Captor Therapeutics®

Extended Consolidated Half-Year Report for the first half of 2023

Translation of a document originally issued in Polish.

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1. FINANCIAL DATA

Below please find selected financial data of Captor Therapeutics S.A. and the capital group of Captor Therapeutics from the consolidated and separate financial statements. The consolidated and separate financial statements of Captor Therapeutics S.A. have been prepared in accordance with the historical cost principle, except for financial instruments that are measured at fair value. The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. The going concern assumptions are described in the interim condensed consolidated financial statements in note no. 12 for the six-month period ended 30 June 2023.

1.1. Selected financial data of the Capital Group of Captor Therapeutics S.A.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PERFORMANCE AND OTHER COMPREHENSIVE INCOME

	Data in thous. PLN		*Data in thous. EUR*	
	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
Research and development income	3,902	2,227	846	480
Cost of services sold	271	585	59	126
Gross profit (loss) on sales	3,631	1,642	787	354
Operating profit (loss)	-45,177	-20,850	-9,793	-4,491
Profit (loss) before tax	-43,266	-20,840	-9,379	-4,489
Net profit (loss)	-43,323	-20,840	-9,392	-4,489
Number of shares	4,209,149	4,158,710	4,209,149	4,158,710
Net,profit (loss) per share (in PLN/EUR)	-10,29	-5,01	-2,23	-1,08

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Non-current assets	9,655	11,676	2,170	2,490
Current,assets	68,615	101,324	15,418	21,605
Equity	55,523	96,322	12,476	20,538
Non-current liabilities	2,267	3,286	509	701
Current liabilities	20,480	13,392	4,602	2,855

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
Net cash flows from operating activities	-31,539	-13,296	-6,837	-2,864
Net cash flows from investing activities	2,738	-14,196	594	-3,058
Net cash flow from financing activities	-1,800	-3,341	-390	-720

Conversion into EUR was made on the basis of the following principles:

- items of the statement of financial position according to the average exchange rate of the National Bank of Poland as of the balance sheet date, i.e., as of 30 June 2023 the exchange rate of EUR 1 = PLN 4.4503, and as of 31 December 2022 the exchange rate of EUR 1 = PLN 4.6899;
- items of the statement of performance and other comprehensive income and the cash flow statement - according to the average exchange rate being the arithmetic mean of the average exchange rates announced by the National Bank of Poland as of the end of each calendar month in a given period, i.e. for the period from 1 July 2023 to 30 June 2023 the exchange rate of EUR 1 = PLN 4.6130, for the period from 1 January 2022 to 30 June 2022 the exchange rate of EUR 1 = PLN 4.6427.

1.2. Selected financial data of Captor Therapeutics S.A.

— **INTERIM CONDENSED SEPARATE STATEMENT OF PERFORMANCE AND OTHER COMPREHENSIVE INCOME**

	Data in thous. PLN		*Data in thous. EUR*	
	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
Research and development income	3,902	2,227	846	480
Cost of services sold	271	585	59	126
Gross profit (loss) on sales	3,631	1,642	787	354
Operating profit (loss)	-45,208	-20,792	-9,800	-4,479
Profit (loss) before tax	-43,264	-20,783	-9,379	-4,477
Net profit (loss)	-43,321	-20,783	-9,391	-4,477
Number of shares	4,209,149	4,158,710	4,209,149	4,158,710
Net profit (loss) per share (in PLN/EUR)	-10,29	-5,00	-2,23	-1,08

— **INTERIM CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION**

	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Non-current assets	7,538	9,209	1,694	1,963
Current assets	68,704	101,390	15,438	21,619
Equity	55,533	96,327	12,479	20,539
Non-current liabilities	724	1,430	163	305
Current liabilities	19,984	12,842	4,490	2,738

— **INTERIM CONDENSED SEPARATE CASH FLOW STATEMENT**

	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022	01.01.2023 - 30.06.2023	01.01.2022 - 30.06.2022
Net cash flows from operating activities	-31,722	-13,072	-6,887	-2,816
Net cash flows from investing activities	2,738	-14,196	594	-3,058
Net cash flow from financing activities	-1,538	-3,341	-333	-720

Conversion into EUR was made on the basis of the following principles:

- items of the statement of financial position according to the average exchange rate of the National Bank of Poland as of the balance sheet date, i.e., as of 30 June 2023 the exchange rate of EUR 1 = PLN 4.4503, and as of 31 December 2022 the exchange rate of EUR 1 = PLN 4.6899;

- items of the statement of performance and other comprehensive income and the cash flow statement - according to the average exchange rate being the arithmetic mean of the average exchange rates announced by the National Bank of Poland as of the end of each calendar month in a given period, i.e. for the period from 1 July 2023 to 30 June 2023 the exchange rate of EUR 1 = PLN 4.6130, for the period from 1 January 2022 to 30 June 2022 the exchange rate of EUR 1 = PLN 4.6427.

2. INFORMATION ON CAPTOR THERAPEUTICS S.A. AND THE CAPITAL GROUP

2.1. Basic information on Captor Therapeutics S.A. and the Capital Group

Captor Therapeutics is an innovative biopharmaceutical group specializing in the development of drugs based on Targeted Protein Degradation ("**TPD"**) and a European leader of this young technology. The Group's strategy is based on building a competitive advantage by completely focusing on the development of the TPD drug discovery platform and the continuous maintenance and commercialization of a high value pipeline composed of drug candidates with the potential to treat severe diseases where there is no satisfactory treatment. On 19 April 2021 Captor Therapeutics S.A. debuted on the Warsaw Stock Exchange, becoming the first European public company fully dedicated to the TPD technology.

The Parent Company was formed as a result of the transformation of Captor Therapeutics spółka z ograniczoną odpowiedzialnością (limited liability company) pursuant to a resolution of the Extraordinary Shareholders Meeting of Captor Therapeutics sp. z o.o. dated 28 August 2018. On 7 November 2018, the Company was registered in the National Court Register kept by the District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division of the National Register under number KRS 0000756383. The Company's registered office is located in Wrocław. The parent company was incorporated for an indefinite period of time and operates under the laws of Poland.

Table 1: Basic data

Company	**Captor Therapeutics Spółka Akcyjna**
Registered office address	54-427 Wrocław, Duńska 11
Telephone	+48 537 869 089
Website	www.captortherapeutics.com
e-mail	info@captortherapeutics.com
Regon	363381765
NIP	8943071259
KRS	0000756383

2.2. Structure of the Group

The Captor Therapeutics Group consists of the parent company: **Captor Therapeutics Spółka Akcyjna ("Parent Company", "Company", "Captor Therapeutics")** and the subsidiary: **Captor Therapeutics GMBH ("Subsidiary"** hereafter also collectively with the Company as the **"Group" or "Capital Group, and Captor Therapeutics Group").**

As of 30 June 2023, and as of the date of publication this report, the Captor Therapeutics Group comprised, in addition to the Company, Captor Therapeutics GMBH with its registered office in Switzerland. The object of the Subsidiary's activity consists of drug research and development, implementation of related projects, creation of intellectual property and cooperation with pharmaceutical companies in this field. The Parent Company holds 100% of shares in the share capital of the Subsidiary.

2.3. Changes in the structure of the Group

There were no changes in the structure of the Captor Therapeutics Group during the reporting period.

2.4. Information about the parent company Captor Therapeutics S.A.

2.4.1 The Company's governing bodies

2.4.1.1 The Management Board of Captor Therapeutics S.A.

As of 30 June 2023, and as of the date of publication of this report, the Management Board of Captor Therapeutics consisted of the following persons:

— **Table 2: Composition of the Management Board of Captor Therapeutics S.A. as of 30 June 2023 and as of the date of publication of this report**

Composition of the Management Board of Captor Therapeutics S.A.		
1.	Thomas Shepherd	- President of the Management Board
2.	Michał Walczak	- Member of the Management Board, Chief Scientific Officer of the Company
3.	Radosław Krawczyk	- Member of the Management Board, Chief Financial Officer of the Company

In the reporting period there were no changes in the composition of the Company's Management Board.

2.4.1.2 Supervisory Board of Captor Therapeutics S.A.

As of 30 June 2023, and as of the date of publication of this report, the Management Board of Captor Therapeutics consisted of the following persons:

— **Table 3: Composition of the Supervisory Board of Captor Therapeutics S.A. as of 30 June 2023 and as of the date of publication of this report**

Composition of the Supervisory Board of Captor Therapeutics S.A.		
1.	Paweł Holstinghausen Holsten	- Chairman of the Supervisory Board
2.	Robert Florczykowski	- Member of the Supervisory Board
3.	Florent Gros	- Member of the Supervisory Board
4.	Krzysztof Samotij	- Member of the Supervisory Board
5.	Maciej Wróblewski	- Member of the Supervisory Board

In the reporting period there were no changes in the composition of the Company's Supervisory Board.

2.4.2 Share capital of the Company

As of 30 June 2023, the Issuer's share capital amounted to PLN 420,914.90 and is divided into 4,209,149 shares with a nominal value of PLN 0.10 each. The total number of votes attached to all shares in the Company is 5,356,542.

The share capital structure as of 30 June 2023 is as follows:

Table 4: Share capital of the Issuer as of 30 June 2023

Share series	Number of shares	Nominal value of shares	Preference rights	Number of votes
A	799,750	0.10	yes	1,599,500
B	1,757,075	0.10	no	1,757,075
C	82,449	0.10	no	82,449
D	97,051	0.10	no	97,051
E	347,643	0.10	yes	695,286
F	26,925	0.10	no	26,925
G	871,500	0.10	no	871,500
H	52,354	0.10	no	52,354
I	9,082	0.10	no	9,082
J	84,143	0.10	no	84,143
K	30,738	0.10	no	30,738
L	9,420	0.10	no	9,420
M	41,019	0.10	no	41,019
Total	**4,209,149**			**5,356,542**

Captor Therapeutics Changes in the share capital of the Company

Changes in the Company's share capital took place during the reporting period:

- on 10 February 2023 competent for the Company registered the amendment to the Company's Articles of Association made on the basis of the Company's Management Board resolution no. 2 of 28 September 2022 on the issue of 41,019 series M ordinary bearer shares, within the limits of the Company's authorized capital, excluding the pre-emptive rights of the existing shareholders of the Company in full. The shares were issued as part of the Company's incentive programme;
- on 14 February 2023, the Management Board adopted a resolution on the issue of 11,292 series N ordinary bearer shares, within the limits of the Company's authorized capital, excluding pre-emptive rights of the existing shareholders of the Company in full. The shares were issued within the framework of the Company's incentive programme (The information was provided in current report no. 3/2023 of 14 February 2023). As of the date of publication of the report, shares have not yet been issued (i.e., the increase in the Company's share capital has not been registered by the registry court having jurisdiction over the Company). The share capital increase was already registered by the Company's competent registry court after the end of the reporting period, i.e. on 18 August 2023;
- on 25 July 2023, the Management Board adopted a resolution on the issue of 25,271 series O ordinary bearer shares, within the limits of the Company's authorized capital, excluding pre-emptive rights of the existing shareholders of the Company in full. The shares were issued within the framework of the Company's incentive programme (The information was provided in current report no. 29/2023 of 25 July 2023). As of the date of publication of the report, shares have not yet been issued (i.e., the increase in the Company's share capital has not been registered by the registry court having jurisdiction over the Company).

As of of the date of publication of this report, the Issuer's share capital amounted to PLN 422,044.10 and is divided into 422,044.10 shares with a nominal value of PLN 0.10 each. The total number of votes attached to all shares in the Company is 5,367,834.

The share capital structure as of the date of publication of this report:

— **Table 5: Share capital of the Issuer as of the date of publication of this report**

Share series	Number of shares	Nominal value of shares	Preference rights	Number of votes
A	799,750	0.10	yes	1,599,500
B	1,757,075	0.10	no	1,757,075
C	82,449	0.10	no	82,449
D	97,051	0.10	no	97,051
E	347,643	0.10	yes	695,286
F	26,925	0.10	no	26,925
G	871,500	0.10	no	871,500
H	52,354	0.10	no	52,354
I	9,082	0.10	no	9,082
J	84,143	0.10	no	84,143
K	30,738	0.10	no	30,738
L	9,420	0.10	no	9,420
M	41,019	0.10	no	41,019
N	11 292	0,10	nie	11 292
Total	**4 220 441**			**5 367 834**

2.4.3 Shareholders with significant shareholdings

As of 30 June 2023, the Company's shareholding structure is as follows:

— **Table 6: Captor Therapeutics' shareholding structure, indicating the shareholders with at least 5% of the votes at the General Meeting as of 30 June 2023**

No.	Shareholder	Total number of shares	Total number of votes	Percentage of share capital	Percentage of total votes at the GSM
1.	Michał Walczak	955,128	1,496,145	22.70%	27.93%
2.	Paweł Holstinghausen Holsten	593,076	953,151	14.09%	17.80%
3.	Sylvain Cottens	340,897	526,730	8.10%	9.83%
4.	Funds Managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A.*	303,075	303,075	7.20%	5.66%
5.	Others	2,016,973	2,077,441	47.92%	38.78%
Total		**4,209,149**	**5,356,542**	**100.0%**	**100.0%**

* *Of which Nationale-Nederlanden Otwarty Fundusz Emerytalny individually holds 271 564 of the Company's shares, which constitutes 5.07% of the total number of votes and 6.45% of the share capital.*

Changes into the Company's shareholding structure

During the reporting period, the following changes took place in list of shareholders holding at least 5% of votes at the General Meeting of the Company:

- on 5 May 2023, the Company received from Paweł Holstinghausen Holsten, member of the Company's Supervisory Board, a notification of a transaction involving the Company's shares (conclusion of 3 108 ordinary share subscription agreement), as referred to in Article 19(1) of the MAR Regulation. The share subscription agreement was concluded as part of the incentive scheme. The information was provided in current report no. 17/2023 of 5 May 2023.

In the period from the date of submission of the previous interim report, i.e., the first quarter report 2023 published on 29 May 2023, until the date of submission of this report, the following change has taken place in the list of shareholders holding at least 5% of votes at the General Meeting of the Company.

- on 18 August 2023, the registry court competent for the Company registered the amendment to the Company's Articles of Association made on the basis of the Company's Management Board resolution no. 2 of 14 February 2023 on the issue of 11.292 series N ordinary bearer shares within the limits of the Company's authorized capital, excluding pre-emptive rights of the existing shareholders of the Company in full (of which the Company informed on 14 February 2023 in current report no. 3/2023). Information provided by current report No. 35/2023 of 18 August 2023.

As of the date of publication of this report, the Company's shareholding structure is as follows:

Table 7: Captor Therapeutics' shareholding structure, indicating the shareholders with at least 5% of the votes at the General Meeting as of the date of publication of this report

No.	Shareholder	Total number of shares	Total number of votes	Percentage of share capital	Percentage of total votes at the GSM
1.	Michał Walczak	955,128	1,496,145	22.63%	27.87%
2.	Paweł Holstinghausen Holsten	596,184	956,259	14.13%	17.82%
3.	Sylvain Cottens	340,897	526,730	8.08%	9.81%
4.	Funds Managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A.*	303,075	303,075	7.18%	5.65%
5.	Others	2,025 ,57	2,085,625	47.98%	38.85%
Total		**4,220,441**	**5,367,834**	**100.0%**	**100.0%**

* *Of which Nationale-Nederlanden Otwarty Fundusz Emerytalny individually holds 271 564 of the Company's shares, which constitutes 5.06% of the total number of votes and 6.43% of the share capital.*

2.4.4 Shares in the Company held by managing and supervising persons

During the reporting period, the following changes took place in the ownership of the Company's shares by management and supervisory personnel:

- on 4 May 2023, the Company received from Krzysztof Samotij, member of the Company's Supervisory Board, a notification of a transaction in the Company's shares (conclusion of 3,111 ordinary share subscription agreement), as referred to in Article 19(1) of the MAR Regulation. The share subscription agreement was concluded within the framework of an incentive scheme. The information was provided in current report no. 15/2023 of 4 May 2023;
- on 4 May 2023, the Company received from Florent Gross, member of the Company's Supervisory Board, a notification of a transaction in the Company's shares (conclusion of 3,111 ordinary share subscription agreement) referred to in Article 19(1) of the MAR Regulation. The share subscription agreement was concluded within the framework of the incentive scheme. The information was provided in current report no. 16/2023 of 4 May 2023;
- On 5 May 2023, the Company received from Paweł Holstinghausen Holsten, member of the Company's Supervisory Board, a notification of a transaction involving the Company's shares (conclusion of 3,108 ordinary share subscription agreement), as referred to in Article 19(1) of the MAR Regulation. The share subscription agreement was concluded as part of the incentive scheme. The information was provided in current report no. 17/2023 of 5 May 2023.

In the period between the date of publication of the report for the first quarter of 2023, i.e., 29 May 2023, and the date of publication of this report, the following changes took place in the ownership of the Company's shares by managing and supervising persons:

- on 19 June 2023, the Company received from Florent Gros, member of the Company's Supervisory Board, a notification of the transaction in the Company's shares (sale of 80 shares) as referred to in Article 19(1) of the MAR Regulation. The information was communicated by current report no. 23/2022 of 19 June 2023;
- On 8 August 2023, the Company received from Radosław Krawczyk, member of the Company's Management Board, a notification of a transaction involving the Company's shares (conclusion of 1,454 ordinary share subscription agreement), as referred to in Article 19(1) of the MAR Regulation (the share issue has not yet been registered by the Company's competent registry court). The share subscription agreement was concluded as part of the incentive scheme. The information was provided in current report no. 30/2023 of 8 August 2023;
- On 8 August 2023, the Company received from Thomas Shepherd, member of the Company's Management Board, a notification of a transaction involving the Company's shares (conclusion of 19,443 ordinary share subscription agreement), as referred to in Article 19(1) of the MAR Regulation (the share issue has not yet been registered by the Company's competent registry court). The share subscription agreement was concluded as part of the incentive scheme. The information was provided in current report no. 31/2023 of 8 August 2023;
- On 8 August 2023, the Company received from Paweł Holstinghausen Holsten, member of the Company's Supervisory Board, a notification of a transaction involving the Company's shares (conclusion of 3 ordinary share subscription agreement), as referred to in Article 19(1) of the MAR Regulation (the share issue has not yet been registered by the Company's competent registry court). The share subscription agreement was concluded as part of the incentive scheme. The information was provided in current report no. 32/2023 of 8 August 2023;
- On 9 August 2023, the Company received from Maciej Wróblewski, member of the Company's Supervisory Board, a notification of a transaction involving the Company's shares (conclusion of 3,111 ordinary share subscription agreement), as referred to in Article

19(1) of the MAR Regulation (the share issue has not yet been registered by the Company's competent registry court). The share subscription agreement was concluded as part of the incentive scheme. The information was provided in current report no. 33/2023 of 9 August 2023.

The table below presents the shareholdings of the Company's management and supervisory staff as of at the date of publication of this report.

Table 8: Shares in the Company held by managing and supervising persons as of the date of publication of this report

Shareholder	Number of shares	Number of votes	Percentage of share capital	Percentage of total votes at the GSM
Management Board				
Thomas Shepherd	38,886	38,886	0.92%	0.72%
Michał Walczak	955,128	1,496,145	22.63%	27.87%
Radosław Krawczyk	2,954	2,954	0.07%	0,06%
Supervisory Board				
Paweł Holstinghausen Holsten	596,184	956,259	14.13%	17,81%
Florent Gros	6,141	6,141	0.15%	0.11%
Krzysztof Samotij	6,221	6,221	0.15%	0.12%
Maciej Wróblewski	3,110	3,110	0.07%	0.06%

3. ACTIVITIES OF THE COMPANY AND THE CAPTOR THERAPEUTICS GROUP

The Company is an innovative biopharmaceutical company specializing in targeted protein degradation technology to discover and develop new drugs that treat severe diseases where satisfactory treatments do not exist. The Company focuses its operations on development of therapeutic molecules for treating certain oncological and autoimmune diseases. The drug candidates being developed are characterized by high efficacy and the ability to remove disease causing proteins that are either beyond the reach of classical inhibitor or blocking drugs or are inadequately treated.

The targeted protein degradation (**"TPD"**) approach of the Company overcomes the limitations of classical inhibitor and antibody drugs by destroying disease causing proteins which are resistant to available therapeutics. This is achieved by exploiting the pharmacological advantage of degraders[1] over inhibitors[2]. Thanks to TPD technology the Company has much wider possibilities of discovering drug candidates than traditional biotechnology companies.

The Company's research and development facilities, including professional scientific staff and modern laboratories, allow it to carry out all early phases of drug discovery and development of protein degradation drugs. This makes the Company a European leader in this respect.

The Company's business model assumes advancing the drug candidates in its pipeline to the late preclinical or early clinical stages of development to demonstrate preclinical and clinical proof of concept for drug candidates. Captor's Optigrade™ platform enables the discovery and development of drug candidates using two complementary degrader drug modalities, i.e., molecular glues and bifunctional degraders. This approach distinguishes the Company from many companies in the TPD area who focus more on one of these areas and it provides the Company with great flexibility in the way it can address different diseases. The commercial strategy of Captor is to take the most promising and appropriate pipeline programmes into early clinical trials, one of the key value inflection points in development, to ensure that the Company captures optimum value for shareholders in any future transactions, while at the same time entering partnerships earlier for those programmes where a pharma partner would be more appropriate to take the project to the global marketplace. Partnerships of this nature normally involve a license for technology and related patents and know-how, with a typical structure comprising the following payment phases: up-front payment, multiple milestone payments and royalties on sales.

In addition to collaborations on its pipeline of drug candidates, Captor also intends to enter discovery partnerships with pharma and large biotech companies to develop new drug candidates in other diseases, outside of the disease of interest in Captor's own drug pipeline.

3.1. Targeted Protein Degradation

Targeted Protein Degradation overcomes many existing drug limitations of small molecule inhibitor drugs or antibodies by removing disease causing proteins resistant to, or poorly treated by, available therapeutics, rather than just inhibiting or blocking them.

The top five advantages of TPD over other therapeutic approaches include:

[1] *a small molecule compound which induces protein degradation (usually proteasomal degradation). Proteasomal degradation is a process of decomposition of ubiquitin-labelled proteins into smaller molecules, the so-called oligopeptides, by the proteasome (i.e., multienzyme complex). A degrader can be designed to target the degradation process towards disease-related protein. As opposed to inhibitors, the pharmacological effect of a degrader can last longer, until the cell will synthesize a new portion of the degraded protein.*

[2] *small molecule compound, which blocks biochemical reactions or biological processes. The effect of inhibitor drugs is maintained until the compound is decomposed or excreted, and until drug concentration is sufficiently high.*

1. The ability to remove disease-causing proteins, including structural proteins that are commonly considered "untreatable" or undruggable" with classical drugs such as inhibitors or antibodies.
2. The ability to use lower doses - compared to inhibitors, resulting in a reduced incidence of the number and type of side effects.
3. Prolonged therapeutic effect due to a change in the relationship between the therapeutic effect (pharmacodynamics) and the drug concentration in the blood (pharmacokinetics).
4. Removal of pathogenic proteins from cells instead of just inhibiting or blocking them. Protein degradation eliminates all functions of a pathogenic protein, whereas usually, only one function of the pathogenic protein is inhibited. Disabling all functions of a pathogenic protein can lead to much improved efficacy.
5. Ability to overcome cancer resistance to classical drugs.

The purpose of TPD is to remove disease-causing proteins at the post-translation level, i.e., without interference with the genetic material of a cell. Many diseases, such as for example autoimmune diseases, are presently treated using biological drugs, i.e., therapeutic proteins (peptides, antibodies, or their fragments) and nucleotide technologies, which regulate the function of receptors of pathogenic proteins. In many cases various receptors are activated by the same protein activators (ligands), which results in activation of several signal transduction pathways – both those leading to the development of a diseases but also those involved in proper functioning of the body. Therefore, inhibition of several receptors or a shared ligand does not only result in inhibition of the disease, but also negatively affects other control mechanisms of the human body. Such therapy can lead to strong side effects which is a principal drawback of many currently available drugs.

The Company uses the Optigrade™ technology platform, developed internally using its own resources to enable selective degradation of specific proteins while maintaining other signal transduction pathways or receptors intact, thus minimizing the side effect potential of the therapy. Degrader drugs on which the Company is working are also easier to administer (most often, orally) than biological drugs which often need to be administered by (intravenous or subcutaneous) injection.

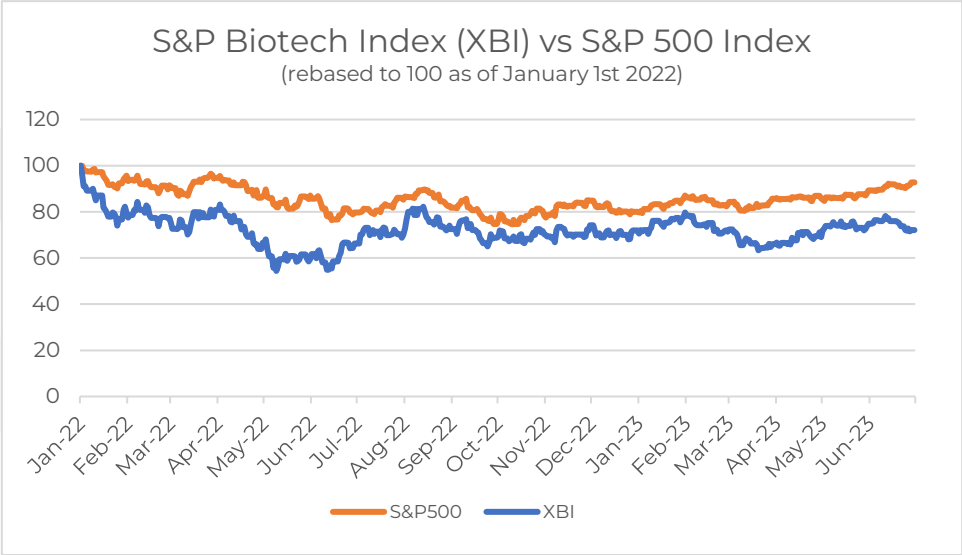
TPD drugs have the potential to address a potentially unlimited numbers of new molecular targets that are currently beyond the reach of classical drugs (known as undruggable targets), which translates into tremendous potential for the development of new therapies. Because of the vast pool of available targets, the Company has a lot of room to work on targets where there is little or no competition.

3.2. Market environment

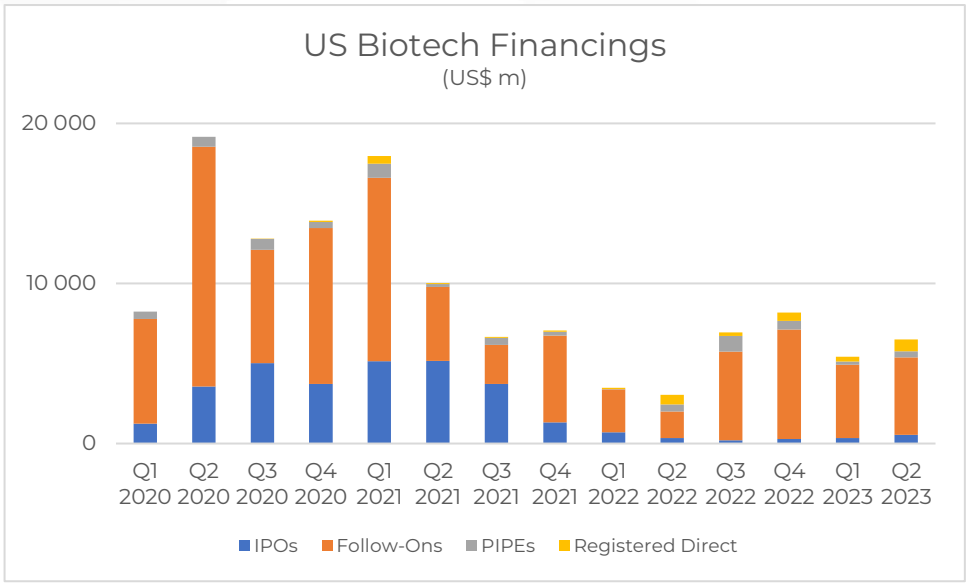
Global biotech capital markets and M&A / licensing activity

The Biotech sector has historically been associated with strong performance but higher volatility. Looking at the last 10 years, we can observe that while the S&P 500 index grew at an average annual growth rate (CAGR – Compounded Annual Growth Rate) of 10.1%, the US Biotech sector grew at 7.1%. Also, smaller Biotech companies appear to be performing better than larger, more mature Biotech companies, reflected in the S&P Biotech Index (XBI) growing at a CAGR of 8.1% over the last 10 years.

Although the last couple of years have been challenging for the Biotech sector, the last six months have offered some signs of stabilization, as highlighted by the XBI falling over 40% in in the first half of 2022, before then recovering to c. 15% of loss compared to its value at the beginning of 2022.



Over the last 6 months, the Biotech sector has remained fragile with mostly healthcare-focused investors funding the growth, but with more generalist investors remaining on the side lines.



The financing of US Biotech's has therefore remained low compared to the euphoria observed in late 2020, (fueled by COVID-19 interest) with high amounts of funding at all-time high valuations, but financing has recovered significantly when compared to the very severe downturn observed in early 2022.

In Biotech, fundraising has always been tightly associated with catalysts and most often occurs on the back of positive clinical data or announcement of a partnership collaboration.

The sentiment behind Biotech companies has improved materially and has stabilized over the last 6 to 12 months, but financing remains challenging for many, in particular for the smaller companies that lack new data and do not have sufficient financial capabilities to deliver on their next inflection points.

Pharma and biotech mergers and acquisitions (M&A; deals >$25 million) in 2022 were slightly lower in 2022 vs. 2021 ($83.9 billion vs. $88.2 billion) but overall, more deals were done (87 in 2022

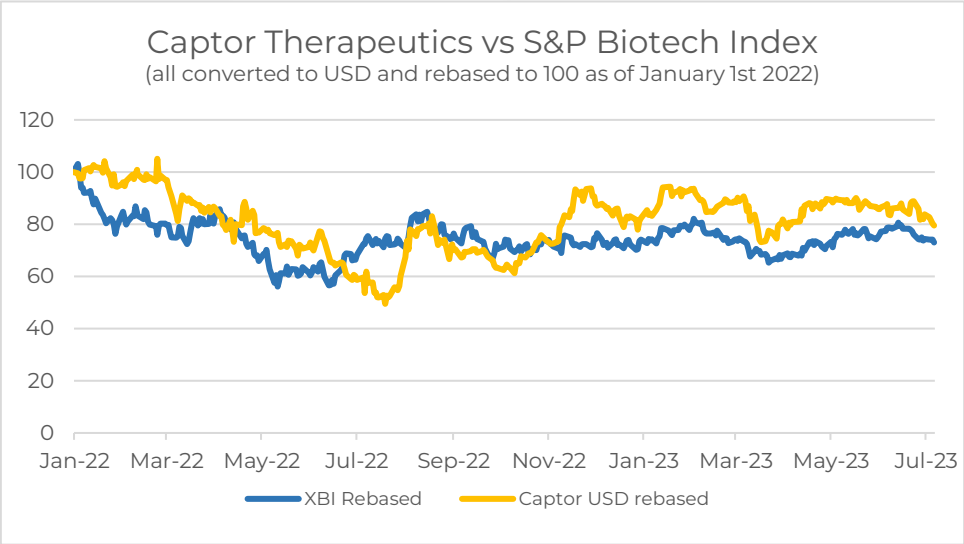
vs. 62 in 2021) with the increase largely driven by the number of pharma deals[3]. The key drivers of deals have been strong balance sheets & cash flows of large pharma/ biotechs, and a focus by them on small to midsize companies rather than mega deals. Acquirors are seeking assets that match their strategic areas of interest and help to fill gaps in their pipelines as existing assets lose patent protection and revenues, and to make up for falling in-house research productivity. As a result of this trend, licensing partnership valuations held up with $179 billion in 2022 vs. $178 billion in 2021, with these partnerships trending towards preclinical assets[4].

For 2023 M&A and licensing partnership activity is expected to continue being driven by large pharma/ biotech companies seeking to replenish development pipelines with development stage partners. Oncology, immunology and CNS are seen as key therapeutic areas of interest[5] for such deals in 2023.

Comparative stock performance

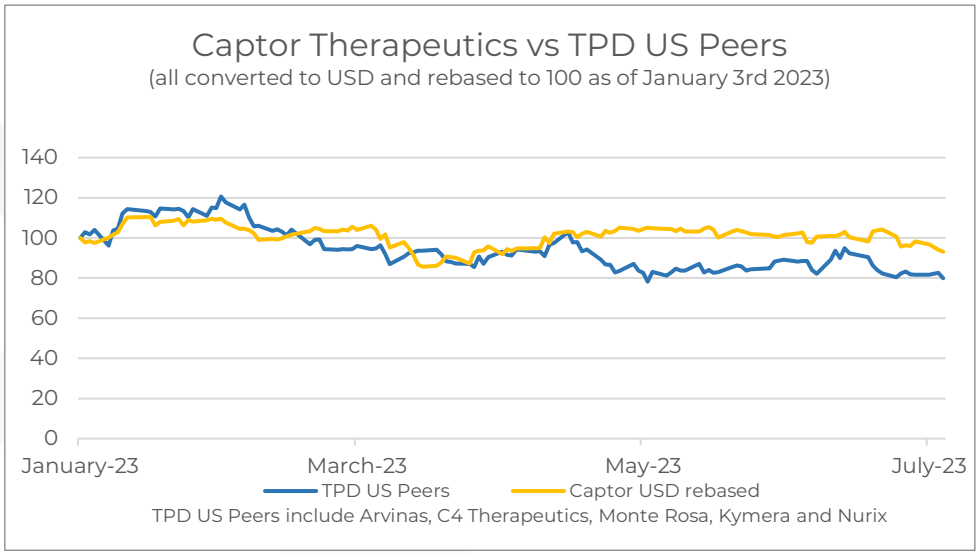
In 2022, the S&P Biotech Index closed the year down 25.9% with a pronounced difference between the -33.6% in the first half of 2022 and the +11.7% in the second half of 2022. The performance so far in 2023 has been flat, progressing only 0.2% since January 2023.

In comparison, Captor Therapeutic share price (in USD) outperformed the S&P Biotech Index not only in 2022 (by 8.1%), but also by 30 June 2023 to date, up 1.7%.



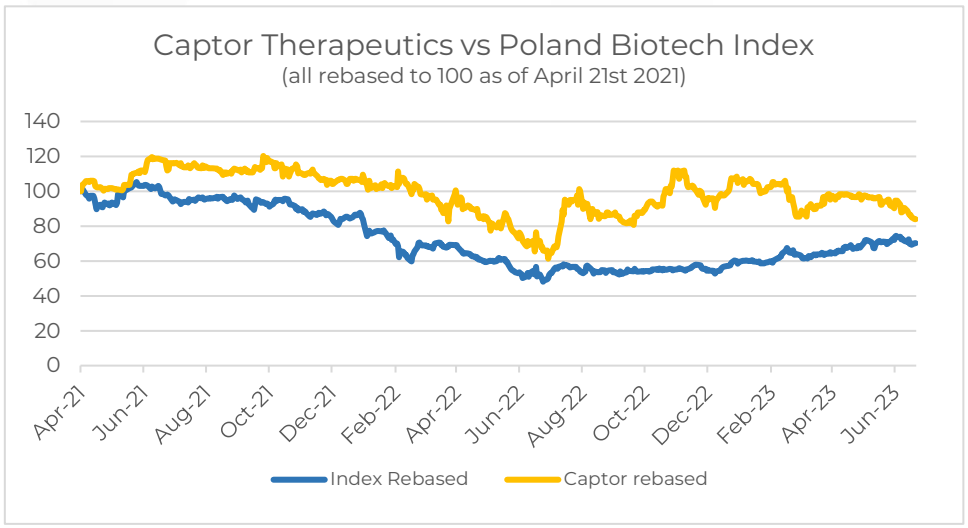
When compared to its US-based peers focused on Targeted Protein Degradation, Captor (in USD) continued to outperform, losing 17% in 2022 when its peers lost 66% and up 2% in the first half of 2023 when its US peers were losing another 18%.

[3] https://www.pharmexec.com/view/biopharma-m-a-year-in-review-ripples-ahead
[4] https://cooleyma.com/2023/01/25/cooleys-2022-life-sciences-ma-year-in-review/
[5] https://www.pwc.com/us/en/industries/health-industries/library/pharma-life-sciences-deals-outlook.html; https://cooleyma.com/2023/01/25/cooleys-2022-life-sciences-ma-year-in-review/



The losses of the US based TPD players in the first half of 2023 were mostly driven by Arvinas (- 27%) and C4 Therapeutics (-53%) but none of the other US peers performed positively, all losing 8-10% in the first half of 2023.

While Captor Therapeutics materially outperformed the Polish Biotech market in both 2021 (since IPO) and 2022 delivering 23.1% and 24.1% outperformance, respectively, the Company gave back some of these gains in the first half of 2023.



3.3. Company's strategies

3.3.1. Products and services

The Group has one reporting segment which is research and development work.

The Company's strategy is based on building a competitive advantage through a complete focus on the development of the Optigrade™ TPD platform and, above all, on rational drug discovery, as well as on continuously maintaining a high value pipeline in the area of severe diseases where classical drugs (inhibitors and antibodies) are not applicable.

TPD drugs being developed by the Company overcome some of the limitations of classical small-molecule drugs and biological drugs, thus have the potential to treat diseases that have developed resistance to current drugs. It is estimated that existing drugs can inhibit the activity of about 20% of the total number of potential drug targets in humans, while TPD drugs can

potentially also address the remaining protein pool that are unavailable. As a result, the Company has a much broader capability to discover high value drug candidates compared to traditional Biotech companies. The Company is currently developing first-in-class compounds with therapeutic potential against autoimmune diseases and cancer (e.g., hepatocellular carcinoma, breast, and lung cancers).

According to the report entitled: *"Global Oncology Trends 2022 – therapeutics, clinical development and health system implications",* published by IQVIA Institute for Human Data Science, in 2021 global expenditures on cancer drugs amounted to USD 185 bn (12.1% increase year-over-year). It is estimated that by 2026 the value of the oncology drug market will reach more than USD 300 billion. In the period 2017-2021 104 novel active substances were launched globally for the treatment of cancer, with a record of 30 launched in 2021. The pace of growth is also stimulated by the growing number of clinical trials. Oncology trial starts reached historically high levels in 2021, up 56% from 2016 and mostly focused on rare cancer indications.

The market volume and demand for new medical solutions also continues to grow with respect to autoimmune diseases. According to the report: *"The Global Use of Medicines 2023. Outlook to 2027"* published by IQVIA the value of autoimmune drug market amounted to USD 143 billion in 2022 and it is estimated that by 2027 it will grow to USD 177 billion. There are over 100 types of autoimmune diseases, and almost 50 million people suffer from immunological diseases in the United States alone (data from the *American Autoimmune Related Diseases Association*, published in 2019). There are over 300 new drug candidates in development for autoimmune diseases (according to https://phrma.org). The dynamic growth of the autoimmune drug market means that the Company's research and development programs to develop new drug candidates for autoimmune diseases are focused on hard to treat market needs, where there is a great demand for innovative medical solutions. Just like the oncological drug market, the growing value of the autoimmune drug market demonstrates that this area of Captor activity is very attractive from a commercial point of view.

A focus on the two therapeutic areas above, (autoimmune and oncological diseases), for which there is a significant demand from patients, makes it possible to build a balanced product portfolio for the following reasons. Firstly, this focus reflects the fact that there are no effective therapies for many oncological diseases and early phases of clinical development are carried out in directly patients. This makes it possible perform relatively quick proof of mechanism studies, which results in the increase of the scientific and commercial value of the developed drug candidate. Secondly, drugs targeting incurable or poorly treated cancers have greater chances of accelerated evaluation by regulatory institutions (FDA, EMA), which in turn enables much faster and cost-effective commercialization of the results of the research program. Thirdly, targeting autoimmune diseases which are mostly chronic and treated by injected biological drugs (such as Humira® and Enbrel®, some of the top-selling drugs in the world), the Company opens up new possibilities for developing oral medications for such diseases without the need for injection. The Company expects that drugs using TPD will be simpler and cheaper to produce than biological drugs, and at the same time easier to administer to patients.

3.3.2.Business model

Captor Therapeutics' Business Model

The business model of Captor Therapeutics is based on three strategic pillars.

The first aspect of the business model involves adding significant value to Captor's most promising lead assets by taking them into early clinical trials in patients, one of the significant value inflection points in drug development. We will seek partnering agreements or liquidity events for these clinical assets at the optimal time to ensure effective access to global markets while managing risk and maximizing value for our shareholders.

The second aspect of the Company's business model focuses on early collaborations, where the Group pursues drug discovery and development with a partner from the outset using our Optigrade™ platform in indications outside the Company's area of interest. This was the case with our collaboration with Ono Pharmaceutical Co Ltd., where we have a partnership to apply our TPD platform in neurodegeneration. Such partnership agreements enable both the expansion of the technology platform's operations and strengthen the competencies of the team, and above all build the Company's global brand.

We are particularly excited by two new areas for development, the potential of our platform to develop next generation degrader drugs through exploiting novel E3 Ligases that are not currently in development, and our series of very high potency degraders that have potential to be combined with antibodies in the area of Antibody Drug Conjugates, which could result in a whole new class of Antibody - Degrader Conjugate drugs.

The third element of the business model is development of Captor into a global, clinical stage TPD leader which will entail accessing global capital at the appropriate time outside of Europe.

3.4. Competitive advantages

Strong and experienced Captor Therapeutics team

One of the Company's main competitive advantages consists of decades of unique international experience of the Company's management team and specialist and highly qualified scientific staff. The Company is managed by a team of people associated with scientific, financial and biotech circles. The Company is also provided with very strong support from its experienced Supervisory Board which has industry experience, international networks of contacts and financial competences.

The Group also has access to highly qualified human resources and cooperates with specialists with appropriate educational profile and industry experience. The Company's scientific staff is composed of highly skilled individuals who graduated from various universities/institutes in Poland or abroad and have significant professional experience gained in companies from biotech and pharmaceutical sectors. The Company takes efforts to recruit junior staff from among most talented students of the best Polish and foreign scientific centers specializing in biotechnology.

Further, the Company's employees responsible for building relationships with potential partners have many years of international experience gained in large pharmaceutical companies (in the United States, United Kingdom, Europe, and Asia) and a track record of

licensing and partnering agreements with most of the top ten global pharmaceutical companies.

In addition to many years of experience in biotechnology sector and significant scientific achievements, the source of success of the Company's scientific staff is their passion and commitment to the development of new therapies for diseases for which there are presently no effective medicines. In order to motivate and reward the Company's team for their efforts the Company introduced an incentive scheme based on the Company's shares which the Company expects will serve as an additional incentive for employees and will help retain employees in the Company by ensuring their participation in the future growth of the Company's value, as a result of the achievement of the Company's goals and progress in commercialization of drugs.

Funding enabling further development of the Company and undisturbed continuation of research related to projects

The Company has been successful in obtaining public funding for research and development as an innovative branch of the Polish economy. Until the date of approval of this report the Company has entered into grant agreements with the NCRD for over PLN 175 million for nine research and development projects. The Smart Development Program for financing research, development, and innovation, led by the NCRD, under which the company received funding, lasts until 2023. At the same time, the Company reported during the reporting period on the situation in Project CT-02. Details are described in section 3.7 of this report. The circumstances do not affect the relationship with NCRD in other projects and the financial position of the Company.

Moreover, as a result of a public offering of series G shares ("**IPO**") the Parent Company's equity increased by approximately PLN 149.9 million in the first half of 2021.

With the funds raised from the IPO and from NCRD, the Company has secured adequate funding to continue to develop and conduct research on its projects in an uninterrupted manner over the near-term horizon. In addition, the Company has become a reliable partner for its service providers and for financial institutions, which will put the Company in a stronger position in business negotiations in the future.

In addition, in order to secure financing for the Company's further development and to carry out project research in a seamless manner in the medium term, in line with the next steps of the Strategy 2023-2025, as announced in current report no. 7/2023 of 6 March 2023, the Board has obtained shareholder approval for an augmentation of authorized share capital, which will enable Captor to obtain equity financing in a timely manner when opportunities present themselves. The increase in authorized share capital will provide the Management Board, under the supervision of the Supervisory Board, with the flexibility to optimize the financing of development plans in the medium term and take advantage of positive developments in the capital markets when they arise.

The target capital may be used to raise financing on the international capital markets or on the domestic market in Poland. The Management Board will decide on the specific financing structures and timeframe, taking into account, among other aspects, market conditions and investor interest.

In addition, already after the end of the reporting period, the Company signed a grant agreement for another project with the Medical Research Agency. For more information, see section 3.8 of this report.

3.5. Sales and supply markets

3.5.1. Sales markets

The Group's business area did not change during the reporting period. Due to the early stage of development, the Group has no traditional manufacturing, service, or commercial activities. In the first half of 2023, but instead plans to commercialise its develoments through partenrships and licensing. The Company continued its research and development collaboration with Sosei Heptares to discover and develop new small molecules to degrade G protein-coupled receptors (GPCR), and with Ono Pharmaceutical Co., Ltd primarily targeting neurodegenerative diseases. As a result, in the first half of 2023, the Company achieved from these two agreements, total revenues of PLN 3.9 million.

3.5.2. Supply markets

Due to the specificity of the Company's activity, the Company does not identify any key suppliers of services or materials on which the Company's activity would depend. The main costs in the first half of 2023 were related to analyses and tests carried out by external entities. For more information, please refer to note 14 of the consolidated financial statement for the three months ended 30 June 2023.

3.6. Report on Company Activities

At the end of the reporting period, the Company's portfolio included four proprietary drug development projects in the area of autoimmune and oncological diseases with unmet medical needs, as well as a joint project with Ono Pharmaceutical Co, Ltd. („**Ono**"), the object of which is to cooperate on the development of small molecules capable of degrading a molecular target agreed by both parties, which may have applications primarily in the field of neurodegenerative diseases. This agreement will provide the Company with additional funding as work progresses on the Ono project.

At the same time, the Company has identified several molecular targets that may represent attractive drug candidates in the areas of autoimmunity or oncology, which the Company believes will be of interest to pharmaceutical companies where there is a strong demand for new and effective products. If current projects reach the commercialization stage, the Company may add additional projects to its pipeline based on the molecular targets already selected and validated. One such project involving a. new target was recently the subject of a new grant funding agreement with the ABM. The Company also carries out a project dedicated to the further development of the TPD platform (as part of the P3 project described below).

Based on the dynamic progress of research and the achievement of successive milestones in 2022, in particular in the leading projects CT-01 and CT-03, the Company is moving forward with the next steps of its Strategy for 2023-2025, in which it also presented development opportunities in new research areas, such as ADC conjugates and the evolution of the Optigrade™ platform. Details are presented in section 3.3.3 of the annual report for 2022 published on 6 April 2023.

Please note that the following statements and projections are based on estimates that are subject to change depending on circumstances, including those beyond the Company's control. They should not be relied upon as a basis for making definitive estimates or projections with respect to any of the projects.

3.6.1 Company pipeline projects

Below please find a brief description of each project and their level of progress in the first half of 2023.

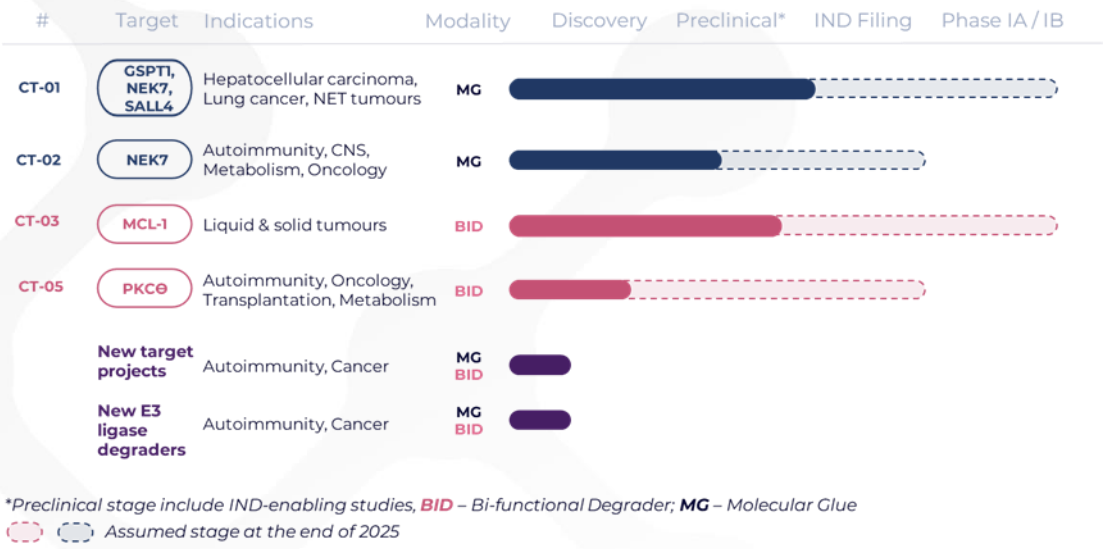


Figure 1: Progress of works with respect to discovery and development of drugs constitute projects carried out by the Issuer and in collaboration with an external entity.

3.6.2 Most advanced pipeline projects of the Company

3.6.2.1 *GSPT1, SALL4, NEK7 (CT-01) Project: Discovery and development of a drug candidate in the treatment of hepatocellular carcinoma to eliminate neoplastic stem cells by induced degradation of oncogenic transcription factor*

The purpose of the CT-01 project is to develop a drug candidate based on targeted protein degradation technology that will stop the progress of hepatocellular carcinoma and will offer significant clinical benefit for patients. Detailed information about hepatocellular carcinoma, the molecular targets of CT-01 candidate drug and key achievements before 2023 can be found in the 2022 Captor Annual Report published on 6 April 2022.

In August 2022, the Company nominated the candidate drug CPT-6281 and commenced CTA/IND-enabling studies to support clinical trials initiation in the near future. In the third and fourth quarters of 2022, the Company improved the process of large-scale synthesis of the compound CPT-6281 and conducted *in vivo* and *in vitro* tests that allow the selection of animal species for toxicological studies. New pharmacological results obtained in additional patient derived xenograft (PDX) models of hepatocellular carcinoma support the therapeutic efficacy of CPT-6281 (Figure 2). The three presented models achieved growth arrest of 60% or more, which is a very promising result in terms of predicted efficacy in patients.

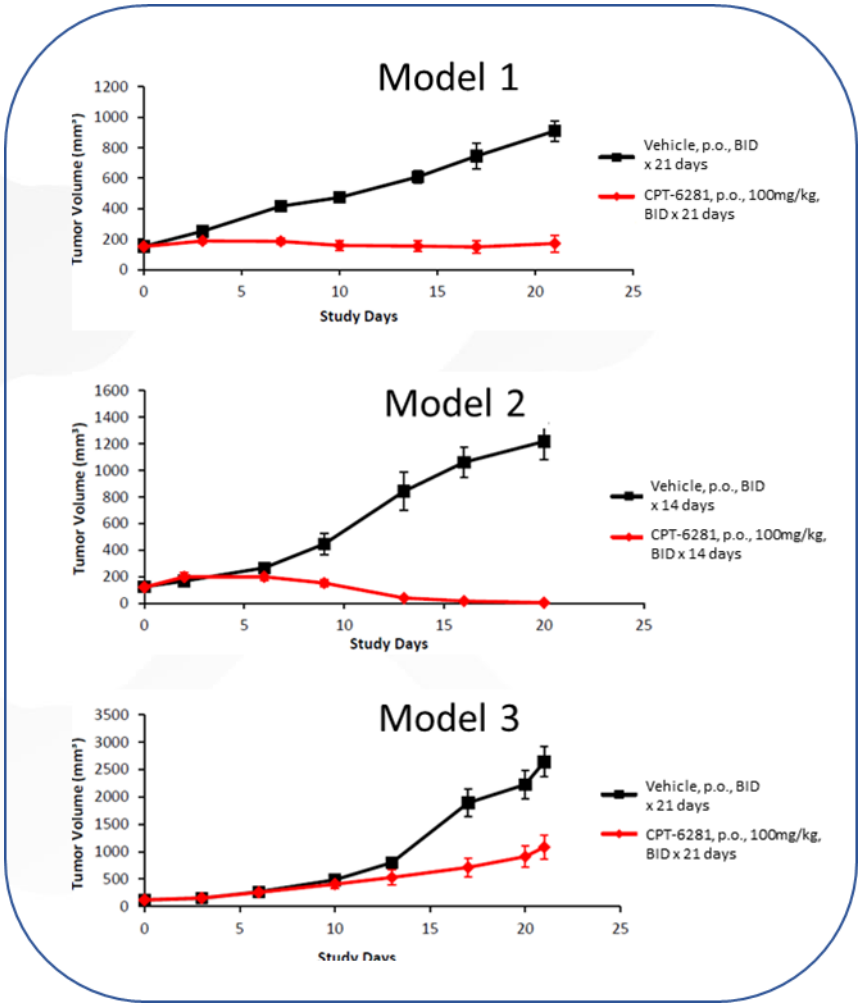


Figure 1: Results of pharmacology studies in additional models of hepatocellular carcinoma - xenografts from patient samples. Figures 3A-3C show tumor volumes in response to oral administration of drug CPT-6281 or control. Compared to the rapid growth in the control group, inhibition of tumor growth was observed after administration of the candidate. In contrast to the Hep3B model results presented previously, these models are obtained from cells taken directly from patients and are more similar to cancers that develop in patients.

In Q1 2023, a preliminary toxicological evaluation was performed. Based on obtained results, a 4-week GLP (Good Laboratory Practice) toxicological study (with a 2-week recovery phase), on two selected animal species was designed. As of today, the in-life part of this study has been completed, and toxicokinetic and histopathological analysis continues. The GLP toxicology package constitutes an essential part of the documentation for clinical trial authorization.

In Q1 of 2023, CPT-6281 large-scale manufacturing process was optimized to achieve a higher purity and yield, and the compound has been manufactured in amounts required for toxicological studies. The GMP (Good Manufacturing Practice) campaign has been initiated for the manufacture of CPT-6281 and is ongoing according to the schedule. The Company has also contracted a CDMO (Contract Development and Manufacturing Organization) that will be responsible for the development and GMP manufacture of the drug product, to secure drug delivery for the clinical trial.

Currently, the Company is preparing reports and documentation necessary for Clinical Trial Application submission, Drug Substance GMP manufacturing, clinical formulation development and development of assays that will be used to analyze patient samples (pharmacokinetic and pharmacodynamic effects).

The Company has selected clinical sites best suited for the first-in-human CPT-6281 study that are specialised in first in human studies in hepatocellular carcinoma. The Company has also

identified providers that will support clinical trial in terms of analyzing patient-derived samples for pharmacokinetic and pharmacodynamic effects and is in the final stages of appointing a global CRO partner to manage this international multi-centre study.

3.6.2.2 *MCL-1 (CT-03) Project: Apoptosis induction using low molecular weight chemical compounds as a therapeutic intervention in neoplastic diseases*

The purpose of the CT-03 project is to develop an MCL-1 protein bi-functional degrader. MCL-1 is the major survival signal for many cancers. It is also responsible for the mechanism of resistance to treatment with e.g., BCL-2 inhibitors. MCL-1 degradation is an attractive treatment strategy for many cancers, including hematologic malignancies, small cell lung cancer (SCLC), non-small cell lung cancer (NSCLC), and triple-negative breast cancer (TNBC)-cancers with very high unmet medical needs due to the limited possibility of effective treatment-as well as acute myeloid leukemia (AML), which is the most common type of leukemia in adults, affecting more than 5 per 100,000 people (2013 data). The drug candidate being developed under the CT -03 project may be considered "*first-in-class*" because, to the Company's knowledge, it is the only MCL-1 degrader currently being developed by a pharmaceutical company.

In the first quarter of 2022, the Company announced the results of an experiment demonstrating the validity of the therapeutic hypothesis in an animal model (*in vivo proof of concept*), including tumor volume monitoring following the administration of multiple doses of the compounds, conducted by an independent research organization on behalf of the Company. These results show that once-daily administration of MCL-1 degraders leads to regression (shrinkage) of tumors in the MV-4-11 mouse model of acute myeloid leukemia. At both doses, 75 mpk (milligrams per kilogram) and 150 mpk, a strong anticancer effect was observed. These results, shown in Figure 3, are another milestone on the way to selecting a candidate for clinical development.

Activity of MCL-1 degraders developed by Captor Therapeutics was evaluated with a cytotoxic assay in 30 independent leukocyte tumour samples, each derived from different patient diagnosed with acute myeloid leukemia (AML *ex vivo* models). The potential of the analyzed compounds, determined in such an experimental model, is characterized by the maximal predictive power and is far more informative than the results from *in vitro* studies on cancer cell lines. In Figure 4, the efficacy (pIC50 values: a higher value means stronger efficacy) of a Captor MCL-1 degrader is compared to the MCL-1 inhibitor, MIK665 (Novartis/Servier), that is in a phase 1 clinical study. This data indicates the stronger potential of the MCL-1 degrader in comparison to the inhibitor. Moreover, none of the tested AML *ex vivo* models was resistant to the degrader, while 3 models (10%) were identified as relatively resistant to the inhibitor. Following the promising results shown in Figures 3 and 4, the compounds advanced to further pharmacological testing.

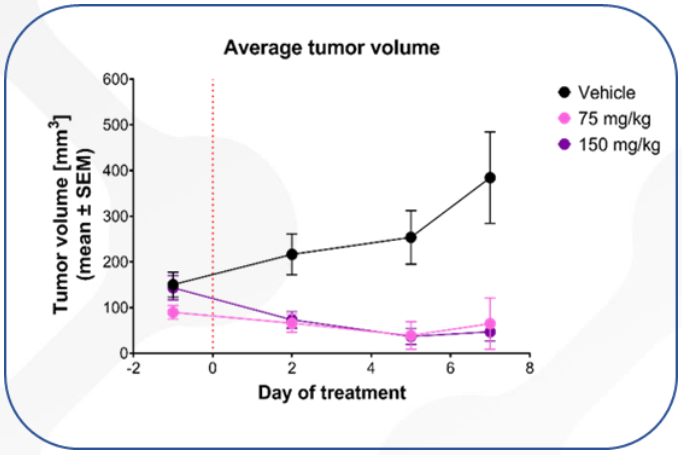


Figure 3 Testing the ability of the developed lead compound to inhibit tumor growth. Mice were injected with human acute myeloid leukemia cells to induce tumor formation. After the tumors reached the appropriate size, the compound was administered once daily, and the volume of the tumors was measured.

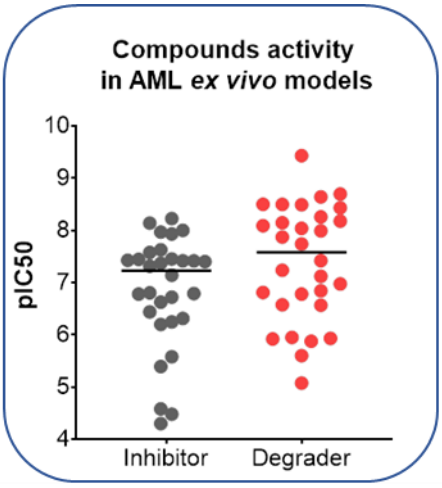


Figure 4: Activity of MCL-1 degraders in comparison to the MCL-1 inhibitor, MIK665 (Novartis/Servier) in 30 AML ex vivo models (leukocytes derived from patients). Cells were incubated with the test agents over 48 hours, and then their viability was measured by the plate-based assay.

Following the promising research results on the efficacy of MCL-1 degraders in the MV-4-11 mouse model of acute myeloid leukemia, the compounds were subjected to further pharmacological studies. Based on these studies, internal analyzes are performed to help clearly select the best candidate for preclinical development. The Company finalized a large-scale manufacturing process, which is carried out by an experienced subcontractor.

In the first quarter of 2023, the safety of multiple doses of the lead candidate drug was evaluated in a rodent species. Based on these studies, the maximum tolerated dose (MTD) was determined when the candidate drug was administered once, and then it was investigated whether this dose could be safe when administered repeatedly over a 14-day period.

Recently, toxicological studies have also started on non-rodent species. In the first stage of the study, the maximum tolerated dose (MTD) of the clinical candidate after a single administration was determined. After evaluating the results of Part 1 of the toxicology study (MTD), 3 different doses were tested in a second step to determine how their levels affected the animals after repeated administration. Blood samples were also taken during these studies to measure troponin levels to assess the potential cardiotoxicity of the drug candidate. In addition, to complete the toxicology data package for the lead compound, dose-response studies were conducted for off-target enzyme inhibition. These enzymes were identified as "hit" in the safety panel assay using 44 different proteins. The data obtained indicate a negligible risk of inhibition of these proteins *in vivo* at therapeutic doses of the lead compound.

Clinical trials with MCL-1 inhibitors, which are not degraders, conducted by pharmaceutical companies are in various stages of phase I/ II trials. In these studies, correlations between the use of inhibitor drugs and side effects on cardiac muscle function were found in some cases. The technology developed by the Company to degrade MCL-1 has a completely different mode of action, as well as a different pharmacokinetic and pharmacodynamic profile compared to the inhibitors used in these clinical trials, which is likely to reduce the risk of cardiotoxicity. To confirm these assumptions, Captor degrader drug candidates have been tested in *in vitro* assays that allow detection of side effects on cardiac muscle function. At the time of publication of this report, the results are promising, and the indications are that therapy with the Captor candidates should not cause cardiotoxicity.

In the last reporting period, the intensity of work on the optimization of the clinical formulation was also increased and the selection of potential CDMO (Contract Development & Manufacturing Organization) contractors specializing in the production of a medicinal products for clinical trials was started. After preliminary discussions, two companies were selected for the second stage of negotiations. The selection was based on an evaluation of flexibility in producing different dose levels and experience in preparing formulations for intravenous (IV) administration.

Due to the identification of an additional new candidate with very high activity, the selection of a clinical candidate will take place in the third/fourth quarter of 2023 to ensure that we take the best possible drug candidate forward.

3.6.2.3 *NEK7 (CT-02) project: Preparation and development of non-toxic ligase ligands and their use in the treatment of autoimmune diseases and hematologic malignancies*

The key therapeutic area in the CT-02 project is in autoimmune diseases such as inflammatory bowel disease, gout, and non-alcoholic fatty liver disease, as well as other diseases where the Company sees an opportunity to address important patient needs and a large market potential. In addition, CT-02 degraders also show high potential for the treatment of central nervous system disorders.

In the first quarter of 2023 the Company disclosed NEK7 protein as the molecular target of the CT-02 project. The selective degradation of NEK7 protein in the CT-02 project is of significant value for the treatment of numerous autoimmune diseases by balancing the therapeutic role of reducing the level of the autoimmunity response, but still preserving the immune function of the IL-1b-dependent pathway.

NEK7 protein is involved in modulating the activity of the inflammasome complex, which plays a key role in triggering the inflammatory response. Activation of the inflammasome complex is not entirely dependent on the kinase activity of NEK7 protein - its structural (scaffolding) function plays a key role. Therefore, classical inhibition of NEK7 enzyme function, as opposed to its degradation, will not provide therapeutic benefit.

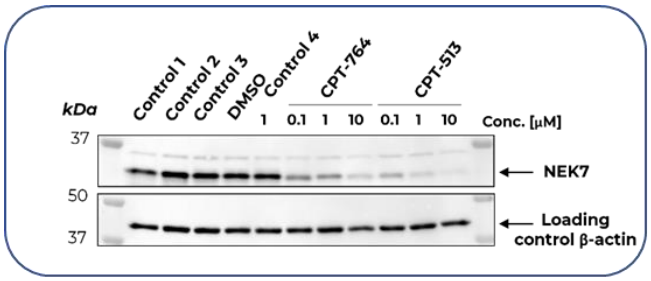


Figure 2: Western blot analysis of the target protein NEK7 in CT-02 project in macrophages differentiated from human peripheral blood mononuclear cells. Compound CPT-513 exhibits an increased potential for degradation of the NEK7 protein in the tested model.

In the first quarter of 2023, screening assays were conducted in CT-02 project to identify new derivatives of the lead compound CPT-764 (CPT-9344) capable of degrading the NEK7 protein as the main molecular target. It has been shown that the CPT-513 compound exhibited improved properties both in terms of degradation of the NEK7 protein and inhibiting markers of inflammation in the model of macrophages differentiated from human peripheral blood mononuclear cells.

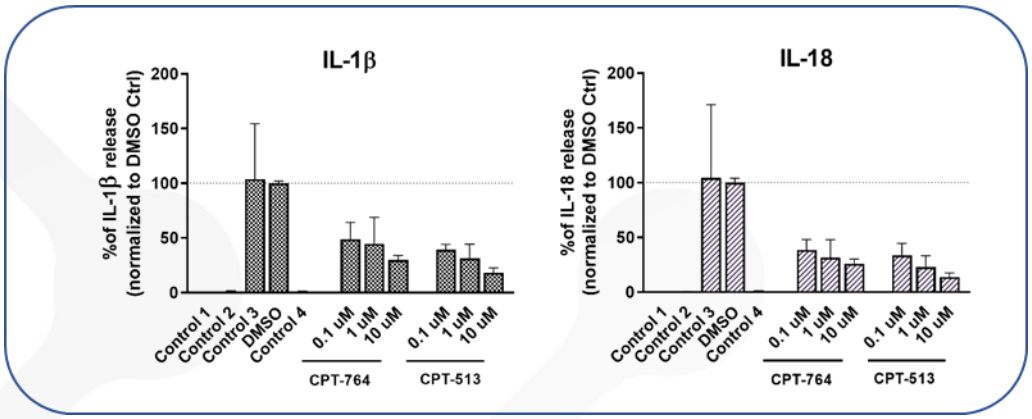


Figure 3: The results of measuring inflammation markers (IL-1β and IL-18) using the ELISA assays in macrophages differentiated from human peripheral blood mononuclear cells. Both compounds lead to a significant decrease in the level of released inflammatory markers related to NEK7 degradation. The stronger degradation of the NEK7 protein by the CPT-513 compound contributes to increased inhibition of the release of pro-inflammatory cytokines compared to the CPT-764 compound.

In a cytotoxicity assay, no effect of tested compounds on the viability of peripheral blood mononuclear cells was observed. Another backup compound – CPT—101 - with comparable biological activity in terms of NEK7 degradation and proinflammatory cytokines inhibition has been identified in human macrophage model.

It has also been shown that CPT-101 has better properties to cross the blood-brain barrier compared to CPT-764 and CPT-513, indicating significant potential for its development in the treatment of central nervous system disorders. The *in vitro* CEREP44 safety pharmacology profile panel showed no significant effect of compounds CPT-764 and CPT-513 on the inhibition of the safety-related molecular targets tested. In the following weeks, an analogous study will be performed to assess selectivity and safety of CPT-101.

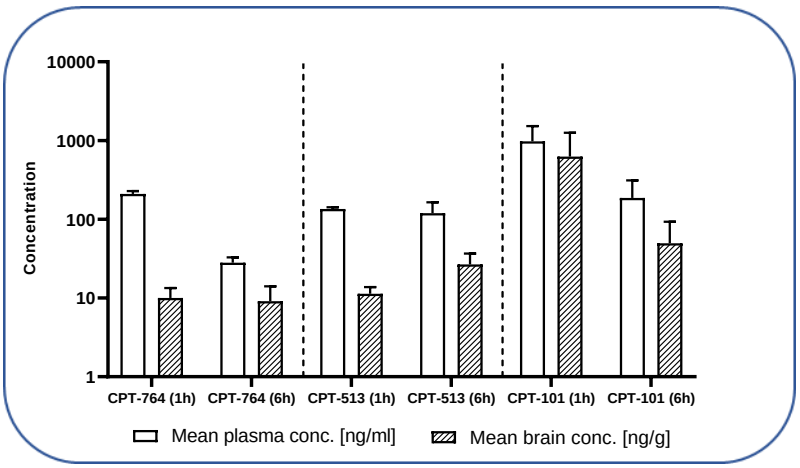


Figure 7: The results of measuring the concentration of compounds in the serum and brains of CD-1 mice following a single oral administration of compounds. Higher levels of the compound CPT-101 were observed in the brain compared to compounds CPT-746 and CPT-513 both at 1 hour and 6 hours after administration indicating greater potential for blood-brain barrier permeability by CPT- 101.

An *in vivo* tolerability study conducted in a mouse model with humanized CRBN protein did not show toxicity of the lead compound CPT-764 in a single administration. A trend towards a reduction of inflammatory markers after a single administration of compound CPT-764 in a mouse model of peritonitis induced by monosodium urate crystals has been noted. A study using a larger cohort of mice and investigating the in vivo activity of compound CPT-513 is planned in the upcoming weeks.

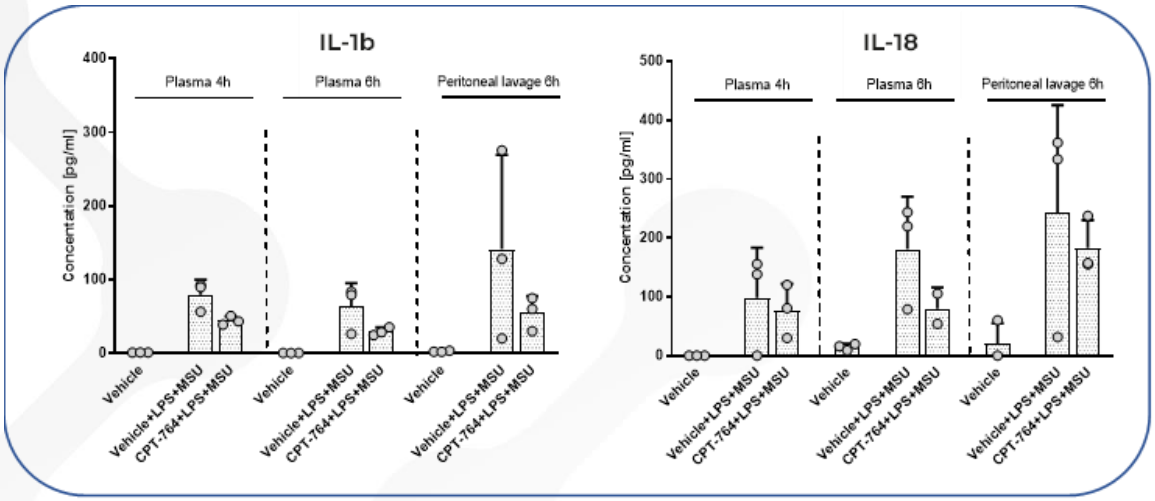


Figure 8: The results of measuring inflammation markers (IL-1β and IL-18) using ELISA assays in plasma and peritoneal lavage fluid collected from mice in which peritoneal inflammation was induced by monosodium urate crystals (MSU). The compound CPT-764 leads to reduced levels of inflammatory markers in plasma and peritoneal fluid.

The expected major milestones for the CT-02 project are as follows:

- The completion of these animal tests will be the main driver for advancing partnering discussions for pre-clinical partnering within this plan period;
- In addition to systemic inflammation indications, a generation of brain-penetrant candidate for the treatment of neuroinflammation could provide additional upside;
- Partnering strategy would involve out-licensing of the entire programme, or separate licensing based on two different molecules, brain-penetrant and non-brain-penetrant, in different therapeutic areas. The company expects licensing discussions to begin in the second half of 2023;
- At the same time, the Company assumes that once the results of the aforementioned in vivo studies are available, the Company will not incur any further significant expenses in connection with this project, including during the course of discussions regarding its commercialisation.

3.6.2.4 *PKCϴ (CT-05) Project: Application of targeted protein degradation technology in the treatment of psoriasis and rheumatoid arthritis*

The objective of the CT-05 project is to obtain a degrader of a pro-inflammatory kinase whose role in the mechanism of development of autoimmune diseases (such as psoriasis or rheumatoid arthritis) has been thoroughly documented. The obtained drug candidate will be characterized by a new mechanism of action and oral bioavailability.

In the CT-05 project, small molecule compounds that induce selective PKCϴ degradation may be used to treat a range of autoimmune and cancer diseases. The degradation of PKCϴ kinase is of high therapeutic value, and the previous approach based on classical inhibitors was characterized by good efficacy in patients, but with numerous side effects resulting from inhibition of other PKC protein isoforms as well as other unidentified molecular targets. The use of TPD technology, and in particular the use of bi-functional degraders, allowed the development of molecules with the highest selectivity in this class.

The results of the Company's research under the project CT-05 show the desired activity in the form of:

- Efficient degradation and desirable selectivity profile of the first-in-class PKCϴ molecular target in cells of the immune system *in vitro*;

- The desired effect on immune cells *ex vivo*, while having no undesirable effects on non-immune cells, unlike less selective inhibitors;
- Best-in-class selectivity distinguishes the Company's compounds from inhibitors that have been unsuccessful in clinical trials due to side effects.

The PKCϴ protein is a recognized modulator of signaling pathways leading to IL-17 secretion - a clinically validated target in autoimmune diseases such as psoriasis.

The expected milestones for the CT-05 project are as follows:

- In 2023, the Company expects to obtain proof-of-concept study results in the acute inflammation model, which could be an impetus to begin discussions to build a partnership or licensing this project.

3.6.3 Other projects

The project implemented in cooperation with Ono Pharmaceutical Co, Ltd., is proceeding on the basis of the Agreement of 14 November 2022. The subject matter of the Agreement is to cooperate on the development of novel small molecule degrader drugs against a currently undrugged target of interest in neurodegenerative diseases. The terms of the Collaboration Agreement cover any human disease indication covered by the above molecular target and the unlimited territorial scope of the collaboration.

As of the publication date of this report the research and development work are proceeding on schedule. Meetings were held in January and April 2023 to analyze ongoing research and to plan out the work for the upcoming calendar quarter. In July 2023, leading representatives of Ono Pharmaceutical visited Captor Therapeutics to discuss the current cooperation and learn more of Captor's capabilities. Both parties are satisfied with the progress of the project. Captor is reimbursed for the costs of the research and development tasks performed and is entitled to success based milestone fees as the drug candidates progress, as well as royalties on any future sales.

The project implemented in cooperation with Sosei Heptares in accordance with current report no. 46/2023 of 21 December 2022 has been completed. The parties are currently analysing the results and will make a final decision on the project's future.

The Company launched the new **research project, subsidized by the Medical Research Agency**, on development of anticancer therapy for the treatment of patients suffering from colorectal cancer and other types of cancer. The molecular target of this project is an undisclosed, only partially structured protein that has a validated role in some of the chemotherapy-resistant haematological malignancies and in immunotherapy. The protein, due to its three-dimensional structure, is considered as hard-to-reach with the classical pharmacological intervention. In the course of the project execution, the Company has identified the first "hits" – compounds that potentially can induce molecular target degradation. They will be used to design a lead compound, that subsequently will be optimized for pharmacological activity consisting of stimulating immune cells to eradicate cancer.

P3 project aims at developing a cutting-edge technological platform that identifies novel ligands of E3 ligases and provides proof of concept for bispecific degraders based on the developed ligands. Due to the growing interest of the TPD community in the use of other ligases than CRBN and VHL, the P3 project constitutes our key strategic program. Recruitment of unprecedented E3 ligases for degradation of medically relevant proteins will expand the therapeutic potential of TPD by increasing the number of possible proteins for degradation, introducing compartment and/or tissue specificity and minimizing the risk of drug resistance and side effects.

In the first half of 2023, the Company achieved significant milestones, successfully completing a pivotal stage of the project. The primary objective of this stage was twofold: first, to produce several dozen bispecific E3 ligase degraders, targeting ligases other than VHL and CRBN; and second, to select a model protein for degradation at the subsequent phases. The Company has developed a complete panel of biophysical and biological assays for in-depth understanding of properties and mechanism of action of designed degraders. The panel allowed to assess affinities to the ligase and the selected model protein, study the kinetics of ternary complex formation and test cell membrane permeability and target engagement in living cells. We are pleased to announce that this research resulted in proof of concept for the KLHDC2 ligase for which the degradation of the multi-domain model protein BRD4 and selected kinases was observed. Noteworthy, the produced degraders have low-nanomolar affinities to the ligase and selected model proteins and are differentiated in terms of the exit vector, linker structure and length, as well as functional groups that improve cell membrane penetration. Using the HiBiT degradation assay in the HEK293 cell line, it was proved that the degradation of the BRD4 protein occurs in a dose-dependent manner with a DC_{50} of 100 nM within 4 h. The mechanism of action of the developed degraders was determined by competition tests with the KLHDC2 ligand (Fig. 9a), neddylation (Fig. 9b) and proteasome inhibitors (Fig. 9c), where partial or complete inhibition of BRD4 degradation was observed. Based on these findings, the decay of BRD4 protein upon treatment with CT bispecific compounds is mediated by the Cul^{KLHDC2} E3 ligase complex and the proteasome (Fig. 9e). Moreover, the degradation of BRD4 protein was demonstrated in another cellular environment, namely the SK-BR-3 breast cancer line, where D_{max} was estimated at ~90% (Fig. 9d). Currently, the focus of the Company is further optimization of bispecific compounds and degradation of other medically relevant proteins. In addition, work is underway to obtain a proof-of-concept degradation for more E3 ligases, for which potent ligands with favorable physicochemical properties have already been developed at earlier stages of the P3 Project.

Another significant accomplishment in the past six months was the successful acquisition of a recombinant protein of a novel E3 ligase, up to now unexplored in targeted protein degradation within scientific literature. This milestone allowed initial biophysical tests on the ligase to be conducted, leading to the identification of the active chemotype. The Company is confident that in the near future these breakthroughs will pave the way for the discovery of new ligands targeting this unprecedented E3.

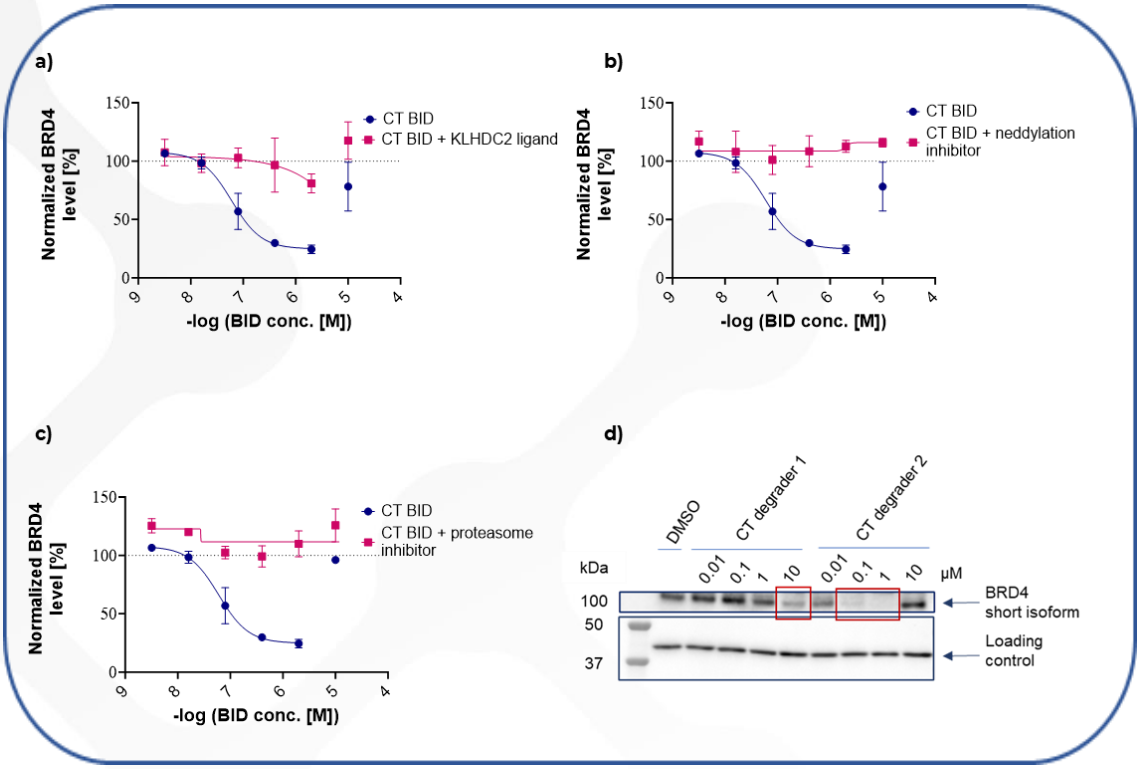


Figure 9: HiBiT degradation assay showing the dependence of BRD4 protein degradation on Cul^{KLHDC2} E3 ligase complex and (c) proteasome in human embryonic kidney cells HEK293. (d) BRD4 degradation in human breast cancer cell line SK-BR-3.

3.7 Significant achievements and failures, as well as events and factors affecting operations and results in the first half of 2023

During the reporting period, certain events took place in the Company and the Group which affected the Parent Company's operations and results in particular, the progress of the projects carried out by the Company described in section 3.6 of this report. Below please find the most important ones:

Announcement of strategic plans of Captor Therapeutics S.A. for 2023-2025

On 6 March 2023, the Company's Supervisory Board adopted a resolution to approve the next steps in the Company's strategy for 2023-2025 ("**Strategic Plans**") presented by the Management Board. The key objectives of the Company's Strategic Plans are described in Section 3.3.3 of this Report and in current report no. 7/2023 of 6 March 2023.

The Company's Management Board plans to secure funding for the implementation of its Strategic Plans by issuing (within the authorized capital) up to 1,222,467 ordinary shares of the Company. The timing and nature of such share issue will be that which is considered most advantageous for the Company, taking into account the financial situation of the Company market conditions, and investor interest. In determining the amount of funds to be raised, the Management Board does not rule out issuing a smaller number of shares if the issue price enables the Company to raise financing enabling the implementation of the Strategic Plans.

Information on progress in research and development related to the CT-01, CT-02 and CT-05 projects and information on the molecular targets of these projects

During the reporting period, the Company disclosed the molecular targets of the following projects:

1. CT-01 “Discovery and development of a new clinical candidate for the eradication of cancer stem cell in the treatment of hepatocellular carcinoma, through degradation of oncofetal transcription factor”;
2. CT-02 "Design and development of non-toxic ligands of ligases and their application in the treatment of autoimmune diseases"; and
3. CT-05 “Application of targeted protein degradation technology for the treatment of psoriasis and rheumatoid arthritis”.

For more information, see section 3.6 of this report.

Information on receipt of a statement on termination of the grant agreement concluded with NCRD concerning project CT-02

On 6 June 2023, Narodowe Centrum Badań i Rozwoju (ang. *the National Center for Research and Development*) ("**NCRD**") served the Company with a statement of termination of the grant agreement with immediate effect, together with a request for return of the received funds; the statement relates to project CT-02 (POIR.01.01.01-00-0741/19: design and development of non-toxic ligands of ligases and their application in the treatment of autoimmune diseases).

NCRD indicated in the statement that the termination of the grant agreement dated 1 June 2020 (the "**Agreement**") with an immediate effect, is justified in particular by the fact that the scope of work performed by the Company under the project is not consistent with the scope of work that was originally planned in the grant application and the Agreement, and that during the period under NCRD's control, the originally planned objectives of the project were not achieved. In addition, according to NCRD, it is also reasonable to assume that the project objectives outlined in the grant application and the Agreement, submitted more than 3 years ago, will not be achieved. In connection with the termination of the Agreement, NCRD requested the Company to return, within 14 days, the received grant in the amount of PLN 6,338,361.19, together with due interest.

The Company's position is that the information contained in NCRD's letter, including NCRD's expert's assessment of the project's progress, is incorrect and unsubstantiated. The Company carried out the project work in accordance with the current state of scientific knowledge, which was presented to NCRD in a comprehensive proposal to change the assumptions of the project in order to keep innovative character of the project. This proposal was not accepted by NCRD. In addition, NCRD did not accept the Company's request to select other experts with relevant knowledge that, in the Company's opinion, would allow to objectively assess the progress and implementation of the project, as well as the need to change the original project assumptions that were presented while concluding the Agreement.

On 6 June 2023 the Company has submitted a letter to the NCRD (reported by the Company in current report 24/2023) in which indicates that it is considering an attempt to repeal in full the effects of the statement on the termination of Agreement made by the NCRD as well as challenging the legal grounds for demanding the return of the entire grant received.

In the Letter, the Company pointed out, in particular, the factual assessment of the project's course different from NCRD's and the lack of justification for the application of grounds for termination of the Agreement indicated by NCRD, as well as emphasized that the demand for the return of the entire grant received is excessive and unjustified. The Company declared its willingness to immediately enter into talks with NCRD in order to resolve this dispute amicably.

On 7 July 2023, the Company received a letter from NCRD (of which the Company informed in current report 27/2023), in which NCRD indicates that it has verified the documents sent by the Company and re-examined the case in question, and that the arguments and information contained in the letter submitted by the Company on 6 June 2023 (of which the Company informed in current report 24/2023) do not affect NCRD's position. Accordingly, NCDR maintains its position of terminating the Agreement with immediate effect with the return of the entire grant.

According to the Company, the CT-02 project is progressing better than originally anticipated, and in addition to compounds offering hope for treating patients suffering from autoimmune diseases such as gout, inflammatory bowel disease, and lupus nephropathy, the project has also developed a second class of compounds that overcome the blood-brain barrier, which may find application in the treatment of neurodegenerative diseases. As a result, the Company plans to continue the CT-02 project, and the modest expenditure required to advance the project to commercialisation will be financed from the Company's own funds. The Company expects to receive the results of the *in vivo proof of concept* study in the following months, which is the key element to commence commercialisation. After these *in-vivo* results are obtained, the Company does not plan to make further significant expenditures on this project while commercialisation discussions are underway. For more information on Project CT-02, see section 3.6.2.3 of this report.

Registration of a share capital increase and amendments to the Articles of Association

On 10 February 2023, the court of registration with jurisdiction over the Company registered an amendment to the Company's Articles of Association made by Resolution No. 2 adopted by the Company's Management Board on 28 September 2022, to issue 41,019 Series M ordinary bearer shares within the limits of the Company's authorized capital, excluding pre-emptive rights of the Company's existing shareholders in full (the Company disclosed the adoption of the resolution in on 28 September 2022, in Current Report No. 37/2022). The shares were issued as part of the incentive plan in effect in the Company. Information provided in current report no. 2/2023 of 10 February 2023.

Registration of Series M ordinary bearer shares with the securities depository and admission and introduction of Series M shares to trading

On 10 March 2023, the Central Securities Depository of Poland ("**KDPW**") issued a release on the registration with the securities depository of 41,019 Series M ordinary bearer shares ("**Shares**"). On 14 March 2023, the Shares were registered with the KDPW securities depository with the ISIN code PLCPTRT00014.

On 9 March 2023, the Management Board of the Warsaw Stock Exchange adopted Resolution No. 198/2023 on the introduction to exchange trading on the primary market as of 14 March 2023 of 41,019 Series M common bearer shares of the Company with a par value of PLN 0.10 each, on the condition that, on 14 March 2023, the Central Securities Depository of Poland registered these shares and marked them with the ISIN code PLCPTRT00014. Information provided in current reports no. 5/2023 of 2 March 2023, no. 9/2023 of 9 March 2023 and no. 10/2023 of 13 March 2023.

Resolution of the Management Board of the Company on a share issue within the limits of the authorized share capital

On 14 February 2023, the Company's Management Board adopted a resolution to issue 11,292 Series N common bearer shares within the limits of the Company's authorized capital, while fully excluding the pre-emptive rights of the Company's existing shareholders.

The share issue is related to the implementation of the Company's share-based incentive program for employees and members of its corporate bodies. The share capital increase was registered by the Company's competent registry court already after the end of the reporting

period, i.e. on 18 August 2023. As at the date of publication of this report, the shares have not yet been registered with the NDS and listed on the stock exchange

Adoption of a resolution by the General Meeting of the Company on the introduction of authorized capital and amendments to the Company's Articles of Association

On 3 April 2023, the Company's General Meeting amended a resolution amending the articles of association by introducing an authorisation for the Company's Management Board to increase the share capital, within the framework of authorized capital, by an amount not higher than PLN 122,246.70 by issuing not more than 1,222,467 new shares in the Company ("**Target Investment Capital**"). The Management Board may exercise the authorisation on the terms and conditions provided for in the resolution of the General Meeting, in particular it may exclude pre-emptive and priority rights (granted by the resolution) with the consent of the Supervisory Board (taken by qualified majority).

The General Meeting also adopted a resolution on amendments to the Articles of Association providing, inter alia, for the exclusion of the application of certain provisions of the Companies Act, which became effective in 2022, and clarifying issues related to the Supervisory Board's advisor (the resolutions adopted were communicated by the Company in current report no. 13/2023 dated 3 April 2023).

The above amendments to the Company's Articles of Association including the introduction of the Investment Target Capital, took effect on 12 May 2023, when the registry court having jurisdiction over the Company registered the amendment to the Company's Articles of Association. Further information was provided in current report no. 19/2023 dated 12 May 2023.

Already after the end of the reporting period, on 5 September 2023, General Meeting of the Company adopted a resolution to amend Resolution 4 of the Extraordinary General Meeting of the Company of 3 April 2023 on authorising the Management Board of the Company to increase the share capital of the Company within the framework of the authorised capital, on the exclusion by the Management Board of the pre-emptive rights to shares issued within the framework of the authorised capital in whole or in part with the consent of the Supervisory Board and on the amendment of the Articles of Association of the Company in connection with the authorised capital of the Company (information provided in current report no. 37/2023 of 5 September 2023).

3.8 Events after the balance sheet date

Conclusion of an agreement with the Medical Research Agency for the implementation and funding of a project to develop an oral molecular adhesive drug candidate for the treatment of colorectal cancer

On 17 July 2023, an agreement was signed between the Company and ABM for the implementation and funding of the project entitled "Development and clinical development of a first-in-class small-molecule drug candidate for the treatment of colorectal cancer based on the stimulation of cells of the immune system to increased anti-cancer activity through induced protein degradation"("**Project**", "**Agreement"**).

The total cost of the Project is PLN 74,285,992.10. Under the conditions stipulated in the Agreement, ABM granted the Company co-financing for conducting industrial research and development works in the amount not exceeding PLN 52,206,266.76, which constitutes 70.28% of the total eligible costs of the Project. The co-financing will be provided in the form of an advance or refund, paid in tranches.

The planned duration of the entire Project is scheduled to end December 2028. Pursuant to the Agreement, the Company, under pain of repayment of the grant, will be obliged in particular to commercialise the Project according to the principles specified in the Agreement within 3 years from the end of the Project. By commercialisation, the parties to the Agreement understand,

among others, the continuation of clinical trials as part of the Company's business activity, but also granting licences or selling rights to the Project. The time limit for commercialisation is suspended in the cases specified in the Agreement. In addition, ABM has the right to purchase a licence to the Project, non-exclusive limited to the territory of the Republic of Poland at market prices. This right may be exercised within 6 months of the completion of the Project.

ABM also has the right to withhold the grant and to terminate the Agreement, in particular if the Company spends the funds contrary to the provisions of the Agreement or fails to achieve the results planned at a given stage of the Project. The Agreement also contains other standard provisions customary in public subsidy agreements.

The aim of this project is the discovery and clinical validation of a novel drug for treatment of patients diagnosed with colorectal cancer (CRC), as well as other tumour types. The proposed small molecule drug will induce degradation of the protein target which negatively regulates the activity of the T cells of the immune system. This would induce the activation of the T cells and their increased infiltration of the tumour site, resulting in the desired therapeutic effect (information provided by current report no. 22/2023 of 14 June 2023 and no. 28/2023 of 17 July 2023).

Resolution of the Management Board of the Company on a share issue within the limits of the authorized share capital

On 25 July 2023, the Company's Management Board adopted a resolution to issue 25,271 Series O common bearer shares within the limits of the Company's authorized capital, while fully excluding the pre-emptive rights of the Company's existing shareholders which the Company announced in current report no. 29/2023.

The share issue is related to the implementation of the Company's share-based incentive program for employees and members of its corporate bodies. As of the date of this report, the shares have not yet been issued (i.e., the increase in the Company's share capital has not been registered by the registry court having jurisdiction over the Company).

Registration of share capital increase and amendments to the Company's Articles of Association

On 18 August 2023 the registry court competent for the Company registered the amendment to the Company's Articles of Association made on the basis of the Company's Management Board resolution no. 2 of 14 February 2023 on the issue of 11.292 series N ordinary bearer shares within the limits of the Company's authorized capital, excluding pre-emptive rights of the existing shareholders of the Company in full (of which the Company informed on 14 February 2023 in current report no. 3/2023). The shares were issued under the Company's incentive programme. Information provided by current report no. 35/2023 of 18 August 2023.

3.9 Related party transactions

In the reporting period, transactions between related parties took place on terms equivalent to those prevailing in transactions concluded at arm's length. Information about transactions concluded with related parties has been included in:

- the interim condensed consolidated financial statements for the 6 months ended 30 June 2023 in Note 32; and
- the interim condensed separate financial statements for the 6 months ended 30 June 2023 in Note 48.

3.10 Guarantees and surety bonds for loans or borrowings

In the period covered by this report, the Group did not grant any surety bonds for any loans or borrowings, or any guarantees. Information on contingent liabilities was included in interim condensed separate financial statements for the 6 months ended 30 June 2023 in Note 53.

3.11 Risks and threats faced by Captor Therapeutics S.A. and the Captor Therapeutics Group

Risk related to the Group's operating activity

Due to the innovative nature of the Group's business, the Group is currently at an early stage of research. All of the therapeutic molecules that the Group is working on are in the preclinical stage. The Group's ability to generate profits from the sale of medicines or licensing of therapeutic solutions will depend on the success in developing drug candidates (a drug candidate is a chemical compound with a high therapeutic potential (demonstrated at least in an experimental set-up) and with desirable pharmacological properties, which has not yet been registered as a medicine), and possible commercialization of the medicines. The Company's success is contingent on a number of factors, in particular:

- successful completion of preclinical studies;
- successful initiation of clinical trials;
- successful recruitment of patients to conduct and finalize clinical trials;
- obtaining all necessary regulatory and market approvals for potential clinical candidates;
- entering into partnership or collaboration agreements with third parties on commercially advantageous terms;
- competing effectively with other therapies;
- gaining acceptance of the drug in the marketplace and among potential patients;
- successful commercialization of a medicine.

To date, the Group has not generated sales revenue from the commercialization and sale (licensing) of drug candidates or medicines. All of the Group's research and development programs are at the stage of developing a suitable therapeutic molecule for the selected molecular target and validating its properties, i.e., before the stage of clinical trials. The Group has not commenced clinical trials of developed drug candidates. There is a risk that the Group and its partners may not reach the stage of commercialization and marketing of a drug, and even if they do, the Group may not generate revenues that are significant enough to make its business profitable.

Risk related to the armed conflict in Ukraine

In connection with the outbreak of the armed conflict between Ukraine and Russia, the Company analysed the impact of the current situation on the Group's operations. In the Management Board's opinion there are no material risks which may significantly affect the activities being conducted. The Group does not either have any assets in Ukraine or conduct any activities within the areas affected by the conflict.

As a result of military operations conducted by Russia, the EU countries and the USA introduced a number of harsh sanctions on Russia which cover key sectors of the Russian economy through blocking access to technologies and markets, including financial markets. In view of the foregoing, it cannot be ruled out that the implemented sanctions package may affect the activities conducted by the companies, including those in Poland, for example due to deliveries

of raw materials from Russia. Also, deliveries of materials from Ukraine may be significantly disturbed or even stopped, which may consequently disrupt the global supply chain.

Further, the armed conflict in Ukraine may affect the macroeconomic situation worldwide and in Poland, including in particular interest rates, the rate of inflation and the valuation of the Polish currency (PLN). The foreign exchange risk may result in the increase of the costs of servicing liabilities related to research services and reagents purchased abroad. As of the date of preparation of this report the Management Board of the Company is not able to determine the exact impact of such events on the research programs being conducted or availability of funding.

Risk related to grants

Research and development programs of the Company are primarily financed by public subsidies. In order to obtain public subsidies, the Company is obliged to meet many formal requirements and restrictive competition conditions, and applications submitted by the Company undergo meticulous inspection. The Company is planning to submit in the future applications for further grants for new research and development programs, whereas there is a risk that applications submitted by the Company will not meet the formal and legal requirements or will not be approved by experts evaluating the merits of such applications, which will consequently result in the necessity to engage the Company's own resources and adversely affect the Company's activity and results.

Captor Therapeutics receives subsidies proportionally to the scope of the implemented project. Agreements concluded with the NCRD provide for two systems of co-financing. According to the first model the Parent Company finances research works from its own resources and then receives reimbursement of incurred costs. In the second model, the Company receives advance payments for research, which it is subsequently obligated to settle in accordance with the application and grant agreement (presently projects are settled through advance payments). The Company cannot exclude the risk that the costs incurred for research and development will be contested by the financing entity, which will mean a reduction in the amount of reimbursement to the Company or an obligation to return certain amounts obtained in the prepayment system with interest to the financing entity. This was the case for the Company's project CT-02 (POIR.01.01.01-00-0741/19: Design and development of non-toxic ligands of ligases and their application in the treatment of autoimmune diseases and cancers of the circulatory system) (see in more detail section 3.8 above).

The Group is regularly audited by NCRD in terms of the correctness of grant spending, providing the institution with relevant project and cost documentation. There is a potential risk that certain potential irregularities might have occurred in the past in reconciliation of the qualified costs incurred by the Company, in the course of execution of EU projects, on the basis of agreements concluded by the Company with the NCRD, and consequently that the Company will be required to return some of the subsidies received by the Company with interest. Such irregularities were identified by the Company as a result of the Audit commissioned by the Company and completed in April 2022 (for more details please see point 3.7 annual report for 2022, which was published on 6 April 2023).

In addition, grant agreements with the NCRD concern the execution and funding of the Company's projects until the end of 2023. The Company estimates that some of its projects will enter phase I clinical tests in 2023, and some of them between 2023 and 2025. Even if the time schedule of some projects, as estimated by the Company, presently provides for the entry into phase I clinical tests in 2023, it cannot be excluded that such time schedule will change, and projects will enter phase I clinical tests after 2023. Consequently, the Company might not have time to use the entire subsidy granted for a relevant project by the NCRD and will have to finance further works from own resources. The Company is also exposed to the risk of the grant

being withheld or significantly reduced or being required return part or all of the funds received from the grant.

Further, the grant agreements concluded by the Company impose on the Company an obligation (under pain of withholding the grant or terminating the grant agreement and repaying all or part of the grant with interest) to implement the results of the research and development work performed under the project within 3 years from the completion of a given project. The agreements provide that the implementation of the results referred to above may be carried out in the following forms:

- by starting the production or services on the basis of obtained project results; or
- granting a license (at the market price) for using the Company's rights to research results to another entrepreneur; or
- selling (at market prices) rights to research results in order to introduce them to the market by another entrepreneur.

The Company received some of the NCRD funding as a consortium member. This situation occurred in the case of implementation of two projects: (i) the project entitled" "Development of laboratory kits for screening testing of chemical compounds in the development of a new class of drugs", under which the Company cooperated with the Institute of Immunology and Experimental Therapy of the Polish Academy of Sciences based in Wrocław, (ii) the project entitled: "Development and implementation of an innovative platform for screening analysis of degron-type therapeutic compounds" under which the Group cooperated with PORT Polski Ośrodek Rozwoju Technologii sp. z o.o. with its registered office in Wrocław (formerly: Wrocławskie Centrum Badań EIT+ spółka z o.o.). In both cases, the Group and the other member of the consortium share the rights to the results of work and research under the project. As a result, the economic implementation of research results, e.g., their sale or licensing, requires the cooperation of the consortium members and cannot be carried out by the Company alone. Because of the necessity of cooperation between the consortium members, the Company cannot exclude the risk of lack of cooperation from the other consortium member or inability to reach agreement on the terms of sale or implementation of project results, which might consequently have an adverse impact on the Company's operations, financial position, development prospects and results.

Moreover, agreements providing for sale or granting a license for the project results must meet a number of requirements described in more detail in the grant agreement. It cannot be excluded that it will not be possible to meet some or all of the above-mentioned requirements or that the Company will not manage to implement the results of research and development work within the deadlines indicated in agreements which may result in subsidies being withheld or grant agreements being terminated and, in an obligation, to return all or some subsidies with interest.

High relevance of the above risk follows from the fact that the Company's activity is presently based in part on extent on funds from subsidies and the total value of subsidies is significant. The Company is exposed to the risk of subsidies being withheld or significantly reduced by public entities or being required to repay some or all funds, which may have a strong adverse impact on the Company's ability to conduct new or finish the existing projects.

Risk of attrition of management or scientific staff

The Company's business is highly dependent on adequate research and development staff and managers with relevant skills, qualifications, and experience. Recruitment and retention of qualified scientific and management personnel is critical to the Company's success in the market. The loss of specialist staff and key managers may adversely affect the research capabilities and development of drug candidates, as well as the effective implementation of the Company's strategy. The replacement of managerial and scientific staff is very difficult in the

biotechnology industry due to the shortage of specialists and high competition for employees between biotechnology or pharma companies, hence there is a risk that the Group will not be able to retain its current staff or recruit new employees or will be forced to increase employee costs in order to bind its key personnel. This risk exists despite the fact that the Company has introduced an Incentive Program for managers and employees.

Risks associated with delays in conducting sequential stages of clinical trials

Before a drug can be approved for marketing, clinical trials must be conducted by the Company together with a strategic partner with whom the Company will commercialize the drug candidate. Clinical trials of medicinal products are conducted in four phases.

The following phases of research are distinguished:

- Phase I - on a small group of healthy volunteers or patients in the case of drug candidates being tested for oncological indications, virus indications, or other special populations such as patients with renal or hepatic failure to assess safety toxicity, pharmacokinetics, and pharmacodynamics of therapy;
- Phase II - on a larger group, aims to study the clinical efficacy of the therapy;
- Phase III - randomized trials on a large group of patients, aims to fully evaluate the effectiveness of a new therapy;
- Phase IV - prolonged clinical trials examining in more detail the safety of the medicinal product after it has been authorized for marketing; during this phase, rare undesirable effects or adverse effects related to long-term use, overdose symptoms, interactions of the new drug with others, among others, are observed.

Each of the above phases must be successfully completed in order for the next phase to commence, therefore there is a risk that if the clinical trials in a given phase are unsuccessful, the Company together with the strategic partner with whom it intends to commercialise the drug will not be able to proceed to the next phase of clinical trials, which may cause delays in the project timetable, and in extreme situations, make it impossible to continue work on a given drug candidate.

Risk related to failure to establish cooperation with strategic partners

The Company's strategy is to collaborate with strategic partners in the biotechnology/pharmaceutical industry to conduct preclinical, clinical studies, drug launch and commercialization. The market trend observed by the Company in terms of entering into partnership agreements is that potential strategic investors show interest in clinical candidates for innovative drugs in the areas of oncology and autoimmunity that show an initial therapeutic effect, have been positively evaluated from a toxicology point of view and have sufficient safety at the stage of development and preclinical studies.

In order to fully leverage the potential of the Company's technology and accelerate the development of its discovered therapeutic molecules, the Company plans to cooperate with leading biopharmaceutical companies with significant experience in supporting research and development companies and significant capabilities in drug development and commercialization. The Company faces significant competition in attracting suitable strategic partners, and therefore the risk of not finding a suitable industry investor interested in the drugs currently being developed by the Group cannot be excluded. This risk is associated with factors such as the changing strategies of large pharmaceutical companies with respect to the research and development programs of smaller partners, the existence of other effective therapies on the market, the inability to reach decision makers within the organization of a given industry investor, or the insufficient effectiveness of the developed drug in the initial

stages. The Company cannot guarantee that, despite successful initial development of a drug candidate, there will be an opportunity to establish a partnership with a strategic partner.

Risk related to financing the Company's operating activity

The Company does not generate revenues on an ongoing basis (save for revenues from cooperation with Sosei Heptares which are not significant in view of the Group's capital needs), and its operations are capital intensive and have to date been financed primarily from funds received from shareholders through subsequent share issues and grants from public sources. Due to the uncertainty of the success of laboratory tests, possible underestimation of project budgets, the need to obtain further funds to continue research or to undertake new projects, the Company may need to obtain additional financing. The possibility and conditions of obtaining this financing will depend, among other things, on the market situation, which has recently been characterised by high volatility.

Risk related to not identifying drug candidates

A key element of the Group's strategy is to use developed technology to develop a broad category of therapeutic molecules for multiple molecular targets, thereby reducing the risk of failure. Despite this, there is a risk that the Company's research and development activities in degradative compounds may not be successful in discovering additional drug candidates with effective therapeutic applications in the treatment of cancer or autoimmune diseases. The Company's research and development programs may show initial promising results in identifying therapeutic compounds, although at a later stage of clinical trials or commercialization, therapeutic molecules or drugs may not exhibit relevant properties, including, in particular, due to:

- harmful and undesirable side effects or demonstration of therapeutic parameters which imply that drugs based on these therapeutic compounds may not obtain appropriate marketing approvals or receive sufficient recognition in the drug market;
- failure of a potential clinical candidate to demonstrate adequate efficacy in treating the targeted diseases.

Research and development programs directed at identifying new drug candidates require significant capital, human and technical resources. The risk cannot be excluded that the Company will direct its efforts to the research and development of inappropriate compounds that ultimately will not be effective in treating the targeted diseases.

Thus, there is a risk that the Company will not generate income from commercialization and sale of drugs in the next years which may have a strong negative impact on the Company's operations, financial situation, development prospects and results.

Ryzyko związane z uzyskaniem pozwolenia na prowadzenie badań klinicznych

After the Company conducts preclinical studies, the Company, in cooperation with a strategic partner from the biopharmaceutical industry, intends to continue working on a given drug candidate in the clinical research phase at centres in Poland and abroad. The commencement of clinical trials depends on obtaining an authorization to conduct clinical trials, following a positive ethical and scientific evaluation. In order for a therapeutic molecule to be admitted to clinical trials, the Company is required to present the results of pharmacological and toxicological tests and the chemical specificity of the drug candidate. The Company has not yet applied for authorization to conduct clinical trials. In view of the need to comply with formal requirements in order to obtain a clinical trial authorisation, there is a risk that the Company, in the event of non-compliance with any of the requirements, may be exposed to a delay in the project schedule or the need to incur additional financial outlays in order to comply with additional substantive or formal requirements, not excluding, in the worst case scenario, the

obligation to terminate a given research project, which may have a negative impact on the Company's operations, financial position, development prospects and results.

Clinical trials require large capital expenditures, adequate preparation, and implementation, and may take several years to complete, with uncertain trial results. Failure of one or more clinical trials can occur at any stage of a clinical trial. The Company or a partner of the Company may experience a number of unforeseen problems during clinical trials that could result in a delay in or inability to obtain marketing and commercialization approval for a drug, including, but not limited to:

- regulatory authorities may not approve the initiation of clinical trials at a specialty research site selected by the Company;
- difficulties or delays in contracting with a particular research site on commercially acceptable terms;
- clinical trials of therapeutic molecules may yield negative or inconclusive results, forcing the Company to order additional testing or terminate clinical trials, or a regulatory authority orders termination of these activities under its regulatory authority;
- the number of patients required for trials may be less than expected patient recruitment for clinical trials may be slower than anticipated or trial participants may drop out in greater numbers than anticipated;
- the Company's partners or collaborators may fail to meet their obligations in a timely manner or breach regulatory requirements;
- the Company will be forced to suspend or terminate testing of drug candidates for a number of reasons, in particular because of the risk to the health or lives of patients during clinical trials;
- regulatory authorities may order the Company or its partners to suspend or terminate clinical trials for a number of reasons, including violations of regulatory requirements;
- the drug molecules being tested may exhibit undesirable side effects or other unexpected characteristics, forcing the Company or its partners to suspend or terminate clinical trials;
- the costs of conducting clinical trials may be greater than estimated;
- the supply of chemicals necessary to validate the effectiveness of the therapeutic molecule or the quality of the chemicals may be insufficient to conduct representative clinical trials.

In the event that (i) the Company or a partner of the Company is required to undertake tests in addition to those included in the project schedule, or (ii) the tests performed fail, or (iii) the results of the tests demonstrate therapeutic capability but to an unsatisfactory degree, the Company or a partner of the Company may face delays in obtaining marketing authorization, or no marketing authorization at all, a narrower scope of application than anticipated, or restrictions on the manner of consumption or labelling of the drugs.

Research and development costs will increase materially in the event of delays in preclinical or clinical studies or in obtaining the relevant marketing approvals for a drug. The Company cannot guarantee that preclinical or clinical studies will be initiated or completed within the anticipated project timeframe. Significant delays during these procedures may result in the Company's competitors being able to develop similar drugs in a shorter timeframe and bring them to the market, which would negatively affect the Company's or its partners' ability to market the developed drug, which in turn may have a negative impact on the Company's business, financial standing, development prospects and results of operations.

Risk related to significant competition in drug discovery and development

The biotechnology and pharmaceutical industries are characterized by rapid and dynamic development of modern technologies and significant competition. The Company faces competitors who may in the future develop drugs with greater therapeutic efficacy at a lower risk of undesirable side effects, which in turn may result in lower financial proceeds from the sale of, or licensing of, a drug developed by the Company. The Company cannot guarantee that competitors, also using protein degradation technology, will not develop drug candidates with better therapeutic properties for oncology or autoimmune diseases at the preclinical research stage, resulting in a decrease in interest from sectoral investors and industry partners in the Company's methods or degradation molecules developed by the Company. There is also a risk of competition from third parties that apply other methods of drug and therapy development (e.g., inhibitor treatment, gene therapy, antibody treatment and genome modification) such as large pharmaceutical companies, specialized pharmaceutical and biotechnology companies, scientific and scientific institutions or private or public research institutes.

Risk of not obtaining patent protection or insufficient patent protection for solutions developed by the Company

The Company has innovative know-how in the area of research and development of chemical compounds and drug candidates, which constitutes a legally protected trade secret. In order to obtain more effective protection of its rights, the Company intends to apply for appropriate patent protection in the territory of Poland, member states of the European Union, as well as in other countries (e.g., the USA), in the event that a particular therapeutic compound under development exhibits features that enable it to obtain a patent in a particular jurisdiction.

Patent application procedures are generally lengthy and costly, and in the case of biotechnological solutions, the outcome is often uncertain due to the scientific, technical and legal complexity of the proceedings. The publication of discoveries and biotechnological solutions is usually secondary and delayed compared to the actual filing of the discovery for patent protection, hence there is a risk that a particular therapeutic solution for a particular therapeutic indication has been discovered or developed earlier by an entity other than the Company, which will prevent a patent from being registered in favour of the Company due to failure to meet the prerequisites for patentability. Until a decision is issued by the relevant patent office, there is a risk that patent protection will be denied or granted in a narrower scope than that applied for by the Company. In addition, in the course of ongoing patent proceedings, third parties, including the Competitor's competitors, may file claims or objections to the Company's applications. This raises a potential risk of making it more difficult to obtain patent protection and, in extreme cases, even preventing the Company from obtaining patent protection due to prior patenting of the same solution by a third party. Also, in the period after patent protection has been granted, it may be invalidated for various reasons, which, in extreme cases, may prevent the Company from receiving part or all of the revenue related to a given project, despite its significant progress and costs incurred.

Risk of potential infringement of intellectual property rights

Much of the intellectual property used by the Company in its research and development activities is developed and created by the Company's employees and associates. Despite laws governing the transfer of intellectual property and copyrights from the Company's employees to the Company, there is a risk that such intellectual property and copyrights may remain with the employees, which could potentially give rise to claims by such employees against the Company for unlawful use of such intellectual property and copyrights. The Company also cannot exclude the possibility that, despite appropriate contractual arrangements, intellectual property rights or copyrights have not been effectively transferred from the Company's

employees to the Company, thereby exposing the Company to potential claims from its employees, former and present.

The Company's success also depends on its ability to develop and commercialize drug candidates using relevant intellectual property owned by third parties. The Company has taken appropriate measures not to infringe the intellectual property rights of third parties. However, given the widespread use of intellectual property rights and the significant scope of their legal protection in the biotechnology and pharmaceutical industries, the risk of the Company infringing on the intellectual property rights of third parties and consequently incurring claims by such parties against the Company cannot be excluded. As a result, there is a risk that the Company may be sued for alleged infringement of intellectual property rights and as a consequence, the Company may have to engage significant and unforeseen financial resources to pursue its litigation. The above may have an adverse impact on the operations, financial standing, development outlook and results of the Company.

Risk related to using third party services

Not all activities in the course of development of a new drug and pre-clinical and clinical tests are performed by the Company's staff or in laboratories used by the Company. Some research activities are outsourced to external specialist research centres, both Polish and foreign. Pieces of research that are outsources to external centres include activities such as large-scale synthesis of chemical compounds, ADME studies package, toxicological studies, animal testing, phase one clinical research. In choosing a particular research and laboratory centre the Company is guided by criteria such as quality of services, possibility of conducting research on a particular therapeutic molecule, apparatuses used, skills and qualifications of research personnel, sanitary conditions as well as reputation of the centre. Selection of appropriate external laboratory and research centres is significant from the perspective of pharmaceutical companies interested in the Company's activity. Consequently, there is a risk that laboratory and research centres or third parties to which the Company outsources some research activities will not perform such activities in a proper and timely manner or as expected by the Company.

Risk related to failure to implement the Company's strategy

The main assumption of the strategy adopted by the Company is the implementation of a number of research and development programs aimed at the discovery and commercialization of drugs with high commercial potential in the area of cancer and autoimmune diseases, for which there are currently no treatment options, or the available methods show significant therapeutic limitations. Achievement of the strategic objectives depends on many internal and external factors, including economic, regulatory, legal, financial, or operational factors, some of which are beyond the Company's control, and which may hinder or prevent the Company's strategy.

Difficulties in implementing the Company's strategy may arise from circumstances such as the inability to discover or develop new chemical compounds with therapeutic efficacy for diseases that are of interest to the Company's research and development. Moreover, in accordance with the adopted strategy, the Company intends to enter into cooperation with the largest pharmaceutical companies in the world in order to conduct clinical trials and commercialize the developed drug, but there is a risk that such cooperation may prove to be ineffective or the commercial terms of the transaction with a given partner may not be satisfactory to the Company, which may hinder the achievement of this strategic goal of the Company. Difficulties in the implementation of the Company's strategy may also result from the change in the economic policy with respect to subsidizing innovative companies, e.g., from the biotechnology industry, as a result of which the Company will be forced to change the structure of financing its research and development activities, which may delay the implementation of further projects by the Company. The implementation of the Company's strategy may also be affected

by the risk related to public companies withholding funding, significant reduction thereof or the necessity to repay some or all funds which may have a strong adverse impact on the Company's ability to conduct new or complete existing projects.

Given the above, there is a risk that the Company's strategy will not be implemented at all or to a lesser extent than expected, with significant delays or with unsatisfactory results. If the Company encounters unexpected barriers during the implementation of the developed strategy, the Company may be forced to change, abandon, or develop a new strategy.

Ryzyko związane z rejestracją, wprowadzeniem do obrotu i komercjalizacją leku oraz działalnością partnerów Grupy

Upon successful discovery and development of a therapeutic molecule, the Company intends to enter into a partnership agreement with major pharmaceutical companies to conduct further preclinical, clinical trials, register, market and commercialize the drug.

The registration and marketing of a drug is subject to a number of procedural and formal requirements being met before the regulatory authorities. The Company's ability to generate future revenues in the form of royalties and commissions on drug sales depends on the success of these processes. In the event of procedural deficiencies, incomplete documentation or unfavourable changes in the registration and approval procedures, there is a risk of failure or delay in the registration of the drug or its marketing approval. In addition, once the marketing authorization is obtained, all the requirements under the authorization and relevant laws must be met, otherwise the regulatory authority may order the revocation of the authorization, which will result in the withdrawal of the drug from production and marketing. The aforementioned registration and procedural steps are generally the responsibility of the partner with whom the relevant partnership agreement will be entered into. The Company cannot guarantee that the partner will comply with these obligations, which may have an adverse effect on the Company's business, financial standing, development prospects and results of operations.

The success of commercialization of developed drugs is linked to a number of factors, such as the success of clinical trials, obtaining the necessary approvals for registration and marketing of the drug, efficiency and effectiveness of the marketing and advertising campaign, favourable terms of partnership agreements for the commercialization of the drug, demand for the drug developed by the Company and the availability of competitive therapies and drugs on the market. The success of the commercialization and promotional campaign of the finished drug will depend significantly on the potential and resources of the strategic partner selected by the Company in each case.

Risk related to the occurrence of accidents, loss of equipment and data, and property and personal damage

The Company's operations require the use of sophisticated research and laboratory, diagnostic and storage equipment used in molecular biology, organic chemistry, and analytical work. The loss of such equipment as a result of mishap, faulty operation or force majeure (e.g., natural disasters, fire) can cause significant delays in the research schedule, incurring costs to rebuild laboratories and specialized equipment, and even loss of the ability to continue or conduct new drug candidate research.

The internal computer systems used by the Company are vulnerable to serious failures, virus attack, unauthorized access, data theft, and the circumstances and events indicated in the previous paragraph. The Company undertook certain measures to prevent such events; however, it cannot be excluded that such events will occur and prevent research work from being continued. Loss of laboratory data and preclinical or clinical results, as a result of work interruption or damage to IT systems, may lead to significant delays in the projects being carried out, and force the Company to incur significant financial costs to recover the data.

The Company conducts research and development work among others in a chemical laboratory. Personal injuries may be an undesirable result or such work. The Company cannot assure that in the event of human error, equipment malfunction or random events, the aforementioned personal injuries will not occur. Their occurrence may expose the Company to compensation proceedings. The Company's business is dependent on the use of active substances manufactured within its own operations and supplied by contractors. There is a risk that due to sudden and unforeseen circumstances, research material may be damaged, contaminated or destroyed in the laboratory, adversely affecting the timely implementation of planned activities. The above risk exists despite the fact that the Company insures fixed assets comprising laboratory equipment and has civil liability insurance (OC) in connection with its operations.

Risk related to violation of business secrets and know-how of the Company

Notwithstanding the legal protections afforded to intellectual property rights, the Company uses in its operations information that constitutes corporate secrets, in particular non-patented know-how, methods and technologies for developing drug candidates. The Company exercises due diligence to protect the confidentiality of such information, in particular by entering into nondisclosure agreements or confidentiality agreements with entities that have access to such confidential information, i.e., employees, contractors, scientific collaborators, consultants and other third parties. Despite the above protective measures, the aforementioned third parties may breach the relevant agreements and disclose the Company's business secrets or know-how. Pursuing claims for such violations is complicated and time-consuming, may involve significant financial resources of the Company, and legal remedies may not be effective or sufficient. The Company cannot exclude a situation in which as a result of infringement of the Company's secrets competing entities gain access to such information, which may negatively affect the Company's competitiveness on the market. In addition, if third parties independently and legally discover information or develop methods or technologies similar to those used by the Company, the Company will not have adequate tools to prevent such parties from using such information.

4 ANALYSIS OF THE COMPANY'S AND THE CAPITAL GROUP'S FINANCIAL AND ECONOMIC SITUATION

4.1. Principles of preparation of semi-annual separate and consolidated financial statements of the Company and the Group

The interim condensed consolidated and separate financial statements for the six months ended 30 June 2023 have been prepared in accordance with the International Financial Reporting Standards (**IFRS**) endorsed by the EU, including primarily International Accounting Standard No. 34 "*Interim Financial Reporting*", based on the assumption that the Group and the Company will continue as a going concern in the foreseeable future, for at least 12 months after the balance sheet date.

The consolidated and separate financial statements for the first half of 2023 cover the period from 1 January 2023 to 30 June 2023 and have been prepared in thousands of PLN.

4.2. Basic economic and financial data

Revenues from sales

In the first half of 2023. The Company continued its collaborations with Sosei Heptares, which aims to discover and develop new small molecules targeting the degradation of G-protein-coupled receptors, and Ono Pharmaceutical, whose target may be primarily applicable to neurodegenerative diseases. As a result of the execution of the aforementioned agreements in the first half of 2023, the Group earned PLN 3,902 thousand in revenue from research and development services under collaborations with these entities.

Operating costs

The value of the Group's total operating expenses in the first half of 2023 amounted to PLN 46,816 thousand and represents the aggregate costs of operations, i.e., costs of own services sold, costs of research work, project overheads and general and administrative expenses. In connection with the achievement of further milestones and the acceleration of research processes in 2022, and in particular the change in the structure of costs between eligible costs from the funding received from NCRD and the Company's own costs, in order to increase the transparency of the information provided to the recipients of the financial statements, the Company decided to reclassify and change the presentation of the portion of project overheads reported during 2022 to research costs. Details of this change are described in Note 14.1 of the interim consolidated and separate financial statements for the six months ended 30 June 2023. This change is in line with the normal practice of drug discovery and development companies.

The largest item in the group of operating expenses is costs related to research work, i.e. costs of research work and project overheads, which totaled PLN 37,963 thousand and accounted for 81.1% of the Group's operating expenses (respectively were PLN 22,580 thousand and accounted for 65.3% in the corresponding period of the previous year, respectively, taking into account the total costs of research work and project overheads). The increase in value and percentage is related to the entry into the development stages of research projects, which is primarily associated with higher costs of third-party services for the research conducted, particularly related to CT-01 and CT-03. Some of these development costs are for major outsourced studies where a proportion of the future costs have to be paid in advance.

A significant item of the Group's operating expenses is general and administrative expenses, which amounted to 18.3% of operating costs in the reporting period under review, compared to 33.0% in the same period of the previous year (in the first half of 2023, general and administrative expenses amounted to PLN 8,582 thousand and decreased by PLN 2,853 thousand compared to the first half of 2022, when this value amounted to PLN 11,435 thousand).

A significant cost item in general and administrative expenses, in addition to salaries, is the cost of valuing the incentive program. In accordance with the Group's assumptions, the valuation of the incentive program is based on an actuarial valuation and does not represent a real (i.e., cash) cost to the Group during the period under review.

In the structure of the Group's costs by type, the largest item is third-party services, which amounted to PLN 26,971 thousand in the first half of 2023 and were PLN 12,996 thousand higher than in the comparative period, i.e. in the first half of 2022. The increase in the cost of third-party services is due to the further advancement of research and development projects, which involve, among other things, the need to outsource certain services, research or analysis to third parties.

Another item in the structure of costs by type is the cost of employee benefits, which amounted to PLN 12,896 thousand in the first half of 2023 and was PLN 1,595 thousand lower than in the comparative period, i.e. in the first half of 2022, when it amounted to PLN 14,491 thousand. 64.7% of this figure is accounted for by employee salaries (mainly scientific staff) and benefits for management, 19.6% is accounted for by the incentive program, which is not a cash expense, and other benefits (social security costs, pension and vacation costs and other) account for 15.7%.

Grant income and other operating income

The grant revenue item represents revenue from grants obtained by the Group from the NCRD and amounted to PLN 8,029 thousand in the first half of 2023 (PLN 11,339 thousand in the corresponding period of the previous year). The decrease in grant revenue in the first half of 2023 compared to the same period of the previous year is due to the completion of the stage of laboratory work in ongoing projects and the completion of the CT-04 project, as well as the timing of the cost of outsourcing research services.

Other operating costs

In the reporting period, the Group presented PLN 10,807 thousand in other operating expenses. In accordance with the principle of prudence, the Parent Company has included in this item estimated credit losses from a Japanese counterparty in the amount of PLN 235 thousand, and in connection with the NCRD's termination of funding for the CT-02 project, an allowance for receivables due to grant income booked in previous periods in the CT- 02 project in the amount of PLN 3,131 thousand. The Company also decided to make a provision for a liability to NCRD in the amount of PLN 7,375 thousand for the potential obligation to return the grant received.

Operating profit (loss)

In the first half of 2023. The Group recorded a loss from operations in the amount of PLN 45,177 thousand. According to the information presented in Section 3.5 of this report on ongoing projects, the Group is at an early stage of research and is not yet generating significant revenue from its core business. The loss generated was mainly attributable to research and general and administrative expenses, which accounted for 81.1% of the Group's total operating expenses, as well as increased employee benefit costs, including in particular the cost of valuing the incentive program.

Financial income

In the first half of 2023, the Group earned financial income of PLN 2,170 thousand, including mainly interest from short-term deposits and short-term bonds purchased. In accordance with

its investment policy, the Group invests free cash in safe financial instruments: bank deposits or bonds backed by government or banking institutions.

Net profit (loss)

Net loss in the first half of 2023 amounted to PLN 43,323 thousand and was PLN 22,483 thousand higher than in the first half of 2022. This amount is mainly due to factors affecting the loss from operations.

Assets

As of the balance sheet date of 30 June 2023, total assets amounted to PLN 78,271 thousand, of which 87.7% were current assets and 12.3% were fixed assets. At the end of 2022, total assets were PLN 113,000 thousand.

Fixed assets

As of 30 June 2023, fixed assets amounted to PLN 9,656 thousand, which means that compared to 31 December 2022, fixed assets decreased by PLN 2,020 thousand. The most significant non-current assets as of 30 June 2023 and as of 31 December 2022 were property, plant and equipment (laboratory equipment and buildings and structures leased by the Group). As of 30 June 2023, property, plant and equipment amounted to PLN 8,688 thousand, which accounted for 90.0% of all fixed assets, and as of 31 December 2022, they had a value of PLN 10,666 thousand, which also accounted for 91.3% of all fixed assets.

Circulating assets

The value of current assets declined during the analyzed periods. As of 30 June 2023, current assets amounted to PLN 68,615 thousand and decreased by PLN 32,709 thousand compared to 31 December 2022. The most significant components of current assets as of 30 June 2023 and as of 31 December 2022 were cash and cash equivalents and financial assets in the form of bonds, which accounted for the end of the first half of 2023. 85.6% of current assets and 89.7% at the end of 2022.

Equity

The value of this balance sheet item as of 30 June 2023 amounted to PLN 55,523 thousand, which was mainly derived from the issue of series G shares floated in the Company's IPO (which took place in 2021). The value of equity decreased by PLN 40,799 thousand compared to 31 December 2022, and was mainly related to the net loss from operations in the period under review.

Long-term liabilities

Non-current liabilities at the end of the reporting period amounted to PLN 2,267 thousand. In the period under review, non-current liabilities decreased by PLN 1,019 thousand compared to 31 December 2022. As of the balance sheet date, these liabilities largely represent (96.7%) the long-term portion of leases for laboratory equipment and long-term leases for laboratory space.

Short-term liabilities

Short-term liabilities at the end of the reporting period amounted to PLN 20,481 thousand and are PLN 7,089 thousand higher than at 31 December 2022, when they amounted to PLN 13,392 thousand. These liabilities as of the balance sheet date represent to a significant extent (58.0%) trade payables and the short-term portion of lease liabilities.

4.6 Financial indicators of effectiveness

The Group recognized a net loss both the first half of 2023 and the corresponding period of 2022, therefore it is not possible to determine financial indicators for the Group related to profitability.

The Parent Company uses alternative performance measures (APM indicators) to describe the financial position of the Group. In the opinion of the Management Board of the Parent Company

the selected APM indicators are a source of additional (apart from the data presented in the financial statements) valuable information on the financial and operating situation as well as they facilitate the analysis and assessment of the financial results achieved by the Group in particular reporting periods. The Group presents alternative performance measures as they represent standard measures and ratios commonly used in financial analysis; however, these ratios may be calculated and presented differently by different companies. Therefore, the Group provides below the precise definitions used in the reporting process. The selection of alternative performance measurements was preceded by an analysis of their usefulness in terms of providing investors with useful information about the financial situation, cash flows and financial efficiency and, in the Group 's opinion, allows for an optimal assessment of the achieved financial results. The APM indicators presented by the Group were calculated using the formulas specified below.

The following table provides a summary of debt ratios.

Table 9: Group's financial indicators

Indicator	Sposób kalkulacji	30.06.2023	31.12.2022
total debt ratio	total liabilities/total assets	29.06%	14.76%
long-term debt ratio	long-term liabilities/total liabilities	9.97%	19.70%
short-term debt ratio	short-term liabilities/total liabilities	90.03%	80.30%

As of 30 June 2023, there has been an increase in the total debt ratio and short-term debt ratio, as well as a decrease in the long-term debt ratio, mainly as a consequence of the increase in the cost of third-party services for ongoing research, and thus the development of the Group's operations.

5 OTHER MATERIAL INFORMATION AND EVENTS

5.1 Factors and events, including those of an untypical nature, which have a significant impact on the condensed financial statements

Apart from the factors and events indicated in the remaining sections of this report, there were no other significant factors and events, including those of an unusual nature, affecting the interim condensed consolidated and separate financial statements in the first half of 2023.

5.2 Position of the Management Board on the feasibility of meeting forecasts

The Company has not published any financial forecasts for the fiscal year 2023.

5.3 Factors that may affect results over at least the next quarter

Looking ahead to at least the next quarter, results will depend primarily on the following factors:

- the pace of development of individual research projects. After verification of the dates of research, it cannot be ruled out that the adopted schedule of implementation of particular projects may change and, consequently, the Company may not be able to use all subsidy received for a given project from NCRD and will have to finance further works from its own resources;
- the rate of receipt of funding for ongoing research projects;
- progress in activities aimed at commercialization of the most advanced development projects;
- development of cooperation with current and future industry partners;
- the employment growth rate in the Group and new employees being covered by the Incentive Program (circumstances affecting the increase in salaries and non-cash costs recognized in relation to the Incentive Program);
- macroeconomic situation related to the COVID-19 pandemic, the war in Ukraine, the inflation, the interest rate, and the exchange rate.

5.4 Proceedings before a court, a competent authority for arbitration proceedings or a public administration body

During the reporting period there were no material proceedings before any court, arbitration authority or public administration authority, concerning liabilities or creditors of the Company or its subsidiary.

5.5 Impact of the Subsidiary's financial data on the consolidated results and financial position of the Group

The Company's operations and assets constitute the major part of the Group's operations and assets (revenues from the Company's research and development services account for 100% of the Group's revenues, the Company's equity accounts for 100% of the Group's equity, the Company's assets constitute 97,4% of the Group's assets), economic and financial figures for the Company are subject to similar changes for similar reasons as the economic and financial figures for the Group.

5.6 Other information relevant to the assessment of the Captor Therapeutics Group's human resources, assets, financial standing, financial performance and their changes and the ability to meet its obligations

In the opinion of the Management Board, there is no other information relevant to the assessment of the Captor Therapeutics Group's human resources, assets, financial standing, financial performance and their changes and the ability to meet its obligations.

5.7 Contact for Investors

All relevant information for investors along with contact details is available on the Captor Therapeutics S.A. website at: http://www.captortherapeutics.com/

5.8 Statement of the Management Board

The Management Board of Captor Therapeutics hereby declares that, to the best of the Management Board's knowledge, the interim condensed consolidated financial statements of the Captor Therapeutics Group, the interim condensed financial statements of Captor Therapeutics S.A. and the comparative data have been prepared in accordance with the applicable accounting principles and reflect in a true, fair and clear manner the Group's financial standing as well as its financial results. The semi-annual report of the Management Board on the activities of the Captor Therapeutics Group gives a true picture of the development, achievements and situation of the Company and the Group, including a description of the main threats and risks.

The Management Board's report on the Captor Therapeutics Group's activities for the first half of 2023 was approved for publication on 7 September 2023.

Thomas Shepherd	Radosław Krawczyk	Michał Walczak
Signed with an electronic signature	*Signed with an electronic signature*	*Signed with an electronic signature*
President of the Management Board	Member of the Management Board Chief Financial Officer	Member of the Management Board Chief Scientific Officer

Captor Therapeutics®

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