Half-Year Report 2015

Cassiopea

Cassiopea's pipeline

Product	Drug type	Phase: Preclinical	Phase: I	Phase: II	Phase: III	MA/Expected Launch
Winlevi™ ACNE	Anti-androgen **NCE**[1]				H2 2017	**2018**
Breezula™ ALOPECIA	Anti-androgen **NCE**[1]			POC H1 2016 DR H2 2017	H2 2019	**2021**
CB-06-01 ACNE	Antibiotic **NCE**			POC H1 2016 DR H2 2017	H2 2019	**2021**
CB-06-02 HPV	Integrin activator **NCE**			POC H1 2016 DR H2 2017	H2 2019	**2021**

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

POC = Proof of Concept | DR = Dose Ranging

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Highlights

- The Special Protocol Assessment for the phase III pivotal clinical trial program for Winlevi was filed with the U.S. FDA in April 2015 and was subsequently approved in July 2015.
- The phase II proof of concept trial for Breezula progressed on schedule. The last patient was enrolled in June 2015. Top line results are expected in H1 2016.
- The phase II proof of concept trial for CB-06-01, a novel antibiotic for the treatment of acne was started in January 2015.
- The phase II proof of concept trial for CB-06-02, a novel integrin activator for the treatment of ano-genital warts was started in December 2014.
- Cosmo Pharmaceuticals SA and the minority shareholders injected EUR 49.9 million in a capital increase on 5 June 2015.
- On 30 June the secondary public offering was successfully concluded and the listing and commencement of trading of the shares on Swiss Stock Exchange (SIX) occurred on 1 July 2015. In total Cosmo Pharmaceuticals placed 5,163,640 of its shares at a price of CHF 34. This transaction did not raise any funds for the Company.

Cassiopea at a glance

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

Key figures

EUR 1,000	**30.06.2015**	**30.06.2014**
Income statement		
Revenue	–	–
Cost of sales	–	–
R&D costs	(2,096)	(2,219)
SG&A costs	(287)	(43)
Operating result	(2,383)	(2,262)
Profit (loss) before taxes	(1,811)	(2,248)
Profit (loss) for the period	(1,811)	(1,630)
Shares (quota)		
Weighted average number shares (quota)	1,522,099	100,000
Basic earnings (loss) per share (quota) (in EUR)	(1.190)	(16.300)

Statement of financial position	**30.06.2015**	**31.12.2014**
Non-current assets	100	1,463
Cash and cash equivalents	52,181	840
Other current assets	304	1,520
Liabilities	870	197
Equity	51,715	3,626
Equity ratio	98.3%	94.8%

Dear Shareholder

We are very pleased with the developments in the first half of 2015 both on the product development as well as the corporate side.

We made good progress on the three ongoing phase II proof of concept clinical trials for Breezula (topical anti-androgen for androgenic alopecia), CB-06-01 (topical antibiotic for acne) and CB-06-02 (integrin activator for the treatment of ano-genital warts). We are continuing the preparations for the upcoming phase III clinical trial for Winlevi. Importantly we reached agreement with the U.S. FDA on the Special Protocol Assessment for the Winlevi Phase 3 pivotal study in July.

In late March we initiated the preparations for our IPO on the Swiss Stock Exchange. In April we engaged the investment banks, Cosmo and the minority shareholders increased our capital by injecting EUR 49.9 million, we finalized agreements with key personnel, and successfully negotiated a Service Agreement with Cosmo allowing us to outsource parts of our activities to Cosmo at very advantageous conditions. Together with Representatives of Cosmo we successfully completed a road show in Europe and the U.S. A quick book building process enabled us to allocate all the shares on 30 June, slightly under the mid point of the announced book building range at CHF 34 and starting from 1 July 2015 our shares are listed on SIX. The green shoe was exercised shortly thereafter. Cosmo now owns 45.3% of our shares. The core shareholders of Cosmo (Cosmo Holding, Heinrich Herz and dievini Hopp) all participated in the offering in proportion to their shareholding in Cosmo. We are especially proud of the fact that over 80% of all other Cosmo shareholders also subscribed to shares in proportion to their shareholdings in Cosmo.

We thank you for your continued confidence. We view the future with tremendous optimism now that we have the necessary resources and corporate focus to develop one of the most innovative pipelines in the dermatology industry.

Lainate, 23 September 2015

Jan E. de Vries
Chairman

Diana Harbort
CEO

Business Strategy

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 an expensive organization of our own.

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 we have strong indications that our lead product will have a high likelihood of FDA approval.

According to VisionGain, the global medical dermatology market generated revenues of $22.6 billion in 2013, an increase of 7.3% over 2012. Management's analysis of IMS data indicates that the U.S. acne market generated Retail sales of $5.1 billion in 2014, growing at a 10.5% CAGR from 2012. Global sales of drugs for alopecia amounted to approximately $600 million in 2013 according to data from Evaluate Pharma; however, most drugs currently in the alopecia market are off-patent and have low effectiveness. The global hair restoration surgery market amounted to $1.9 billion in 2012, an increase of 48% since 2008 according to a 2014 survey by the International Society of Hair Restoration Surgery. In 2012, 35 million men and 21 million women in the U.S. experienced hair loss. According to the Centers for Disease Control and Prevention, in the U.S. 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 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 U.S. 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.

Key value drivers

Winlevi™

Winlevi™, a NCE, is an anti-androgen 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, Winlevi™ metabolizes rapidly to cortexolone, a substance produced naturally by the human body, with no clinically relevant safety issues noted to date. If successful, this would be the first topically applicable anti-androgen that treats acne. Winlevi™, if approved, would be a first-in-class medication with a novel mechanism of action and we expect that it will be able to both compete with and to complement existing acne therapies.

Breezula™

Breezula™ is a different formulation and a different strength of the same NCE 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 anti-androgen 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 anti-androgen 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.

CB-06-01

CB-06-01, a NCE, is a topical antibiotic that 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.

CB-06-02

CB-06-02, also a NCE, is 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.

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 2015

Income Statement

EUR 1,000	Notes	30.06.2015	30.06.2014
Revenue		–	–
Cost of sales		–	–
Research and development costs		(2,096)	(2,219)
Selling, general and administrative costs		(287)	(43)
Net operating expenses	4	(2,383)	(2,262)
Operating result		(2,383)	(2,262)
Financial income	5	582	22
Financial expenses	5	(10)	(8)
Profit (loss) before taxes		(1,811)	(2,248)
Income tax expenses	6	–	618
Profit (loss) for the period		(1,811)	(1,630)
Earnings (loss) per share (quota)		EUR	EUR
Basic	7	(1.190)	(16.300)
Diluted	7	(1.190)	(16.300)

Statement of Comprehensive Income

EUR 1,000	Notes	30.06.2015	30.06.2014
Profit (loss) for the period (A)		(1,811)	(1,630)
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)		(1,811)	(1,630)

Statement of Financial Position

EUR 1,000	Notes	30.06.2015	31.12.2014
Assets			
Non-current assets			
Other intangible assets	8	100	19
Financial assets	9	–	1,444
Total non-current assets		100	1,463
Current assets			
Current tax assets		1	–
Other receivables and other assets	10	303	1,520
Cash and cash equivalents	11	52,181	840
Total current assets		52,485	2,360
Total assets		52,585	3,823

EUR 1,000	Notes	30.06.2015	31.12.2014
Equity			
Share (Quota) capital		10,000	100
Share premium		40,000	–
Extraordinary reserve		3,526	7,542
Retained earnings		–	(1,240)
Profit/(Loss) for the period		(1,811)	(2,776)
Total equity	12	51,715	3,626
Liabilities			
Non-current liabilities			
Total non-current liabilities		–	–
Current liabilities			
Trade payables	13	857	196
Current tax liabilities	14	12	1
Other current liabilities		1	–
Total current liabilities		870	197
Total liabilities		870	197
Total equity and liabilities		52,585	3,823

Cash Flow Statement

EUR 1,000	Notes	30.06.2015	30.06.2014
Profit (loss) before taxes		(1,811)	(2,248)
Income taxes (paid) reimbursed		1,111	538
Depreciation and amortization	8	3	5
		(697)	(1,705)
Change in trade payables		661	(30)
Change in other receivables and other assets		105	(101)
Change in other current liabilities		1	-
Change in current tax liabilities		11	(1)
Cash flows from operating activities		81	(1,837)
Investments in other intangible assets	8	(84)	–
Investments in financial assets available for sale	9	–	(1,444)
Disposal of financial assets available for sales	9	1,444	–
Cash flows from investing activities		1,360	(1,444)
Share capital increase	12	49,900	–
Cash flows from financing activities		49,900	–
Net increase/(decrease) in cash and cash equivalents		51,341	(3,281)
Cash and cash equivalents at the beginning of the period	11	840	5,917
Cash and cash equivalents at the end of the period		52,181	2,636
Cash at hand		–	–
Bank accounts		52,181	2,636
Total cash and cash equivalents at the end of the period	11	52,181	2,636

Statement of Changes in Equity

EUR 1,000	*Number of Quota (n)*	Quota capital	Share premium	Extraordinary reserve	Available for sale financial assets reserve	Retained earnings	Total
Net equity as at 1 January 2014	*100,000*	100	–	*7,542*	–	(1,240)	6,402
Total comprehensive income for the period						(1,630)	(1,630)
Net equity as at 30 June 2014	*100,000*	100	–	*7,542*	–	(2,870)	4,772
Net equity as at 1 January 2015	*100,000*	100	–	*7,542*	–	(4,016)	3,626
Share capital increase	*9,900,000*	9,900	40,000				49,900
Retained earnings reclassification				(4,016)		4,016	–
Total comprehensive income for the period						(1,811)	(1,811)
Net equity as at 30 June 2015	*10,000,000*	10,000	40,000	3,526	–	(1,811)	51,715

Explanatory notes

1 General information

1.1 The company and its core business

Cassiopea S.p.A. formerly Cosmo Dermatos S.r.l., ("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. Company's portfolio comprises four unencumbered clinical candidates, for which the Company own 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 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 anti-androgen for the topical treatment of acne;
- Breezula, which is being developed as the first anti-androgen 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 application 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).

1.2 Background

On 14 April 2015, Cosmo Dermatos S.r.l.'s quota-holders' meeting resolved:

- for the transformation of the Company into an S.p.A. (Joint Stock Corporation);
- for the change of the Company's name in Cassiopea;
- for the adoption of a new articles of association.
- for the adoption of a nominal value of EUR 1 per share;
- for the dematerialization of the shares;
- for the adoption of the corporate governance model called "monistic model";
- for the appointment of a new board of directors of the Company, the Management Control Committee and the Auditing Company

This resolution became effective on 29 April 2015, upon the publication of said deed in the Register of Enterprises of Milan.

On 27 May 2015, Cassiopea's shareholders' meeting resolved:

- for the adoption of the current Articles of Association;
- for a capital increase to a maximum of nominal €10,000,000 with the issue of 9,900,000 new shares reserved to the existing shareholders granting the Board of Directors all necessary powers and authority required for the implementation of such capital increase including share price determination and establishing the deadline for subscription rights in ten days from 27 May 2015;
- for the delegation to the Board of Directors to increase the capital by a nominal amount of € 500,000 by issuing 500,000 new common shares with a nominal value of €1 each to service an employee stock option plan ("ESOP") according to terms to be set by the Board of Directors after completion of the Offering (including the Over-Allotment Option);
- for the appointment of the new Board of Directors of the Company and the new Management Control Committee.

This resolution became effective on 9 June 2015, upon the publication of said deed in the Register of Enterprises of Milan and the capital increase was concluded on 5 June 2015 with the subscription of the 9,900,000 new shares of €1 each and with the contribution of EUR 9,900 thousand as capital and EUR 40,000 thousand as share premium.

2 Basis of preparation

These half year condensed financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). 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 2014 included in the Offering Memorandum, 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 2014 included in the Offering Memorandum as they provide an update of previously reported information. Operating results for the six months ended 30 June 2015 are not necessarily indicative of the results that may be expected for the year ending 31 December 2015. 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 presents 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.

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

The accounting policies adopted are consistent with those of the previous financial year, as no new IFRS or IFRIC interpretations that became effective on 1 January 2015 are relevant for the Group's operations.

Standards, amendments and interpretations effective from 1 January 2015 but not applicable to the Company

In November 2013, the IASB published narrow scope amendments to IAS 19 – Employee benefits entitled "Defined Benefit Plans: Employee Contributions". These amendments apply to contributions from employees or third parties to defined benefit plans in order to simplify their accounting in specific cases. The amendments are effective, retrospectively, for annual periods beginning on or after 1 July 2014 with earlier application permitted.

In December 2013, the IASB issued Annual Improvements to IFRSs 2010 – 2012 Cycle and Annual Improvements to IFRSs 2011 – 2013 Cycle. The most important topics addressed in these amendments are, among others, the definition of vesting conditions in IFRS 2 – Share-based payments, the disclosure on judgment used in the aggregation of operating segments in IFRS 8 – Operating Segments, the identification and disclosure of a related party transaction that arises when a management entity provides key management personnel service to a reporting entity in IAS 24 – Related Party disclosures, the extension of the exclusion from the scope of IFRS 3 – Business Combinations to all types of joint arrangements and to clarify the application of certain exceptions in IFRS 13 – Fair value Measurement. The improvements are effective for annual periods beginning on or after 1 January 2015.

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

At the date of these Interim Financial Statements, the IASB had not issued any new standards, amendments or interpretations. Reference should be made to the section – Accounting principles, amendments and interpretations not yet applicable and not early adopted by the Company – within the Financial Statements as at and for the years ended 31 December 2014, 31 December 2013 and 31 December 2012 for a detailed description of new standards not yet effective as of 30 June 2015.

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 over their useful lives.

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.

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at the end of each financial year.

All "regular way" purchases and sales of financial assets are recognized on the trade date, which is the date that the Company commits to purchase the asset.

Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are -measured at fair value, at the close of business on the balance sheet date, with unrealized gains or losses recognized directly in equity until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously recorded in equity is recognized in profit or loss.

The fair values of listed investments are based on current market prices. If the market for a financial asset is not active and for unlisted securities, the Company establishes fair values by using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option-pricing models refined to reflect the Company's specific circumstances.

At each balance sheet date, the Company assesses whether a financial asset or group of financial assets is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss.

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 analyzing 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.

Revenue and cost recognition

Revenue, income, costs and charges are recorded net of discounts and allowances.

Revenues from licensing contracts for non-refundable up-front fees, in situations where no further performance obligation exists, are recognized on the earlier of when payments are received or collection is assured. Up-front fees related to future performance obligations are either spread over the duration of such obligations or part of the revenue provisioned therefore. Where continuing significant involvement is required in the form of support, revenues are recognized over the relevant period.

Revenues from licensing contracts for milestones are recognized in the period the outcome can be estimated reliably, which is in general when the milestone is successfully achieved, which is determined when the funding party agrees that the required results stipulated in the agreement have been met.

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

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.

Until 31 December 2014, Cosmo Pharmaceuticals S.p.A. (now S.A.) and its Italian subsidiaries, including Cosmo Dermatos S.r.l., have elected to take part in the domestic tax consolidation program pursuant to Articles 117/129 of the Consolidated Income Tax Act (TUIR).

Cosmo Pharmaceuticals S.p.A. acts as the consolidating company in this program and calculates a single taxable base for the group of companies taking part, thereby enabling benefits to be realized from the offsetting of taxable income and tax losses in a single tax return. Each company participating in the consolidation transfers its taxable income or tax loss to the consolidating company. Cosmo Pharmaceuticals S.p.A. recognizes receivables from companies contributing taxable incomes, corresponding to the amount of IRES (corporate income tax) paid on its behalf. In the case of a company bringing a tax loss into the consolidation, Cosmo Pharmaceuticals S.p.A. recognizes a payable to that company for the amount of the loss actually set off at a group level.

Earnings per share (quota)

Until the transformation in S.p.A., the Company presents the basic and diluted earnings (loss) per theoretical quota, assumed equal to Euro 1. The basic earnings (loss) per quota is calculated by dividing the profit or loss attributable to holders of the Company quota by the weighted average of the number of quota for the financial year (assumed equal to the quota capital) outstanding.

4 Net operating expenses

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

EUR 1,000	30.06.2015	30.06.2014
Raw materials and consumables used	(49)	–
Personnel expenses	(39)	–
Outsourced preclinical and clinical trial costs	(1,620)	(1,475)
Other operating expenses	(672)	(782)
Depreciation and amortization	(3)	(5)
Total net operating expenses	(2,383)	(2,262)

Raw materials and consumables used

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

EUR 1,000	30.06.2015	30.06.2014
Purchase of laboratory supplies and materials for clinical trial	49	–
Total raw materials and consumables used	49	–

Personnel expenses

EUR 1,000	30.06.2015	30.06.2014
Salaries and wages	39	–
Total personnel expenses	39	–

As of 30 June 2014, the company had no full time equivalent employees. At the end of May 2015 the Company engaged the CEO, the Director of R&D and the Head of Program management. The company of the group of the major shareholders (Cosmo Pharmaceuticals S.A.) provides the services of the remaining member of the senior management, the services for research and development for preclinical and clinical trial and secretarial and accounting services.

The entire staff as at 30 June 2015 and 2014 is shown by category here below:

No. of people	30.06.2015	30.06.2014
Managers	3	–
Total number	3	–

Outsourced preclinical and clinical trial costs

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

EUR 1,000	30.06.2015	30.06.2014
CB-03-01 Winlevi®, CB-03-11 Breezula®	1,459	1,372
CB-06-01	74	103
CB-06-02	63	–
Other	24	–
Outsourced preclinical and clinical trials costs	1,620	1,475

In the periods ended 30 June 2015 and 30 June 2014 the Company has been charged by Cosmo S.p.A. (a subsidiary of Cosmo Pharmaceuticals S.A.) for an amount of EUR 242 thousand and EUR 430 thousand respectively, for research and development services for preclinical and clinical trial and related activities.

Other operating expenses

Other operating expenses comprises the following:

EUR 1,000	30.06.2015	30.06.2014
Service costs	671	782
Other operating costs	1	–
Total other operating expenses	672	782

"Service costs" mainly comprises costs for professional and consultancy services (i.e., scientific and administrative services).

In first six months 2014 it also includes EUR 720 thousand paid to BioMAS Ltd for the exclusive licence fee of the product CB-06-02 (see note 9 "Financial assets").

EUR 1,000	30.06.2015	30.06.2014
External consultancy services	301	39
Patent costs	106	16
Licence fee	–	720
Investor relations and web site maintenance	86	–
Utilities, telephone, internet	7	–
Insurance	9	–
Non executive directors	22	4
Auditing	58	–
Freight and customs	23	–
Travel expenses	18	–
External laboratory services	41	3
Total service costs	671	782

In the periods ended 30 June 2015 and 30 June 2014 the Company has been charged by Cosmo S.p.A. (a subsidiary of Cosmo Pharmaceuticals S.A.) for an amount of EUR 27 thousand and EUR 10 thousand respectively, for secretarial and accounting services included in External consultancy services.

Depreciation and amortization

The item comprises the following:

EUR 1,000	30.06.2015	30.06.2014
Amortization of other intangible assets	3	5
Total depreciation and amortization	3	5

5 Financial income/expenses

The item comprises the following:

EUR 1,000	30.06.2015	30.06.2014
Financial income:		
Other	582	22
Total financial income	582	22
Financial expenses:		
Other	10	8
Total financial expenses	10	8
Financial income (expense), net	572	14

Other financial income as at 30 June 2015 includes EUR 577 thousand for foreign exchange differences (EUR 4 thousand in H1 2014) and EUR 5 thousand for interests received on cash and cash equivalents (EUR 18 thousand in H1 2014); financial expenses mainly includes foreign exchange differences.

6 Income tax expenses

The item comprises the following:

EUR 1,000	30.06.2015	30.06.2014
Income tax I.R.E.S.	–	(618)
Income tax I.R.A.P.	–	–
Current income tax	–	(618)
Deferred tax	–	–
Total income tax expenses	–	(618)

Until 31 December 2014, the Company has taken part to the Italian domestic tax consolidation program of the parent company Cosmo Pharmaceuticals S.p.A., pursuant to Articles 117/129 of the Consolidated Income Tax Act (TUIR): as at 31 December 2014, the Company has brought a tax loss into the consolidation, and for this reason in the first six months 2014 is accounted positive income tax.

On the loss for the first six months 2015, no deferred tax assets has been recognised 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 (quota)

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

	30.06.2015	30.06.2014 Adjusted*	30.06.2014
Net profit (loss) attributable to Shareholders (Quotaholders) (in EUR 1,000)	(1,811)	(1,630)	(1,630)
Weighted average number shares (quota)	1,522,099	1,522,099	100,000
Basic earnings (loss) per share (quota) (in EUR)	(1.190)	(1.071)	(16.300)

*retrospectively adjusted to reflect April 2015 capital increase

Because there are no dilutive events, basic and diluted earnings/loss per share (quota) correspond in the two periods.

8 Other intangible assets

"Patents and rights" refers to the costs for filing and extension of patents owned by the Company:

EUR 1,000	Patents and rights	Total
Net book value as at 31 December 2013	11	11
Additions of the year	–	–
Amortization charge for the period	(5)	(5)
Net book value as at 31 March 2014	6	6
Net book value as at 31 December 2014	19	19
Additions of the period	84	84
Amortization charge for the period	(3)	(3)
Net book value as at 30 June 2015	100	100

9 Financial assets

The item comprises the following:

EUR 1,000	30.06.2015	31.12.2014
Financial assets available for sale- BioMas shares	–	1,444
Non current financial assets	–	1,444

On 11 March 2014, the Company acquired an interest corresponding to 17.24% of the capital of BioMAS Ltd (Israel), via new shares issued in conjunction with a capital increase. BioMAS Ltd, is an Israeli company focused on the development of Tellurium for therapeutic applications. The total amount paid amounted to EUR 1,444 thousand. At the same time the Company got the worldwide license for all topical applications of their main product CB-06-02 (see note 4, "Net operating expenses").

The investment in BioMAS has been sold to a company of Cosmo Pharmaceuticals Group in May 2015 for proceeds equal to the carrying amount of EUR 1,444 thousand.

10 Other receivables and other assets

The item comprises the following:

EUR 1,000	30.06.2015	31.12.2014
Receivables from parent company for income taxes	–	1,112
VAT receivables	286	381
Prepaid expenses	–	27
Other prepaid	17	–
Total other receivables and other assets	303	1,520

Until 31 December 2014, the Company has taken part to the Italian domestic tax consolidation program pursuant to Articles 117/129 of the Consolidated Income Tax Act (TUIR): as at 31 December 2014 the Company has brought a tax loss into the consolidation, and for this reason Cosmo Pharmaceuticals S.p.A. recognizes a payable to the Company for the amount of the loss set off at a group level.

11 Cash and cash equivalents

The item comprises the following:

EUR 1,000	30.06.2015	31.12.2014
Cash at hand	–	–
Bank accounts	52,181	840
Total cash and cash equivalents	52,181	840

"Bank accounts" include availability on current bank accounts and short-term "time deposit" bank contracts.

Part of the availability are held in USD and in particular as at 30 June 2015 the amount include USD 54,832 thousand equal to EUR 49,005 thousand at 30 June 2015 f/x.

12 Total share (quota) holders' equity

The item comprises the following:

EUR 1,000	30.06.2015	31.12.2014
Share (Quota) capital	10,000	100
Share premium	40,000	–
Extraordinary reserve	3,526	7,542
Available for sale financial assets reserve	–	–
Retained earnings	–	(1,240)
Profit/(Loss) for the period	(1,811)	(2,776)
Total Equity	51,715	3,626

Share capital

As at 30 June 2015, 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

As at 30 June 2015, "Share premium" of EUR 40,000 thousand refers to the proceeds from April 2015 capital increase.

Extraordinary reserve

As at 30 June 2015, "Extraordinary reserve" of EUR 3,526 thousand refers to the initial amount of EUR 7,542 thousand originated in 2013 with the incorporation of the Company following the demerger from Cosmo S.p.A., net of the losses of the following period.

13 Trade payables

The item comprises the following:

EUR 1,000	30.06.2015	31.12.2014
Trade payables	529	166
Trade payables group company	328	30
Total trade payables	857	196

14 Current tax liabilities

The item comprises the following:

EUR 1,000	30.06.2015	31.12.2014
Withholding tax for consultants	12	1
Total current tax liabilities	12	1

15 Related-parties transactions

Related parties transactions are carried out on an arm's-length basis.

In the periods ended 30 June 2015 and 30 June 2014 the Company has been charged by Cosmo S.p.A. (a subsidiary of Cosmo Pharmaceuticals S.A.) for an amount of EUR 242 thousand and EUR 430 thousand respectively, for research and development services for preclinical and clinical trial and related activities and for an amount of EUR 27 thousand and EUR 10 thousand respectively, for secretarial and accounting services.

In May 2015 the investment in BioMAS has been sold to a company of Cosmo Pharmaceuticals Group for proceeds equal to the carrying amount of EUR 1,444 thousand.

16 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) in active markets for identical assets and liabilities that the Group 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

This table shows the comparison of fair values versus carrying amounts of financial assets and liabilities, as required by IFRS 7.

	As at 30 June 2015		As at 31 December 2014	
EUR 1,000	Carrying amount	Fair value	Carrying amount	Fair value
Non current financial assets	–	–	1,444	1,444
	–	–	1,444	1,444

The following table shows the fair value hierarchy for financial assets that are measured at fair value on a recurring basis at 30 June 2015 and 31 December 2014:

	As at 30 June 2015				As at 31 December 2014			
EUR 1,000	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Non current financial assets								
Financial assets available for sale – BioMas shares	–	–	–	–	–	–	1,444	1,444
Total	–	–	–	–	–	–	1,444	1,444

The fair values of the BioMAS shares are determined through a market approach measurement that uses prices and other relevant information generated by market transactions involving identical or comparable investments, in particular for the measurement of the fair value the Company has adopted valuation techniques derived from a set of comparable transactions in dermatology area.

The following table provides a reconciliation from the opening balances to the closing balances for fair value measurements categorized in Level 3 in 2015 and in 2014:

EUR 1,000	**Non current financial assets**
As at 31 December 2014	1,444
(Gains)/Losses recognized in Income statement	–
Gains/(Losses) recognized in Other comprehensive income/losses	–
Disposal/Settlements	(1,444)
As at 30 June 2015	–

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 required by IFRS 7.

	As at 30 June 2015		**As at 31 December 2014**	
EUR 1,000	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Other receivables and other assets(*)	303	303	1,520	1,520
Cash and cash equivalents	52,181	52,181	840	840
Trade payables	(857)	(857)	(196)	(196)
Other current liabilities(*)	(1)	(1)	–	–
	51,626	51,626	2,164	2,164
Unrecognised (loss) gain		–		–

* only financial assets/liabilities

For financial instruments represented by Other receivables and other assets, Trade payables and Other current liabilities, for which the present value of future cash flows also taking into account the credit risk of the counterparties, does not differ significantly from carrying value, we assume that carrying value is a reasonable approximation of the fair value.

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

17. Subsequent events

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 1 July 2015, first date of trading, was equal to CHF 373,000,000.00

Lainate, 23 September 2015

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	30.06.2015
Total equity	51,715
Share capital	10,000
Reserves	43,526
Profit (Loss) for the period	(1,811)
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 SA.	4,508,987	45.09%
Cosmo Holding S.r.l	753,445	7.53%

Share price data

CHF	Price	Date
Pricing secondary public offering	34.00	30.06.2015
First trading date close	37.30	01.07.2015
Market capitalization (in CHF million)	373.00	01.07.2015

Share earnings

EUR	30.06.2015
Basic earnings (loss) per share	(1.190)

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

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Calendar

Key reporting dates

Annual Report – April 2016

Upcoming conferences

Investora

Zurich, 1 October, 2015

Jefferies' 2015 Global Healthcare Conference

London, 18 – 19 November 2015

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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