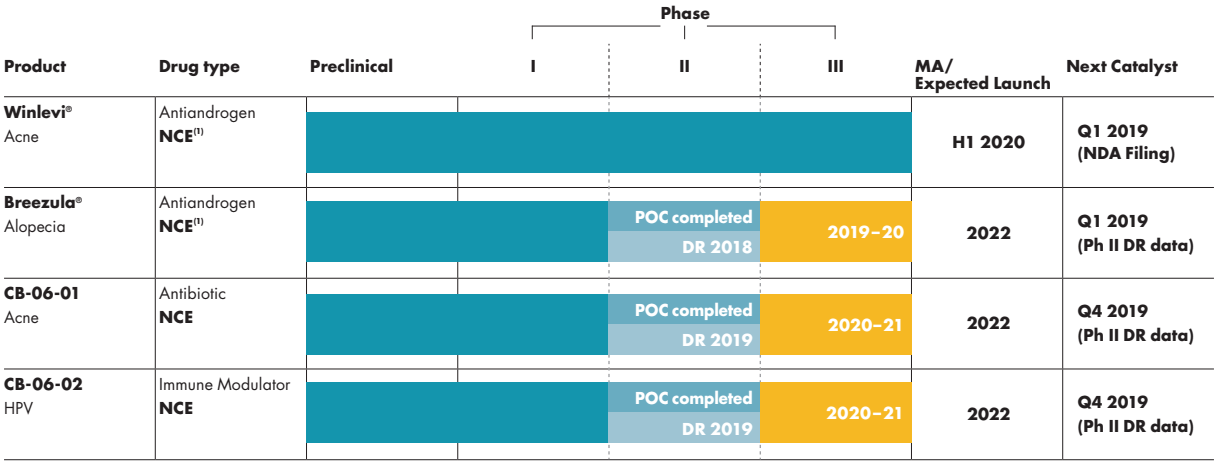
Half-Year Report 2018

Cassiopea

Cassiopea's pipeline



1) Winlevi® and Breezula® are different formulations of the same NCE, Clascoterone, for different indications.

POC = Proof of Concept | DR = Dose Ranging

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.

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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	30.06.2018	30.06.2017
Income statement		
Revenue	–	–
Other income	–	–
Cost of sales	–	–
R&D costs	(6,423)	(6,452)
SG&A costs	(663)	(818)
Operating result	(7,086)	(7,270)
Profit (loss) before taxes	(6,729)	(9,267)
Profit (loss) for the period	(6,729)	(9,267)
Shares		
Weighted average number of shares	10,000,000	10,000,000
Basic earnings (loss) per share (in EUR)	(0.673)	(0.927)
Statement of financial position	**30.06.2018**	**31.12.2017**
Non-current assets	8,964	9,104
Cash and cash equivalents	11,361	17,598
Other current assets	1,954	1,767
Liabilities	2,233	2,115
Equity	20,046	26,354
Equity ratio	90.0%	92.6%

Dear Shareholder

It's been an exciting and productive three years ago since Cassiopea was listed on the Swiss Stock Exchange. As promised, 2018 is a pivotal year for our Company as we complete major clinical events for three of our products, move toward regulatory submission and pre-commercial activities for Winlevi®, further invest in the advancement of each of our programs, and begin to build out the infrastructure of the Company.

On 10 July, we announced very successful Phase III top line results for Winlevi® in the treatment of acne. This major successful milestone propels us into the next stage of Cassiopea. This large program was run in 112 centers in the US and Europe and 1440 subjects completed treatment. All primary end points were achieved with statistical significance and we will now focus our efforts to move towards regulatory submission in Q1 2019.

On 16 July, we announced excellent results in the planned six-month interim analysis performed in the Phase II Dose Ranging Trial of Breezula® in androgenetic alopecia (AGA). This is a twelve-month, 404 subject, 5 arm trial in male subjects 18–55 years of age in mild to moderate AGA. Based on this data, we will begin a proof of concept trial for alopecia in women while the 12-month trial is being completed.

We also successfully completed the Phase II Proof of Concept trial for CB-06-02 in 59 subjects with genital warts using a tellurium based ointment. The top line data is due to be released shortly.

As originally foreseen, the funds that the Company had after the IPO are sufficient to cover operating costs until the end of 2018. In order to finance the next development phase of the Company, you at the last shareholders meeting of 5 April 2018 gave us the authority to issue up to 1 million new shares. We are working on other potential alternatives to fund the Company without dilution or with very limited dilution of existing shareholders, and will revert to the issuance of new capital only if really necessary.

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 2018

Jan E. de Vries
Chairman

Diana Harbort
CEO

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 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 US market. The organizational expansion necessary for an integrated specialty pharma company will be executed when we have strong indications that our lead product will have a high likelihood of 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 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 IQVIA (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. Our 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 the International Society for Hair Restoration Surgery, 35 million men and 30 million women in the US suffer from hair loss from androgen induced alopecia. Yet global sales of drugs for androgenetic alopecia are approximately US$ 600 million, because most drugs currently in the androgenetic alopecia market are off-patent and have low effectiveness and generic drug pricing. It is widely known that there is a large unsatisfied market demand among androgenetic alopecia patients. With few drug options available, the global hair restoration surgery market has grown very quickly, amounting 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. This points to the enormous need for effective products both for men and women. We thus plan to commission an extensive market research on alopecia in H2 2018 so that we and investors can better understand the market potential.

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. 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 and recent trends in the dermatology industry have 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's needs.

Now, that we have the very positive top-line results of the Winlevi® Phase III clinical trials and the planned six-month interim results of the Breezula® Phase II Dose Ranging Study, we feel confident to embark upon the next phase of the Company development. As a first step, the Company may access either the US and/or European banking or capital markets in H2 2018. This will lay the foundation from which the organizational expansion necessary for an integrated specialty pharma company will be executed during the course of 2019 and 2020.

Key value drivers

Winlevi®

Winlevi®, Clascoterone, a NCE, is an antiandrogen that is topically applied, penetrates the skin and displaces androgen from the androgen receptor of the sebaceous glands. This displacement helps prevent the cascade of events that leads to acne. Once in the bloodstream, Clascoterone metabolizes rapidly to cortexolone, a substance produced naturally by the human body, with no clinically relevant safety issues noted to date. If approved this would be the first topically applicable antiandrogen that treats acne and a first-in-class medication with a novel mechanism of action which we expect to 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.

On 10 July 2018, shortly after the reporting period, Cassiopea announced that top line results from two pivotal phase 3 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 1440 subjects were enrolled in 112 sites in the US and Europe. The trials were identical in design and evaluated the safety and efficacy of Winlevi® (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 12 weeks.

The three 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 General 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.

In study 25, a two point reduction and an IGA score of 0 (clear) or 1 (almost clear) was achieved in 16.1% of patients treated with Winlevi® versus 7.0% in the placebo group in the ITT population (p value = 0.0012). In study 26, a two point reduction and an IGA score of 0 (clear) or 1 (almost clear) was achieved in 18.7% of patients treated with Winlevi® versus 4.7% (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 –19.8 in patients treated with Winlevi® versus –13.7 in the placebo group (p value = 0.0046) for the ITT population. In study 26, the absolute change from baseline of non-inflammatory lesion counts was –19.8 in patients treated with Winlevi® versus –11.3 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 –19.8 in patients treated with Winlevi® versus –15.6 in the placebo group (p value = 0.0032). In study 26, the absolute change from baseline of inflammatory lesion counts was –20.2 in patients treated with Winlevi® versus –13.1 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.

In the ongoing long-term safety study, which is to determine the safety of the treatment in 300 subjects for a total of six months and a further 100 subjects treated for a total of twelve months, 604 patients were enrolled, 244 have completed the treatment and the treatment of 113 subjects is still ongoing. This study concludes in August 2018 and results should be available in October 2018.

Breezula®

Breezula® is a different formulation and a different strength of the same NCE, Clascoterone, in Winlevi®. In androgenic alopecia (AGA), high concentrations of dihydrotestosterone (DHT) at the hair-follicle level shorten the hair cycle and gradually miniaturize scalp follicles inducing them to produce progressively smaller, thinner hairs until they become unable to produce new hair. These DHT-dependent effects are considered, in most cases, reversible, so that AGA could be susceptible to medical treatment with drugs such as Breezula® by blocking DHT interaction with the specific hair-follicle androgen receptors. If successful, Breezula® would be the only topical antiandrogen approved for use in AGA for both men and women. We believe that Breezula® will not have the contraindications and safety warnings of the only other antiandrogen approved for the treatment of AGA, which is administered orally and indicated only for men. Breezula® can be exposed to direct sun. Breezula® does not interfere with the hormonal profile of patients and libido and sexual behavior are unaffected in clinical trials to date.

After the successful phase II trial, a Phase II Dose Ranging Study was planned.

On 16 July 2018, shortly after the reporting period, Cassiopea announced that the results of the planned six-month interim analysis from the phase 2 dose ranging clinical trial for its topical antiandrogen Clascoterone (Breezula®) demonstrated statistically significant improvement for Target Area Headcount (TAHC) and directional improvement for Hair Growth Assessment (HGA).

In the dose ranging trial a total of 404 subjects were enrolled in 6 sites in Germany. This ongoing double blind trial is evaluating 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 apply Breezula® or vehicle to the balding areas of the scalp twice daily for a total of 12 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 being evaluated in the trials are: 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.

Six Month Interim Analysis Efficacy Results (PP)

Primary Endpoints at 6 months (interim analysis on 375 subjects)	Clascoterone 2.5% BID	Clascoterone 5% BID	Clascoterone 7.5% BID	Clascoterone 7.5% QD and Vehicle	Vehicle
Mean changes from baseline TAHC	13.0134	12.2109	20.7879	11.5182	–0.1114
P value (vs. baseline)	< 0.0001	< 0.0001	< 0.0001	< 0.0001	0.9660
P value (vs. vehicle)	0.0003	0.0010	< 0.0001	0.0017	–
Favorable HGA (+1, +2, +3)	56%	58%	62%	61%	49%

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.

As a reference – these Phase II dose ranging interim results for TAHC for the 7.5% BID dose can be compared to the twelve-month TAHC results shown in the oral Propecia NDA – Clascoterone 7.5% BID reaches at six months the efficacy seen by oral Propecia at twelve months. In the clinical study described in the NDA, Propecia (finasteride) 1 mg oral QD, attained a TAHC of 107 at twelve months treatment for a target area of 1-inch diameter circle (5.1 cm^2). This compares to a TAHC in a $1cm^2$ area (as used in the Clascoterone study) of 20.1 (107 divided by 5.1) for Propecia compared to 20.8 for Clascoterone 7.5% BID. Furthermore, Cassiopea expects that the side effect profile of Clascoterone, a topical antiandrogen, will be much more favorable than that of an oral androgen modulator with its associated systemic side effects.

CB-06-01

CB-06-01, a NCE, is a topical antibiotic, licensed from Naicons, an Italian company. CB-06-01 is highly effective on bacteria implicated in acne, including strains resistant to some other antibiotics. We aim to 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 12 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 mid 2019.

CB-06-02

CB-06-02, also a NCE, is being developed for the treatment of genital warts. It is licensed from BioMas, an Israeli company.

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.

A proof of concept trial in Israel tested 15% CB-06-02 QD for up to 14 weeks against placebo on 59 subjects. The trial is complete and we expect to announce results in July 2018 (after the publication of this report).

If these results are positive, in H2 2018 we will now focus our work on the manufacturing development and the stability of the product so that we move forward into a phase II dose ranging trial which is scheduled for H2 2019.

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

Financials

Half-year financial statements as at 30 June 2018

Income Statement

EUR 1,000	Notes	30.06.2018	30.06.2017
Revenue		**–**	**–**
Other income		–	–
Cost of sales		–	–
Research and development costs		(6,423)	(6,452)
Selling, general and administrative costs		(663)	(818)
Net operating expenses	4	**(7,086)**	**(7,270)**
Operating result		**(7,086)**	**(7,270)**
Financial income	5	418	265
Financial expenses	5	(61)	(2,262)
Profit (loss) before taxes		**(6,729)**	**(9,267)**
Income tax expenses	6	–	–
Profit (loss) for the period		**(6,729)**	**(9,267)**
Earnings (loss) per share		EUR	EUR
Basic	7	(0.673)	(0.927)
Diluted	7	(0.673)	(0.927)

The accompanying notes form an integral part of the half-year condensed financial statements.

Statement of Comprehensive Income

EUR 1,000	Notes	30.06.2018	30.06.2017
Profit (loss) for the period (A)		**(6,729)**	**(9,267)**
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)		**(6,729)**	**(9,267)**

The accompanying notes form an integral part of the half-year condensed financial statements.

Statement of Financial Position

EUR 1,000	Notes	30.06.2018	31.12.2017
Assets			
Non-current assets			
Property, plant and equipment		3	2
Other intangible assets	8	444	409
Tax receivables	9	8,517	8,693
Total non-current assets		**8,964**	**9,104**
Current assets			
Current tax assets	10	317	312
Other receivables and other assets	11	1,637	1,455
Cash and cash equivalents	12	11,361	17,598
Total current assets		**13,315**	**19,365**
Total assets		**22,279**	**28,469**

The accompanying notes form an integral part of the half-year condensed financial statements.

EUR 1,000	Notes	30.06.2018	31.12.2017
Equity			
Share capital		10,000	10,000
Share premium		14,524	28,172
Capital contribution		173	122
Stock option plan reserve		2,078	1,716
Profit/(Loss) for the period		(6,729)	(13,656)
Total equity	13	**20,046**	**26,354**
Liabilities			
Non-current liabilities			
Total non-current liabilities		**–**	**–**
Current liabilities			
Trade payables	14	2,161	2,012
Current tax liabilities	15	19	26
Other current liabilities	16	53	77
Total current liabilities		**2,233**	**2,115**
Total liabilities		**2,233**	**2,115**
Total equity and liabilities		**22,279**	**28,469**

The accompanying notes form an integral part of the half-year condensed financial statements.

Cash Flow Statement

EUR 1,000	Notes	30.06.2018	30.06.2017
Profit (loss) before taxes		**(6,729)**	**(9,267)**
Tax credit R&D costs		–	–
R&D credit offset		176	–
Depreciation and amortization	4	17	14
Share payment based expenses	17	421	403
Unrealised foreign exchange (gain) losses on cash and cash equivalents		(267)	2,033
		(6,382)	**(6,817)**
Change in trade payables		149	(68)
Change in other receivables and other assets		(182)	(227)
Change in tax receivables (non current)		–	572
Change in other current liabilities		(24)	34
Change in current tax assets		(5)	–
Change in current tax liabilities		(7)	2
Cash flows from operating activities		**(6,451)**	**(6,504)**
Investments in property, plant and equipment		(2)	–
Investments in other intangible assets	8	(51)	(36)
Cash flows from investing activities		**(53)**	**(36)**
Cash flows from financing activities		**–**	**–**
Unrealised foreign exchange gain (losses) on cash and cash equivalents		**267**	**(2,033)**
Net increase/(decrease) in cash and cash equivalents		**(6,237)**	**(8,573)**
Cash and cash equivalents at the beginning of the period	12	**17,598**	**33,656**
Cash and cash equivalents at the end of the period	12	**11,361**	**25,083**
Cash at hand		–	–
Bank accounts		11,361	25,083
Advances on invoices and bank overdraft		–	–
Total cash and cash equivalents at the end of the period	12	**11,361**	**25,083**

The accompanying notes form an integral part of the half-year condensed financial statements.

Statement of Changes in Equity

EUR 1,000	Number of Shares (n)	Share capital	Share premium	Capital contribution	Stock option plan reserve	Retained earnings	Total
Net equity as at 1 January 2017	**10,000,000**	**10,000**	**37,380**	**–**	**1,265**	**(9,496)**	**39,149**
Allocation of prior year result			(9,496)			9,496	–
Cost for stock options				52	351		403
Total comprehensive income for the period						(9,267)	(9,267)
Net equity as at 30 June 2017	**10,000,000**	**10,000**	**27,884**	**52**	**1,616**	**(9,267)**	**30,285**

EUR 1,000	Number of Shares (n)	Share capital	Share premium	Capital contribution	Stock option plan 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**

The accompanying notes form an integral part of the half-year condensed financial statements.

Explanatory notes

1 General information

The company and its core business

Cassiopea S.p.A. ("Cassiopea" or the "Company") is a 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 2018 was equal to CHF 340,000,000.

2 Basis of preparation

These half-year condensed financial statements as at 30 June 2018 together with the notes thereto (the "Half-Year Report 2018") were authorized for issuance on 17 July 2018 and 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 financial statements are consistent with those used in the Financial statements for the year ended 31 December 2017, except as otherwise stated under "New accounting standard and IFRIC interpretations" in the following paragraphs.

The preparation of the interim 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 interim financial statements should be read in conjunction with the financial statements for the year ended 31 December 2017 as they provide an update of previously reported information. Operating results for the six months ended 30 June 2018 are not necessarily indicative of the results that may be expected for the year ending 31 December 2018. The interim 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

The financial statements and related classification criteria adopted for the preparation of the Company's Condensed interim financial statements are based on the option allowed by IAS1 – Presentation of financial statements:

- the statement of financial position has been prepared presenting asset and liabilities as current and non current;
- the income statement presents a classification based on the function of expenses ("cost of sales method");
- the statement of comprehensive income includes other changes in equity related to non-owner transactions as well as the profit/loss of the year;
- the statements of cash flows present cash flows from operating activities using the indirect method;
- the statement of changes in equity includes all the changes in equity.

3.2 Measurement criteria

The financial statements have been prepared using the historical cost criterion, except when it mandatory to measure financial assets and liabilities at fair value, an on a going concern basis.

The financial statements have been prepared on a going concern basis as the financial resources made available by the shareholders were considered adequate to meet the cash requirements projected in the business plans. This is despite the fact that, Company has, since it was incorporated, sustained losses mainly because of the massive research and clinical development costs incurred for its products and its business plans project that further operating losses will be incurred at least until one of its products is launched for sale or out-licensed.

3.3 Critical accounting estimates and assumptions

The preparation of the Company 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 financial statements are the same as those applied in the financial statements as at and for the year ended 31 December 2017.

Standards, amendments and interpretations effective from 1 January 2018

The following new standards and amendments, which were effective from 1 January 2018, were adopted by the Company. The adoption of these amendments had no effect on the Interim Condensed Financial Statements

- IFRS 15 – Revenue from contracts with customers ("IFRS 15"), which was issued by the IASB in May 2014 and amended in September 2015. The standard requires a company to recognize revenue upon transfer of control of goods or services to a customer at an amount that reflects the consideration it expects to receive using a five-step process. The new standard also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. The standard is effective for annual periods beginning on or after 1 January 2018, and requires either a full or modified

retrospective application. Considering that the Company has not operating revenues, the new standard does not impact the financials of the Company.

- In July 2014, the IASB issued IFRS 9 – Financial Instruments. The improvements introduced by the new standard includes a logical approach for classification and measurement of financial instruments driven by cash flow characteristics and the business model in which an asset is held, a single "expected loss" impairment model for financial assets and a substantially reformed approach for hedge accounting. The standard is effective, retrospectively with limited exceptions, for annual periods beginning on or after 1 January 2018 with earlier application permitted. Considering the financial assets and liabilities of the Company, the new standard have not impact on the Company.

A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's financial statements:

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
- Annual Improvements to IFRSs 2014–2016 Cycle (Amendments to IFRS 1 and IAS 28)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

Accounting principles, amendments and interpretations not yet applicable and not early adopted by the Company

Reference should be made to the section – Accounting principles, amendments and interpretations not yet applicable and not early adopted by the Company – within the Cassiopea Financial Statements at 31 December 2017 for a detailed description of new standards not yet effective as of 30 June 2018.

Summary of significant accounting policies and practices

The most significant accounting policies and measurement criteria applied to prepare the financial statements are summarized below.

Other intangible assets

Other intangible assets are recognized as assets where it is probable that the use of the asset will generate future economic benefits and where the costs of the asset can be determined reliably. Other intangible assets that are acquired by the Company are stated at cost less accumulated amortization (see below) and impairment losses, if any.

Subsequent expenditures on capitalized intangible assets are capitalized only when they increase the future economic benefits embodied in the specific assets to which they relate. All other expenditure is expensed as incurred.

Other intangible assets with definite useful lives are amortized on a straight-line basis over their useful lives, being the estimated period over which the Company will use the assets. Other intangible assets are amortized from the date they are available for use.

Residual amounts, useful lives and the amortization methods are reviewed at the end of every accounting period. The estimated useful lives are as follows:

- Patents and rights 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 13.6 years).
- Expenditures on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, are recognized in the income statements as an expense as incurred.

Development costs are capitalized as an intangible asset if all of the following criteria are met:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the asset will generate probable future economic benefits and demonstrate the existence of a market or the usefulness of the intangible asset if it is to be used internally;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell it;

- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following initial recognition of the development expenditure as an intangible asset, the cost model is applied requiring the intangible asset to be carried at cost, less any accumulated amortization and accumulated impairment losses. The intangible asset is amortized on a straight-line basis over the period of its expected benefit, starting from the date of full commercial use of the product. During the period of development, the asset is tested for impairment annually.

If specific events indicate that impairment of an item of intangible asset may have taken place, the item's recoverability is assessed by comparing its carrying amount with its recoverable amount.

Expenditures on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, as well as development costs not capitalized, are recognized in the income statement as an expense as incurred.

Foreign currency transactions

Transactions in foreign currency are translated into Euros using the exchange rate ruling on the transaction date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Euros at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into Euros at foreign exchange rates ruling at the dates the fair value was determined.

Trade and other receivables and payables

Trade and other receivables are stated at amortized cost net of impairment losses. The impairment loss is calculated on the basis of recovery assessments by analysing each receivable considered unlikely to be collected and the overall risk of non-recovery of the receivables. When the payment of the sum due is postponed beyond normal credit terms offered to customers, it is necessary to discount the receivable.

Trade and other payables are measured at amortized cost which reflects the effective interest rate in the income statement and represents the rate used to discount the expected future cash flows to the carrying value of the assets to which they relate.

They are included in current assets or liabilities, except for maturities greater than 12 months after the balance sheet date.

Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits. Advances on invoices and bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Employee benefits

Obligations for contributions to defined contribution pension plans are recognized as an expense in the income statement as incurred.

Forms of remuneration involving participation in stock capital (stock option plans)

The Company grants additional benefits to the Board and senior management and key employees through stock option plans. Pursuant to IFRS 2, "Share-based payment", these plans represent a form of remuneration for the beneficiaries. The cost is equal to the fair value as calculated on the date the option rights are granted and is recorded in the income statement on a straight-line basis over the vesting period, i.e., the date between the date the stock option plan was granted and the date the rights matured. The corresponding entry is made directly to shareholders' equity. Changes in fair value after the grant date do not have an effect on the initial valuation. At each balance sheet date, the Company revises its estimate of the number of options that are expected to become exercisable.

It recognizes the impact of the revision to original estimates, if any, in the income statements, with a

corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Income tax

The tax charge for the period is determined on the basis of prevailing laws and regulations. Taxes on income are recognized in the income statement except to the extent that they relate to items directly charged or credited to equity, in which case the related income tax effect is recognized in equity.

Deferred tax assets and liabilities are determined on the basis of all the temporary differences between the carrying amount of an asset or liability in the statement of financial position and its corresponding tax basis. Deferred tax assets resulting from unused tax losses and temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which they can be utilized.

Current and deferred income taxes and liabilities are offset when there is a legally enforceable right to offset.

Deferred tax assets and liabilities are measured at the substantively enacted tax rates that are expected to apply to taxable income in the periods in which temporary differences will be reversed.

Earnings per share

Basic earnings per share are calculated dividing the net profit (loss) attributable to the owners of ordinary shares in the Company (the numerator) by the weighted average number of ordinary shares in issue (the denominator) during the year.

Diluted earnings per share is calculated by adjusting the net profit attributable to owners of ordinary shares and the weighted average number of ordinary shares during the year to take account of all potential ordinary shares with a diluting effect. A potential ordinary share is a financial instrument or other contract that could give its owner the right to obtain ordinary shares.

4 Net operating expenses

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

EUR 1,000	30.06.2018	30.06.2017
Raw materials and consumables used	(140)	(545)
Personnel expenses	(717)	(627)
Outsourced preclinical and clinical trial costs	(5,169)	(4,821)
Other operating expenses	(1,043)	(1,263)
Depreciation and amortization	(17)	(14)
Total net operating expenses	**(7,086)**	**(7,270)**

Raw materials and consumables used

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

EUR 1,000	30.06.2018	30.06.2017
Purchase of consumables	3	1
Purchase of laboratory supplies and materials for clinical trial	137	544
Total raw materials and consumables used	**140**	**545**

Personnel expenses

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

EUR 1,000	30.06.2018	30.06.2017
Salaries and wages	274	315
Social security contributions	49	47
Employee benefits	10	8
Stock options	380	253
Other costs	4	4
Total personnel expenses	**717**	**627**

In H1 2018, the expense for the value of employees' and executives Directors' services exchanged for stock options amounted to EUR 380 thousand (EUR 253 thousand in H1 2017) and it refers to the cost accounted in relation to the options granted by the Board of Directors in the period 2015–2017 and to the options granted by Cosmo Pharmaceuticals N.V. (see note 17, "Share-based payments").

The entire staff as at 30 June 2018 and 2017 is shown by category here below:

No. of people	30.06.2018	30.06.2017
Managers*	6	5
Junior managers	3	4
Total number	**9**	**9**

*Includes the managers provided by Cosmo Pharmaceuticals N.V. as for service agreement (see note 18 "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 18 "Related parties transactions").

Outsourced preclinical and clinical trial costs

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

EUR 1,000	30.06.2018	30.06.2017
CB-03-01 Winlevi®	3,675	4,336
CB-03-11 Breezula®	1,460	428
CB-06-02	34	57
Outsourced preclinical and clinical trials costs	**5,169**	**4,821**

Other operating expenses

Other operating expenses comprises the following:

EUR 1,000	30.06.2018	30.06.2017
Service costs	1,035	1,254
Operating lease expenses	5	5
Other operating costs	3	4
Total other operating expenses	**1,043**	**1,263**

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

Service costs in H1 2018 also include EUR 41 thousand (EUR 150 thousand in H1 2017) for the Stock Option Plan to the non-executive directors and it refers to the cost accounted in relation to the options granted by the Board of Directors on 3 December 2015 (see table top right).

EUR 1,000	30.06.2018	30.06.2017
External consultancy services	196	286
Patent costs	116	133
Investor relations and web site maintenance	97	103
Technical assistance	2	2
Utilities, telephone, internet	3	5
Insurance	59	75
Non-executive directors	58	73
Stock options non-executive directors	41	150
Management control committee	4	5
Auditing	13	6
Advertising and marketing costs	8	11
Freight and customs	5	24
Travel expenses	92	50
External laboratory services	94	36
R&D and Regulatory services	239	290
Other costs	8	5
Total service costs	**1,035**	**1,254**

In H1 2018, the Company has been charged by Cosmo S.p.A. and by Bellatrix Inc. (subsidiaries of Cosmo Pharmaceuticals N.V.) for an amount of EUR 215 thousand and EUR 24 thousand respectively (EUR 274 thousand and EUR 16 thousand in H1 2017) for Research/Development/Regulatory services.

In H1 2018, 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 73 thousand in H1 2017).

Depreciation and amortization

The item comprises the following:

EUR 1,000	30.06.2018	30.06.2017
Depreciation of property, plant and equipment	1	–
Amortization of other intangible assets	16	14
Total depreciation and amortization	**17**	**14**

5 Financial income/expenses

The item comprises the following:

EUR 1,000	30.06.2018	30.06.2017
Financial income:		
Other	418	265
Total financial income	**418**	**265**
Financial expenses:		
Other	61	2,262
Total financial expenses	**61**	**2,262**
Financial income (expense), net	**357**	**(1,997)**

Other financial income as at 30 June 2018 includes EUR 308 thousand for foreign exchange differences (EUR 122 thousand in 2017) and EUR 109 thousand for interest received on cash and cash equivalents (EUR 143 thousand in 2017); financial expenses mainly includes foreign exchange differences.

6 Income tax expenses

On the tax losses and on the Italian fiscal relief "ACE" (Aiuto alla crescita economica) for H1 2018 and H1 2017 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:

	30.06.2018	30.06.2017
Net profit (loss) attributable to Shareholders (in EUR 1,000)	(6,729)	(9,267)
Weighted average number shares	10,000,000	10,000,000
Basic earnings (loss) per share (in EUR)	**(0.673)**	**(0.927)**

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 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 13.6 years).

EUR 1,000	Patents and rights	Total
Net book value as at 1 January 2017	**356**	**356**
Additions of the period	36	36
Amortization charge for the period	(14)	(14)
Net book value as at 30 June 2017	**378**	**378**
Net book value as at 1 January 2018	**409**	**409**
Additions of the period	51	51
Amortization charge for the period	(16)	(16)
Net book value as at 30 June 2018	**444**	**444**

9 Tax receivables (non current)

The item comprises the following:

EUR 1,000	30.06.2018	31.12.2017
Tax credit R&D costs	8,517	8,693
Total tax receivables	**8,517**	**8,693**

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).

10 Current tax assets

The item comprises the following:

EUR 1,000	30.06.2018	31.12.2017
Advance payments of income taxes	17	12
Tax credit R&D costs	300	300
Total current tax assets	**317**	**312**

Tax credit R&D costs refers 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.

11 Other receivables and other assets

The item comprises the following:

EUR 1,000	30.06.2018	31.12.2017
VAT receivables	1,141	892
Prepaid expenses	386	396
Other prepaid	110	167
Total other receivables and other assets	**1,637**	**1,455**

12 Cash and cash equivalents

The item comprises the following:

EUR 1,000	30.06.2018	31.12.2017
Cash at hand	–	–
Bank accounts	11,361	17,598
Total cash and cash equivalents	**11,361**	**17,598**

"Bank accounts" include availability on current bank accounts and short-term "time deposit" bank contracts. Part of the availability is held in US$ and in particular as at 30 June 2018 the amount includes US$ 11,155 thousand equal to EUR 9,569 thousand at 30 June 2018 exchange rate.

13 Total shareholders' equity

The item comprises the following:

EUR 1,000	30.06.2018	31.12.2017
Share capital	10,000	10,000
Share premium	14,524	28,172
Capital contribution	173	122
Stock option plan reserve	2,078	1,716
Profit/(Loss) for the period	(6,729)	(13,656)
Total Equity	**20,046**	**26,354**

Share capital

As at 30 June 2018 and 31 December 2017, 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, partially reduced in relation to the allocation of prior years losses.

Capital contribution

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

Stock option plan reserve

In H1 2018, the expense for the stock options allocated in the period 2015–2018, amounted to EUR 370 thousand of which EUR 329 thousand for management and personnel and EUR 41 thousand for non-executive Directors (In H1 2017 EUR 201 thousand and EUR 150 thousand respectively).

14 Trade payables

The item comprises the following:

EUR 1,000	30.06.2018	31.12.2017
Trade payables	1,870	1,956
Trade payables related company	291	56
Total trade payables	**2,161**	**2,012**

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

15 Current tax liabilities

The item comprises the following:

EUR 1,000	30.06.2018	31.12.2017
Withholding tax for employees	12	16
Withholding tax for consultants	7	10
Total current tax liabilities	**19**	**26**

16 Other current liabilities

The item comprises the following:

EUR 1,000	30.06.2018	31.12.2017
Social security payables	19	23
Other liabilities	34	54
Total other current liabilities	**53**	**77**

17 Share-based payment

The extraordinary shareholders' meeting of 27 May 2015 authorized the Board of Directors to increase the capital by a 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 3 December 2015, the Board of Directors granted a total of 140,000 options of which:

- 49,800 with a vesting period of 1 year, expiring on 3 December 2021 and an exercise price of CHF 34 ("Option series 1a")
- 46,600 with a vesting period of 2 years, expiring on 3 December 2022 and an exercise price of CHF 34 ("Option series 1b")
- 43,600 with a vesting period of 3 years, expiring on 3 December 2023 and an exercise price of CHF 34 ("Option series 1c")

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 14.45 per option ("Option series 1a"), of CHF 19.28 per option ("Option series 1b") and of CHF 22.56 per option ("Option series 1c").

On 23 February 2016, the Board of Directors granted a total of 20,000 options of which:

- 6,800 with a vesting period of 1 year, expiring on 23 February 2022 and an exercise price of CHF 34 ("Option series 2a")
- 6,700 with a vesting period of 2 years, expiring on 23 February 2023 and an exercise price of CHF 34 ("Option series 2b")
- 6,500 with a vesting period of 3 years, expiring on 23 February 2024 and an exercise price of CHF 34 ("Option series 2c")

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 11.28 per option ("Option series 2a"), of CHF 15.87 per option ("Option series 2b") and of CHF 18.98 per option ("Option series 2c").

On 23 February 2017, the Board of Directors granted a total of 12,000 options of which:

- 4,100 with a vesting period of 1 year, expiring on 23 February 2023 and an exercise price of CHF 34 ("Option series 3a")
- 4,000 with a vesting period of 2 years, expiring on 23 February 2024 and an exercise price of CHF 34 ("Option series 3b")
- 3,900 with a vesting period of 3 years, expiring on 23 February 2025 and an exercise price of CHF 34 ("Option series 3c")

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 11.59 per option ("Option series 3a"), of CHF 15.84 per option ("Option series 3b") and of CHF 18.84 per option ("Option series 3c").

On 14 November 2017, the Board of Directors granted a total of 70,000 options of which

- 24,400 with a vesting period of 1 year, expiring on 14 November 2023 and an exercise price of CHF 34 ("Option series 4a")
- 24,300 with a vesting period of 2 years, expiring on 14 November 2024 and an exercise price of CHF 34 ("Option series 4b")
- 21,300 with a vesting period of 3 years, expiring on 14 November 2025 and an exercise price of CHF 34 ("Option series 4c")

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 10.46 per option ("Option series 4a"), of CHF 14.32 per option ("Option series 4b") and of CHF 17.11 per option ("Option series 4c").

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

In H1 2018, in relation to the "Option series 1a,b,c", "Option series 2a,b,c", "Option series 3a,b,c" and to the "Option series 4a,b,c" the expense for the value of employees' and Directors' services exchanged for stock options amounted to EUR 370 thousand of which EUR 329 thousand for management and personnel and EUR 41 thousand for non-executive Directors.

In H1 2018 2,000 options were forfeited. As at 30 June 2018 185,000 options of the total option program of 500,000 options are allocated and outstanding.

Option series	Options granted	Options outstanding	Grant date	Vesting date	Expiry date	Exercise price	Fair value of the option at the grant date
						CHF	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
Total	**242,000**	**185,000**					

Share options	Number	Weighted average exercise price
		CHF
Outstanding as at 1 January 2017	**125,000**	**34.00**
Exercisable as at 1 January 2017	42,800	34.00
Granted during the period	82,000	34.00
Forfeited during the period	(20,000)	34.00
Exercised during the period	–	–
Expired during the period	–	–
Outstanding as at 31 December 2017	**187,000**	**34.00**
Exercisable as at 31 December 2017	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 30 June 2018	**185,000**	**34.00**
Exercisable as at 30 June 2018	75,200	34.00

The share options outstanding at the end of the financial period had an exercise price of CHF 34.00 and a weighted average remaining contractual life of 5.2 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	1,826 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%

18 Related-parties' transactions

In the period ended 30 June 2018, the Company has been charged by Cosmo S.p.A., under a service agreement, and by Bellatrix Inc. (subsidiaries of Cosmo Pharmaceuticals N.V.) for an amount of EUR 215 thousand and EUR 24 thousand respectively (EUR 274 thousand and EUR 16 thousand in H1 2017) for Research / Development / Regulatory services.

In H1 2018, 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 73 thousand in H1 2017).

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 to Cassiopea these services at no cost. At the Board of Director of the Company held in November 2017, it was resolved to award to the two managers, Luigi Moro (CSO) and Hans Christoph Tanner (CFO), each 20,000 options to subscribe to Cassiopea shares; furthermore the Board resolve to award 10,000 options to Marco Lecchi (Finance Director), Head of Internal Audit of Cosmo Pharmaceuticals N.V. The cost to the Company, for the services of the three managers of Cosmo Pharmaceuticals N.V., determined on the basis of the fair value of the option, is equal to EUR 167 thousand.

In 2017, Cosmo Pharmaceuticals N.V., under a stock option plan, has granted options to some employees of the Company. In H1 2018, the cost to the Company, determined on the basis of the fair value of the option, is equal to EUR 51 thousand.

19 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 2018 and 31 December 2017, 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 2018		As at 31 December 2017	
EUR 1,000	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash equivalents	11,361	11,361	17,598	17,598
Total Assets	**11,361**	**11,361**	**17,598**	**17,598**
Unrecognised (loss) gain	–	–	–	–
Trade payables	(2,161)	(2,161)	(2,012)	(2,012)
Total Liabilities	**(2,161)**	**(2,161)**	**(2,012)**	**(2,012)**
Unrecognised (loss) gain	–	–	–	–

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

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.

20 Subsequent events

Considering the positive results on the projects announced in July 2018, in order to prepare and finance the next development phase, the Company is working on different fund raising hypothesis.

Lainate, 17 July 2018

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	30.06.2018
Total equity	20,046
Share capital	10,000
Reserves	16,775
Profit (Loss) for the period	(6,729)
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%
UBS Fund Management (Switzerland) AG	754,667	7.55%
Herz / Logistable 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 2018 lowest	34.00	28.06.2018
H1 2018 highest	44.00	12.04.2018
H1 2018 last trading day	34.00	29.06.2018
Market capitalization (in CHF million)	340.00	30.06.2018

Share earnings

EUR	30.06.2018
Basic earnings (loss) per share	(0.673)

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

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Credit Suisse, EMEA Equity Research Switzerland	Barbora Blaha	Phone: +41 44 334 60 54
Bryan, Garnier & Co, Equity Research France	Hugo Solvet	Phone: +33 1 56 68 75 57

Calendar

Key reporting dates

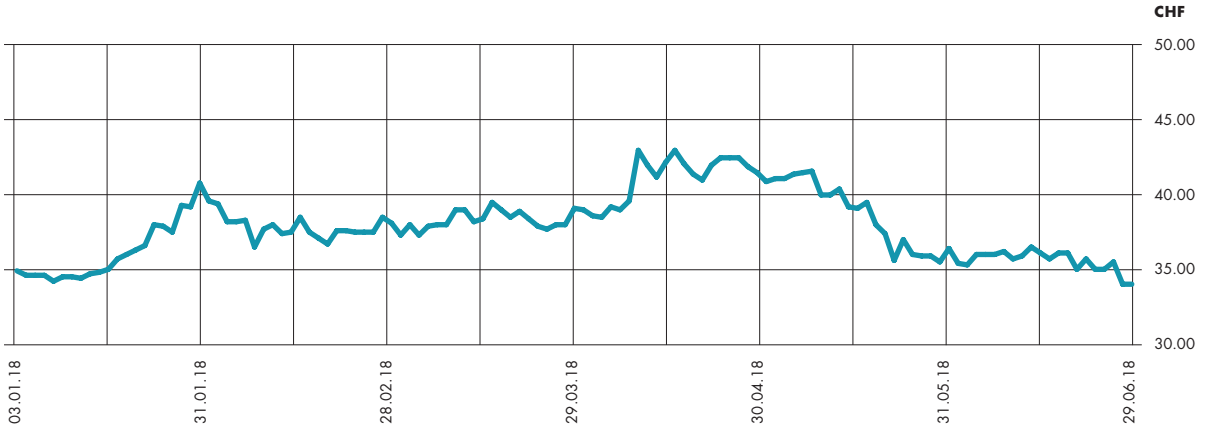
Annual Report 2018 – February 2019

Upcoming conferences

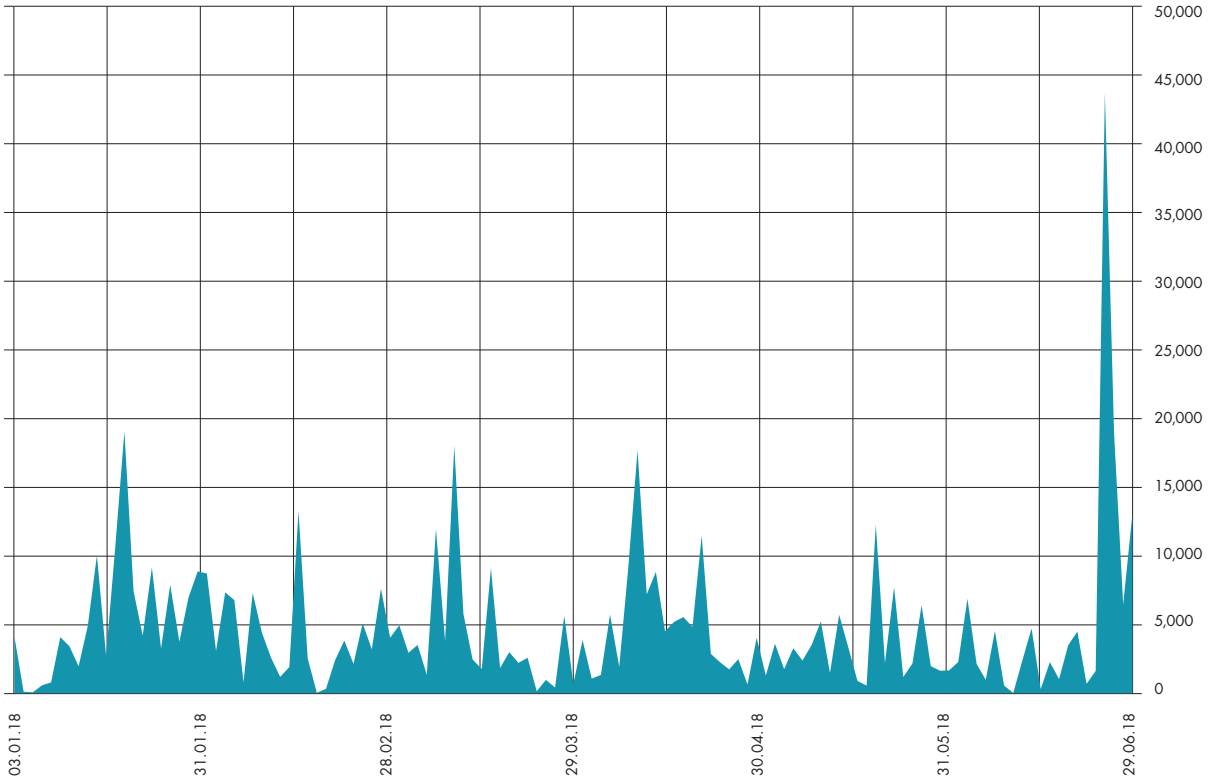
Jefferies' Healthcare Conference
London, 14–15 November 2018

Credit Suisse Small & Mid Cap Conference
Zurich, 16 November 2018

Share price



Trading volumes



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