Half-Year Report 2019

Cassiopea

Cassiopea's Pipeline

Product	Indication	Pre-clinical / Phase I / Phase II / Phase III	Next Milestone
Winlevi® Clascoterone Androgen Receptor Inhibitor	Acne		**NDA Filing** Q3 2019
Breezula® Clascoterone Androgen Receptor Inhibitor	Androgenetic Alopecia		**Initiate POC in Women** Q3 2019 **Initiate PH III in Men** Q1 2020
CB-06-01 Antibiotic	Acne		**PH II DR Data** Q4 2020
CB-06-02 Immune Modulator	Genital Warts		**PH II DR Data** Q4 2020

POC = Proof of Concept | DR = Dose Ranging | PH = Phase

Concerning forward-looking statements

This report contains certain "forward-looking statements," which can be identified by the use of terminology such as "could," "might," "propose," "addressable," "outlook," "attractive" or similar wording. Such forward-looking statements reflect the current views of the Management and are not guarantees of future performance and involve risks and uncertainties. Readers are cautioned that actual results may differ materially from those in the forward-looking statements as a result of various factors. Cassiopea is providing the information in this report as of this date and does not undertake any obligation to update any forward-looking statements contained in it as a result of new information, future events or otherwise.

Cassiopea at a Glance

Cassiopea is a clinical-stage specialty pharmaceutical company focused on developing and commercializing innovative and differentiated medical dermatology products: the initial focus is on the topical treatment of acne, androgenic alopecia (or AGA) and genital warts. The Company's portfolio comprises four unencumbered clinical candidates, for which the Company owns the worldwide rights. These product candidates are based on three new chemical entities ("NCEs") that target unmet medical needs and address significant market opportunities in the medical dermatology market. Cassiopea's management team directly and indirectly through the service agreement with Cosmo has extensive experience in product development and commercialization, having served in prominent roles at several leading pharmaceutical and medical dermatology companies. The Company's strategy is to leverage this expertise to establish Cassiopea as a pure-play, fully integrated company whose mission is to identify, develop and commercialize treatments for skin diseases.

Key figures

EUR 1,000	30.06.2019	30.06.2018
Income statement		
Revenue	–	–
Other income	–	–
Cost of sales	–	–
R&D costs	(4,689)	(6,423)
SG&A costs	(1,596)	(663)
Operating result	(6,285)	(7,086)
Profit (loss) before taxes	(6,458)	(6,729)
Profit (loss) for the period	(6,458)	(6,729)
Shares		
Weighted average number shares	10,000,000	10,000,000
Basic earnings (loss) per share (in EUR)	(0.646)	(0.673)

EUR 1,000	30.06.2019	31.12.2018
Statement of financial position		
Non-current assets	9,612	9,760
Cash and cash equivalents	834	4,609
Other current assets	2,091	2,171
Non-current liabilities	2,207	–
Current liabilities	1,854	2,028
Equity	8,476	14,512
Equity ratio	67.6%	87.7%

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Dear Shareholder

The first half of 2019 has been a very productive time for Cassiopea. We have made major development progress with our late stage pipeline and have begun to lay the foundation for our commercial infrastructure in the US. We announced very positive results from the Phase III open label safety study evaluating Clascoterone 1% cream for acne for treatment up to one year and very positive Phase II twelve-month results for Clascoterone solution in treating androgenetic alopecia (AGA). Within the coming weeks, we will file our first NDA for Winlevi® (Clascoterone 1% cream).

In the second half of this year, we will begin enrolling the POC trial of Clascoterone solution in women with AGA. In Q4, we will have an end of Phase II meeting with the US FDA to discuss the Phase III program for Clascoterone solution in men with AGA, and will begin enrolling patients in Q1 2020.

To facilitate our preparations for the launch of Clascoterone 1% cream in late 2020, we have established Cassiopea Inc. in the US, and hired a small team of experts to drive Medical Affairs, Market Access and Commercial Launch preparedness forward. The team has begun to build awareness of the Clascoterone new mechanism of action in acne and the scientific platform among the dermatology Key Opinion Leaders and community. Importantly, plans have been made to build out the core functional areas of the Company while balancing investment pre and post FDA approval to minimize risk.

At the shareholders meeting on 18 March 2019, shareholders approved a capital increase of up to three million shares, which continues being available. Further, we have a largely undrawn credit facility from our biggest shareholder, Cosmo Pharmaceuticals. Both of these give us the needed flexibility in determining how we will be financing the funding needs to Winlevi®'s projected approval.

We thank you for your continued confidence. We are convinced that we have one of the most innovative pipelines in the dermatology industry, and view the future with great optimism.

Lainate, 17 July 2019

Jan E. de Vries
Chairman
Cassiopea S.p.A.

Diana Harbort
CEO
Cassiopea S.p.A.

Business Strategy and Markets

It is our intention to focus on therapies for the treatment of skin diseases and to focus solely on innovative new treatments, containing new chemical entities.

Currently, we have a lean organization that is managing the ongoing clinical trials and development programs for our pipeline as efficiently as possible. Under our Service Agreement with Cosmo, we have ready access to a team which is very knowledgeable in the history of our programs and that is also very experienced in product development and manufacturing, thereby mitigating our need to build a large, expensive organization of our own in the short-term.

It is our intention to generate the full value of our products in the US market and to out-license our products in the rest of the world where it makes sense. The objective is to balance investment pre and post FDA approval of Winlevi® to minimize early risk. We have begun to set up the US organization that focuses on Medical Affairs, Market Access and Marketing. In a staged approached, the infrastructure will be built up culminating in the on-boarding of sales representatives post FDA approval.

According to widely-cited data, acne vulgaris is one of the most common skin conditions, affecting up to 50 million people in the US, of whom approximately ten million suffer from moderate to severe acne. It is estimated that approximately 85 % of people in the US between the ages of 12 and 24 experience at least minor acne, and acne is the reason most cited for visits to the dermatologists by patients 14 to 45 years old. For most people, acne diminishes over time and tends to disappear or decrease, by age 25. However, some individuals continue to suffer from acne well into their 30s, 40s and later. Based on US IMS data, there were 25.2 million acne product prescriptions in 2016, 62 % of which were for topical products. The major product classes predominantly used to treat acne have been available for over 30 years, and we believe that growth in this market recently has been significantly limited by a lack of innovation in new product development. According to Research & Markets, the global medical dermatology market generated revenues of US$ 20 billion in 2015 and is projected to grow by 7.7 % p.a. well into the 2020's. Management's analysis of Symphony Health data indicates that the US acne market generated total sales of US$ 5.9 billion in 2016, growing about 10 % CAGR from 2012.

According to scientific publications, androgen induced alopecia is prevalent in 50–60 million men and 30–35 million women in the US. Out of these, only 25–30 million men and 15–20 million women have been diagnosed, and only 2.7 million men and two million women or 5–10 % of the total are actually being treated. Hence, literature suggests that a vast majority of patients have not sought treatment for their condition, likely due to the limitations of current treatments and the lack of available options. With few drug options available, the global hair restoration surgery market has grown very quickly, amounting to US$ 4.2 billion in 2016, an increase of 64 % since 2014 according to a 2017 survey by the International Society of Hair Restoration Surgery.

According to the Centers for Disease Control and Prevention, in the US approximately 14 million people are newly infected with Human Papillomavirus (HPV), the causative pathogen of anogenital warts, each year.

We believe that an overall lack of innovation in the research and development of new dermatology products has resulted in a limited number of effective treatment options. For example, the three mechanisms of action most commonly used to treat acne have been available for over 30 years. In fact, there has not been a new mechanism of action for the treatment of acne since 1982 when Accutane was launched. Consequently, the few truly innovative therapies launched over the past few decades have resulted in significant sales. Furthermore, as dermatology medications have relatively short clinical trials compared to other pharmaceuticals, development costs are relatively contained.

We believe that the field of dermatology offers an exceptional opportunity to build relationships with opinion leaders, advocacy groups and medical practitioners. We believe that consolidation in the dermatology industry has resulted in an enhanced opportunity for a medical dermatology-focused company to build relationships with these stakeholders and has made available a large and growing talent pool of experienced employees who can make significant contributions to our Company.

We believe that the US acne market is served by a relatively small, addressable number of practicing dermatologists; this allows a small and dedicated sales force to efficiently cover the customer base. Now, that we have the very positive results of the Winlevi® Phase III clinical trials and the results of the Breezula® Phase II Dose Ranging study, we feel confident to embark upon the next phase of the Company's development. In addition to the gradual expansion of the US footprint, we will be assessing various funding alternatives to secure financing through the projected market entry of Winlevi® in the US.

Research and Development

Cassiopea's Pipeline

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Winlevi® Clascoterone Androgen Receptor Inhibitor	Acne		**NDA Filing** Q3 2019
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Winlevi®

Clascoterone, a new chemical entity, is a topically applied anti-androgen in late stage development for the treatment of acne (in a 1% cream) and androgenetic alopecia (in a higher strength solution). When applied directly to the skin surface, Clascoterone penetrates the skin to reach the androgen receptors within the sebaceous glands. Clascoterone is on course to become the first effective and safe topical anti-androgen without systemic side effects.

Clascoterone intervenes at several key points in the acne cascade and works by binding to androgen receptors at the site of application. By competing with circulating androgens at the site of androgen receptors in the sebaceous gland and hair follicle, Clascoterone acts as a local, selective androgen inhibitor and limits the acnegenic effects of androgens on sebum production and inflammation. Clascoterone is quickly metabolized to cortexolone, a naturally occurring metabolite found throughout all human tissues, cells, blood and urine; cortexolone's safety and metabolic fate are well characterized. Due to its rapid metabolism and local activity, Clascoterone does not produce systemic side effects.

If successful, with side effects similar to placebo, this would be the first topically applicable antiandrogen that treats acne. Winlevi®, if approved, would be a first-in-class medication with a novel mechanism of action, and we expect that it will be able to both compete with and to complement existing acne therapies.

The Special Protocol Assessment for the phase III clinical trial program for Winlevi® was filed with the US FDA in April 2015 and was subsequently approved in July 2015.

In July 2018, Cassiopea announced that top line results from two pivotal phase III clinical trials for its topical antiandrogen Winlevi® cream 1% (Clascoterone) demonstrated highly statistically significant improvements for all primary clinical end points. No treatment-related serious adverse events among patients treated with Winlevi® have been recorded during the trials; local skin reactions, if present, were predominantly classified as mild.

In two clinical trials (study 25 and 26) a total of 1,440 subjects were enrolled in 103 sites in the US and Europe. The trials were identical in design and evaluated the safety and efficacy of Clascoterone compared to vehicle (placebo) in acne patients ages >9 years with an IGA score of 3 or 4. Subjects applied Winlevi® 1% cream or placebo twice daily for twelve weeks.

The three primary endpoints evaluated in the trials were:

- the proportion of subjects in each treatment group with at least a two-point reduction on IGA (Investigator General Assessment) compared to baseline and an IGA score of 0 (clear) or 1 (almost clear) at week 12,
- the absolute change from baseline in non-inflammatory lesion counts (NILC) in each treatment group at week 12, and
- the absolute change from baseline in inflammatory lesion counts (ILC) in each treatment group at week 12.

In study 25, a two-point reduction and an IGA score of 0 (clear) or 1 (almost clear) was achieved in 18.8 % of patients treated with Winlevi® versus 8.9 % in the placebo group in the ITT population (p value = 0.0008). In study 26, a two-point reduction and an IGA score of 0 (clear) or 1 (almost clear) was achieved in 20.8 % of patients treated with Winlevi® versus 6.5 % (p value < 0.0001) in the placebo group in ITT population.

In study 25, the absolute change from baseline of non-inflammatory lesion counts was –19.4 in patients treated with Winlevi® versus –13.1 in the placebo group (p value = 0.0016) for the ITT population. In study 26, the absolute change from baseline of non-inflammatory lesion counts was –19.4 in patients treated with Winlevi® versus –10.9 in the placebo group (p value < 0.0001) for the ITT population.

In study 25, the absolute change from baseline of inflammatory lesion counts in the ITT population was –19.4 in patients treated with Winlevi® versus –15.5 in the placebo group (p value = 0.0029). In study 26, the absolute change from baseline of inflammatory lesion counts was –20.0 in patients treated with Winlevi® versus –12.6 in the placebo group (p value < 0.0001).

No treatment-related serious adverse events among patients treated with Winlevi® have been recorded during the trials.

Phase III open-label safety study (study 27) evaluating Winlevi® (Clascoterone) in acne for a treatment period of up to 1 year confirmed that no hormonal imbalance was seen in the patients, even after a long-term treatment and an enlarged drug application surface including both the face and trunk to maximize the patient's exposure area. The topically applied drug did not raise significant side effects.

The open-label safety study enrolled a total of 609 subjects, all of whom had completed twelve weeks of Clascoterone or vehicle (placebo) treatment in the preceding double-blind studies (study 25 and study 26). Subjects continued on open-label treatment with Clascoterone for up to an additional nine months. 416 subjects (safety population) received Clascoterone therapy for an overall period of at least 26 weeks and 123 subjects completed participation in the study receiving Clascoterone therapy for a total of 52 weeks.

The key safety findings from the study were:

- 18.1 % reported treatment-emergent adverse events (TEAEs) during the study.
- Overall, the most frequently reported TEAEs were nasopharyngitis (common cold 2.6 %) and upper respiratory tract infection (1.3 %), all the other had an incidence <1 %.
- Of the subjects with related TEAEs (2.3 %), 17 TEAEs were dermal adverse events.
- No serious drug-related adverse events were reported.

At every study visit, the investigator documented application area Local Skin Reactions (LSRs); the overall incidence of any LSRs (≤ 24 %) or treatment-emergent LSRs (≤ 18 %) was low throughout the study. The most frequently reported LSRs were erythema, scaling / dryness, and pruritus. Most subjects had LSRs that were trace / minimal or mild in severity. The most notable treatment-emergent LSR was erythema.

Open-label efficacy was also assessed throughout the additional nine months Clascoterone application period, though not the primary study endpoint. Among the subjects who were on-study for the maximum period (twelve months for the face and nine months for the trunk), the proportion achieving treatment success, defined as Investigator Global Assessment (IGA) with at least a 2-step improvement resulting in a 0 (clear) or 1 (almost clear), was reported for facial acne for 56 %, and for truncal acne for 59 % of the subjects.

Breezula®

Breezula® is a different formulation and a different strength of the same NCE, Clascoterone in Winlevi®. Clascoterone, a new chemical entity, is a topically applied anti-androgen in late stage development for the treatment of acne (in a 1% cream) and androgenetic alopecia (in a higher strength solution). When applied directly to the skin surface, Clascoterone penetrates the skin to reach the androgen receptors within the sebaceous glands and hair follicles. Clascoterone is on track to becoming the first effective and safe topical anti-androgen without systemic side effects.

In androgenetic alopecia (AGA), high local concentrations of dihydrotestosterone (DHT) bind to androgen receptors within the scalp hair follicles, resulting in shortening of the hair cycle and gradual miniaturization scalp follicles. Over time, these progressively smaller, thinner hair follicles are unable to produce new hair, thus resulting in AGA's characteristic patterned baldness. DHT dependent effects are considered, in most cases, reversible, such that AGA could be responsive to medical treatment with drugs such as Clascoterone. By blocking DHT interaction with the specific hair follicle androgen receptors, Clascoterone, if successful, would be the only topical antiandrogen approved for use in AGA that could potentially be used in both men and women.

Cassiopea believes that topical Clascoterone will not have the contraindications and safety warnings of the orally administered androgen modulator approved for the treatment of men with AGA. Clascoterone does not interfere with the hormonal and, in particular, testosterone profiles of male subjects; libido and sexual behavior changes have not been observed in clinical trials to date. Clascoterone is quickly metabolized to cortexolone, a naturally occurring metabolite found throughout all human tissues, cells, blood and urine; cortexolone's safety and metabolic fate are well characterized. Due to its rapid metabolism and local activity, Clascoterone does not produce systemic side effects.

After the successful phase II trial, a Phase II Dose Ranging study was planned. In the dose ranging trial, a total of 404 subjects were enrolled in six sites in Germany. This double-blind trial evaluated the efficacy and safety of four different doses of Clascoterone compared to vehicle (placebo) in male subjects 18–55 years of age with mild to moderate androgenetic alopecia in temple and vertex region, rating III vertex to V on the Modified Norwood-Hamilton Scale (i.e. IIIv, IV, or V), with a history of ongoing hair loss.

All subjects applied Clascoterone or vehicle to the balding areas of the scalp twice daily for a total of twelve months. The eligible subjects were randomly assigned to one of the following five treatment groups: 2.5 % Clascoterone solution BID; 5.0 % Clascoterone solution BID; 7.5 % Clascoterone solution BID; 7.5 % Clascoterone solution QD (once a day) and vehicle solution in the evening; vehicle solution BID.

The co-primary efficacy endpoints evaluated in the trials were:
- Change from baseline in non-vellus TAHC (target area hair count) at month 12, and
- HGA (hair growth assessment) score at month 12. The target area is defined as an area of one square centimeter.

For the Target Area Hair Count, statistically significant changes were observed in all active groups with the highest change observed in the 7.5 % BID group.

For the HGA assessment, the subjects used the Baseline standardized global photograph of their scalp and compared it, side by side, with a "real time" standardized global photo from the month 6 visit to assess their hair growth using a seven-point scale from –3 to +3. More subjects in all active groups saw an increase in their hair growth compared to the placebo group.

The main secondary endpoints included:
- Changes from Baseline in non-vellus TAHC and HGA score at months 3, 6 and 9, and
- Changes from Baseline in non-vellus TAHW (target area hair width) at months 3, 6, 9, and 12.

Efficacy Results at 12 months:

TAHC

For the TAHC, statistically highly significant changes vs. vehicle were observed in all active groups with the highest change observed in the 7.5 % BID group, which reached statistical significance at all timepoints, beginning with the third month (first follow-up visit), while the placebo group had a decrease in TAHC, representing the progression of AGA over time if left untreated. These results indicate that Clascoterone stops the loss of hair and grows new hair.

Per Protocol (344 subjects) At 12 months	Clascoterone 2.5 % BID	Clascoterone 5 % BID	Clascoterone 7.5 % BID	Clascoterone 7.5 % QD
Mean changes from vehicle TAHC (n.)	10.2	13.8	14.3	12.7
P value (vs. vehicle)	0.0087	0.0006	0.0003	0.0016

HGA

The HGA assessment represents the opinion of the patient on hair growth, expressed with a questionnaire. More subjects in all active groups saw an increase in their hair growth compared to the vehicle.

HGA Per Protocol (344 subjects) At 12 months	Clascoterone 2.5 % BID	Clascoterone 5 % BID	Clascoterone 7.5 % BID	Clascoterone 7.5 % QD	Vehicle
Favorable HGA (+1, +2, +3)	60.8%	60.0%	61.8%	56.1%	50.0%

TAHW

For the TAHW, statistically highly significant changes vs. vehicle were observed in all active groups with the highest change observed in the 7.5 % BID group, which reached borderline statistical significance since the third month (first follow-up visit) and statistical significance at months 6, 9 and 12.

TAHW Per Protocol (344 subjects) At 12 months	Clascoterone 2.5 % BID	Clascoterone 5 % BID	Clascoterone 7.5 % BID	Clascoterone 7.5 % QD
Mean changes from vehicle TAHW (µm)	521.1	615.0	762.5	658.8
P value (vs. vehicle)	0.0105	0.0034	0.0003	0.0018

Meanwhile, the placebo group had a significant decrease in the TAHC and TAHW, representing the progression of AGA over time if left untreated. Also, these data confirm that Clascoterone stops the loss of hair and grows new hair.

Safety Results:

The results indicate an excellent safety profile, similar to vehicle for both adverse events and local skin reactions, even after a 12 months treatment. There were no treatment-related serious adverse events among patients treated with Clascoterone.

Since the chemical structure of Clascoterone is similar to that of a steroid while its function is not, cortisol levels were tested in a sub-group of patients to verify that Clascoterone is free from systemic steroid activity. The mean absolute changes of cortisol values throughout the study were similar among groups, proving that Clascoterone has no systemic effect on cortisol.

CB-06-01

CB-06-01, an NCE, is a topical antibiotic (licensed from Naicons, an Italian company) that is highly effective on bacteria implicated in acne, including strains resistant to some other antibiotics. Cassiopea aims to develop and then market the product to replace the current topical antibiotics used in the treatment of acne.

After the analysis of the proof of concept trial testing a 3 % gel against placebo BID for twelve weeks in Slovakia on 90 subjects, it was decided to continue the program with an improved formulation. To this end, a new GMP API batch had to be produced. The optimization of the synthesis and purification has been completed and a new batch of API has been successfully manufactured. If required by the Clinical Authorities / Ethical Committees during review of the clinical trial submission package, a dermal toxicity study of the new formulation may be necessary before embarking on the dose ranging trial in 2020.

CB-06-02

CB-06-02, also an NCE (licensed from BioMas, an Israeli company), is being developed for the treatment of genital warts. Cassiopea believes that it is the first potential treatment for this condition based on tellurium, a rare element. It acts as a low-toxicity immunomodulator in supporting the natural immune response against Human Papilloma Virus, or HPV. Based on the drug profiling Cassiopea has performed to date, the Company believes that CB-06-02 has the potential to have a faster onset of action and a lower recurrence rate than currently available treatments.

A proof of concept trial in Israel tested 15 % CB-06-02 QD for up to 14 weeks against placebo. In the PP population (56 subjects), 75 % of the CB-06-02 group achieved complete clearance of external genital warts, while 40.6 % of subjects achieved complete clearance using vehicle. These results are statistically significant with a p value of 0.0111. In the ITT population (67 subjects), 56.3 % of the CB-06-02 group achieved complete clearance of external genitals warts, while 37.1 % of subjects achieved complete clearance using vehicle.

Because all product candidates of Cassiopea are based on NCEs, they will, if approved, enjoy regulatory exclusivity for five years. In addition, each of the Company's candidates has long-term patent protection.

Financial review

Income statement

EUR 1,000	30.06.2019	30.06.2018	Change	% change
Revenue	**–**	**–**	**–**	**–**
Other income	–	–	–	–
Cost of sales	–	–	–	–
Research and development costs	(4,689)	(6,423)	1,734	–27.0%
Selling, general and administrative costs	(1,596)	(663)	(933)	140.7%
Net operating expenses	**(6,285)**	**(7,086)**	**801**	**–11.3%**
Operating result	**(6,285)**	**(7,086)**	**801**	**–11.3%**
Financial income	60	418	(358)	-85.6%
Financial expenses	(233)	(61)	(172)	282.0%
Profit (loss) before taxes	**(6,458)**	**(6,729)**	**271**	**–4.0%**
Income tax expenses	–	–	–	–
Profit (loss) for the period	**(6,458)**	**(6,729)**	**271**	**–4.0%**

Revenue

The Company has no approved products, does not market any third-party products and did not enter into any licensing agreements for any of the products under development, so it had no operating revenues in H1 2019 and H1 2018.

Net Operating expenses

Net operating expenses decreased by EUR 801 thousand from EUR 7,086 thousand to EUR 6,285 thousand, mainly due to the reduction in research and development costs (EUR 1,734 thousand) partially offset by an increase of the selling, general and administrative costs (EUR 933 thousand).

Profit (loss) for the period

Loss for the H1 2019 decreased by EUR 271 thousand to EUR 6,458 thousand.

Operating expenses as per nature

EUR 1,000	30.06.2019	30.06.2018	Change	% change
Revenue	–	–	–	–
Other income	–	–	–	–
Raw materials and consumables used	(186)	(140)	(46)	32.9%
Personnel expenses	(1,149)	(717)	(432)	60.3%
Outsourced preclinical and clinical trial costs	(2,502)	(5,169)	2,667	–51.6%
Other operating expenses	(2,424)	(1,043)	(1,381)	132.4%
Depreciation and amortization	(24)	(17)	(7)	41.2%
Total net operating expenses	**(6,285)**	**(7,086)**	**801**	**–11.3%**

Broken down by nature, the bulk of the operating expenses is composed of outsourced preclinical and clinical trial costs, which decreased from EUR 5,169 thousand to EUR 2,502 thousand (–51.6 %), and other operating expenses increased by 132.4 % from EUR 1,043 thousand to EUR 2,424 thousand mainly due to Winlevi®'s preparatory NDA activities and pre-commercial costs.

Within the outsourced preclinical and clinical expense, the development of Winlevi® was by far the most important cost factor representing the 70.4 % of the total even if decreasing from EUR 3,675 thousand to EUR 1,762 thousand.

Outsourced preclinical and clinical trial costs for Breezula® decreased from EUR 1,460 thousand to EUR 732 thousand; in both H1 2019 and 2018 no outsourced preclinical and clinical activities have been performed for the new acne antibiotic CB-06-01 while CB-06-02, the genital warts product, decreased from EUR 34 thousand to EUR 8 thousand.

Raw materials and consumables necessary for the development of these projects increased from EUR 140 thousand to EUR 186 thousand.

Personnel expenses increased from EUR 717 thousand to EUR 1,149 thousand (+60.3 %) mainly due to new employees in US. The average number of employees increased from 9.0 in H1 2018 to 11.0 in H1 2019.

Financial income and Expenses

In H1 2019 financial income mainly consist of foreign exchange gains on cash and cash equivalents, in H1 2019 financial expenses include EUR 199 thousand due to Interest on Cosmo Pharmaceuticals N.V. unsecured loan.

Income tax expenses

In both H1 2019 and 2018, the Company did not recognize deferred tax assets relating to the loss before income tax due to the uncertainty of the availability of future tax profits against which such an asset may be offset.

Assets

EUR 1,000	30.06.2019	31.12.2018	Change	% change
Assets				
Non-current assets				
Property, plant and equipment	16	4	12	300.0%
Other intangible assets	559	496	63	12.7%
Tax receivables	9,037	9,260	(223)	–2.4%
Total non-current assets	**9,612**	**9,760**	**(148)**	**–1.5%**
Current assets				
Current tax assets	369	319	50	15.7%
Other receivables and other assets	1,722	1,852	(130)	–7.0%
Cash and cash equivalents	834	4,609	(3,775)	–81.9%
Total current assets	**2,925**	**6,780**	**(3,855)**	**–56.9%**
Total assets	**12,537**	**16,540**	**(4,003)**	**–24.2%**

Non-current assets slightly decreased from EUR 9,760 thousand to EUR 9,612 thousand, and mainly consist of the non-current tax receivable (EUR 9,037 thousand at the end of the period) in relation to the tax credit for research and development pursuant to Ministerial Decree of 27 May 2015.

In Current assets, Cash and cash equivalents decreased by EUR 3,775 thousand to EUR 834 thousand.

Other receivables and other assets slightly decreased by EUR 130 thousand to EUR 1,722 thousand and mainly include prepaid expenses and VAT receivables.

Equity and liabilities

EUR 1,000	30.06.2019	31.12.2018	Change	% change
Equity				
Share capital	10,000	10,000	–	0.0%
Share premium	1,868	14,524	(12,656)	–87.1%
Capital contribution	333	236	97	41.1%
Stock option plan reserve	2,726	2,408	318	13.2%
Currency translation reserve	7	–	7	n/a
Profit / (Loss) for the period	(6,458)	(12,656)	6,198	–49.0%
Total equity	**8,476**	**14,512**	**(6,036)**	**–41.6%**
Liabilities				
Non-current liabilities				
Interest-bearing loans and borrowings	2,207	–	2,207	n/a
Total non-current liabilities	**2,207**	**–**	**2,207**	**n/a**
Current liabilities				
Interest-bearing loans and borrowings	4	–	4	n/a
Trade payables	1,788	1,967	(179)	–9.1%
Current tax liabilities	16	22	(6)	–27.3%
Other current liabilities	46	39	7	17.9%
Total current liabilities	**1,854**	**2,028**	**(174)**	**–8.6%**
Total liabilities	**4,061**	**2,028**	**2,033**	**100.2%**
Total equity and liabilities	**12,537**	**16,540**	**(4,003)**	**–24.2%**

Equity decreased from EUR 14,512 thousand to EUR 8,476 thousand, mainly because of the loss of the period.

Non-current liabilities refer for EUR 2,199 thousand to the draw down of (EUR 2,000 thousand) and accrued interest of Cosmo Pharmaceuticals N.V. unsecured credit facility.

In Current liabilities, trade payables decreased from EUR 1,967 thousand to EUR 1,788 thousand. These payables were incurred mainly for services in conjunction with the clinical trials.

Condensed Consolidated Financial Statement (unaudited)

Condensed Consolidated income statement (unaudited)

For the six months ended 30 June

EUR 1,000	Notes	30.06.2019	30.06.2018
Revenue		**–**	**–**
Other income		–	–
Cost of sales		–	–
Research and development costs		(4,689)	(6,423)
Selling, general and administrative costs		(1,596)	(663)
Net operating expenses	4	**(6,285)**	**(7,086)**
Operating result		**(6,285)**	**(7,086)**
Financial income	5	60	418
Financial expenses	5	(233)	(61)
Profit (loss) before taxes		**(6,458)**	**(6,729)**
Income tax expenses	6	–	–
Profit (loss) for the period		**(6,458)**	**(6,729)**

EUR 1			
Earnings (loss) per share			
Basic	7	**(0.646)**	(0.673)
Diluted	7	**(0.646)**	(0.673)

Condensed Consolidated statement of comprehensive income (unaudited)

For the six months ended 30 June

EUR 1,000	Notes	30.06.2019	30.06.2018
Profit (loss) for the period (A)		**(6,458)**	**(6,729)**
Total other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1)		–	–
Total other comprehensive income that will be reclassified subsequently to profit or loss, net of tax (B2)		–	–
Total other comprehensive income, net of tax (B)=(B1+B2)		**–**	**–**
Total comprehensive income (A)+(B)		**(6,458)**	**(6,729)**

The accompanying notes form an integral part of the Half-Year Condensed Consolidated Financial Statements.

Condensed Consolidated statement of financial position (unaudited)

As at 30 June 2019

EUR 1,000	Notes	30.06.2019	31.12.2018
Assets			
Non-current assets			
Property, plant and equipment	8	16	4
Other intangible assets	9	559	496
Tax receivables	10	9,037	9,260
Total non-current assets		**9,612**	**9,760**
Current assets			
Current tax assets	11	369	319
Other receivables and other assets	12	1,722	1,852
Cash and cash equivalents	13	834	4,609
Total current assets		**2,925**	**6,780**
Total assets		**12,537**	**16,540**
Equity			
Share capital		10,000	10,000
Share premium		1,868	14,524
Capital contribution		333	236
Stock option plan reserve		2,726	2,408
Currency translation reserve		7	–
Profit / (Loss) for the period		(6,458)	(12,656)
Total equity	14	**8,476**	**14,512**
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	15	2,207	–
Total non-current liabilities		**2,207**	–
Current liabilities			
Interest-bearing loans and borrowings	15	4	–
Trade payables	16	1,788	1,967
Current tax liabilities	17	16	22
Other current liabilities	18	46	39
Total current liabilities		**1,854**	**2,028**
Total liabilities		**4,061**	**2,028**
Total equity and liabilities		**12,537**	**16,540**

The accompanying notes form an integral part of the Half-Year Condensed Consolidated Financial Statements.

Condensed Consolidated cash flow statement (unaudited)

For the six months ended 30 June

EUR 1,000	Notes	30.06.2019	30.06.2018
Loss for the period before tax		**(6,458)**	**(6,729)**
Adjustment for:			
Interest not paid		199	–
Depreciation and amortization	4	24	17
Share payment-based expenses	19	415	421
R&D credit offset		173	176
Net unrealised foreign exchange differences on cash and cash equivalents		(2)	(267)
Operating cash outflow before changes in working capital		**(5,649)**	**(6,382)**
Change in trade payables		(172)	149
Change in other receivables and other assets		130	(182)
Change in other current liabilities		7	(24)
Change in current tax assets		–	(5)
Change in current tax liabilities		(6)	(7)
Cash flows from operating activities		**(5,690)**	**(6,451)**
Investments in property, plant and equipment		(1)	(2)
Investments in other intangible assets	9	(84)	(51)
Cash flows from investing activities		**(85)**	**(53)**
Proceeds from interest-bearing loans and borrowings	15	2,000	–
Repayments of interest-bearing loans and borrowings		(2)	–
Cash flows from financing activities		**1,998**	**–**
Net increase / (decrease) in cash and cash equivalents		**(3,777)**	**(6,504)**
Cash and cash equivalents at the beginning of the period	13	**4,609**	**17,598**
Net unrealised foreign exchange differences on cash and cash equivalents		**2**	**267**
Cash and cash equivalents at the end of the period	13	**834**	**11,361**
Cash at hand		–	–
Bank accounts		834	11,361
Advances on invoices and bank overdraft		–	–
Total cash and cash equivalents at the end of the period	13	**834**	**11,361**

The accompanying notes form an integral part of the Half-Year Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Changes in Equity (unaudited)

For the six months ended 30 June

EUR 1,000	Number of Shares	Share capital	Share premium	Capital contribution	Stock option plan reserve	Currency translation reserve	Retained earnings	Total
Net equity as at 1 January 2018	**10,000,000**	**10,000**	**28,172**	**122**	**1,716**	**–**	**(13,656)**	**26,354**
Allocation of prior year result	–	–	(13,656)	–	–	–	13,656	–
Cost for stock options	–	–	–	51	370	–	–	421
Forfeited stock options	–	–	8	–	(8)	–	–	–
Total comprehensive income for the period	–	–	–	–	–	–	(6,729)	(6,729)
Net equity as at 30 June 2018	**10,000,000**	**10,000**	**14,524**	**173**	**2,078**		**(6,729)**	**20,046**

EUR 1,000	Number of Shares	Share capital	Share premium	Capital contribution	Stock option plan reserve	Currency translation reserve	Retained earnings	Total
Net equity as at 1 January 2019	**10,000,000**	**10,000**	**14,524**	**236**	**2,408**	**–**	**(12,656)**	**14,512**
Allocation of prior year result	–	–	(12,656)	–	–	–	12,656	–
Cost for stock options	–	–	–	97	318	–	–	415
Currency translation reserve	–	–	–	–	–	7	–	7
Total comprehensive income for the period	–	–	–	–	–	–	(6,458)	(6,458)
Net equity as at 30 June 2019	**10,000,000**	**10,000**	**1,868**	**333**	**2,726**	**7**	**(6,458)**	**8,476**

The accompanying notes form an integral part of the Half-Year Condensed Consolidated Financial Statements.

Notes to the Condensed Consolidated Financial Statements (unaudited)

1 General information

The company and its core business

Cassiopea S.p.A. with its subsidiaries ("Cassiopea" or the "Company" or "Group") is a specialty pharmaceutical company established and domiciled in Italy. The address of the registered office is Via Cristoforo Colombo 1, Lainate (MI), Italy.

Cassiopea is a clinical-stage specialty pharmaceutical company focused on developing and commercializing innovative and differentiated medical dermatology products: the initial focus is on the topical treatment of acne, androgenic alopecia, (or AGA), and genital warts. The Company's portfolio comprises four unencumbered clinical candidates, for which the Company owns the worldwide rights. These product candidates are based on three new chemical entities, ("NCEs"), and target unmet medical needs and significant market opportunities in the medical dermatology market. Cassiopea's Management team directly and indirectly through the Service Agreement with Cosmo, has extensive experience in product development and commercialization, having served in prominent roles at several leading pharmaceutical and medical dermatology companies.

The Company's strategy is to leverage this expertise to establish Cassiopea as a pure play, fully integrated company whose mission is to identify, develop and commercialize treatments for skin diseases.

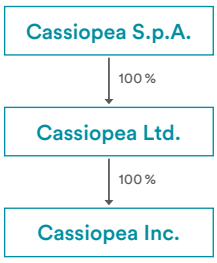
The four product candidates that the Company is currently developing represent a diversified portfolio of late and mid stage clinical programs addressing significant market opportunities and unmet needs in the medical dermatology space:

- Winlevi®, which is being developed as first-in-class antiandrogen for the topical treatment of acne;
- Breezula®, which is being developed as the first antiandrogen for the topical treatment of androgenic alopecia;
- CB-06-01, a first-time application of an antibiotic with a targeted antibacterial spectrum for the treatment of acne; and
- CB-06-02, a novel formulation using the rare element tellurium to treat genital warts.

Since 1 July 2015, Cassiopea's shares have been publicly listed on the Swiss Stock Exchange (SIX: SKIN). The Company's stock market capitalization as at 30 June 2019 was equal to CHF 443,000,000.

In January 2019, the Company, following the decision to distribute in the US – once approved – the products that are currently under late stage of clinical development, established two new companies: Cassiopea Pharmaceuticals Ltd. in Ireland and its US subsidiary, Cassiopea Inc.

The structure of the Company as at 30 June 2019 is as follow:



2 Basis of preparation

Authorization of Condensed Consolidated Financial Statements

These Half-Year Condensed Consolidated Financial Statements, together with notes, of Cassiopea S.p.A. at 30 June 2019 were authorized for issuance by the Board of Directors on 17 July 2019.

Basis of Preparation

These half-year condensed consolidated financial statements as at 30 June 2019, have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union (following IFRS) and with the orders issued in implementation of Article 9 of Legislative Decree no 38/2005. The designation IFRS also includes all valid International Accounting Standards (IAS), as well as all interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC).

In particular, these interim condensed financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting", and accordingly do not include all information and disclosures as required by IFRS for complete financial statements.

The accounting principles and policies used in preparation of the interim consolidated financial statements are consistent with those used in the Financial statements for the year ended 31 December 2018, except as otherwise stated under "New accounting standard and IFRIC interpretations" in the following paragraphs.

The preparation of the interim consolidated financial statements requires the Management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements. If in the future such estimates and assumptions, which are based on the Management's best judgement at the date of the interim financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

These condensed consolidated interim financial statements should be read in conjunction with the financial statements for the year ended 31 December 2018 as they provide an update of previously reported information. Operating results for the six months ended 30 June 2019 are not necessarily indicative of the results that may be expected for the year ending 31 December 2019. The interim consolidated financial statements are expressed in thousands of euros unless stated otherwise, rounding the amounts to the nearest thousand.

3 Basis of accounting

3.1 Classification criteria

For presentation of these Half-Year Condensed Consolidated Financial Statements, the Group uses a classification based on the function of expenses, rather than based on their nature, as it is more representative of the format used for internal reporting and management purposes and is consistent with international practice in the pharmaceuticals sector. The statement of financial position has been prepared presenting assets and liabilities as current and non-current; the statements of cash flows present cash flows from operating activities using the indirect method and the statement of changes in equity includes all the changes in equity.

3.2 Measurement criteria

The Consolidated Financial Statements have been prepared under the historical cost convention, modified as required for the valuation of certain financial instruments, as well as on the going concern assumption.

Going concern

Cassiopea's financials are particular to the business model of pharmaceuticals companies developing new drugs and having no products on the market. At this stage high costs must be sustained, linked to the clinical and pharmaceutical development of new drugs, and a return is expected only in forthcoming years.

In keeping with the accounting arrangements adopted, which envisage the recognition of all research and development costs in the Income Statement in the year they are incurred, from its incorporation the Company has always reported losses.

The Company is subject to the classical uncertainties associated with the sector in which it operates and the ongoing product testing, in terms of results that it may effectively achieve, and the methods and timeframes with which these results could be attained.

The business plans of the Company envisage that in coming years the Company will continue its research and development activities, which results currently seem promising, thus recording losses until the commercialization or licensing of one of its products.

More specifically, current business plans envisage:

- the filing of the NDA for Winlevi® in Q3 2019, looking forward to a PDUFA date in Q3 2020, provided that the company will promptly and adequately reply to any queries the FDA may raise during the approval process. In the 12 months from filing to PDUFA date, the Company will be conducting market research and pre-commercial activities to best determine the price of Winlevi® and to gain, as early as possible, acceptance from the payers. A sales organisation in the US will be established once approval is attained.
- Following the good results of the Breezula® phase II dose ranging trial the Company is preparing an EOPII meeting which will be requested with the FDA in H2 where the clinical end points and duration of the planned ph III trial will be discussed.
- In H2 2019 it is also planned to start the recruitment for the proof of concept trail of Breezula® in women.

On the basis of the above, the Company will therefore need to raise financial resources by a new capital increase and / or raising debt and / or entering into licensing agreements in those territories where it is highly unlikely that it could develop commercial activities of its own.

The Board of Directors has prepared the Interim Consolidated Financial Statements at 30 June 2019 on a going concern basis, by virtue of the following considerations:

- Cosmo Pharmaceuticals N.V. has provided a EUR 10 million term credit facility and has indicated that it is willing to extend the facility to 20 million, and has indicated that Cosmo would participate with its full quota in any capital increase.
- The business plan consists of various projects that are expected to start at different dates during 2019: this would allow scaling the projects down or delaying them on the basis of the financial means available
- Several investors have expressed their interest in participating in a capital increase of the Company. In this regard the Extraordinary Shareholders' meeting on 5 April 2018, has already delegated the board of directors for a capital increase up to 1 million new shares with the exclusion of subscription rights pursuant to Article 2441 Italian Civil code, provided that the issue price corresponds to the market value of the shares; furthermore on 18 March 2019 the Extraordinary Shareholders' meeting delegated to the board of directors, according to Article 2443 of the Italian Civil Code, the faculty to increase the Company's capital by up to a maximum nominal amount of EUR 3,000,000.

Taking account of the foregoing, the company believes that it has adequate financial resources to continue its business in the foreseeable future of at least 12 months from the date of this report, therefore, as of today's date, there are no significant uncertainties regarding the going concern.

3.3 Critical accounting estimates and assumptions

The preparation of the Company consolidated financial statements and the related notes requires the use of estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. However, as they are estimates, actual future results could differ from those included in the financial statements. The management exercises judgment in selecting and applying the accounting principles, particularly in cases where the existing IFRS standards offer alternative recognition, valuation or presentation methods.

3.4 Accounting policies

Except as described below, the accounting policies applied in these interim consolidated financial statements are the same as those applied in the financial statements as at and for the year ended 31 December 2018.

Principles of consolidation

Subsequently the incorporation of the two subsidiaries in January 2019, the following accounting policies have been applied starting from this half year condensed consolidated financial statements.

Subsidiaries

Subsidiaries are entities over which the Group has control. Control is achieved when the Group has power over the investee, when it is exposed to, or has rights to, variable returns from its involvement with the investee, and has the ability to use its power over the investee to affect the amount of the investor's returns. Subsidiaries are consolidated on a line by line basis from the date on which control is achieved by the Group. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The Group recognises a non-controlling interest in the acquiree on a transaction-by-transaction basis, either at fair value or at the non-controlling interest's share of the recognised amounts of the acquiree's identifiable net assets. Net profit or loss and each component of Other comprehensive income / (loss) are attributed to Equity attributable to owners of the parent and to non-controlling interest.

Total comprehensive income / (loss) of subsidiaries is attributed to Equity attributable to the owners of the parent and to the non-controlling interest even if this results in a deficit balance in non-controlling interest. Changes in the Group's ownership interests in a subsidiary that do not result in the Group losing control over the subsidiary are accounted for as an equity transaction. The carrying amounts of the Equity attributable to owners of the parent and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary.

Any difference between the carrying amount of the non-controlling interests and the fair value of the consideration paid or received in the transaction is recognised directly in the Equity attributable to the owners of the parent. Subsidiaries are deconsolidated from the date on which control ceases. When the Group ceases to have control over a subsidiary, it de-recognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, and de-recognises the carrying amount of non-controlling interests in the former subsidiary at the same date and recognises the fair value of any consideration received from the transaction. Any retained interest in the former subsidiary is remeasured to its fair value at the date when control is lost. This fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, or financial asset. In addition, any amounts previously recognised in Other comprehensive income / (loss) in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in Other comprehensive income / (loss) are reclassified to the Consolidated income statement or transferred directly to retained earnings as

required by other IFRS. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions eliminated in consolidation

All intra-group balances and transactions and any unrealised gains and losses arising from intragroup transactions are eliminated in preparing the Consolidated financial statements.

Unrealised gains and losses arising from transactions with associates are eliminated to the extent of the Group's interest in those entities.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Consolidation of foreign entities

All assets and liabilities of foreign consolidated companies with a functional currency other than the Euro are translated using the closing rates at the date of the Consolidated statement of financial position. Income and expenses are translated into euro at the average exchange rate for the period. Translation differences resulting from the application of this method are classified as Other comprehensive income / (loss) until the disposal of the investment. Average exchange rates for the period are used to translate the cash flows of foreign subsidiaries in preparing the Consolidated statement of cash flows. Goodwill, assets acquired and liabilities assumed arising from the acquisition of entities with a functional currency other than the Euro are recognised in the Consolidated financial statements in the functional currency and translated at the exchange rate at the acquisition date. These balances are translated at subsequent balance sheet dates at the relevant exchange rate.

Changes in significant accounting policies

The Group has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards and interpretations are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

IFRS 16 - Leases ("IFRS 16") requires lessees to recognize assets and liabilities under an on-balance sheet model that is similar to finance lease accounting under IAS 17 ("IAS 17"). IFRS 16 is effective from 1 January 2019 (the date of adoption). The Group adopted IFRS 16 using the modified retrospective approach, with the cumulative effect of initially applying the standard recognized as an adjustment to the Group's opening equity balance on 1 January 2019, which was nil.

The comparative period has not been restated and continues to be reported under the accounting standards in effect for periods prior to 1 January 2019.

Transition

On transition to IFRS 16, at 1 January 2019 the Group recognised additional right-of-use assets (EUR 14 thousand as right -of-use asset presented in property, plant and equipment) and additional lease liability (EUR 14 thousand as Lease liability of which EUR 10 thousand in non-current liabilities and EUR 4 thousand in current liabilities) in relation to a company car previously classified as operating lease under IAS 17. Lease liability was measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-

use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid, accrued lease payments or lease incentives.

The net impact to deferred tax on adoption as at 1 January 2019 was nil. The net deferred tax impact in future periods is expected to be immaterial.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term or leases of low-value assets.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The rate applied is 5.00 %.

Leases as a Lessee (policy applicable from 1 January 2019)

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

This policy is applied to contracts entered into, or modified, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Right-of-use asset

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of the right-to-use asset is determined based on the nature of the asset, taking into consideration the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain corresponding remeasurements of the lease liability.

Lease liability

The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The incremental borrowing rate is determined considering macro-economic factors such as the risk free rate based on the relevant currency and term,

as well as Company specific factors contributing to Company's credit spread, including the impact of security. The Group primarily uses the incremental borrowing rate as the discount rate for its lease liabilities.

Lease payments used to measure the lease liability include the following, if appropriate:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate applicable as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- if reasonably certain to exercise, the exercise price under a purchase option, or lease payments in an optional renewal period; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in Property, plant and equipment and lease liabilities in Long-term debt and Short-term debt and current portion of long-term debt in the Interim Condensed Consolidated Statement of Financial Position.

The Group has elected to not recognize right-of-use assets and lease liabilities for short-term leases and low-value leases for all classes of leased assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a result of initially applying IFRS 16, in relation to the lease that was previously classified as operating lease, as at 30 June 2019 the carrying value of right of use asset and related lease liability are EUR 12 thousand and EUR 12 thousand respectively. Also, in relation to this lease under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised EUR 2 thousand of depreciation charges and EUR 0.3 thousand of interest costs from this lease.

4 Net operating expenses

Net operating expenses presented in the income statements by function are detailed and commented by nature below:

EUR 1,000	30.06.2019	30.06.2018
Raw materials and consumables used	(186)	(140)
Personnel expenses	(1,149)	(717)
Outsourced preclinical and clinical trial costs	(2,502)	(5,169)
Other operating expenses	(2,424)	(1,043)
Depreciation and amortization	(24)	(17)
Total net operating expenses	**(6,285)**	**(7,086)**

Raw materials and consumables used

The item "Raw materials and consumables used" comprises the following:

EUR 1,000	30.06.2019	30.06.2018
Purchase of consumables	1	3
Purchase of laboratory supplies and materials for clinical trial	185	137
Total raw materials and consumables used	**186**	**140**

Personnel expenses

This item, which includes the cost of the entire staff, comprises the following:

EUR 1,000	30.06.2019	30.06.2018
Salaries and wages	649	274
Social security contributions	78	49
Employee benefits	9	10
Stock options	409	380
Other costs	4	4
Total personnel expenses	**1,149**	**717**

Personnel expenses increase from EUR 717 thousand to EUR 1,149 thousand, in relation to the setup of the US subsidiary.

In H1 2019, the expense for the value of employees' and executives Directors' services exchanged for stock options amounted to EUR 409 thousand (EUR 380 thousand in H1 2018) and it refers to the cost accounted in relation to the options granted by the Board of Directors in the period 2015–2019 and to the options granted by Cosmo Pharmaceuticals N.V. (see note 19, "Share-based payments").

The entire staff as at 30 June 2019 and 2018 is shown by category here below:

No. of people	30.06.2019	30.06.2018
Managers*	9	6
Junior managers	3	3
Total number	**12**	**9**

*Includes the managers provided by Cosmo Pharmaceuticals N.V. as for service agreement (see note 20 "Related parties transactions")

In addition, the companies of the Cosmo Pharmaceuticals N.V. group provide the services for research and development, regulatory, secretarial, and accounting services at a cost determined in the Services Agreement (see note 20 "Related parties transactions").

Outsourced preclinical and clinical trial costs

The item "Outsourced preclinical and clinical trial costs" comprises the following:

EUR 1,000	30.06.2019	30.06.2018
Winlevi®	1,762	3,675
Breezula®	732	1,460
CB-06-02	8	34
Outsourced preclinical and clinical trials costs	**2,502**	**5,169**

In H1 2019, the Company has been charged by Linkverse Srl. (subsidiaries of Cosmo Pharmaceuticals N.V. since 1 July 2018) for an amount of EUR 18 thousand for activities related to Winlevi®.

Other operating expenses

Other operating expenses comprises the following:

EUR 1,000	30.06.2019	30.06.2018
Service costs	2,420	1,035
Operating lease expenses	–	5
Other operating costs	4	3
Total other operating expenses	**2,424**	**1,043**

"Service costs" mainly comprises costs for professional and consultancy services (i.e., scientific and administrative services), advertising and marketing costs, cost for the maintenance of the patent, and costs for the investor relations activities.

Service costs in H1 2019 also include EUR 6 thousand (EUR 41 thousand in H1 2018) for the Stock Option Plan to the non-executive directors.

EUR 1,000	30.06.2019	30.06.2018
External consultancy services	1,020	196
Patent costs	85	116
Investor relations and web site maintenance	101	97
Technical assistance	2	2
Utilities, telephone, internet	3	3
Insurance	40	59
Non-executive directors	70	58
Stock options non-executive directors	6	41
Management control committee	5	4
Auditing	16	13
Advertising and marketing costs	469	8
Freight and customs	3	5
Travel expenses	83	92
External laboratory services	60	94
R&D and Regulatory services	443	239
Other costs	14	8
Total service costs	**2,420**	**1,035**

In H1 2019, the Company has been charged by Cosmo S.p.A. (subsidiary of Cosmo Pharmaceuticals N.V.) for an amount of EUR 443 thousand (in H1 2018 EUR 215 thousand from Cosmo S.p.A. and EUR 24 thousand from Bellatrix Inc.) for Research / Development / Regulatory services.

In H1 2019, the Company has been charged by Cosmo S.p.A. (subsidiary of Cosmo Pharmaceuticals N.V.) for secretarial and accounting services for an amount of EUR 76 thousand, included in External consultancy services (EUR 76 thousand in H1 2018).

As a result of initially application of IFRS 16, operating lease expenses in H1 2019 are nil, as the group has recognised depreciation and interest costs.

Depreciation and amortization

The item comprises the following:

EUR 1,000	30.06.2019	30.06.2018
Depreciation of property, plant and equipment	3	1
Amortization of other intangible assets	21	16
Total depreciation and amortization	**24**	**17**

As a result of initially application of IFRS 16, the group in H1 2019 has recognised depreciation for an amount of EUR 2 thousand on the value of the right of use of a company car.

5 Financial income / expenses

The item comprises the following:

EUR 1,000	30.06.2019	30.06.2018
Financial income		
Other	60	418
Total financial income	**60**	**418**
Financial expenses		
Interests on Cosmo Pharmaceuticals N.V. loan	199	–
Other	34	61
Total financial expenses	**233**	**61**
Financial income (expense), net	**(173)**	**357**

Other financial income as at 30 June 2019 includes EUR 50 thousand for foreign exchange differences (EUR 308 thousand in 2018) and EUR 10 thousand for interest received on cash and cash equivalents (EUR 109 thousand in 2018).

Financial expenses include EUR 199 thousand due to Interests on Cosmo Pharmaceuticals N.V. unsecured loan.

Other financial expenses mainly include foreign exchange losses and, as a result of initially application of IFRS 16, EUR 0.3 thousand of interest costs from the lease of a company car.

6 Income tax expenses

On the tax losses and on the Italian fiscal relief "ACE" (Aiuto alla crescita economica) for H1 2019 and H1 2018 no deferred tax assets have been recognized in the Company's financial statements due to uncertainties concerning the availability of future taxable profits against which such an asset may be offset.

7 Basic and diluted earnings (loss) per share

Basic earnings (loss) per shares are calculated by dividing the net profit (loss) for the period attributable to ordinary shareholders by the weighted average number of shares outstanding during the period. Basic earnings (loss) per share are as follows:

	30.06.2019	30.06.2018
Net profit (loss) attributable to Shareholders (in EUR 1,000)	(6,458)	(6,729)
Weighted average number shares	10,000,000	10,000,000
Basic earnings (loss) per share (in EUR)	**(0.646)**	**(0.673)**

Diluted earnings (loss) per share are calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, plus the weighted average number of potential ordinary shares.

Potential ordinary shares from the exercise of stock options only have a dilutive effect if the new ordinary shares from the exercise of stock options led to a lower result per share. Under consideration of the current result of Cassiopea, potential new ordinary shares do therefore not induce a dilutive effect.

8 Property plan and equipment

As a result of initially applying IFRS 16, in relation to the lease that was previously classified as operating lease, as at 30 June 2019 the net carrying value of right of use asset in relation to a company car is EUR 12 thousand.

9 Other intangible assets

"Patents and rights" refers to the costs for filing and extension of patents owned by the Company, and are amortized considering the patents expiry date as their useful life (patents expiry from 2025 to 2036 and their average useful life is equal to 12.6 years).

EUR 1,000	Patents and rights	Total
Net book value as at 1 January 2019	**496**	**496**
Additions of the period	84	84
Amortization charge for the period	(21)	(21)
Net book value as at 30 June 2019	**559**	**559**

10 Tax receivables (non current)

The item comprises the following:

EUR 1,000	30.06.2019	31.12.2018
Tax credit R&D costs	9,037	9,260
Total tax receivables	**9,037**	**9,260**

Tax receivables refer to the non-current amount of the tax credit for research and development pursuant to Ministerial Decree of 27 May 2015, implementing Law No. 190 of 23 December 2014 (2015 Stability Law).

11 Current tax assets

The item comprises the following:

EUR 1,000	30.06.2019	31.12.2018
Advance payments of income taxes	19	19
Tax credit R&D costs	350	300
Total current tax assets	**369**	**319**

Tax credit R&D costs refer to the current amount of tax credit for research and development pursuant to Ministerial Decree of 27 May 2015, that will be offset against social security contributions and withholdings tax in the course of the following twelve months.

12 Other receivables and other assets

The item comprises the following:

EUR 1,000	30.06.2019	31.12.2018
VAT receivables	1,468	1,333
Prepaid expenses	160	392
Other prepaid	94	127
Total other receivables and other assets	**1,722**	**1,852**

13 Cash and cash equivalents

The item comprises the following:

EUR 1,000	30.06.2019	31.12.2018
Cash at hand	–	–
Bank accounts	834	4,609
Total cash and cash equivalents	**834**	**4,609**

"Bank accounts" include availability on current bank accounts. Part of the availability is held in US$ and in particular as at 30 June 2019 the amount includes US$ 277 thousand equal to EUR 244 thousand at 30 June 2019 exchange rate.

14 Total shareholders' equity

The item comprises the following:

EUR 1,000	30.06.2019	31.12.2018
Share capital	10,000	10,000
Share premium	1,868	14,524
Capital contribution	333	236
Stock option plan reserve	2,726	2,408
Currency translation reserve	7	–
Profit / (Loss) for the period	(6,458)	(12,656)
Total equity	**8,476**	**14,512**

Share capital

As at 30 June 2019 and 31 December 2018, Cassiopea S.p.A. had 10,000,000 shares issued, fully subscribed and paid up, each share with a nominal value of EUR 1.00, for a total share capital of EUR 10,000 thousand.

Share premium

"Share premium" refers to the proceeds from April 2015 capital increase, reduced in relation to the allocation of prior year losses.

Capital contribution

"Capital contribution" has accounted in relation to the stock options of Cosmo Pharmaceuticals N.V. granted to the employees of the Company.

Stock option plan reserve

In H1 2019, the expense for the stock options allocated in the period 2015–2018, amounted to EUR 318 thousand of which EUR 312 thousand for management and personnel and EUR 6 thousand for non-executive Directors (In H1 2018 EUR 329 thousand and EUR 41 thousand respectively).

Currency translation reserve

Currency translation reserve arise from the consolidation of foreign entity with a functional currency other than the Euro.

15 Interest bearing loans and borrowings (non current and current)

Non current and current interest bearing loans and borrowings are detailed as follows:

A Non current

EUR 1,000	30.06.2019	31.12.2018
Cosmo Pharmaceuticals N.V. loan	2,199	–
Financial lease liabilities	8	–
Total interest-bearing loans and borrowings (non current)	**2,207**	**–**

Non-current liabilities refer for EUR 2,199 thousand to the instalment drew (EUR 2,000 thousand) and accrued interests of Cosmo Pharmaceuticals N.V. unsecured credit facility, and for EUR 8 thousand to the lease liability related to the initial application of IFRS 16.

B Current

EUR 1,000	30.06.2019	31.12.2018
Financial lease liabilities	4	–
Total interest-bearing loans and borrowings (current)	**4**	**–**

Financial lease liabilities refer to the lease liability, due within 12 months, related to the initial application of IFRS 16.

16 Trade payables

The item comprises the following:

EUR 1,000	30.06.2019	31.12.2018
Trade payables	1,263	1,803
Trade payables related company	525	164
Total trade payables	**1,788**	**1,967**

Trade payables related company refers to the payables for the services rendered by Cosmo Pharmaceuticals Group.

17 Current tax liabilities

The item comprises the following:

EUR 1,000	30.06.2019	31.12.2018
Withholding tax for employees	11	10
Withholding tax for consultants	5	12
Total current tax liabilities	**16**	**22**

18 Other current liabilities

The item comprises the following:

EUR 1,000	30.06.2019	31.12.2018
Social security payables	19	11
Other liabilities	27	28
Total other current liabilities	**46**	**39**

19 Share-based payment

The extraordinary shareholders' meeting of 18 March 2019, after revocation of the proxy granted on 27 May 2015, authorized the Board of Directors to increase the capital by up to a maximum nominal amount of EUR 500,000 by issuing 500,000 new common shares with a nominal value of EUR 1 each to service an ESOP according to terms to be set by the Board of Directors.

On 7 February 2019, the Board of Directors granted a total of 147,666 options of which

- 49,224 with a vesting period of 1 year, expiring on 6 February 2025 and an exercise price of CHF 38.60 ("Option series 5a")
- 49,223 with a vesting period of 2 years, expiring on 6 February 2025 and an exercise price of CHF 38.60 ("Option series 5b")
- 49,219 with a vesting period of 3 years, expiring on 6 February 2025 and an exercise price of CHF 38.60 ("Option series 5c")

The fair value of options granted, determined on the basis of a binomial tree generated by the Fincad program – technique similar to the Black-Scholes valuation model, resulted in a value of CHF 3.87 per option ("Option series 5a"), of CHF 5.51 per option ("Option series 5b") and of CHF 6.78 per option ("Option series 5c").

On 18 March 2019, the Board of Directors granted a total of 30,000 options of which

- 10,002 with a vesting period of 1 year, expiring on 17 March 2025 and an exercise price of CHF 45.10 ("Option series 6a")
- 9,999 with a vesting period of 2 years, expiring on 17 March 2025 and an exercise price of CHF 45.10 ("Option series 6b")
- 9,999 with a vesting period of 3 years, expiring on 17 March 2025 and an exercise price of CHF 45.10 ("Option series 6c")

The fair value of options granted, determined on the basis of a binomial tree generated by the Fincad program – technique similar to the Black-Scholes valuation model, resulted in a value of CHF 4.52 per option ("Option series 6a"), of CHF 6.40 per option ("Option series 6b") and of CHF 7.87 per option ("Option series 6c").

The options granted are recognized as costs over the vesting period.

In H1 2019, in relation to the "Option series 1,2,3,4,5,6 – a,b,c", the expense for the value of employees' and Directors' services exchanged for stock options amounted to EUR 318 thousand of which EUR 312 thousand for management and personnel and EUR 6 thousand for non-executive Directors. As at 30 June 2019, 362,666 options of the total option program of 500,000 options are allocated and outstanding, of which 136,100 exercisable.

Option series	Options granted	Options outstanding	Grant date	Vesting date	Expiry date	Exercise price CHF	Fair value of the option at the grant date CHF
1a) Issued 3 December 2015	49,800	35,800	03/12/2015	03/12/2016	03/12/2021	34.00	14.45
1b) Issued 3 December 2015	46,600	32,600	03/12/2015	03/12/2017	03/12/2022	34.00	19.28
1c) Issued 3 December 2015	43,600	31,600	03/12/2015	03/12/2018	03/12/2023	34.00	22.56
2a) Issued 23 February 2016	6,800	1,700	23/02/2016	23/02/2017	23/02/2022	34.00	11.28
2b) Issued 23 February 2016	6,700	1,700	23/02/2016	23/02/2018	23/02/2023	34.00	15.87
2c) Issued 23 February 2016	6,500	1,600	23/02/2016	23/02/2019	23/02/2024	34.00	18.98
3a) Issued 23 February 2017	4,100	3,400	23/02/2017	23/02/2018	23/02/2023	34.00	11.59
3b) Issued 23 February 2017	4,000	3,300	23/02/2017	23/02/2019	23/02/2024	34.00	15.84
3c) Issued 23 February 2017	3,900	3,300	23/02/2017	23/02/2020	23/02/2025	34.00	18.84
4a) Issued 14 November 2017	24,400	24,400	14/11/2017	14/11/2018	14/11/2023	34.00	10.46
4b) Issued 14 November 2017	24,300	24,300	14/11/2017	14/11/2019	14/11/2024	34.00	14.32
4c) Issued 14 November 2017	21,300	21,300	14/11/2017	14/11/2020	14/11/2025	34.00	17.11
5a) Issued 7 February 2019	49,224	49,224	07/02/2019	07/02/2020	06/02/2025	38.60	3.87
5b) Issued 7 February 2019	49,223	49,223	07/02/2019	07/02/2021	06/02/2025	38.60	5.51
5c) Issued 7 February 2019	49,219	49,219	07/02/2019	07/02/2022	06/02/2025	38.60	6.78
6a) Issued 18 March 2019	10,002	10,002	18/03/2019	18/03/2020	17/03/2025	45.10	4.52
6b) Issued 18 March 2019	9,999	9,999	18/03/2019	18/03/2021	17/03/2025	45.10	6.40
6c) Issued 18 March 2019	9,999	9,999	18/03/2019	18/03/2022	17/03/2025	45.10	7.87
Total	**419,666**	**362,666**					

Share options	Numbers	Weighted average exercise price CHF
Outstanding as at 1 January 2018	**187,000**	**34.00**
Exercisable as at 1 January 2018	70,100	34.00
Granted during the period	–	34.00
Forfeited during the period	(2,000)	34.00
Exercised during the period	–	–
Expired during the period	–	–
Outstanding as at 31 December 2018	**185,000**	**34.00**
Exercisable as at 31 December 2018	131,200	34.00
Granted during the period	177,666	39.70
Forfeited during the period	–	–
Exercised during the period	–	–
Expired during the period	–	–
Outstanding as at 30 June 2019	**362,666**	**36.79**
Exercisable as at 30 June 2019	136,100	34.00

The share options outstanding at the end of the financial period had a weighted exercise price of CHF 36.79 and a weighted average remaining contractual life of 4.9 years.

Option series 1	**a)**	**b)**	**c)**
Issued 3 December 2015			
Share price at grant date (in CHF)	35.40	35.40	35.40
Previous monthly average at grant date share price (in CHF)	32.30	32.30	32.30
Exercise price (in CHF)	34.00	34.00	34.00
Expected volatility	30%	30%	30%
Option life	1,826 days	1,826 days	1,826 days
Risk-free interest rate	0.84%	1.02%	1.18%

Option series 2	**a)**	**b)**	**c)**
Issued 23 February 2016			
Share price at grant date (in CHF)	30.95	30.95	30.95
Previous monthly average at grant date share price (in CHF)	29.88	29.88	29.88
Exercise price (in CHF)	34.00	34.00	34.00
Expected volatility	30%	30%	30%
Option life	1,826 days	1,826 days	1,826 days
Risk-free interest rate	0.73%	0.91%	1.07%

Option series 3	**a)**	**b)**	**c)**
Issued 23 February 2017			
Share price at grant date (in CHF)	34.35	34.35	34.35
Previous monthly average at grant date share price (in CHF)	33.26	33.26	33.26
Exercise price (in CHF)	34.00	34.00	34.00
Expected volatility	30%	30%	30%
Option life	1,826 days	1,826 days	1,827 days
Risk-free interest rate	0.50%	0.67%	0.86%

Option series 4	**a)**	**b)**	**c)**
Issued 14 November 2017			
Share price at grant date (in CHF)	34.50	34.50	34.50
Previous monthly average at grant date share price (in CHF)	33.85	33.85	33.85
Exercise price (in CHF)	34.00	34.00	34.00
Expected volatility	25%	25%	25%
Option life	1,826 days	1,827 days	1,826 days
Risk-free interest rate	0.33%	0.49%	0.65%

Option series 5	**a)**	**b)**	**c)**
Issued 7 February 2019			
Share price at grant date (in CHF)	38.60	38.60	38.60
Previous monthly average at grant date share price (in CHF)	39.80	39.80	39.80
Exercise price (in CHF)	38.60	38.60	38.60
Expected volatility	25%	25%	25%
Option life	1,826 days	1,460 days	1,095 days
Risk-free interest rate	0.20%	0.27%	0,33%

Option series 6	**a)**	**b)**	**c)**
Issued 18 March 2019			
Share price at grant date (in CHF)	45.10	45.10	45.10
Previous monthly average at grant date share price (in CHF)	40.84	40.84	40.84
Exercise price (in CHF)	45.10	45.10	45.10
Expected volatility	25%	25%	25%
Option life	1,825 days	1,460 days	1,095 days
Risk-free interest rate	0.11%	0.17%	0.23%

20 Related-parties transactions

In the period ended 30 June 2019, the Company has been charged by Cosmo S.p.A., under a service agreement for an amount of EUR 443 thousand (in H1 2018 EUR 215 thousand from Cosmo S.p.A. and EUR 24 thousand from Bellatrix Inc.) for research / development / regulatory services.

In H1 2019, the Company has been charged by Linkverse Srl (subsidiaries of Cosmo Pharmaceuticals N.V. since 1 July 2018) for an amount of EUR 18 thousand.

In H1 2019, the Company has been charged by Cosmo S.p.A., under a service agreement, for secretarial and accounting services for an amount of EUR 76 thousand (EUR 76 thousand in H1 2018).

Starting from May 2015, Cosmo Pharmaceuticals N.V. provides Cassiopea with the services of its Chief Financial Officer, and its Chief Scientific Officer. The services provided under this agreement will not exceed 30 % of their respective available working time. Cosmo provides Cassiopea these services to at no cost. At the Board of Director of the Company held in November 2017 and in February 2019, it was resolved to award to the two managers, Luigi Moro (CSO) and Hans Christoph Tanner (CFO), each 40,000 options in total to subscribe Cassiopea shares; furthermore, the two Board of Director resolve to award 20,000 options to Marco Lecchi (Finance director), Head of Internal Audit of Cosmo Pharmaceuticals N.V. and 3,333 options to an administrative employee of Cosmo S.p.A.. The cost to the Company, for the services of the four managers of Cosmo Pharmaceuticals N.V. group, determined on the basis of the fair value of the option, is equal to EUR 145 thousand.

In 2017 and 2019, Cosmo Pharmaceuticals N.V., under a stock option plan, has granted options to some employees of the Company. The cost to the Company for H1 2019, determined on the basis of the fair value of the option, is equal to EUR 97 thousand.

On 12 December 2018, Cosmo Pharmaceuticals N.V. has granted to the Company a committed unsecured credit facility of EUR 10 million at the following condition:

- the facility shall expiry on 31 December 2021, but may be repaid in advance by the Company
- the Company shall pay a signing fee of 0.5 %
- the Company shall pay interest calculated at a rate per year of 10 % on the drawn amount
- the Company shall pay a commitment fee calculated at a rate per year of 2 % on undrawn committed amount.
- signing fee, interests and commitment fee will be pay at the repayment date
- Cosmo Pharmaceuticals N.V. has made itself available to extend the unsecured credit facility by up to EUR 10 million to EUR 20 million on the same term and condition.

As at today, the Company has drawn EUR 2 million of the unsecured credit facility.

21 Fair value measurement

IFRS 13 establishes a hierarchy that categorizes into three levels the inputs to the valuation techniques used to measure fair value by giving the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1 inputs) and the lowest priority to unobservable inputs (level 3 inputs). In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy at the lowest level input that is significant to the entire measurement.

Levels used in the hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) inactive markets for identical assets and liabilities that the Company can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the assets and liabilities.

Assets and liabilities that are measured at fair value on a recurring basis

As at 30 June 2019 and 31 December 2018, there are no assets and liabilities measured at fair value on a recurring basis.

Assets and liabilities not measured at fair value on a recurring basis

This table shows the comparison of fair values versus carrying amounts of financial assets and liabilities:

	As at 30 June 2019		As at 31 December 2018	
EUR 1,000	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	834	834	4,609	4,609
Total Assets	**834**	**834**	**4,609**	**4,609**
Unrecognised (loss) gain	–	–	–	–
Cosmo Pharmaceuticals N.V. loan	(2,199)	(2,199)	0	0
Financial lease liabilities	(12)	(12)	0	0
Trade payables	(1,788)	(1,788)	(1,967)	(1,967)
Total Liabilities	**(3,999)**	**(3,999)**	**(1,967)**	**(1,967)**
Unrecognised (loss) gain	–	–	–	–

The carrying amount of Cash and cash equivalents, which consist primarily of bank current accounts, approximates fair value.

For Cosmo Pharmaceuticals N.V. unsecured loan and financial lease liabilities the carrying amount approximates the fair value calculated based on the present value of future principal and interest cash flows, discounted at the interest market rate at the reporting date.

For Trade payables for which the present value of future cash flows does not differ significantly from carrying value, we assume that carrying value is a reasonable approximation of the fair value.

22 Subsequent events

As at the date of presentation of these financial statements there were no material events after the balance sheet date. The Company is continuing to carry out its activities, in line with plans and programmed activities.

Lainate, 17 July 2019

On behalf of the Board of Directors of Cassiopea S.p.A.

Jan E. de Vries
Chairman

Information for Investors

Capital structure

EUR 1,000	30.06.2019
Total equity	8,476
Share capital	10,000
Reserves	4,934
Profit (Loss) for the period	(6,458)
Number of registered shares	10,000,000
Nominal value per share (in EUR)	1.00

Major shareholders	No. of shares	% of share capital
Cosmo Pharmaceuticals N.V.	4,508,987	45.09%
Cosmo Holding S.a.r.l.	753,445	7.53%
Herz / Logitable group	409,000	4.09%
LB Swiss Investment	361,762	3.62%

Share price data

CHF	Price	Date
First trading day close	37.30	01.07.2015
H1 2019 lowest	36.10	15.02.2019
H1 2019 highest	57.00	18.04.2019
H1 2019 last trading date	44.30	28.06.2019
Market capitalization (in CHF million)	443.00	30.06.2019

Share earnings

EUR	30.06.2019
Basic earnings (loss) per share	(0.646)

Stock exchange information

Listing	SIX Swiss Exchange, Main Board
Security ID	SKIN
ISIN	IT0005108359
Swiss security number (Valor)	28 252 872
Number of shares	10,000,000

Research coverage

Jefferies International	Peter Welford	Phone: +44 20 702 986 68
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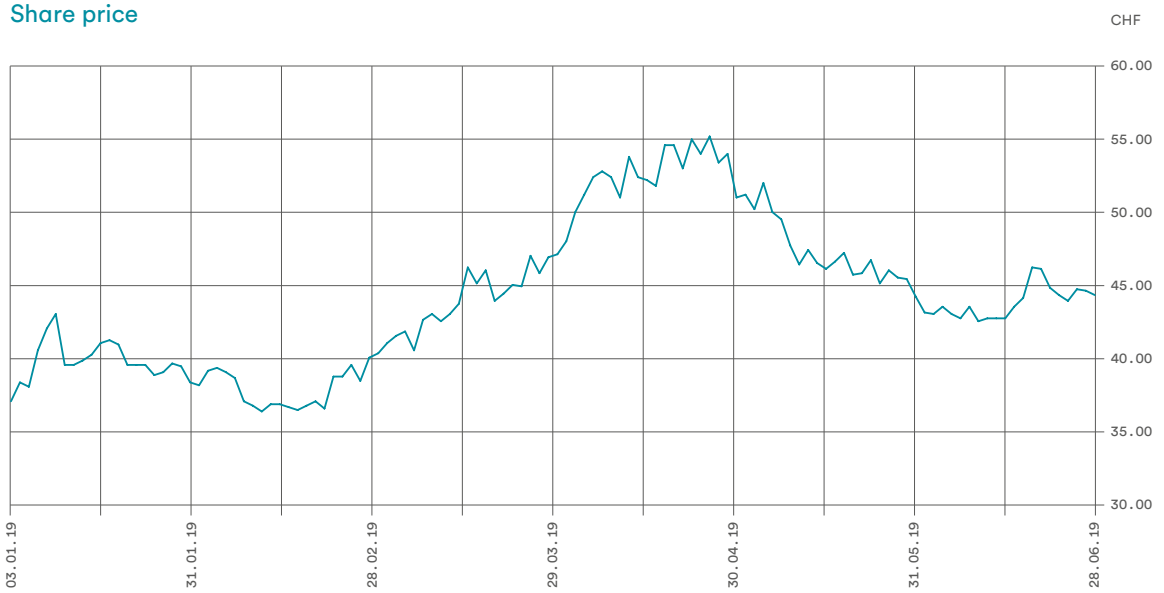
Bryan, Garnier & Co, Equity Research France	Hugo Solvet	Phone: +33 1 56 68 75 57

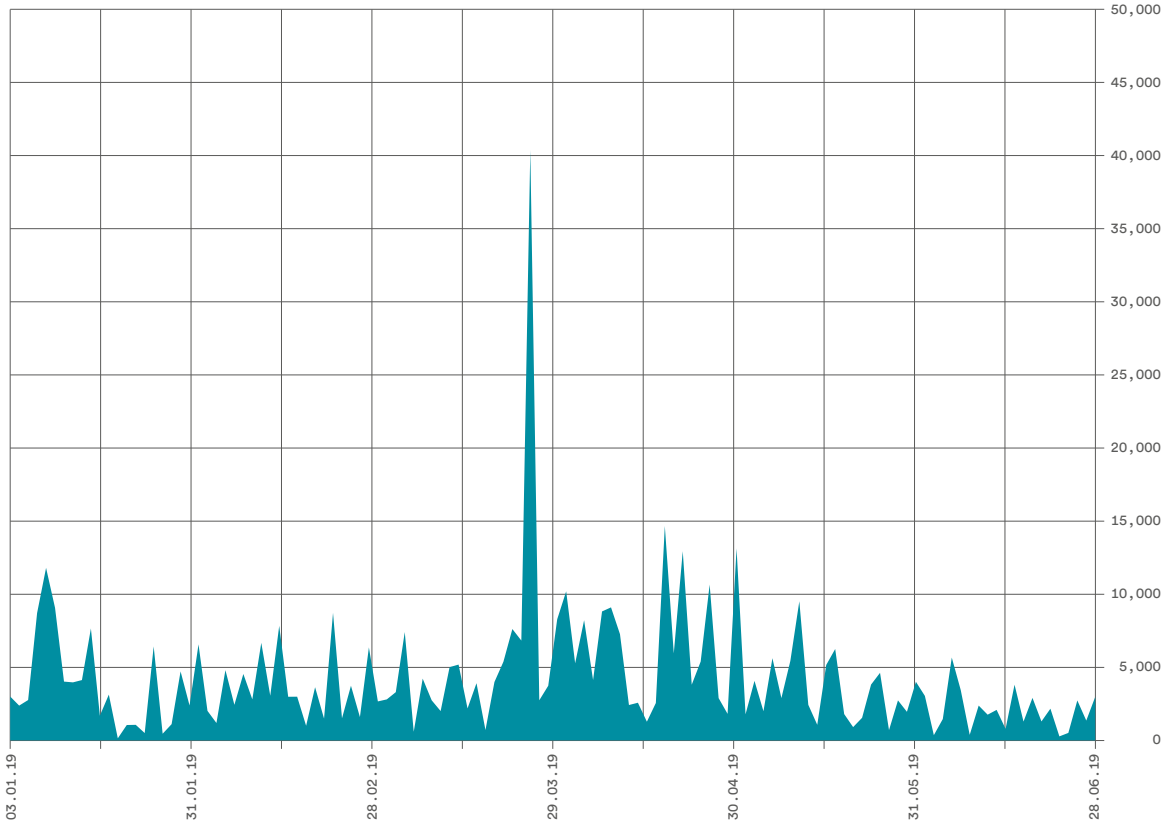
Calendar

Annual Report 2019	February 2020
Jefferies' Healthcare Conference	London, 20 – 21 November 2019
Credit Suisse Small & Mid Cap Conference	Zurich, 13 – 15 November 2019

Share price



Trading volumes



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