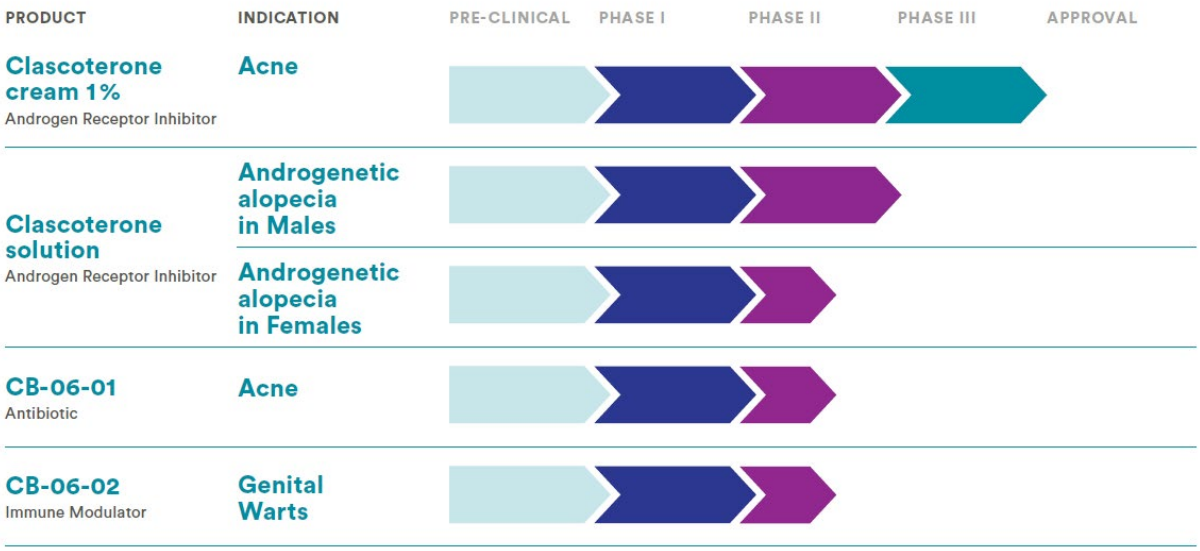
Interim Report

As of and for the three months ended March 31, 2020

Cassiopea's Pipeline



Cassiopea at a Glance

Cassiopea is a specialty pharmaceutical company developing and preparing to commercialize prescription drugs with novel mechanisms of action (MOA) to address long-standing and essential dermatological conditions, particularly acne, androgenetic alopecia (or AGA) and genital warts. Cassiopea is investing in innovation that is driving scientific advancement in areas that have been largely ignored for decades. 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 events in Q1 2020

In Q1 2020 clinical development activity focussed on the interaction with the FDA in conjunction with the Clascoterone Cream 1% NDA filed for approval and on the phase II proof of concept trial with four different doses for alopecia in women.
From an operating perspective market research and preparation for post approval activities continued with many abstracts and papers published and many podium presentations. Market research was completed payors and health care providers. This lead to the establishment of a market access and strategic tactical plan which maps out the activities that are to be undertaken once approval is in.

Key figures

EUR 1,000	31.03.2020	31.03.2019
Income statement		
Revenue	-	-
Other income	-	-
Cost of sales	-	-
R&D costs	(1,060)	(2,900)
SG&A costs	(828)	(647)
Operating result	(1,888)	(3,547)
Profit (loss) before taxes	(2,119)	(3,621)
Profit (loss) for the period	(2,119)	(3,621)
Shares		
Weighted average number shares	10,000,000	10,000,000
Basic earnings (loss) per share (in EUR)	(0.212)	(0.362)

EUR 1,000	31.03.2020	31.12.2019
Statement of financial position		
Non-current assets	12,435	12,536
Cash and cash equivalents	915	696
Other current assets	2,881	2,829
Non-current liabilities	13,476	10,660
Current liabilities	934	1,674
Equity	1,821	3,727
Equity ratio	11.2%	23.2%

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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 (located in Italy) as efficiently as possible and managing the pre-launch activities in the USA. Under our Service Agreement with Cosmo, we have ready access to a team, which is very knowledgeable in the history of our programs and is 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 U.S. market. The organizational expansion necessary for an integrated specialty pharma company will be executed when our lead product will have a high likelihood of FDA approval and the sales force will be hired upon approval of clascoterone cream 1 %.

According to widely-cited data, acne vulgaris is one of the most common skin conditions, affecting up to 50 million people in the USA, of whom approximately 10 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 U.S. IQVIA 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 40 years, and we believe that growth in this market recently has been significantly limited by a lack of innovation in new product development.

Based on research by VisionGain, the global dermatological drugs market generated revenues of US$ 26.23 billion in 2018 and is expected to grow by more than 9.9 % to nearly US$ 54 billion in 2024 according to Zion Market Research (January 2019). Management's analysis of IQVIA data indicates that the U.S. acne market generated retail sales of US$ 5.0 billion in 2018. Of these, US$ 3.6 billion were topical products.

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 2 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.

Research & Markets estimates that the global alopecia market reached US$ 8.5 billion in 2018 and is targeted to grow by 5.5 % p.a. to US$ 12.4 billion in 2025. In 2018, the global androgenetic alopecia market was estimated at US$ 7.25 billion, i.e. approximately 85 % of the market. This market is split between the drug market, the hair transplant market and the laser market.

According to the American Sexual Health Organization, in the USA approximately 14 million people are newly infected with Human Papillomavirus ("HPV") every year and 79 million persons are

estimated to be currently infected. HPV is the causative pathogen of anogenital warts.

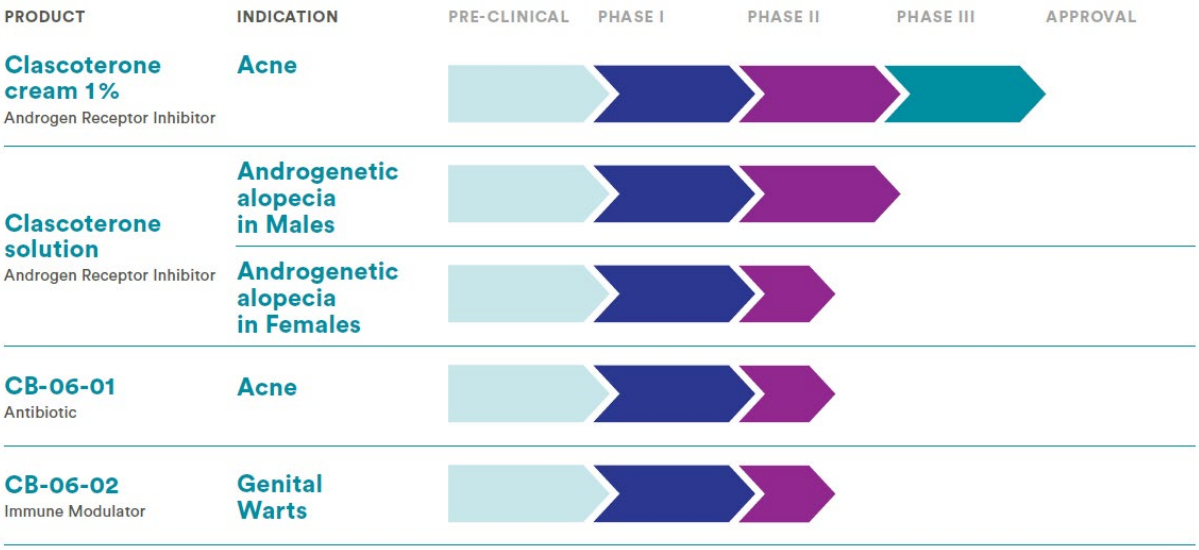
We believe that an overall lack of innovation in the research and development of new dermatology products has resulted in a limited number of effective treatment options. For example, the three mechanisms of action most commonly used to treat acne have been available for over 40 years. In fact, there 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.

In addition, the fact that the US acne market is served by a relatively small, addressable number of practicing dermatologists, could allow a small and dedicated sales force to efficiently cover the customer base.

Research and Development

Cassiopea's Pipeline



Clascoterone cream 1 %

Clascoterone, a new chemical entity, is a proposed first-in-class topical androgen receptor inhibitor under FDA review for the treatment of acne (in a 1 % cream) and in late stage development for the treatment of androgenetic alopecia (in a higher strength solution) in males. Although Clascoterone's exact mechanism of action is unknown, laboratory studies suggest Clascoterone competes with androgens, specifically dihydrotestosterone (DHT), for binding to the androgen receptors within the sebaceous gland and hair follicles. Because of Clascoterone's likely local effect at the site of application, the risk of off-target, or systemic side effects, is minimized.

Clascoterone cream 1 % targets androgen receptors at the site of application, inhibiting the local (skin) effects of DHT a key driver of acne lesion development. Laboratory studies show that Clascoterone inhibits lipid production from cultured oil producing cells (sebocytes) and reduces proinflammatory cytokines, mediators influenced by androgens. Thus, pathways that foster acne lesion development appear to be disrupted by Clascoterone at the site of application. Unlike oral hormonal therapies for acne, it may potentially be used in both male and female patients.

Clascoterone is quickly metabolized to cortexolone, a metabolite with a known safety profile. Due to its rapid metabolism and local activity, there appears to be limited systemic exposure to Clascoterone and thus potential systemic side effects are minimized.

The Special Protocol Assessment for the phase III clinical trial program for Clascoterone cream 1 % was filed with the U.S. FDA in April 2015 and was subsequently approved in July 2015. In two clinical trials (study 25 and 26) a total of 1,440 subjects were enrolled in 112 sites in the USA and Europe. The trials were identical in design and evaluated the safety and efficacy of Clascoterone cream 1 % compared to vehicle (placebo) in acne patients ages >9 years with an IGA score of 3 or 4. Subjects applied Clascoterone cream 1 % or placebo twice daily for twelve weeks. Upon completion of the clinical trials, 609 subjects were rolled over into an open label long term safety trial to assess the safety of the treatment for a total duration of twelve months. The primary endpoints evaluated in the trials were: (1) the proportion of subjects in each treatment group with at least a two point reduction on IGA (Investigator's Global Assessment) compared to baseline and an IGA score of 0 (clear) or 1 (almost clear) at week 12, (2) the absolute change from baseline in non-inflammatory lesion counts (NILC) in each treatment group at week 12, and (3) the absolute change from baseline in inflammatory lesion counts (ILC) in each treatment group at week 12. The secondary endpoints evaluated in the trials were: (1) absolute reduction in total lesion counts at week 12, (2) percentage reduction in total lesion counts at week 12, (3) percentage reduction in non-inflammatory lesion counts at week 12, (4) percentage reduction in inflammatory lesion counts at week 12.

Phase III Results

Clascoterone 1 % cream 1 % demonstrated statistically significant improvements for all primary and secondary clinical end points with side effects similar to placebo.

In addition to the phase III study, a long-term safety study was conducted to determine the safety in at least 300 subjects for a total of six months of treatment and in at least 100 subjects treated for a total of twelve months.

The results confirmed that no hormonal imbalance was seen in the patients, even after a long-term treatment, and that the topically applied drug did not have significant side effects.

The open-label safety study enrolled a total of 609 (ITT population) subjects, all of whom had completed 12 weeks of Clascoterone cream 1 % or vehicle treatment in the preceding double-blind studies (Study 25 and Study 26). Subjects continued on open-label treatment with

Clascoterone cream 1 % for up to an additional 9 months.

416 subjects (safety population) received Clascoterone cream 1 % therapy for an overall period of at least 26 weeks and, of them, 123 subjects received Clascoterone cream 1 %therapy for a total of 52 weeks, which is consistent with the subject sample size requirements specified in the regulatory guidance for this type of safety evaluation.

The key safety findings from the study were the following: 110 subjects (18.1 %) reported 191 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 related TEAEs, 17 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 was mostly less than 10 % apart erythema / reddening (24.2 % and 16 % on the face and trunk respectively) and scaling / dryness (16.6 % on the face).

Open label efficacy was also assessed throughout the additional 9 months period. The key efficacy findings from the study were: The proportion of subjects (PP population) 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), at Week 52 was 56.3 % and 61.7 % and at week 40 was 39.8 % and 48.5 % (of subjects with evaluable assessment) for face and trunk respectively.

Clascoterone cream 1 % NDA was filed on 20 August 2019 and the FDA has set the PDUFA for 27 August 2020.

Clascoterone solution

Clascoterone solution is a different formulation and a different strength of the same NCE in Clascoterone cream 1 %.

Clascoterone, a new chemical entity, is a proposed first-in-class topical androgen receptor inhibitor currently under review by the U.S. Food and Drug Administration (FDA) for the treatment of acne (in a 1 % cream) and in late stage development for the treatment of AGA (in a higher strength solution). Laboratory studies suggest Clascoterone competes with androgens, specifically dihydrotestosterone (DHT), for binding to the androgen receptors within the sebaceous gland and hair follicles. Because of Clascoterone's likely local effect at the site of application, the risk of off-target, or systemic side effects, is minimized.

AGA is a leading cause of hair loss in men and women. In AGA, high local concentrations of DHT bind to androgen receptors within the scalp hair follicles, resulting in shortening of the hair cycle and gradual miniaturization of scalp follicles in men and women with a genetic predisposition. 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 Clascoterone solution through its proposed MOA of direct inhibition of testosterone and DHT binding to local hair follicle androgen receptors. Clascoterone has the potential to be the only topical antiandrogen for use in both men and women with AGA if approved by the FDA.

Based on early clinical review, Cassiopea believes that topical Clascoterone will not have the contraindications and safety warnings of an orally administered androgen modulator used for the treatment of AGA in men. It appears 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 metabolite with a known safety profile. Due to its rapid metabolism and local activity, there appears to be limited systemic exposure to Clascoterone and thus potential systemic side effects are minimized.

After successful phase II trial, a Phase II Dose Ranging Study was conducted. 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: 1) change from baseline in non-vellus TAHC (target area hair count) at month 12 and 2) HGA (hair growth assessment) score at month 12. The target area is defined as an area of one square centimeter.

Twelve Month Efficacy Results (PP)

For the TAHC, statistically highly significant changes 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. 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 12 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 vehicle group.

The results indicate a safety profile similar to vehicle for both adverse events and local skin reactions, even after 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. We aim to develop and then market the product to replace the current topical antibiotics used in the treatment of acne.

Based on the results of the phase II proof of concept trial, it was decided to move ahead to produce a new GMP API batch, optimize the formulation and then conduct a formal Phase II Dose Ranging Program. During 2018, the synthesis of the new API was completed. We are planning to develop a new improved formulation in Q4 2020 / H1 2021, conduct skin penetration tests and

to begin the preparation for the Phase II Dose Ranging Trial.

CB-06-02

CB-06-02, also an NCE (licensed from BioMas, an Israeli company), is being developed for the treatment of genital warts. We believe 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 we have performed to date, we believe that CB-06-02 has the potential to have a faster onset of action and a lower recurrence rate than currently available treatments.

In July 2018, we announced the top line results of the phase II proof of concept trial for CB-06-02, in Israel testing 15 % CB-06-02 once a day for up to 14 weeks against placebo in 60 subjects, completed enrollment in November 2017. The objective was the assessment of efficacy, safety and tolerability of CB-06-02 versus vehicle in the treatment of genital warts in women. 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.

Financial review

Income statement

EUR 1,000	31.03.2020	31.03.2019	Change	%change
Revenue	**-**	**-**	**-**	**0.0%**
Other income	-	-	-	0.0%
Cost of sales	-	-	-	0.0%
Research and development costs	(1,060)	(2,900)	1,840	-63.4%
Selling, general and administrative costs	(828)	(647)	(181)	28.0%
Net operating expenses	**(1,888)**	**(3,547)**	**1,659**	**-46.8%**
Operating result	**(1,888)**	**(3,547)**	**1,659**	**-46.8%**
Financial income	97	59	38	64.4%
Financial expenses	(328)	(133)	(195)	146.6%
Profit (loss) before taxes	**(2,119)**	**(3,621)**	**1,502**	**-41.5%**
Income tax expenses	-	-	-	-
Profit (loss) for the period	**(2,119)**	**(3,621)**	**1,502**	**-41.5%**

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 Q1 2020 and Q1 2019.

Net Operating expenses

Net operating expenses decreased by EUR 1,659 thousand from EUR 3,547 thousand to EUR 1,888 thousand, mainly due to the reduction in research and development costs (EUR 1,840 thousand) partially offset by an increase of the selling, general and administrative costs (EUR 181 thousand).

Net operating expenses as per nature

EUR 1,000	31.03.2020	31.03.2019	Change	% change
Other income	-	-	-	0.0%
Raw materials and consumables used	(6)	(184)	178	-96.7%
Personnel expenses	(731)	(396)	(335)	84.6%
Outsourced preclinical and clinical trial costs	(398)	(1,937)	1,539	-79.5%
Other operating expenses	(739)	(1,019)	280	-27.5%
Depreciation and amortization	(14)	(11)	(3)	27.3%
Total net operating expenses	**(1,888)**	**(3,547)**	**1,659**	**-46.8%**

Broken down by nature, the bulk of the operating expenses is composed of i) other operating expenses decreased by 27.5% from EUR 1,019 thousand to EUR 739 thousand and mainly related to pre-commercial activities. ii) personnel expenses, which increased from EUR 396 thousand to EUR 731 thousand (+84.6%), mainly due to the new employees in the US from 1° March 2019.

Outsourced preclinical and clinical trial costs decreased from EUR 1,937 thousand to EUR 398 thousand mainly due to Winlevi® costs that decreased from EUR 1,303 thousand to EUR 59 thousand. The development of Breezula® became the most important cost factor representing the 84.7% of the total even if decreasing from EUR 632 thousand to EUR 337 thousand.

Raw materials and consumables necessary for the development of these projects decreased from EUR 184 thousand to EUR 6 thousand.

The average number of employees increased from 10.0 in Q1 2019 to 12.0 in Q1 2020.

Financial income and Expenses

In Q1 2020 financial income mainly consists of foreign exchange gains on cash and cash equivalents, in Q1 2020 financial expenses include EUR 317 thousand due to Interest on Cosmo Pharmaceuticals N.V. unsecured loan.

Income tax expenses

In both Q1 2020 and Q1 2019, 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.

Profit (loss) for the period

Loss for the Q1 2020 decreased by EUR 1,502 thousand to EUR 2,119 thousand.

Assets

EUR 1,000	31.03.2020	31.12.2019	Change	% change
ASSETS				
Non-current assets				
Property, plant and equipment	13	14	(1)	-7.1%
Other intangible assets	2,972	2,959	13	0.4%
Tax receivables	9,450	9,563	(113)	-1.2%
Total non-current assets	**12,435**	**12,536**	**(101)**	**-0.8%**
Current assets				
Current tax assets	370	370	-	0.0%
Other receivables and other assets	2,511	2,459	52	2.1%
Cash and cash equivalents	915	696	219	31.5%
Total current assets	**3,796**	**3,525**	**271**	**7.7%**
TOTAL ASSETS	***16,231***	***16,061***	***170***	***1.1%***

Non-current assets slightly decreased from EUR 12,536 thousand to EUR 12,435 thousand, and mainly consist of the non-current tax receivable (EUR 9,450 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. Other intangible assets refers to the costs for filing and extension of patents owned by the Company and include also EUR 2,339 thousand for the payment of the fee at the submission of the New Drug Application (NDA) to the U.S. Food and Drug Administration (FDA) seeking marketing approval for Clascoterone cream 1 %.

In Current assets, Cash and cash equivalents increased by EUR 219 thousand to EUR 915 thousand.

Other receivables and other assets slightly increased by EUR 52 thousand to EUR 2,511 thousand and mainly include prepaid expenses and VAT receivables.

Equity and liabilities

EUR 1,000	31.03.2020	31.12.2019	Change	% change
EQUITY				
Share capital	10,000	10,000	-	0.0%
Share premium	1,868	1,868	-	0.0%
Capital contribution	488	437	51	11.7%
Stock option plan reserve	3,351	3,111	240	7.7%
Currency translation reserve	(67)	11	(78)	-709.1%
Losses carried forward	(11,700)	-	(11,700)	n/a
Profit/(Loss) for the period	(2,119)	(11,700)	9,581	-81.9%
TOTAL EQUITY	***1,821***	***3,727***	***(1,906)***	***-51.1%***
LIABILITIES				
Non-current liabilities				
Interest-bearing loans and borrowings	13,476	10,660	2,816	26.4%
Total non-current liabilities	**13,476**	**10,660**	**2,816**	**26.4%**
Current liabilities				
Interest-bearing loans and borrowings	4	4	-	0.0%
Trade payables	853	1,562	(709)	-45.4%
Current tax liabilities	18	27	(9)	-33.3%
Other current liabilities	59	81	(22)	-27.2%
Total current liabilities	**934**	**1,674**	**(740)**	**-44.2%**
TOTAL LIABILITIES	***14,410***	***12,334***	***2,076***	***16.8%***
TOTAL EQUITY AND LIABILITIES	***16,231***	***16,061***	***170***	***1.1%***

Equity decreased from EUR 3,727 thousand to EUR 1,821 thousand, mainly because of the loss of the period.

Non-current liabilities refer for EUR 13,471 to the instalment drawn (EUR 12,500 thousand) and interest (EUR 971 thousand) of the loan facility granted by Cosmo Pharmaceuticals N.V.

In Current liabilities, trade payables decreased from EUR 1,562 thousand to EUR 853 thousand. These payables were incurred mainly for services in conjunction with the clinical trials and with the pre-commercial activities.

Condensed Consolidated Financial Statement

Condensed Consolidated income statement

For the three months ended 31 March

EUR 1,000	Notes	31.03.2020	31.03.2019
Revenue		**-**	**-**
Other income		-	-
Cost of sales		-	-
Research and development costs		(1,060)	(2,900)
Selling, general and administrative costs		(828)	(647)
Net operating expenses	4	**(1,888)**	**(3,547)**
Operating result		**(1,888)**	**(3,547)**
Financial income	5	97	59
Financial expenses	5	(328)	(133)
Profit (loss) before taxes		**(2,119)**	**(3,621)**
Income tax expenses	6	-	-
Profit (loss) for the period		**(2,119)**	**(3,621)**
Eur 1			
Earnings (loss) per share			
Basic	7	(0.212)	(0.362)
Diluted	7	(0.212)	(0.362)

Condensed Consolidated statement of comprehensive income

For the three months ended 31 March

EUR 1,000	Notes	31.03.2020	31.03.2019
Profit (loss) for the period (A)		**(2,119)**	**(3,621)**
Total other comprehensive income that will not be reclassified subsequently to profit or loss, net of tax (B1)		**-**	**-**
Exchange differences on translating foreign operations		(78)	(1)
Total other comprehensive income that will be reclassified subsequently to profit or loss, net of tax (B2)		**(78)**	**(1)**
Total other comprehensive income, net of tax (B)=(B1+B2)		***(78)***	***(1)***
Total comprehensive income (A)+(B)		**(2,197)**	**(3,622)**

The accompanying notes form an integral part of the Q1 Condensed Consolidated Financial Statements.

Condensed Consolidated statement of financial position

As at 31 March 2020

EUR 1,000	Notes	31.03.2020	31.12.2019
ASSETS			
Non-current assets			
Property, plant and equipment	8	13	14
Other intangible assets	9	2,972	2,959
Tax receivables	10	9,450	9,563
Total non-current assets		**12,435**	**12,536**
Current assets			
Current tax assets	11	370	370
Other receivables and other assets	12	2,511	2,459
Cash and cash equivalents	13	915	696
Total current assets		**3,796**	**3,525**
TOTAL ASSETS		***16,231***	***16,061***
EQUITY			
Share capital		10,000	10,000
Share premium		1,868	1,868
Capital contribution		488	437
Stock option plan reserve		3,351	3,111
Currency translation reserve		(67)	11
Losses carried forward		(11,700)	-
Profit/(Loss) for the period		(2,119)	(11,700)
TOTAL EQUITY	14	***1,821***	***3,727***
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings		13,476	10,660
Total non-current liabilities	15	**13,476**	**10,660**
Current liabilities			
Interest-bearing loans and borrowings	15	4	4
Trade payables	16	853	1,562
Current tax liabilities	17	18	27
Other current liabilities	18	59	81
Total current liabilities		**934**	**1,674**
TOTAL LIABILITIES		***14,410***	***12,334***
TOTAL EQUITY AND LIABILITIES		***16,231***	***16,061***

The accompanying notes form an integral part of the Q1 Condensed Consolidated Financial Statements.

Condensed Consolidated cash flow statement

For the three months ended 31 March

EUR 1,000	Notes	31.03.2020	31.03.2019
Loss for the period before tax		**(2,119)**	**(3,621)**
Adjustment for:			
Interest on loan not paid		317	110
Depreciation and amortization	4	14	11
Share payment-based expenses	19	291	162
R&D credit offset		113	77
Net unrealised foreign exchange differences on cash and cash equivalents		(11)	(11)
Operating cash outflow before changes in working capital		**(1,395)**	**(3,272)**
Change in trade payables		(787)	(161)
Change in other receivables and other assets		(52)	168
Change in other current liabilities		(22)	9
Change in current tax liabilities		(9)	(7)
Change in tax receivables (non-current)		-	-
Cash flows from operating activities		**(2,265)**	**(3,263)**
Investments in property, plant and equipment		-	(1)
Investments in other intangible assets	9	(26)	(22)
Cash flows from investing activities		**(26)**	**(23)**
Proceeds from interest-bearing loans and borrowings	15	2,500	-
Repayments of interest-bearing loans and borrowings		(1)	(1)
Cash flows from financing activities		**2,499**	**(1)**
Net increase/(decrease) in cash and cash equivalents		***208***	***(3,287)***
Cash and cash equivalents at the beginning of the year	13	**696**	**4,609**
Net unrealised foreign exchange differences on cash and cash equivalents		11	11
Cash and cash equivalents at the end of the period	13	**915**	**1,333**
Cash at hand		-	-
Bank accounts		915	1,333
Advances on invoices and bank overdraft		-	-
Total cash and cash equivalents at the end of the period	13	**915**	**1,333**

The accompanying notes form an integral part of the Q1 Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March

EUR1,000	*Number of Shares*	Share Capital	Share premium	Capital contribution	Stock option plan reserve	Currency translation	Retained earnings	Losses carried forward	TOTAL
	(n)								
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				31	131				162
Total comprehensive income for the period						(1)	(3,621)		(3,622)
Net equity as at 31 March 2019	***10,000,000***	**10,000**	**1,868**	**267**	**2,539**	**(1)**	**(3,621)**	**-**	**11,052**

EUR1,000	*Number of Shares*	Share Capital	Share premium	Capital contribution	Stock option plan reserve	Currency translation	Retained earnings	Losses carried forward	TOTAL
	(n)								
Net equity as at 1 January 2020	***10,000,000***	**10,000**	**1,868**	**437**	**3,111**	**11**	**(11,700)**	**-**	**3,727**
Allocation of prior year result							11,700	(11,700)	-
Cost for stock options				51	240				291
Currency translation reserve						(78)			(78)
Total comprehensive income for the period							(2,119)		(2,119)
Net equity as at 31 March 2020	***10,000,000***	**10,000**	**1,868**	**488**	**3,351**	**(67)**	**(2,119)**	**(11,700)**	**1,821**

The accompanying notes form an integral part of the Q1 Condensed Consolidated Financial Statements.

Notes to the Condensed Consolidated Financial Statements

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 specialty pharmaceutical company developing and preparing to commercialize prescription drugs with novel mechanisms of action (MOA) to address long-standing and essential dermatological conditions, particularly acne, androgenetic alopecia (or AGA) and genital warts. Cassiopea is investing in innovation that is driving scientific advancement in areas that have been largely ignored for decades 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.

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:

_ CB-03-01, which is being developed as first-in-class androgen receptor inhibitor for the topical treatment of acne;

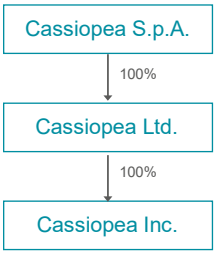
_ CB-03-11, which is being developed as the first androgen receptor inhibitor for the topical treatment of androgenetic alopecia;

_ 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 31 March 2020 was equal to CHF 282,000,000.

The structure of the Company as at 31 March 2020 is as follow:



2 Basis of preparation

Authorization of Condensed Consolidated Financial Statements

These Interim Condensed Consolidated Financial Statements, together with notes, of Cassiopea S.p.A. at 31 June 2019 were authorized for issuance by the Board of Directors on 19 May 2020.

Basis of Preparation

These Interim condensed consolidated financial statements as at 31 March 2020, 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 2019.

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 2019 as they provide an update of previously reported information. Operating results for the three months ended 31 March 2020 are not necessarily indicative of the results that may be expected for the year ending 31 December 2020. 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 Interim 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 Interim Condensed 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:

_ after the filing of the NDA for CB-03-01 in Q3 2019, the Company is looking forward to a PDUFA date in Q3 2020, provided that it will promptly and adequately reply to any queries the FDA may raise during the approval process. In the twelve months from filing to PDUFA date, the Company is conducting market research and pre-commercial activities to best determine the price of CB-03-01 and to gain, as early as possible, acceptance from the payers. A sales organization in the USA will be established once approval is attained.

_ Following the good results of the CB-03-11 phase II dose ranging trial and the EOPII meeting the Company is preparing a SPA which will be presented to the FDA in Q2 2020 where the clinical end points and duration of the planned ph III trial will be discussed and determined.

_ In H1 2020 the proof of concept trial of CB-03-11 in women continue.

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 enter into licensing agreements in those territories where it is highly unlikely that it could develop commercial activities of its own.

Furthermore, the parent company, Cassiopea S.p.A., is an Italian company and pursuant to article 2446 of the Italian civil code, when the share capital has decreased by more than a third as a result of losses, the directors, must immediately call the shareholder meeting for the appropriate measures.

The Board of Directors has prepared the Interim Condensed Consolidated Financial Statements at 31 March 2020 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 this has been increased to 20 million.

_ The business plan consists of various projects that are expected to start at different dates during 2020: 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 to the board of directors the faculty to execute 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 thousand.

_ On 25 March 2020 the Board of Directors convened the Extraordinary General Assembly for 28 May 2020 with the proposal of two possible capital increases: (i) a capital increase of up to n. 750.000 shares with €1 nominal value reserved to shareholders and/or (ii) capital increase of up to n. 750.000 shares with €1 nominal value as foreseen under Art. 2441, 4 of the Italian Civil Code. The Company will decide which way to go depending on the opportunity and on market conditions. In the event of a rights offering to all existing shareholders, Cosmo Pharmaceuticals N.V. (the major shareholder) has already stated that it will subscribe its portion and also all eventually un-opted shares.

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 twelve 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

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 2019, as new standards and amendments effective from 1 January 2020 did not have a material impact on the Interim Condensed Consolidated Financial.

4 Net operating expenses

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

EUR 1,000	31.03.2020	31.03.2019
Raw materials and consumables used	(6)	(184)
Personnel expenses	(731)	(396)
Outsourced preclinical and clinical trial costs	(398)	(1,937)
Other operating expenses	(739)	(1,019)
Depreciation and amortization	(14)	(11)
Total net operating expenses	**(1,888)**	**(3,547)**

Raw materials and consumables used

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

EUR 1,000	31.03.2020	31.03.2019
Purchase of raw materials and packaging	-	-
Purchase of laboratory supplies and materials for clinical trial	6	184
Total raw materials and consumables used	**6**	**184**

Personnel expenses

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

EUR 1,000	31.03.2020	31.03.2019
Salaries and wages	398	203
Social security contributions	42	28
Employee benefits	4	4
Stock options	284	160
Other costs	3	1
Total personnel expenses	**731**	**396**

Personnel expenses increase from EUR 396 thousand to EUR 731 thousand, in relation to the setup of the US subsidiary.
In Q1 2020, the expense for the value of employees' and executives Directors' services exchanged for stock options amounted to EUR 284 thousand (EUR 160 thousand in Q1 2019) 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 31 March 2020 and 2019 is shown by category here below:

No. of people	31.03.2020	31.03.2019
Managers*	9	9
Junior managers	3	3
Total number	**12**	**12**

*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").

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

EUR 1,000	31.03.2020	31.03.2019
CB-03-01	59	1,303
CB-03-11	337	632
CB-06-01	2	-
CB-06-02	-	2
Outsourced preclinical and clinical trials costs	**398**	**1,937**

Other operating expenses

Other operating expenses comprises the following:

EUR 1,000	31.03.2020	31.03.2019
Service costs	737	1,017
Operating lease expenses	1	-
Other operating costs	1	2
Total other operating expenses	**739**	**1,019**

"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 Q1 2020 also include EUR 7 thousand (EUR 2 thousand in Q1 2019) for the Stock Option Plan to the non-executive directors.

EUR 1,000	31.03.2020	31.03.2019
External consultancy services	242	398
Patent costs	29	47
Investor relations and web site maintenance	64	75
Technical assistance	-	1
Utilities, telephone, internet	3	2
Insurance	26	19

Non executive directors	35	35
Stock options non executive directors	7	2
Management control committee	3	3
Auditing	8	8
Advertising and marketing costs	103	164
Freight and customs	1	1
Travel expenses	41	48
External laboratory services	1	35
R&D and Regulatory services	173	169
Other costs	1	10
Total service costs	**737**	**1,017**

In Q1 2020, the Company has been charged by Cosmo S.p.A. (subsidiary of Cosmo Pharmaceuticals N.V.) for an amount of EUR 173 thousand (in Q1 2019 EUR 169 thousand from Cosmo S.p.A.) for Research / Development / Regulatory services.
In Q1 2020, 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 36 thousand, included in External consultancy services (EUR 36 thousand in Q1 2019).

Depreciation and amortization

The item comprises the following:

EUR 1,000		
	31.03.2020	**31.03.2019**
Depreciation of property, plant and equipment	1	1
Amortization of other intangible assets	13	10
Total depreciation and amortization	**14**	**11**

5 Financial income /expenses

EUR 1,000		
	31.03.2020	**31.03.2019**
Financial income:		
Other	97	59
Total financial income	**97**	**59**
Financial expenses:		
Interests on Cosmo Pharmaceuticals N.V. unsecured credit facility	317	110
Other	11	23
Total financial expenses	**328**	**133**
Financial income (expense), net	**(231)**	**(74)**

Other financial income as at 31 March 2020 is totally composed of foreign exchange differences (in Q1 2019 EUR 49 thousand for exchange foreign differences and EUR 10 thousand for interest received on cash and cash equivalents).

Financial expenses include EUR 317 thousand (EUR 110 thousand in Q1 2019) due to Interests on Cosmo Pharmaceuticals N.V. unsecured credit facility.

6 Income tax expenses

On the tax losses and on the Italian fiscal relief "ACE" (Aiuto alla crescita economica) for Q1 2020 and Q1 2019 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:

	31.03.2020	31.03.2019
Net profit (loss) attributable to Shareholders (in EUR 1,000)	(2,119)	(3,621)
Weighted average number shares	10,000,000	10,000,000
Basic earnings (loss) per share (in EUR)	(0.212)	(0.362)

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

The amount refers to the net carrying value of right of use asset in relation to a company car.

9 Other intangible assets

EUR 1,000	Patents and rights	Development costs	Total
Net book value as at 1 January 2020	**620**	**2,339**	**2,959**
Additions of the period	26	-	26
Amortization charge for the period	(13)	-	(13)
Net book value as at 31 March 2020	**633**	**2,339**	**2,972**

"Patents and rights" refer 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 12.3 years).

The amount of EUR 2,339 thousand in "Development costs" refers to the payment of the fee at the submission of the New Drug Application (NDA) to the U.S. Food and Drug Administration (FDA) seeking marketing approval for Clascoterone cream 1 %.

10 Tax receivables (non current)

The item comprises the following:

EUR 1,000	31.03.2020	31.12.2019
Tax credit R&D costs	9,450	9,563
Total tax receivables	**9,450**	**9,563**

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	31.03.2020	31.12.2019
Advance payments of income taxes	20	20
Tax credit R&D costs	350	350
Total current tax assets	**370**	**370**

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	31.03.2020	31.12.2019
VAT receivables	1,802	1,691
Prepaid expenses	631	692
Other prepaid	78	76
Total other receivables and other assets	**2,511**	**2,459**

13 Cash and cash equivalents

The item comprises the following:

EUR 1,000	31.03.2020	31.12.2019
Cash at hand	-	-
Bank accounts	915	696
Total cash and cash equivalents	**915**	**696**

"Bank accounts" include availability on current bank accounts. Part of the availability is held in US$ and in particular as at 31 March 2020 the amount includes US$ 635 thousand equal to EUR 579 thousand at 31 March 2020 exchange rate.

14 Total shareholders' equity

The item comprises the following:

EUR 1,000	31.03.2020	31.12.2019
Share capital	10,000	10,000
Share premium	1,868	1,868
Capital contribution	488	437
Stock option plan reserve	3,351	3,111
Currency translation reserve	(67)	11
Retained earnings	(11,700)	-
Profit/(Loss) for the period	(2,119)	(11,700)
TOTAL EQUITY	***1,821***	***3,727***

Share capital

As at 31 March 2020 and 31 December 2019, 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 Q1 2020, the expense for the stock options allocated in the period 2015–2019, amounted to EUR 240 thousand of which EUR 233 thousand for management and personnel and EUR 7 thousand for non-executive Directors (In Q1 2019 EUR 129 thousand and EUR 2 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	31.03.2020	31.12.2019
Cosmo Pharmaceuticals N.V. unsecured loan	13,471	10,654
Financial lease liabilities	5	6
Total interest-bearing loans and borrowings (non current)	**13,476**	**10,660**

Non-current liabilities refer for EUR 13,471 thousand to the instalment drew (EUR 12,500 thousand) and accrued interests of Cosmo Pharmaceuticals N.V. unsecured credit facility.

B Current

EUR 1,000	31.03.2020	31.12.2019
Financial lease liabilities	4	4
Total interest-bearing loans and borrowings (current)	**4**	**4**

16 Trade payables

The item comprises the following:

EUR 1,000	31.03.2020	31.12.2019
Trade payables	644	1,208
Trade payables related company	209	354
Total trade payables	**853**	**1,562**

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	31.03.2020	31.12.2019
Withholding tax for employees	10	18
Withholding tax for consultants	8	9
Total current tax liabilities	**18**	**27**

18 Other current liabilities

The item comprises the following:

EUR 1,000	31.03.2020	31.12.2019
Social security payables	15	22
Other liabilities	44	59
Total other current liabilities	**59**	**81**

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 thousand 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.

In Q1 2020 no options were granted and as at 31 March 2020, the total option program of 500,000 options are allocated and outstanding, of which 222,926 exercisable

The options granted are recognized as costs over the vesting period and in Q1 2020, in relation to the "Option series 1,2,3,4,5,6,7,8 – a,b,c", the expense for the value of employees' and Directors' services exchanged for stock options amounted to EUR 240 thousand of which EUR 233 thousand for management and personnel and EUR 7 thousand for non-executive Directors..

Option series	Options granted	Forfeited	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	14,000	35,800	03/12/2015	03/12/2016	03/12/2021	34.00	14.45
1b) Issued 3 December 2015	46,600	14,000	32,600	03/12/2015	03/12/2017	03/12/2022	34.00	19.28
1c) Issued 3 December 2015	43,600	12,000	31,600	03/12/2015	03/12/2018	03/12/2023	34.00	22.56
2a) Issued 23 February 2016	6,800	5,100	1,700	23/02/2016	23/02/2017	23/02/2022	34.00	11.28
2b) Issued 23 February 2016	6,700	5,000	1,700	23/02/2016	23/02/2018	23/02/2023	34.00	15.87
2c) Issued 23 February 2016	6,500	4,900	1,600	23/02/2016	23/02/2019	23/02/2024	34.00	18.98
3a) Issued 23 February 2017	4,100	700	3,400	23/02/2017	23/02/2018	23/02/2023	34.00	11.59
3b) Issued 23 February 2017	4,000	700	3,300	23/02/2017	23/02/2019	23/02/2024	34.00	15.84
3c) Issued 23 February 2017	3,900	600	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
7a) Issued 17 July 2019	1,667	–	1,667	17/07/2019	17/07/2020	16/07/2025	44.00	5.22
7b) Issued 17 July 2019	1,667	–	1,667	17/07/2019	17/07/2021	16/07/2025	44.00	7.35
7c) Issued 17 July 2019	1,666	–	1,666	17/07/2019	17/07/2022	16/07/2025	44.00	8.98
8a) Issued 17 December 2019	44,117	–	44,117	17/12/2019	17/12/2020	16/12/2025	42.00	5.00
8b) Issued 17 December 2019	44,112	–	44,112	17/12/2019	17/12/2021	16/12/2025	42.00	7.04
8c) Issued 17 December 2019	44,105	–	44,105	17/12/2019	17/12/2022	16/12/2025	42.00	8.61
Total	**557,000**	**57,000**	**500,000**					

Share options	Numbers	Weighted average exercise price CHF
Outstanding as at 31 December 2019	**500,000**	**38.24**
Exercisable as at 31 December 2019	160,400	34.00
Granted during the period	–	–
Forfeited during the period	–	–
Exercised during the period	–	–
Expired during the period	–	–
Outstanding as at 31 March 2020	**500,000**	**38.24**
Exercisable as at 31 March 2020	222,926	35.51

The share options outstanding at the end of the financial period had a weighted exercise price of CHF 38.24 and a weighted average remaining contractual life of 4.6 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%

	a)	b)	c)
Option series 5			
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%

Option series 7	a)	b)	c)
Issued 17 July 2019			
Share price at grant date (in CHF)	44.00	44.00	44.00
Previous monthly average at grant date share price (in CHF)	44.47	44.47	44.47
Exercise price (in CHF)	44.00	44.00	44.00
Expected volatility	30 %	30 %	30 %
Employee Exit Rate	0 %	0 %	0 %
Dividend Yield	0 %	0 %	0 %
Option life	1,825 days	1,460 days	1,095 days
Risk-free interest rate	–0.16 %	–0.13 %	–0.09 %

Option series 8	a)	b)	c)
Issued 17 December 2019			
Share price at grant date (in CHF)	42.00	42.00	42.00
Previous monthly average at grant date share price (in CHF)	42.02	42.02	42.02
Exercise price (in CHF)	42.00	42.00	42.00
Expected volatility	30 %	30 %	30 %
Employee Exit Rate	0 %	0 %	0 %
Dividend Yield	0 %	0 %	0 %
Option life	1,825 days	1,460 days	1,095 days
Risk-free interest rate	–0.08 %	–0.05 %	–0.02 %

20 Related-parties transactions

In the period ended 31 March 2020, the Company has been charged by Cosmo S.p.A., under a service agreement for an amount of EUR 173 thousand (in Q1 2019 EUR 169 thousand) for research / development / regulatory services.

In Q1 2020, the Company has been charged by Cosmo S.p.A., under a service agreement, for secretarial and accounting services for an amount of EUR 36 thousand (EUR 36 thousand in Q1 2019).

Since 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. During the period 2017–2019, the Board of Directors of the Company, resolved to award to the two managers, Luigi Moro (CSO) and Hans Christoph Tanner (CFO), each 54,897 options in total to subscribe Cassiopea shares; furthermore, it was resolved to award 27,448 options to Marco Lecchi (Finance director), Head of Internal Audit of Cosmo Pharmaceuticals N.V. and 5,817 options to an administrative employee of Cosmo S.p.A.. The cost to the Company, determined on the basis of the fair value of the option, is equal to EUR 79 thousand (EUR 65 thousand in Q1 2019).

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 Q1 2020, determined on the basis of the fair value of the option, is equal to EUR 51 thousand.

On 12 December 2018, Cosmo Pharmaceuticals N.V. granted the Company a committed unsecured term loan facility of EUR 10 million, extendable up to EUR 20 million, on the following terms:

_ the loan shall expire on 31 December 2021, but may be repaid in advance by the Company

_ the Company shall pay a signing fee of 0.5 %

_ the interest rate will be 10 % per annum for the drawn amount and 2 % commitment fee will be payable on undrawn amount

_ signing fee, interests and commitment fee will be pay at the repayment date

As at 31 March 2020, the Company owed Cosmo Pharmaceuticals N.V. EUR 13,471 thousand of which EUR 12,500 thousand relates to the loan facility drawn and EUR 971 thousand relates to interests and signing fee.

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 31 March 2020 and 31 December 2019, 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:

EUR 1,000	As at 31 March 2020		As at 31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	915	915	696	696
Total Assets	**915**	**915**	**696**	**696**
Unrecognized (loss) gain	-	-	-	-
Cosmo Pharmaceuticals N.V. unsecured loan	(13,471)	(13,471)	(10,654)	(10,654)
Financial lease liabilities	(9)	(9)	(10)	(10)
Trade payables	(853)	(853)	(1,562)	(1,562)
Total Liabilities	**(14,333)**	**(14,333)**	**(12,226)**	**(12,226)**
Unrecognized (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 credit facility 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

The supply agreement between Cosmo Pharmaceuticals, who will manufacture Clascoterone Cream 1% once it is approved, was negotiated. Due to the Corona Crisis, the FDA has not been able to undertake a physical plant inspection of Cosmo Pharmaceuticals plant in Lainate - Italy where the cream is scheduled to be manufactured. The FDA has requested that Cosmo Pharmaceuticals provide it with the records related to the manufacture of Clascoterone cream 1% in support of application NDA, by 6 June 2020, in a virtual documentation process. To date there are no indications that the PDUFA that is scheduled for August 27, 2020 will be postponed. Corona has however affected the phase II proof of concept trial of alopecia in women, because it has forced an interruption of recruitment. It is now estimated that enrolment can be re-started in June and completed in Q3 2020.

Regarding the Covid-19 emergency and the actions to be taken - in the face of this highly unpredictable and complex scenario - the Board of Directors promptly took action to:

- understand the immediate consequences for the Group;

- adopt all safeguard measures for employee health;

- understand, as far as possible, the evolution of the emergency;

- adopt all the solutions to be put in place to protect the company's assets.

In addition, the company promptly implemented all the requested measures on the basis of the legislation currently in force for the protection of the health of workers and places.

The Company decided to prudently suspend, where possible, any work activity at the company's offices, organizing work in "smart working" mode, with the necessary electronic equipment.

These actions have allowed the continuation of the main operating activities, among which the preparation of the Financial Statements, the convocations and teleconference meetings of the Board of Directors and of the Shareholders Meeting.

Lainate, 19 May 2020

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

Jan E. de Vries
Chairman

CASSIOPEA S.p.A.

Independent Auditor's Report

Review on the condensed interim consolidated financial statements as at March, 31 2020

PBT/ESR/rgm - RC043852020BD0116

Tel: +39 02 58.20.10
Fax: +39 02 58.20.14.01
www.bdo.it

Viale Abruzzi, 94
20131 Milano

Independent Auditor's Report
Review on the condensed interim consolidated financial statements

To the Board of Directors of
Cassiopea S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Cassiopea S.p.A. and its subsidiaries (the Cassiopea Group) as at March 31, 2020, comprising the condensed consolidated statement of financial position, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and related notes, as at and for the three months ended March 31, 2020 .

The Directors of Cassiopea S.p.A. are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34). Our responsibility is to express our conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". The review of the condensed interim consolidated financial statements consists of making inquiries, mainly of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

Conclusions

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements of Cassiopea Group as at and for the three months ended March 31, 2010, have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34).

Other matters

For comparative purpose, the interim consolidated financial statements present the data of the same three months period of last year, which we have examined only to extent necessary to review the Cassiopea interim consolidated financial statements as at March 31, 2020.

The Board is responsible for the preparation of the other information included in the interim report. Next to the financial statements and our auditor's report thereon, the interim report consists of: Cassiopea at a glance, business strategy and markets, research and developments and financial review.

Our review on the interim consolidated financial statements does not cover the other information in the annual report and we do not express any conclusion thereon.

Milan March 27, 2020

BDO Italia S.p.A.
Paolo Beretta
Partner

BDO Italia S.p.A. – Sede Legale: Viale Abruzzi, 94 – 20131 Milano – Capitale Sociale Euro 1.000.000 i.v.
Codice Fiscale, Partita IVA e Registro Imprese di Milano n. 07722780967 - R.E.A. Milano 1977842
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Contacts and Addresses

Cassiopea S.p.A.
Via Cristoforo Colombo 1
I-20020 Lainate
Phone: +39 02 868 911 24
www.cassiopea.com

Investor and public relations
Hans Christoph Tanner,
CFO and Head of Investor Relations
Phone: +39 02 868 911 24
ctanner@cassiopea.com

Publications and further information
investor.relations@cassiopea.com