HALF-YEAR FINANCIAL REPORT 2023

This document is a free non-binding translation into English prepared for the convenience of English-speaking readers, for information purposes only, of the French language Half-year Financial Report as filed with the Autorité des Marchés Financiers on September 26, 2023, in accordance with Article L 451-1-2 of the Monetary and Financial Code.

In the event of any ambiguity or conflict between corresponding statements or items contained in this English translation and the original French version, the relevant statements or items of the French version shall prevail. The free translations of the auditor's reports presented in this document apply to the French version of the financial statements.

Copies of this Half-Year Financial Report are available free of charge at the registered office of Aelis Farma SA, 1 rue Lafaurie de Monbadon, 33000 Bordeaux.
This half-year report is also available on the Company's website (www.aelisfarma.com) as well as on the centralized storage site for regulated information of listed companies managed by the French Department of legal and administrative information (www.info-financiere.fr).

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1.1. Person responsible for the half-year financial report

Pier Vincenzo Piazza, Chief Executive Officer of Aelis Farma.

1.2. Responsibility statement

“I certify, to the best of my knowledge, that the summarized IFRS financial statements for the past half-year are drawn up in accordance with the applicable accounting standards and give a faithful representation of the assets, financial situation, and results of the Company, and the half-year report in Section 2 presents a faithful picture of the significant events that occurred during the first six-months of the financial year, their impact on the financial statements, the main transactions between related parties as well as a description of the main risks and the main uncertainties for the remaining six months of the fiscal year”.

September 26, 2023,
Pier Vincenzo Piazza,
Chief Executive Officer of Aelis Farma

1.3. About Aelis Farma

Founded in 2013, Aelis Farma is a biopharmaceutical company that is developing a new class of drugs, the Signaling Specific inhibitors of the CB_1 receptor of the endocannabinoid system (CB_1-SSi). These new molecules hold great potential in the treatment of many brain diseases. CB_1-SSi were developed by Aelis Farma on the basis of the discovery of a new natural defense mechanism of the brain made by the team of Dr. Pier Vincenzo Piazza, CEO of the Company (Vallée & al. Science 2014).

Aelis Farma is developing two first-in-class drug candidates that are at the clinical stage, AEF0117 and AEF0217, and has a portfolio of new CB_1-SSi that are being developed for the treatment of other diseases associated with dysregulation of CB_1 receptor activity.

AEF0117, is currently in a phase 2b clinical trial in the United States with one-third of patients recruited by the end of the first half 2023. In June 2023, a DSMB (Data Safety Monitoring Board), a committee of independent experts who analyzed the safety and tolerability data for AEF0117 on the first 115 patients, gave a favorable opinion on the continuation of the study without any protocol modifications, and revealed no red flags or particular concerns. Aelis Farma has an exclusive option license agreement with Indivior PLC, a leading pharmaceutical company in the treatment of addiction, for the development and commercialization of AEF0117.

AEF0217, which targets various cognitive disorders including those associated with Down's syndrome (also known as trisomy 21), continues to progress through its phase 1/2 program, scheduled for completion in the fourth quarter of 2023. This compound has undergone an extensive preclinical proof-of-concept program using highly innovative and predictive tests to assess cognitive functions. In this context, AEF0217 has demonstrated its ability to completely reverse deficits in several animal models of cognitive disorders such as Down syndrome and Fragile X syndrome,

as well as in models of certain cognitive deficits associated with aging. More recently, AEF0217 was also shown to be effective in a genetic mouse model of Phelan-McDermid Syndrome (PMS), a common genetic cause of autism, opening up potential indications for AEF0217 in autism spectrum disorders (ASD).

Based in Bordeaux, within the Inserm Magendie Neurocentre, Aelis Farma has a team of 23 highly qualified employees.

1.4. A word of the CEO

"*We are very pleased with the progress made over the first six months of 2023. Thanks to the efficiency, motivation, and commitment of our team, key planned clinical milestones have been achieved, allowing us to meet the ambitious targets set for our two first-in-class drug candidates, AEF0117 and AEF0217.*

Indeed, the phase 2b trial in the United States for AEF0117, aimed at treating cannabis addiction, is progressing according to plan. In June 2023, a DSMB (Data Safety Monitoring Board), an independent committee which analyzed the safety data and operability of AEF0117 on the first 115 patients, gave a favorable opinion on the continuation of the study without modification of the protocol, and revealed no red flags or particular concerns. We therefore maintain our objective of obtaining the first results by mid-2024. Finally, the results for AEF0117, from the initial phases of development up to and including phase 2a, were published in June 2023 in the prestigious scientific journal Nature Medicine (Haney et al., Nat Med 2023). This article, the first concerning an Aelis Farma molecule, provided external validation not only of the efficacy and good tolerability of AEF0117, but more generally of the new pharmacological class, CB_1-SSi, developed by Aelis Farma.

AEF0217, after proving to be safe, well tolerated and with good pharmacokinetics in healthy volunteers in phase 1 studies, has started a phase 1/2 study in people with Down syndrome. Initially planned as a monocentric study (IMIM, Barcelona), this was transformed into a multicentric study by the addition of two further centers in Spain, to obtain more robust results. Phase 1/2 of AEF0217 aims to confirm the safety and pharmacokinetics of this drug candidate in Down syndrome patients and could provide the first indications of activity. This study should be completed in the fourth quarter of 2023. In June 2023, we also announced that AEF0217 was shown to be effective in a genetic mouse model of Phelan-McDermid syndrome (PMS), a common genetic cause of autism, thus opening up AEF0217's potential indications to autism spectrum disorders (ASD). These positive results confirm AEF0217's potential as a treatment for behavioral disorders associated with neurodevelopmental disorders.

For the second half of 2023, fulfilling our roadmap for those key assets will remain our priority, but we will also evaluate additional indications such as Phelan-McDermid syndrome (PMS) for AEF0217 and expand our pipeline. Our screening platform has made significant progress enabling us to identify new molecules different from AEF0117 and AEF0217. This discovery might pave the way for the treatment of other brain disorders and for Aelis Farma to become a leading player in this field."

Pier Vincenzo Piazza,
Chief Executive Officer of Aelis Farma

Section 2 - Comments on the activity during the first half of 2022

2.1. Situation and development of the Company's activity during the financial year

2.1.1. Research and development activity

For the AEF0117 compound, the main focus in 2022 was:

- Continuation of the phase 2b study in June 2022. This study, coordinated by Columbia University (New York), will involve 330 patients and 11 clinical centers (six academic centers and five private centers) over a period of two years, and aims to confirm the efficacy of AEF0117 as a treatment for disorders related to excessive cannabis use.
- The conclusions of the DSMB (a committee of independent experts specializing in clinical research, which reviews study data with a particular focus on safety and tolerability). Safety and tolerability data on the first 115 patients treated for at least 4 weeks with AEF0117 were evaluated and no serious adverse events or significant treatment-related events were identified by the committee, which recommended continuation of the study without modification of the protocol.
- The results of AEF0117, which initial development phases, up to and including phase 2a, were published in June 2023 in the prestigious scientific journal *Nature Medicine* (Haney et al., Nat Med 2023). This article, the first concerning an Aelis Farma molecule, provided external validation not only of the efficacy and good tolerability of AEF0117, but more generally of the new pharmacological class, CB_1-SSi, developed by Aelis Farma.
- Further preclinical and clinical studies, with a view to preparing AEF0117 for phase 3.
- Finalization of production of the new clinical batches of the pharmaceutical product used in the phase 2b clinical study and optimization of the synthesis process for the pharmaceutical substance and its scale-up for production for phase 3.

Concerning AEF0217, the Company's second drug candidate, targeting applications in the field of behavioral deficits of neurodevelopmental disorders and having as its first indication the cognitive deficits of Down syndrome, the first half of 2023 was more particularly devoted to:

- Continuation of the phase 1/2 study in adults with trisomy 21, started in December 2022. This study mainly seeks to assess the safety and absorption of AEF0217 in people with Down syndrome and could also provide the first indications of activity of the compound. The study is expected to include 45 people and be completed in the fourth quarter of 2023. This study, initially planned as a single-center study (IMIM, Barcelona), was transformed into a multi-center study by adding two additional centers in Spain, in order to obtain more robust results.
- Continuation of the development of a new formulation of the pharmaceutical product that is better suited to a phase 2b study.
- Finalization of additional pre-clinical toxicity studies (6-9 months phototoxicity and toxicity), which will make it possible to define the safety margin of AEF0217 in humans.

For the upstream research program (Discovery program), the main activities were:

- The design, finalization and optimization of new *cell-based* assays and the characterization of new compounds using the Company's library of molecules.

The identification of a new therapeutic indication for AEF0217, which resulted in a patent application

2.1.2. Human resources and governance

In terms of human resources, during the first half of 2023, a clinical trial manager was recruited on a permanent contract.

As at June 30, 2023, the Company had 22 full-time employees.

As of the date of this report, all employees with more than one year's seniority, researchers with contract under the French “scientific competition” initiative and the main key consultants are shareholders of the Company and/or hold securities giving access to the Company’s capital (BSA or BSPCE).

2.1.3. Financial resources

On a financial level, the Company began receiving payments under the NIH-NIDA grant program in the first half of 2023. A total of $709,813 has already been paid. After closing, the Company received a further payment of $169,866.

In addition, following the exercise of BSA_{2013}, the Company carried out a capital increase for a total amount of €113,600.23, of which €106,784.23 was additional paid-in capital.

2.1.4. Investments

The main acquisitions during the first half of 2023 correspond to the investments in furnishings for the Company's new head office at 1 rue Lafaurie de Monbadon, 33000 Bordeaux. The teams moved out on May 2, 2023. Part of the Company's R&D staff will continue to operate the platform's research activities in rented laboratories at INSERM's Institut François Magendie in Bordeaux. Discussions concerning the development of our own laboratories are continuing and should be completed in the second half of 2023.

2.2. Review of accounts and results

The financial information presented in this chapter is taken from the Company's half-year financial statements drawn up in accordance with the presentation rules and valuation methods provided for by the regulations in force.

Readers are invited to read this analysis of the Company's financial situation and results with the Company's financial statements and their accompanying notes presented in Section 3 of the Half-Year Financial Report and any other financial information included in the Half-Year Financial Report.

A reminder of the accounts for the previous period is provided for comparison purposes.

SUMMARY OF NET INCOME STATEMENT

In € thousands	06/30/23	06/30/22
Revenue	3,734	1,990
Other income from ordinary activities	1,967	2,261
Ordinary activities income	**5,701**	**4,251**
R&D costs	(7,151)	(7,093)
General and administrative costs	(992)	(1,800)
Current operating income	**(2,442)**	**(4,642)**
Other expenses and income	-	-
Operating income	**(2,442)**	**(4,642)**
Financial income	813	(5,710)
Pre-tax income	**(1,629)**	**(10,352)**
Tax	(4)	-
Net income	**(1,633)**	**(10,352)**
Earnings per share (€/share)	**(0.13)**	**(0.93)**
Diluted earnings per share (€/share)	**-**	**-**

Revenue from ordinary activities

During the first half of 2022, the Company recognized revenues of €3,734,000 (1,990,000 for June 30, 2022) relating to the share of revenue from the option license agreement with Indivior PLC.

Other income from ordinary activities amounts to €1,967,000 and corresponds to grants of €1,084,000 (€1,425,000 for June 30, 2022) and a Research Tax Credit of € 883,000 (€837,000 for June 30, 2022).

Current operating income

Current operating income was -€2,442,000 (compared to -€4,642,000 for June 30, 2022) considering:

- research and development costs of €7,151,000 (€7,093,000 for June 30, 2022), which break down as follows:
  - other purchase and external costs: €6,167,000 (€5,989,000 for June 30, 2022);
  - staff costs: €907,000 (€1,045,000 for June 30, 2022);
  - intellectual property costs: €78,000 (€58,000 for June 30, 2022).

  These costs are equivalent to those as at June 30, 2022, given the R&D activities of our two compounds AEF0117 and AEF0217 and the Discovery research program (as described in § 2.1.1).
- general and administrative expenses of €992 (compared to €1,800,000 for June 30, 2022), which break down as follows:
  - other purchases and external charges: €484,000 (€1,127,000 for June 30, 2022);
  - staff costs: €508,000 (€673,000 for June 30, 2022).

  The decrease in other purchases and external charges, compared to June 30, 2022, is mainly related to the portion of the costs incurred in connection with the Company's initial public offering, which had not been charged to the share premium (€700,000).

Financial income

Financial income amounts to €813,000. It mainly comprises the financial income and expense recognized at the time of settlement of Research and Development transactions, which were self-hedged in dollars. The change in this item is explained by the recognition at June 30, 2022 of the non-cash impact of the conversion of convertible bonds, in application of IFRS relating to financial instruments.

Net income

The result for the period shows a deficit of €1,633,000.

SUMMARY STATEMENT OF FINANCIAL POSITION

In € thousands	06/30/23	12/31/22
Intangible assets	190	190
Fixed assets	1,240	176
Non-current financial assets	138	250
Total non-current assets	**1,568**	**616**
Receivables and prepaid expenses	6,777	4,171
Inventory	95	35
Cash and cash equivalents	25,450	34,396
Total current assets	**32,322**	**38,602**
TOTAL ASSETS	**33,890**	**39,218**
Equity	**17,101**	**19,791**
Commitments to employees	70	58
Non-current financial debts	3,331	3,007
Non-current deferred income	0	584
Passive derivatives	0	0
Total non-current liabilities	**3,401**	**3,650**
Current financial debts	974	816
Trade payables and related accounts	3,387	2,415
Social and tax debts	404	666
Current deferred income	8,622	11,880
Total current liabilities	**13,388**	**15,778**
TOTAL LIABILITIES	**33,890**	**39,218**

As of June 30, 2023, the Company's balance sheet total amounted to €33,890,000 compared to €39,218,000 as at December 31, 2022.

Non-current assets

Non-current assets amounted to €1,568,000 against €686,000 for the previous year. They consist of intangible and tangible fixed assets of €190,000 and €1,240,000 respectively. The increase in fixed assets compared to December 31, 2022, is due to the valuation of the right of use of the Company's new headquarters in application of IFRS 16 on leases, in the amount of €1,046,000.

Non-current financial assets, of €138,000 mainly correspond to the cash balance of the liquidity contract implemented with Natixis ODDO-BHF.

Current assets

Current assets include receivables and prepaid expenses for €6,777,000 against €4,171,000 for the previous financial year. They correspond in particular to:

- prepaid expenses of €1,514,000 as at June 30, 2023, compared to €312,000 as at December 31, 2022; The increase in this item relates to successively executed research and development contracts;
- tax credit for 2022 and 2023 amounting to of €3,098,000 against €2,230,000 for the previous financial year;
- Studies re-invoiced without margin and subsidies, for a total of €1,766,000 at June 30, 2023, compared with €1,282,000 at December 31, 2022;
- a VAT receivable refund of €388,000 against €260,000 for the previous financial year.

Taking into account the receivables and prepaid expenses described above, the value of inventory and cash at closing, respectively €95,000, and €25,450,000, current assets amount to €32,322,000 compared to €38,602,000 for the previous financial year.

Equity

Equity amounted to €17,101,000 (compared to €19,791,000 for the previous financial year), which is mainly due to:

- the capital increase linked to the exercise of 284 BSA_{2013} et de 25 BSA_{2018}, which generated an increase in the share capital and the issue premium of €82,000 and €108,000 respectively;
- the capitalization of reserves in the amount of €75,000, to reduce the par value of shares from €0.004 to €0.01.
- the result for the period of -€1,633,000 and the allocation to issue premium of the previous year's net income of -€8,394,000;
- the recognition, in "other comprehensive income", of an impact of -€885,000 linked to the fair value resulting from US dollar foreign exchange hedging instruments during the period.
- the reclassification in shareholders' equity of shares held by the Company and gains and losses on the purchase and sale of treasury shares under the liquidity contract.

Financial debt (current and non-current)

Financial debt amounted to €4,305,000 as at June 30, 2023, compared to €3,823,000 as of December 31, 2022. They break down into:

- non-current debts of €3,331,000, made of the Company's long-term loans and repayable advances;
- current debts for €974,000, made of the Company's short-term loans and repayable advances.

The increase in financial debt is mainly due to:

- the recognition of a debt relating to the right of use of the new head office, in application of IFRS 16, for €1,046,000, of which €98,000 are classified as current liabilities ;

- the repayment of the Company's bank loans and repayable advances, representing a decrease in debt of €567,000 over the period.

Deferred income (current and non-current)

Deferred income amounted to €8,622,000 compared to €12,465,000, as at December 31, 2022. They correspond to:

- the amount paid in advance by the European Union in respect of the ICOD grant (AEF0217), representing a balance of €624,000 at June 30, 2023;
- the portion of revenues relating to the license option granted to Indivior PLC, recognized on a percentage-of-completion basis through costs during the execution of phase 2b of the AEF0117 program, representing €7,998,000 at June 30, 2023. Sales recognized over the period amounted to €3,734,000 accounting for most of the change in deferred income.

2.3. Progress made and difficulties encountered

Please refer to § 2.1 above which describes in particular the progress of the research and development program for the first half and provides an update on the various resources and investments.

2.4. Main risks and uncertainties facing the Company

The objective of the Company's risk management policy is to identify and analyze the risks the Company faces, to define the limits within which the risks must be kept and the controls to be implemented to ensure this.

2.4.1. Risk management by governance and management bodies

The management of strategic, operational and financial risks, and of the Company's internal control, is carefully monitored and managed by the Company's management, the financial department, the Audit Committee and the Company's Board of Directors.

The main mission of risk management is to identify, assess and prioritize risks as well as to assist the management of the Company in choosing the most appropriate risk management strategy and, in order to limit the significant residual risks, define and monitor related action plans.

The main objective of internal control is to enable the Company to achieve its objectives, by defining and implementing the appropriate internal controls in order to address the risks identified in the conduct of the Company's activities.

The main task of the internal audit function is to ensure that the internal control systems are effective and, if necessary, offer recommendations to improve them. The major risks that the Company may face are identified and handled under the responsibility of the Company’s management, the operations department and the financial department.

The Company’s overall risk management and internal control system is based on several elements, in particular, the control of technological risks, the control of other operational risks, and the monitoring of the Company’s internal control system.

Systems put in place by the Company to respond to these challenges include in particular:

- the establishment of active governance, through a Board of Directors composed of directors representing long-standing investors in the Company, and independent directors with recognized experience and skills in the field of biotechnology in which the Company operates. The Board of Directors meets at least 4 times a year but is convened when any key development in the management or strategy of the Company justifies it; the points discussed during Board meetings always include a legal and financial progress report, a progress report on research and development, a progress report on the Company's other operations such as, for example, human resources, actions taken in terms of communication, potential partnerships and search for dilutive and non-dilutive financing. Regular updates are carried out, as necessary, with the Chairman of the Board of Directors in order to ensure the quality and relevance of exchanges within the Board. The Chairman of the Board of Directors ensures that each member or censor expresses his opinion on the points presented.
- authorizations are obtained in the event of anticipated overspending of certain budget envelopes initially defined, of new studies programmed, or of reorientations in the scientific development programs, either through budget revisions, or through specific deliberations.

Committees have been set up and meet at least twice a year (Audit Committee and Compensation Committee):

- the Audit Committee deepens the budget preparation process at the end of the year to ensure the relevance and consistency of the proposed expenditure envelopes. It also meets for the review of the annual and half-year accounts, reviews the accounting options adopted, the differences between the expenses incurred and the expenses budgeted, and exchanges with the auditor on the content of its assignment, the key elements analyzed during its work the identified risks and their accounting translation;
- the Compensation Committee proposes to the Board the objectives of the Chief Executive Officer at the beginning of the year, on the basis of the Company's strategic and financial plan; these objectives may relate in particular to meeting deadlines for key scheduled studies, filing patents to improve the Company's industrial property protection, obtaining dilutive or non-dilutive financing, recruiting key personnel. At the end of the year, the Committee meets to assess whether the identified objectives have been achieved, also taking into account other events occurring during the year which would have focused the efforts of the management team and proposes to the Board of Directors the corresponding variable compensation. As of the admission of the Company's shares to the regulated market of Euronext Paris, the Compensation Committee is also in charge of appointments and social and environmental responsibility;
- on an operational level, the Company's internal control is based in particular on the separation of tasks and the strong involvement of the Company's management in expenditure commitments, settlement authorizations and payments to third parties;
- the development and regular monitoring of the expenditure budget, with fine granularity, provides a predictive management tool for any budgetary changes thanks in particular to regular and frequent exchanges with the key operational players of the Company. The implementation of cost accounting and time tracking tools per employee strengthens the Company's ability to provide reliable and relevant information to the various stakeholders (shareholders, funders, banking partners, etc.).

2.4.2. Management of risks related to the development of the Company's products

The Company's R&D activities are focused on the development of AEF0117, its most advanced product candidate, and AEF0217, as well as new drug candidates. The value of the Company is significantly dependent on the performance and success of future preclinical studies and clinical trials of present and future drug candidates.

The Company's strategy for securing its Research and Development activities is centered on the following:

- diversification of its product portfolio: in 2018 the Company initiated the development of AEF0217 in the cognitive deficits of Down syndrome (trisomy 21) in order to add a second drug candidate to its pipeline. With the compound having entered the clinical phase in October 2021 (phase 1 program) and thanks to funding through the ICOD program (H2020), the Company is able to consider other phase 2 clinical studies to establish proof of efficacy in other cognitive deficits mediated by the CB_1 receptor. Finally, the Company is hoping to accelerate the development and qualification of its CB_1-SSi library with the aim of launching a regulatory preclinical development program for a third drug candidate in 2024.
- Implementation of strategic partnerships with Key Opinion Leaders (KOLs) and key institutions in the targeted fields. For example, since 2014, the development of AEF0117 for cannabis addiction has been carried out in collaboration with the National Institute on Drug Abuse (NIDA), which is part of the US National Institutes of Health (NIH). As well as significant funding, the NIDA has provided the Company with support, particularly in developing proofs of concept in monkeys and drawing up the clinical development strategy and in interactions with the regulatory authorities (FDA). In the case of AEF0217, the establishment of a Scientific Committee made up of KOLs in the field of cognitive disorders was instrumental in validating the preclinical proofs of concept obtained by the Company and a key step in the decision to initiate the studies required for the first-in-human administration of the compound. The ICOD project funded by the H2020 framework has helped the Company engage a number of KOLs in AEF0217's development project and a network of clinical centers to carry out the phase 2 study into cognitive deficits in Down syndrome.
- Expansion of the clinical team, under the leadership of Helle Mengel, Head of Clinical Development at the Company, to include specialists in clinical development and in regulatory issues specific to the field of neurosciences. The clinical team also provides vital input into the process of selecting external service providers to supervise the conduct of the studies and in the choice of clinical centers most likely to guarantee recruitment and a high level of operational performance for the studies. The Company believes that the team's in-depth knowledge of the characteristics of the novel mechanism of action of the Company's drug candidates, preclinical proofs of concept, and pharmacological safety studies, are important factors in ensuring that studies are well targeted and that performance risks are kept to a minimum. Its extensive knowledge of industry good practices, especially in the area of quality audit and control, have helped implement internal procedures that meet the standards of the Company's sector. The team is in regular contact with the Company's Operations Department, which creates dialog, the ability to anticipate problems, to respond quickly to possible operational contingencies and to identify and manage the potential delays and budget overruns that occur in any projects of this scale.

- The Company is constantly monitoring developments in the area of CB_1 receptor modulators in order to identify trends, markets, possible competitors and to be able, if necessary, to form partnerships with academic groups or private entities that are developing technologies relevant to its strategy.

2.4.3. Management of risks related to regulatory authorizations and the future marketing of the Company's products

Since it is potentially the first Company to be able to develop and, if successful, commercialize a drug in the two main indications targeted by the Company (cannabis addition and cognitive deficits related to Down syndrome), the Company faces the risk of not being given a clear regulatory pathway by the regulatory agencies.

To address these issues, the Company's policy is to call on the expertise of external specialists at the very early stages of product development. For that purpose, it works in close collaboration with prominent regulatory consultancy firms with extensive experience in bringing molecules to market. The Company refers to these consultants when drawing up key regulatory development documents, particularly the quality target product profile (QTPP), the target product profile (TPP) and planning the full development programs including the required interactions with the regulatory agencies and the possibility of benefiting from expedited regulatory procedures (especially fast track and orphan drug procedures).

In the case of AEF0117, the Company has also requested a "type B meeting" with the FDA at the end of the phase 2a clinical study to discuss the overall development plan for this drug candidate for the treatment of cannabis use disorders as well as the protocol of the future phase 2b. Thanks to an industrial partnership signed with Indivior PLC in June 2021, the Company is now able to share ideas with a specialist in addiction treatment: recurring Joint Steering Committee meetings between the two parties provide an opportunity for the Company to draw on Indivior PLC's expertise in the "downstream" regulatory and commercial stages (including the future coverage of treatments by the healthcare agencies of the various key target countries).

In the case of AEF0217 in Down syndrome deficits, the creation of the ICOD consortium financed by a European H2020 program has helped the Company to structure a shared development strategy with the most prominent European experts in the field providing added security for the areas of development pursued.

Through these various interactions and participation in international conferences in the Company's areas of expertise, the Company is able to monitor scientific and strategic developments.

The Company mainly analyses issues relating to the competitive positioning of its drug candidates and technologies internally and may also purchase any relevant studies and call upon its network of KOLs.

2.4.4. Management of legal, compliance and intellectual property risks

2.4.4.1. Product liability

In order to protect itself against the risk of liability in the event of any harm caused by its products, the Company takes out specific insurance policies for each clinical trial that it sponsors. Pricing

and the amounts covered depend on the local laws and regulations in force in the clinical investigation center in question. In France, the Public Health Code (Code de la santé publique) requires sponsors of clinical trials to carry insurance. In countries where there is no such obligation, the Company has nevertheless taken out an insurance policy covering its liability from the performance of clinical trials. The total value of the policies depends on the number of patients included in the trials and their geographic location. The Company believes that it has sufficient coverage for each of the ongoing trials.

2.4.4.2. Intellectual property risk management

Since its creation, the Company has implemented an intellectual protection policy internally and with regards to third parties.

Internally, the teams of researchers are made aware of the key issues related to intellectual protection. Any exchange with potential partners, whether academic or commercial, is done in compliance with the rules of protection by the establishment of confidentiality agreements, MTA (Material Transfer Agreement, or agreements for the use of the Company's compounds) and review of the contractual clauses by the internal legal team of the Company, and by specialized consultants if necessary. Thus, the Company has two in-house employees combining legal and scientific skills to manage intellectual property issues and to be the expert interlocutors with industrial property consulting companies.

Externally, the Company has recourse to international consulting firms, including those based in the United States, to ensure the quality of the patent application files filed with regard to the regulations of the various countries, but also to exchange with the examiners during the period when applications are assessed.

Aelis Farma pursues an active strategy to protect its inventions and its intellectual property, favoring patents conferring strong protection on the drug candidate molecule itself (composition patent), and subsequently strengthening this intellectual property by filing patents of specific application in the therapeutic fields or therapeutic indications of interest.

By systematically protecting the structure of the molecules of drug candidates developed by the Company, and their main uses, the Company aims to prevent any commercial exploitation of its drug candidates by any third party in any field during the term of validity of composition patents and reinforced in the therapeutic applications of interest by application patents.

The Company also monitors the products marketed by its competitors and will take action for infringement if such actions are revealed.

All external patents and patent applications brought to the Company's attention, especially during the examination of the Company's applications, will be carefully scrutinized for their potential impact on the freedom of use of the Company's technologies.

2.4.4.3. Compliance with personal and medical data protection regulations

The Company also adopts a legal approach to securing each project by protecting individual rights within legal frameworks such as contracts, confidentiality statements and consent forms. The Company implements procedures to protect the personal data of its employees, patients,

healthcare professionals and other partners that it interacts with. The Company is transparent on the use of these data in activities such as research.

For clinical trials conducted in the United States, the Company uses service providers that are mandatorily or voluntarily subject to the General Data Protection Regulation and therefore have the level of data protection required in Europe.

2.4.5. Management of risks related to the Company's operations

Issues relating to the selection and monitoring of partners in charge of the production of the Company's products, and clinical and preclinical developments are closely managed by the Company's Operations Department. The process put in place is based on almost systematic competition between the main partners, the considering in this process of their financial strength, their ability to offer the Company scalable solutions to enable these relationships to develop over time (capitalization on the knowledge and know-how of the partners).

As far as possible, the Company uses first-rate service providers, whose size allows them to deal with any contingencies by relocating the activity in the event of force majeure, and who can ensure the implementation of rapid remediation plans if necessary. In accordance with practices in the pharmaceutical industry, the Company has implemented an internal quality process focused in particular on the evaluation of service providers and the monitoring of identified deviations. The Company carries out quality audits of the main service providers in accordance with the standards in force in the pharmaceutical industry.

The search for diversification of supply sources is underway to secure materials qualified as strategic.

Finally, the Company's recruitment policy, which makes it possible to diversify experience and integrate people with knowledge of the various players in the sector, makes it possible to benefit from feedback and to develop the Company's practices.

2.4.5.1. Risks related to the absence of a sales, marketing and distribution organization

The Company's business model is to develop a drug candidate to the point that it is brought to market and find, at least initially, partners for its commercialization. Thus, in the case of AEF0117, the Company has demonstrated its ability to implement such a strategy by signing an option license agreement for the commercialization of this drug candidate in the field of diseases caused by cannabis use. As a result, the management team gained valuable experience in negotiating and setting up partnerships, including through the use of specialist external consultants in order to have the necessary support if other drug candidates are identified.

To implement this strategy of seeking partners, the Company monitors companies within the industry and communicates regularly to increase awareness of its compounds. Its aim is to increase its participation across a large number of conferences and meetings ("bios") in order to raise its profile. The listing on the regulated market of Euronext Paris in February was part of this strategy to communicate and increase awareness of the Company and its products.

2.4.5.2. Key employee management policy

The Company has implemented a recruitment policy allowing it to duplicate the Company's key positions, diversify the profiles of its employees and cope with the evolution of its Research and Development programs. In this context, its salary policy aims to position its remuneration at market level in order to attract talent on a national or even international level. Aelis Farma also plans to continue its policy of granting profit-sharing tools in the Company's capital, open to all employees of the Company, with the main criterion of retaining employees over time. In the current context of changing working methods following the Covid-19 pandemic, the Company has also put in place arrangements and the necessary technical means allowing its employees to work remotely working mode without loss of efficiency as soon as that might be necessary.

2.4.5.3. Cybersecurity risks

The Company's data set-up is structured around a third-party cloud-based data solution. The service providers' security systems and redundancy help to reduce exposure to a targeted attack. In addition to standard security software, the Company has implemented additional security measures to strengthen the security of its email exchanges, as well as more sophisticated firewalls and antimalware. Strict internal procedures have been introduced for password changes, updates of security software and backups to redundant systems and all employees are reminded of them on a regular basis .

To ensure the secure transfer and storage of its clinical data, the Company uses service providers with GDPR-compliant procedures that increase the security of clinical data, including data backup and integrity.

2.4.5.4. Risks linked to the health crisis for general and clinical operations

During the Covid-19 pandemic, the Company implemented a remote working policy favoring remote work in accordance with government recommendations. This change was accompanied by the provision of all the necessary tools and materials to facilitate remote working, as well as the establishment of frequent and structured interactions to integrate new employees and strengthen cohesion and team spirit. At the level of its service providers, it has set up frequent communication with its subcontractors to ensure the continuity of services under the best possible conditions, or, where applicable, their discontinuation or controlled postponement. With clinical service providers, regular contacts are in place to assess their level of preparation, exposure and anticipation of risks related to clinical studies in a Covid environment.

2.4.6. Financial risk management

2.4.6.1. Funding and liquidity

The highly capital-intensive nature of the Company's business has led it to develop approaches based on the identification and anticipation of financial needs. The management of these risks is based on:

- A regular budgeting process, mainly focused on cash management and controlling the evolution of the R&D budget. This process is shared internally between various players

within the business and regularly supervised by the Company's governing bodies (Board of Directors and Audit Committee);

- Fundraising efforts by the management team targeting non-dilutive financing from national, European and international partners. This has led to financing from Bpifrance, the Conseil Régional Nouvelle-Aquitaine and banking partners, as well as grants from the European Union and NIDA-NIH (US National Institutes of Health);
- Dilutive fundraising targeting specialized investors and funds that have supported the Company in the past.

When setting up major financing (fundraising, industrial partnerships), the funds made available are placed with the Company's banking partners, on risk-free media.

2.4.6.2. The research tax credit

The French research tax credit (CIR) constitutes a significant source of financing for the Company. In order to respond in the most appropriate way to the evolution of the regulations and the complexity of the applicable rules, the Company has set up an internal organization aimed at managing these issues as well as possible, in particular for the purposes of selecting expenses and eligible service providers, drawing up the appropriate documentation, and anticipating any adverse developments.

This organization is based on:

- the use of external expertise (accountant and firm specializing in this field and in particular in relation to the health sector);
- the establishment of regular regulatory monitoring to anticipate changes, learn about case law, ensure the quality of the documentation produced;
- the implementation of a risk management process within the operational teams, in order to identify, as soon as the order is placed, the eligibility of service providers and services for the CIR mechanisms at the instigation of the Finance Department;
- the qualification of the potential eligibility of expenditure as soon as the budget is drawn up, making it possible to control the issues of financial flows linked to this mechanism;
- the implementation of a time monitoring network adapted to the particularities of the Company's research activity and the eligibility or not of each of the milestones as defined by the French Ministry of Research.

2.5. Use of financial instruments by the Company

The Company's exposure to foreign exchange risk is linked to the existence of expenses in a currency other than the euro (mainly in US dollars), the Company's functional currency and the presentation currency of the financial statements.

Since 2021, the Company chose to set up auto-hedging in dollars following the receipt of the $30 million for the license option agreed with Indivior PLC. Thus, these funds in dollars are used to finance the future costs of the research program carried out in this currency (studies related to AEF0117 in the United States), thus constituting a natural exchange rate hedge.

In 2023, currency hedging in dollars will continue in order to finance the cost of studies related to AEF0117 carried out in the United States and denominated in dollars. It is anticipated, however,

that this cover will be lifted at the end of 2023, by which time the main expenses relating to current studies will already have been incurred.

2.6. Company activity in terms of research and development

The Company has developed a new pharmacological class, Signaling Specific inhibitors of the type 1 receptor of the endocannabinoid system (CB_1-SSi), which could make it possible to offer well tolerated and efficient treatments for certain pathological conditions linked to hyperactivity of the CB_1 receptor, the main receptor of the endocannabinoid system. CB_1-SSi mimic a natural mechanism the brain uses to combat CB_1 receptor overactivity. This receptor is involved in the regulation of several physiological functions and therefore in the occurrence of several brain diseases, thus giving access to multiple therapeutic areas.

CB_1-SSi seem capable of inhibiting only the cellular signals involved in the pathology while sparing the normal physiological activity of the receptor. Thanks to this very innovative mode of action, never tested before in humans, Aelis Farma was able to show that CB_1-SSi are, to date, not only effective but also well tolerated and devoid of significant side effects. This mode of action is very different from that of previous generations of CB_1 inhibitors called antagonists which block all receptor activity resulting in significant side effects which made their use in humans difficult. For these reasons, CB_1-SSi promise to provide therapeutic solutions for diseases that currently have no treatment.

The products developed by Aelis Farma are new molecular entities (NMEs) belonging to the general chemical class of small molecules and to the new pharmacological class called Signaling Specific inhibitors of the CB_1 receptor of the endocannabinoid system (CB_1-SSi).

Aelis Farma has two clinical-stage drug candidates:

- AEF0117, the most advanced drug candidate, to combat the harmful effects of cannabis and in particular Cannabis Use Disorders (CUD) which is the current definition of cannabis addiction in the diagnostic manual reference DSM-5. It is estimated that in the European Union, United States, Canada and Australia, 7.2 million individuals have been diagnosed with CUD. The Company's animal and human studies with AEF0117 suggest that this compound may decrease both motivations to use cannabis and the negative impact of cannabis on the brain. In addition, AEF0117 demonstrated favorable pharmacokinetic, toxicological, pharmaceutical and tolerability characteristics confirming its potential for the treatment of CUD. These results were published in June 2023 in the prestigious scientific journal *Nature Medicine* (Haney et al., Nat Med 2023). This article is the first concerning an Aelis Farma molecule and provided external validation not only of the efficacy and tolerability of AEF0117, but more generally of the new pharmacological class, CB_1-SSi, developed by Aelis Farma. The current development program of AEF0117, carried out in collaboration with Indivior PLC, the leader in addiction medicine, aims to carry out a phase 2b study, that started in the first half of 2022, in patients suffering from CUD and to conduct additional clinical and non-clinical studies in order to prepare the entry of AEF0117 into confirmatory phase 3 studies. In June 2023, a DSMB evaluated the safety and tolerability data on the first 115 patients treated for at least 4 weeks with AEF0117. It revealed no serious adverse events or significant treatment-related events, and recommended continuation of the study without protocol modification.

- AEF0217, the second drug candidate, is being developed for the treatment of behavioral and neurodevelopmental disorders, with the primary target being Down syndrome cognitive impairment (trisomy 21), a significant unmet medical need. An estimated 0.8 million people are living with Down syndrome in the European Union, United States, Canada, Australia and Japan, with an increasing prevalence due to late pregnancy and longer life expectancy for these people. AEF0217 was able to restore working memory deficit in Down syndrome mice, a key cognitive deficit in Down syndrome, without inducing identifiable behavioral or physiological side effects within the therapeutic dose range. Thanks to this unique combination of efficacy and safety, particularly important for the fragile Down syndrome population, AEF0217 could allow a prodigious leap in the quality of life and social integration of people living with Down syndrome. AEF0217 has completed the phase 1 program in healthy volunteers, with no major adverse events reported to date (analysis and audit ongoing), and entered phase 1/2 in people with trisomy 21 in December 2022. The main aim of this study is to assess the safety and absorption of AEF0217 in people with Down's syndrome, and may also provide the first indications of the compound's activity. The study is expected to enroll 45 people, and to be completed in the fourth quarter of 2023. Initially planned as a single-center study (IMIM, Barcelona), it has been transformed into a multi-center study by adding two additional centers in Spain in order to obtain more robust results. Finally, in June 2023, the Company announced that AEF0217 had proved effective in a genetic mouse model of Phelan-McDermid syndrome (PMS), a common genetic cause of autism, thus opening up AEF0217's potential indications to autism spectrum disorders (ASD).

Disorders linked to excessive cannabis use and cognitive deficits associated with Down syndrome have been selected as a priority by Aelis Farma because they represent major unmet medical needs, thus potentially opening up access to large markets. Aelis Farma is also developing several new CB_1-SSi, now in early pre-clinical research, which could offer therapeutic solutions for other brain diseases involving the CB_1 receptor, such as attention deficit hyperactivity disorder (ADHD), autism spectrum disorders, 22q11 deletion syndrome (an orphan disease associated with hyperactivity and psychosis).

Aelis Farma has developed and operates a Research and Development (R&D) platform, which enables the Company to discover drug candidates that act as specific modulators of target receptor signaling. The Aelis Farma R&D platform is made up of three major components:

- a library of new original molecules which modify the activity of the CB_1 receptor in a specific and selective way of certain signaling pathways of this receptor. This library has already generated two drug candidates that are now in the clinical stage: AEF0117 for cannabis-related disorders and AEF0217 for cognitive deficits. It also contains several new compounds that Aelis Farma is developing to treat other brain diseases that involve the CB_1 receptor;
- an efficient research platform composed of: i. A screening laboratory using High Content Screening techniques, which gives Aelis Farma the ability to identify molecules that act as signaling specific inhibitors; ii. An original multifactorial screening procedure, which assesses toxicity, bioavailability and formulation upstream in order to reduce the attrition rate of the drug development pipeline; iii. Innovative behavioral models that aim to improve the prediction of therapeutic efficacy in humans;
- structuring partnerships with prestigious national and international partners who offer Aelis Farma the best environment to implement the Company's programs.

2.7. Activity of subsidiaries and controlled companies

The Company has no subsidiary and does not control any company.

2.8. Foreseeable development and prospects

The Company's 2021-2024 development program includes a large number of clinical and preclinical studies to advance research programs and enable them to reach the next stage of value creation:

- for AEF0117:
  - a phase 2b clinical study in the United States in cannabis use disorders (CUD) which, consistent with forecasts, started in the second quarter of 2022 with the results expected in 2024;
  - in parallel, clinical and preclinical studies are and will be conducted to prepare for the transition of AEF0117 to phase 3 clinical studies;
- for AEF0217:
  - A phase 1/2 trial began in the last quarter of 2022 and is due to be completed in the fourth quarter of 2023.
  - A phase 2b trial in the cognitive deficits observed in Down's syndrome will follow, which, if phase 1/2 is successful, is scheduled to start in the second half of 2024.
- The Company is also analyzing the possibility of conducting an additional clinical trial in 2024 to assess the potential of AEF0217 in the treatment of autistic-type disorders, and in particular Phelan McDermid syndrome, a common genetic cause of autism, for the next drug candidate that will stem from the Discovery program of the Company: early preclinical and regulatory studies to select the molecule that can start development and be administered to humans could be launched in 2024.

As of June 30, 2022, the Company estimates that it has sufficient cash (according to its current forecasts) to carry out its R&D program at least until the end of 2024, and to repay the financing contracted with third parties.

In 2024 the Company could be in a position to receive the $100 M corresponding to the license fee of the option-license contract for AEF0117 with Indivior PLC. The Company could also have recourse to other financing by capital increase and/or borrowing. In addition, to ensure its financing, the Company may also count on the payment of the CIR as well as repayable advances and subsidies that it could request in the future as it has been able to do in the past.

2.9. Important events since the end of the financial year

2.9.1. Attribution of warrants

On December 14, 2022, the Board of Directors used the authority delegated to it under the thirty-ninth resolution of the Combined General Meeting of January 11, 2022. It decided to issue 160,000 BSPCE and to grant 31,500 $BSPCE_{-dec2022}$ to named beneficiaries according to the main terms and conditions of a specific agreement. This grant is equivalent to a total nominal amount of €126, representing 0.25% of the share capital, i.e. in total 1.57% out of the maximum 4% authorized by the delegations. On January 3, 2023, the 31,500 $BSPCE_{-dec2022}$ were subscribed for.

Then, on June 21, 2023, the Board of Directors made use of the authorization granted under the twenty-seventh resolution of the Combined General Meeting of May 24, 2023. It thus decided to issue 200,000 BSPCEs to beneficiaries also named under the main terms and conditions of a specific contract, and to grant 109,500 BSPCEs in June 2023. This issue is equivalent to a total nominal amount of €2,000, representing 1.52% of the share capital at that date, i.e. 2.69% of the maximum 4% authorized by the delegations. As of June 22, 2023, 9,500 $BSPCE_{juin2023}$ have been subscribed.

2.9.2. Additional contributions to the liquidity contract

On February 21, 2023, and June 2, 2023, the Company made two additional cash contributions of €200,000 and €100,000 respectively, to the resources allocated to the liquidity contract signed on December 27, 2022, with Invest Securities. The purpose of these increases is to rebalance the resources allocated, ensure greater liquidity for the shares, and avoid any price discrepancies not justified by market trends.

2.9.3. Relocation of the Company's registered office

As part of its ongoing growth, the Company signed a new lease agreement at the end of December 2022 for its new offices and head office at 1 rue Lafaurie de Monbadon, 33000 Bordeaux. The lease took effect on April 18, 2023, to allow for the completion of various works and improvements. The staff moved out on May 2, 2023.

On May 24, 2023, the Annual General Meeting approved the transfer of the head office.

Part of the Company's R&D staff will continue to carry out the platform's research activities in leased laboratories at INSERM's Institut François Magendie in Bordeaux. Discussions concerning the development of our own laboratories are continuing and should be completed in the second half of 2023.

2.9.4. Situation in Ukraine

The conflict that began in February 2022 between Russia and Ukraine has had no direct significant impact on the Company's operational activity, as the Company has no service providers or operations underway in these two countries. The indirect impacts of this conflict, for example in terms of inflation, rising interest rates and availability of raw materials, remain limited. The Company is able to carry on its activities under normal conditions and bear the additional costs incurred.

2.10. Change to the composition of capital during the first half of 2023

2.10.1. Adjustment to the nominal unit value of the Company’s shares and capital increase

The Annual General Meeting of May 24, 2023, decided to increase the par value per share, from €0.004 to €0.01, through a capital increase by incorporation of reserves, thereby increasing the number of Company shares from 399,698 to 9,592,752. The Company's share capital thus

increased from €50,004.648 divided into 12,501,162 shares to €125,011.62, with the same number of shares but now with a par value of €0.01.

2.10.2. Capital increase after exercise of BSA

On June 21, 2023, the Board of Directors carried out a capital increase following the exercise of 25 BSA_{2018}, requiring a capitalization of reserves of €3.06. The Company's share capital thus rose to €125,017.62, divided into 12,501,762 shares with a par value of €0.01 each.

Then, at the same meeting, the Board of Directors recorded a second capital increase following the exercise of 284 BSA_{2013} warrants, raising the Company's capital to €131,833.62 divided into 13,183,362 shares, each with a par value of €0.01.

Section 3 - Financial statements prepared in accordance with IFRS as of June 30, 2023

CONDENSED STATEMENT OF NET INCOME

In thousands of euros	Note	06/30/23	06/30/22
Revenue	3.5.2	3,734	1,990
Other operating income	3.5.3	1,967	2,261
Revenue from ordinary activities		**5,701**	**4,251**
Research and Development costs	3.5.4	(7,151)	(7,093)
General and administrative costs	3.5.5	(992)	(1,800)
Recurring operating profit (loss)		**(2,442)**	**(4,642)**
Other operating income and expenses	-	-	-
Operating profit (loss)		**(2,442)**	**(4,642)**
Financial income (loss)	3.5.6	813	(5,710)
Profit (loss) before tax		**(1,629)**	**(10,352)**
Income tax expense	3.5.7	(4)	-
Net income (loss)		**(1,633)**	**(10,352)**
Earnings per share (€/share)	**3.5.8**	**(0.13)**	**(0.93)**
Diluted earnings per share (€/share)	**3.5.8**	**-**	**-**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros	06/30/23	06/30/22
Net income (loss)	(1,633)	(10,352)
Items that will not be reclassified subsequently to profit or loss	**1**	**40**
Actuarial gain (loss) on employee benefit obligation	1	40
Tax effect	-	-
Items that may be reclassified subsequently to profit or loss	**(886)**	**916**
Fair value gain/(loss) arising on hedging instruments during the period	(886)	916
Tax effect	-	-
Comprehensive profit (loss)	**(2,517)**	**(9,397)**

CONDENSED STATEMENT OF FINANCIAL POSITION

In thousands of euros	Note	06/30/22	12/31/21
Intangible assets	3.4.1	190	190
Fixed assets	3.4.1	1,240	176
Non-current financial assets	3.4.1	138	250
Total non-current assets		**1,568**	**616**
Receivables and prepaid expenses	3.4.2	6,777	4,171
Inventory		95	35
Cash and cash equivalents	3.4.3	25,450	34,396
Total current assets		**32,322**	**38,602**
TOTAL ASSETS		**33,890**	**39,218**
Equity	3.4.4	**17,101**	**19,791**
Employee commitments		70	58
Non-current financial debts	3.4.6	3,331	3,007
Non-current deferred income	3.4.8	0	584
Passive derivatives	3.4.7	0	0
Total non-current liabilities		**3,401**	**3,650**
Current financial liabilities	3.4.6	974	816
Trade payables and related accounts	3.4.8	3,387	2,415
Fiscal and social debts	3.4.8	404	666
Current deferred income	3.4.8	8,622	11,880
Total current liabilities		**13,388**	**15,778**
TOTAL EQUITY AND LIABILITIES		**33,890**	**39,218**

CONDENSED STATEMENT OF CASH FLOWS

In thousands of euros	Note	06/30/22	06/30/21
Net income (loss)		**(1,633)**	**(10,352)**
(+) Depreciation and amortization of intangible and tangible assets		57	34
(+) Expenses related to share-based payments	3.4.5	126	41
(+) Expenses related to defined benefit plans		10	16
(+) Neutralization of the impact of the restatement of public subsidies on net income		40	-
(+) Reclassification of interest income and expenses	3.5.6	(843)	22
(+) Change in fair value of financial instruments	3.5.6	-	5,688
Net cash flow from operating activities before changes in working capital requirements, financial interest and income taxes		**(2 244)**	**(4,550)**
Change in working capital requirement (net of impairments of trade receivables and inventories)		(4,394)	(2,881)
(-) Research tax credit and income taxes for the half-year	3.5.7	(864)	(946)
Net Cash flows from operating activities		**(8,041)**	**(8,377)**
Acquisitions of intangible and tangible assets		(82)	(123)
Financial interest received on investment		141	2
Net Cash flows from investing activities		**59**	**(122)**
Capital increase net of the conversion of bonds	3.4.4	115	25,544
Costs relating to the capital increase	3.4.4	-	(2,289)
Subscription of BSA		-	-
Repayment of innovation advances and loans	3.4.6	(330)	(70)
Repayment of debt on lease obligations	3.4.6	(28)	(13)
Bank loan repayments		(237)	-
Gross financial interest paid	3.4.6	(33)	(29)
Other funding flows	3.4.6	(300)	(500)
Net Cash flows from financing activities		**(814)**	**22,644**
Effect of exchange rate changes	3.5.6	(149)	933
Changes in cash		**(8,945)**	**15,078**
Cash and cash equivalents at beginning of period		34,396	24,710
Cash and cash equivalents at end of period		25,450	39,789

STATEMENT OF CHANGES IN EQUITY ON 06/30/2023

In thousands of euros	Share Capital	Capital related premi-ums	Other elements from overall results	Own shares	Re-serves	Result	Equity
Equity at 12/31/21	**4**	**35**	**503**	**-**	**(734)**	**1,092**	**899**
Result of the half-year	-	-	-	-	-	(14,288)	(14,288)
Other elements from overall results	-	-	816	-	-	-	816
Overall result	**-**	**-**	**816**	**-**	**-**	**(14,288)**	**(13,472)**
Increase of capital net of fees	46	32,503	-	-	-	-	32,549
Own shares	-	-	-	(285)	-	-	(285)
Payment in shares	-	-	-	-	114	-	114
Others	-	-	-	-	(15)	-	(15)
Allocation of result N-1	-	-	-	-	3,356	(3,356)	-
Equity at 12/31/22	**50**	**32,538**	**1,319**	**(285)**	**2,722**	**(16,552)**	**19,791**
Result of the half-year						(1,633)	(1,633)
Other elements from overall results			(885)				(885)
Overall result			**(885)**			**(1,633)**	**(2,517)**
Increase of capital net of fees	82	108			(75)		115
Own shares				(412)			(412)
Payment in shares					126		126
Others							
Allocation of result N-1		(8,394)				8,394	-
Equity at 06/30/23	**131**	**24,252**	**435**	**(697)**	**2,773**	**(9,790)**	**17,103**

STATEMENT OF CHANGES IN EQUITY ON 06/30/2022

In thousands of euros	Share Capital	Capital related premi-ums	Other elements from overall results	Own shares	Re-serves	Result	Equity
Equity at 12/31/21	**4**	**35**	**503**	**-**	**(734)**	**1,092**	**899**
Result of the half-year	-	-	-	-	-	(10,352)	(10,352)
Other elements from overall results	-	-	955	-	-	-	955
Overall result	**-**	**-**	**955**	**-**	**-**	**(10,352)**	**(9,396)**
Increase of capital net of fees	46	32,503	-	-	-	-	32,549
Own shares	-	-	-	(190)	-	-	(190)
Payment in shares	-	-	-	-	41	-	41
Others	-	-	-	-	(15)	-	(15)
Allocation of result N-1	-	-	-	-	3,356	(3,356)	-
Equity at 06/30/22	**50**	**32,538**	**1,458**	**(190)**	**2,649**	**(12,615)**	**23,889**

3.1. General information

As at the date of these financial statements, the simplified joint-stock Company Aelis Farma (hereinafter "Aelis Farma" or "the Company"), incorporated in October 2013, is a Company domiciled in France, whose registered office is located in Bordeaux (33000) at 1 rue Lafaurie de Monbadon, and registered with the Bordeaux Trade and Companies Register under number 797 707 627. Aelis Farma was a société par actions simplifiée (simplified joint-stock company) until the Annual General Meeting of January 11, 2022, when it was transformed into a société anonyme (joint-stock company) with a Board of Directors.

Aelis Farma is a biotechnology Company specializing in the research and development of treatments related to brain diseases.

The Company has not, since its creation, taken control of any other entity within the meaning of IFRS 10 "Consolidated Financial Statements". These financial statements are therefore not consolidated financial statements but individual financial statements of Aelis Farma only.

On September 25, 2023, the Board of Directors approved and authorized the publication of the condensed financial statements under IFRS for the half-year period ended on June 30, 2023.

3.2. Highlights of the period

Attribution of warrants

On December 14, 2022, the Board of Directors used the authority delegated to it under the thirty-ninth resolution of the Combined General Meeting of January 11, 2022. It decided to issue 160,000 BSPCE and to grant 31,500 $BSPCE_{-dec2022}$ to named beneficiaries according to the main terms and conditions of a specific agreement. This grant is equivalent to a total nominal amount of €126, representing 0.25% of the share capital, i.e. in total 1.57% out of the maximum 4% authorized by the delegations. On January 3, 2023, the 31,500 $BSPCE_{-dec2022}$ were subscribed for. They will be measured and recognized in fiscal year 2023.

Then, on June 21, 2023, the Board of Directors made use of the authorization granted under the twenty-seventh resolution of the Combined General Meeting of May 24, 2023. It thus decided to issue 200,000 BSPCEs to beneficiaries also named under the main terms and conditions of a specific contract, and to grant 109,500 BSPCEs in June 2023. This issue is equivalent to a total nominal amount of €2,000, representing 1.52% of the share capital at that date, i.e. 2.69% of the maximum 4% authorized by the delegations. As of June 22, 2023, 9,500 $BSPCE_{juin2023}$ have been subscribed.

Additional contributions to the liquidity contract

On February 21, 2023, and June 2, 2023, the Company made two additional cash contributions of €200,000 and €100,000 respectively, to the resources allocated to the liquidity contract signed on December 27, 2022, with Invest Securities. The purpose of these increases is to rebalance the resources allocated, ensure greater liquidity for the shares, and avoid any price discrepancies not justified by market trends.

During the first half of 2023, the Company, through Invest Securities:

- Purchased 35,720 shares for a total amount of €497,960.40;
- Sold 6,139 shares for a total amount of €85,896.22.

As of June 30, 2023, the Company held 53.578 shares under this contract, i.e. 0.41% of the capital.

Relocation of the Company's registered office

As part of its ongoing growth, the Company signed a new lease agreement at the end of December 2022 for its new offices and head office at 1 rue Lafaurie de Monbadon, 33000 Bordeaux. The lease took effect on April 18, 2023, to allow for the completion of various works and improvements. The staff moved out on May 2, 2023.

On May 24, 2023, the Annual General Meeting approved the transfer of the head office.

Part of the Company's R&D staff will continue to carry out the platform's research activities in leased laboratories at INSERM's Institut François Magendie in Bordeaux. Discussions concerning the development of our own laboratories are continuing and should be completed in the second half of 2023.

Adjustment to the nominal unit value of the Company's shares and capital increase

The Annual General Meeting of May 24, 2023, decided to increase the par value per share, from €0.004 to €0.01, through a capital increase by incorporation of reserves, thereby increasing the number of Company shares from 399,698 to 9,592,752. The Company's share capital thus increased from €50,004.648 divided into 12,501,162 shares to €125,011.62, with the same number of shares but now with a par value of €0.01.

Capital increase after exercise of BSA

On June 21, 2023, the Board of Directors carried out a capital increase following the exercise of 25 BSA_{2018}, requiring a capitalization of reserves of €3.06. The Company's share capital thus rose to €125,017.62, divided into 12,501,762 shares with a par value of €0.01 each.

Then, at the same meeting, the Board of Directors recorded a second capital increase following the exercise of 284 BSA_{2013} warrants, raising the Company's capital to €131,833.62, divided into 13,183,362 shares, each with a par value of €0.01.

3.3. General accounting rules and policies

3.3.1. Basis of preparation

The Company's financial statements have been prepared in accordance with the principles defined by the IASB (International Accounting Standards Board), as adopted by the European Union. This normative reference is available on the website of the European Commission: http://eur-lex.europa.eu/legal-content/FR/TXT/?uri=CELEX%3A02008R1126-20160101.

The international framework includes IFRS (International Financial Reporting Standards), IAS (International Accounting Standards), as well as their interpretations in accordance with SIC (Standing Interpretations Committee) and IFRIC (International Financial Reporting Interpretations Committee).

These condensed half-year financial statements as at June 30, 2023, have been prepared in accordance with IAS 34 "Interim Financial Reporting". The significant accounting rules and policies applied in the half-year financial statements are similar to those used by the Company in the

financial statements as at December 31, 2022, with the exception of the standards and interpretations adopted by the European Union, applicable from January 1, 2023, and described below:

- IFRS 17: Insurance contracts;
- Amendments to IFRS 17: First application of IFRS 17 and IFRS 9 – comparative information;
- Amendments to IAS 1: Presentation of financial statements - Classification of liabilities as current or non-current;
- Amendments to IAS 1 and the Statement of Practice in IFRS 2: Disclosures of Accounting Policies;
- Amendments to IAS 8: “Definition of Accounting Estimates”;
- Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

These amendments to standards or interpretations do not have a material impact on the half-year financial statements ended June 30, 2023.

French law no. 2023-270 de financement rectificative de la sécurité sociale pour 2023, incorporating the pension reform, was published in the Journal Officiel on April 15, 2023. This reform progressively raises the legal retirement age in France from 62 to 64 (age of entitlement). This represents a change in the post-employment benefit plan within the meaning of IAS 19 "Employee Benefits". The positive or negative impact of the plan change on the amount of the IAS 19 commitment is a past service cost which must be recognized in net income (personnel expenses) at the date of the plan change.

However, for the measurement of its obligation in respect of retirement indemnities (the only post-employment benefit plan to which Aelis Farma is subject), the Company has his-torically adopted a retirement age assumption of between 65 and 67. According to the Company's analysis, the provisions of the reform have no impact on the estimated retirement ages of its employees. Consequently, no impact inherent in the consequences of the pension reform has been recognized in these financial statements.

For the first half of 2023, the Company has not decided on the early application of any standard, interpretation or amendment. The standards, interpretations and amendments published with mandatory application after January 1, 2024, that may have an impact on the Company's accounts are as follows:

- Amendments to IAS 1: Presentation of financial statements - Classification of liabilities as current or non-current;
- Amendments to IFRS 16 Leases: Lease liabilities in a sale-leaseback transaction;
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Financing arrangements with suppliers.

3.3.2. Principles specific to half-year financial statements

In preparing these condensed half-year financial statements, the main judgments made by the management and the main assumptions used are the same as those applied in the preparation of the annual financial statements for the year ended December 31, 2022.

The methods for determining revenue are subject to the estimation of the allocate of the 30 million USD in advance payments (option fee) received between the two performance obligations as of June 30, 2023. The accounting rules and methods relating to the recognition of revenue are identical to those applied at December 31, 2022, and are detailed in Section 3.5.2. “Revenue”.

These estimates are established on the basis of the information available at the time of their establishment.

The Company has been structurally loss-making since its creation, with the exception of the 2021 financial year following the signing of the option license agreement. Cash and cash equivalents amounted to €25.5 million as of June 30, 2023 compared to €39.8 million as of June 30, 2022, taking into account the financing generated by the capital increase at the time of the Company's IPO in the first half of 2022..

The subsequent phases of development of the Company's drug candidates will require significant financing. Given its current development plans, the Company estimates that the cash and cash equivalents available to it as of June 30, 2023, i.e. €25.5 million, will enable it to cover its cash requirements beyond twelve months following the filing of its next Universal Registration Document.

In this context, the principle of continuity of operation has been retained for the preparation of the accounts as of June 30, 2023.

In addition, the Company's activities are not seasonal or cyclical in nature.

Unless otherwise indicated, financial data is presented in thousands of euros without decimals, the euro being the presentation currency of the Company.

3.4. Notes to the statement of financial position

3.4.1. Non-current assets

NON-CURRENT ASSETS

In thousands of euros	06/30/23	12/31/22
Intangible assets	190	190
Tangible fixed assets	1 240	176
Non-current financial assets	138	250
Total non-current assets	**1 568**	**616**

The increase in tangible fixed assets of €1,064,000 corresponds mainly to the valuation of the right of use of the Company's new head office, determined in accordance with IFRS 16 on leases, i.e. €1,046,000. The Company also made various investments in furniture as part of the fit-out of its new offices.

Non-current financial assets consist of the cash balance of the liquidity contract.

The Company has not found any indication of impairment of fixed assets (tangible or intangible).

3.4.2. Receivables and prepaid expenses

RECEIVABLES AND PREPAID EXPENSES

In thousands of euros	06/30/23	12/31/22
Tax and social receivables	399	270
Prepaid expenses	1,514	312
Tax claim	3,098	2,230
Receivable grants	200	200
Others	1,566	1,159
Total other current assets	**6,777**	**4,171**

Other current assets mainly include:

- Prepaid expenses for €1,514,000. The increase in this item relates to research and development contracts with successive execution.
- Tax receivables for €3,098,000 including the 2023 CIR claim for €883,000, the 2022 CIR claim for €2,121,000 and the 2022 IS advance payment for €94,000,
- Deductible VAT receivables for €388,000,
- Grants to be received for €200,000,
- Other receivables, amounting to €1,566,000, correspond mainly to studies re-invoiced without margin and the NIDA grant.

3.4.3. Cash and cash equivalents

CASH AND CASH EQUIVALENTS

In thousands of euros	06/30/23	12/31/22
Cash and cash equivalents	25 450	34 396
Subtotal cash and cash equivalents	25 450	34 396
Bank competitions	-	-
Net cash	**25 450**	**34 396**

The decrease in cash and cash equivalents is mainly due to cash flows generated by the Company's operating activities and to cash flows from financing activities, corresponding mainly to repayment of loans and repayable advances.

3.4.4. Share capital and share premium

EVOLUTION OF SHARE CAPITAL AND SHARE PREMIUM

In euros	Number of shares	Share capital	Capital related premium
At 12/31/22	**12,501,162**	**€50,004.62**	**€32,538,293**
Capitalization of reserves	-	€75,010.57	€107,979
Shares issued during the year – BSA exercise	682,200	€6,818.40	€107,979
Other - appropriation of net income	-	-	€(8,394,114)
At 06/30/23	**13,183,362**	**€131,833.62**	**€24,252,158**

As of June 30, 2023, the capital of the Company is made of 13,183,362 shares resulting from:

- The exercise of 284 BSA_{2013}, 25 BSA_{2018} representing 681,600 and 600 new shares respectively;

The Company did not distribute any dividends during the first half of 2023.

3.4.5. Share-based payments

3.4.5.1. Plan details

CHARACTERISTICS OF PLANS BENEFITING FROM THE IFRS1 EXEMPTION

Type	Grant date	Characteristics of IFRS 1-exempted plans			
		Total number of awarded share subscription warrants	Maturity date	Exercise price	Maximum acquisition period in years
BSA	12/19/2013	355	12/31/2023	€ 400.00	immediately
TOTAL		**355**			

At the end of the 2022 financial year, the number of BSA_{2013} remaining amounted to 315, representing a maximum number of new shares that could be subscribed to of 756,000.

During the first half of 2023, 284 BSA_{2013} were exercised, representing 681,600 new shares. The balance of BSA_{2013} remaining at June 30, 2023, is therefore 31.

CHARACTERISTICS OF PLANS AND VALUATION HYPOTHESES

Type	Date of attribu-tion	Characteristics of the plans							
		Total number of granted warrants	Maturity date	Exercise price	Maximum acquisition period in years	Underly-ing share value (*)	Volatility	Risk-free rate	Initial valu-ation of the plan in thousands of euros (1)
BSA 2017	06/27/18	800	12/20/27	€46.98	4 years	€1.96	73.16%	0.74%	2
BSA 2018	12/18/18	150	12/20/27	€46.98	immediate	€1.96	73.16%	0.74%	-
BSA 2019	03/19/19	600	12/20/27	€46.98	4 years	€2.36	61.80%	0.71%	10
BSA 2020	10/23/20	2,400	10/23/30	€58.73	4 years	€2.45	62.07%	-0.10%	35
BSA 2021	04/29/21	1,500	10/21/30	€58.73	4 years	€7.24	45.63%	-0.19%	160
BSPCE	06/13/17	40	06/13/23	€25.34	2,5 years	€1.67	61.07%	0.62%	68
BSPCE 2017	06/27/18	15,000	12/20/17	€46.98	4 years	€1.96	73.16%	0.74%	92
BSPCE 2019	03/04/19	9,400	12/20/27	€46.98	4 years	€2.36	61.80%	0.71%	159
BSPCE 02.2020	02/21/20	6,200	12/20/27	€58.73	4 years	€2.45	62.07%	-0.10%	125
BSPCE 10.2020	10/21/20	4,400	12/20/27	€58.73	4 years	€2.45	62.07%	-0.10%	72
BSPCE 2021	04/29/21	1,789	10/21/30	€58.73	4 years	€7.24	45.63%	-0.19%	179
BSPCE 2022	04/01/22	126,000	07/01/32	€14.02	5 years	€14.02	50.80%	0.63%	567
BSPCE dec2022	01/03/23	31,500	03/31/32	€10.26	4,5 years	€13.60	64.80%	1.72%	264
BSPCE juin2023	06/22/23	9,500	06/20/33	€13.96	5 years	€14.00	66.80%	2.56%	81
TOTAL		**209,279**							**1,816**

(*) amounts expressed after change in Capital Parity
(1) Black & Scholes model

EVOLUTION OF THE NUMBER OF WARRANTS IN CIRCULATION

Type	Grant date	Number of outstanding warrants					Maximum number of shares that can be subscribed for
		12/31/21	Granted	Exercised	Obsolete	06/30/22	
BSA	12/19/13	315	-	(284)	-	31	74,400
BSA 2017	06/27/18	800	-	-	-	800	19,200
BSA 2018	12/18/18	150	-	(25)	-	125	3,600
BSA 2020	10/23/20	1,000	-	-	-	1,000	24,000
BSPCE 2017	06/27/18	15,000	-	-	-	15,000	360,000
BSPCE 2019	03/04/19	3,917	-	-	-	3,917	94,008
BSPCE 02.2020	02/21/20	6,200	-	-	-	6,200	148,800
BSPCE 10.2020	10/21/20	4,100	-	-	-	4,100	98,400
BSPCE 2021	04/29/21	1,789	-	-	-	1,789	42,936
BSPCE 2022	04/01/22	126,000	-	-	(3,500)	122,500	122,500
BSPCE 12.2022	01/03/23	-	31,500	-	-	31,500	31,500
BSPCE 06.2023	06/22/23	-	9,500	-	-	9,500	9,500
TOTAL		**159,271**	**41,000**	**(309)**	**(3,500)**	**196,462**	**1,028,244**

EVOLUTION OF THE NUMBER OF WARRANTS IN CIRCULATION AND WEIGHTED AVERAGE EXERCICE PRICE

Warrants depending on the period	06/30/23		12/31/22	
	Number of options	Exercise weighted average price	Number of options	Exercise weighted average price
Outstanding at opening	**159,271**	**22.57 €**	**36,873**	**55.11 €**
Obsolete during the period	-3,500	14.02 €	-34,500	13.73 €
Exercised during the period	-309	371.44 €	-3,602	56.59 €
Granted during the period	41,000	11.12 €	160,500	13.96€
Outstanding at closing	196,462	19.78 €	159,271	22.57€
Exercisable at closing	**30,788**	**51.50 €**	**29,970**	**54.53 €**

The share-based payment expense recognized as personnel expenses includes the following amounts:

SHARE-BASED PAYMENT EXPENSE

In thousands of euros	06/30/23	06/30/22
BSA 2017	-	-
BSA 2018	-	-
BSA 2019	-	0
BSA 2020	-	3
BSA 2021	-	20

In thousands of euros	06/30/23	06/30/22
BSPCE	-	-
BSPCE 2017	-	-
BSPCE 2019	-	-
BSPCE 02.2020	-	5
BSPCE 10.2020	-	3
BSPCE 2021	-	11
BSPCE 2022	86	-
BSPCE dec2022	40	
BSPCE juin2023	0	-
Share-based payment	**126**	**41**

Because of the Company's IPO, the vesting period for the rights relating to the various share-based payment instruments had been reviewed in fiscal year 2021. This resulted in an acceleration of the pace of recognition of the related expense associated with the historical BSA and BSPCE plans in the years ended 12/31/21 and 12/31/22. In the first half of 2023, the expense associated with the new BSPCE plans was recognized.

3.4.6. Financing and financial instruments

GROSS FINANCIAL DEBT

In thousands of euros	06/30/23	12/31/22
Non-current bonds loans	-	-
Bank loans	1,147	1,385
Lease liabilities	917	-
Repayable advances	1,266	1,623
Derivative financial instruments (liabilities)	-	-
Accrued interests	-	-
Subtotal other non-current financial liabilities	**3,331**	**3,008**
Current bond loans	-	-
Bank debts	475	474
Repayable advances	397	331
Lease liabilities	100	9
Accrued interests	2	2
Sub-total other current financial liabilities	**974**	**815**
Gross financial debt	**4,305**	**3,823**

The change in gross financial debt during the first half of 2023 is mainly explained by:

- the recognition of a debt relating to the right of use of the new head office, in application of IFRS 16, for €1,046,000, of which €100,000 are classified as current liabilities;
- the repayment of the Company's bank loans and repayable advances, representing a decrease in debt of €567,000 over the period.

FINANCIAL DEBTS

In thousands of euros	06/30/23	12/31/22
Less than a year	974	807
Between 1 and 5 years	2,881	2,865
More than 5 years	449	142
Total	**4,305**	**3,815**

LEASE LIABILITIES

In thousands of euros	06/30/23	12/31/22
Less than a year	100	9
Between 1 and 5 years	436	-
More than 5 years	482	-
Total	**1,018**	**9**

FINANCIAL DEBTS EXCLUDING LEASE LIABILITIES

In thousands of euros	06/30/23	12/31/22
Less than a year	874	786
Between 1 and 5 years	2,325	2,865
More than 5 years	88	142
Total	**3,287**	**3,794**

Reconciliation of changes in gross financial debt and cash flow from financing activities

The variation in borrowing and financial debts can be analyzed as follows:

CHANGE IN INDEBTEDNESS

In thousands of euros	06/30/23	12/31/22
Balance at the beginning of the period	**3,822**	**7,917**
Loan subscription	-	-
Loan repayments	(567)	(541)
Repayment of lease liabilities	(29)	(25)
Financial interest paid	(33)	(57)
Cash flow from financing activities through financial debts	**(629)**	**(623)**
Cost of financial debt	64	141
Changes in derivatives	-	(1,505)
Increase of rental debts	1,046	12
Conversion of convertible bonds	-	(2,120)
Balance at the end of the period	**4,305**	**3,822**

3.4.7. Other current and non-current liabilities

BOOK VALUES AND FAIR VALUES BY LEVEL OF FINANCIAL ASSETS AND LIABILITIES

In thousands of euros	06/30/23						12/31/22
	Hierarchy of fair values	Book value	Fair value	Fair value by results	Fair Value by other items of comprehensive income	Financial instrument at amortized cost	Book value
Other non-current financial assets	Level 1	138	138	-	-	138	250
Receivables	Level 3	2,165	2,165	-	-	2,165	1,629
Other current financial assets	Level 3	0	0	-	-	-	-
Cash and cash equivalent	Level 1	25,450	25,450	25,450	-	-	34,396
Total financial assets	**-**	**27,753**	**27,753**	**25,450**	**-**	**2,303**	**36,274**
Bank debt – Non-current	Level 3	3,331	3,331	-	-	3,331	3,007
Derivative financial instruments (liabilities)	Level 1	0	0	-	-	-	-
Accounts payable (suppliers and related accounts)	Level 3	3,387	3,387	-	-	3,387	2,415
Bank debt - current and passive cash	Level 3	974	974	-	-	974	816
Other debts	Level 3	401	401	-	-	401	666
Total financial liabilities	**-**	**8,093**	**8,093**	**-**	**-**	**8,093**	**6,904**

Fair value is defined as the price that would be received for the sale of an asset or paid for the transfer of a liability in an arm's length transaction between market participants at the measurement date.

A financial asset is defined as the existence of a contractual right to (receive) an economic benefit that will ultimately result in the receipt of a cash flow or the delivery of an equity instrument (share or other). In this respect, prepaid expenses, for which the future economic benefit is the receipt of goods or services rather than the right to receive cash or another financial asset, and tax receivables, which do not represent a contractual right but result from legal obligations imposed by public authorities, are not financial assets.

A financial liability is defined as :

- a contractual obligation either to deliver to another entity cash or another financial asset, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable ;
- or as a contract which will or may be settled in the entity's own equity instruments, and which is :
  - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
  - a derivative instrument that will or may be settled other than by exchanging a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

For this purpose, the entity's own equity instruments do not include puttable financial instruments classified as equity instruments under IAS 32.16A and .16B, instruments which impose on the entity an obligation to deliver to another party a pro rata share of the entity's net assets only on liquidation, and which are classified as equity instruments under IAS 32.16C and .16D, or ins-truments constituting contracts for the future receipt or delivery of the entity's own equity instruments.

There must be a contractual obligation, and as such, deferred income is not a financial liability.

Fair value is based on market data and commonly used valuation models and can be confirmed in the case of complex instruments by reference to values quoted by independent financial institutions.

The categories are defined as follows:

- Level 1 input data: inputs directly based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 input data: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 input data: prices established using valuation techniques based on unobservable data.

3.4.8. Other current and non-current liabilities

OTHER LIABILITIES

In thousands of euros	06/30/23	12/31/22
Non-current contract liabilities	0	584
Subtotal other non-current liabilities	**0**	**584**
Accounts payable (suppliers and related accounts)	3,387	2,415
Social debts	341	583
Fiscal debts	63	84
Others	-	-
Current contract liabilities	8,622	11,880
Subtotal other current liabilities	**12,414**	**14,962**
Total other liabilities	**12,414**	**15,546**

Liabilities on current and non-current contracts mainly consist of the share of Indivior PLC income (payment of the option) corresponding to the research performance obligations described in part 3.5.2 Revenue. It is recognized over time by costs during the execution of phase 2b of the AEF0117 program from the second half of 2021 until the first half of 2024. Contract liabilities are therefore now fully classified as current liabilities.

The increase in accounts payable stems in particular from the additional pre-clinical and clinical studies of AEF0117 initiated in preparation for phase 3.

3.5. Notes to the statement of profit or loss

3.5.1. Segment information

In accordance with IFRS 8, segment information is established on the basis of internal management data used for operational performance analysis and resource allocation.

An operating segment is a distinct component of the entity that is engaged in the provision of distinct products and services and is exposed to risks and returns that differ from the risks and returns of other operating segments.

The Company only operates in one operating segment corresponding to the research and development of treatments for brain diseases. The assets, liabilities and operating loss presented in the financial statements relate to the activities of the Company located in France.

3.5.2. Revenue

In June 2021, the Company entered into a sublicense option agreement for AEF0117 with Indivior PLC, a leading group in the treatment of addictions, whereby Aelis Farma granted an option for an exclusive sublicense on the families of patents EP12194704.8 and EP18305177.0 and on the associated know-how. This agreement allows Indivior PLC to exploit worldwide a pharmaceutical product containing the compound AEF0117 or certain other pregnenolone derivatives covered by these patent families, in disorders related to cannabis use, addictions and other compulsive behaviors.

Remuneration for Aelis is as follows:

- Upon signature of the contract, the Company received a lump sum payment of $30 million (option fee);
- If the option is exercised by Indivior PLC, the Company will receive a second lump sum payment of $100 million (license fee);
- Conditional payments based on technical and regulatory then commercial milestones potentially up to $340 million;
- Royalties ranging between 12% and 20%, on salesof the drug containing AEF0217.

The accounting principles applied to the income from these contracts are taken from the IFRS 15 standard. The detailed analysis of the contract has enabled the identification of two performance obligations within this contract during the option period:

- 1: The communication of data relating to the performance of the phase 2b study and one toxicity study, during the option period, for which Aelis Farma must make its best efforts, and whose additional data will allow Indivior PLC to exercise the option. The income was allocated to this performance obligation by projecting the future costs relating to the completion of phase 2b, including the direct costs of subcontracting, the direct costs of the teams assigned to the completion of these studies and a share of indirect structural costs, as well as a margin.
- 2: The sub-license granted to Indivior PLC with right of return, involving the provision, on the date of signature of the contract, of information relating to the Research and Development program drawn up since the origin of the project. Under the residual method, the income related to this performance obligation is measured as the difference between the

total amount received of 30 million USD and the income associated with obligation 1. It is recognized as revenue at the signing of the contract.

Thus, the recognition of option income of 30 million USD, i.e. €24,616,000, follows the following schedule:

- Upon signature of the contract, in June 2021: €7,921,000
- And, for the balance, i.e. €16,695,000, as the costs relating to the completion of the phase 2b study and the toxicity study are recognized, i.e. from the second half of 2021 for the preparatory phases, and until the results expected in the first half of 2024 are obtained. In this respect, an additional €1,154,000 and €3,809,000 have been recognized in 2021 and 2022 respectively, representing total sales of €20,805,000.

In the 1st half of 2023, taking into account progress in incurring costs, an additional €3,734,000 was recognized in revenue.

REVENUE

In thousands of euros	06/30/23	06/30/22
Service sales	3,734	1,990
Total revenue	**3,734**	**1,990**

3.5.3. Other income from ordinary activities

BREAKDOWN OF OTHER INCOME FROM ORDINARY ACTIVITIES

In thousands of euros	06/30/23	06/30/22
Research Tax Credit (CIR)	883	837
Subsidies related to income	1,084	1,424
IAS20 impact (public subsidies)	-	-
Others	-	-
Other income from ordinary activities	**1,967**	**2,261**

Other income from ordinary activities corresponds in particular to studies re-invoiced without margin and subsidies.

3.5.4. Research and Development costs

BREAKDOWN OF RESEARCH AND DEVELOPMENT COSTS

In thousands of euros	06/30/23	06/30/22
Other purchases and external expenses	(6,167)	(5,989)
Staff costs	(907)	(1,045)
Intellectual Property	(78)	(58)
Research and Development costs	**(7,151)**	**(7,093)**

Other purchases and external expenses were at the same level at June 30, 2023. They reflect activities mainly underway in the first half of 2023, such as the Phase 2b clinical trial, additional preclinical studies and pharmaceutical production activities (CMC) for AEF0117.

3.5.5. General and administrative costs

BREAKDOWN OF GENERAL AND ADMINISTRATIVE COSTS

In thousands of euros	06/30/23	06/30/22
Staff costs	(508)	(673)
Other purchases and external expenses	(484)	(1,127)
Various	-	-
General and administrative costs	**(992)**	**(1,800)**

The decrease in personnel costs is mainly due to bonuses paid in 2022 in connection with the Company's IPO.

Other purchases and external charges as of June 30, 2022, included in particular costs related to the listing of the Company shares, which were not charged to additional paid-in capital in accordance with IAS 32 for €700,000.

3.5.6. Financial result

COST OF NET FINANCIAL DEBT

In thousands of euros	06/30/23	06/30/22
Income from cash and cash equivalents	148	2
Interest charges on loans	(64)	(39)
Interest charges on rental debts	(9)	(0)
Total cost of net financial debt	**75**	**(38)**

As of June 30, 2023, income from cash and cash equivalents corresponded mainly to interest earned on available cash (euros and dollars). This increase is due to the current rise in market rates. Interest expense on borrowings corresponds mainly to interest on the "PGE" loans contracted in 2020, and to interest relating to the recognition of government grants under IAS 20.

OTHER FINANCIAL INCOME AND EXPENSES

In thousands of euros	06/30/23	06/30/22
Exchange gain (losses)	738	17
Changes in the fair value of financial instruments	-	(5,688)
Amortization of debt issue costs	-	-
Net financial cost related to the update of provisions for pensions	(1)	(0)
Total other financial income and expenses	**737**	**(5,672)**

The financial result for the first half of 2023 mainly comprises the foreign exchange gain recognized on the settlement of Research and Development transactions, which were self-hedged in dollars. As of June 30, 2022, was recognized the non-cash impact of the conversion of bond loans determined in accordance with IFRS standards relating to financial instruments.

3.5.7. Income taxes

INCOME TAXES

In thousands of euros	06/30/23	06/30/22
Income tax	(4)	-
Deferred income tax	-	-
Total income tax expense	**(4)**	**-**

3.5.8. Earnings per share

EARNINGS PER SHARE

Calculation components	06/30/23	06/30/22
Net income (euros)	(1,632,767)	(10,351,923)
Weighted average number of shares issued	12,602,079	11,079,356
Basic earnings per share (euros/share)	**(0.13)**	**(0.93)**

DILUTED EARNINGS PER SHARE

Calculation components	06/30/23	06/30/22
Net income (euros)	(1,632,767)	(10,351,923)
Weighted average number of shares issued	12,602,079	11,079,356
Dilutive potential shares	-	-
Weighted average number of diluted shares	-	-
Diluted earnings per share (euros/share)	**(0.13)**	**(0.93)**

3.6. Note to the cash flow statement

As of June 30, 2023, cash and cash equivalents amounted to €25,450,000, a decrease of €14,339,000 compared to December 31, 2022. This decrease in net cash surplus was principally due to the Company's research and development projects.

3.7. Transactions with related parties

On March 31, 2023, the Board of Directors decided to continue the consulting contract with the company Thomas Conseil SPRL., of which Mr. François Thomas is the chairman, and censor of the Board of Directors of the Company, on the same terms as for the 2022 financial year. The purpose of the contract is to provide assistance to the Company in the search for financing, and assistance in negotiation.

3.8. Events subsequent to the end of the period

No event subsequent to the end of the period is likely to affect the valuations used in the half-year financial statements as of June 30, 2023. However, the following events are noteworthy:

- At the end of the first half of 2023, a DSMB was held to evaluate the safety and tolerability data on the first 115 patients who had been treated for at least 4 weeks with AEF0117. The committee noted no serious adverse events or significant treatment-related events, and recommended continuation of the study without protocol modification.
- On August 28, 2023, the Company made an additional cash contribution of €100,000 to the resources allocated to the liquidity contract signed on December 27, 2022, with Invest Securities. The purpose of this increase is to rebalance the resources allocated, ensure greater liquidity for the shares, and avoid any price discrepancies not justified by market trends.

3.9. Off-balance sheet commitments

The Company did not give or receive any new off-balance sheet commitments during the half-year.

Section 4 - Statutory auditor's report on the half-year financial statements established according to IFRS

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Aelis Farma

Statutory auditor's review report on the half-yearly financial information

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-yearly financial statements of Aelis Farma, for the period from January 1 to June 30, 2023,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the condensed half-yearly financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

S.A.S. à capital variable
344 366 315 R.C.S. Nanterre

Société de Commissaires aux Comptes
Société d'expertise comptable inscrite au Tableau
de l'Ordre de la Région Aquitaine

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2. Specific verification

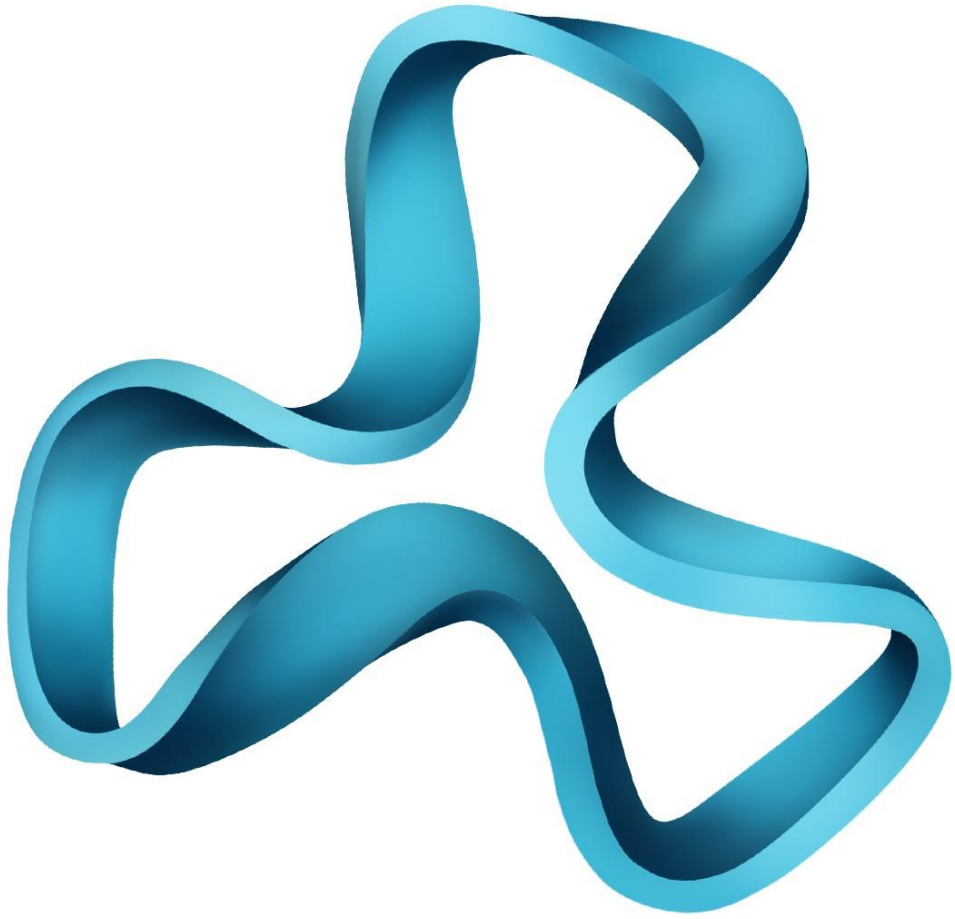
We have also verified the information presented in the half-yearly management report on the condensed half-yearly financial statements subject of our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly financial statements.

Bordeaux, September 26, 2023

The Statutory Auditor
French original signed by

Laurent Chapoulaud



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