic, financial, and equity position.

More details on financial risks can be found in Note 28 to the consolidated financial statements and Note 30 to the annual financial statements.

Country risk management

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

13. Environmental and occupational safety information

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

The Company adopts safety procedures for the management of work activities 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). Personnel undergo specific training on the subject and operate according to procedures designed to minimize the risks of contamination, not only biological. Disposal of special waste is carried out in accordance with current regulations (D. Lgs.152/06), according to dedicated procedures, with the support of a specialized and authorized company.

Based on the obligations of Art. 37 of Legislative Decree 81/2008 and the methods defined by the State-Regions Agreement of December 21, 2011, periodic safety training and refresher courses are activated for all employees divided into general and specific training courses, courses that employees follow according to a schedule specified by the applicable industry regulations

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

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

Group personnel are constantly updated and trained with reference to applicable industry regulations. In particular, in 2023, training courses aimed at updating and increasing the number of First Aid employees were carried out again, depending on the increase in the workforce. This course was enriched with an optional module inherent in a specific training on the use of the defibrillator, a life-saving device increasingly recommended in Companies. It also seems appropriate to point out that, during 2023, Philogen contracted out the cleaning service to an external Company, which has undertaken a path of certification of its activity (EN ISO 9001:2015 which concerns Quality Management Systems; EN ISO 14001:2015 concerns a series of international standards related to the environmental management of organizations; UNI EN ISO 45001:2018 which identifies a number of standards defining the quality of Workers' Health and Safety Management Systems) and boasts a commitment to the quality of the business organization of the services provided and the protection of workers and the environment.

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

14. Responsibility to the environment and climate change

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

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

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

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

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

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

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

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

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

As evidence of this commitment, Philogen has embarked on and planned a project to modernize the plants' lighting systems, which includes the gradual and continuous replacement of all lamps with new, more efficient LED systems. During 2022, all lamps within the laboratory area and in the new production facility were replaced. In addition, the modernization of the lighting systems also involved the exterior of the buildings, where streetlights with LED system were installed.

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

For a company such as the Group, which is involved in biopharmaceutical research and the production of experimental drugs, the care and proper management of the waste produced is also of fundamental importance. Philogen produces both ordinary municipal waste, which is disposed of through separate collection, and special waste, which is collected by specialized firms. For the former, the separate collection system at the Montarioso site, operated by a specialized company, ensures proper disposal of all municipal waste. At the Rosia plant, the system of separate disposal of ordinary waste has also been completed. Special waste generated by the laboratories is stored inside a special warehouse, collected in approved containers for sanitary waste, and is disposed of by a specialized company in the manner prescribed by law.

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

Within the sustainability journey, undertaken by the Group, environmental protection occupies a central role. For further details in this regard, please refer to the Sustainability Report 2022, which can be found and accessed on the Company's website at (http://www.philogen.com/) in the *Governance (Sustainability - ESG)* section.

15. Personnel information

As of Dec. 31, 2023, the Group had 165 employees, of whom 128 were employed by Philogen S.p.A., at its plants in Siena (Rosia and Montarioso), and 37 by Philochem AG, at its site in Zurich, marking a total increase of 5 percent over Dec. 31 .

The increase, represented in the table below, is from (i) Philochem: 4 hires and 6 terminations (ii) Philogen: 31 hires and 21 terminations.

Number of Group punctual employees	As of December 31		Variations	
	2023	2022	2023 vs. 2022	%
Employees	165	157	8	5%

This growth is in line with what is planned for the year 2023.

Personnel hired during the year ended Dec. 31, 2023 were highly qualified, being 69 percent graduate students and 11 percent PhDs.

Disclosure of new hires:

Qualification	Philochem AG			Philogen S.p.A.			Group		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Ph.D.	-	1	**1**	2	1	**3**	2	2	**4**
Degree	2	1	**3**	6	15	**21**	8	15	**24**
Diploma	-	-	**-**	5	1	**6**	5	1	**6**
No title	-	-	-	1	-	**1**	1	1	**4**
Grand total	**2**	**2**	**4**	**14**	**17**	**31**	**16**	**19**	**1**

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

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

In order to keep the staff constantly updated regarding specific issues and industry regulations, various training and refresher courses were conducted in 2023. Below we indicate the most relevant courses:

- Regulatory Update intended for Regulatory Affairs staff, "From Pharmaceutical Strategy to Proposed New European Legislation: what prospects for Italy?" organized by Farmindustria, lasting 2 days;
- Update on "Good Laboratory Practice," organized by *Qulaity Managemnt associates*, , intended for AQA Laboratory and AQA Quality Assurance Department staff lasting 1 day.
- Update related to "*Data Integrity*," organized by PQE Group, intended for all personnel working according to GMP (*Good Manufacurig Practices*, Production, Quality Control and Quality Assurance) standards, lasting 1 day;
- Training plan designed to update Pharmacovigilance Department staff, consisting of various modules: "*Risk Management Plan* (EU-RMP) *Creation*" related to the requirements of Module V of the GVPs and the Guidance on RMP Format; *Italian Pharmacovigilance Day*: practical hints and tips for everyday work, useful answers for one's doubts, material to reread when necessary. "*Pharmacovigilance System Master File* (PSMF)": useful to Identify the structure, sections and annexes of the PSMF, Recognize the importance of the PSMF in the pharmacovigilance system of a pharmaceutical company, Evaluate the interaction between Regulatory Affairs, Pharmacovigilance and other departments regarding the maintenance of the PSMF. The total duration of the plan was 23.5 hours, and the training activities were held by *Dia Drug Information Association* and *Life Science Academy*;
- Update intended for staff specializing in *Intellectual Property Rights*, organized by *The European Patent Academy* entitled "*Examination Matters* 2023," lasting 10 hours.
- Continuing education in administration and taxation with participation in online courses and industry webinars.

The Group has also always been attentive to issues of gender equality and inclusion. About 55% of employees are female, as well as from more than 15 different countries. The *top management* appears to be gender-balanced, a circumstance that has characterized the Group since the pre-listing period: CFO since 2007; HR Manager since 2008, *Company Legal Counsel* since 2016. In addition, a new *Deputy Chief Medical Officer* has joined the Group since 2022 and a *Qualified Person* for the Montarioso site authorized by AIFA in August 2023. Philogen has also boasted female representation on the Board of Directors since 2016, following the appointment of Dr. Nathalie Dompé and post IPO with the addition of Avv. Marta Bavasso and Dr. Maria Giovanna Calloni. Senior roles within the Research function have also been held by women today and in the past. Prof. Cornelia Halin is a member of the Scientific Advisory Board; the Antibody Research area has been led by a female scientist for many years. Finally, in adherence to Italian law, Philogen employs six people from protected categories.

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

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

16. 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 laws and regulations at the European, Swiss and Italian levels regarding the protection of personal data. These laws and regulations, such as the GDPR, regulate the collection, protection and processing of personal data, including the processing of particular categories of data such as, for example, health data collected in anonymized form as part of clinical trials. In Italy, in particular, the Garante per la protezione dei dati personali has issued specific guidelines for the processing of personal data in the context of clinical trials of medicines. The Group is also subject to industry guidelines and internal privacy policies and procedures, as well as data protection obligations to third parties.

In the course of drug trial activities, the Group receives, processes, and stores anonymized 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 anonymized form, are protected and kept secure throughout the duration of treatment.

In clinical trials, various medical/clinical information and biological samples are collected. In general, such 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 is conducted. In particular, in Italy, in 2008, the Italian Data Protection Authority issued the "Guidelines for the processing of personal data in the context of clinical trials of medicinal products" (Deliberation No. 52 of July 24, 2008); regulations to which the Company adheres in the management, storage and archiving of data derived from its trial activities.

For the purpose of clinical trials, the Group signs specific agreements for the receipt, management and storage of anonymized data that are received from clinical centers at which the Group's proprietary drug trials are conducted.

17. Significant events after the end of the fiscal year

17.1 Update of the Organization, Management and Control Model under Legislative Decree 231/2001: "Whistleblowing"

In compliance with Legislative Decree 24/2023, on December 7, 2023, the Company activated a computerized "*Whistleblowing*" system for reporting violations provided for in the law, procedures or internal regulations, including the Code of Ethics and the Organization, Management and Control Model.

Concurrently with the *go-live of* the platform, the Company, with the support of the Supervisory Board, has: (i) adopted the "*Whistleblowing* Procedure," which governs how to submit a report and the steps that the Company must follow for its management; (ii) appointed Dr. Marco Tanini, as the Supervisory Board, as the contact person for the management of reports; and (iii) disseminated, both through the company intranet and the company website http://www.philogen.com/ in the *Governance/whistleblowing* section, the text of the Procedure and the link to the platform.

The changes described above made it necessary to revise and update Section 4.6 "*Whistleblowing*" of the general part of the Philogen Group's Organization Management and Control Model, which was revised by the Company with the assistance of the Supervisory Board.

The updated version of the Model was then submitted to the Board of Directors for approval at its meeting on January 22, 2024 and disseminated via the company intranet and the company website http://www.philogen.com/ under *Governance/code-ethics-and-model-231* .

17.2 Cyber - attack

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

The Company in this activity was supported by its partner in cyber security who assisted it in the process of identifying ways to access IT systems and concurrently contributed to the mapping of affected data and services.

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

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

Notably, the attack was circumscribed and isolated and did not cause any loss of data and/or operations.

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

Finally, following an overall analysis of the event, it can be noted that: (i) the percentage of data and/or information involved was minimal but more importantly (ii) there was no exfiltration of sensitive data such as to generate harm to the Company and/or third parties.

The findings of the event are detailed in a technical report ("*Incident Response Report*") containing specific *remediation* actions that the Company is' implementing in order to further strengthen the area of *cyber security.*

18. Foreseeable development of management

During the year ended December 31, 2023, the speed of patient enrollment increased. This increase is related, in addition to the general variable trend of patient enrollment speed from year to year to the opening of new clinical centers. In order to further accelerate recruitment, the Group is opening new centers in several European and non-European countries for the various ongoing studies conducted with proprietary drugs.

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

Following the achievement of the primary objective of the Phase III study in locally advanced melanoma, the Company is working on the finalization of the *Marketing Authorization Application* documentation, which is expected to be submitted to the European *Medicines Agency* (EMA) by the first half of 2024.

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

Two Phase II studies are ongoing in "*High-Risk Locally Advanced*" Basal Cell Carcinoma (BCC) and other non-melanoma skin cancers. The Group accelerated activities in BCC based on the high rate of durable complete remissions (clinical and/or pathological CR) observed in patients treated with Nidlegy™. As of the date of this Report, 67 patients have been enrolled in the ongoing Duncan study in Switzerland, Poland, and Germany. Discussions are ongoing with regulatory authorities to finalize an industrial development plan to bring the drug to registration. The two clinical trials also allow Nidlegy™ to be investigated in other non-melanoma skin cancers (e.g., squamous cell carcinoma, *Merkel Cell Carcinoma.*

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

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

In the European Phase III study in the first-line STS in combination with doxorubicin, 99 patients of the 118 enrolled in the protocol. The study is continuing in Germany, Italy, Spain, Poland and France. Patients are randomized 1:1. Fifty percent of patients are treated with doxorubicin (control arm) and the other 50 percent of patients are treated with doxorubcine in combination with Fibromun (experimental arm). The study, whose primary endpoint is *Progression Free Survival* (PFS), *was* designed to observe at least 80% improvement in the experimental arm versus the control arm. Based on historical data, the *median* PFS of doxorubicin alone is expected to be around 4.6 months. An *Independent Data and Safety Monitoring Board* meeting on Feb. 19, 2024 recommended the continuation of the study as per the protocol, based on the evaluation of interim efficacy and safety data.

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

The randomized phase of the European Phase II trial in the third-line STS in combination with dacarbazine continues. The *trial* has enrolled 59 patients of the 92 planned by protocol. Additional centers are being activated.

Regarding the Phase I/II Study in second-line Glioblastoma in combination with lomustine, Phase I is completed with 15 patients divided into 3 cohorts and Phase II is ongoing. As of the date of this Report, 53 of the 158 patients scheduled for Phase II of the study have been enrolled. The study is currently ongoing in Switzerland, Italy and Germany. Philogen is working with the aim of opening additional centers in major European countries.

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

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

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

The *company-sponsored* clinical study of the 177Lu-OncoFAP-23 derivative (radio-therapeutic derivative) is scheduled to begin in 2024.

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

- Products in *partnerships*

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

- New GMP Plant Rosia (Siena)

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

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

Specifically, the Rosia production site currently has the following approvals from AIFA following the above inspections:

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

  1. Production Authorization for Commercial Products (Filling in asepsis);
  2. Production Authorization for Clinical Products (Filling in asepsis)
  3. Recognition and appointment of the relevant "Qualified Person" (*QP*) of site.

- API GMP Authorization 05.01.2024 N°API- 10/2024)

  1. Authorization for the Production of Active Substances for Commercial Use;
  2. Recognition and appointment of the relevant "Qualified Person" (QP) of site.

- Montarioso production site

  1. Renewal of Authorization for the Production of Active Substances for Experimental Use (GMP API 28.08.2023 N°aAPI- 100/2023);
  2. Recognition and appointment of the relevant "Qualified Person" (QP) of site.

Proposed allocation of operating income as of December 31, 2023

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 2023 of 6. 161,004.57. It is proposed to cover this result in full by using the "Share Premium Reserve" for the same amount.

Philogen
innovating targeting

Consolidated financial statements

Consolidated statement of income

Figures in thousands of Euros		Year ended December 31			
	Notes	**2023**	*Of which with related parties*	**2022**	*Of which with related parties*
Revenues from contracts with customers	5	23.130	*4*	23.713	
Other income	5	1.991		3.582	
Total revenue and income		**25.121**	***4***	**27.295**	**-**
Purchases of raw materials and consumables	6	(3.472)		(2.853)	
Costs for services	6	(13.990)	*(1.269)*	(10.334)	*(1.265)*
Costs for the use of third party assets	6	(253)		(186)	
Personnel costs	6	(12.176)	*(660)*	(10.464)	*(660)*
Depreciation	6	(3.641)	*(809)*	(2.782)	*(798)*
Other operating costs	6	(430)		(437)	
Total operating costs		**(33.961)**	***(2.738)***	**(27.056)**	***(2.723)***
Operating income		**(8.840)**	***(2.734)***	**240**	***(2.723)***
Financial income	7	5.141		1.548	
Financial charges	7	(2.482)	*(353)*	(6.147)	*(344)*
Total financial income and expenses		**2.659**	***(353)***	**(4.599)**	***(344)***
Earnings before taxes		**(6.181)**	***(3.087)***	**(4.359)**	***(3.067)***
Taxes	8	20		(1.017)	
Profit (Loss) for the period		**(6.161)**	***(3.087)***	**(5.376)**	***(3.067)***
Profit (Loss) for the period attributable to shareholders of the parent company		(6.161)		(5.376)	
Earnings (Loss) per share (in Euros)	9	(0,15)		(0,13)	
Diluted earnings (loss) per share (in Euros)	9	(0,15)		(0,13)	

Consolidated statement of comprehensive income

Figures in thousands of **Euros**	Notes	Year ended December 31 2023	2022
Profit (Loss) for the period (A)		**(6.161)**	**(5.376)**
Other gains (losses) that will be subsequently reclassified to net income (loss) for the period			
Translation differences of foreign financial statements	20	402	212
Profit (loss) from *cash flow hedge*	20	458	(251)
Fiscal effect	20	(128)	70
Total other gains (losses) to be later reclassified to profit (loss) for the period (B)		**732**	**31**
Other gains (losses) that will not be subsequently reclassified to net income (loss) for the period			
Profit (loss) from valuation of financial assets measured at *fair value*	20	112	(114)
Actuarial valuation gain (loss) on employee benefits	20	(4)	118
Fiscal effect	20	(26)	(6)
Total other gains (losses) that will not be subsequently reclassified to net income (loss) for the period (C)		**82**	**(2)**
Total other components of comprehensive income (B+C)		**814**	**29**
Comprehensive income (loss) after tax (A+B+C)		**(5.347)**	**(5.347)**
Comprehensive income (loss) attributable to shareholders of the parent company		(5.347)	(5.347)

Consolidated statement of financial position

Figures in thousands of Euros	Notes	December 31, 2023	*Of which with related parties*	December 31, 2022	*Of which with related parties*
ACTIVITIES.					
Property, plant and equipment	10	15.912		12.699	
Intangible assets	11	1.245		1.218	
Activities by right of use	12	9.964	*9.857*	9.862	*9.670*
Other non-current assets	16	2.790		2.987	
Deferred tax assets	8	123		98	
Non-current assets		**30.034**	***9.857***	**26.864**	***9.670***
Inventories	13	2.248		1.922	
Activities arising from contract	14	1.350		2.300	
Trade receivables	15	1.281	*4*	885	*642*
Tax credits	16	8.176		6.796	
Other current financial assets	17	59.709		61.764	
Other current assets	18	837		860	
Cash and cash equivalents	19	15.635		24.436	
Current Assets		**89.236**	***4***	**98.963**	***642***
Total assets		**119.270**	***9.861***	**125.827**	***10.312***
EQUITY					
Capital		5.731		5.731	
Share premium reserve		99.756		106.097	
Other reserves		(8.737)		(8.531)	
Profit (loss) for the period		(6.161)		(5.376)	
Equity attributable to shareholders of the parent company	**20**	**90.589**	**-**	**97.921**	**-**
Total equity	**20**	**90.589**	**-**	**97.921**	**-**
PASSIVITY.					
Employee benefits	21	1.202	*70*	960	*26*
Non-current lease liabilities	12	11.100	*10.946*	11.020	*10.829*
Non-current financial liabilities	22	1.926		2.987	
Other non-current liabilities	24	1.507		1.962	
Deferred tax liabilities	8	236		191	
Non-current liabilities		**15.971**	***11.016***	**17.120**	***10.855***
Current financial liabilities	22	889		884	
Current lease liabilities	12	1.000	*860*	871	*771*
Trade payables	23	7.799	*76*	6.351	*75*
Liabilities arising from contract	14	466		-	
Tax debts	16	239		669	
Other current liabilities	24	2.317	*226*	2.010	*166*
Current liabilities		**12.710**	***1.161***	**10.785**	***1.012***
Total liabilities		**28.681**	***12.177***	**27.906**	***11.867***
Total equity and liabilities		**119.270**	***12.177***	**125.827**	***11.867***

Statement of changes in consolidated shareholders' equity

Data in thousands of Euros	Capital	Share premium reserve	Other reserves: Earnings reserves restricted capital increase to service the 2024-2026 Stock Grant Plan	Other reserves: Negative reserve own shares	Other reserves: Legal reserve	Other reserves: FTA Reserve	Other reserves: Merger surplus reserve	Other reserves: IAS 19 reserve	Other reserves: Reserve from valuation of financial assets measured at *fair* value	Other reserves: Share-based payment reserve	Other reserves: Reserve from translation differences	Other reserves: Cash flow hedge reserve	Other reserves: Retained earnings (losses)	Other reserves: Total other reserves	Profit (loss) for the year	Total consolidated shareholders' equity
Opening balances as of January 1, 2022	**5.731**	**119.749**	**(124)**	**(537)**	**892**	**(1.265)**	**449**	**(99)**	**-**	**21**	**1.049**	**(5)**	**(5.048)**	**(4.668)**	**(15.725)**	**105.087**
Allocation of previous year's result		(13.652)											(2.073)	**(2.073)**	15.725	-
Purchase of own shares				(1.924)										**(1.924)**		(1.924)
Stock Grant Plan										104				**104**		104
Result for the year														**-**	(5.376)	(5.376)
Other comprehensive income (loss) after tax effect								85	(87)		212	(181)		**29**		29
Ending balances as of December 31, 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**
Opening balances as of January 1, 2023	**5.731**	**106.097**	**(124)**	**(2.461)**	**892**	**(1.265)**	**449**	**(14)**	**(87)**	**125**	**1.261**	**(186)**	**(7.121)**	**(8.531)**	**(5.376)**	**97.921**
Allocation of previous year's result		(6.341)											965	**965**	5.376	-
Purchase of own shares				(2.379)										**(2.379)**		(2.379)
Stock Grant Plan										394				**394**		394
Result for the year														**-**	(6.161)	(6.161)
Other comprehensive income (loss) after tax effect								(3)	85		402	330		**814**		814
Ending balances as of December 31, 2023	**5.731**	**99.756**	**(124)**	**(4.840)**	**892**	**(1.265)**	**449**	**(17)**	**(2)**	**519**	**1.663**	**145**	**(6.156)**	**(8.737)**	**(6.161)**	**90.589**

Consolidated Statement of Cash Flows

Figures in thousands of Euros		Year ended December 31			
	Notes	2023	*Of which with related parties*	2022	*Of which with related parties*
Cash flow from operating activities					
Result for the period		(6.161)	(3.087)	(5.376)	(3.067)
Adjustments for:					
Depreciation of tangible and intangible assets	6	3.641	(809)	2.782	(798)
Net financial income/(expense)	7	(2.659)	(353)	4.599	(344)
Provisions for funds and employee benefits	21	223		198	
Provisions for group incentive plans.	20	394		104	
Income taxes	7	(20)		1.017	
Other non-cash adjustments		(109)		(1.093)	
Variations of:					
Inventories	13	(318)		(621)	
Activities arising from contract	14	950		(2.212)	
Trade receivables	15	(318)	638	368	(642)
Liabilities arising from contract	14	466		(2.233)	
Trade payables	23	1.393	1	486	(3)
Other assets and liabilities(*)	16, 18, 24	(1.754)	60	(1.900)	123
Use of funds and employee benefits	21	(39)		(172)	
Interest paid	7	(513)		(886)	
Income taxes paid	8	-		-	
Cash flow generated/(absorbed) from operations (A)		**(4.824)**	**(3.550)**	**(4.939)**	**(4.730)**
Cash flow from investing activities					
Interest collected	7	1.571		209	
Proceeds from the sale of financial assets	17	17.710		54.431	
Purchase of property, plant and equipment	10	(5.545)		(3.853)	
Purchase of intangible assets	11	(319)		(358)	
Purchase of other financial assets	17	(13.258)		(26.232)	
Cash flow generated/absorbed by investing activities (B)		**159**	**-**	**24.197**	**-**
Cash flows from financing activities					
Proceeds from the issuance of shares	20	-		-	
Receipts from the assumption of financial liabilities	22	-		-	
Repayment of financial liabilities	22	(818)		(1.050)	
Payment of lease liabilities	12	(976)	(850)	(808)	*(808)*
Purchase of own shares	20	(2.379)		(1.924)	
Cash flow generated/absorbed by financing activities (C)		**(4.173)**	**(850)**	**(3.782)**	***(808)***
Total cash flow (A + B + C + D)		**(8.838)**	**(4.400)**	**15.476**	***(5.538)***
Opening cash and cash equivalents	**19**	**24.436**		**8.880**	
Change in cash and cash equivalents for the period		(8.838)		15.476	
Translation effect on cash and cash equivalents		37		80	
Closing cash and cash equivalents	**19**	**15.635**		**24.436**	

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

Notes to the consolidated financial statements

Preparation criteria

1. Foreword

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

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

2. Entity that prepares consolidated financial statements

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

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

3. Drafting criteria

These 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 (IFRSs) subject to interpretation and interpretations by the *International Financial Reporting Interpretation Committee* (IFRIC) and the former *Standing Interpretations Committee* (SIC).

These consolidated financial statements were approved and authorized for publication by the Board of Directors of the Company on March 27, 2024.

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

Functional and presentation coin

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

Use of estimates and evaluations

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

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

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

i) *Assessments*

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

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

(ii) *Assumptions of uncertainties in estimates*

For the year ended December 31, 2023, information on assumptions and uncertainties in estimates having a significant risk of causing material changes to the carrying value of assets and liabilities in the financial statements of the next period is provided in the following notes:

- Notes No. 5 and 32 - revenue accounting: assumptions in determining the total cost of *performance obbligation* in relation to customer contracts accounted for over time;
- Note No. 32 - valuation of financial instruments: main assumptions underlying the calculation of *fair value*;
- Note No. 32 - definition of the discount rate: main assumptions on the calculation of the Incremental Borrowing Rate (IBR), where the implicit interest rate is not present.
- Notes No. 8 and 32 - recognition of deferred tax assets: availability of future taxable profits against which deductible temporary differences and tax loss carryforwards can be used.

4. Industry disclosure

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

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

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

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

Profit and loss account

5. Revenues and income

Figures in thousands of Euros	Year ended December 31	
	2023	2022
Revenues from contracts with customers	23.130	23.713
Other income	1.991	3.582
Total revenue and income	**25.121**	**27.295**

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 December 31, 2023, revenues from contracts with customers amounted to 23,130 thousand euros showing a slight negative change of approximately 2% compared to the previous year.

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

Detail by type of consideration

Figures in thousands of Euros	Year ended December 31	
	2023	2022
Revenues from *up-front,* from *milestones*	20.511	18.872
Revenues from research and development services	2.620	4.841
Total revenue from contracts with customers	**23.130**	**23.713**

Detail by mode of recognition

Figures in thousands of Euros	Year ended December 31	
	2023	2022
Revenue recognized *at a point in time*	20.576	16.802
Revenues recognized *over time*	2.554	6.911
Total revenue from contracts with customers	**23.130**	**23.713**

Detail by geographic area

Figures in thousands of Euros	Year ended December 31	
	2023	2022
USA	511	3.112
European Union	20.304	18.815
Extra EU (Switzerland)	2.315	1.786
Total revenue from contracts with customers	**23.130**	**23.713**

Detail by product or service type

Figures in thousands of Euros	Year ended December 31	
	2023	2022
Product Development 1	511	2.233
Encoded Self-Assembling Chemical (ESAC) Services.	-	1.263
Good Manufacturing Practices (GMP) Services.	2.620	4.457
Services related to activities on small organic molecules	-	15.760
Product Development 2	20.000	-
Total revenue from contracts with customers	**23.130**	**23.713**

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

Figures in thousands of Euros	Year ended December 31			
	2023	***Inc.***	**2022**	***Inc.***
Customer 1	20.000	*86%*	-	-
Customer 2	-	-	15.760	*66%*
Client 3	-	-	2.033	*9%*
Customer 4	-	-	2.281	*10%*
Other customers < 10%.	3.130	*14%*	3.439	*15%*
Total revenue from contracts with customers	**23.130**	***100%***	**23.713**	***100%***

Other income

Figures in thousands of Euros	Year ended December 31	
	2023	**2022**
Operating grants	1.536	3.023
Equipment grants	390	355
Miscellaneous income	65	204
Total other income	**1.991**	**3.582**

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

(i) research and development tax credit amounting to 1,161 thousand euros as of December 31, 2023;
(ii) technology innovation tax credit amounting to 350 thousand euros as of December 31, 2023, related to the implementation of the new GMP production process.

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

Compared with the year ended December 31, 2022, other income showed a decrease of approximately 44% as of December 31, 2023, mainly due to two factors: (i) credits related to extraordinary activities carried out during 2021 and 2022 for which the Company benefited in the previous period from two facilitations (SME tax credit amounting to €500 thousand for consulting costs incurred for admission to listing in a regulated market and ACE tax credit amounting to €180 thousand related to the capital increase raised during the listing phase, provided for by Art. 19 of Decree-Law 73/2021); (ii) for the abatement of the concessional rates of the research and development credit, from 20 to 10 percent of eligible costs, as provided by Law 234/2021 (so-called Budget Law 2022).

For more details on the receivables available to the Company, see Note No. 16 and Note No. 26 to the consolidated financial statements.

6. Operating costs

Details of operating costs as of December 31, 2023 and December 31, 2022 are shown below:

Figures in thousands of Euros	Year ended December 31	
	2023	**2022**
Purchases of raw materials and consumables	3.472	2.853
Costs for services	13.990	10.334
Lease and rental costs	253	186
Personnel costs	12.176	10.464
Depreciation	3.641	2.782
Other operating costs	430	437
Total operating costs	**33.961**	**27.056**

Cost of purchasing raw materials and consumables

Costs for the purchase of raw materials and consumables, amounting to 3,472 thousand euros in the year ended December 31, 2023 (2,853 thousand euros in the previous year), are mainly attributable to the cost of materials used in operations, the change in which is related to drug production activities for clinical trials, GMP productions of antibodies on third-party orders, and "pilot" productions in accordance with GMP standards at the new site in Rosia (Siena).

Costs for services

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

Figures in thousands of euros	Year ended December 31	
	2023	2022
Costs related to Clinical Centers and CROs	5.210	3.545
Outsourcing services for research and development activities	3.497	1.941
Compensation of corporate bodies (net of contributions)	1.089	1.048
Social contributions on corporate body compensation	92	92
Management by objectives (MBO)	153	153
TFM administrators	42	149
Corporate and consulting expenses	860	829
Utilities and overhead	1.645	1.604
Other costs for services	1.401	973
Total costs for services	**13.990**	**10.334**

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

(i) The increase of Euro 1,665 thousand in costs related to clinical centers is attributable to higher costs incurred in the year ended December 31, 2023 compared to the previous period for the advancement of ongoing *trials*;
(ii) The increase of 1,556 thousand euros in costs related to services for research and development activities is attributable to ongoing activities for GMP contracts for third-party production signed during 2021 and 2022 and for GMP production of small organic molecules produced by the Subsidiary;
(iii) The increase in utilities, overhead and other costs for services and other costs for services amounting to 41 thousand Euro is related to the increase in company size, the commissioning of the new GMP facility, and the increase in activities and personnel;
(iv) The increase of 41 thousand euros related to directors' compensation mainly related to the new board members of the subsidiary company appointed by the shareholders' meeting in June 2023;
(v) The decrease from the year ended December 31, 2022 of 107 thousand euros related to the TFM paid in 2022 for the outgoing executive directors with the approval of the financial statements as of December 31, 2021;
(vi) The increase of Euro 428 thousand in other costs for services and corporate and consulting expenses is mainly related to an increase in employee travel expenses due to an increase in both employees themselves and travel related to an acceleration of clinical trials.

Lease and rental costs

Lease and rental costs amounted to 253 thousand euros in the year ended December 31, 2023. This item includes rental costs, exclusively with reference to leases of less than twelve months' duration and those of small amounts (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 related right of use under IFRS 16. Specifically, in view of the increase in the number of staff in the reporting year, there was an increase in lease and rental costs attributable to higher costs incurred for new business license/software contracts with a duration of less than one year.

Personnel costs

The following is a breakdown of the composition of personnel costs in the years ended December 31, 2023 and December 31, 2022 of the Group:

Figures in thousands of Euros	Year ended December 31	
	2023	2022
Wages and Salaries	9.352	8.263
Personnel cost for group incentive plans	385	102
Social charges	1.963	1.668
Provision for severance pay	476	431
Total personnel costs	**12.176**	**10.464**

The increase in personnel cost of 1,711 thousand euros is mainly attributable to the increase in the average number of employees, as shown in the table below in addition to the higher cost associated with the group incentive plans for the provision as of December 31, 2023, of the cost associated not only with the first allocation cycle 2021-2024, but also with the second allocation cycle 2022-2025 and the third allocation cycle 2023-2026.

	December 31, 2023	December 31, 2022	Change
Average number of employees	160	141	19

For the exact number of employees as of December 31, 2023 and December 31, 2022, please refer to paragraph 15 of the management report.

More details about the incentive plan can be found in Section 4.2 of the management report and Note 27 to the consolidated financial statements.

Depreciation

The breakdown of "Depreciation and amortization" for the years ended December 31, 2023 and December 31, 2022 is shown below:

Figures in thousands of Euros	Year ended December 31	
	2023	2022
Amortization of intangible assets	305	203
Depreciation Property, plant and equipment	2.372	1.663
Depreciation of assets by right of use	964	915
Total depreciation	**3.641**	**2.781**

The increase in depreciation and specifically in the item "Depreciation of property, plant and equipment" amounting to 2,372 thousand euros in the year ended December 31, 2023, reflects the completion and commissioning of the new *facility* in Rosia (Siena), in line with corporate strategy.

Other operating costs

The breakdown of "Other operating expenses" for the years ended December 31, 2023 and December 31, 2022 is shown below:

Figures in thousands of Euros	Year ended December 31	
	2023	2022
Membership contributions	32	38
Company vehicle costs	20	14
Taxes and fees	106	198
Entertainment expenses	40	58
Miscellaneous operating costs	232	129
Total other operating costs	**430**	**437**

Other operating expenses are mainly attributable to contingent liabilities and miscellaneous operating expenses and are essentially unchanged from the previous year.

7. Financial income and expenses

Financial income and expenses are composed as follows:

Figures in thousands of Euros	Year ended December 31	
	2023	2022
Financial income		
Capital gains from realization of financial assets(*)	1.179	209
Capital gains from the valuation of financial assets at *fair value*	2.231	602
Interest income	392	-
Gains on foreign exchange	1.339	737
Financial income	**5.141**	**1.548**
Financial charges		
Losses on valuation of financial assets at *fair value*	(47)	(3.481)
Capital losses on realization of financial assets	(21)	(499)
Interest expense on leasing	(354)	(347)
Interest expense on bank loans	(139)	(41)
Interest cost for employee benefits	(54)	(18)
Losses on foreign exchange	(1.867)	(1.761)
Financial charges	**(2.482)**	**(6.147)**
Total financial income (expense)	**2.659**	**(4.599)**

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

Net financial management for the year ending December 31, 2023 shows a net positive result of 2,659 thousand euros (negative 4,599 thousand euros for the year ending December 31, 2022).

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

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

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

8. Taxes

The Group has made provision for taxes based on the application of current tax regulations. Taxes and taxes 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 2024 when preparing the tax return, resulting in possible updates to the calculation.

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

Below is a table detailing the income taxes recorded in the year ended December 31, 2023 and December 31, 2022:

Figures in thousands of Euros	Year ended December 31	
	2023	2022
Current taxes	(6)	(384)
Deferred taxes	26	(633)
Total taxes	**20**	**(1.017)**

Reconciliation of effective tax rate

The reconciliation between the tax burden from the consolidated financial statements and the theoretical tax burden determined based on the IRES rate applicable to the Group for the years ended December 31, 2023 and 2022, respectively, is presented below:

Figures in thousands of Euros	Year ended December 31	
	2023	2022
Earnings before taxes	(6.181)	(4.359)
Theoretical tax rate	-24,0%	-24,0%
Theoretical IRES tax burden/benefit (A)	**1.483**	**1.046**
Adjustments for:		
Effect		
Fiscal effect on R&D credit facility	274	442
Fiscal effect on facilitation for Technological Innovation Credit.	84	60
Tax effect on Industry 4.0 credit facility	90	79
Tax effect on credit facility for SME listing	-	120
Tax effect on relief for ACE credit	-	43
Tax effect on Energy Credit facility	-	16
Tax effect on patent box relief	-	319
Tax effect on used and previously unrecognized tax losses	(1.259)	(3.698)
Tax effect on other changes in increase (decrease)	(250)	(224)
Tax effect on different group rates	(398)	867
Reversal of temporary differences for IRAP purposes.	(4)	(87)
Total adjustments (B)	**(1.463)**	**(2.063)**
Total actual income taxes (A+B)	**20**	**(1.017)**
Effective tax rate	***(0,3)%***	***23,3%***

The tax position of the Parent Company evidences accumulated tax losses from 2017 to date of more than 60,546 thousand euros that could lead to a future tax benefit of approximately 14,531 thousand euros. These losses were generated mainly from prior year losses and tax benefits, from which the Group benefits permanently by virtue of its research activities which do not contribute to the tax base. Among the main tax benefits we can mention the Research and Development Credit, Technology Innovation Credit, and Industry 4.0 Credit.

As of December 31, 2023, however, consistent with what has been done in the past, it was decided not to recognize deferred tax assets on tax losses in view of the uncertainties that characterize research and development activities and consequently the possibility of having convincing evidence about the ability to achieve future taxable income.

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

Changes in deferred taxes during the period

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

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

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

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

Uncertainties regarding the accounting treatment to be applied to taxes

It should be noted that as of December 31, 2023, there are no outstanding disputes with tax authorities that could generate uncertainties regarding the treatment of income taxes.

9. Earnings/(loss) per share

Basic loss per share was calculated by considering the loss attributable to holders of ordinary shares and the weighted average number of ordinary shares outstanding during the fiscal year ending December 31, 2023 and December 31, 2022.

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

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

Figures in thousands of Euros **Basic and diluted earnings (loss) per share**	Year ended December 31 2023	 2022
Profit (Loss) for the year - in Euro thousands (A)	(6.161)	(5.376)
Weighted average number of ordinary shares outstanding (B)	40.247.541	40.611.111
Weighted average number of potential dilutive common shares outstanding (C)	-	-
Weighted average number of outstanding share options granted (D)	-	-
Weighted average shares outstanding adjusted for dilution effects (E=B+C+D)	40.247.541	40.611.111
Basic earnings (loss) per share - in Euros (A/B*1000)	(0,15)	(0,13)
Diluted earnings (loss) per share - in Euros (A/C*100)	(0,15)	(0,13)

(A) Profit (Loss) for the year.

(B) Weighted average number of ordinary shares outstanding.

(D) The weighted average number of outstanding weighted average number of granted share options potentially amounting to 903,000 *Units* as of December 31, 2023 and 284,000 *Units* as of December 31, 2022 was considered to be 0 for the purpose of the calculation because, in accordance with IAS 33, as of the end of the period these instruments did not have the necessary characteristics to be issued. For further information, see Note 27 to the consolidated financial statements.

Activities

10. Property, plant and equipment

Changes in property, plant and equipment from January 1 to December 31, 2022 and from January 1 to December 31, 2023 are shown below:

Figures in thousands of Euros	Plant and machinery	Industrial and commercial equipment	Leasehold improvements	Other tangible imm.ni	Imm.ni in progress and advances	Buildings and land	Total
Historical cost	3.040	9.038	181	952	5.464	-	18.675
Sinking Fund	(1.604)	(5.390)	(27)	(670)	-	-	(7.691)
Net book value as of January 01, 2022	**1.437**	**3.647**	**154**	**282**	**5.464**	**-**	**10.984**
Increases	1.104	1.871	-	247	631	-	3.853
(Decreases)	-	-	-	-	(526)	-	(526)
Reclassifications	4.456	1.088	-	-	(5.543)	-	-
Depreciation	(637)	(910)	(15)	(101)	-	-	(1.663)
Exchange rate effects (historical cost)	(31)	80	-	(108)	-	-	(59)
Exchange rate effect (depreciation fund)	72	(68)	-	107	-	-	111
Historical cost	8.654	12.076	181	1.192	25	-	21.943
Sinking Fund	(2.253)	(6.369)	(42)	(665)	-	-	(9.243)
Net book value as of December 31, 2022	**6.401**	**5.707**	**139**	**427**	**25**	**-**	**12.699**
Increases	344	935	95	18	1.639	2.514	5.545
(Decreases)	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-
Amortization	(1.077)	(1.155)	(23)	(117)	-	-	(2.372)
Exchange rate effects (historical cost)	48	152	-	(163)	-	-	37
Exchange rate effect (depreciation fund)	2	(137)	-	37	-	-	(98)
Historical cost	9.046	13.165	275	1.047	1.664	2.514	27.711
Sinking Fund	(3.328)	(7.660)	(65)	(745)	-	-	(11.798)
Net book value as of December 31, 2023	**5.718**	**5.504**	**211**	**302**	**1.664**	**2.514**	**15.912**

Plant and machinery shows an increase of 344 thousand euros and refers mainly to the equipping of laboratories and production sites instrumental to operations.

Industrial and commercial equipment shows an increase of 935 thousand euros and mainly includes the purchase cost incurred to equip the production unit in Rosia (Siena).

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

Leasehold improvements show an increase of 95 thousand euros and refer to improvements made during the year on the Group's leased properties.

Fixed assets in progress refer to advances paid for the construction of the new office building at the Rosia (Siena) site within the area currently leased by Rendo S.r.l. to Philogen S.p.A. under the lease agreement signed in May 2019. In this regard, the necessary permits for the construction of the building were obtained in February 2023 from the Municipality of Sovicille, and construction work on the new building was started. For more details, please refer to Note No. 30 on related party transactions.

Buildings and land, on the other hand, refer to the new building adjacent to its Philogen plant located in Montarioso (Siena) purchased in August 2023 and intended for future expansion of the Company. The fixed asset, in line with IAS 16, has not been depreciated because it is not in the condition necessary for it to be able to function in the manner intended by management.

11. Intangible assets

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

Figures in thousands of Euros	Patent rights and rights of use of intellectual works	Concessions, licenses, trademarks and similar rights	Imm.ni in progress and advances	Other intangible assets	Total
Historical cost	2.451	218	-	-	2.893
Sinking Fund	(1.580)	(139)	-	-	(1.943)
Book value as of January 01, 2022	**871**	**79**	**-**	**-**	**950**
Increases	217	155	91	-	463
(Decreases)	-	-	-	-	-
Reclassifications	-	83	(83)	-	-
Amortization	(127)	(76)	-	-	(203)
Foreign exchange effect	13	83	-	-	92
Historical cost	2.639	456	8	-	3.103
Sinking Fund	(1.670)	(215)	-	-	(1.885)
Book value as of December 31, 2022	**970**	**241**	**8**	**-**	**1.218**
Increases	239	74	-	6	319
(Decreases)	-	-	-	-	-
Reclassifications	-	8	(8)	-	-
Depreciation	(210)	(94)	-	-	(305)
Foreign exchange effect	14	-	-	(1)	13
Historical cost	2.870	538	-	5	3.413
Depreciation fund	(1.858)	(309)	-	-	(2.167)
Net book value as of December 31, 2023	**1.011**	**229**	**-**	**5**	**1.245**

As of December 31, 2023, the Group held more than 40 international patent families and more than 100 valid national patents. The increases recognized in the year ended December 31, 2023, amounting to 239 thousand euros, relate to expenses incurred by the Group for filing new patent applications, their nationalizations, and patent grants in specific countries of the World.

Concessions, licenses and trademarks mainly include the cost of corporate software licenses. The increases recognized in the year ended December 31, 2023, amounting to 74 thousand euros, together with reclassifications from fixed assets in progress amounting to 8 thousand euros, relate to the purchase and commissioning of a new warehouse software that enables the traceability of all materials entering the warehouse, traceability of all materials/quantities used during GMP productions, traceability of all production flows of the different processing stages, and elimination of 70% of paper documents used previously to the implementation of the ERP system and a new personnel management software that allows a better interface with the employee.

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

12. Right-of-use assets and lease liabilities

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

Figures in thousands of Euros	Real Estate	Cars	IT Services	Total
Historical cost	11.770	100	68	11.939
Sinking Fund	(1.801)	(93)	(39)	(1.933)
Book value as of January 01, 2022	**9.969**	**7**	**29**	**10.005**
Increases	347	84	212	643
(Decreases)	-	(22)	-	(22)
Depreciation	(798)	(22)	(95)	(915)
Change effect	151	-	-	151
Historical cost	12.337	161	281	12.779
Sinking Fund	(2.625)	(115)	(177)	(2.917)
Book value as of December 31, 2022	**9.713**	**46**	**103**	**9.862**

Increases	746	85	48	879
(Decreases)	-	-	-	-
Amortization	(841)	(24)	(93)	(957)
Change effect	180	-	-	180
Historical cost	13.322	246	329	13.897
Sinking Fund	(3.525)	(139)	(270)	(3.933)
Book value as of December 31, 2023	**9.798**	**107**	**59**	**9.964**

Assets for right of use for the year ended December 31, 2023 are mainly attributable to the lease of real estate used by the Group to manage its operations. The increases recognized in fiscal year 2023, amounting to 746 thousand euros, relate to Istat adjustments to the rent, contractually stipulated which were affected by the high inflation rate of the period. It is specified that these contracts were entered into in 2019 following the functional and structural reorganization of the Group through which the real estate branch was separated from the operating branch. These contracts run until the year 2034 and altogether generate an annual cash outflow for lease payments of approximately Euro 1,184 thousand, of which Euro 771 thousand for the Italian sites and Euro 413 thousand for the Swiss site.

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

Figures in thousands of Euros	
Lease liabilities as of January 01, 2022	**11.842**
Increases	643
Decreases	(22)
Capital repayments	(808)
Foreign exchange effect	236
Lease liabilities as of December 31, 2022	**11.891**
Increases	879
Decreases	-
Capital repayments	(976)
Foreign exchange effect	305
Lease liabilities as of December 31, 2023	**12.099**
Of which current	1.000
Of which non-current	11.100

The following table shows the reconciliation of cash outflows with respect to leases for the period ended December 31, 2023 and 2022:

Figures in thousands of Euros	Year ended December 31	
	2023	2022
Real estate capital share	850	757
Interest expense for leasing (real estate)	347	344
Automobile capital share	47	25
Interest expense for leasing (cars)	2	1
Capital share IT services	79	26
Interest expense for leasing (IT services)	5	1
Total cash outflows for *leasing*	**1.330**	**1.154**

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

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

As of December 31, 2023, the Group has not identified any indicators of impairment with respect to right-of-use assets.

Impairment test

We report that, as of December 31, 2023, there was no evidence that led the Directors to believe that the reasons that led to the recognition of the property, plant and equipment, intangible assets, and right-of-use assets had been disallowed; there were also no additional indicators of impairment that led the Directors to believe that there might be an impairment

of the property, plant and equipment, intangible assets, and right-of-use assets; consequently, it was not necessary to conduct impairment tests on the value recorded in the financial statements.

13. Inventories

Details of inventories are as follows:

Figures in thousands of Euros	December 31 2023	December 31 2022
Raw materials and consumables	2.248	1.922
Total inventories	**2.248**	**1.922**

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

As of December 31, 2023, inventories, amounting to 2,248 thousand euros, 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 valued on the basis of costs incurred (*cost-to-cost*) as they are the subject of contracts already finalized with the customer.

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

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

Contracts with positive net balance

Figures in thousands of Euros	December 31 2023	December 31 2022
Advances received from customers	(2.728)	(2.359)
Revenue recognized on advances received	4.078	4.659
Contract activities with clients	**1.350**	**2.300**

Contracts with negative net balance

Figures in thousands of Euros	December 31 2023	December 31 2022
Advances received from customers	2.271	2.233
Revenue recognized on advances received	(1.805)	(2.233)
Liabilities from contract with customers	**466**	**-**

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

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

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

15. Trade receivables

The item "Trade receivables" consists of the following:

Figures in thousands of Euros	December 31 2023	December 31 2022
Receivables from customers	1.281	885
Total trade receivables	**1.281**	**885**

As of December 31, 2023, trade receivables from customers amounted to 1,281 thousand euros, an increase over December 31, 2022 of approximately 45%. The change can be attributed to the invoicing of some of the activities completed in 2023 and stipulated in the GMP production contracts for third parties.

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

Breakdown of receivables recorded in current assets by geographic area

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

Figures in thousands of Euros	Geographical area	
	December 31 2023	December 31 2022
Italy	198	830
European Union	470	-
Extra European Union (USA)	552	-
Extra European Union (Other)	61	55
Total trade receivables	**1.281**	**885**

16. Tax receivables and payables

The item "Tax receivables" is composed as follows:

Figures in thousands of Euros	December 31 2023	December 31 2022
VAT Credits	3.087	2.729
Other tax receivables	96	26
Miscellaneous tax credits	4.994	4.041
Total tax credits	**8.176**	**6.796**

"VAT receivables" amounted to 3,087 Euros and showed an increase over the previous year in line with the higher costs incurred by the Group. It should be noted that the Company makes purchases mainly in Italy and sales mainly abroad, such that credit VAT cannot be offset against debit VAT.

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

"Miscellaneous tax credits," as of December 31, 2023 includes the portions of tax credits from which the Company benefits, which can be offset by the year 2024. The portion of these credits beyond the fiscal year is reclassified as non-current assets under "Other non-current assets."

Below is a breakdown of available credits as of December 31, 2023.

- research and development tax credit year 2023 in the amount of €1,161 thousand, the offsetting of which will be in three equal annual installments, in compliance with the relevant regulations (art.1 paragraph 200 Law 160 of December 27, 2019 and subsequently amended by art.1 paragraph 1064 Law 178 of December 30, 2020);
- research and development tax credit year 2022 in the amount of €1,812 thousand, the offsetting of which will be in three equal annual installments, in compliance with the relevant regulations (art.1 paragraph 200 Law 160 of December 27, 2019 and subsequently amended by art.1 paragraph 1064 Law 178 of December 30, 2020);
- research and development tax credit year 2021 for Euro 1,188 thousand (total research and development credit 2021 Euro 1,782 thousand) related to the remaining part to be offset in compliance with the reference legislation (art.1 paragraph 200 Law 160 of December 27, 2019 and subsequently amended by art.1 paragraph 1064 Law 178 of December 30, 2020);

- research and development tax credit year 2020 for Euro 298 thousand (total 2020 research and development tax credit, amounting to Euro 1,008 thousand) related to the remaining part to be offset in compliance with the reference legislation (art.1 paragraph 200 Law 160 of December 27, 2019);
- Technological innovation tax credit year 2023 in the amount of 350 thousand euros, the offsetting of which will be in three equal annual installments, in compliance with the relevant regulations (art.1 paragraph 200 Law 160 of December 27, 2019 and subsequently amended by art.1 paragraph 1064 Law 178 of December 30, 2020);
- Technological innovation tax credit year 2022 in the amount of 260 thousand euros, the offsetting of which will be in three equal annual installments, in compliance with the relevant regulations (Art.1 paragraph 200 Law 160 of December 27, 2019 and subsequently amended by Art.1 paragraph 1064 Law 178 of December 30, 2020);
- Technological innovation tax credit year 2021 for Euro 56 thousand (total technological innovation tax credit Euro 167 thousand) related to the remaining part to be offset in compliance with the reference legislation (art.1 paragraph 200 Law 160 of December 27, 2019 and subsequently amended by art.1 paragraph 1064 Law 178 of December 30, 2020);
- industry 4.0 credit, related to generic assets that came into operation in the fiscal year ending December 31, 2020 (Art.1 paragraphs 184 to 194 of Law 160/2019), in the amount of 18 thousand euros (compensation is made in five annual installments from fiscal year 2021);
- industry 4.0 credit, related to the interconnection of the new GMP production plant of the Rosia (Siena) site, for Euro 1,640 thousand (total credit Euro 2,586 thousand) for the remaining part to be offset in compliance with the reference regulations (Art.1 paragraphs 184 to 194 of Law 160/2019 and Art.1 paragraphs 1051 to 1063 of Law 178/2020);

As of December 31, 2023, the portion of the above tax credits that can be offset by December 31, 2024 is 4,994 thousand euros, while the non-current portion that can be offset starting from fiscal year 2025 is 1,790 thousand euros.

Figures in thousands of Euros	December 31 2023	December 31 2022
Tax receivables non-current portion	2.790	2.987
Other non-current assets	**2.790**	**2.987**

It should be noted that as of December 31, 2023, the item tax receivables non-current portion, includes not only the portions of the above-mentioned receivables whose offsetting is provided for by law in fiscal years after 2024, but also 1,000 thousand euros that refer to a foreign *withholding tax* incurred in 2023 for the sale of certain license rights.

"Tax liabilities" is composed as follows:

Figures in thousands of Euros	December 31 2023	December 31 2022
Current income tax liabilities	-	383
Amounts due to tax authorities for withholdings	239	229
Other tax liabilities	-	57
Total tax liabilities	**239**	**669**

The Group has quantified a tax burden for current taxes of zero for the year 2023 compared to the previous year where current taxes were estimated to be 383 thousand euros, net of past tax benefits and losses related to the subsidiary's operating result.

Amounts owed to the tax authorities for withholdings incurred are essentially unchanged from the previous year -

The decrease in the item other tax payables derives from the extinguishment of the debt that the Company had accrued to the tax authorities as a result of an assessment that ended with an adhesion in December 2019 and that the Company had decided to installment with quarterly payments, with the possibility of offsetting with other taxes (the debt was completely extinguished in September 2023).

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

17. Other current financial assets

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

Figures in thousands of Euros	Other current financial assets
Book value as of January 01, 2022	**92.797**
Increases	26.232
(Decreases)	(54.431)
Gains/losses from *fair value* adjustment	(2.955)
Accrued income on accruing coupons	121
Book value as of December 31, 2022	**61.764**
Increases	13.258
(Decreases)	(17.710)
Gains/losses from *fair value* adjustment	2.291
Accrued income on accruing coupons	105
Book value as of December 31, 2023	**59.709**

The Group invests cash in excess of ordinary requirements in financial instruments in accordance with the "Investment Management Policy" approved by the Board of Directors in May 2021 and amended in October 2022 to better respond to the new market environment.

The item "Other current financial assets" includes:

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

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

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

Data in Euro thousands	December 31 2023	December 31, 2022
Other financial assets (FVTPL)		
Actions	-	10
ETF	2.721	3.399
Certificates	6.361	2.334
Funds	4.059	4.192
Insurance investment products	17.938	28.905
Total	**31.079**	**38.839**
Other financial assets (FVOCI)		
Bonds	28.611	22.925
Market to Market derived CAP	20	-
Total	**28.630**	**22.925**
Total other current financial assets	**59.709**	**61.764**

The table above shows the change in *asset allocation that* occurred in FY2023 as a result of the change in the "Investment Management Policy" approved by the Board of Directors in October 2022. This change became necessary due to the instability in the financial markets throughout FY2022.

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

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

18. Other current assets

"Other current assets" consists of the following:

Figures in thousands of Euros	December 31, 2023	December 31, 2022
Other current receivables	558	634
Other current assets	279	226
Other current assets	**837**	**860**

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

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

19. Cash and cash equivalents

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

Figures in thousands of Euros	December 31, 2023	December 31, 2022
Bank and postal deposits	15.633	24.443
Cash and valuables on hand	2	3
Cash and cash equivalents	**15.635**	**24.436**

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

It should be noted that as of December 31, 2023, the group held an escrow current account contract totaling 5,000 thousand euros at a rate of 2.6% maturing in May 2024 (16,000 thousand euros as of December 31, 2022). It should be noted that the term current accounts held as of December 31, 2022 generated interest income cash flows of Euro 195 thousand.

Equity and liabilities

20. Net worth

The statement of changes in consolidated shareholders' equity as of December 31, 2023 is provided in the financial statements section.

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

A. Share capital and shares

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

Categories Actions	December 31, 2023
Ordinary shares (listed on the EXM market)	29.242.861
Special shares with multiple voting rights (Class B)	11.368.250
Total	**40.611.111**

The Parent Company has not issued any beneficial shares.

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

Ordinary shares

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

Multiple voting shares

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

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

B. Nature and purpose of reserves

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

Figures in thousands of Euros	Nature	Possible uses	December 31 2023	December 31, 2022
Capital			5.731	5.731
Negative reserve of own shares(*)			(4.840)	(2.461)
Share premium reserve	Capital	A, B, C	99.756	106.097
Legal reserve	Useful	A, B	892	892
FTA Reserve	Useful	A, B	(1.265)	(1.265)
Merger surplus reserve	Capital	A, B	449	449
Actuarial gain/loss reserve	Useful	A, B	(17)	(14)
Cash-flow hedge reserve	Useful	A, B	145	(186)
Financial instruments valuation reserve	Useful	A, B	(2)	(87)
Reserve from translation differences	Useful	A, B	1.663	1.261
Earnings reserve restricted capital increase to service the 2024-2026 *Stock Grant* Plan (**)	Useful	A	(124)	(124)
Share-based payment reserve(***)	Useful	A	519	125
Retained earnings (losses)	Useful	A, B, C	(6.156)	(7.121)
Profit (loss) for the year			(6.161)	(5.376)
Net worth			**90.589**	**97.921**

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

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

(***) The Share-based Payment Reserve includes the fair value of shares granted by the 2024-2026 *Stock Grant* Plan for the first, second and third cycles. More details on the *Stock Grant* Plan can be found in Note 27 to the consolidated financial statements.

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

C. Share-based payment incentive plan

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

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

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

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

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

The reserve as of December 31, 2023 represents the accrued cost to date of shares to be granted to beneficiaries related to the first, second, and third grant cycles.

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

D. Purchases of own shares

The Shareholders' Meeting, having revoked the authorization of the Shareholders' Meeting of November 24, 2021 for the unexecuted part, resolved on April 28, 2023 to authorize the purchase of treasury shares in order to (i) establish a securities warehouse, to dispose of treasury shares in the context of agreements with strategic *partners* and/or corporate/financial operations of an extraordinary nature; (ii) fulfill obligations arising from incentive plans, whether for consideration or free of charge, in favor of corporate officers, employees or collaborators of the Group. As of December 31, 2023, the Company held 321,515 ordinary shares (for more information on the share buyback program, please see Section 4.1 of the Management Report).

21. Employee benefits

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

Severance pay:

Liabilities for severance pay amounted to 1,132 thousand euros in the year ended December 31, 2023 (933 thousand euros as of December 31, 2022). Changes for the year ended December 31, 2023 and December 31, 2022 are shown below:

Figures in thousands of Euros	December 31, 2023	December 31, 2022
Balance at the beginning of the period	933	1.033
Uses	(39)	(172)
Provision for severance pay	182	171
Financial charges	53	18
Actuarial gains/(losses)	4	(117)
Total employee benefits	**1.132**	**933**

Employee-related provisions represent the estimated obligation, determined on the basis of actuarial techniques, related to the amount to be paid to employees upon termination of employment. As of December 31, 2023 and December 31, 2022, the provisions for employee benefits refer to the Employee Severance Indemnity Provision ("TFR") set aside and allocated to employees.

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

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

Economic recruitment	December 31, 2023	December 31, 2022
Annual rate of inflation	2,00%	2,30%
Annual discount rate	3,08%	3,63%
Annual rate of increase in severance pay	3,00%	3,23%

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

Demographic assumptions	December 31, 2023	December 31, 2022
Death	RG48 mortality tables published by the State General Accounting Office.	RG48 mortality tables published by the State General Accounting Office.
Inability	INPS tables separated by age and sex	INPS tables separated by age and sex
Retirement	100% upon achievement of AGO requirements adjusted to Legislative Decree No. 4/2019	100% upon achievement of AGO requirements adjusted to Legislative Decree No. 4/2019

Severance pay

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

Liabilities for severance pay amounted to 26 thousand euros in the year ended December 31, 2023. Changes for the year ended December 31, 2023 and December 31, 2022 are shown below:

Figures in thousands of Euros	December 31, 2023	December 31, 2022
Balance at the beginning of the period	26	-
Uses	-	-
Provision for severance pay	42	27
Financial charges	1	0
Actuarial gains/(losses)	0	(1)
Total employee benefits	**70**	**26**

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

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

Economic recruitment	December 31, 2023	December 31, 2022
Annual discount rate	3,15%	3,34%
Annual compensation revaluation rate	-	-

Demographic assumptions	December 31, 2023	December 31, 2022
Death	RG48 mortality tables published by the State General Accounting Office.	RG48 mortality tables published by the State General Accounting Office.
Inability	INPS tables separated by age and sex	INPS tables separated by age and sex
Retirement	100% upon achievement of AGO requirements	100% upon achievement of AGO requirements
Frequency of termination	0,00%	0,00%

22. Current and non-current financial liabilities

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

Figures in thousands of Euros	Amount

Financial liabilities as of January 01, 2022	**4.651**
Funding ignitions	-
Financial liability from hedging derivatives	239
Liabilities for interest on loans	11
Capital repayments	(1.030)
Foreign exchange effect	-
Financial liabilities as of December 31, 2022	**3.871**
Funding ignitions	-
Financial liability from hedging derivatives	(244)
Liabilities for interest on loans	15
Capital repayments	(827)
Foreign exchange effect	-
Financial liabilities as of December 31, 2023	**2.815**
Of which current	889
Of which non-current	1.926

Figures in thousands of Euros	December 31 2023	December 31 2022
Current financial liabilities	889	884
Non-current financial liabilities	1.926	2.987
Total financial liabilities	**2.815**	**3.871**

Financial liabilities are represented by two medium- to long-term loans taken out with Banca Intesa S.p.A. (formerly UBI Banca S.p.A), which have a total balance of 2,815 thousand euros as of December 31, 2023, and 3,871 thousand euros as of December 31, 2022. The decrease compared to December 31 is attributable for Euro 818 thousand to the repayment of principal carried out during the year 2023 and for Euro 244 thousand from the extinguishment of the hedging derivative collected on March 10, 2023 in accordance with favorable market conditions (please refer to Note No. 17 of the consolidated financial statements). Specifically, total financial liabilities as of December 31, 2023 of 2,815 thousand consisted of (i) Euro 889 thousand of which Euro 868 thousand related to the current portion of the loan and Euro 22 thousand related to the balance of credit cards as of December 31, 2023 and (ii) Euro1,926 thousand related to the non-current portion of the loan.

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

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

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

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

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

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

-equity of 50 million euros or more.

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

In the year ended December 31, 2023, commercial and financial *covenants* were found to have been met.

It should also be noted that these loans were taken out in order to finance, in part, the project to expand the Rosia (Siena) site, which provides for the construction of a new biotechnology "GMP" plant intended for the production of drugs for the market and additional to the Montarioso (Siena) site concluded in 2022 intended for the production of drugs for the market.

23. Trade payables

Trade payables to suppliers amounting to 7,799,000 euros as of December 31, 2023 (6,351,000 euros as of December 31, 2022) are mainly attributable to payables to clinical centers at which the Group conducts clinical trials and the remainder to other suppliers of services and consumables.

Below are the changes in trade payables during the year ended December 31, 2023:

Figures in thousands of Euros	December 31 2023	December 31 2022
Trade payables	7.799	6.351
Total trade payables	**7.799**	**6.351**

Breakdown of payables by geographic area

Figures in thousands of Euros	Geographical area	
	December 31 2023	December 31 2022
Italy	2.876	2.961
European Union	2.672	2.411
Extra European Union (USA)	986	507
Extra European Union (other)	1.265	472
Total trade payables	**7.799**	**6.351**

24. Other current liabilities and non-current liabilities

The Group's other current liabilities for the year ending December 31, 2023 and December 31, 2022 are detailed below:

Figures in thousands of Euros	December 31 2023	December 31 2022
Payables to social security institutions	572	456
Accrued expenses and deferred income	595	541
Other debts	1.149	1.013
Other current liabilities	**2.317**	**2.010**

Payables to social security institutions express the amount of payables to INPS and INAIL for withholdings to be paid and amounted to 572 thousand euros as of December 31, 2023 and showed an increase compared to the year ended December 31, 2022 in line with the increase in personnel costs (for more details on personnel costs, please refer to Note 6 of the consolidated financial statements).

Other payables, amounting to 1,149 thousand euros as of December 31, 2023, mainly refer to:

- Payables to employees for outstanding salaries amounting to 1,086 thousand Euro;

- Other payables of various kinds amounting to 64 thousand Euro.

"Accrued expenses and deferred income" amounting to Euro 595 thousand are mainly attributable to the deferred income of the grant related to the Industry 4.0 tax credit certified in fiscal year 2022 for a total of Euro 2,586 thousand and specifically to its method of accounting as a grant related to the duration of depreciation of the assets subject to the facility. For this reason, in the year ended December 31, 2023, the deferrals related to Industry 4.0 are classified under current liabilities for the portion that will be reversed to the income statement by fiscal year 2024 in the amount of 455 thousand euros (306 thousand euros as of December 31, 2022) and under non-current liabilities for the portion beyond fiscal year 2024 in the amount of 1,507 thousand euros (1,962 thousand euros as of December 31, 2022).

Below is a breakdown of Other non-current liabilities:

Figures in thousands of Euros	December 31 2023	December 31 2022
Deferred income non-current portion	1.507	1.962
Other non-current liabilities	**1.507**	**1.962**

More information

25. Commitments

It should be noted that, as of both December 31, 2023 and December 31, 2022, there are no commitments that are not reflected in the statement of financial position.

26. Information pursuant to Article 1, Paragraph 125 of Law No. 124/2017

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

Tax credits:

Nature of contribution	Contribution amount
2020 Research & Development Credit	**1.008**
Amount offset 2021	232
Amount offset 2022	447
Amount offset 2023	31
Amount to be offset 2024	298
Research & Development Credit 2021	**1.782**
Amount offset 2022	594
Amount to be offset 2023	594
Amount to be offset 2024	594
Process Innovation Credit 2021	**167**
Amount offset 2022	56
Amount offset 2023	56
Amount to be offset 2024	56
Research & Development Credit 2022	**1.812**
Amount to be offset 2023	604
Amount to be offset 2024	604
Amount to be compensated 2025	604
Process Innovation Credit 2022	**260**
Amount to be offset 2023	87
Amount to be offset 2024	87
Amount to be compensated 2025	87
Research & Development Credit 2023	**1.161**
Amount to be offset 2024	387
Amount to be compensated 2025	387
Amount to be offset 2026	387
Process Innovation Credit 2023	**350**
Amount to be offset 2024	117
Amount to be compensated 2025	117
Amount to be offset 2026	117
Industry 4.0 general goods credit year 2020	**46**
Amount offset 2021	9
Amount offset 2022	9
Amount offset 2023	9
Amount to be offset 2024	9
Amount to be compensated 2025	9
Industry 4.0 credit 2022	**2.586**
Amount offset 2022	816

Amount offset 2023	130
Amount to be offset 2023	714
Amount to be offset 2024	844
Amount to be compensated 2025	28
Amount to be offset 2026	28
Amount to be offset 2027	28
Energy credit III quarter 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
Credit listing SME	**500**
Amount offset 2022	442
Amount offset 2023	58
Total credits	**9.667**
Offset credits	2.943
To be compensated	6.783

Provision for ongoing projects:

Provision for ongoing projects	December 31, 2023
Acc.to Magicbullet Project	41
Total provision for ongoing projects	**41**

27. Share-based payment incentive plan

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

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

Specifically:

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

Summary of the regulation

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

- The allocation to beneficiaries of a certain number of *Units* (free of charge);
- The setting, at the assignment stage, of *performance* goals;
- A three-year *performance* period;

- The awarding of shares to recipients, subject to the achievement of *performance* targets achieved over the three-year period.

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

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

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

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

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

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

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

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

Evaluation criteria

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

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

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

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

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

First allocation cycle 2021-2024:

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

Second allocation cycle 2022-2025

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

Third allocation cycle 2023-2026

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

Overall evaluation results

With regard to the first cycle of allocation, the total *fair value* increased from Euro 250 thousand as of December 31, 2021 (valuation year) to Euro 214 thousand (of which Euro 136 thousand related to the subsidiary and Euro 78 thousand to the Company) as of December 31, 2023 following the exit of three Group employees in 2022 and the transfer of one employee from the subsidiary to the Company. The accrued portion as of December 31, 2023 is Euro 45 thousand related to Philochem AG and Euro 23 thousand related to Philogen S.p.A.

With regard to the second round of allocation, the total *fair value amounted* to Euro 527 thousand as of December 31, 2022 (valuation year), of which Euro 367 thousand related to the subsidiary and Euro 160 thousand related to the Company. The portion pertaining to the year ended December 31, 2023 is Euro 123 thousand related to Philochem AG and Euro 52 thousand related to Philogen S.p.A.

With regard to the third allocation cycle, the total *fair value* was Euro 5,497 thousand as of December 31, 2023 (valuation year), of which Euro 951 thousand related to the subsidiary and Euro 4,547 thousand related to the Company. The portion pertaining to the year ended December 31, 2023 is Euro 26 thousand related to Philochem AG and Euro 125 thousand related to Philogen S.p.A.

It should be noted that during 2023 the 2024-2026 *Stock Grant* Plan was fully awarded, and the value as of December 31, 2023 was 385 thousand euros, accounted for as an increase in personnel costs.

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 will cause a financial loss by failing to fulfill a contractual obligation and arises mainly from the Group's trade receivables and debt securities.

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

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

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

Liquidity risk

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

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

The following is the maturity analysis for trade receivables and payables and financial liabilities as of December 31, 2023:

Figures in thousands of Euros	December 31, 2023				
	Within 90 days	90 days to 1 year	1 to 5 years	Over 5 years	Total
Liabilities for leasing	246	753	4.219	6.881	**12.100**
Financial liabilities	260	630	1.926	-	**2.815**
Trade payables	7.799	-	-	-	**7.799**
Total	**8.305**	**1.384**	**6.144**	**6.881**	**22.714**

Figures in thousands of Euros	December 31, 2023				
	Within 90 days	90 days to 1 year	1 to 5 years	Over 5 years	Total
Trade receivables	1.281	-	-	-	**1.281**
Total	**1.281**	**-**	**-**	**-**	**1.281**

In addition, the Group in addition to cash and cash equivalents, amounting to 15,635 thousand euros, holds a portfolio of financial investments totaling 59,709 thousand euros as of December 31, 2023, which is readily liquid and can be used to meet any liquidity needs. More information on the securities portfolio can be found in Note 17 to the consolidated financial statements.

Market risk

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

Foreign exchange risk

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

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

In the year ended December 31, 2023, revenues from contracts with customers were mainly realized in Euro (the Group's functional currency) and accounted for approximately 88% of total revenues.

The following is a breakdown of revenues with customers by currency for the year ended December 31, 2023 and 2022:

Figures in thousands of Euros	Year ended December 31			
	2023	%	2022	%
U.S. dollar (USD)	511	2%	3.112	13%
Euro (EUR)	20.304	88%	18.815	79%
Swiss Franc (CHF)	2.315	10%	1.786	8%
Total revenue from contracts with customers	**23.130**	**100%**	**23.713**	**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 December 31, 2023 and 2022:

Figures in thousands of euros in absolute value	Year ended December 31	
	2023	2022
U.S. dollar (USD)	5	31
Euro (EUR)	203	188
Swiss Franc (CHF)	23	18
Total effect on revenue from contracts with customers	**231**	**237**

The Group also incurs operating costs in foreign currencies, and, mainly, in U.S. dollars and Swiss francs. The following is a breakdown of operating costs by currency for the years ended December 31, 2023 and 2022:

Figures in thousands of Euros	Year ended December 31			
	2023	%	2022	%
U.S. dollar (USD)	1.015	3%	985	4%
Euro (EUR)	25.840	76%	20.161	75%
Pounds Sterling (GPB)	20	-	48	-
Polish Zloty (PLN)	9	-	6	-
Swiss Franc (CHF)	7.077	21%	5.855	22%
Total operating costs	**33.961**	**100%**	**27.056**	**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 December 31, 2023 and 2022:

Figures in thousands of euros in absolute value	Year ended December 31	
	2023	2022
U.S. dollar (USD)	10	10
Euro (EUR)	258	202
Pounds Sterling (GPB)	-	-
UAE Dirham (AED)	-	-
Polish Zloty (PLN)	-	-
Swiss Franc (CHF)	71	59
Total effect on operating costs	**340**	**271**

The Group does not adopt exchange rate hedging instruments.

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

Figures in thousands of Euros	December 31 2023	December 31, 2022
EUR	58.620	59.768
GBP	-	-
RUB	-	-
USD	1.089	1.996
TRY	-	-
Total Current Financial Assets	**59.709**	**61.764**

Financial investment risk management

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

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

Country risk management

The Group does not operate with countries that are economically, politically or socially unstable. By virtue of the ESAM recommendations, published on March 14, 2022, the Company despite not dealing with counterparties residing in Russia and/or Ukraine, continues to monitor the impact on 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 of December 31, 2023 and December 31, 2022.

Figures in thousands of Euros	December 31 2023	December 31, 2022
Financial assets:		
Financial assets measured at amortized cost		
Trade receivables	1.281	885
Current financial assets	-	-
Cash and cash equivalents	15.635	24.436
Other current assets	837	860
Financial assets measured at *fair value*		
Current financial assets	59.709	61.764
Non-current financial assets	-	-
Total financial assets	**77.462**	**87.945**
Financial liabilities measured at amortized cost		
Non-current financial liabilities	1.926	2.987
Non-current lease liabilities	11.100	11.020
Current financial liabilities	890	884
Current lease liabilities	1.000	871
Trade payables	7.799	6.352
Other current liabilities	2.317	2.010
Total financial liabilities	**25.031**	**24.124**

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

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

Fair value disclosure

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

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

Figures in thousands of Euros	December 31, 2022

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

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

Financial assets related to level 1 of the *fair value* hierarchy refer to portfolio securities related to bonds, equities and units of investment funds listed on regulated markets. More details on the securities portfolio can be found in Note 17 to the consolidated financial statements.

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

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

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

30. Related parties

On May 12, 2022, the Board of Directors of the Parent Company reviewed the contents of the "Procedure for Related Party Transactions," which was previously approved on April 27, 2021, and approved a new version of the said procedure, pursuant to Article 2391-bis of the Civil Code and the Related Party Regulations, after receiving the favorable opinion of the Independent Directors who expressed their opinion on May 11, 2022 (for more details on the related party procedure, please refer to Section 6 of the Interim Management Report).This document is available on the Company's website at (http://www.philogen.com/).

Total related party transactions are summarized below.

Period ended December 31, 2022

Figures in thousands of euros	Related part						
	Rendo Ltd.	Rendo AG	Strategic executives	Directors and Endoconsiliar Bodies	Board of Auditors	Total	Inc. % on budget item
Statement of financial position							
Activities by right of use	6.558	3.112	-	-	-	**9.670**	98%
Trade receivables	642					**642**	73%
Financial liabilities for current leases	510	261	-	-	-	**771**	88%
Financial liabilities for non-current leases	6.279	4.550	-	-	-	**10.829**	98%
Employee benefits	-	-	-	26	-	**26**	3%
Accounts payable to corporate bodies(*)	-	-	-	15	60	**75**	1%
Other current liabilities	-	-	51	115	-	**166**	8%
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 financial statement schedules of accounts payable to corporate bodies are included in the item "Trade payables"

Period ended December 31, 2023

Figures in thousands of euros	Related part							
	Rendo Ltd.	Rendo AG	Nerbio S.r.l	Strategic executives	Directors and Endoconsiliar Bodies	Board of Auditors	Total	Inc. % on budget item
Statement of financial position								
Activities by right of use	6.548	3.309	-	-	-	-	**9.857**	99%
Trade receivables	-	-	4	-	-	-	**4**	0%
Financial liabilities for current leases	582	278	-	-	-	-	**860**	86%
Financial liabilities for non-current leases	6.395	4.552	-	-	-	-	**10.946**	99%
Employee benefits	-	-	-	-	70	-	**70**	6%
Accounts payable to corporate bodies(*)	-	-	-	-	16	60	**76**	1%
Other current liabilities	-	-	-	51	175	-	**226**	10%
Profit and loss account								
Revenues	-	-	4	-	-	-	**4**	0%
Depreciation	595	213	-	-	-	-	**809**	22%
Costs for services	-	-	-	-	1.206	63	**1.269**	9%
Personnel costs	-	-	-	660	-	-	**660**	5%
Financial charges	197	156	-	-	-	-	**353**	14%

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

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

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

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

- property used as the registered and operational headquarters of Philochem, located at Libernstrasse 3 - 8112 Otelfingen (fee recognized to Rendo AG);
- production plant in Montarioso (Siena) and plant in Rosia (Siena), used as the administrative and operational headquarters of Philogen S.p.A. Regarding this case, following the Company's strong growth and expansion, it became necessary to reevaluate and revise the company's areas and spaces in order to build an office building within the area currently leased by Rendo S.r.l. to Philogen S.p.A. under the lease agreement signed in May 2019. In this regard, the necessary permits for the construction of the building were obtained in February 2023 from the Municipality of Sovicille, and construction work on the new building was started. The activities for the construction of the building, the cost of which was borne by Philogen and was entered in the amount of Euro 1,639 thousand under fixed assets in progress, as of today have not yet been completed. Following the completion of the building and related cadastral paperwork, Philogen S.p.A. and Rendo S.r.l. will review the terms and conditions of the current lease agreement.

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

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

i) Board of Directors

Figures in thousands of euros	December 31, 2023	December 31 2022
Duccio Neri - Executive Chairman	300	300
Dario Neri - CEO	150	150
John Neri - Managing Director	90	90
Sergio Gianfranco Luigi Maria Dompé - Councilor	30	30
Roberto Marsella - Councilor	-	11
Nathalie Francesca Maria Dompé - Councilor	30	30
Leopoldo Zambeletti Pedrotti	30	30
Roberto Ferraresi	32	32
Guido Guidi	32	32

Marta Bavasso (*)	30	30
Maria Giovanna Calloni	32	21
Other Directors (**)	185	144
Total compensation	**941**	**900**
Monetary incentive plan (***)	153	153
Severance pay (****)	42	149
Total	**1.136**	**1.202**

(*) Lead independent director.

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

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

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

ii) Strategic executives

Figures in thousands of euros	December 31, 2023	December 31 2022
Duccio Neri	100	100
Dario Neri	350	350
John Neri	210	210
Compensation Strategic executives	**660**	**660**

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

iii) Board of Auditors

Figures in thousands of euros	December 31, 2023	December 31 2022
Stefano Mecacci - President	27	27
Pierluigi Matteoni - Statutory Auditor	18	18
Alessandra Pinzuti - Statutory Auditor	18	18
Remuneration Board of Auditors	**63**	**63**

iv) Endoconsiliar organs

Figures in thousands of euros	December 31, 2023	December 31 2022
Marta Bavasso	30	30
Roberto Marsella	-	7
Leopoldo Zambeletti Pedrotti	-	3
Roberto Ferraresi	20	17
Maria Giovanna Calloni	20	13
Endoconsiliar Committees Compensation.	**70**	**70**

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

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

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

Accounting principles

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* each reporting date.

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

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 applicable provisions set forth by the national legislature and Consob. The statements used are considered adequate for the purpose of giving a fair (fair) representation of the Group's financial position, financial performance and cash flows; in particular, the income statements reclassified by nature are considered to provide reliable and relevant information for the purpose of giving a fair representation of the Group's economic performance. The schedules that make up the Financial Statements are as follows:

Consolidated statement of financial position

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

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

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

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

Consolidated statement of income

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

Consolidated statement of comprehensive income

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

Statement of changes in consolidated shareholders' equity

The statement shows the changes in equity items related to:

- Allocation of the profit for the period of the parent company and subsidiaries to minority shareholders;
- Amounts related to transactions with shareholders (purchase and sale of own shares);
- each item of profit and loss net of any tax effects, which, as required by IFRS are alternatively charged directly to equity (gains or losses from buying and selling treasury shares, actuarial gains and losses generated by valuation

of defined benefit plans), or have a balancing entry in an equity reserve (share-based payments for incentive plans);
- Changes in valuation reserves of derivative instruments hedging future cash flows, net of any tax effect.

Consolidated Statement of Cash Flows

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

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

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

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

Cash equivalents include short-term restricted bank deposits.

Consolidation criteria

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

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

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

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

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

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

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

Foreign currency

Foreign currency transactions

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

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

Foreign management

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

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

Exchange rates (CHF/EUR)	2023	2022
Spot exchange rate as of December 31 (for conversion of assets and liabilities)	0,92600	0,98470
Average change for the year (by converting costs and revenues)	0,97173	1,00518

Revenues from contracts with customers

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

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

(i) Customer contract identification;

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

(iii) determination of the transaction price;

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

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

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

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

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

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

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

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

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

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

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

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

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

	At the end of each fiscal year, management reassesses the probability of achieving all *milestones* and, if necessary, adjusts its estimate of the overall transaction price. The Group issues an invoice for the *milestone at* the same time as the customer notifies it of the achievement of the goal/event. This invoice is usually due in 30 days. Payment terms do not include trade discounts.
Royalties (based on sales)	The Group recognizes sales-based royalty revenue only when (or as) the latest of the following events occurs: — The subsequent sale or use; and — The fulfillment (or partial fulfillment) of the obligation to do to which all or part of the sales-based royalty was assigned.

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

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

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

Public grants

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

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

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

Cost recognition

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

Financial income and expenses

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

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

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

Taxes

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

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

i) Current taxes

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

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

ii) Deferred taxes

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

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

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

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

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

The measurement of deferred taxes reflects the tax effects arising from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of assets and liabilities

Operating income

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

Earnings/loss per share

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

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

Property, plant and equipment

i) *Survey and evaluation*

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

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

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

ii) *Subsequent costs*

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

iii) *Depreciation*

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

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

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

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

Intangible assets

i) *Survey and evaluation*

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

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

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

ii) Subsequent costs

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

iii) Amortization

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

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

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

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

Activities by right of use

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

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

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

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

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

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

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

- fixed payments (including substantially fixed payments);
- Variable lease payments due that depend on an index or rate, initially evaluated using an index or rate on the effective date;
- The amounts expected to be paid as collateral on the residual value; and

- the exercise price of a purchase option that the Group is reasonably certain to exercise, payments due for the lease in an optional renewal period if the Group is reasonably certain to exercise the renewal option, and penalties for early termination of the lease, unless the Group is reasonably certain not to terminate the lease early.

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

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

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

Short-term leasing and leasing of low-value assets

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

Lease back

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

Inventories

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

Financial instruments

i) Survey and evaluation

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

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

ii) Classification and subsequent evaluation

Financial assets:

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

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

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

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

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

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

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

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

Financial activities: business model assessment

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

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

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

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

- the stated criteria and objectives of the portfolio and the practical application of those criteria, including, among others, whether management's strategy is based on obtaining interest income from the contract, maintaining a certain interest rate profile, aligning the duration of financial assets with that of related liabilities, or expected cash flows or raising cash flows through the sale of assets;

- how portfolio performance is evaluated and how performance is reported to the Group's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;
- The way in which the firm's executives are compensated (for example, whether compensation is based on the *fair value* of assets under management or on contractual cash flows collected); and
- the frequency, value and timing of sales of financial assets in previous years, the reasons for sales, and expectations regarding future sales.

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

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

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

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

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

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

The prepayment element is consistent with the criterion of "cash flows represented solely by payments of principal and interest" when the prepayment amount substantially represents the unpaid amounts of principal and accrued interest on the principal amount to be repaid, which may include reasonable compensation for early termination of the contract. In addition, in the case of a financial asset acquired at a significant premium or discount to the nominal contractual amount, an item that allows or requires a prepayment equal to an amount that substantially represents the nominal contractual amount plus accrued (but unpaid) contractual interest (which may include reasonable compensation for early termination of the contract) is accounted for in accordance with this criterion if the *fair value* of the prepayment item is not significant upon initial recognition.

Financial assets: subsequent valuation and gains and losses

Financial assets valued at FVTPL	These assets are subsequently measured at *fair value*. Net gains and losses, including dividends or interest received, are recognized in net income/(loss) for the year.
Financial assets measured at amortized cost	These assets are subsequently measured at amortized cost in accordance with the effective interest method. The amortized cost is decreased by impairment losses. Interest income, foreign exchange gains and losses, and impairment losses are recognized in net income/(loss) for the period as are any gains or losses from derecognition.

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

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

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

iii) Accounting elimination

Financial assets

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

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

Financial liabilities

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

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

iv) Compensation

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

Impairment losses

i) Financial instruments and assets arising from contracts

The Group recognizes allowances for expected credit losses related to:

- Financial assets measured at amortized cost;

- debt securities valued at FVOCI; and
- Activities arising from contract.

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

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

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

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

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

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

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

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

Evaluation of expected credit losses

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

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

Non-financial assets

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

Share capital

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

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

Funds

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

Employee benefits

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

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

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

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

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

Share-based payments

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

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

Fair value assessments

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

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

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

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

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

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

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

Operating area

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

- Involving revenue- and cost-generating business activities;

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

- For which separate economic and financial data are available.

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

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

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

Changes in international accounting standards, interpretations and amendments

Below are the new accounting standards, interpretations and improvements issued by the IASB and adopted as of January 1, 2023.

Amendments to IAS 12: Deferred Taxes Relating to Assets and Liabilities Arising from a Single Transaction and International Tax Reform - Second Pillar Model Rules.

The amendments regarding deferred taxes narrow the scope of the exemption to the initial recognition of deferred taxes in order to exclude transactions that give rise to equal and offsettable temporary differences, such as in the case of leases and decommissioning obligations. The changes will take effect for fiscal years beginning on or after January 1, 2023.

Deferred tax assets and liabilities related to leases and decommissioning obligations will then have to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or among other components of equity as of that date. For all other transactions, the changes apply to transactions occurring after the beginning of the first period presented. The Group is currently assessing the impact that the changes will have on the statement of financial position; from the analyses carried out at present, no effect on retained earnings is expected, and the Group will recognize the deferred tax asset and liability separately.

With reference, on the other hand, to changes related to international tax reform, in December 2021 the OECD's *Inclusive Framework* approved, as part of 'Pillar 2,' the Model *Global Anti-Base Erosion* Rules (*GloBE Rules*), with the aim of curbing the transfer of profits to jurisdictions with very low or no taxation, as well as tax competition between states. Based on this new set of rules, which will be progressively implemented by individual jurisdictions, large multinational groups with consolidated revenues of €750 million or more will incur a minimum level of effective taxation of 15 percent in each jurisdiction in which they operate. The rules provide for the application of a so-called *Top-Up* Tax per jurisdiction, i.e., a top-up tax-calculated as the difference between the agreed minimum level of taxation (15 percent) and the *Effective Tax Rate* (ETR), whichever is lower-to the profits of consolidated entities and permanent establishments (*Constituent Entities*) located in one of the jurisdictions in which the group operates. Taxation is implemented through a system of interconnected rules: *the Income Inclusion Rule* (IIR), applied at the level of the parent company, and the *Undertaxed Payments* Rule (UTPR), a *backstop* rule, applied in the absence of the former at the level of the subsidiaries.

States where low-tax constituent entities are located may also choose to levy a *Qualified* domestic *top-up* tax (*QDMTT*) as a priority on profits generated there to collect the *top-up tax* at source.

The Group, however, does not fall under the scope of this tax as it does not belong to the category of "large multinational groups with consolidated revenues of 750 million euros or more. Therefore, the changes are not expected to have an impact on the Group.

Amendments to IAS 8

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

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

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to disclosures about accounting policies. The amendments aim to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "materiality" accounting policies; in addition, guidance is added on how entities apply the concept of materiality in making accounting policy disclosure decisions. The amendments to IAS 1 are applicable from fiscal years beginning on or after January 1, 2023, early application is permitted. Since the amendments to IFRS Practice Statement 2 Making Materiality Judgements provide non-mandatory guidance on the application of the definition of materiality to accounting policy disclosures, an effective date for these amendments is not required. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures

Accounting standards, amendments and interpretations not yet endorsed by the European Union as of December 31, 2023

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

- Amendments to IAS 1 - Non-current Liabilities with Covenants and Classification of Current and Non-current Liabilities (mandatory application from January I, 2024);

- Amendments to IFRS 16 - Lease Liabilities in a Sale and leaseback (mandatory application from January I, 2024);

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

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

- Amendments to IAS 7 and IFRS 7 - Financing Arrangements with Suppliers (effective January 1, 2024).

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

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

Disclosure pursuant to Article 149-duodecies of the Issuers' Regulation

Figures in thousands of Euros Type of services	Subject who provided the service	Recipient	notes	Total Compensation 2023
Auditing	Parent Company Auditor	Group leader		203.463
Other Services	(i) Auditor of the Parent Company	Group leader	1	21.560
Subtotal				**225.023**
Auditing	Parent company auditor's network	Subsidiaries		18.298
Subtotal				**18.298**
Total				**243.321**

1) The item refers to the attestation related to the Research & Development Credit and Technology Innovation Credit and the Net Financial Debt verifications as of March 31 and September 30, 2023.

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

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

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

b) The effective application, of administrative and accounting procedures for the preparation of consolidated financial statements during the period January 1 - December 31, 2023.

It is also certified that the Consolidated Financial Statements as of December 31, 2023 of the Philogen Group:

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

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

Siena, 27 marzo 2024



Executive chairman (Duccio Neri)



Financial reporting manager (Laura Baldi)

Annual report

Statement of income statement

Data in Euros	Notes	2023	*Of which with related parties*	2022	*Of which with related parties*
Revenues from contracts with customers	5	23.737.931	663.118	6.638.937	602.647
Other income	5	1.949.547		3.491.392	
Total revenue and income		**25.687.478**	**663.118**	**10.130.329**	**602.647**
Purchases of raw materials and consumables	6	(2.378.482)		(1.866.074)	
Costs for services	6	(15.280.538)	(4.354.958)	(10.887.549)	(3.305.252)
Costs for the use of third-party assets	6	(173.889)		(147.479)	
Personnel costs	6	(8.228.958)	(660.000)	(6.999.713)	(660.000)
Depreciation	6	(3.142.505)	(595.089)	(2.345.211)	(591.506)
Other operating costs	6	(353.453)		(363.741)	
Total operating costs		**(29.557.825)**	**(5.610.047)**	**(22.609.767)**	**(4.556.758)**
Operating income		**(3.870.347)**	**(4.946.929)**	**(12.479.438)**	**(3.954.111)**
Financial income	7	4.393.951		1.469.511	8.160
Financial charges	7	(1.369.962)	(417.401)	(4.910.638)	(269.435)
Total financial income and expenses		**3.023.989**	**(417.401)**	**(3.441.127)**	**(261.275)**
Income from equity investments	8	(5.325.364)	(5.325.364)	10.187.136	10.187.136
Earnings before taxes		**(6.171.222)**	**(10.689.694)**	**(5.733.429)**	**5.971.750**
Taxes	9	10.717		(607.552)	
Profit (Loss) for the year		**(6.161.005)**	**(10.689.694)**	**(6.340.981)**	**5.971.750**
Earnings (Loss) per share (in Euros)	10	(0,15)		(0,16)	
Diluted earnings (loss) per share (in Euros)	10	(0,15)		(0,16)	

Statement of comprehensive income

Data in Euros	Notes	2023	2022
Profit (Loss) for the period (A)		**(6.161.005)**	**(6.340.981)**
Other gains (losses) that will be later reclassified to net income (loss) for the period			
Share of components of comprehensive income of investee companies accounted for using the equity method	22	401.748	212.564
Profit (loss) from *cash flow hedge*	22	457.980	(251.480)
Fiscal effect	22	(127.776)	70.163
Total other gains (losses) to be later reclassified to profit (loss) for the year (B)		**731.952**	**31.247**
Other gains (losses) that will not be subsequently reclassified to net income (loss) for the period			
Profit (loss) from valuation of financial assets measured at *fair value*	22	111.941	(113.849)
Actuarial valuation gain (loss) on employee benefits	22	(4.278)	117.952
Fiscal effect	22	(25.672)	(5.585)
Total other gains (losses) that will not be subsequently reclassified to net income (loss) for the year (C)		**81.991**	**(1.482)**
Total other components of comprehensive income (B+C)		**813.943**	**29.765**
Comprehensive income (loss) after tax (A+B+C)		**(5.347.062)**	**(6.311.216)**
Comprehensive income (loss) attributable to shareholders of the parent company		(5.347.062)	(6.311.216)

Statement of financial position

Data in Euros	Notes	December 31, 2023	*Of which with related parties*	December 31, 2022	*Of which with related parties*
ACTIVITIES.					
Property, plant and equipment	11	14.478.394		11.434.857	
Intangible assets	12	895.316		943.602	
Activities by right of use	13	6.878.162	6.547.867	6.750.150	6.558.308
Participations	14	5.738.110	5.732.614	10.466.599	10.466.599
Other non-current assets	18	2.789.846		2.986.698	
Deferred tax assets	9	123.489		98.313	
Non-current assets		**30.903.317**	**12.280.481**	**32.680.219**	**17.024.907**
Inventories	15	2.127.975		1.786.065	
Activities arising from contract	16	1.350.000		2.299.946	
Trade receivables	17	1.937.432	660.560	1.360.787	1.172.336
Tax credits	18	8.101.276		6.714.975	
Other current financial assets	19	59.709.325		61.764.331	
Other current assets	20	707.957		616.471	
Cash and cash equivalents	21	14.976.243		23.938.320	
Current Assets		**88.910.208**	**660.560**	**98.480.895**	**1.172.336**
Total assets		**119.813.525**	**12.941.042**	**131.161.114**	**18.197.243**
EQUITY					
Capital		5.731.227		5.731.227	
Share premium reserve		99.755.434		106.096.415	
Other reserves		(8.736.626)		(7.565.708)	
Profit (loss) for the year		(6.161.005)		(6.340.981)	
Total equity	**22**	**90.589.030**		**97.920.953**	
Total equity	**22**	**90.589.030**		**97.920.953**	
PASSIVITY.					
Employee benefits	23	1.202.264	69.589	959.788	26.404
Non-current lease liabilities	13	6.547.914	6.394.662	6.470.696	6.278.898
Non-current financial liabilities	24	1.925.666		2.986.972	
Other non-current liabilities	26	1.507.170		1.962.259	
Deferred tax liabilities	9	192.484		134.823	
Non-current liabilities		**11.375.498**	**6.464.251**	**12.514.538**	**6.305.302**
Current financial liabilities	24	5.539.588	4.650.000	10.933.822	10.050.000
Current lease liabilities	13	713.435	581.923	610.213	509.671
Trade payables	25	8.890.021	1.435.659	7.128.363	1.080.429
Liabilities arising from contract	16	465.752		-	
Tax debts	18	239.095		286.240	
Other current liabilities	26	2.001.106	225.695	1.766.985	165.519
Current liabilities		**17.848.997**	**6.893.277**	**20.725.623**	**11.805.619**
Total liabilities		**29.224.495**	**13.357.528**	**33.240.161**	**18.110.921**
Total equity and liabilities		**119.813.525**	**13.357.528**	**131.161.114**	**18.110.921**

Statement of changes in net assets

Data in Euros	Capital	Share premium reserve	Other reserves										Retained earnings (losses)	Total other reserves	Profit (loss) for the year	Total PN
			Earnings reserve restricted capital increase to service the 2024-2026 Stock Grant Plan	Negative reserve own shares	Legal reserve	FTA Reserve	Reserve from translation	Cash flow hedge reserve	Merger surplus reserve	IAS 19 reserve	Reserve from valuation of financial assets measured at *fair value*	Share-based payment reserve				
Opening balances as of January 1, 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) after tax effect							212.566	(181.317)		85.043	(86.525)			29.765		29.765
Ending balances as of December 31, 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**
Opening balances as of January 1, 2023	**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**
Allocation of previous year's result		(6.340.981)												-	6.340.981	-
Purchase of own shares				(2.378.879)										(2.378.879)		(2.378.879)
Stock Grant Plan												394.019		394.019		394.019
Result for the year														-	(6.161.005)	(6.161.005)
Other comprehensive income (loss) after tax effect							401.748	330.204		(3.084)	85.075			813.943		813.943
Ending balances as of December 31, 2023	**5.731.227**	**99.755.435**	**(123.794)**	**(4.840.065)**	**891.916**	**(7.421.458)**	**1.663.171**	**144.553**	**448.882**	**(16.963)**	**(1.450)**	**518.584**	**-**	**(8.736.624)**	**(6.161.005)**	**90.589.030**

Cash flow statement

Data in Euros	Notes	2023	Of which with related parties	2022	Of which with related parties
Cash flow from operating activities					
Operating income		(6.161.005)	*(10.689.694)*	(6.340.981)	*5.971.750*
Adjustments for:					
Depreciation of tangible and intangible assets and assets by right of use	6	3.142.505	*595.089*	2.345.211	*591.506*
Net financial income/(expense)	7	(3.023.989)	*417.401*	3.441.127	*261.276*
Provisions for funds and employee benefits	23	223.479		198.206	
Provision for *stock* grant plans	22	394.019	*195.135*	103.756	66.896
Income taxes	9	(10.717)		607.552	
Impairment/(reinstatement of investments)	8	5.325.364	*5.325.364*	(10.187.136)	(10.187.136)
Other non-cash adjustments		(245.532)		(1.252.821)	
Variations of:					
Inventories	15	(341.909)		(619.792)	
Activities arising from contract	16	949.946		(2.247.791)	
Trade receivables	17	(576.645)	*(660.560)*	(107.144)	(1.172.336)
Liabilities arising from contract	16	465.752		(2.233.013)	
Trade payables	25	1.761.658	*355.230*	1.535.043	736.173
Other assets and liabilities(*)	18, 20 26	(1.549.047)	*60.176*	(1.633.931)	124.244
Use of funds and employee benefits	23	(39.172)		(171.830)	
Interest paid	7	(585.921)		(806.903)	
Income taxes paid	9	-		-	
Cash flow generated/absorbed by operations (A)		**(271.216)**	**(4.401.860)**	**(17.370.467)**	**(3.607.627)**
Cash flow from investing activities					
Interest collected	7	1.571.002		216.670	
Proceeds from the sale of property, plant and equipment		-		-	
Proceeds from the sale of financial assets	19	17.709.567		57.300.437	
Purchase of property, plant and equipment	11	(5.234.275)		(3.659.413)	
Purchase of intangible assets	12	(183.170)		(358.295)	
Purchase of other financial assets	19	(13.258.430)		(26.232.458)	
Cash flow generated/absorbed by investing activities (B)		**604.693**	**-**	**27.266.941**	**-**
Cash flows from financing activities					
Proceeds from the issuance of shares	22	-		-	
Receipts from the assumption of financial liabilities	24	-		12.000.000	
Repayment of financial liabilities	24	(6.218.483)	*(5.400.000)*	(2.999.734)	*(1.950.000)*
Payment of lease liabilities	13	(698.193)	*(553.518)*	554.316	*(528.714)*
Dividends paid		-		-	
Purchase of own shares	22	(2.378.879)		(1.924.216)	
Cash flow generated/absorbed by financing activities (C)		**(9.295.555)**	***(5.953.518)***	**7.630.366**	***(2.478.714)***
Total cash flow (A + B + C +D)		**(8.962.077)**	**(10.355.378)**	**17.526.840**	**(6.086.341)**
Beginning cash and cash equivalents	**21**	**23.938.320**		**6.411.480**	
Change in cash and cash equivalents for the year		(8.962.077)		17.526.840	
Closing cash and cash equivalents	**21**	**14.976.243**		**23.938.320**	

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

Notes to the financial statements as of December 31, 202 3

Preparation criteria

1. Foreword

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

Regulation (EC) No. 1606/2002 of the European Parliament and Council of July 19, 2002 (the "EU Regulation") prescribed the obligation, as of fiscal year 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 Feb. 28, 2005, which provided companies excluded from the obligation under the EU Regulation the option to prepare their financial statements in accordance with IAS/IFRS starting with the fiscal year ended Dec. 31, 2005.

2. Entity that prepares annual financial statements

Philogen S.p.A. is headquartered in Italy. The address of the company's registered office is Piazza La Lizza, 7 Siena. The company is mainly active in the field of integrated biotechnology and in particular in the development of advanced biopharmaceutical products for the treatment of diseases characterized by or associated with angiogenesis, mainly based on antibody conjugates, capable of achieving selective accumulation at the sites where the pathology is present. Philogen holds a controlling interest in Philochem AG of 99.998%, of the share capital of the subsidiary, based in Zurich, Switzerland, which is engaged in pharmaceutical research and discovery of therapeutic antibodies and self-assembling chemical libraries, encoded through DNA fragments.

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

3. Drafting criteria

These 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 (IFRSs) subject to interpretation and the interpretations of the *International Financial Reporting Interpretation Committee* (IFRIC) and the former *Standing Interpretations Committee* (SIC).

These financial statements were approved and authorized for publication by the Company's Board of Directors on March 27, 2024.

Details regarding the accounting principles adopted are specified in Note No. 34.

Functional and presentation coin

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

Use of estimates and evaluations

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

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

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

— *Evaluations*

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

- Note No. 5 and 35 - accounting for revenues from contracts with customers: analysis of contracts with customers, with particular reference to the recognition at a particular point in time or over time of revenues from licensing and research and development activities on behalf of third parties and the identification of individual *performance obligations*.

— *Assumptions of uncertainties in estimates*

For the year ended December 31, 2022, information on assumptions and uncertainties in estimates having a significant risk of causing material changes to the carrying value of assets and liabilities in the financial statements of the next period is provided in the following notes:

- Notes No. 5 and 35 - revenue accounting: assumptions in determining the total cost of *performance obbligation* in relation to customer contracts accounted for over time;
- Note No. 35 - valuation of financial instruments: main assumptions underlying the calculation of *fair value*;
- Note No. 35 - definition of the discount rate: main assumptions on the calculation of the *Incremental B*orrowing Rate (IBR), where the implicit interest rate is not present.
- Notes No. 9 and 35 - recognition of deferred tax assets: availability of future taxable profits against which deductible temporary differences and tax loss carryforwards can be used.
- Notes No. 13 and 14 - impairment test of non-current assets and equity investments: main assumptions for determining recoverable values;

4. Industry disclosure

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

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

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

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

Profit and loss account

5. Revenues and income

Figures in thousands of Euros	Year ended December 31	
	2023	**2022**
Revenues from contracts with customers	23.738	6.639
Other income	1.950	3.491
Total revenue and income	**25.687**	**10.130**

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 December 31, 2023, revenues from contracts with customers amounted to 23,738 thousand euros, an increase of 17,099 thousand euros from the previous period. The change is attributable to new third-party contracts signed in 2023 and the advancement of previous contracts.

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

Detail by type of consideration

Figures in thousands of Euros	Year ended December 31	
	2023	**2022**
Revenues from *up-front,* from *milestones*	20.511	2.233
Revenues from research and development services	3.227	4.406
Total revenue from contracts with customers	**23.738**	**6.639**

Detail by mode of recognition

Figures in thousands of Euros	Year ended December 31	
	2023	**2022**
Revenue recognized *at a point in time*	21.234	828
Revenues recognized *over time*	2.504	5.811
Total revenue from contracts with customers	**23.738**	**6.639**

Detail by geographic area

Figures in thousands of Euros	Year ended December 31	
	2023	**2022**
USA	511	2.233
European Union	21.515	2.807
Extra EU (Switzerland)	1.712	1.599
Total revenue from contracts with customers	**23.738**	**6.639**

Detail by product or service type

Figures in thousands of Euros	Year ended December 31	
	2023	**2022**
Product 1	511	2.233
Product 2	20.000	-
Other research and development services	3.227	4.406
Total revenue from contracts with customers	**23.738**	**6.639**

The following is a breakdown of the customers that generate revenue for the Company in excess of 10% of total revenue from contracts with customers, as required by IFRS 8:

Figures in thousands of Euros	Year ended December 31			
	2023	%	2022	%
Customer 1	20.000	*84%*	-	-
Customer 2	-	-	2.233	*34%*
Client 3	-	-	2.033	*31%*
Customer 4	-	-	997	*15%*
Customer 5	-	-	774	*12%*
Other customers < 10%.	3.738	*16%*	602	*9%*
Total revenue from contracts with customers	**23.738**	***100%***	**6.639**	***100%***

Other income

Figures in thousands of Euros	Year ended December 31	
	2023	2022
Operating grants	1.495	2.932
Equipment grant	390	355
Miscellaneous income	65	204
Total other income	**1.950**	**3.491**

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

(i) research and development tax credit amounting to 1,161 thousand euros as of December 31, 2023;
(ii) technology innovation tax credit amounting to 350 thousand euros as of December 31, 2023, related to the implementation of the new GMP production process.

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

Compared to the year ended December 31, 2022, other income showed a decrease of approximately 48% as of December 31, 2023, mainly due to two factors: (i) credits related to extraordinary activities carried out during 2021 and 2022 for which the Company benefited in the previous period from two facilitations (SME tax credit amounting to Euro 500 thousand for consulting costs incurred for the admission to listing in a regulated market for Euro 500 thousand and ACE tax credit amounting to Euro 180 thousand related to the capital increase raised during the listing phase, provided for by art. 19 of Decree-Law 73/2021); (ii) for the abatement of the concessional rates of the research and development credit, from 20 to 10 percent of eligible costs, as provided by Law 234/2021 (so-called Budget Law 2022). For more details on the credits available to the Company, please refer to Note No. 18 and Note No. 28 of the Annual Report.

6. Operating costs

Details of operating costs as of December 31, 2023 and December 31, 2022 are shown below:

Figures in thousands of Euros	Year ended December 31	
	2023	2022
Purchases of raw materials and consumables	2.378	1.866
Costs for services	15.281	10.888
Lease and rental costs	174	147
Personnel costs	8.229	7.000
Depreciation	3.143	2.345
Other operating costs	353	364
Total operating costs	**29.558**	**22.610**

Cost of purchasing raw materials and consumables

Costs for the purchase of raw materials and consumables, amounting to 2,378 thousand euros in the year ended December 31, 2023 (1,866 thousand euros in the previous year), are mainly attributable to the cost of materials used in operations, the change in which is related to drug production activities for clinical trials, GMP productions of antibodies on third-party orders, and "pilot" productions in accordance with GMP standards at the new site in Rosia (Siena).

Costs for services

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

Figures in thousands of euros	Year ended December 31	
	2023	2022
Costs related to Clinical Centers and CROs	5.210	3.545
Intercompany performance	3.272	2.035
Utilities and overhead	1.389	1.610
Outsourcing services for research and development activities	1.930	1.060
Compensation of corporate bodies (net of contributions)	904	904
Corporate and consulting expenses	754	528
Management by objectives (MBO)	153	153
Severance pay (TFM)	42	149
Social contributions on corporate body compensation	78	80
Other costs for services	1.549	824
Total costs for services	**15.281**	**10.888**

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

(i) The increase of Euro 1,665 thousand in costs related to clinical centers is attributable to higher costs incurred in the year ended December 31, 2022 compared to the previous period for the advancement of ongoing *trials;*
(ii) The increase of 1,237 thousand euros in intercompany services is attributable to increased research and development services performed by the parent company on behalf of the Company;
(iii) The increase of 870 thousand euros in costs related to services for research and development activities can be attributed to ongoing activities for GMP contracts for contract manufacturing;
(iv) The decrease from the year ended December 31, 2022 of 107 thousand euros related to the TFM paid in 2022 for the outgoing executive directors with the approval of the financial statements as of December 31, 2021;
(v) The decrease compared to the year ended December 31, 2022 of 221 thousand euros in costs for utilities and general services is attributable to the stabilization of commodity market prices;
(vi) The increase of 951 thousand euros in other costs for services and corporate and consulting expenses is mainly related to an increase in travel expenses for employees due to an increase in both employees themselves and travel related to an acceleration of clinical trials.

Lease and rental *costs*

Lease and rental costs amounted to Euro 174 thousand in the year ended December 31, 2023 is substantially unchanged from the previous year of Euro 147 thousand. This item includes rental charges, exclusively with reference to leases with a duration of less than twelve months and those with a small amount (excluded from the scope of IFRS 16) and variable fees related to ancillary expenses quantified on an actual basis, which are also not included in the calculation of the financial liability and the related right of use under IFRS 16. Specifically, in view of the increase in personnel in the reporting year, there was an increase in lease and rental costs attributable to higher costs incurred for new business license/software contracts with a term of less than one year.

Personnel costs

The breakdown of personnel cost for the years ended December 31, 2023 and December 31, 2022 is shown below:

Figures in thousands of Euros	Year ended December 31	
	2023	2022
Wages and Salaries	5.923	5.082
Social charges	1.633	1.429
Provision for severance pay	474	452
Personnel cost for incentive plans	199	37
Total personnel costs	**8.229**	**7.000**

The increase in personnel costs of 1,229 thousand Euro is mainly attributable to the increase in the average number of employees, as shown in the table below.

	December 31, 2023	December 31, 2022	Change
Average number of employees	122	106	16

For the exact number of employees as of December 31, 2023 and December 31, 2022, please refer to paragraph 15 of the management report.

More details about the incentive plan can be found in Section 4.2 of the Management Report and Note 29 to the Annual Report.

Depreciation

The breakdown of "Depreciation and amortization" as of December 31, 2023 and 2022 is shown below:

Figures in thousands of Euros	Year ended December 31	
	2022	2022
Amortization of intangible assets	231	173
Depreciation Property, plant and equipment	2.160	1.463
Depreciation of assets by right of use	751	709
Total depreciation	**3.143**	**2.345**

The increase in depreciation is mainly attributable to the item "Depreciation of property, plant and equipment" amounting to 697 thousand euros in the year ended December 31, 2023, reflecting the completion and commissioning of the new *facility* in Rosia (Siena), in line with the company's strategy.

Other operating costs

The breakdown of "Other operating expenses" for the years ended December 31, 2023 and 2022 is shown below:

Figures in thousands of Euros	Year ended December 31	
	2023	2022
Taxes and fees	104	197
Entertainment expenses	36	53
Membership contributions	29	35
Company vehicle costs	20	14
Miscellaneous operating costs	164	65
Total other operating costs	**353**	**364**

Other operating expenses are mainly attributable to contingent liabilities and miscellaneous operating expenses and are essentially unchanged from the previous year.

7. Financial income and expenses

Financial income and expenses are composed as follows:

Figures in thousands of Euros	Year ended December 31	
	2023	2022
Financial income		
Capital gains from realization of financial assets (*)	1.179	209
Capital gains from the valuation of financial assets at *fair value*	2.231	602
Interest income	392	-
Intercompany interest income	-	8
Gains on foreign exchange	592	651
Financial income	**4.394**	**1.470**
Financial charges		
Losses on valuation of financial assets at *fair value*	(47)	(3.481)
Capital losses on realization of financial assets	(21)	(498)
Interest expense on leasing	(206)	(196)
Interest expense on bank loans	(139)	(40)
Interest cost for employee benefits	(54)	(18)
Intercompany interest expense	(221)	(73)
Losses on foreign exchange	(683)	(605)
Financial charges	**(1.370)**	**(4.911)**
Total financial income (expense)	**3.024**	**(3.441)**

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

Net financial management for the year ending December 31, 2023 shows a net positive result of 3,024 thousand euros (negative 3,441 thousand euros for the year ending December 31, 2022).

As can be seen from the above detail, the main change from the previous year can be attributed to net gains from *fair value* measurement of financial assets due to a more favorable macroeconomic environment reflected in more stable financial markets than in the previous year.

More details on the composition of the securities portfolio can be found in Note No. 19 to the annual financial statements.

8. Income from equity investments

This item consists of:

Figures in thousands of Euros	Year ended December 31	
	2023	2022
Positive (negative) differences from Equity Method valuations in subsidiaries	(5.325)	10.187
Dividends from equity investments	-	-
Total income from investments	**(5.325)**	**10.187**

9. Taxes

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

Current taxes refer to taxes for the year as resulting from the estimate made when the financial statements were prepared, whereas current regulations require tax returns to be filed in the second half of the following year, resulting in possible updates to the calculation that could lead to differences transposed in the following year.

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

Below is a table detailing income taxes recorded as of December 31, 2023 and 2022:

Figures in thousands of Euros	Year ended December 31	
	2023	2022
Current taxes	-	-
Deferred taxes	11	(608)
Total taxes	**11**	**(608)**

Reconciliation of effective tax rate

A reconciliation between the tax burden from the financial statements for the year and the theoretical tax burden determined based on the IRES rate applicable to the Company for the years ended December 31, 2023 and 2022, respectively, is presented below:

Figures in thousands of Euros	Year ended December 31	
	2023	2022
Earnings before taxes	(6.172)	(5.733)
Theoretical tax rate	-24%	-24%
Theoretical IRES tax burden/benefit (A)	**1.481**	**1.376**
Adjustments for:		
Tax effect on revenue for research and development credit	274	442
Tax effect on revenue for industry 4.0 credit	90	79
Tax effect on revenue for Technological Innovation Credit.	84	60
Tax effect on revenue for SME listing credit.	-	120
Tax effect on revenue for ACE credit	-	43
Tax effect on revenue for Energy credit	-	13
Tax effect on unrecognized tax losses	(404)	(4.875)
Tax effect on other changes in increase (decrease)	(232)	(224)
Tax effect on investment income/expenses	(1.278)	2.445
Reversal of temporary differences for IRAP purposes.	(4)	(87)
Total adjustments (B)	**(1.470)**	**(1.984)**
Total actual income taxes (A+B)	**11**	**(608)**
Effective tax rate	***(0,2)%***	***10,6%***

The Company's tax position shows accumulated tax losses from 2017 to date of more than 60,546 thousand euros that could lead to a future tax benefit of approximately 14,531 thousand euros. These losses were generated mainly from prior year losses and tax benefits, from which the Group benefits permanently by virtue of its research activities which do not contribute to the tax base. Among the main tax breaks we can mention the Research and Development Credit, Technology Innovation Credit, and Industry 4.0 Credit. As of December 31, 2023, however, it was decided not to recognize deferred tax assets on tax losses in view of the uncertainties that characterize research and development activities and consequently the possibility of having convincing evidence about the ability to achieve future taxable income.

More details on the tax credits from which the Company benefits can be found in Note No. 18 to the annual financial statements.

Changes in deferred taxes during the year

The following provides details and changes in deferred tax assets and liabilities from January 1 to December 31, 2022 and January 1 to December 31, 2023, the balances of which originate exclusively from the transition entries to IAS/IFRS:

Figures in thousands of Euros	Book value as of January 1, 2022	Use	Acc.to	Book value as of December 31, 2022
Deferred tax assets				
Liabilities from contracts with customers	624	(624)	-	-
Intangible assets	1	(1)	-	-
Activities by right of use(*)	1.898	(64)	-	1.834
IAS 19 reserve - (recognized in comprehensive income)	38	(32)	-	5
IFRS 9 reserve - (recognized in comprehensive income)	-	-	33	33
Cash-flow hedge reserve (recognized in comprehensive income)	1	-	59	60
Total Deferred Tax Assets	**2.562**	**(722)**	**91**	**1.932**

Deferred tax liabilities				
Other financial assets	9	(3)	-	6
Activities by right of use(*)	1.898	(64)	-	1.834
IFRS 9 reserve - (recognized in comprehensive income)	-	-	6	6
Intangible assets	136	(13)	-	126
Total Deferred Tax Liabilities	**2.044**	**(80)**	**6**	**1.969**

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

Figures in thousands of Euros	Book value as of January 1, 2023	Use	Acc.to	Book value as of December 31, 2023
Deferred tax assets				
Activities by right of use(*)	1.834	(162)	-	1.672
IAS 19 reserve - (recognized in comprehensive income)	5	-	1	6
IFRS 9 reserve - (recognized in comprehensive income)	33	(2)	34	66
Cash-flow hedge reserve (recognized in comprehensive income)	60	(25)	17	51
Total Deferred Tax Assets	**1.932**	**(189)**	**52**	**1.795**
Deferred tax liabilities				
Other financial assets	6	-	-	6
Activities by right of use(*)	1.834	(162)	-	1.672
IFRS 9 reserve - (recognized in comprehensive income)	6	-	59	65
Intangible assets	123	(11)	-	112
Cash-flow hedge reserve (recognized in comprehensive income)	-	-	9	9
Total Deferred Tax Liabilities	**1.969**	**(173)**	**68**	**1.864**

Uncertainties regarding the accounting treatment to be applied to taxes

It should be noted that as of December 31, 2023, there are no outstanding disputes with tax authorities that could generate uncertainties regarding the treatment of income taxes.

10. Earnings/ (loss) per share

Basic loss per share was calculated by considering the loss attributable to holders of ordinary shares and the weighted average number of ordinary shares outstanding during the year ending 2023 and 2022.

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

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

Basic and diluted earnings (loss) per share	Year ended December 31	
	2023	2022
Profit (Loss) for the year - in Euro thousands (A)	(6.161)	(6.341)
Weighted average number of ordinary shares outstanding (B)	40.247.451	40.611.111
Weighted average number of potential dilutive common shares outstanding (C)	-	-
Weighted average number of outstanding share options granted (D)	-	-
Weighted average shares outstanding adjusted for dilution effects (E=B+C+D)	40.247.451	40.611.111
Basic earnings (loss) per share - in Euros (A/B*1000)	(0,15)	(0,16)
Diluted earnings (loss) per share - in Euros (A/C*1000)	(0,15)	(0,16)

(A) Profit (Loss) for the year.

(B) Weighted average number of ordinary shares outstanding.

(D) The weighted average number of outstanding weighted average number of vested share options potentially amounting to 139,000 thousand *Units* as of December 31, 2023 and 133,000 thousand *Units* as of December 31, 2022 was considered to be 0 for the purpose of the calculation because, in accordance with IAS 33, as of the end of the period these instruments did not have the necessary characteristics to be issued. For further information, please refer to Note 29 of the annual financial statements.

Activities

11. Property, plant and equipment

Changes in property, plant and equipment from January 1, 2022 to December 31, 2023 are shown below:

Figures in thousands of Euros	Plant and machinery	Industrial and commercial equipment	Leasehold improvements	Other tangible imm.ni	Imm.ni in progress and advances	Buildings and land	Total
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 of January 1, 2022	**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)	-	-
Depreciation	(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 of December 31, 2022	**5.541**	**5.366**	**139**	**364**	**25**	**-**	**11.435**
Increases	302	666	95	18	1.639	2.514	5.234
(Decreases)	-	-	-	(30)	-	-	(30)
Reclassifications	-	-	-	-	-	-	-
Depreciation	(1.016)	(1.028)	(23)	(94)			(2.161)
Historical cost	7.729	10.339	275	797	1.664	2.514	23.319
Sinking Fund	(2.902)	(5.335)	(65)	(538)	-	-	(8.841)
Net book value as of December 31, 2023	**4.827**	**5.004**	**211**	**259**	**1.664**	**2.514**	**14.478**

Plant and machinery shows an increase of 302 thousand euros and refers mainly to the equipping of laboratories and production sites instrumental to operations.

Industrial and commercial equipment shows an increase of 666 thousand euros and mainly includes the purchase cost incurred to equip the production unit in Rosia (Siena).

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

Leasehold improvements show an increase of 95 thousand euros and refer to improvements made during the year on the Group's leased properties.

Fixed assets in progress refer to advances paid for the construction of the new office building at the Rosia (Siena) site within the area currently leased by Rendo S.r.l. to Philogen S.p.A. under the lease agreement signed in May 2019. In this regard, the necessary permits for the construction of the building were obtained in February 2023 from the Municipality of Sovicille, and construction work on the new building was started. For more details, please refer to Note No. 32 on related party transactions.

Buildings and land, on the other hand, refer to the new building adjacent to its Philogen plant located in Montarioso (Siena) purchased in August 2023. For more details see the section on related party transactions.

12. Intangible assets

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

Figures in thousands of Euros	Patent rights and rights to use intellectual works	Concessions, licenses, trademarks and similar rights	Imm.ni in progress and advances	Total
Historical cost	1.852	218	-	2.071
Sinking Fund	(1.173)	(139)	-	(1.312)
Book value as of January 1, 2022	**680**	**79**	**-**	**759**
Increases	108	155	91	358
(Decreases)	-	-	-	-
Reclassifications	-	83	(83)	-
Amortization	(97)	(76)	-	(173)
Historical cost	1.907	456	8	2.653
Sinking Fund	(1.212)	(215)	-	(1.709)
Book value as of December 31, 2022	**695**	**241**	**8**	**944**
Increases	109	74	-	184
(Decreases)	-	-	-	-
Reclassifications	-	8	(8)	-
Depreciation	(137)	(94)	-	(231)
Historical cost	1.961	538	-	2.499
Sinking Fund	(1.294)	(309)	-	(1.603)
Book value as of December 31, 2023	**667**	**229**	**-**	**896**

As of December 31, 2023, the Company has more than 40 international patent families and more than 100 valid national patents. The increases recognized in the year ended December 31, 2023, amounting to 109 thousand euros, relate to expenses incurred for filing new patent applications, their nationalizations, and patent grants in specific countries of the World.

Concessions, licenses and trademarks mainly include the cost of corporate software licenses. The increases recognized in the year ended December 31, 2023, amounting to 74 thousand euros, together with reclassifications from fixed assets in progress amounting to 8 thousand euros, relate to the purchase and commissioning of a new warehouse software that enables the traceability of all materials entering the warehouse, traceability of all materials/quantities used during GMP productions, traceability of all production flows of the different processing stages, and elimination of 70% of paper documents used previously to the implementation of the ERP system and a new personnel management software that allows a better interface with the employee.

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

13. Right-of-use assets and lease liabilities

The main asset information related to the leases held by the Company, which acts solely as a lessee, is shown in the following tables:

Figures in thousands of Euros	Real Estate	Cars	IT Services	Total
Historical cost	8.176	100	68	8.344
Sinking Fund	(1.373)	(93)	(39)	(1.505)
Net book value as of January 1, 2022	**6.803**	**7**	**29**	**6.839**
Increases	347	84	212	643
(Decreases)	-	(22)	-	(22)
Depreciation	(592)	(22)	(95)	(709)
Historical cost	8.523	118	280	8.921
Sinking Fund	(1.965)	(72)	(134)	(2.171)
Net book value as of December 31, 2022	**6.558**	**46**	**146**	**6.750**
Increases	746	85	48	879
(Decreases)	-	-	-	-
Depreciation	(634)	(24)	(93)	(751)
Historical cost	9.269	203	328	9.800

Sinking Fund	(2.599)	(96)	(227)	(2.921)
Net book value as of December 31, 2023	**6.670**	**107**	**102**	**6.878**

Assets by right of use as of December 31, 2023 are mainly attributable to rents for properties used by the Company for operations. Specifically, during 2019, a project for the functional and structural reorganization 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. The increases recognized in FY 2023, amounting to 746 thousand euros, relate to Istat rent adjustments, contractually stipulated which were affected by the high rate of inflation during the perio d.

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

Figures in thousands of Euros	
Lease liabilities as of January 1, 2022	**7.015**
Increases	643
Decreases	(22)
Capital repayments	(555)
Lease liabilities as of December 31, 2022	**7.081**
Increases	879
Decreases	-
Capital repayments	(698)
Lease liabilities as of December 31, 2023	**7.261**
Of which current	713
Of which non-current	6.548

The following table shows the reconciliation of cash outflows with respect to leases for the years ending 2023 and 2022:

Figures in thousands of Euros	Year ended December 31	
	2023	2022
Real estate capital share	572	504
Interest expense for leasing (real estate)	199	193
Automobile capital share	47	25
Interest expense for leasing (cars)	2	1
Capital share IT services	79	27
Interest expense for leasing (IT services)	5	2
Total cash outflows for *leasing*	**904**	**752**

It should be noted that the Company, for the purpose of determining lease liabilities and related right-of-use assets, has applied a discount rate of 2.73% for leases related to leased real estate, cars and IT services.

As of December 31, 2023, the Company has not identified any indicators of impairment with respect to right-of-use assets.

Impairment test

We report that, as of December 31, 2023, there was no evidence that led the Directors to believe that the reasons that led to the recognition of the property, plant and equipment, intangible assets, and right-of-use assets had been disallowed; nor were there any additional indicators of impairment that led the Directors to believe that there might be an impairment of the property, plant and equipment, intangible assets, and right-of-use assets; consequently, there was no need to conduct impairment tests on the value recorded in the financial statements.

14. Participations

The following is the main information derived from the statutory financial statements of Philochem, the only subsidiary of Philogen:

Society	Registered office	Shareholding held directly or indirectly (*)	Share capital as of December 31, 2023	Equity as of December 31, 2023 ( )***	Operating income 2023 ( )***
Philochem AG	Switzerland	99,998% (**)	CHF 5,051,000	CHF 10,488,396	CHF (5,174,834)

(*) Philogen's equity stake in Philochem corresponds to the percentage of voting rights.
(**) Duccio Neri and Dario Neri each hold 1 share in Philochem.
(***) Data related to the IFRS Reporting Package (the financial statements of the subsidiary used for consolidation purposes were subject to *Limited Statutory Review by* the Auditing Company in March 2024 and will be approved by the Company's shareholders' meeting by June 2024).

Society	Registered office	Shareholding held directly indirectly (*)	Share capital as of December 31, 2023	Equity as of December 31, 2023 ( )***	Operating income 2023 ( )***
Philochem AG	Switzerland	99,998% (**)	EURO 3,501,020	11,063,498 EUROS	EURO (5,325,364)

The item Equity investments is composed as follows:

Figures in thousands of Euros	December 31, 2023	December 31, 2022
Participations	5.738	10.467
Total holdings	**5.738**	**10.467**

Changes in the value of the investment from January 1 to December 31, 2022 and from January 1 to December 31, 2023 are shown below:

Figures in thousands of Euros	January 1, 2022	FV *stock grant* 2022	Result 2022	Translation reserve	Decreases	Dividends	December 31, 2022
Participations	-	67	10.187	213	-	-	10.467
Total Investments	**-**	**67**	**10.187**	**213**	**-**	**-**	**10.467**

Figures in thousands of Euros	January 1, 2023	FV *stock grant* 2023	Result 2023	Translation reserve	Decreases	Dividends	December 31, 2023
Participations	10.467	195	(5.325)	402	-	-	5.738
Total Investments	**10.467**	**195**	**(5.325)**	**402**	**-**	**-**	**5.738**

15. Inventories

Details of inventories are as follows:

Figures in thousands of Euros	December 31 2023	December 31 2022
Raw materials and consumables	2.128	1.786
Total inventories	**2.128**	**1.786**

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

As of December 31, 2023, inventories, amounting to 2,128 thousand euros, showed an increase compared to the year ended December 31, 2022 mainly due to the increased procurement of consumables functional to the Company's operations.

16. Contract assets and liabilities

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

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

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

Contracts with positive net balance

Figures in thousands of Euros	December 31 2023	December 31 2022
Advances received from customers	(2.679)	(1.030)
Activities arising from contract	4.029	3.330
Contract activities with clients	**1.350**	**2.300**

Contracts with negative net balance

Figures in thousands of Euros	December 31 2023	December 31 2022
Advances received from customers	2.271	2.233
Revenue recognized on advances received	(1.805)	(2.233)
Liabilities from contract with customers	**466**	**-**

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

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

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

17. Trade receivables

The item "Trade receivables" consists of the following:

Figures in thousands of Euros	December 31 2023	December 31 2022
Receivables from customers	1.281	831
Intercompany Receivables	656	530
Total trade receivables	**1.937**	**1.361**

As of December 31, 2023, trade receivables from customers amounted to 1,937 thousand euros. The change from the previous year is mainly attributable to the invoicing of some of the activities completed in 2023 and stipulated in the GMP production contracts for third parties.

Overdue credit positions are monitored by administrative management through periodic analyses of major positions. The estimate of the expected loss under IFRS 9 (*"Expected Credit Loss"*) is not significant due to the type of the Company's customers, the expected contractual terms, and the timing of collection of receivables. It should be noted that, consistent with IFRS 15, the invoicing of assets does not necessarily coincide with revenue if the consideration is recognized over time.

Breakdown of receivables recorded in current assets by geographic area

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

Figures in thousands of Euros	Geographical area	
	December 31 2023	December 31 2022
Italy	198	831
European Union	470	-
Extra European Union (USA)	552	-
Extra European Union (other)	718	530
Total trade receivables	**1.937**	**1.361**

18. Tax receivables and payables

The item "Tax receivables" is composed as follows:

Figures in thousands of Euros	December 31 2023	December 31 2022
VAT Credits	3.013	2.648
Other tax receivables	96	26
Miscellaneous tax credits	4.993	4.041
Total tax credits	**8.101**	**6.715**

The item "VAT receivables" is 3,013 Euros shows an increase compared to the previous year in line with the higher costs incurred by the Company. It should be noted that the Company makes purchases mainly in Italy and sales mainly abroad, such that credit VAT cannot be offset against debit VAT.

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

"Miscellaneous tax credits," as of December 31, 2023 includes the portions of tax credits from which the Company benefits, which can be offset by the year 2024. The portion of these credits beyond the fiscal year is reclassified as non-current assets under "Other non-current assets."

Below is a breakdown of available credits as of December 31, 2023:

- research and development tax credit year 2023 in the amount of €1,161 thousand, the offsetting of which will be in three equal annual installments, in compliance with the relevant regulations (Art.1 paragraph 200 Law 160 of December 27, 2019 and subsequently amended by Art.1 paragraph 1064 Law 178 of December 30, 2020);
- research and development tax credit year 2022 in the amount of €1,812 thousand, the offsetting of which will be in three equal annual installments, in compliance with the relevant regulations (art.1 paragraph 200 Law 160 of December 27, 2019 and subsequently amended by art.1 paragraph 1064 Law 178 of December 30, 2020);
- research and development tax credit year 2021 for Euro 1,188 thousand (total research and development credit 2021 Euro 1,782 thousand) related to the remaining part to be offset in compliance with the reference legislation (art.1 paragraph 200 Law 160 of December 27, 2019 and subsequently amended by art.1 paragraph 1064 Law 178 of December 30, 2020);
- research and development tax credit year 2020 for Euro 298 thousand (total 2020 research and development tax credit, amounting to Euro 1,008 thousand) related to the remaining part to be offset in compliance with the reference legislation (art.1 paragraph 200 Law 160 of December 27, 2019);
- Technological innovation tax credit year 2023 in the amount of 350 thousand euros, the offsetting of which will be in three equal annual installments, in compliance with the relevant regulations (art.1 paragraph 200 Law 160 of December 27, 2019 and subsequently amended by art.1 paragraph 1064 Law 178 of December 30, 2020);
- Technological innovation tax credit year 2022 in the amount of 260 thousand euros, the offsetting of which will be in three equal annual installments, in compliance with the relevant regulations (art.1 paragraph 200 Law 160 of December 27, 2019 and subsequently amended by art.1 paragraph 1064 Law 178 of December 30, 2020);
- Technological innovation tax credit year 2021 for Euro 56 thousand (total technological innovation tax credit Euro 167 thousand) related to the remaining part to be offset in compliance with the reference legislation (art.1 paragraph 200 Law 160 of December 27, 2019 and subsequently amended by art.1 paragraph 1064 Law 178 of December 30, 2020);
- industry 4.0 credit, related to generic assets that came into operation in the fiscal year ending December 31, 2020 (Art.1 paragraphs 184 to 194 of Law 160/2019), in the amount of 18 thousand euros (compensation is made in five annual installments from fiscal year 2021);
- industry 4.0 credit, related to the interconnection of the new GMP production plant of the Rosia (Siena) site, for Euro 1,640 thousand (total credit Euro 2,586 thousand) for the remaining part to be offset in compliance with the reference regulations (Art.1 paragraphs 184 to 194 of Law 160/2019 and Art.1 paragraphs 1051 to 1063 of Law 178/2020).

As of December 31, 2023, the portion of the above tax credits that can be offset by December 31, 2024 is 4,994 thousand euros, while the non-current portion that can be offset starting from fiscal year 2025 is 1,790 thousand euros.

Figures in thousands of Euros	December 31 2023	December 31 2022
Tax receivables non-current portion	2.789	2.987
Other non-current assets	**2.789**	**2.987**

It should be noted that as of December 31, 2023, the item tax receivables non-current portion, includes not only the portions of the above receivables whose offsetting is provided for by law in fiscal years after 2024, but also Euro 1,000 thousand related to a foreign *withholding tax* incurred in 2023 for the sale of certain license rights.

For more information regarding the utilization rates of these receivables, see Note 28.

"Tax liabilities" is composed as follows:

Figures in thousands of Euros	December 31 2023	December 31 2022
Current income tax liabilities	-	-
Amounts owed to the tax authorities for withholding taxes	239	229
Other tax liabilities	-	57
Total tax liabilities	**239**	**286**

The Company has estimated a current tax burden of zero.

Amounts owed to the tax authorities for withholdings incurred are essentially unchanged from the previous year.

The decrease in the item other tax payables derives from the extinguishment of the debt that the Company had accrued to the tax authorities as a result of an assessment that ended with an adhesion in December 2019 and that the Company had decided to installment with quarterly payments, with the possibility of offsetting with other taxes (the debt was completely extinguished in September 2023).

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

19. Other current financial assets

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

Figures in thousands of Euros	Other current financial assets
Book values as of January 1, 2022	**95.667**
Increases	26.232
(Decreases)	(54.431)
Gains/losses from *fair value* adjustment of financial assets	(2.955)
Accrued income on coupons	121
Change in accrued income on coupons	(2.870)
Book values as of December 31, 2022	**61.764**
Increases	13.258
(Decreases)	(17.710)
Gains/losses from *fair value* adjustment	2.291
Accrued income on coupons	105
Book value as of December 31, 2023	**59.709**

The Company invests cash in excess of ordinary requirements in financial instruments in accordance with the "Investment Management Policy" approved by the Board of Directors in May 2021 and amended in October 2022 to better respond to the new market environment.

The item "Other current financial assets" includes:

i) the balance related to financial instruments held in the portfolio, consisting of insurance policies, equity instruments, and fund shares, held for contractual cash flow collection and sale and whose contractual terms do not exclusively provide for principal repayments and interest payments on the amount of principal to be

repaid (i.e., which do not pass the so-called "SPPI test"), which were compulsorily measured at *fair value* with impact recognized in profit (loss) for the period (FVTPL);

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

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

Data in Euro thousands	December 31 2023	December 31, 2022
Other financial assets (FVTPL)		
Actions	-	10
ETF	2.721	3.399
Certificates	6.361	2.334
Funds	4.059	4.192
Insurance investment products	17.938	28.905
Total	**31.079**	**38.839**
Other financial assets (FVOCI)		
Bonds	28.611	22.925
Market to Market derived CAP	20	-
Total	**28.630**	**22.925**
Total other current financial assets	**59.709**	**61.764**

The table above shows the change in *asset allocation that* occurred in FY2023 as a result of the change in the "Investment Management Policy" approved by the Board of Directors in October 2022. This change became necessary due to the instability in the financial markets throughout FY2022.

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

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

20. Other current assets

"Other current assets" consists of the following:

Figures in thousands of Euros	December 31 2023	December 31 2022
Other current receivables	429	390
Other current assets	279	226
Other current assets	**708**	**616**

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

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

21. Cash and cash equivalents

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

Figures in thousands of Euros	December 31 2023	December 31 2022
Bank and postal deposits	14.974	23.936
Cash and valuables on hand	2	2
Cash and cash equivalents	**14.976**	**23.938**

The Company holds current accounts receivable in both Euro and foreign currency (USD).

It should be noted that as of December 31, 2023, the Company held an escrow current account contract totaling 5,000 thousand euros at a rate of 2.6% maturing in May 2024 (16,000 thousand euros as of December 31, 2022). It should be noted that the term current accounts held as of December 31, 2022 generated interest income cash flows of Euro 195 thousand.

Equity and liabilities

22. Net worth

The statement of changes in shareholders' equity as of December 31, 2023 is provided in the statement of financial position section.

As already specified in the introduction, the Company on March 3, 2021 was listed on the Electronic Stock Market organized and managed by Borsa Italiana S.p.A. More specifically, 4,061,111 shares, corresponding to approximately 10% of the share capital as of the date of the start of trading, were issued at a price of 17 euros each.

A. Share capital and shares

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

Categories Actions	December 31, 2023
Ordinary shares (listed on the EXM market)	29.242.861
Special shares with multiple voting rights (class B)	11.368.250
Total	**40.611.111**

The Company has not issued any beneficial shares.

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

Ordinary shares

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

Multiple voting shares

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

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

B. Nature and purpose of reserves

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

Figures in thousands of Euros	Nature	Possible uses	December 31, 2023	December 31, 2022
Capital			5.731	5.731
Negative reserve own shares(*)			(4.840)	(2.461)
Share premium reserve	Capital	A, B, C	99.755	106.096
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
Actuarial gains/losses reserve	Useful	A, B	(17)	(14)
Cash-flow hedge reserve	Useful	A, B	145	(186)
Financial instruments valuation reserve	Useful	A, B	(1)	(87)
Reserve from translation differences	Useful	A, B	1.663	1.261
Share-based payment reserve(***)	Useful	A	519	125
Reserve restricted *stock Grant* 2024-2026 (**)	Useful	A	(124)	(124)
Retained earnings (losses)	Useful	A, B, C	-	-
Profit (loss) for the year			(6.161)	(6.341)
Net worth			**90.589**	**97.921**

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

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

(***) The Share-based Payment Reserve includes the fair value of shares granted by the 2024-2026 *Stock Grant* Plan, First Cycle. More details on the *Stock Grant* Plan can be found in Note 29.

Legend:

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

C. Share-based payment incentive plan

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

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

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

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

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

The reserve as of December 31, 2023 represents the accrued cost to date of shares to be granted to beneficiaries related to the first, second, and third grant cycles.

Please refer to Note 29 of the annual report for further information.

D. Purchases of own shares

The Shareholders' Meeting, having revoked the authorization of the Shareholders' Meeting of November 24, 2021 for the unexecuted part, resolved on April 28, 2023 to authorize the purchase of treasury shares in order to (i) build 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; (ii) fulfill obligations arising from incentive plans, whether for consideration or free of charge, in favor of corporate officers, employees or collaborators of the Group. As of December 31, 2023, the Company held 321,515 ordinary shares (for more information on the share buyback program, see Section 4.1 of the Management Report).

23. Employee benefits

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

Severance pay:

Liabilities for severance pay amounted to 1,132 thousand euros in the year ended December 31, 2023 (933 thousand euros as of December 31, 2022). Changes for the year ended December 31, 2023 and December 31, 2022 are shown below:

Figures in thousands of Euros	December 31, 2023	December 31, 2022
Balance at the beginning of the period	933	1.033
Uses	(39)	(172)
Provision for severance pay	182	171
Financial charges	53	18
Actuarial gains/(losses)	4	(117)
Total employee benefits	**1.132**	**933**

Employee-related provisions represent the estimated obligation, determined on the basis of actuarial techniques, related to the amount to be paid to employees upon termination of employment. As of December 31, 2023 and December 31, 2021, the provisions for employee benefits refer to the Employee Severance Indemnity Provision ("TFR") set aside and allocated to employees.

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

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

Economic recruitment	December 31, 2023	December 31, 2022
Annual rate of inflation	2,00%	2,30%
Annual discount rate	3,08%	3,63%
Annual rate of increase in severance pay	3,00%	3,23%

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

Demographic assumptions	December 31, 2023	December 31, 2022
Death	RG48 mortality tables published by the State General Accounting Office.	RG48 mortality tables published by the State General Accounting Office.
Inability	INPS tables separated by age and sex	INPS tables separated by age and sex
Retirement	100% upon achievement of AGO requirements adjusted to Legislative Decree No. 4/2019	100% upon achievement of AGO requirements adjusted to Legislative Decree No. 4/2019

Severance pay

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

Liabilities for severance pay amounted to 70 thousand euros in the year ended December 31, 2023 (26 thousand euros as of December 31, 2022). Changes for the year ended December 31, 2023 and December 31, 2022 are shown below:

Figures in thousands of Euros	December 31, 2023	December 31, 2022
Balance at the beginning of the period	26	-
Uses	-	-
Provision for severance pay	42	27
Financial charges	1	0
Actuarial gains/(losses)	0	(1)
Total employee benefits	**70**	**26**

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

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

Economic recruitment	December 31, 2023	December 31, 2022
Annual discount rate	3,15%	3,34%
Annual compensation revaluation rate	-	-

Demographic assumptions	December 31, 2023	December 31, 2022
Death	RG48 mortality tables published by the State General Accounting Office.	RG48 mortality tables published by the State General Accounting Office.
Inability	INPS tables separated by age and sex	INPS tables separated by age and sex
Retirement	100% upon achievement of AGO requirements	100% upon achievement of AGO requirements
Frequency of termination	0,00%	0,00%

24. Current and non-current financial liabilities

The following tables show the changes in FY2022 and FY2023 in current and non-current financial liabilities:

Figures in thousands of Euros	Liabilities financial
Financial liabilities as of January 1, 2022	**4.651**
Taking out new m/l 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)
(*Intercompany* loan repayment)	(1.950)
Financial liabilities as of December 31, 2022	**13.921**
Taking out new m/l term loans	-
Financial liability from hedging derivatives (MtM)	(244)
Liabilities for accrued interest on loans	15
Credit cards	(7)
(Repayment of principal)	(818)
(*Intercompany* loan repayment)	(5.400)
Financial liabilities as of December 31, 2023	**7.465**
Of which current	5.540
Of which non-current	1.926

Figures in thousands of Euros	December 31 2023	December 31 2022
Current financial liabilities	5.540	10.934
Non-current financial liabilities	1.926	2.987
Total financial liabilities	**7.465**	**13.921**

Financial liabilities are represented by:

- intercompany loan granted in April 2022 in the amount of 12,000 thousand euros under the policy of centralization of liquidity at the Parent Company (as of December 31, 2023, the outstanding balance of the loan was 4,650 thousand euros);
- medium-long term loan stipulated with Banca Intesa S.p.A. (formerly UBI Banca S.p.A), amounting to Euro 2,793 thousand as of December 31, 2023, and Euro 3,580 thousand as of December 31, 2022. The decrease compared to December 31 refers to the repayment of the principal amounts made during the year 2023. It should be noted that, the two loans were entered into on January 5, 2021, for a total amount of 5,000 thousand euros and are composed as follows:

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

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

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

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

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

-equity of 50 million euros or more.

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

In the year ended December 31, 2023, commercial and financial *covenants* were found to have been met.

It should also be noted that these loans were taken out in order to finance, in part, the project to expand the Rosia (Siena) site, which provides for the construction of a new biotechnology "GMP" plant intended for the production of drugs for the market and additional to the Montarioso (Siena) site concluded in 2022 intended for the production of drugs for the market.

25. Trade payables

Trade payables to suppliers amounting to 8,890 thousand euros as of December 31, 2023 (7,128 thousand euros as of December 31, 2022) are mainly attributable to payables to medical institutions at which the Company conducts clinical *trials*, payables to the subsidiary Philochem AG, and the remainder to other suppliers of services and consumables.

Figures in thousands of Euros	December 31 2023	December 31 2022
Accounts payable to third parties	7.524	6.123
Intercompany Payables	1.366	1.005
Total trade payables	**8.890**	**7.128**

Breakdown of payables by geographic area

Figures in thousands of Euros	Geographical area	
	December 31 2023	December 31 2022
Italy	2.876	2.960
European Union	2.589	2.074
Extra European Union (USA)	983	616
Extra European Union (other)	2.443	1.478
Total trade payables	**8.890**	**7.128**

26. Other current liabilities and non-current liabilities

The Company's other current liabilities as of December 31, 2023 and December 31, 2022 are detailed below:

Figures in thousands of Euros	December 31 2023	December 31 2022
Payables to social security institutions	446	368
Accrued expenses and deferred income	595	541
Other debts	960	858
Other current liabilities	**2.001**	**1.767**

"Due to social security institutions" expresses the amount of payables to INPS and INAIL for withholdings to be paid and amounted to 446 thousand Euro as of December 31, 2023, the increase is related to the increase in the number of employees in the year ended December 31, 2023.

"Other payables," amounting to 960 thousand euros as of December 31, 2023, mainly refer to:

- Payables to employees for outstanding salaries amounting to 845 thousand Euro;

- Other payables of various kinds amounting to 115 thousand Euro.

"Accrued expenses and deferred income" amounting to Euro 595 thousand are mainly attributable to the deferred income of the grant related to the Industry 4.0 tax credit certified in fiscal year 2022 for a total of Euro 2,586 thousand and specifically to its method of accounting as a grant related to the duration of depreciation of the assets subject to the facility.

For this reason, in the year ended December 31, 2023, the deferrals related to Industry 4.0 are classified under current liabilities for the portion that will be reversed to the income statement by fiscal year 2024 in the amount of 455 thousand euros (306 thousand euros as of December 31, 2022) and under non-current liabilities for the portion beyond fiscal year 2024 in the amount of 1,507 thousand euros (1,962 thousand euros as of December 31, 2022).

Below is a breakdown of Other non-current liabilities:

Figures in thousands of Euros	December 31 2023	December 31 2022
Deferred income non-current portion	1.507	1.962
Other non-current liabilities	**1.507**	**1.962**

More information

27. Commitments

It should be noted that, as of both December 31, 2023 and December 31, 2022, there are no commitments that are not reflected in the statement of financial position.

28. Information pursuant to Article 1, Paragraph 125 of Law No. 124/2017

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

Tax credits:

Nature of contribution	Contribution amount
2020 Research & Development Credit	**1.008**
Amount offset 2021	232
Amount offset 2022	447
Amount offset 2023	31
Amount to be offset 2024	298
Research & Development Credit 2021	**1.782**
Amount offset 2022	594
Amount to be offset 2023	594
Amount to be offset 2024	594
Process Innovation Credit 2021	**167**
Amount offset 2022	56
Amount offset 2023	56
Amount to be offset 2024	56
Research & Development Credit 2022	**1.812**
Amount to be offset 2023	604
Amount to be offset 2024	604
Amount to be compensated 2025	604
Process Innovation Credit 2022	**260**
Amount to be offset 2023	87
Amount to be offset 2024	87
Amount to be compensated 2025	87
Research & Development Credit 2023	**1.161**
Amount to be offset 2024	387
Amount to be compensated 2025	387
Amount to be offset 2026	387
Process Innovation Credit 2023	**350**
Amount to be offset 2024	117
Amount to be compensated 2025	117
Amount to be offset 2026	117

Industry 4.0 general goods credit year 2020	**46**
Amount offset 2021	9
Amount offset 2022	9
Amount offset 2023	9
Amount to be offset 2024	9
Amount to be compensated 2025	9
Industry 4.0 credit 2022	**2.586**
Amount offset 2022	816
Amount offset 2023	130
Amount to be offset 2023	714
Amount to be offset 2024	844
Amount to be compensated 2025	28
Amount to be offset 2026	28
Amount to be offset 2027	28
Energy credit III quarter 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
Credit listing SME	**500**
Amount offset 2022	442
Amount offset 2023	58
Total credits	**9.575**
Offset credits	2.943
To be compensated	6.783

29. Share-based payment incentive plan

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

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

Specifically:

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

Summary of the regulation

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

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

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

At the end of each Performance Period, the Board of Directors will evaluate the passing of the gate, if any, and the achievement of the performance goals, and determine the number of shares to be granted to each beneficiary. Specifically, the Board of Directors, after ascertaining, the passing of the gate, if any, will evaluate the following:

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

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

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

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

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

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

Evaluation criteria

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

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

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

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

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

First allocation cycle 2021-2024:

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

Second allocation cycle 2022-2025

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

Third allocation cycle 2023-2026

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

Overall evaluation results

With regard to the first cycle of allocation, the total *fair value* decreased from Euro 250 thousand as of December 31, 2021 (valuation year) to Euro 214 thousand (of which Euro 136 thousand related to the subsidiary and Euro 78 thousand to the Company) as of December 31, 2023 following the exit of three Group employees in 2022 and the transfer of one employee from the subsidiary to the Company. The accrued portion as of December 31, 2023 is Euro 45 thousand related to Philochem AG and Euro 23 thousand related to Philogen S.p.A.

With regard to the second round of allocation, the total *fair value amounted* to Euro 527 thousand as of December 31, 2022 (valuation year), of which Euro 367 thousand related to the subsidiary and Euro 160 thousand related to the Company. The portion pertaining to the year ended December 31, 2023 is Euro 123 thousand related to Philochem AG and Euro 52 thousand related to Philogen S.p.A.

With regard to the third allocation cycle, the total *fair value* was Euro 5,497 thousand as of December 31, 2023 (valuation year), of which Euro 951 thousand related to the subsidiary and Euro 4,547 thousand related to the Company. The portion pertaining to the year ended December 31, 2023 is Euro 26 thousand related to Philochem AG and Euro 125 thousand related to Philogen S.p.A.

30. Disclosure of financial risks

Within the scope of business risks, the main risks identified, monitored and, to the extent specified below, actively managed by the Company are as follows:

- *Credit Risk*

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

The book value of financial assets and contract assets 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 variables typical of the Company's customer portfolio, including the insolvency risk of the industry and country in which the customers operate. Assets under contract have as their counterparts primary pharmaceutical and multinational companies characterized by a low risk profile.

- *Liquidity risk*

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

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

The following is the maturity analysis for trade receivables and payables and financial liabilities as of December 31, 2023:

Figures in thousands of Euros	December 31, 2023				
	Within 90 days	90 days to 1 year	1 to 5 years	Over 5 years	Total
Liabilities for leasing	176	538	2.646	3.902	7.261
Financial liabilities	4.910	630	1.926	-	7.465
Trade payables	8.890	-	-	-	8.890
Total	**13.975**	**1.168**	**4.571**	**3.902**	**23.617**

Figures in thousands of Euros	December 31, 2023				
	Within 90 days	90 days to 1 year	1 to 5 years	Over 5 years	Total
Trade receivables	1.937	-	-	-	1.937
Total	**1.937**	**-**	**-**	**-**	**1.937**

In addition, the Company holds, in addition to cash and cash equivalents, a portfolio of financial investments totaling 59,709 thousand euros as of December 31, 2023, which is readily liquid and can be used to meet any liquidity needs. Please refer to Note No. 19 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 optimizing investment returns.

- *Foreign exchange risk*

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

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

In the year ended December 31, 2023, revenues from contracts with customers were mainly realized in Euro (the Company's functional currency) and accounted for approximately 91% of total revenues.

The following is a breakdown of revenues with customers by currency for the year ended December 31, 2023 and 2022:

Figures in thousands of Euros	Year ended December 31			
	2023	%	2022	%
U.S. dollar (USD)	511	2%	2.233	34%
Euro (EUR)	21.515	91%	2.806	42%
Swiss Franc (CHF)	1.712	7%	1.599	24%
Total revenue from contracts with customers	**23.738**	**100%**	**6.639**	**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 December 31, 2023 and December 31, 2022:

Figures in thousands of euros in absolute value	Year ended December 31	
	2023	2022
U.S. dollar (USD)	5	22
Euro (EUR)	215	28
Swiss Franc (CHF)	17	16
Total effect on revenue from contracts with customers	**237**	**66**

The Company also incurs operating costs in foreign currencies, and, mainly in U.S. Dollars and Swiss Francs. The following is a breakdown of operating costs by currency for the years ended December 31, 2023 and December 31, 2022:

Figures in thousands of Euros	Year ended December 31			
	2023	%	2022	%
U.S. dollar (USD)	930	3%	909	4%
Euro (EUR)	24.999	85%	20.213	89%
Pounds Sterling (GPB)	6	-	3	-
Canadian dollar (CAD)	1	-	-	-
Polish Zloty (PLN)	9	-	6	-
Swiss Franc (CHF)	3.613	12%	1.479	7%
Total operating costs	**29.558**	**100%**	**22.610**	**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 December 31, 2023 and 2022:

Figures in thousands of euros in absolute value	Year ended December 31	
	2023	2022
U.S. dollar (USD)	9	9
Euro (EUR)	250	202
Pounds Sterling (GPB)	-	-
Canadian dollar (CAD)	-	-
Polish Zloty (PLN)	-	-
Swiss Franc (CHF)	36	15
Total effect on operating costs	**296**	**226**

The Company does not adopt exchange rate hedging instruments.

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

Figures in thousands of Euros	December 31 2023	December 31 2022
EUR	58.620	59.768
GBP	-	-
RUB	-	-
USD	1.089	1.996
CHF	-	-
TRY	-	-
Total Current Financial Assets	**59.709**	**61.764**

- *Financial investment risk management*

Following careful financial planning Philogen invested the portion of cash in excess of ordinary cash needs in current financial assets. Investments were chosen on the basis of monitoring and consultations with the study office of the securities' custodian bank. Constant information regarding the solvency of issuers, country risk, as well as market variables are made available to the company in order to put in place prompt corrective actions.

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

Country risk management

The Company does not operate with countries that are unstable economically, politically or socially. By virtue of the ESMA recommendations, published on March 14, 2022, the Company despite not having relations with Russia and Ukraine, continues to monitor the impact on financial markets of the War in Ukraine and the sanctions adopted against Russia.

31. Disclosure of financial instruments

Categories of financial assets and liabilities

The following tables provide a breakdown of financial assets and liabilities by category, in accordance with IFRS 9, as of December 31, 2023 and December 31, 2022.

Figures in thousands of Euros	December 31, 2023	December 31 2022
Financial assets:		
Financial assets measured at amortized cost		
Trade receivables	1.937	1.361
Current financial assets	-	-
Cash and cash equivalents	14.976	23.938
Other current assets	708	616
Financial assets measured at *fair value*		
Current financial assets	59.709	61.764
Non-current financial assets	-	-
Total financial assets	**77.331**	**87.680**
Financial liabilities measured at amortized cost		
Non-current financial liabilities	1.926	2.987
Non-current lease liabilities	6.548	6.471
Current financial liabilities	5.540	10.934
Current lease liabilities	713	610
Trade payables	8.890	7.128
Other current liabilities	2.001	1.767
Total financial liabilities	**25.618**	**29.897**

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

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

Fair value disclosure

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

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

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

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

Financial assets related to level 1 of the *fair value* hierarchy refer to portfolio securities related to bonds, equities and units of investment funds listed on regulated markets. Please refer to Note No. 19 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 19 for more details on the nature of these assets).

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

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

32. Related parties

Total related party transactions are summarized below.

Year ended December 31, 2022

Figures in thousands of euros	Related part						
	Rendo Ltd.	Philochem AG	Strategic executives	Directors and endoconsilairi bodies	Board of Auditors	Total	Inc. % on budget 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%
Accounts payable 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 cost	-	-	660	-	-	**660**	9%
Financial income	-	8	-	-	-	**8**	1%
Financial charges	193	76	-	-	-	**269**	5%
Result from participation	-	10.187	-	-	-	**10.187**	100%

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

Year ending December 31, 2023

Figures in thousands of euros	Related part							
	Rendo Ltd.	Philochem AG	Nerbio S.r.l	Strategic executives	Directors and endoconsilairi bodies	Board of Auditors	Total	Inc. % on budget item
Statement of financial position								
Activities by right of use	6.548	-	-	-	-	-	**6.548**	95%
Participation	-	5.733	-	-	-	-	**5.733**	100%
Trade receivables	-	656	4	-	-	-	**661**	34%
Financial liabilities for non-current leases	582	-	-	-	-	-	**582**	82%
Financial liabilities for current leases	6.395	-	-	-	-	-	**6.395**	98%
Current financial liabilities	-	4.650	-	-	-	-	**4.650**	84%
Employee benefits	-	-	-	-	70	-	**70**	6%
Trade payables	-	1.360	-	-	-	-	**1.360**	15%
Accounts payable to corporate bodies(*)	-	-	-	-	16	60	**76**	1%
Other current liabilities	-	-	-	51	175	-	**226**	11%
Profit and loss account								
Revenues from contracts with customers	-	659	4	-	-	-	**663**	3%
Depreciation	595	-	-	-	-	-	**595**	19%
Costs for services	-	3.272	-	-	1.020	63	**4.355**	29%
Personnel cost	-	-	-	660	-	-	**660**	8%
Financial charges	197	220	-	-	-	-	**417**	30%
Result from participation	-	5.325	-	-	-	-	**5.325**	100%

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

It should be noted that during the year ended December 31, 2023, intercompany contracts worth a total of 3,272 thousand euros were signed for research and development activities and services performed by the subsidiary Philochem A.G for the benefit of the Company. All transactions were carried out at market values. Likewise, the company Philogen also performed administrative and *subcontracting* services for the subsidiary Philochem totaling Euro 659 thousand.

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

Relations with Rendo S.r.l.

With regard to dealings with Rendo S.r.l., the above balances mainly refer to rentals for the following properties:

- production plant in Montarioso (Siena) and plant in Rosia (Siena), used as the administrative and operational headquarters of Philogen S.p.A. Regarding this case, following the Company's strong growth and expansion, it became necessary to reevaluate and revise the company's areas and spaces in order to build an office building within the area currently leased by Rendo S.r.l. to Philogen S.p.A. under the lease agreement signed in May 2019. In this regard, the necessary permits for the construction of the property were obtained in February 2023 from the Municipality of Sovicille, and construction work on the new building was started. Once the building is completed. The activities for the construction of the building, the cost of which was borne by Philogen and has been inscribed in the amount of 1,639 thousand euros under fixed assets in progress, have not been completed to date. Upon completion of the property, Rendo S.r.l. and Philogen S.p.A. will revise the existing lease agreements.

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

In relation to relations with the Company's Directors, Edoconsulting 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 of euros	December 31, 2023	December 31 2022
Duccio Neri - Executive Chairman	300	300
Dario Neri - CEO	150	150
John Neri - Managing Director	90	90
Sergio Gianfranco Luigi Maria Dompé - Councilor	30	30
Roberto Marsella - Councilor	-	11
Nathalie Francesca Maria Dompé - Councilor	30	30
Leopoldo Zambeletti Pedrotti	30	30
Roberto Ferraresi	32	32
Guido Guidi	32	32
Marta Bavasso (*)	30	30
Maria Giovanna Calloni	32	21
Total compensation	**755**	**756**
Monetary incentive plan (***)	153	153
Severance pay(****)	42	149
Total	**950**	**1.058**

(*) Lead independent director.

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

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

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

ii) Strategic executives

Figures in thousands of euros	December 31, 2023	December 31 2022
Duccio Neri	100	100
Dario Neri	350	350
John Neri	210	210
Compensation Strategic executives	**660**	**660**

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

iii) Board of Auditors

Figures in thousands of euros	December 31, 2023	December 31 2022
Stefano Mecacci - President	27	27
Pierluigi Matteoni - Statutory Auditor	18	18
Alessandra Pinzuti - Statutory Auditor	18	18
Remuneration Board of Auditors	**63**	**63**

iv) Endoconsiliar organs

Figures in thousands of euros	December 31, 2023	December 31 2022
Marta Bavasso	30	30
Roberto Marsella	-	7
Leopoldo Zambeletti Pedrotti	-	3
Roberto Ferraresi	20	17
Maria Giovanna Calloni	20	13
Endoconsiliar Committees Compensation.	**70**	**70**

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

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

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

33. Events occurring after the end of the fiscal year

No significant events occurred after the close of the fiscal year as of December 31, 2023.

Accounting principles

34. Evaluation criteria

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

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

35. Main accounting principles

Drafting criteria

The 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 applicable provisions set forth by the national legislature and Consob. The schedules used are considered adequate for the purpose of fair representation (fair) of the Company's financial position, financial performance and cash flows; in particular, the income statements reclassified by nature are considered to provide reliable and relevant information for the purpose of fair representation of the Company's economic performance. The schedules that make up the Financial Statements are as follows:

Statement of financial position

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

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

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

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

Statement of income statement

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

Statement of comprehensive income

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

Statement of Changes in Equity

The statement shows the changes in equity items related to:

- Allocation of the profit for the year of the Company and subsidiaries to third-party shareholders;
- Amounts related to transactions with shareholders (purchase and sale of own shares);

vi) each item of profit and loss net of any tax effects, which, as required by IFRS are alternatively charged directly to equity (gains or losses from buying and selling treasury shares, actuarial gains and losses generated by valuation of defined benefit plans), or have a balancing entry in an equity reserve (share-based payments for incentive plans);
vii) Changes in valuation reserves of derivative instruments hedging future cash flows, net of any tax effect.

Cash flow statement

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

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

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

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

Cash equivalents include short-term restricted bank deposits.

Foreign currency

Foreign currency transactions

Foreign currency transactions are translated into the Company's functional currency at the exchange rate in effect on the date of the transaction.

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

Foreign management

Assets and liabilities of the foreign operations, including goodwill and *fair value* adjustments arising from the acquisition, are translated into euros using the exchange rate recognized as of the reporting date. Revenues and expenses of foreign operations are translated into Euro using the exchange rate in effect on the date of the transactions. Exchange rate differences are recognized in other comprehensive income and included in the translation reserve, except for exchange rate differences that are attributed to minority interests. When the 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 it, the amount accumulated in the translation reserve relating to that foreign operation is reclassified to net income/(loss) for the year as an adjustment to the gain or loss on disposal.

Revenues from contracts with customers

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

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

(i) Customer contract identification;

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

(iii) Pricing of the transaction;

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

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

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

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

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

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

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

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

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

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

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

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

Type of consideration	**Accounting Recognition**
Up-front Fees	They represent consideration received in advance at the conclusion of the contract. If referring to the granting of license fees, they are recognized: 1. *at point in time*, in case they take the form of intellectual property use rights; 2. *over time*, in case they take the form of intellectual property access rights. If specific goods/services transferred to the customer are not identified when the *up-front fee is* collected, this collection represents an advance and is recognized as revenue in the future when *performance obligations* are met ("*over time*"). The Company issues an invoice for the *up-front fee* at the same time as the contract is signed. This invoice is usually due in 30 days. The payment terms do not include trade discounts.
Commercial Options (so-called "*Commercial Option Fees*")	If the license right is separable from other obligations to do, they are recognized as intellectual property use rights and the related revenue is recognized *at a point in time* when such license right is granted. If the license right is not separable from the other obligations to do, such collection represents an advance and is recognized as revenue in the future when the *performance obligations* are met ("*over time*"). The Company invoices for the *commercial option fee* at the same time that the customer notifies the Company of the customer's willingness to exercise said option. Such an invoice is usually due in 30 days. The payment terms do not include commercial discounts.
Milestones	They represent variable payments contingent on the achievement of certain significant goals in product development (e.g., the start of Phase III clinical trials). At contract execution, management assesses whether achievement of the *milestones* is highly probable and estimates the amount to be included in the transaction price using the *most probable* value method ("*most likely amount*"). If it is likely that there will be no subsequent significant revenue reversal, the *milestone* value is included in the transaction price. Payments related to events that are not under the Company's control and that typically depend on obligations to do on the part of the counterparty (such as product approval by regulatory authorities or achievement of customer-led research *milestones*) are not considered highly probable until there is certainty that the *milestone* will be achieved (e.g., a communication from the customer or regulatory authorities). At the end of each fiscal year, management reassesses the probability of achieving all *milestones* and, if necessary, adjusts its estimate of the overall transaction price. The Company issues an invoice for the *milestone at* the same time that the customer notifies the company that the goal/event has been achieved. This invoice is due, usually, in 30 days. Payment terms do not include trade discounts.

Royalties (based on sales)	The Company recognizes sales-based royalty revenue only when (or as) the latest of the following events occurs: 1. The subsequent sale or use; and 2. The fulfillment (or partial fulfillment) of the obligation to do to which all or part of the sales-based royalty was assigned.

With regard to *other performance obligations* contained in contracts (typically consisting of the performance of research and development services or the sale of GMP products), the Company recognizes 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 client simultaneously receives and uses the benefits from the service performed by the Company as the latter performs it;
ii. the Company's performance creates or improves the activity that the customer controls as the activity is created or improved;
iii. the service does not create an asset that presents an alternative use for the Company, and the latter has the enforceable right to payment of the completed service up to the relevant date.

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

Public grants

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

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

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

Cost recognition

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

Financial income and expenses

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

Borrowing costs are accounted for on an accrual basis and recognized in the income statement in the year they accrue.

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

Taxes

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

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

(i) Current taxes

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

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

(ii) Deferred taxes

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

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

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that future taxable income will be available against which such assets can be used. Future taxable income is defined on the basis of the reversal of the related deductible temporary differences. If the amount of taxable temporary differences is not sufficient to fully recognize a deferred tax asset, future taxable income, adjusted for the cancellations of outstanding temporary differences, provided for in the 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 realized. These reductions must be restored when the probability of future taxable income increases.

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

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

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

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

Operating income

Operating income is determined by the 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 operating income.

Earnings/loss per share

Basic earnings per share were calculated by considering the profit attributable to holders of ordinary shares and the weighted average number of ordinary shares outstanding during the 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 dilutive effect of potential ordinary shares was calculated based on the *treasury share method* required by IAS 33.

Property, plant and equipment

iii) *Survey and evaluation*

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

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

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

iv) *Subsequent costs*

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

v) *Depreciation*

Depreciation of an item of property, plant and equipment is calculated to reduce the cost of that item by a straight-line basis, net of its estimated residual value, over the item's useful life. Depreciation is generally recognized in profit/(loss) for the year under "Depreciation and amortization." 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 fiscal year and adjusted where necessary.

Intangible assets

iv) *Survey and evaluation*

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

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

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

v) *Subsequent costs*

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

vi) Depreciation

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

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

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

Depreciation methods, useful lives, and residual values are reviewed at each fiscal year-end and modified 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. To assess 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 inception of the contract or upon modification of a contract that contains a lease component, the Company allocates the contract consideration to each lease component on the basis of its stand-alone price.

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

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

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

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

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

- fixed payments (including substantially fixed payments);
- Variable lease payments due that depend on an index or rate, initially evaluated using an index or rate on the effective date;
- The amounts expected to be paid as collateral on the residual value; and
- the exercise price of a purchase option that the Company is reasonably certain to exercise, payments due for 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 amortized cost using the effective interest method and is remeasured when there is a change in the future lease payments due resulting from a change in the index or rate, when there is a change in the amount the Company expects to have to pay as security on the residual value, or when the Company changes its valuation by reference to whether or not it exercises an option to purchase, extend, or terminate, or when there is a revision in the payments due for the lease that is fixed in substance.

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

The Company has applied IFRS 16 using the modified retroactive application method as of January 1, 2019.

Short-term leasing and leasing of low-value assets

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

Equity investments in subsidiaries, joint ventures and associated enterprises

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, affiliates, and joint ventures are included in the financial statements from the date when control, significant influence, or joint control begins and until such situation ceases to exist.

The financial statements of subsidiaries, associates and joint ventures are appropriately amended and reclassified, where necessary, to conform to international accounting standards and uniform classification criteria within the Group.

In applying the equity method, an investment in a subsidiary, associate, or joint venture is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the investee's profits or losses realized after the date of acquisition. The investor's share of the investee's profit (loss) for the year is recognized in the separate income statement. Dividends received from an investee reduce the carrying value of the investment. Adjustments to the carrying value of the investment are also due to changes in items in the investee's other comprehensive income (e.g., changes arising from foreign currency translation differences). The investor's share of such changes is recognized in other comprehensive income. If an entity's share of losses in a subsidiary, associate, or joint venture equals or exceeds its interest in the subsidiary, associate, or joint venture, the entity discontinues recognition of its share of the additional losses. After the interest is reduced to zero, the further losses are accrued and recognized as a liability only to the extent that the entity has incurred implied legal obligations or made payments on behalf of the subsidiary, associate or joint venture. If the subsidiary or associate or joint venture later makes profits, the entity resumes recognizing its share of profits only after it has equalized its share of unrecognized losses. Gains and losses arising from "upward" and "downward" transactions between an entity and a subsidiary, associate or joint venture are recognized in the entity's financial statements only to the extent of the minority interest in the subsidiary, associate or joint venture. The investor's share of the subsidiary's, associate's, or joint venture's profits and losses resulting from such transactions is eliminated in the income statement line "income from investments" with an offset against 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 equity investment is subjected to the impairment test procedure, described in the section "Impairment" to which we refer for more details.

Finally, please note that the separate financial statements are prepared in the currency of the primary economic environment in which the subsidiary, associate or joint venture operates (functional currency). For the purpose of applying the equity method, the financial statements of each foreign entity are expressed in euros, which is the functional currency of Philogen S.p.A. and the presentation currency of the separate financial statements.

All assets and liabilities of foreign companies in currencies other than the euro are translated using the exchange rates prevailing on the balance sheet date (current exchange rate method). Income and expenses are translated at the average exchange rate for the year. Foreign exchange differences resulting from the application of this method, as well as foreign exchange differences resulting from a comparison of opening shareholders' equity converted at current exchange rates and the same converted at historical exchange rates, flow through the statement of comprehensive income and are accumulated in a special equity reserve until the investment is sold.

The exchange rates used to translate the financial statements of subsidiaries, affiliates and joint ventures into euros are shown in the appropriate table:

Currency	Change Punctual December 31, 2023	Average Exchange Rate December 31, 2023	Change Punctual December 31, 2022	Average Exchange Rate December 31, 2022
Swiss Franc	0,9260	0,97173	0,9847	1,0052

Inventories

Inventories are valued at the lower of purchase or production cost and net realizable value. Purchase cost is defined as the actual purchase price plus ancillary charges. The purchase cost of materials includes, in addition to the price of the material, the costs of transportation, customs, other taxes, and other costs directly attributable to that material. Returns, trade discounts, rebates and premiums are deducted from cost. Production cost means all direct costs and indirect costs for the portion reasonably attributable to the product relating to the period of manufacture and up to the time from which the good can be used, considered on the basis of normal production capacity. Realization value that can be inferred from market trends is equal to the estimated selling price of goods and finished products in the normal course of business, net of assumed completion costs and direct selling costs. For the purpose of determining the realizable value inferable from market trends, the rate of obsolescence and the turnaround time of inventories are taken into account, among other things. The cost of inventories is determined using the weighted average cost method. In the case of inventories of goods produced by the Company, the cost includes a share of overhead expenses determined on the basis of normal production capacity.

Financial instruments

iv) Survey and evaluation

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

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

Classification and subsequent evaluation

Financial assets:

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

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

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

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

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

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

Upon initial recognition of an equity security not held for trading purposes, the 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 amortized 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 amortized cost or FVOCI.

Financial activities: business model assessment

With specific reference to the Business Model, IFRS 9 identifies three different business models, which in turn reflect the ways in which financial activities are managed:

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

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

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

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

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

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

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

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

In assessing whether the contractual cash flows consist solely of principal and interest payments, the Company considers the contractual terms of the instrument. Therefore, it assesses, among others, whether the financial asset contains a

contractual term that changes the timing or amount of contractual cash flows such that the following condition is not met. For evaluation purposes, the Company considers:

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

The prepayment element is consistent with the criterion of "cash flows represented solely by payments of principal and interest" when the prepayment amount substantially represents the unpaid amounts of principal and accrued interest on the principal amount to be repaid, which may include reasonable compensation for early termination of the contract. In addition, in the case of a financial asset acquired at a significant premium or discount to the nominal contractual amount, an item that allows or requires a prepayment equal to an amount that substantially represents the nominal contractual amount plus accrued (but unpaid) contractual interest (which may include reasonable compensation for early termination of the contract) is accounted for in accordance with this criterion if the *fair value* of the prepayment item is not significant upon initial recognition.

Financial assets: subsequent valuation and gains and losses

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

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

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

v) Accounting elimination

Financial assets

Financial assets are derecognized when the contractual rights to the cash flows from them expire, when the contractual rights to receive the cash flows under a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred, or when the 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 involving the transfer of assets recognized in its statement of financial position, but retains all or substantially all of the risks and rewards of the transferred asset. In such cases, the transferred assets are not derecognized.

Financial liabilities

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

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

vi) Compensation

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

Impairment losses

v) Financial instruments and assets arising from contracts

The Company recognizes allowances for expected credit losses related to:

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

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

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

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

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

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

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

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

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

Evaluation of expected credit losses

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

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

Non-financial assets

At each reporting date, the Company tests whether there is objective evidence of impairment with respect to the carrying values of its nonfinancial assets, excluding, investment properties, inventories, assets arising from contracts, and deferred tax assets. If on the basis of this review, it appears that the assets are indeed impaired, the 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 issuance of ordinary shares are recognized as a decrease in equity. Income taxes related to the transaction costs of an equity transaction are recognized in accordance with IAS 12.

Funds

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

Employee benefits

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

The 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 service in the current and previous years; this benefit is discounted and the *fair value* of any plan assets are deducted from liabilities.

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

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

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

Share-based payments

The grant date *fair value* of incentives recognized in equity-settled share-based payment granted to employees is usually recognized as an expense, with a corresponding increase in equity, over the period during which employees earn the right

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

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

Fair value assessments

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 input data used in the valuation techniques, as illustrated below.

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

Fair value is the price that would be received at the measurement date for the sale of an asset or that would be paid for the transfer of a liability in a regular transaction between market participants in the principal (or most advantageous) market to which the 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 in the asset or liability occur with sufficient frequency and volume to provide useful pricing information on an ongoing basis.

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

If an asset or liability measured at *fair value* has a bid price and a ask price, the Company values active and long positions at the bid price and passive and short positions at the ask price.

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

Operating area

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

- Involving revenue- and cost-generating business activities;

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

- For which separate economic and financial data are available.

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

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

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

Changes in international accounting standards, interpretations and amendments

Below are the new accounting standards, interpretations and improvements issued by the IASB and adopted as of January 1, 2023.

Amendments to IAS 12: Deferred Taxes Relating to Assets and Liabilities Arising from a Single Transaction and International Tax Reform - Second Pillar Model Rules.

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

With reference, on the other hand, to changes related to international tax reform, in December 2021 the OECD's *Inclusive Framework* approved, as part of 'Pillar 2,' the Model Global *Anti-Base Erosion* Rules (*GloBE Rules*), with the aim of curbing the transfer of profits to jurisdictions with very low or no taxation, as well as tax competition between states. Based on this new set of rules, which will be progressively implemented by individual jurisdictions, large multinational groups with consolidated revenues of €750 million or more will incur a minimum level of effective taxation of 15 percent in each jurisdiction in which they operate. The rules provide for the application of a so-called *Top-Up* Tax per jurisdiction, i.e., a top-up tax-calculated as the difference between the agreed minimum level of taxation (15 percent) and the *Effective Tax Rate* (ETR), whichever is lower-to the profits of consolidated entities and permanent establishments (*Constituent Entities*) located in one of the jurisdictions in which the group operates. Taxation is implemented through a system of interconnected rules: *the Income Inclusion Rule* (IIR), applied at the level of the parent company, and the *Undertaxed Payments* Rule (UTPR), a *backstop* rule, applied in the absence of the former at the level of the subsidiaries.

States where low-tax constituent entities are located may also choose to levy a *Qualified* domestic *top-up* tax (*QDMTT*) on profits generated there on a priority basis to collect the *top-up tax* at source.

The Company, however, does not fall within the scope of this tax as it does not belong to the category of "large multinational groups with consolidated revenues of 750 million euros or more. Therefore, the changes are not expected to have an impact on Soceity.

Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates." The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and error correction. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The

amendments are effective for fiscal years beginning on or after January 1, 2023, and apply to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period. Earlier application is permitted provided that this fact is disclosed. The changes are not expected to have a significant impact on the Group.

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

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to disclosures about accounting policies. The amendments aim to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "materiality" accounting policies; in addition, guidance is added on how entities apply the concept of materiality in making accounting policy disclosure decisions. The amendments to IAS 1 are applicable from fiscal years beginning on or after January 1, 2023, early application is permitted. Since the amendments to IFRS Practice Statement 2 Making Materiality Judgements provide non-mandatory guidance on the application of the definition of materiality to accounting policy disclosures, an effective date for these amendments is not required. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures

Accounting standards, amendments and interpretations not yet endorsed by the European Union as of December 31, 2023

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

- Amendments to IAS 1 - Non-current Liabilities with Covenants and Classification of Current and Non-current Liabilities (mandatory application from January I, 2024);
- Amendments to IFRS 16 - Lease Liabilities in a Sale and leaseback (mandatory application from January I, 2024);
- Amendments to IAS 28 and IFRS 10 - sale or contribution of assets between an investor and its related entities or joint ventures (possible optional application for which the effective date is postponed indefinitely);
- Amendments to IAS 21 - Impossibility of Foreign Exchange (effective January 1, 2025).
- Amendments to IAS 7 and IFRS 7 - Financing Arrangements with Suppliers (effective January 1, 2024).

The Company has not early adopted any principles, interpretations or improvements that have been issued but are not yet in effect.

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

Disclosure pursuant to Article 149-duodecies of the Issuer Regulation i

Figures in thousands of Euros **Type of services**	**Subject who provided the service**	**Recipient**	**notes**	**Total Compensation 2023**
Auditing	Parent Company Auditor	Group leader		203.463
Other Services	(i) Auditor of the Parent Company	Group leader	1	21.562
Total				**225.025**

1) The item refers to the attestation related to the Research and Development Credit and Net Debt verifications as of March 31 and September 30, 2023.

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 documents of Philogen S.p.A., attest, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of February 24, 1998:

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

b) The effective application, of administrative and accounting procedures for the preparation of the annual financial statements during the period from January 1 to December 31, 2023.

It is also certified that the Financial Statements as of December 31, 2023 of the Company:

- is prepared in accordance with the applicable international accounting standards recognized in the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002, as amended;

- corresponds to the findings in the books and records;

- is suitable to provide a true and fair representation of the Issuer's financial position, results of operations, and financial position.

The management report includes a reliable analysis of the performance and results of operations and the situation of the Issuer, together with a description of the main risks and uncertainties to which it is exposed.

Siena, 27 marzo 2024

Executive chairman (Duccio Neri)

Financial reporting manager (Laura Baldi)