

The background of the cover is a microscopic view of several spherical cells, likely yeast or bacteria, with a textured, bumpy surface. The cells are illuminated with a blue and purple light, creating a scientific and modern aesthetic.

FINANCIAL STATEMENTS

2022

NENTA SCIENCE SPA

Registered Office: VIA OLGETTINA, 58, 20132 MILAN (MI)

Tax code: 08738490963

REA number: MI 2045555

VAT number: 08738490963

Share capital: Euro 371,686 fully paid-up

Legal status: SOCIETÀ PER AZIONI [JOINT STOCK COMPANY]

Main business sector (ATECO): 212009

Company in liquidation: No

Single-member company: No

Company subject to the management and coordination activities: No

Member of a group: No

This document is an English translation of a document in Italian language. In preparing this document, an attempt has been made to translate as literally as possible without jeopardizing the overall continuity of the text. Inevitably, however, differences may occur in translation and if they do, the Italian text will govern by law. In this translation, Italian legal concepts are expressed in English terms and not in their original Italian terms. The concepts concerned may not be identical to concepts described by the English terms as such terms may be understood under the laws of other jurisdictions.

All amounts are stated in Euro

FINANCIAL STATEMENTS

as at 31 December 2022

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BALANCE SHEET

	as at 31/12/2022	as at 31/12/2021
Balance sheet		
Assets		
A) Subscribed capital unpaid	-	-
B) Fixed assets		
I - Intangible fixed assets	87,800	-
II - Property, plant and equipment	20,995	21,456
III - Financial fixed assets	4,350	104,420
Total fixed assets (B)	113,145	125,876
C) Current assets		
I - Inventories	-	-
Property, plant and equipment held for sale	-	-
II - Receivables		
due within 12 months	2,039,575	1,363,435
due beyond 12 months	4,407,977	4,286,488
deferred tax assets	-	-
Total receivables	6,447,552	5,649,923
III - Short-term financial assets	-	-
IV - Cash and cash equivalents	29,637,188	37,213,988
Total current assets (C)	36,084,740	42,863,911
D) Accruals and deferrals	342,050	14,592
Total assets	36,539,935	43,004,379
Liabilities and shareholders' equity		
A) Shareholders' equity		
I - Share capital	371,686	371,686
II - Share premium reserve	41,512,752	50,617,460
III - Revaluation reserves	-	-
IV - Legal reserve	10,000	10,000
V - Statutory reserves	-	-
VI - Other reserves	-2	-1
VII - Reserve for projected cash flow hedges	-	-
VIII - Retained earnings (losses)	-	-
IX - Profit (loss) for the year	-7,679,411	-9,104,708
Loss balanced during the year	-	-
X - Negative reserve for own shares in portfolio	-	-
Total shareholders' equity	34,215,025	41,894,437
B) Provisions for risks and charges	-	3,266
C) Employee severance indemnity	88,962	30,618
D) Payables		
due within 12 months	2,213,674	1,020,209
due beyond 12 months	-	-
Total payables	2,213,674	1,020,209
E) Accruals and deferrals	22,274	55,849
Total liabilities	36,539,935	43,004,379

INCOME STATEMENT

as at 31/12/2021 as at 31/12/2020

Income statement		
A) Value of production		
1) revenue from sales and services	5,967	17,293
2), 3) changes in inventories of work in progress, semi-finished and finished products and work in progress contracts	-	-
2) changes in inventories of work in progress, semi-finished and finished products	-	-
3) changes in work in progress contracts	-	-
4) increases in own work capitalised	-	-
5) other revenue and income		
grants related to income	-	150,000
Other	1,182,886	830,865
Total other revenue and income	1,182,886	980,865
Total value of production	1,188,853	998,158
B) Cost of production		
6) for raw materials, consumables and goods for resale	2,793,528	1,057,202
7) for services	7,057,003	8,657,650
8) for use of third-party assets	32,280	18,417
9) for personnel		
a) wages and salaries	1,078,134	256,687
b) social security contributions	186,795	67,842
c), d), e) employee severance indemnity, retirement pension, other personnel costs	64,169	16,930
c) employee severance indemnity	58,871	13,358
d) retirement pension and similar	5,298	3,572
e) other costs	-	-
Total personnel costs	1,329,098	341,459
10) amortisation, depreciation and write-downs		
a), b), c) amortisation of intangible fixed assets and depreciations of property, plant and equipment, other write-downs of fixed assets	5,528	4,833
a) amortisation of intangible fixed assets	-	-
b) depreciation of property, plant and equipment	5,528	4,833
c) other write-downs of fixed assets	-	-
d) write-downs of receivables included in current assets and of cash and cash equivalents	-	-
Total amortisation, depreciation and write-downs	5,528	4,833
11) changes in inventory of raw materials, consumables and goods for resale	-	-
12) provisions for risks	-	-
13) other provisions	-	-
14) other operating expenses	27,386	21,857
Total costs of production	11,244,823	10,101,418
Difference between value and costs of production (A - B)	-10,055,970	-9,103,260

C) Finance income and costs		
15) income from equity investments		
from subsidiary companies	-	-
from associated companies	-	-
from parent companies	-	-
from companies controlled by parent companies	-	-
Other	-	-
Total income from equity investments	-	-
16) other finance income		
a) from receivables entered as fixed assets		
from subsidiary companies	39,939	-
from associated companies	-	-
from parent companies	-	-
from companies controlled by parent companies	-	-
Other	-	-
Total finance income from receivables entered as fixed assets	39,939	-
b), c) from other permanent investments and from other short-term investments	-	-
b) from other permanent investments	-	-
c) from other short-term investments	-	-
d) income other than the above		
from subsidiary companies	-	-
from associated companies	-	-
from parent companies	-	-
from companies controlled by parent companies	-	-
Other	48,899	151
Total income other than the above	48,899	151
Total other finance income	88,838	151
17) interests and other finance costs		
to subsidiary companies	-	-
to associated companies	-	-
to parent companies	-	-
to companies controlled by parent companies	-	-
Other	4,149	-
Total interests and other finance costs	4,149	-
17-bis) Foreign exchange gains and losses	2,291,870	1,667
Total finance income and costs (15 + 16 - 17 + - 17-bis)	2,376,559	1,818
D) Value adjustments to financial assets and liabilities		
18) revaluations		
a) of equity investments	-	-
b) of other permanent investments	-	-
c) of other short-term investments	-	-
d) of derivative financial instruments	-	-
of financial assets for centralised treasury management	-	-
Total revaluations	-	-

19) write-downs		
a) of equity investments	-	-
b) of other permanent investments	-	-
c) of other short-term investments	-	-
d) of derivative financial instruments	-	-
of financial assets for centralised treasury management	-	-
Total write-downs	-	-
Total value adjustments of financial assets and liabilities (18 - 19)	-	-
Pre-tax profit (loss) (A - B + - C + - D)	-7,679,411	-9,101,442
20) Current income taxes, deferred tax assets and liabilities for the year		
current taxes	-	-
taxes relating to previous years	-	-
deferred tax assets and liabilities	-	3,266
income (costs) from tax consolidation/tax transparency	-	-
Total current income taxes, deferred tax liabilities and deferred tax assets for the year	-	3,266
21) Profit (loss) for the year	-7,679,411	-9,104,708

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES TO THE FINANCIAL STATEMENTS, INITIAL PART

These financial statements for the year ended 31 December 2022 show a loss for the year of Euro 7,679,411 (against a positive Shareholders' Equity of Euro 34,215,026, already including this loss).

Genenta Science S.p.A. (hereinafter also referred to as "Genenta" or the "Company") is a start-up company that does not yet generate revenues, with legal personality organised according to the laws of the Italian Republic that develops first-in-class cells and gene therapies for the fight against cancer. The Company is initially developing its lead clinical product, Temferon™, for the treatment of glioblastoma multiforme ("GBM"), a solid tumour affecting the brain. The Company intends to continue its clinical trials in Europe and possibly initiate a clinical trial in the United States to study Temferon™ in other tumours.

In December 2021, the Company completed its Listing on the Nasdaq market. The initial public offering resulted in the issue of 3,216,858 new ordinary shares with no par value and dematerialised, of which 720,114 were subscribed by the Company's historical shareholders through a Reserved Offer and 2,496,744 were subscribed by new investors through an initial placement of ADSs, "American Depository Shares", directly on the Nasdaq market.

The total number of outstanding shares resulting after the Offer is 18,216,858.

As a result of the Public Offering, the share capital was increased and totalled Euro 371,685.8.

The Company wholly controls Genenta Science, Inc, a Company under the laws of the State of Delaware (USA), for future operations in the United States.

BASIS OF PREPARATION

INTRODUCTION - CONTENTS AND FORMAT OF THE FINANCIAL STATEMENTS

The financial statements, which are a single, organic document comprising the Balance Sheet, Income Statement and these Notes to the Financial Statements, are consistent with the duly kept accounting records and are prepared in compliance with Articles 2423 et seq. of the Italian Civil Code, as well as with the accounting standards and recommendations issued by the Italian Accounting Standard Authority (O.I.C., Organismo Italiano di Contabilità).

These financial statements were prepared in condensed form pursuant to Article 2435-bis of the Italian Civil Code and without the preparation of the report on operations as the information required in points 3 and 4 of Article 2428 is contained in these notes to the financial statements. Although this is a company that does not exceed the limits envisaged by 2435-ter of the Italian Civil Code, it was deemed appropriate to prepare these notes to the financial statements in order to provide a more reliable disclosure to shareholders.

The criteria used in the preparation of the financial statements for the year ended 31 December 2022 do not differ from those used in the preparation of the financial statements for the previous period, especially in terms of the measurements and the continuity of the standards.

The financial statements as at 31 December 2022 are drawn up in Euro, without decimal fractions.

The financial statement items were measured on the basis of general prudent and accruals criteria with a view to the company as a going-concern, the substance of the transactions or contract, as well as taking into account the economic function of the asset and liability item considered. The accrual principle was followed, whereby the effect of the transactions and of the other events was recognised in the accounts and attributed to the year which these transactions and events refer to and not to the one the relevant movements (collections and payments) refer to.

Pursuant to Article 2423, the corresponding total from the previous financial period is indicated for each item. Items not expressly shown in the Balance Sheet and in the Income Statement, envisaged by Articles 2424 and 2425 of the Italian Civil Code, reflect a nil balance.

SIGNIFICANT EVENTS DURING THE YEAR

No significant events occurred during the year ended 31 December 2022.

MEASUREMENT BASES APPLIED

ART. 2427, NO. 1) MEASUREMENT BASES THAT CAN BE ADOPTED

INTANGIBLE FIXED ASSETS (ART. 2426 PAR. 1 NO. 1)

Intangible fixed assets are recorded at cost of purchase or of internal production, including all directly related charges, and are amortised on a straight-line basis with reference to the remaining useful life of the asset, by indicating explicitly the amortisation and write-downs carried out. Fixed assets whose value at the end of reporting period is less than the residual cost to amortise are posted at that lesser value; the latter is not kept if there is no longer the reason for the adjustment made. The recognition and measurement of the items included in the category of intangible fixed assets were made with the consent of the Board of Statutory Auditors.

PROPERTY, PLANT AND EQUIPMENT (ART. 2426 PAR. 1 NO. 1)

Property, plant and equipment are recognised in the financial statements according to the general criteria of production and acquisition cost, including additional charge and any other charges incurred to put the assets in a condition of usefulness for the company, as well as indirect costs for the portion reasonably attributable to the asset. These items are shown net of the related accumulated depreciation and adjusted for monetary revaluations made in accordance with the law.

Property, plant and equipment are depreciated on a straight-line basis in each financial year using depreciation rates determined with reference to the remaining useful life of the assets.

In compliance with the accounting standard OIC 16, depreciation was determined on a straight-line basis, applying the rule of using half the normal depreciation rate for assets acquired during the year, considering that the resulting deviation from the rate calculated when the asset is available for use is negligible. This depreciation procedure is applied consistently and systematically over time.

The depreciation plan would be readjusted, if necessary, only if a residual useful life other than that originally estimated was found. More specifically, in addition to the considerations of the life of the assets, all the other factors that influence the duration of their “useful” life are and will be taken into account such as,

for example, technical obsolescence, intensity of use, maintenance policies, any contractual terms for the duration of use etc.

In case of impairment, regardless of the depreciation already recorded, the fixed asset is written down accordingly; should the reason for the write-down no longer apply in future periods, then the original value is reinstated. However, the causes that may lead to such write-downs must be extraordinary and serious in nature, beyond the facts that require normal adjustments to the depreciation plan. During the financial year under review, the need did not arise to make any write-downs pursuant to Article 2426, first paragraph, no. 3, of the Italian Civil Code, exceeding the scheduled depreciation.

Ordinary maintenance costs are charged in full to the income statement. The “increasing” expenses were calculated on the purchase cost only when there was a real and “measurable” increase in productivity, the useful life of the assets or a tangible improvement in the quality of the products and services obtained, or, lastly, an increase in safety of the use of assets.

On the other hand, any other costs relating to the assets in question was charged in full to the income statement.

Assets with a unit value of less than Euro 516.46 are fully depreciated during the financial year of acquisition in consideration of their limited future use.

Contributions are recognised in the financial statements on an accrual basis only when there is certainty of payment by the issuing body. Capital contributions related to fixed assets are recorded as a reduction in the cost of the fixed assets to which they refer. Grants related to income are recognised in the income statement as income.

Assets under financial lease are recognised as assets in the year in which the right of redemption is exercised. During the lease period, the cost of the lease determined the profit or loss by debiting the lease payments recorded on an accrual basis to the income statement.

LAND AND BUILDINGS

There are no land and buildings in the financial statements.

FINANCIAL FIXED ASSETS (ART. 2426 PAR. 1 NO. 4)

Financial fixed assets include only assets that are to be used on a long-term basis. The accounting standards and measurement bases for the most important items are set out below.

Equity investments in subsidiary companies, associated companies and companies controlled by parent companies and equity investments in other companies are recognised at purchase cost including any additional subscription charges or at appraisal value for those resulting from contributions. Cost is adjusted for impairment losses.

The original value is reinstated if the reasons for previous write-downs no longer apply.

FINANCIAL FIXED ASSETS CONSISTING OF RECEIVABLES ARE MEASURED AT THEIR ESTIMATED REALISABLE VALUE.

There are no other investment securities in the financial statements.

INVENTORIES

There are no closing inventories in the financial statements.

SHORT-TERM FINANCIAL ASSETS

There are no short-term financial assets in the financial statements.

RECEIVABLES

Receivables are recognised at their estimated realisable value obtained by adjusting the nominal value with the relevant (taxed and untaxed) bad debt provision deemed adequate for reasonably foreseeable losses and not for using the amortised cost method, since the financial statements are prepared in condensed form pursuant to Art. 2435-bis of the Italian Civil Code despite the fact that the company does not exceed the limits envisaged by 2435-ter of the Italian Civil Code.

Therefore, the write-down of receivables takes into account all the individual situations that have already occurred, or that may be deduced from definite and precise information, which can give rise to a loss.

Even if known after the reporting period and up to the date of preparation of these financial statements, any insolvencies and settlements of disputed receivables are taken into account.

Receivables in foreign currency are originally recognised at the exchange rate on the day the transaction takes place. These foreign currency receivables outstanding at the end of the reporting period measured at the rates of exchange at that date and the related foreign exchange gains and losses must be recognised in the income statement.

CASH AND CASH EQUIVALENTS

The credit balances on bank deposit and current accounts mainly take into account credits, cheques and transfers with a value date no later than the end of the reporting period and are recorded at nominal value. The interest accrued for the period was recognised.

Cash in hand and other values also include unpaid bank cheques for which there is reasonable certainty that they are payable and are measured at nominal value.

Balances in foreign currency on bank accounts and at cash desks are recorded at year-end exchange rates.

ACCRUALS AND DEFERRALS

These items include portions of costs and income common to two or more years, the amount of which varies over time in accordance with the accrual and matching principle.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges are set aside to cover expected costs, losses or payables of a specific nature and the existence of which is likely, but whose amount or date of occurrence could not be determined at end of the reporting period.

The allocations reflect the most accurate estimate possible based on the available information.

The assessment of risks and charges whose actual occurrence is dependent on the occurrence of future events also takes into account information that has become available after the reporting period and up to the date of preparation of these financial statements.

DEFERRED TAXES

The annual financial statements were drawn up on an accrual basis, according to which, in the financial statements, income taxes must be calculated and recognised so as to achieve full temporal correlation with the costs and revenues that generate the profit and loss result of the period.

As a consequence, both the “current” taxes, in other words those calculated according to the tax rules, and the “deferred” taxes are recognised, where present.

Therefore, deferred tax assets and liabilities were allocated, where present, on the temporary differences between the book values in the balance sheet of assets and liabilities and their corresponding values recognised for tax purposes (capital gains, tax losses etc.), in accordance with the principle whereby provisions for risks and charges only need to be made for events that are considered to be certain or likely.

More specifically, deferred tax assets are recognised when there is reasonable certainty that there will be taxable income of no less than the amount of the differences to be offset in the financial years when the deductible temporary differences are to be settled.

On the other hand, deferred tax liabilities are not recognised if it is unlikely that the related liability will arise. Deferred tax assets, i.e., taxes that refer to future years but are payable in the current year, and deferred tax liabilities, i.e., taxes that refer to the current year but are payable in subsequent years, can be recognised in the financial statements.

At the end of each financial year, the Company checks whether, and to what extent, the conditions still apply for retaining deferred tax assets and liabilities recognised in previous financial statements, or whether the conditions for recognising assets and liabilities excluded in the past can be deemed to have been met.

EMPLOYEE SEVERANCE INDEMNITY

The employee severance indemnity is allocated to cover the entire liability accrued towards the employees in accordance with the regulations in force and with collective labour and supplementary company agreements.

This liability is subject to revaluation by applying indexes.

The employee severance indemnity is determined in accordance with Art. 2120 of the Italian Civil Code and the labour contracts in force and covers the amounts due to employees accrued at the end of the reporting period. These liabilities are subject to revaluation as required by the regulations in force.

PAYABLES

Payables are recognised at their nominal value, which represents their estimated discharge value, and not according to the amortised cost method, as these are financial statements prepared in condensed form pursuant to Art. 2435-bis of the Italian Civil Code despite the fact that the company does not exceed the limits envisaged by 2435-ter of the Italian Civil Code.

Payables in foreign currencies are originally recognised at the exchange rate on the day the transaction takes place. These payables in foreign currency outstanding at the end of the financial year are measured at the rates of exchange at that date and the related foreign exchange gains and losses must be recognised in the income statement.

COST AND REVENUE RECOGNITION

Costs and revenues are recognised in the financial statements according to the principles of prudence and on an accrual basis by recording the relevant accruals and deferrals. Revenue and income are entered net

of returns, discounts, rebates and bonuses, as well as taxes directly related to the sale of products and provision of services.

Costs and expenses are recognised net of any returns, discounts, rebates and bonuses, as well as taxes directly related to the purchase of goods or services.

Exceptional income and expenses are disclosed separately by amount and nature.

Revenue from the sale of finished products is recognised on transfer of ownership that normally takes place on delivering or shipping the goods.

On the other hand, income from the provision of services were recognised only at the time of their provision. Financial and service revenues are recognised on an accrual basis.

DIVIDENDS

Dividends are recognised in the year in which they are approved.

INCOME TAXES FOR THE YEAR

They are recognised on the basis of estimated taxable income in accordance with the provisions in force taking into account applicable exemptions and tax credits due.

Income taxes for the period are determined on the basis of a realistic forecast of tax burdens to be discharged in compliance with the tax regulations in force; the expected payable, taking into account advances paid and withholding taxes incurred in accordance with the law, is entered under “Tax payables” if it is a net debt and under “Tax receivables” if it is a net credit.

VALUATION OF MONETARY ASSETS AND LIABILITIES IN CURRENCIES OTHER THAN THE EURO (ART. 2426 NO. 8BIS)

Monetary assets and liabilities in foreign currencies, other than fixed assets (intangible, property, plant and equipment and equity investments), which were already recognised during the year at the exchange rates in force on the date of the transaction – were recognised at the spot exchange rate at the end of the year. This adjustment resulted in the recognition of “differences” (foreign exchange gains or losses) in the income statement, in the item “C17-bis foreign exchange gains and losses”.

In accordance with the provisions of Article 2426, no. 8-bis), of the Italian Civil Code, the profit for the year, for the portion attributable to net foreign exchange gains, must be allocated to a special reserve that cannot be distributed until it is actually realised.

In order to calculate the “differences” referred to above, the following exchange rates recorded as at 31 December 2022 were used:

- 1 EURO = 1,0666 USD
- 1 EURO = 0,8869 GBP

Fixed assets in foreign currencies (non-monetary assets and liabilities in foreign currencies) are recorded at the exchange rate in force at the time of their purchase.

Lastly, note that the above valuations were carried out with a view to the company as a going concern and on the basis of a valuation scenario with matching maturities for the assets and liabilities involved.

Note also that there are no receivables and payables not originally stated in a currency other than the reporting currency that have been “hedged” by “forward transactions,” “domestic swaps”, “options” etc.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS - ASSETS

SUBSCRIBED CAPITAL UNPAID

There is no subscribed capital unpaid against subscribed share capital.

FIXED ASSETS

CHANGES IN FIXED ASSETS

ANALYSIS OF CHANGES IN FIXED ASSETS

	Intangible fixed assets	Property, plant and equipment	Financial fixed assets	Total fixed assets
Value at the beginning of the year				
Cost		28,189	104,420	132,609
Depreciation (Accumulated depreciation)		6,733		6,733
Book value		21,456	104,420	125,876
Changes during the year				
Increases due to acquisitions	87,800	6,011		93,811
Decreases for sales and disposals (of book value)		1,683	100,070	101,753
Depreciation for the year		5,528		5,528
Other changes		739		739
Total changes	87,800	-461	-100,070	-12,731
Value at the end of the year				
Cost	87,800	32,517	4,350	124,667
Depreciation (Accumulated depreciation)		11,522		11,522
Book value	87,800	20,995	4,350	113,145

INTANGIBLE FIXED ASSETS

CHANGES IN INTANGIBLE FIXED ASSETS

ANALYSIS OF CHANGES IN INTANGIBLE FIXED ASSETS

	Intangible fixed assets in progress and advances	Total intangible fixed assets
Changes during the year		
Increases due to acquisitions	87,800	87,800
Total changes	87,800	87,800
Value at the end of the year		
Cost	87,800	87,800
Book value	87,800	87,800

Intangible fixed assets amounted to Euro 87,800 and refer to advance payments made to suppliers for the implementation of the new Oracle Netsuite management platform, the amortisation of which will begin in 2023 after it becomes operational.

PROPERTY, PLANT AND EQUIPMENT

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

ANALYSIS OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT

	Other property, plant and equipment	Total Property, plant and equipment
Value at the beginning of the year		
Cost	28,189	28,189
Depreciation (Accumulated depreciation)	6,733	6,733
Book value	21,456	21,456
Changes during the year		
Increases due to acquisitions	6,011	6,011
Decreases for sales and disposals (of book value)	1,683	1,683
Depreciation for the year	5,528	5,528
Other changes	739	739
Total changes	-461	-461
Value at the end of the year		
Cost	32,517	32,517
Depreciation (Accumulated depreciation)	11,522	11,522
Book value	20,995	20,995

The changes in 2022 refer to the purchase of laptops and mobile phones for use by employees. The disposals refer to the sale of used mobile phones by employees.

FINANCIAL LEASE OPERATIONS

ART. 2427, NO. 22) - FINANCIAL LEASE OPERATIONS

There are no financial lease operations in the financial statements.

FINANCIAL FIXED ASSETS

Financial fixed assets refer to the equity investment in the subsidiary Genenta Science Inc. based in the USA (State of Delaware) established in May 2021, 100% controlled and recognised at the value of Euro 1,000 and to guarantee deposits of Euro 3,350 paid to Ospedale San Raffaele to guarantee the office rental contract.

CHANGES IN EQUITY INVESTMENTS, OTHER SECURITIES AND DERIVATIVE FINANCIAL ASSETS CLASSIFIED AS FIXED ASSETS

ANALYSIS OF CHANGES IN EQUITY INVESTMENTS, OTHER SECURITIES AND DERIVATIVE FINANCIAL ASSETS CLASSIFIED AS FIXED ASSETS

	Equity investments in subsidiary companies	Total equity investments
Value at the beginning of the year		
Cost	1,000	1,000
Book value	1,000	1,000
Value at the end of the year		
Cost	1,000	1,000
Book value	1,000	1,000

The equity investment in the subsidiary Genenta Science Inc. is measured at the underwriting cost. The cost is written down for impairment losses, if any, in the event that the investee has incurred losses and no profits are foreseeable in the immediate future that would absorb such losses. The original value is reinstated in subsequent years if the reasons for the write-down no longer apply.

Key information and financial highlights for the financial statements as at 31 December 2022 of Genenta science Inc. are shown below:

- Company name: GENENTA SCIENCE INC.
- Registered Office: 8 The Green, Ste A 19901 Dover Delaware (DE) USA
- Share capital: USD 1,000
- Shareholders' equity value as at 31 December 2022: USD 4,607.40 equivalent to Euro 4,319.71
- (Profit) Loss for the year as at 31 December 2022: USD (123,538.13) equal to (€ 117,221.83)

Genenta Science Inc. is profitable and there are no grounds for any write-downs even though the shareholders' equity as at 31 December 2022 is negative by approximately Euro 4 thousand. In fact, this negative value is considered temporary since the subsidiary is destined to achieve economic and financial equilibrium thanks to a contractual arrangement with the parent company as described below.

The Company Genenta Science Inc. hired *Chief Financial Officer* Richard Slansky and *Chief Medical Officer* Carlo Russo, who are already serving as Top Managers of Genenta Science S.p.A. at the end of the 2021 financial year, following the successful listing of the Parent Company.

Subsequently, during 2022, Tim Obara was hired as *Head of Business Development* of Genenta Science S.p.A. and a new *Accounting Manager* was hired to take care of the administrative side mainly of Genenta Science Inc. and at the same time to collaborate with the administrative team of Genenta Science S.p.A.

Between Genenta Science S.p.A. and Genenta Science Inc. there is an interest-bearing intercompany loan agreement, which is provided by the Parent Company to the Subsidiary on a variable basis during the year and based on the financial needs of the latter, mainly related to the payment of the salaries of the hired personnel, and a commercial *Service Level Agreement* for the charge-back of the portion of the labour costs directly incurred by Genenta Science Inc. but relating to Genenta Science S.p.A. as the ultimate beneficiary of the activities mainly performed by the Top Management as described above.

The loan is subject to the applicable federal rate (AFR) as the minimum interest rate that the *Internal Revenue Service* (IRS - the federal agency responsible for collecting taxes and enforcing tax laws in the United States) allows for private loans. For the purpose of applying this interest rate, the loan granted is considered to be short-term since the amounts disbursed are offset at least on a half-yearly basis against the amounts due to the Subsidiary as a result of the charge-backs of labour costs generated by the application of the Service Level Agreement. Moreover, the duration of the loan is initially set until 31 December 2022. It is automatically renewed on an annual basis.

If the loan were to be repaid (or set off) in whole or in part before the end of an annual period, interest would be calculated *pro rata temporis*.

Under the *Service Level Agreement*, Genenta Science Inc. charges back Genenta Science S.p.A. on a quarterly basis for labour costs attributable to Genenta Science S.p.A. plus a mark-up, which was 10% in 2022,

and all other general and administrative costs incurred on behalf of Genenta Science S.p.A.

As a result of the existing financing and service agreements with the Parent Company, Genenta Science Inc. is expected to remain financially and economically balanced over time, limiting the risk of potential impairment. The business continuity of the Company is substantially related to the business continuity of the Parent Company.

As at 31 December 2022, there were no intercompany financial payables and receivables between the two companies, as these were offset against the reciprocal debit and credit positions arising from the application of the service agreement, resulting in a net debit position of Genenta Science S.p.A. towards the subsidiary Genenta Science Inc. amounting to Euro 114,158.16.

In 2022, costs for Intercompany services recognised in the income statement of Genenta Science S.p.A. amounted to Euro 1,646,219.47, while revenues for interest income on Intercompany financing amounted to Euro 39,938.64.

Pursuant to Art. 10 of Italian Law No. 72 of 19 March 1983 and Art. 2427 of the Italian Civil Code, it is hereby certified that no economic or monetary revaluation has ever been applied to the equity investments included in the Company's assets as at 31 December 2022.

The company has no equity investments in other companies involving an unlimited debtor's liability.

CHANGES TO, AND MATURITY OF, NON-CURRENT RECEIVABLES

Other non-current receivables recorded at historical cost and related additional charges in accordance with article 2426 of the Italian Civil Code consist of guarantee deposits of Euro 3,350 to guarantee the office rental contract in place with Ospedale San Raffaele.

ANALYSIS OF CHANGES AND MATURITY OF FINANCIAL FIXED ASSETS: RECEIVABLES

	Value at the beginning of the year	Changes during the year	Value at the end of the year	Portion due beyond the year
Non-current receivables due from subsidiary companies	100,070	-100,070		
Non-current receivables due from others	3,350		3,350	3,350
Total non-current receivables	103,420	-100,070	3,350	3,350

BREAKDOWN OF NON-CURRENT RECEIVABLES BY GEOGRAPHICAL AREA

BREAKDOWN OF NON-CURRENT RECEIVABLES BY GEOGRAPHICAL AREA

Geographical area	Non-current receivables due from others	Total non-current receivables
ITALY	3,350	3,350
Total	3,350	3,350

NON-CURRENT RECEIVABLES RELATED TO REPURCHASE TRANSACTIONS

NON-CURRENT RECEIVABLES WITH REPURCHASE TRANSACTIONS.

There are no non-current receivables with repurchase transactions.

CURRENT ASSETS

PROPERTY, PLANT AND EQUIPMENT HELD FOR SALE

There are no property, plant and equipment held for sale

CURRENT RECEIVABLES

CURRENT ASSETS: RECEIVABLES

The tables below show, separately for each item, the amount of receivables with specific indication of their nature and with specific breakdown by geographical areas. Moreover, the Receivables are broken down according to their maturity.

CHANGES AND MATURITY OF CURRENT RECEIVABLES

ANALYSIS OF CHANGES AND MATURITY OF CURRENT RECEIVABLES

	Value at of the year the beginning	Change during the year	Value at the end of the year	Portion due within the year	Portion due beyond the year
Current trade receivables	20,000	-19,390	610	610	
Current tax receivables	5,604,767	833,880	6,438,647	2,030,670	4,407,977
Current receivables from others	25,156	-16,861	8,295	8,295	
Total current receivables	5,649,923	797,629	6,447,552	2,039,575	4,407,977

Tax receivables mainly refer to the annual VAT receivable of Euro 1,824,847, tax receivables for research and development expenses of Euro 3,696,266 and receivables for Super Ace 2021 of Euro 180,000. The increase compared to the previous year is due to the increase in the VAT receivable arising from the higher purchases made in 2022, the increase in the research and development receivable due to the higher related expenses incurred and the recognition of the Super Ace receivable following the receipt of its notice of recognition in favour of the Company by the Inland Revenue.

The calculation of the short-term portion of tax receivables took into account the VAT (as well as minor receivables) refunds requested in 2023 of Euro 1,200,383 and the estimated portion of the research and development receivable that will be used to offset the payment of taxes and contributions in 2023 of Euro 650,000. During the 2022 financial year, the research and development receivable was used to offset taxes and contributions to be paid of Euro 556,000. As a result of the increase in the Company's internal structure, the possibility of offsetting research and development receivables in future years is expected to increase.

From year to year, the company obtains an independent auditor's certification of the research and development tax receivable as required by law.

Other current receivables of Euro 8,295 refer to advances to suppliers.

BREAKDOWN OF CURRENT RECEIVABLES BY GEOGRAPHICAL AREA

BREAKDOWN OF CURRENT RECEIVABLES BY GEOGRAPHICAL AREA

Geographical area	Current trade receivables	Current tax receivables	Current from others receivables	Total current receivables
ITALY	610	6,438,647	-2	6,439,255
EXTRA EU			8,297	8,297
Total	610	6,438,647	8,295	6,447,552

Trade receivables amounted to Euro 610.

Receivables are recognised in the financial statements at their estimated realisable value. As at 31 December 2022, no bad debt provision was deemed necessary.

RECEIVABLES IN FOREIGN CURRENCY

Current receivables from others refer to advances to foreign third-party suppliers. Short-term receivables in foreign currency arise exclusively from commercial transactions and are recognised in the reporting currency on the basis of the exchange rate as at the transaction date.

Subsequently, they are stated in the financial statements after conversion based on the exchange rate in force at the end of the reporting period.

Gains and losses arising from the conversion of the individual short-term receivables and payables are credited and debited, respectively, to the income statement as financial income components (items C.17 - bis).

OTHER RECEIVABLES FROM THIRD PARTIES

The receivables from third parties such as tax authorities, employees, other debtors shown in the financial statements are measured at nominal value.

They are summarised below, indicating, in the case of tax receivables, the year of formation. With regard to the research and development receivable, as indicated above, it is estimated that approximately Euro 650,000 will be used in the short term during the next financial year, while the remainder is expected to be used beyond the year.

They are summarised below:

TAX RECEIVABLES EURO 6,438,648:

2022 R&D receivable	€ 891,307 (of which Euro 736,672 can be used beyond the year)
2021 R&D receivable	€ 552,333 (of which Euro 276,167 can be used beyond the year)
2020 R&D credit	€ 219,198 (can be used within the year)
Research and Development credit (pre-2000)	€ 2,770,099 (can be used beyond the year)
Tax credit for investments in capital goods	€ 864 (of which Euro 576 can be used beyond the year)
Super Ace receivable	€ 180,000
VAT receivable	€ 1,824,847 (of which Euro 624,464 can be used beyond the year)
Credito IVA	€ 1.824.847 (di cui € 624.464 utilizzabile oltre l'esercizio)

CURRENT RECEIVABLES RELATED TO REPURCHASE TRANSACTIONS

There are no current receivables related to repurchase transactions.

CASH AND CASH EQUIVALENTS

CHANGES IN CASH AND CASH EQUIVALENTS

ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	Value at the beginning of the year	Change during the year	Value at the end of the year
Bank and postal deposits	37,213,933	-7,576,745	29,637,188
Cash and equivalents on hand	55	-55	
Total cash and cash equivalents	37,213,988	-7,576,800	29,637,188

The item bank deposits includes the current account balance with Banca Intesa of Euro 10,698,894; the current account with Mediobanca of Euro 10,325,213, the current account with First Republic Bank of USD 120,119 (Euro 112,619), the current account with Intesa San Paolo NY of USD 61,547 (Euro 57.704), the current account with Banca Intesa of USD 761 (Euro 714), short-term Time Deposits, with maturity date in January and February 2023 (Time Deposits), with First Republic Bank of USD 9,000,000 (Euro 8,438,027).

A remaining part of the balance is related to a prepaid card for Euro 4,018.

The time deposits in USD with First Republic Bank consist of two tranches: a tranche of USD 4,000,000 maturing on 7 February 2023 and bearing interest at 3.44% per year and a tranche of USD 5,000,000 maturing on 8 January 2023 and bearing interest at 2.81% per year.

The decrease in the balance of cash and cash equivalents is due to the absorption of liquidity by current operations.

The cash balances in current and deposit accounts in USD are converted at 31 December 2022 at the spot exchange rate on the same date, which was USD/Euro 1.0666.

The translation of the USD-denominated cash balances at year-end exchange rates resulted in a net valuation gain of approximately Euro 290,058, which was recognised in the income statement.

Moreover, during 2022, taking advantage of the favourable USD/Euro exchange rate trend, USD 12,000,000 held at the beginning of the year with Banca Intesa NY and deriving from the listing proceeds received in December 2021 were converted, realising a net exchange gain of approximately Euro 1,643,404.

ACCRUED INCOME AND PREPAID EXPENSES

The composition of accrued income and prepaid expenses is shown below.

ANALYSIS OF CHANGES IN ACCRUED INCOME AND PREPAID EXPENSE

	Value at of the year the beginning	Change during the year	Value at the end of the year
Accrued income		37,929	37,929
Prepaid expenses	14,592	289,529	304,121
Total accrued income and prepaid expenses	14,592	327,458	342,050

Accrued income refers to the portion of interest income accruing on Time *Deposits* in USD.

Prepaid expenses consist of various items mainly referring to services that have been invoiced and paid for, but for which part of the cost will be incurred in the following financial year(s).

There are no long-term prepaid expenses of a significant amount. However, for the long-term prepaid expenses recognised in the financial statements, the conditions that had led to their recognition were still valid as at 31 December 2022.

CAPITALISED FINANCE COSTS

ART. 2427, NO. 8) - FINANCE COSTS ALLOCATED TO VALUES INCLUDED IN ASSETS

There are no finance costs allocated to values included in assets.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS - LIABILITIES AND SHAREHOLDER'S EQUITY

SHAREHOLDERS' EQUITY

CHANGES IN SHAREHOLDERS' EQUITY ITEMS

Share capital

As at 31 December 2021, the share capital of Genenta Science S.p.A. is fully subscribed and paid up for Euro 371,686 and is divided into 18,216,858 dematerialised ordinary shares with no par value.

Share premium reserve

In accordance with Article 2431 of the Italian Civil Code, the share premium reserve was partially used in the amount of Euro 9,104,708 to cover the loss recorded in 2021.

Legal reserve

No change.

Loss for the year

The loss for 2022 amounting to Euro 7,679,411 shows a decrease compared to the loss recognised at the end of the previous year mainly due to the effect of the USD/EUR exchange rate fluctuation that occurred during the year.

The items that make up the shareholders' equity are shown below, indicating their possibility of use and distribution and their use in previous years.

ANALYSIS OF CHANGES IN SHAREHOLDERS' EQUITY ITEMS

	Value at the beginning of the year	Decreases	Profit (loss) for the year	Value at the end of the year
Capital	371,686			371,686
Share premium reserve	50,617,460	9,104,709		41,512,752
Legal reserve	10,000			10,000
Other sundry reserves	-1	-1		-2
Total other reserves	-1	-1		-2
Profit (loss) for the year	-9,104,708	-9,104,709	-7,679,411	-7,679,411
Total shareholders' equity	41,894,437	-1	-7,679,411	34,215,025

BREAKDOWN OF SUNDRY OTHER RESERVES

Description	Amount
ROUNDING	-2
Total	-2

AVAILABILITY AND USE OF SHAREHOLDERS' EQUITY

ORIGIN, POSSIBILITY OF USE AND POSSIBILITY OF DISTRIBUTION OF SHAREHOLDERS' EQUITY ITEMS

	Amount	Origin/Nature	Possibility of use	Available portion	To cover losses
Capital	371,686	C			
Share premium reserve	41,512,752	C	A B C	41,512,752	15,983,713
Legal reserve	10,000	C			
Other reserves					
Other sundry reserves	-2				
Total other reserves	-2				
Total	41,894,436			41,512,752	15,983,713
Residual distributable portion				41,512,752	

Column legend for "Origin/nature": C = Capital reserve; U = Profit reserve.

PROVISION FOR RISKS AND CHARGES

ANALYSIS OF CHANGES IN PROVISIONS FOR RISKS AND CHARGES

	Provision for taxes, including deferred	Total provisions for risks and charges
Value at the beginning of the year	3,266	3,266
Changes during the year	-3,266	-3,266
Total	-	-

The provision for deferred tax liabilities set aside at the end of 2021 was reversed because better and more current assessments indicate that no taxable profits are expected in the short term.

EMPLOYEE SEVERANCE INDEMNITY

INFORMATION ON EMPLOYEE SEVERANCE INDEMNITY

The provision set aside represents the company's effective liability to its employees active as at 31 December 2022, net of advance payments.

ANALYSIS OF CHANGES IN EMPLOYEE SEVERANCE INDEMNITY

	Employee severance indemnity
Value at the beginning of the year	30,618
Allocation for the year	58,344
Use for the year	-
Value at the end of the year	88,962

PAYABLES**PAYABLES TO BANKS EURO 9,219**

comprising payables to credit card operators.

TRADE PAYABLES EURO 1,777,818:

Trade payables - Abroad	216,835	
Trade payables - Italy	1,031,887	
Invoices to be received - Italy	100,791	
Invoices to be received - Abroad	101,539	
Trade payables Related parties	150,206	(Ospedale San Raffaele)
Invoices to be received Related parties	176,559	(Ospedale San Raffaele)

PAYABLES TO SUBSIDIARY COMPANIES EURO 114,158 (GENENTA INC.)**TAX PAYABLES EURO 189**

These are Tax payables for Substitute tax

PAYABLES TO SOCIAL SECURITY INSTITUTIONS EURO 53,720

These are mainly payables to INPS for 2022 Bonus.

PAYABLES TO OTHERS EURO 258,570

The item mainly refers to payables to employees for 2022 performance bonus.

Trade payables were recorded net of trade discounts; on the other hand, cash discounts are recorded at the time of payment. The value of these payables is adjusted for possible invoicing adjustments to the extent of the amount agreed with the counterparty.

The item Tax payables only includes liabilities for taxes of a specific nature and the existence of which is certain. There are no payables secured by collaterals.

TRADE PAYABLES IN FOREIGN CURRENCY

	Original exchange rate value at Invoice date	Valuation at the exchange rate 31/12/2022	Valuation gains/(losses)
Payables in foreign currency (USD)	28,009	28,157	(148)
Payables in foreign currency (GBP)	1,292	1,409	(17)
TOTAL	29,301	29,566	(165)

CHANGES AND MATURITY OF PAYABLES

The Payables recognised in the financial statements are all due in the short term.

ANALYSIS OF CHANGES AND MATURITY OF PAYABLES

	Value at of the year the beginning	Change during the year	Value at the end of the year	Portion due within the year
Payables to banks	10,238	-1,019	9,219	9,219
Trade payables	946,336	831,482	1,777,818	1,777,818
Payables to subsidiary companies		114,158	114,158	114,158
Tax payables	41	148	189	189
Payables due to social security institutions	-2,954	56,674	53,720	53,720
Other payables	66,548	192,022	258,570	258,570
Total payables	1,020,209	1,193,465	2,213,674	2,213,674

The increase in trade payables was caused by a particular concentration of invoicing of certain production activities at the end of the year, unlike in the previous year. The payables in question were duly settled at the beginning of 2023.

The increase in other payables and payables to social security institutions is mainly related to the provision for the 2022 performance bonus and relevant social security contributions.

BREAKDOWN OF PAYABLES BY GEOGRAPHICAL AREA

BREAKDOWN OF PAYABLES BY GEOGRAPHICAL AREA

Geographical area	Payables to banks	Trade payables	Payables to subsidiary companies	Tax payables	Payables due to social security institutions	Other payables	Payables
ITALY	9,219	1,459,444		189	53,720	258,570	1,781,142
EXTRA EU		318,374	114,158				432,532
Total	9,219	1,777,818	114,158	189	53,720	258,570	2,213,674

PAYABLES DUE IN MORE THAN FIVE YEARS AND PAYABLES SECURED BY COLLATERAL ON COMPANY ASSETS

PAYABLES BEYOND 5 YEARS

There are no payables due in more than five years.

PAYABLES SECURED BY COLLATERALS

There are no payables secured by collaterals.

PAYABLES TO BANKS SECURED BY COLLATERALS

There are no payables to Banks secured by collaterals in the financial statements.

PAYABLES RELATED TO REPURCHASE TRANSACTIONS

ART. 2427, NO. 6-TER) - REVERSE REPURCHASE AGREEMENTS

There are no transactions with reverse repurchase agreements in the financial statements.

LOANS FROM SHAREHOLDERS OF THE COMPANY

ART. 2427, NO. 19-BIS) - LOANS FROM SHAREHOLDERS

There are no loans from shareholders in the financial statements.

ACCRUED EXPENSES AND DEFERRED INCOME

The breakdown of Accrued expenses is shown below, while there is no deferred income.

The conditions that led to the original recognition of multi-year accruals and deferrals are checked, while making any changes, as necessary.

There are no multi-year accrued expenses.

ANALYSIS OF CHANGES IN ACCRUED EXPENSES AND DEFERRED INCOME

	Value at the beginning of the year	Change during the year	Value at the end of the year
Accrued expenses	55,849	-33,575	22,274
Total accrued expense and deferred income	55,849	-33,575	22,274

Accrued expenses refer to the portion of the insurance premium pertaining to 2022 related to the D&O insurance policy covering professional risks of the members of the Company's governing and control bodies, as well as of the Company's managers, effective as of the date of listing (15 December 2021). The decrease compared to the previous year is due to the renewal of the policy itself, which was determined at significantly lower costs due to the drop in prices for such policies in the reference market.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS - INCOME STATEMENT

VALUE OF PRODUCTION

BREAKDOWN OF REVENUES FROM SALES AND SERVICES BY CATEGORY OF ACTIVITY

BREAKDOWN OF REVENUES (ART. 2427 NO. 10)

Financial revenues and those from the provision of services are recognised on an accrual basis.

The financial statements as at 31 December 2022 mainly include other revenues for contingent assets deriving from the recognition of the 2022 R&D receivable of approximately Euro 891,000, the recognition of the Super Ace tax receivable of Euro 180,000, a reimbursement of bank charges of approximately Euro 28,400 and adjustments of allocations payable for the previous year of approximately Euro 55,000.

COSTS OF PRODUCTION

	Value for the year ended 31/12/2022	Value for the year ended 31/12/2021	Change
Costs of Production	2,793,528	1,057,202	1,561,486
Costs for services	7,057,003	8,657,650	-1,425,807
Costs for use of third-party assets	32,280	18,417	13,863
Wages and salaries	1,078,134	256,687	821,447
Social security contributions	186,795	67,842	118,953
Employee severance indemnity	58,871	13,358	45,513
Retirement pension	5,298	3,572	1,726
Amortisation, depreciation and write-downs	5,528	4,833	695
Other operating expenses	27,386	21,857	5,529
Total Costs of Production	11,244,823	10,101,418	1,143,405

Production costs mainly refer to the production of the clinical trial drug Temferon and related materials and reagents used in the trial. The increase in costs refers to the increase in activities related to the testing phases: completion of phase I and start of phase II.

Costs for services mainly refer to:

- clinical costs and related scientific advice of Euro 3,059,741, Euro 2,814,317 as at 31 December 2021: the increase is mainly due to the charge-back of Intercompany services from Genenta Science Inc. related to the portion of labour costs of Carlo Russo, the Company's Chief Medical Officer, hired by the Subsidiary at the end of 2021, to whom, following his hiring, a significant salary increase was agreed upon with respect to the remuneration paid to him, as a consultant, in 2021.
- administrative and general costs of Euro 3,997,262, Euro 5,668,493 as at 31 December 2021: these costs mainly refer to costs for specific consultancy services such as legal, accounting, auditing services and have decreased compared to 2021, the year in which the Company was listed on Nasdaq, following which there was a significant increase in these costs.

Personnel costs increased as a result of post-listing salary adjustments, the increase in related activities and the internal structure required to manage them.

FINANCE INCOME AND COSTS

BREAKDOWN OF INTERESTS AND OTHER FINANCE COSTS BY TYPE OF PAYABLES (ART. 2427, NO. 12)

Financial income of Euro 48,899 refers to interest income accrued on Time Deposits in USD, while Euro 39,939 refers to interest income on the Intercompany Loan granted to the subsidiary Genenta Science Inc. Financial expenses mainly refer to interest expenses on motor vehicle operating leases.

Item C.17.bis shows the net balance of realised and valuation foreign exchange gains and losses represented by a net gain of Euro 2,291,870, mainly referring to gains on transactions to convert from USD to Euro a portion of the listing proceeds received in 2021 as described above of Euro 1,634,404, realised foreign exchange gains on intercompany transactions of Euro 372,281, and net valuation gains on bank balances in USD of Euro 290,058.

No provision for foreign exchange gains will be made as the company closes with a loss.

AMOUNT AND NATURE OF INDIVIDUAL REVENUE/COST ITEMS EXCEPTIONAL IN SIZE OR IMPACT

AMOUNT AND NATURE OF REVENUE OF EXCEPTIONAL SIZE OR IMPACT (ART. 2427 NO. 13)

There is no revenue of exceptional size or impact.

AMOUNT AND NATURE OF COSTS OF EXCEPTIONAL SIZE OR IMPACT (ART. 2427 NO. 13)

There are no costs of exceptional size or impact.

CURRENT INCOME TAXES, DEFERRED TAX ASSETS AND LIABILITIES FOR THE YEAR

RECOGNITION OF CURRENT DEFERRED TAX ASSETS AND LIABILITIES

Income taxes amount to Euro zero.

Deferred tax assets are not recognised as no taxable profits are expected in the short term.

Deferred tax assets amount to Euro 9,679,079 and consist mainly of taxes calculated on tax losses of Euro 38,323,178, which can be used to reduce taxable income for IRES purposes in future years, in addition to an inefficient ACE of Euro 1,758,637.

Tax losses can be carried forward indefinitely and unused ACE can also be carried forward indefinitely.

The asset arising from deferred tax assets was not recognised, in compliance with the principle of prudence, as there is no reasonable certainty of the existence, in the years in which the deductible temporary differences will be reversed, of a taxable income not lower than the amount of the differences that will be cancelled.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS - OTHER INFORMATION

COMPANY OPERATIONS

The company operations consist of research and development of gene therapies for the treatment of solid tumours as described in the introduction to these Notes to the Financial Statements.

TAX POSITION

There are currently no disputes under way and the financial years starting from 2017 remain open for tax audits.

EXCEPTIONS PURSUANT TO PARAGRAPH 4 ARTICLE 2423 OF THE ITALIAN CIVIL CODE

No exceptions pursuant to paragraph 4 of Art. 2423 of the Italian Civil Code were made in the attached financial statements.

RELATIONS WITH SUBSIDIARY COMPANIES, ASSOCIATED COMPANIES AND PARENT COMPANIES

Pursuant to art. 2435 bis and with reference to art. 2428, numbers 3 and 4, at the end of the reporting period the company did not hold shares in parent companies, nor own shares, even by proxy or through a trust. No shares of parent companies or own shares were acquired or disposed of during the year, even by proxy or through a trust.

The relations with the wholly-owned subsidiary Genenta Science Inc. have already been described above.

EMPLOYMENT DATA

(ART. 2427, NO. 15)

During the financial year ended 31 December 2022, the average number of employees was 5 (6 as at 31 December 2022), of which 2 were managers and 3 white-collar workers (4 white-collar workers as at 31 December 2022).

FEES, ADVANCES AND LOANS GRANTED TO DIRECTORS AND STATUTORY AUDITORS AND COMMITMENTS UNDERTAKEN ON THEIR BEHALF

(ART. 2427, NO. 16)

Amount of fees, advances and loans granted to directors and statutory auditors and commitments undertaken on their behalf

	Fees
Directors	721,339
Statutory Auditors	43,600

The total amount of the directors' remuneration of Euro 721,339 includes the remuneration of the Managing Director Pierluigi Paracchi of approximately Euro 600,000.

The remuneration of Euro 43,680 includes the supervisory activity carried out by the Board of Statutory Auditors.

The amounts do not include social security contributions.

There are no fees, advances and loans granted to directors and statutory auditors and commitments undertaken on their behalf.

FEES TO THE EXTERNAL AUDITOR OR TO THE AUDITING COMPANY

(ART. 2427 NO. 16BIS)

Amount of fees payable to the external auditor or auditing company

	Value
External audit of annual accounts	8,250
Services other than auditing	5,250
Total fees payable to the external auditor or auditing company	13,500

This item does not include fees paid to non-external auditors who performed work on the financial statements prepared in accordance with USGAAP accounting standards for the purpose of listing on the Nasdaq market. Other non-audit services relate to the issue of the research and development receivable certificate issued during 2022 and related to research expenses incurred during 2021.

DETAILS ON OTHER FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY

ART. 2427, NO. 19) - FINANCIAL INSTRUMENTS

The Company has not issued any equity financial instruments.

OFF-BALANCE SHEET COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES (ART. 2427 NO. 9)

The following off-balance sheet contractual commitments are noted:

	Total	Less than 1 year	From 1 to 3 years	From 4 to 5 years	Beyond 5 years
OSR office lease	29,600	14,800	14,800	-	-
AGC product manufacturing	552,700	477,550	58,150	17,000	-
Car Leasing Insurance	21,589	6,996	14,593	-	-
Total	603,889	499,346	87,543	17,000	-

The commitments with OSR concern the office lease agreement while the commitments with AGC Biologic concern activities resulting from production contracts and activities related to the performance of stability studies on a batch of plasmids for approximately Euro 83,000.

The commitments made under insurance contracts concern the outstanding instalments of financed insurance policies covering the risks on the leased car until the end of the lease term.

The Company, on the basis of the contracts in place with Ospedale San Raffaele, has commitments concerning the payment of milestones and royalties based on the progress stages of the research and clinical trial phases. The Company has not included future milestone and royalty payments in the table above because payment obligations under these agreements are contingent upon future events, such as the Company achieving specific milestones or generating product sales, and the amount, timing and likelihood of such payments are unknown and are not yet considered likely.

There are no commitments, guarantees or contingent liabilities.

INFORMATION ON ASSETS AND LOANS FOR A SPECIFIC BUSINESS

ART. 2427, NO. 20) – ASSETS FOR A SPECIFIC BUSINESS

The company has not set up any assets exclusively for a specific business, pursuant to letter a) of the first paragraph of Article 2447-bis.

ART. 2427, NO. 21) – LOAN FOR A SPECIFIC BUSINESS

The Company has not signed any agreements to finance a specific business pursuant to letter b), paragraph 1, of Article 2447-bis.

Disclosures on related party transactions

ART. 2427, NO. 22-BIS) - RELATED PARTY TRANSACTIONS

ART. 2427, NO. 22-BIS) - RELATED PARTY TRANSACTIONS

The company has not carried out any related party and/or intra-group transactions that are significant and not concluded at normal market conditions.

Transactions with the subsidiary Genenta Inc. were described above, and the Company identified the following related parties:

- **Pierluigi Paracchi** (General Manager, Managing Director, co-founder of the Company);
- **Luigi Naldini** (co-founder of the Company and Executive Chairman of the Scientific Committee);
- **Bernard Rudolph Gentner** (co-founder of the Company and member of the Scientific Committee);
- **Carlo Russo** (*Chief Medical Officer*, employee of the subsidiary Genenta Science Inc.);
- **Richard Slansky** (*Chief Financial Officer*, employee of the subsidiary Genenta Science Inc.);
- **Ospedale San Raffaele** (co-founder of the Company, shareholder, main service provider for clinical trial activity and licensor of trademarks of any product obtainable through research).

The nature of the transactions between the Company and these related parties is described below:

Pierluigi Paracchi

Pierluigi Paracchi, Chairman of the Company before its conversion from S.r.l. to S.p.A., is Chief Executive Officer and co-founder. His annual remuneration as a manager for the financial year ended 31 December 2022 and 2021 was approximately Euro 600,000 and approximately Euro 307,000, respectively, which included the annual performance bonus.

Luigi Naldini

The consultancy agreement with Naldini was signed on 12 December 2019 for an annual fee of Euro 50,000. On 20 June 2022, a new agreement was signed with Naldini for an annual fee of Euro 100,000 from 1 July 2022. As at 31 December 2022, Naldini invoiced Euro 75,000 and all invoices issued were paid by 31 December 2022.

Bernard Rudolph Gentner

The most recent agreement with Gentner was signed on 26 October 2017 for an annual fee of Euro 30,000. A new agreement started on 1 July 2022 for Euro 45,000 per year. As at 31 December 2022, Gentner invoiced the Company Euro 37,500. All invoices issued were paid by 31 December 2022.

Carlo Russo (formerly XDG Biomed LLC)

Until the date of listing, Russo carried out his activities on the basis of an existing contract between Genenta Science S.p.A. and his company XDG Biomed LLC. In particular, Russo, through XDG, served as *Chief Medical Officer* and Head of Development of the Company. Russo is responsible for the clinical development of *Temferon*[™], the company's gene therapy platform. Since the IPO date, 15 December 2021, Russo has been employed by Genenta Science Inc. with the same role and responsibilities under a new employment agreement. Russo's gross annual salary as an employee amounts to \$ 500,000 per year + annual bonus of 30% subject to the approval by the Board of Directors.

For the year ended 31 December 2022, Russo's cost was charged back through the Service Level Agreement in place with the subsidiary, increased by a 10% mark-up as provided for in the agreement.

Richard Slansky

Slansky is the *Chief Financial Officer* of the Company. He was engaged in late 2020 by the Company to assist with financial, accounting and audit support under a consultancy agreement until the end of October 2021. On 1 November 2021, he joined the company on a full-time basis and was hired by Genenta Science Inc. Under the new employment contract that commenced on 1 November 2021, at the premises of Genenta Science Inc., Slansky is entitled to receive gross annual remuneration of \$ 300,000 per annum + annual bonus of 30% subject to the approval by the Board of Directors.

For the year ended 31 December 2022, Slansky's cost was charged back through the Service Level Agreement in place with the subsidiary, increased by a 10% mark-up as provided for in the agreement.

OSR – Ospedale San Raffaele

Ospedale San Raffaele ("OSR") is a co-founder of the Company, in fact the Company is a spin-off of part of OSR's research activities. OSR is one of the leading biomedical research institutes in Italy and Europe, with a 45-year history of developing innovative therapies and procedures. The Company has agreements to license technology, to conduct research, preclinical and clinical activities, and to rent facilities and obtain certain other support functions. The company's head office is currently in an OSR facility.

During 2022, the Company recognised costs for research and development attributable to ongoing activities with Ospedale San Raffaele of Euro 1,312,048, while it recognised costs related to the rental of office space and parking of Euro 15,236. As at 31 December 2022, payables to Ospedale San Raffaele amounted to Euro 251,745 (for invoices received and invoices to be received).

INFORMATION ON OFF-BALANCE SHEET ARRANGEMENTS

ART. 2427, NO. 22-TER) - OFF-BALANCE SHEET ARRANGEMENTS

The company has no off-balance sheet arrangements.

INFORMATION CONCERNING SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

ART. 2427, NO. 6-BIS) - CHANGES IN FOREIGN EXCHANGE RATES AFTER THE REPORTING PERIOD

No changes in foreign exchange rates took place after the reporting period that would have generated significant effects.

The following significant events occurred after the reporting period:

In January 2023, the Company entered into a development and manufacturing service agreement (“MSA”) with AGC Biologics S.p.A. for the production of lentivirus-based products for cell therapy in order to expand ongoing clinical programmes based on the results of the Phase 1 clinical trial and the ongoing Phase 1/2 clinical trial.

The research and development activities carried out by Genenta since the signing of the licence agreement with Ospedale San Raffaele have produced promising results in the treatment of solid tumours and identified further opportunities to exploit the technology. Consequently, the Parties deemed it appropriate to amend the Licence Agreement by means of a new agreement called the “Amending Agreement” signed in March 2023.

This agreement is also referred to as “*The Amendment and Restated Licence Agreement*” (“ARLA”). The ARLA amends and restates the licence agreement with OSR entered into by the Company on 15 December 2014 (and amends and supersedes all subsequent Amendment Nos. 1-5 and letter agreements). The ARLA is the Company’s new global agreement with OSR and includes the right for the Company to extend the use of the licence to all solid tumour indications. The ARLA also provides the Company with an expansion of the licensed product definition, an increase in the scope of the Company’s intellectual property rights and two combined product candidates for further development at an additional cost. The ARLA is an amendment and restatement of the existing OSR licence agreement with the Company and is subject to the customary approval of the Italian Government under the Golden Power Regulation and is not yet effective. The ARLA will take effect upon approval by the relevant government authority, or upon expiry of the statutory period without response, in which case approval will be the default setting.

INFORMATION ON START-UPS, INCLUDING START-UPS WITH A SOCIAL VOCATION, AND INNOVATIVE SMES

The company continues to be in a phase of no revenues and therefore of recurring losses. Following its listing on Nasdaq in December 2021, the Company is no longer registered in the special section Innovative SMEs at the Companies Register, as it no longer meets the requirements.

RESEARCH AND DEVELOPMENT

During 2022, the Company carried out research and development activities for preclinical research and focused its efforts on the project carried out at the Milan premises, called: “**Preclinical research activities aimed at an innovative treatment of solid tumours**”.

Part of it is still in progress.

A tax credit pursuant to Italian Law 160, 27/12/2019 of Euro 891,307 was determined on research and development expenses incurred in 2022.

INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125, OF ITALIAN LAW NO. 124 OF 4 AUGUST 2017

With reference to Art. 1 paragraph 235 of Italian Law 124/2017, the subsidies received by the public administration are summarised below:

- Tax credit for the purchase of capital goods Euro 324
- 891,307 R&D receivable
- Super ACE to be reimbursed Euro 180,000

PROPOSAL FOR ALLOCATION OF THE NET PROFIT OR TO COVER LOSSES

ALLOCATION OF THE RESULT FOR THE YEAR (ART. 2427 – NO. 22 – SEPTIES)

Dear Shareholders,

We propose that you approve the Company’s financial statements for the year ended 31 December 2022, comprising the Balance Sheet, Income Statement and Notes to the Financial Statements.

With regard to the coverage of the loss for the year, amounting, as already specified, to Euro -7,679,411, it is proposed to use the share premium reserve.

APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

As a result of the significant impact of the listing on the Nasdaq market in December 2021, the Company had to undertake a process of reorganisation and strengthening of its internal structure with particular reference to the process of implementing new and more robust controls. In the fourth quarter of 2022, the implementation of a new ERP system based on Oracle’s Netsuite application was started for the internal management of the accounting process and the preparation of the Italian and consolidated financial statements in accordance with USGAAP. As from 1 January 2023, the keeping of the accounts was thus completely transferred from external management at the accountant’s office of the company to internal management under the control of the company’s administrative department. This process, which is still being completed, has had a significant impact on the operational structure of the administrative office.

For this reason, the Board of Directors, noting in this regard that Article 9.1, paragraph 3, of the Articles of Association envisages the right to call the ordinary shareholders’ meeting to approve the financial statements even beyond the normal 120 days after the reporting period and, specifically, within 180 days after the reporting period (i.e. 29 June 2023), considered that these particular circumstances meet the precise

provision of Article 2364 of the Italian Civil Code in such a way as to recommend an unavoidable postponement of the deadline for approval by the shareholders' meeting in order to give the directors responsible for preparing the financial statements more time to complete their final draft.

NOTES TO THE FINANCIAL STATEMENTS - FINAL PART

These financial statements, comprising the Balance Sheet, Income Statement and Notes to the Financial Statements, give a true and fair view of the financial position, the results of the operations and of the cash flows, and agree with the duly kept accounting records.

The Managing Body.
The Chairman of the Board of Directors
Signed **PIERLUIGI PARACCHI**

STATEMENT OF COMPLIANCE OF THE FINANCIAL STATEMENTS

The undersigned director declares that this electronic document is a true copy of the document transcribed and signed in the company books.

The electronic document in XBRL format containing the balance sheet and income statement is a true copy of the corresponding original documents filed with the company.

The administrative body.
The Chairman of the Board of Directors
Signed **PIERLUIGI PARACCHI**

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INDEPENDENT AUDITORS' REPORT PURSUANT THE ART. 14 OF LEGISLATIVE DECREE N. 39 OF 27 JANUARY 2010

*To the Shareholders of
Genenta Science S.p.A.*

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Genenta Science S.p.A. (the "Company") drawn up pursuant to art. 2435-bis of Italian Civil Code, that include the balance sheets at 31 December 2021 and the profit and loss statement for the year then ended and notes thereto.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and about its economical performances for the year then ended according to Italian regulations governing their preparation.

Basis for opinion

We conducted our audit according to the International Standards on Auditing (ISA Italia). Our responsibility under those standards are further described in the "Auditors' responsibilities for the audit of financial statements" section of this report. We are independent of the Company pursuant to the ethical and independence rules and standards applicable in Italy to the audits of financial statements.

We believe that the audit evidences we obtained are sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Statutory Board members for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian regulations governing their preparation and, in accordance with the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless



the Directors believe that the conditions for liquidating the company or ceasing operations exist or have no realistic alternative but to do so.

The Statutory Board has the responsibility of vigilance, according to the law, on the process of preparation of Company financial information.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

As part of an audit in accordance with ISA Italia, we exercised professional judgement and maintained professional skepticism throughout the audit. We also did:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cause significant doubt on company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit

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evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicated to governance responsible, identified at an appropriate level as required by ISA Italia, among other elements, the scope and the timing planned for the audit and the material results observed, including any internal controls findings identified during the financial statements audit.

Others elements – Innovative SME financial statements in abbreviated format

The Company prepared the 31 December 2021 financial statements in abbreviated format pursuant to art. 2435-bis of Italian Civil Code, without draw up the Management Report because the information required by points 3 and 4 of art. 2428 are included in the Notes, despite being not exceeding the thresholds of art. 2435-ter of Italian Civil Code for micro enterprises financial statements, to provide a better information.

At 31 December 2021, Genenta Science S.p.A., having the characteristics, was a registered company into the special list for innovative SME of Company Register.

Our opinion is not qualified in relation to these elements.

Paolo Franzini

(Statutory Auditor)



Kreston GV Italy Audit S.r.l.

C.so Sempione, 4

Milan

Milan, 16 May 2022

Genenta Science S.p.A.
Registered office: Milan, via Olgettina n. 58
Share capital of Euro 371,685.80
Tax code and registration number in the Companies Register of Milan, Monza Brianza and Lodi:
08738490963

Dear Shareholders,

The draft financial statements for the year ended 31 December 2022, which the Board of Directors submits for your approval, have been prepared in accordance with the law provisions currently in force (Art. 2435-BIS) and submitted by them to the Board of Statutory Auditors.

These financial statements were audited by Tickmark S.r.l. (formerly Kreston GV Italy Audit S.r.l.) of Milan, registered in the Italian Register of Auditors under no. 130229, following the appointment by the extraordinary shareholders' meeting of 31 May 2021.

This is a report of our work and observations.

1. Supervisory functions

Our activities during the financial year were guided by the law and the rules of behaviour of the Board of Statutory Auditors recommended by the Consiglio Nazionale dei Dottori Commercialisti ed Esperti Contabili (equivalent of association of chartered accountants).

In particular:

- we monitored compliance with the law and the articles of association as well as with the principles of proper administration;
- we attended the Shareholders' Meetings and the meetings of the Board of Directors, which were held in accordance with the articles of association, laws and regulations governing their operation, and in respect of which we can reasonably ensure compliance with the law and the Articles of Association;
- during the meetings held, we obtained from the Directors information on the general trend in operations and business outlook as well as on the most significant transactions of the company in terms of size, subject matter or characteristics, and, we can reasonably ensure that the actions taken comply with the law and with the Articles of Association and are not overtly imprudent, reckless, in potential conflict of interest or in contrast with the resolutions passed by the meeting or such as to compromise the integrity of the company's assets;
- we deepened our knowledge and supervised, to the extent of our remit, the adequacy of the organisational structure of the company, including by collecting information from the organisational function managers; we have no special observations to make in this regard;
- we deepened our knowledge and supervised the adequacy of the company's administrative and accounting system, as well as its reliability in correctly representing the operating events; in this context, we have requested and obtained all necessary information from the respective function managers, and have therefore carried out all checks deemed necessary through direct examination of company documents. We have no special observations to make in this regard;
- We did not receive any report pursuant to art. 2408 of the Italian Civil Code and during the supervisory activity, as described above, we did not come across any significant facts requiring mention in this report;
- we have exchanged information with the SB (Supervisory Body) and no significant data and information emerged that needs to be highlighted in this report.
- we exchanged information with the Auditing Company (Tickmark S.r.l. formerly Kreston GV Italy Audit S.r.l.) and no significant data and information emerged that needs to be highlighted in this report.

2. Financial Statements

With regard to the financial statements for the year ended 31 December 2022, we would like to remind you that they have been audited by Tickmark S.r.l. (formerly Kreston GV Italy Audit S.r.l.), which issued its report today with an unmodified opinion. In addition to the foregoing, we hereby certify that:

- we monitored the general approach taken and the general compliance of the preparation and structure of the financial statements with the law and have no special observations to make;
- as far as we are aware, the Directors, in preparing the financial statements, did not depart from the applicable law provisions;
- the financial statements have been prepared in accordance with the regulations of the Italian Civil Code and the rules set out in the new OIC accounting standards issued at the end of 2016 as updated and issued;

- we examined whether the financial statements are consistent with the facts and information that have come to our attention in the performance of our duties and have no observations to make in this regard.
- we agree with the Board of Directors that the going concern basis should be used in determining the disclosures in the financial statements for the year ended 31 December 2022.

3. Conclusions

In consideration of the above and, taking into account that the report on the financial statements for the year ended 31 December 2022 issued by the person in charge of the external audit contains no qualifications or reservations, we can conclude that, in our opinion, the financial statements as a whole have been clearly drawn up and give a true and fair view of the financial position and results of operations of the company for the year ended 31 December 2022, in compliance with the regulations governing the financial statements.

We therefore express a favourable opinion on the approval of the financial statements for the year ended 31 December 2022, as prepared by the Directors.

The Board of Statutory Auditors also expresses a favourable opinion on the proposal of the Directors to cover the loss for the year.

Milan, 16 May 2023

The Board of Statutory Auditors

Carlo-Alberto Nicchio

Jacopo Doveri

Cesare Lazzaroni



GENENTA SCIENCE SPA

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www.genenta.com