COSMO Pharmaceuticals

HALF-YEAR REPORT 2019

CONTENTS

Certain Defined Terms

In this report, unless otherwise specified, the terms "we", "our", "us", "the Company", "the Group" and "Cosmo" refer to Cosmo Pharmaceuticals N.V., together with its subsidiaries, or any one or more of them, as the context may require.

Forward looking Statements

This report contains certain "forward-looking statements". These forward-looking statements may include terms such as "may," "will," "expect," "could," "should," "intend," "estimate," "anticipate," "believe," "remain," "target," "objective," "goal," "forecast," "projection," "outlook," "plan" 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. Cosmo 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.

HIGHLIGHTS

- Aemcolo™ commercial plans based on direct marketing strategy progressed with launch to take place starting from end of July 2019.
- Revolutionary artificial intelligence product for the detection of lesions during colonoscopy unveiled and subsequent worldwide validation deal entered into with Medtronic.
- Collaboration agreement entered into with Medtronic in the artificial intelligence field.
- Eleview® distribution agreement entered into with Medtronic for USA, China and South America.
- Investigational New Drug (IND) for new chemical entity CB-03-10 for new oncologic product accepted by the FDA.
- ByFavo™ (remimazolam) NDA accepted by the FDA.
- Aries restructuring completed, savings of c. €20m expected in 2019.
- Very positive results of Breezula® full phase II clinical trial announced by our associate Cassiopea.
- Aemcolo™ phase II proof of concept study in IBS-D progressed.
- Health Canada approved Eleview® which will be commercialised by Pharmascience under an existing licence and supply agreement.

KEY FIGURES

Consolidated income statement

EUR 1,000	H1 2019	H1 2018
Revenue	**21,507**	**36,660**
Other income	277	240
Cost of sales	(11,029)	(10,714)
Research and development costs	(7,667)	(4,459)
Selling, general and administrative costs	(20,289)	(28,938)
Net operating expenses	**(38,708)**	**(43,871)**
Operating loss	**(17,201)**	**(7,211)**
Net financial income/expenses	(2,600)	4,823
Share of result of associates	(2,818)	(2,895)
Loss before taxes	**(22,619)**	**(5,283)**
Loss after taxes for the period	**(20,782)**	**(7,789)**

Earnings per share

	H1 2019	H1 2018
Weighted average number of shares	14,715,110	15,033,234
Earnings per share (in EUR)	(1.407)	(0.518)

Consolidated statement of financial position

EUR 1,000	30-June-19	31-Dec-18
Non-current assets	243,103	251,519
Cash and cash equivalents	158,406	210,689
Other current assets	193,222	163,478
Liabilities	190,369	180,832
Equity attributable to owners of the Company	404,362	443,760
Equity ratio (in %)	68.0%	71.1%

DIRECTORS' REPORT

Mauro S. Ajani
Chairman

Alessandro Della Chà
CEO

Dear Shareholder

In the first half of this year we took a number of key steps. Following the delay of Methylene Blue MMX we have simultaneously: a) reduced our U.S. cost base significantly; b) announced new interesting product opportunities (GI Genius and CB-03-10); c) closed important deals with Medtronic; d) shifted strategy for our medical devices and for the Aemcolo™ launch. In doing so, we are not expecting significant results this year, but rather to lay the foundations of things to come. GI Genius has just started sales in the EU, but the main goal is to have it approved in H1 2020 in the US, Aemcolo™ will be launched at the end of July and Eleview® will re-start the US sales with Medtronic in August. This is why 2019 is a transition year for Cosmo and our financials are and will be just a reflection of that.

Methylene Blue MMX

In February we announced the filing of a Marketing Authorisation Application for Methylene Blue MMX 200mg tablets with the European Medicines Agency. Disappointingly, in March the FDA, while stating that the completed phase II trial had been successful and statistically significant, denied our last appeal in relation to their non-approval of the NDA and requested a phase III confirmatory trial. We decided not to pursue further appeals and will immediately start the confirmatory phase III trial upon agreement with the Agency on the new trial design.

Revolutionary Artificial Intelligence Device

In April we announced our revolutionary artificial intelligence device for the detection of lesions during colonoscopy. We started the development of this device several years ago leveraging on our proprietary library of high definition lossless colonoscopy videos gathered during the clinical trials for Methylene Blue MMX, the procedures during these trials were performed by some of the worlds leading endoscopists in the World with an average ADR of 47% in white light. The dataset frozen at September 2018 for regulatory approval is hundreds of thousands of images of lesions and polyps recorded in white light during endoscopies performed in Europe, U.S. and Asia. Colorectal cancer is a leading cause of cancer related deaths worldwide and the device provides real-time automatic polyp detection assisting the endoscopist during the colonoscopy procedure. It has been extensively tested and has already obtained the CE mark in Europe while the FDA regulatory pathway is ongoing. We have partnered with Medtronic, the leader in medical technology, to bring this product to global markets. We are very excited that Medtronic and Cosmo will work together on this product and we are convinced that this device will lead to improved clinical outcomes and will save lives. We expect sales in Europe to commence in the second half of 2019 and sales in the U.S. to begin in 2020 subject to FDA approval.

Aemcolo™ – Direct Marketing Strategy

Aemcolo™, which was approved by the FDA in November 2018, enjoys marketing exclusivity until 2028 with Qualified Infectious Disease Product and New Chemical Entity designations. Each year 46 million Americans travel to at-risk countries where the International Society of Travel Medicine recommend bringing an antibiotic with them. We will pursue a direct marketing strategy which entails a more straightforward sales and distribution model and removes the need for a large field-based sales infrastructure. We have partnered with Ogilvy Health, an experienced marketing partner and UpScriptHealth, the U.S. leader in telemedicine services offering end to end solutions.

FDA acceptance of CB-03-10 IND application

In May we announced that the FDA had accepted the IND application for our new chemical entity CB-03-10 with androgen receptor (AR) and glucocorticoid receptor (GR) antagonist properties. CB-03-10 has been shown to provide tumour growth suppression through the induction of both extrinsic and intrinsic apoptotic pathways via inhibition of the AR and GR. The acceptance of the IND application by the FDA enables us to initiate a phase I clinical trial in tumour bearing patients to evaluate safety, pharmacokinetics and pharmacodynamic activity.

We believe that CB-03-10 is a very promising compound with exceptional qualities which we intend to partner having completed the phase I trial.

Eleview®

In May we announced that we had entered into a new exclusive supply and distribution agreement for Eleview® with Medtronic for the USA, China and South America having terminated by mutual consent the co-marketing agreement with Olympus. In June, Health Canada approved Eleview® which will be commercialised in Canada under an existing agreement with Pharmascience. We expect U.S. sales by Medtronic to start soon.

Aries Restructuring

We have completed the restructuring of our Aries operation and as a result we expect to achieve savings of approx. €20m in the current year.

ByFavo™ (remimazolam)

In June the FDA accepted the NDA filing of ByFavo™ (remimazolam) for review.

Financial Performance H1 FY19

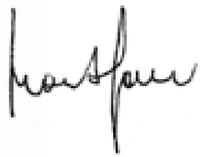
In H1 our revenues were €21.5m, net operating expenses were €38.7m and our operating loss was €17.2m. Net financial expenses were €2.6m and our loss for the period was €20.8m.

Key priorities for second half of 2019 and beyond

Our primary focus for the remainder of 2019 and beyond will be to launch Aemcolo™ in the U.S., pursue regulatory approval for our artificial intelligence device in the U.S. with the FDA, reach agreement with the FDA in relation to a confirmatory Phase III trial for Methylene Blue MMX and commence the trial, progress the tasks to bring ByFavo™ to market, progress our Aemcolo™ Phase II IBS-D trial and progress our product pipeline. 2020 will be a pivotal year for us when we expect to return to profitability.

We thank you our shareholders for your continued support, our employees for their continued hard work and professionalism and our Board of Directors for their advice and oversight and we look forward to updating you on Cosmo's developments.

Dublin, Ireland, 29 July 2019



Mauro S. Ajani
Chairman

Alessandro Della Chà
CEO

Income Statement

EUR 1,000	H1 2019	H1 2018
Revenue	**21,507**	**36,660**
Net operating expenses	(38,708)	(43,871)
Operating loss	**(17,201)**	**(7,211)**
Net financial (expense)/income	(2,600)	4,823
Share of result of associate	(2,818)	(2,895)
Loss before taxes	**(22,619)**	**(5,283)**
Income tax	1,837	(2,506)
Loss for the period	**(20,782)**	**(7,789)**

- First-half revenue decreased year over year by 41.3% to €21,507 thousand (H1 2018: €36,660 thousand).
- Net operating expenses reduced by 11.8% to €38,708 thousand (H1 2018: €43,871 thousand).
- Net financial expense was €2,600 thousand compared to net financial income of €4,823 thousand in the prior year.
- Share of result of associate relates to the Company's 45.09% stake in Cassiopea. Cassiopea continues to develop its projects but has not generated any revenue yet.

Revenue

EUR 1,000	H1 2019	% of revenue	H1 2018	% of revenue
Manufacturing on behalf of third parties:				
Manufacturing of generic products and speciality drugs	3,555	16.5	4,078	11.1
Manufacturing of MMX products	10,379	48.3	15,899	43.4
Related services	789	3.7	520	1.4
Other revenues from sales	765	3.6	120	0.3
Marketed products – Eleview®	1,042	4.8	2,761	7.5
Licence fees, up-front fees and milestones	177	0.8	3,705	10.1
Royalties	4,800	22.3	9,577	26.1
Total revenue	**21,507**	**100.0**	**36,660**	**100.0**

Manufacturing on behalf of third parties

- Uceris® manufacturing revenues reduced by 52.1% to €2,843 thousand (H1 2018: €5,936 thousand) as a result of the launch of a generic version of Uceris® in July 2018.
- Cortiment manufacturing revenue reduced to €230 thousand (H1 2018: €303 thousand).
- Lialda®/Mezavant®/Mesavancol® manufacturing revenue decreased by 24.2% to €7,306 thousand (H1 2018 €9,660 thousand) mainly due to a reduction in Shire purchase orders for Lialda® as a result of the launch of a Lialda® generic product in the U.S. market partially offset by an increase in revenue related to Japan.

Marketed products – Eleview®

- Eleview® income was €1,042 thousand (H1 2018: €2,761 thousand), in H1 the co-marketing agreement with Olympus was terminated and a new exclusive agreement was entered into with Medtronic for the U.S., China and South America.

Licence fees, up-front fees and milestones

- The prior period included CAD$5,000 thousand (€3,205 thousand) from Pharmascience and a milestone fee of €500 thousand for Rifamycin SV MMX.

Royalties

- Income from royalties reduced by 49.9% to €4,800 thousand (H1 2018: €9,577 thousand).
- Uceris® royalty income reduced by 75.7% to €1,726 thousand (H1 2018: €7,110 thousand) due to the launch of a generic version of Uceris® in July 2018.
- Cortiment® royalty income was up 5.7% to €1,608 thousand (H1 2018 €1,521 thousand). In H1 2019 net sales by Ferring were €7.7 million (H1 2018: €7.2 million).
- Mesavancol® royalty income increased by 55.2% to €1,442 thousand (H1 2018 €929 thousand) due to an increase in income related to Japan.

Net operating expenses

EUR 1,000	H1 2019	% of revenue	H1 2018	% of revenue
Other income	277	1.3	240	0.7
Cost of sales	(11,029)	(51.3)	(10,714)	(29.2)
Research and development costs	(7,667)	(35.6)	(4,459)	(12.2)
Selling, general and administrative costs	(20,289)	(94.3)	(28,938)	(78.9)
Total net operating expenses	**(38,708)**	**(180.0)**	**(43,871)**	**(119.7)**

Operating expenses as per nature

EUR 1,000	H1 2019	% of revenue	H1 2018	% of revenue
Other income	277	1.3	240	0.7
Changes in inventories of finished goods and WIP	228	1.1	157	0.4
Raw materials and consumables used	(3,418)	(15.9)	(3,128)	(8.5)
Personnel expenses	(21,040)	(97.8)	(19,824)	(54.1)
Outsourced preclinical and clinical trial costs	(1,538)	(7.2)	(771)	(2.1)
Other operating expenses	(10,609)	(49.3)	(18,482)	(50.4)
Depreciation and amortisation	(2,608)	(12.1)	(2,063)	(5.6)
Total net operating expenses	**(38,708)**	**(180.0)**	**(43,871)**	**(119.7)**

Other Income

Other income includes a tax credit for research and development costs of €240 thousand (H1 2018: €164 thousand) and rental income of €37 thousand (H1 2018: €33 thousand) relating to the sublease of laboratory space in the Group's research and development subsidiary in the U.S.

Raw materials and consumables used

Expenditure on raw materials and consumables used increased to €3,418 thousand (H1 2018: €3,128 thousand).

Personnel expenses

Personnel expenses increased by €1,216 thousand to €21,040 thousand. A reduction in personnel expenses in our U.S. organisation was offset by an increase in Cosmo Pharmaceuticals N.V. ESOP costs and the addition of Linkverse personnel.

The number of Employees as at 30 June 2018 by function was as follows:

EUR 1,000	H1 2019	% of total	H1 2018	% of total
Research & Development	68	27.8	40	13.7
Production & Logistics	133	54.2	135	46.4
Selling, General, Adm. & Finance, IT and others	44	18.0	116	39.9
Total	**245**	**100.0**	**291**	**100.0**

Outsourced preclinical and clinical trial costs

Clinical trial costs relate largely to our Aemcolo™ phase II trial for IBS-D and other pre-clinical stage trials.

Other operating expenses

Other operating expenses reduced by €7,873 thousand to €10,609 thousand following the restructuring of our U.S. organisation.

Depreciation and amortisation

Depreciation of property plant and equipment relates mainly to the manufacturing facility, laboratories and property in Lainate. Amortisation of other intangible assets primarily relates to amortisation of patents and rights.

Financial income and expenses

EUR 1,000	H1 2019	H1 2018
Financial income:	3,094	6,116
Financial expenses:	(5,694)	(1,293)
Net financial income/(expense)	**(2,600)**	**4,823**

Financial income mainly includes gains on investments in funds of €1,865 thousand (H1 2018: €5 thousand), foreign exchange gains €692 thousand (H1 2018: €3,867 thousand) and interest received on cash, cash equivalents and interest received on listed bonds and securities of €440 thousand (H1 2018: €1,431 thousand).

Financial expenses of €5,694 thousand (H1 2018: €1,293 thousand) mainly relate to interest on the convertible bond of €4,054 thousand (H1 2018: Nil), losses on the sale of listed bonds and securities of €682 thousand (H1 2018: €695 thousand) and foreign exchange losses of €490 thousand (H1 2018: €378 thousand).

Assets

Non-current assets

EUR 1,000	30–Jun–19	31–Dec–18
Property, plant and equipment	31,763	28,616
Goodwill	1,439	1,439
Other intangible assets	47,316	35,524
Investments in associates	127,681	130,402
Financial assets	16,665	41,855
Deferred tax assets	14,064	11,724
Other non-current receivables	4,175	1,959
Total non-current assets	**243,103**	**251,519**

- Property, plant and equipment primarily consists of the real estate property in Lainate (industrial plant, laboratories and offices), inclusive of surrounding land and of the equipment in the plant that is used for the manufacturing of MMX tablets.

Other intangible assets as at 30 June 2019 consist of:
- Patents and rights of €3,993 thousand (2018: €3,866 thousand).
  Capitalised ByFavo™ (remimazolam) license costs of €17,500 thousand (2018: €10,000 thousand) in relation to the license agreement signed with PAION AG.
- Capitalised development costs of €25,718 thousand (2018: €21,563 thousand).
- Assets under construction of €105 thousand (2018: €95 thousand).

Capitalised development costs of €25,718 thousand consist of:
- Methylene Blue MMX (CB-17-01) €10,715 thousand (2018: €9,835 thousand).
- Aemcolo™ (CB-01-11) €8,037 thousand (2018: €7,540 thousand).
- Eleview® (CB-17-04) €1,465 thousand (2018: €1,512 thousand).
- ByFavo™ (remimazolam) (CB-07-01) €5,501 thousand (2018: €2,676 thousand).

The development projects are progressing in line with the technical and economic plan and after review, Management confirm the recoverability of the relevant capitalised costs, based on probable future economic benefits.

Investment in associates relates to the Group's 45.09% interest in Cassiopea S.p.A. and financial assets relate to the Group's current bond investments in funds and equity investments.

Current assets

EUR 1,000	30–Jun–19	31–Dec–18
Inventories	6,964	3,937
Trade receivables	10,336	12,762
Current tax assets	5,312	5,231
Other receivables and other assets	5,030	2,801
Current financial assets	165,580	138,747
Cash and cash equivalents	158,406	210,689
Total current assets	**351,628**	**374,167**

Current financial assets of €165,580 thousand relate to the current element of our investment portfolio in international funds.

Equity and liabilities

EUR 1,000	30–Jun–19	31–Dec–18
Share capital	3,910	3,910
Share premium	84,448	84,448
Other reserves	47,845	47,845
Treasury shares	(35,526)	(18,353)
Stock option plan reserve	18,957	19,299
Fair value reserve	1,380	(56)
Equity component of convertible bond	7,011	7,011
Employee benefits actuarial gains/losses reserve	(175)	(163)
Currency translation reserve	448	(197)
Retained earnings	296,846	318,023
Loss for the period	(20,782)	(18,007)
Equity attributable to owners of the company	**404,362**	**443,760**
Non-controlling interests	–	1,094
Total equity	**404,362**	**444,854**

As at 30 June 2019, Cosmo Pharmaceuticals had 15,037,483 (2018: 15,037,483) shares issued, fully subscribed and paid up, each share with a nominal value of €0.26.

As at 30 June 2019, the number of treasury shares held was 413,984 of which 212,214 were purchased during H1 2019 at an average purchase price of CHF 91.38 per share.

Non-current liabilities

EUR 1,000	30–Jun–19	31–Dec–18
Interest-bearing loans and borrowings	162,120	157,623
Employee benefits	347	365
Deferred tax liabilities	8,234	7,499
Other non-current liabilities	3,254	–
Total non-current liabilities	**173,955**	**165,487**

Current liabilities

EUR 1,000	30–Jun–19	31–Dec–18
Interest-bearing loans and borrowings	1,552	527
Trade payables	7,916	8,806
Current tax liabilities	320	424
Other current liabilities	6,626	5,588
Total current liabilities	**16,414**	**15,345**

As at 30 June 2019 current liabilities were €16,414 thousand (2018: €15,345 thousand) and include trade payables of €7,916 thousand (2018: €8,806 thousand), other current liabilities of €6,626 thousand (2018: €5,588 thousand), interest bearing loans and borrowings of €1,552 thousand (2018: €527 thousand) and current tax liabilities of €320 thousand (2018: €424 thousand).

Other current liabilities mainly include payables to employees related to accruals of deferred pay elements, calculated on the basis of the collective labour agreements currently in force.

Cashflow

EUR 1,000	H1 2019	H1 2018
Loss for the period before tax	**(22,619)**	**(5,283)**
Adjustment for non-monetary item	11,613	5,748
Change in net working capital	(4,919)	(7,422)
Income taxes refunded/(paid)	436	(3,961)
Cash flows from operating activities	**(15,489)**	**(10,918)**
Cash flows from investing activities	**(14,468)**	**(48,256)**
Cash flows from financing activities	**(23,177)**	**(3,661)**
Net decrease in cash and cash equivalents	**(53,134)**	**(62,835)**
Cash and cash equivalents at the beginning of the year	**210,689**	**144,944**
Unrealised foreign exchange gain on cash and cash equivalents	**851**	**2,234**
Total cash and cash equivalents at the end of the year	**158,406**	**84,343**

The net outflow from operating activities was €15,489 thousand (H1 2018: €10,918 thousand). Working capital outflows during the period were €4,919 thousand (H1 2018: €7,422 thousand). Income taxes of €436 thousand were refunded in the period compared to income taxes paid of €3,961 thousand in H1 2018.

Cash outflows from investing activities of €14,468 thousand (H1 2018: €48,256 thousand) include €12,236 thousand (H1 2018: €3,197 thousand) relating to investments in intangible assets, €1,244 thousand (H1 2018: €1,011 thousand) relating to investment in property, plant and equipment and loan to Cassiopea €2,000 thousand (H1 2018: Nil). Interest of €511 thousand (H1 2018: €1,545 thousand) was received in the period.

Net outflows related to financing activities of €23,177 thousand (H1 2018: €3,661 thousand) includes an outflow of €17,173 thousand (H1 2018: €3,449 thousand) relating to the purchase of treasury shares. There was an outflow of €3,000 thousand (H1 2018: Nil) relating to the purchase of the remaining 40% minority shareholding in Linkverse and the 1st contingent consideration payment made under the terms of the acquisition. Interest paid of €2,297 thousand (H1 2018: Nil) primarily relates to the coupon on the convertible bond.

No dividends were paid during the period.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is responsible for determining Cosmo's risk tolerance and for ensuring that systems of risk management and internal control are in place. To this end the Board has implemented a comprehensive risk management framework in order to assure that the internal processes are adequate, the financial reporting is reliable, the assets of the Company are protected and all laws and regulations are complied with.

The Group's risk management framework is designed to identify, evaluate and mitigate risks. Risks identified through our risk management framework are categorised, prioritised and assigned to a separate person who is required to continually monitor, evaluate and report on the risk(s) for which they are responsible.

Risks are classified into risks that can be managed by appropriate in-house action or risks that cannot be managed by internal action. All the risks that cannot be met by internal action are then split into risks that can be insured and those that cannot be reasonably insured and must be borne as business risks.

Risk Factors

The following sets out certain important risk factors associated with the business that have been identified through the Company's risk management and control systems.

STRATEGIC RISKS

Strategic risk relates to the Company's future business plans and strategies and includes risks associated with the environment in which we operate, intellectual property and risks including the demand for our products, competitive threats, information technology and public policy.

Generic Competition and Intellectual property rights

All Pharmaceutical companies face generic competition when their products lose patent or other intellectual property protection. The Company takes active measures to protect its patents, trademarks and other intellectual property and to extend product life cycles. The Company has a dedicated patent department headed by its Chief Patent Counsel which manages its intellectual property assets and supported with the services of specialist intellectual property law firms based in the countries where we primarily operate.

Research and Development and new product development

The future growth of our business is dependent on our ability to develop new products that address unmet medical needs and are accepted by patients and physicians. New products must also be reimbursed by payers. The process to develop new products is costly and can take considerable time. At each stage in the development of new products obstacles may be encountered. There is no guarantee that clinical endpoints will be attained or regulatory approval obtained forcing us to abandon a product.

The Company has a demonstrated track record of successfully concluding clinical trials and developing products which meet unmet clinical needs. The unique characteristics of our MMX® technology has enabled us to develop new products using chemical entities that are already on the market. We initially focused on Inflammatory Bowel Disease but our most recent products have been developed by focusing on unmet needs in the treatment of colon diseases and we believe that this provides ample new product development opportunity. Where possible we seek to improve the safety profile, efficacy or make more patient or user-friendly molecules that are already on the market in order to reduce new product development risk.

Commercial success of our products

The Company ability to grow depends on the commercial success of our products. The success of our products could be impacted by several factors beyond our control including new competing products, pricing pressures, loss of intellectual property protection and changes in physician prescribing habits. Where we license our products to partners we rely on them to market, sell and distribute our products. In future where we choose to sell our products directly into selected markets the timing and rate of commercial acceptance or our products cannot be guaranteed. Should we fail to achieve our commercial goals or fail to do so within the time frame we have set ourselves it could have a material adverse impact on result of operations, our business or our financial condition.

Pricing and reimbursement

The commercial success of our products depends on our ability and the ability of our partners to establish appropriate reimbursement for our products. Across the world, governments and payers continue to seek ways to reduce expenditure in the face of rising healthcare costs.

We believe that our focus on quality and on developing products which improve clinical outcomes and patient safety positions us to achieve the appropriate reimbursement for our products.

OPERATIONAL RISKS

Operational risks are those which relate to our systems, people, processes and external events which affect our business and include manufacturing, supply chain, product safety and performance, information management and data protection and security, human resources and reputation.

Manufacturing of finished products and supply of raw materials

Any issue with our manufacturing processes could have serious consequences for the health of patients and damage our reputation. Our manufacturing facilities are subject to strict regulatory requirements. If we fail to meet our regulatory requirements there is a risk that we would have to temporarily suspend or cease production. Any interruption to the supply chain of our raw materials could impair the supply of our products and consequently damage sales. The manufacturing process at the Company's manufacturing facility in Lainate, Milan is controlled with respect to raw materials, process parameters and final product quality. The controls are in accordance with procedures which comply with the provisions of Good Manufacturing Practices (GMP). The FDA has certified the Company for the production of Lialda® and Uceris® tablets for the U.S. market.

Continuity of Supply

The supply chain for our products is subject to regulatory requirements. Any failure on our part, or failure on the part of our partners, to meet supply chain regulatory requirements could disrupt the supply chain and result in product shortages and loss of revenue.

IT security, data and information systems

We are dependent on information technology infrastructure and systems. The loss of sensitive or confidential information and /or other security breaches or data leakages could have an adverse effect on our financial position or financial results. Our use of IT systems at times involves gathering personal information relating to patients, customers, vendors, employees and others. A breach of our systems or any other failure to protect personal information held on our systems could expose the personal information to unauthorised persons. Any such breach could result in liability and reputational damage.

The Company has committed and continues to commit significant management focus and resources to the protection of its data and information technology systems.

Human Resources

The Company relies on recruiting and retaining highly skilled employees to meet its strategic objectives. The Company faces competition for highly qualified personnel from other companies and organisations and the supply of people with the necessary skills may be limited. If the Company is unable to retain key individuals or recruit new employees with the necessary skills and experience the implementation of the Company's strategic objectives could be adversely impacted and as a consequence the Company's financial performance or financial position could be adversely impacted. The Company seeks to ensure that remuneration packages are competitive with the market and has an ESOP and a bonus scheme in place for management and an Employee Incentive Plan for other employees.

FINANCIAL RISKS

The Group is exposed to various financial risks in normal course of business. The principle financial risks to which it is exposed include credit risks related to the creditworthiness of its customers and counterparties of investment portfolio, with which it invests surplus cash funds, liquidity risks associated with the availability of sufficient capital resources, foreign currency risks, including both translation and transaction risk, and interest rate risk.

The Group measures and manages financial risks in accordance with Group Policy. The Board of Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identity and analyse the risks faced by the Group, to set appropriate risk limits, controls and to monitor risks and adherence limit. The Audit Committee of the Board periodically reviews the policies and adequacy of the risk management framework in regards to the risk faced by the Group.

Credit Risk

The Group has a credit risk exposure in respect of the creditworthiness of its customers. The Group has series of long-standing customers and has established on-going monitoring for risk of credit deterioration. Credit risk for new customers is managed by ensuring strict credit procedures. For instance, in the event where a new customer credit rating is not available, the customer is required to provide bank reference. If the Company is unable to reach sufficient comfort over the creditworthiness the Company will transact based on prepayment basis only.

Credit risk exposure also exists in relation to the investment by the Group in financial assets and the cash which the Group places on deposit with financial institutions. The Group actively manages these risks by investing in financial assets and placing deposits with financial institutions in accordance with strict credit risk management policies and controls as specified by the Group's Board of Directors. The Group's cash and cash equivalents as at 30 June 2019 was held on deposit with banks whose FITCH credit rating ranged from BBB- to A.

Liquidity Risk

The Group's primary objectives in managing liquidity is to ensure:

- adequate resources to fund its continued operations
- availability of sufficient resources to sustain future development and growth of the business
- maintain sufficient resources to mitigate risks and unforeseen events which may arise.

The Group manages risks associated with liquidity by investing its cash in short-term deposits and short term financial investments which can be readily realised into cash. Where the Group has entered into long-term financial investment obligations, the maturity dates are spread out evenly in order to attain the most effective rate of liquidity.

Currency Risk

The Group is subject to a number of foreign currency risks for transactions that are denominated in a currency other than its functional currency (euro) and given the global nature of its operations. The Group is subject to increased exposure to fluctuation in exchange rates between U.S. dollar and euro due to its expansion in operations into the U.S. Market. The Group manages its foreign exchange exposures with natural hedging and effective management of foreign currency cash inflows and outflows.

Interest Rate Risk

The Group is exposed to interest rate risk in respect of its cash and cash equivalents, investment in financial assets, bank loans and financial leases with variable interest rates. There were no material hedging activities, such as interest rate swaps, utilised during the financial period under review. Except for a very small level of debt our interest rate exposure is restricted to our investments. We primarily invest in fixed rate instruments with maturities varying according to our liquidity needs. This process is overseen by an investment committee and implemented by an external expert investment manager.

LEGAL, COMPLIANCE & REGULATORY RISKS

Legal, Compliance and Regulatory risks relate to the legal and regulatory environment within which we operate.

Laws and regulations governing the sale and marketing of our products

Where we have licensed our products the responsibility to comply with law and regulations governing the sale of our products rests with our licensees. Any failure on the part of our licensees to comply with laws and regulations governing the marketing and selling of our products could impact on our revenues and profitability.

For products, which we market and sell directly, any failure on our part to comply with laws and regulations governing the sales and marketing of our products could impact on our revenues and profitability.

Regulatory approval for new products and approvals for new indications for existing products

Our future commercial success depends on gaining regulatory approval for new products and obtaining approvals for existing products for new indications. The Company outsources certain tasks required as part of the approval process. The Company takes commercially reasonable steps to ensure that we engage with quality outsource partners. However, notwithstanding the steps which we take there is no guarantee that regulatory approval will obtained for new products or new indications for existing products.

Tax

We operate in a number of tax jurisdictions and are taxed accordingly. The OECD has proposed a number of tax law changes under its Base Erosion and Profit Shifting (BEPS) Action Plans. We have taken steps and continue to take steps to be in compliance with the evolving tax initiatives. Such tax law changes could require us to adapt our tax structure, increase our effective tax rate and adversely affect our financial performance.

RESPONSIBILITY STATEMENT

In accordance with Section 5:25d(2)(c) of the Dutch Financial Supervision Act, the Board of Directors of the Company hereby declare that, to the best of their knowledge:

1. the Half-Year Condensed Consolidated Financial Statements as of and for the six months ending 30 June 2019 give a true and fair view of the assets, liabilities, financial position and the profit/(loss) of the company and its consolidated entities;

2. the mid-year directors' report for the first half of this financial year gives a true picture of:

   a) the most important events which have occurred in the first six months of this financial year and of the effect of those on the mid-year financial statements,

   b) the most important transactions with related parties which were entered into during this period,

   c) the main risks and uncertainties for the remaining six months of the financial year in question.

Dublin, Ireland, 29 July 2019

The Board of Directors
Mauro Ajani
Alessandro Della Chà
Hans Christoph Tanner
Dieter Enkelmann
Maria Grazia Roncarolo
Kevin Donovan
Eimear Cowhey

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

as of and for the six months ended 30 June 2019

Condensed consolidated income statement (unaudited)

For the six months ended 30 June

EUR 1,000	Notes	H1 2019	H1 2018
Revenue	5	**21,507**	**36,660**
Other income		277	240
Cost of sales		(11,029)	(10,714)
Research and development costs		(7,667)	(4,459)
Selling, general and administrative costs		(20,289)	(28,938)
Net operating expenses	6	**(38,708)**	**(43,871)**
Operating loss		**(17,201)**	**(7,211)**
Financial income	7	3,094	6,116
Financial expenses	7	(5,694)	(1,293)
Net financial (expenses)/income		**(2,600)**	**4,823**
Share of result of associate	11	(2,818)	(2,895)
Loss before taxes		**(22,619)**	**(5,283)**
Income tax	8	1,837	(2,506)
Loss for the period		**(20,782)**	**(7,789)**
Loss attributable to:			
Owners of the company		(20,704)	(7,789)
Non-controlling interest		(78)	–
Earnings per share		EUR	EUR
Basic	9	(1.407)	(0.518)
Diluted	9	(1.407)	(0.518)

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

Condensed consolidated statement of comprehensive income (unaudited)

For the six months ended 30 June

EUR 1,000	Notes	H1 2019	H1 2018
Loss for the period (A)		**(20,782)**	**(7,789)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Gains/(losses) on equity instruments measured at FVOCI		1,140	(3,875)
Remeasurement of defined benefit liability		(12)	4
Income tax	8	(359)	223
Total items that will not be reclassified subsequently to profit or loss (B1)		**769**	**(3,648)**
Items that may be reclassified subsequently to profit or loss:			
Gains/(losses) on debt securities measured at FVOCI		–	(1,047)
Losses/(Gains) on disposal of debt securities measured at FVOCI reclassified to profit or loss		746	(258)
Exchange differences on translating foreign operations		645	(897)
Income tax	8	(91)	431
Total items that may be reclassified subsequently to profit or loss (B2)		**1,300**	**(1,771)**
Total other comprehensive income/(loss), net of tax (B)=(B1+B2)		**2,069**	**(5,419)**
Total comprehensive income (A)+(B)		**(18,713)**	**(13,208)**
Total comprehensive income attributable to:			
Owners of the company		(18,635)	(13,208)
Non-controlling interest		(78)	–

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

Condensed consolidated statement of financial position (unaudited)

as at 30 June 2019

EUR 1,000	Notes	30–Jun–19	31–Dec–18
ASSETS			
Non-current assets			
Property, plant and equipment		31,763	28,616
Goodwill		1,439	1,439
Other intangible assets	10	47,316	35,524
Investments in associate	11	127,681	130,402
Financial assets	12	16,665	41,855
Deferred tax assets		14,064	11,724
Other non-current receivables		4,175	1,959
Total non-current assets		**243,103**	**251,519**
Current assets			
Inventories		6,964	3,937
Trade receivables		10,336	12,762
Current tax and other tax assets		5,312	5,231
Other receivables and other assets		5,030	2,801
Current financial assets	12	165,580	138,747
Cash and cash equivalents		158,406	210,689
Total current assets		**351,628**	**374,167**
TOTAL ASSETS		**594,731**	**625,686**

EUR 1,000	Notes	30–Jun–19	31–Dec–18
EQUITY			
Share capital	13	3,910	3,910
Share premium		84,448	84,448
Other reserves		47,845	47,845
Treasury shares		(35,526)	(18,353)
Stock option plan reserve		18,957	19,299
Fair value reserve		1,380	(56)
Equity component of convertible bond		7,011	7,011
Employee benefits actuarial gains/losses reserve		(175)	(163)
Currency translation reserve		448	(197)
Retained earnings		296,846	318,023
Loss for the period		(20,782)	(18,007)
Equity attributable to owners of the company		**404,362**	**443,760**
Non-controlling interest		**–**	**1,094**
TOTAL EQUITY	13	**404,362**	**444,854**
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	14	162,120	157,623
Employee benefits		347	365
Deferred tax liabilities		8,234	7,499
Other non-current liabilities	15	3,254	–
Total non-current liabilities		**173,955**	**165,487**
Current liabilities			
Interest-bearing loans and borrowings	14	1,552	527
Trade payables		7,916	8,806
Current tax liabilities		320	424
Other current liabilities	15	6,626	5,588
Total current liabilities		**16,414**	**15,345**
TOTAL LIABILITIES		**190,369**	**180,832**
TOTAL EQUITY AND LIABILITIES		**594,731**	**625,686**

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

Condensed consolidated cash flow statement (unaudited)

For the six months ended 30 June 2019

EUR 1,000	Notes	H1 2019	H1 2018 (restated – note 4)
Loss for the period before tax		**(22,619)**	**(5,283)**
Adjustment for:			
Depreciation and amortisation	6	2,608	2,063
Share based payment expenses		3,548	4,918
Interest expense/(income) recognised in profit or loss (net)		3,901	(1,431)
(Gain)/loss on fair valuation of investments in funds (net)		(1,737)	50
Share of result of associate	11	2,818	2,895
Loss on disposal of financial investments (net)	7	602	695
Unrealised foreign exchange gain on cash and bond		(127)	(3,442)
Operating cash flows before changes in working capital		**(11,006)**	**465**
Change in inventories		(3,027)	(706)
Change in trade receivables		2,426	(3,010)
Change in trade payables		(890)	(1,755)
Change in other receivables and other assets		(2,445)	(58)
Change in other liabilities		(566)	(1,818)
Change in current tax assets/liabilities (net)		(387)	(52)
Change in employee benefits/pension provision		(30)	(23)
Cash flows from operating activities		**(15,925)**	**(6,957)**
Income taxes paid (net)		436	(3,961)
Net cash flows from operating activities		**(15,489)**	**(10,918)**
Investments in property, plant and equipment (excluding right of use assets)		(1,244)	(1,011)
Investments in other intangible assets		(12,236)	(3,197)
Investments in financial assets		(66,718)	(79,349)
Disposal of financial assets		67,219	33,756
Interest received		511	1,545
Loan to associate	18	(2,000)	–
Cash flows from investing activities		**(14,468)**	**(48,256)**
Interest paid on loans and borrowings		(2,297)	–
Payment of lease liabilities (2018: payment of finance leases)		(707)	(212)
Investment in Linkverse	17	(3,000)	–
Purchase of treasury shares	13(B)	(17,173)	(3,449)
Cash flows from financing activities		**(23,177)**	**(3,661)**
Net decrease in cash and cash equivalents		**(53,134)**	**(62,835)**
Cash and cash equivalents at the beginning of the period		**210,689**	**144,944**
Unrealised foreign exchange gain on cash and cash equivalents		851	2,234
Cash and cash equivalents at the end of the period		**158,406**	**84,343**
Cash at hand		18	14
Bank accounts		158,388	84,329
Total cash and cash equivalents at the end of the period		**158,406**	**84,343**

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

Condensed consolidated statement of changes in equity (unaudited)

For the six months ended 30 June 2019

	Attributable to owners of the Company													
EUR 1,000	*Number of shares (n)*	Share capital	Share premium	Other reserves	Treasury shares	Stock option plan reserve	Fair value reserve	Equity component of convertible bond	Employee benefits actuarial gains/losses reserve	Currency translation reserve	Retained earnings	Total	Non-controlling interests	Total
Net equity as at 1 January 2019	***15,037,483***	**3,910**	**84,448**	**47,845**	**(18,353)**	**19,299**	**(56)**	**7,011**	**(163)**	**(197)**	**300,016**	**443,760**	**1,094**	**444,854**
Total comprehensive income for the period														
Profit for the period											(20,704)	(20,704)	(78)	***(20,782)***
Other comprehensive income for the period							1,436		(12)	645		2,069		***2,069***
Transactions with owners of the company														
Personnel cost for stock options						(342)					3,890	3,548		***3,548***
Purchase of treasury shares					(17,173)							(17,173)		***(17,173)***
Purchase of NCI shares in subsidiary											(7,138)	(7,138)	(1,016)	***(8,154)***
Net Equity as at 30 June 2019	***15,037,483***	**3,910**	**84,448**	**47,845**	**(35,526)**	**18,957**	**1,380**	**7,011**	**(175)**	**448**	**276,064**	**404,362**	–	**404,362**

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

Condensed consolidated statement of changes in equity (unaudited)

For the six months ended 30 June 2018

	Attributable to owners of the Company												
EUR 1,000	*Number of shares (n)*	Share capital	Share premium	Other reserves	Treasury shares	Stock option plan reserve	Fair value reserve	Employee benefits actuarial gains/losses reserve	Currency translation reserve	Retained earnings	Total	Non-controlling interests	Total
Net equity as at 31 December 2017	***15,037,483***	**3,910**	**84,448**	**47,845**		**9,597**	**3,894**	**(155)**	**958**	**319,620**	**470,117**	**–**	**470,117**
Impact of the adoption of IFRS9							36			(36)			–
Net equity as at 1 January 2018	***15,037,483***	**3,910**	**84,448**	**47,845**		**9,597**	**3,930**	**(155)**	**958**	**319,584**	**470,117**	**–**	**470,117**
Total comprehensive income for the period													
Profit for the period										(7,789)	(7,789)	–	(7,789)
Other comprehensive income for the period							(4,525)	3	(897)		(5,419)	–	(5,419)
Transactions with owners of the company													
Personnel cost for stock options						4,969				(2,061)	2,908	–	2,908
Purchase of treasury shares					(3,449)						(3,449)	–	(3,449)
Net Equity as at 30 June 2018	***15,037,483***	**3,910**	**84,448**	**47,845**	**(3,449)**	**14,566**	**(595)**	**(152)**	**61**	**309,734**	**456,368**	**–**	**456,368**

* Less than EUR 1 thousand.

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

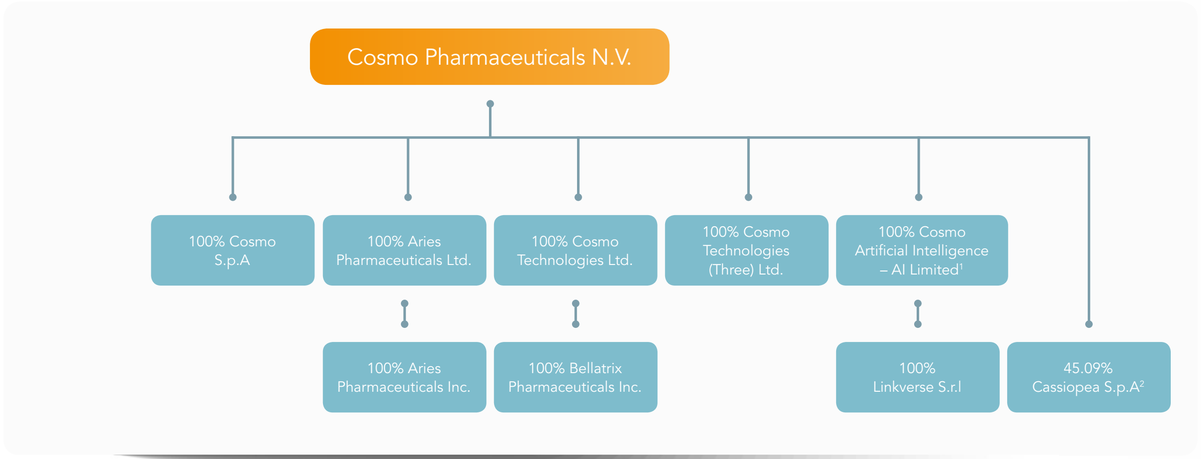
1 General information

Cosmo Pharmaceuticals N.V. with its subsidiaries and associates, ("Cosmo" or "Cosmo Pharmaceuticals" or "Company" or "Group") is a specialty pharmaceutical company registered in the Netherlands with its seat of management at Riverside II, Sir John Rogerson's Quay, Dublin, Ireland, and listed on the SIX Swiss Exchange (SIX: COPN), the Company has a Swiss branch located in Lugano, Switzerland. The Company is registered at the Dutch trade register under number 65617738.

Cosmo is a pharmaceutical company with a specialised focus on gastroenterology and endoscopy. We develop and manufacture products which are distributed globally. Our mission is to improve people's lives by developing innovative treatments that address unmet clinical needs and improve clinical outcomes.

Since 12 March 2007, Cosmo Pharmaceuticals' shares have been publicly listed on the Swiss Stock Exchange (SIX: COPN). The Company's stock market capitalisation as at 30 June 2019 was equal to CHF 1,389,463,429.

The structure of the Company as of 30 June 2019, is as follows:



1 Formerly Granell Strategic Investment Fund Limited
2 Cassiopea S.p.A. is an associate – refer to note 11 Investment in associate

2 Basis of preparation

A Authorisation of Condensed Consolidated Financial Statements

These Half-Year Condensed Consolidated Financial Statements, together with notes, of Cosmo Pharmaceuticals N.V. at 30 June 2019 were authorised for issuance by the Board of Directors on 29 July 2019.

B Basis of Preparation

These Half-Year Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2018 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

This is the first set of the Group's financial statements in which IFRS 16 has been applied. Changes to significant accounting policies are described in note 3.

These Half-Year Condensed Consolidated Financial Statements are prepared under the historical cost method, modified as required for the measurement of certain financial instruments, as well as on a going concern basis. In this respect, the Group's assessment is that no material uncertainties (as defined in paragraph 25 of IAS 1 – Presentation of Financial Statements) exist about its ability to continue as a going concern.

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

These Consolidated Financial Statements are expressed in thousands of euros, unless stated otherwise, rounding the amounts to the nearest thousand.

3 Changes in significant Accounting Policies

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

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019.

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

IFRS 16 – Leases

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019, which is nil. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

A Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 'Determining Whether an Arrangement contains a Lease'. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore. the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

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

B Effect of IFRS 16 on the Group as a lessee

The Group leases properties, equipment and cars. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. IT equipment). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns.

(i) Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

3 Changes in significant Accounting Policies continued

B Effect of IFRS 16 on the Group as a lessee continued

(i) Significant accounting policies continued

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

(ii) Transition

Previously, the Group classified some properties, equipment and car leases as operating leases under IAS 17, these include office buildings. The leases typically run for a period of 5 to 10 years. Some leases include an option to renew the lease after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid, accrued lease payments or lease incentives.

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

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group leases some properties which were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

C Impacts on financial statements

(i) Impact on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities which were previously considered as operating lease. Below is the list of additional right-of-use assets and related liabilities:

EUR 1,000	1 January 2019
Right-of-use assets presented in property, plant and equipment	4,067
Lease liabilities	(4,363)
Deferred lease incentives reversed (previously booked as deferred rent)	296

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 4.98%.

EUR 1,000	1 January 2019
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	4,478
Discounted using the incremental borrowing rate at 1 January 2019	4,420
Finance lease liabilities recognised as at 31 December 2018	2,617
– Recognition exemption for leases of low-value assets	(17)
– Recognition exemption for leases with less than 12 months of lease term at transition	(41)
Lease liabilities recognised at 1 January 2019	**6,979**

3 Changes in accounting policies continued

C Impacts on financial statements continued

(ii) Impact for the period

The newly recognised right-of-use assets are included in the following types of of assets as of 1 January 2019 and their carrying value as of 30 June 2019 were:

EUR 1,000	30 June 2019	1 January 2019
Land and buildings	3,347	3,829
Land and buildings – previously recognised as finance lease assets under IAS 17	5,150	5,239
Industrial and commercial equipment	118	137
Other fixed assets (Motor vehicles)	73	101
Total right-of-use assets	**8,688**	**9,306**

Also, in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised €618 thousand of depreciation charges and €109 thousand of interest costs on these leases. The carrying value of lease liabilities is €6,273.

4 Restatement

A Restatement of Condensed Consolidated Cashflow Statement

The comparative Condensed Consolidated Cash Flow Statement for H1 2018, published in 'Half-Year Report 2018', has been restated as follows:

	Half-Year ended 30 June 2018		
EUR 1,000	Previously reported	Adjustment Reclassification	Restated amount
Accrual to employee benefits	193	(193)	–
Loss on disposal of financial investments	–	695	695
Operating cash (outflow)/inflow before changes in working capital	**(37)**	**502**	**465**
Change in trade payables	(2,652)	897	(1,755)
Payment of employee benefits	(216)	216	–
Change in employee benefits/pension provision	–	(23)	(23)
Net cashflow from operating activities from operating activities	**(12,510)**	**1,592**	**(10,918)**
Disposal of financial assets	34,451	(695)	33,756
Cashflow from investing activities	**(47,561)**	**(695)**	**(48,256)**
Net decrease in cash and cash equivalents	**(63,732)**	**897**	**(62,835)**
Cash and cash equivalents at the beginning of the year	**144,944**	**–**	**144,944**
Net foreign exchange differences	3,131	(897)	2,234
Cash and cash equivalents at the end of the year	**84,343**	**–**	**84,343**

The above restatement relates to reclassifications between line items. The restated presentation is viewed as providing more relevant and understandable information to the users of these Condensed Consolidated Financial Statements.

5 Revenue

EUR 1,000	H1 2019	H1 2018
Manufacturing on behalf of third parties:		
Manufacturing of generic products and specialty drugs	3,555	4,078
Manufacturing of *MMX* products	10,379	15,899
Related services	789	520
Other revenues from sales	765	120
Marketed products – *Eleview®*	1,042	2,761
Licence fees, up-front fees and milestones	177	3,705
Royalties	4,800	9,577
Total revenue	**21,507**	**36,660**

EUR 1,000	H1 2019	H1 2018
Own products	16,854	31,942
Third party products	4,653	4,718
Total revenue	**21,507**	**36,660**

6 Net operating expenses

EUR 1,000	H1 2019	H1 2018
Other income	277	240
Changes in inventories of finished goods and work in progress	228	157
Raw materials and consumables used	(3,418)	(3,128)
Personnel expenses	(21,040)	(19,824)
Outsourced preclinical and clinical trial costs	(1,538)	(771)
Other operating expenses	(10,609)	(18,482)
Depreciation and amortisation	(2,608)	(2,063)
Total net operating expenses	**(38,708)**	**(43,871)**

A Personnel expenses

Personnel expenses increased by €1,216 thousand to €21,040 thousand. A reduction in personnel expenses in our U.S. organisation was offset by an increase in Cosmo Pharmaceuticals N.V. ESOP costs and the addition of Linkverse personnel.

EUR 1,000	H1 2019	H1 2018
Salaries and wages	14,946	12,445
Social security contributions	2,757	2,472
Employee benefits	232	193
Stock options	3,041	4,668
Other costs	64	46
Total personnel expenses	**21,040**	**19,824**

The number of staff as at 30 June 2019 was as follows:

No. of staff	30–Jun–19	30–Jun–18
Managers	16	18
Junior managers	36	58
Employees	106	128
Workers	87	87
Total number	**245**	**291**

6 Net operating expenses continued

A Personnel expenses continued

The average number of staff for the period ended 30 June 2019 was as follows:

No. of staff	H1 2019	H1 2018
Managers	17.5	18.0
Junior managers	44.5	62.5
Employees	118.5	130.0
Workers	87.0	90.5
Total number	**267.5**	**301.0**

In H1 2019 expense related to the value of employees and Directors services exchanged for stock options was €3,041 thousand (H1 2018: €4,668 thousand). The cost associated with the Cosmo Pharmaceuticals N.V. plan was €5,757 thousand (H1 2018: €3,143 thousand) and reversal of cost associated with the stock option plan of Aries Pharmaceuticals Ltd due to forfeiture was €2,716 thousand (H1 2018: €1,525 thousand) (see note 16 Share-based payment).

7 Financial income and expenses

EUR 1,000	H1 2019	H1 2018
Financial income:		
Interest received on listed bonds and securities	155	875
Interest received on cash and cash equivalents	285	556
Gain on sale of listed bonds and securities	80	794
Foreign exchange gains	692	3,867
Gain on investments in funds	1,865	5
Other	17	19
Total financial income	**3,094**	**6,116**
Financial expenses:		
Interest on bank overdraft/advance on invoices	(60)	(8)
Interest on medium and long-term bank loan	(3)	(4)
Interest on financial lease payables	(114)	(16)
Interest on convertible bond	(4,054)	–
Loss on sale of listed bonds and securities	(682)	(695)
Loss on investments in funds	(128)	(55)
Foreign exchange losses	(490)	(378)
Other	(163)	(137)
Total financial expenses	**(5,694)**	**(1,293)**
Net financial (expense)/income	**(2,600)**	**4,823**

8 Income tax expenses

Income tax recognised in profit or loss

EUR 1,000	H1 2019	H1 2018
Income tax	(427)	(2,842)
Current income tax	**(427)**	**(2,842)**
Deferred tax assets	2,977	672
Deferred tax liabilities	(713)	(336)
Deferred tax	**2,264**	**336**
Total income tax	**1,837**	**(2,506)**

Income Tax recognised in other comprehensive income

EUR 1,000	H1 2019	H1 2018
Deferred tax		
Arising on income and expense recognised in other comprehensive income:		
Remeasurement of defined benefit liability	(1)	(1)
Fair value on remeasurement of equity instruments at FVOCI	(358)	224
Fair value on remeasurement of debt securities at FVOCI	–	346
Disposal of debt securities measured at FVOCI reclassified to profit or loss	(91)	85
Total income tax recognised in other comprehensive income	**(450)**	**654**

9 Basic and diluted earnings per share

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

	H1 2019	H1 2018
Net loss attributable to shareholders (in EUR 1,000)	(20,782)	(7,789)
Weighted average number of outstanding ordinary shares	14,715,110	15,033,234
Basic earnings (loss) per share (in EUR)	**(1.407)**	**(0.518)**

Diluted earnings per share

Diluted earnings per share are calculated by dividing the net profit/(loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, after adjustments for the effects of all dilutive potential ordinary shares. In relation to the stock option plans, the potential number of ordinary shares is represented by the shares that would be issued as a consequence of the conversion of all options into 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 leads to a lower result of earnings per share.

In relation to H1 2019 some of the vested stock options had dilutive effect and for H1 2018 potential new ordinary shares did not have a dilutive effect.

	H1 2019	H1 2018
Net profit (loss) attributable to shareholders (in EUR 1,000)	(20,782)	(7,789)
Weighted average number of outstanding ordinary shares	14,715,110	15,033,234
Incremental shares from assumed options exercise	n/a	n/a
Adjusted weighted average number of outstanding ordinary shares	14,717,122	15,033,234
Diluted earnings (loss) per share (in EUR)	**(1.407)**	**(0.518)**

10 Other intangible assets

A Patents and rights

Patents and rights of €3,993 thousand (2018: €3,866 thousand) relate to the cost of filing and extension of patents owned by the Group. Patents and rights are amortised over their useful life based on their expiry date.

B Trademarks and licenses

Capitalised ByFavo™ (remimazolam) license costs of €17,500 thousand (2018: €10,000 thousand) relate to the license agreement signed with PAION AG in 24 June 2016. During H1 2019, the Group paid a milestone payment of €7,500 thousand to PAION AG upon filing NDA for ByFavo™ (remimazolam). PAION AG is entitled to receive additional payments from the Company of up to €35 million contingent upon certain other milestones related to the U.S. regulatory approval process. Amortisation of the capitalised license costs of ByFavo™ (remimazolam) will start from the date of commercial use of the product on a straight-line basis over the period of its expected benefit.

C Development costs

Capitalised development costs of €25,718 thousand (2018: €21,563 thousand) are associated with; Methylene Blue MMX (CB-17-01) €10,715 thousand (2018: €9,835 thousand), Aemcolo™ (CB-01-11) €8,037 thousand (2018: €7,540 thousand), Eleview® (CB-17-04) €1,465 thousand (2018: €1,512 thousand) and ByFavo™ (remimazolam) (CB-07-01) €5,501 thousand (2018: €2,676 thousand).

These costs have been capitalised from the start of 2016 as Management believe that capitalisation criteria were met from that date and Management confirms the recoverability of the relevant capitalised costs, based on probable future economic benefits. Assets are amortised from the date that they are available for use on a straight-line basis over the period of their expected benefit. The amortisation of capitalised development costs related to Eleview® commenced in 2017.

11 Investments in associate

EUR 1,000	H1 2019	H1 2018
Share of result of associate	(2,818)	(2,895)
Share of result of associate	**(2,818)**	**(2,895)**

EUR 1,000	30–Jun–19	31–Dec–18
Cassiopea S.p.A.	127,681	130,402
Investments in associate	**127,681**	**130,402**

The Group's interests in associated companies refers to the Group's interest of 45.09% in Cassiopea S.p.A. an Italian company based in Lainate, Milano (Italy). As at 30 June 2019, Cassiopea had 10,000,000 shares issued, fully subscribed and paid up, each share with a nominal value of €1.00 and a total share capital of €10,000 thousand.

12 Financial assets

Non-current

EUR 1,000	30–Jun–19	31–Dec–18
Debt securities measured at FVOCI	–	26,330
Equity instruments measured at FVOCI – Paion shares	11,524	11,472
Equity instruments measured at FVOCI – Volitionrx shares	2,547	1,459
Equity instruments measured at FVOCI – AIMM and RSouth shares	2,594	2,594
Non-current financial assets	**16,665**	**41,855**

In 2018, debt securities consisted of listed bonds. Gains and losses arising from the adjustment to the fair value, were recognised in other comprehensive income.

Current

EUR 1,000	30–Jun–19	31–Dec–18
Debt securities measured at FVOCI	–	12,055
Investment in Funds measured at FVTPL	165,580	126,692
Current financial assets	**165,580**	**138,747**

In 2018, current debt securities consist of short term or marketable securities (bonds) which represent temporary investments, but which do not satisfy all the requirements for being classified as cash equivalents.

Investments in funds consist of investments in "Money market", "Corporate short duration" and "Floating rate credit" funds. Gains and losses arising from the adjustment to the fair value were recognised in profit or loss.

13 Total shareholders' equity

The item "Total shareholders' equity" comprises the following:

EUR 1,000	30–Jun–19	31–Dec–18
Share capital	3,910	3,910
Share premium	84,448	84,448
Other reserves	47,845	47,845
Treasury shares	(35,526)	(18,353)
Stock option plan reserve	18,957	19,299
Fair value reserve	1,380	(56)
Equity component of convertible bond	7,011	7,011
Employee benefits actuarial gains/losses reserve	(175)	(163)
Currency translation reserve	448	(197)
Retained earnings	296,846	318,023
Loss for the period	(20,782)	(18,007)
Equity attributable to owners of the company	**404,362**	**443,760**
Non-controlling interest	**–**	**1,094**
Total equity	**404,362**	**444,854**

A Share capital

	Ordinary shares	Preference shares
In issue at 1 January 2018 – fully paid	15,037,483	–
Exercise of share options	–	–
In issue at 31 December 2018 – fully paid	**15,037,483**	**–**
Authorised at 31 December 2018 – par value €0.26	**36,047,457**	**36,047,457**
In issue at 1 January 2019 – fully paid	15,037,483	–
Exercise of share options	–	–
In issue at 30 June 2019 – fully paid	**15,037,483**	**–**
Authorised at 30 June 2019 – par value €0.26	**36,047,457**	**36,047,457**

B Treasury shares

As at 30 June 2019, the Group held 413,984 treasury shares of which 212,214 were purchased during the period at an average purchase price of CHF 91.38 per share.

The number of issued shares, after adjusting for treasury shares, was as follows:

	Ordinary shares
In issue at 1 January 2018 – fully paid	**15,037,483**
Treasury shares	–
Outstanding at 1 January 2018 – fully paid	**15,037,483**
Issue of new shares	–
Treasury shares purchased	(201,770)
Outstanding at 31 December 2018 – fully paid	**14,835,713**
In issue at 1 January 2019 – fully paid	**15,037,483**
Treasury shares	(201,770)
Outstanding at 1 January 2019 – fully paid	**14,835,713**
Issue of new shares	–
Treasury shares purchased	(212,214)
Outstanding at 30 June 2019	**14,623,499**

C Stock option plan reserve

The stock option plan reserve relates to the stock option plan of Cosmo Pharmaceuticals N.V. Details are in note 16.

14 Loans and borrowings (non-current and current)

A Non-current

EUR 1,000	30–Jun–19	31–Dec–18
Bank loans	1,084	1,084
Convertible bond-liability component	156,188	154,322
Total bank loans	**157,272**	**155,406**
Lease liabilities	4,848	2,217
Total lease liabilities	**4,848**	**2,217**
Total loans and borrowings (non-current)	**162,120**	**157,623**

B Current

EUR 1,000	30–Jun–19	31–Dec–18
Bank loans	127	127
Total bank loans	**127**	**127**
Lease liabilities	1,425	400
Total lease liabilities	**1,425**	**400**
Total loans and borrowings (current)	**1,552**	**527**

15 Other liabilities (non-current and current)

A Non-current

EUR 1,000	30–Jun–19	31–Dec–18
Contingent consideration	3,254	–
Total other non-current liabilities	**3,254**	**–**

B Current

EUR 1,000	30–Jun–19	31–Dec–18
Social security payables	709	451
VAT payable	–	5
Contingent consideration	2,515	615
Other liabilities	2,343	4,131
Contract liabilities	56	60
Refund liabilities	987	27
Accrued expenses and deferred income	16	299
Total other current liabilities	**6,626**	**5,588**

16 Share-based payments

A Stock option plan of Cosmo Pharmaceuticals N.V.

During H1 2019 the Company adopted a new Employees' share options plan (ESOP) which replaced the ESOP adopted by the general meeting of shareholders on 24 May 2017 and adopted an additional ESOP. During the period 879,300 options were replaced with new grants, 14,000 options were forfeited and 1,419,200 were granted. The replacement share options are considered as replacement equity instruments as per the requirement of IFRS 2 paragraph 27(c) and accordingly the incremental fair value of the replacement options on the replacement date will be recognised as an expense during the new vesting period of three years. As at 30 June 2019 1,451,200 options were outstanding of which 18,000 were exercisable.

The table below details the movement in the share options of Cosmo Pharmaceuticals N.V. during the period.

	Number	Weighter average exercise price
Outstanding as at 1 January 2019	**925,300**	**153.79**
Replaced with new grants during the period	(879,300)	154.30
Forfeited during the period	(14,000)	154.90
Granted during the period	1,419,200	88.05
Outstanding as at 30 June 2019	**1,451,200**	**88.62**
Exercisable as at 30 June 2019 (included in above total)	18,000	81.94

The following is a breakdown of the outstanding share options of Cosmo Pharmaceuticals N.V. as at 30 June 2019.

Cosmo Pharmaceuticals N.V. outstanding share options

Option series	Number outstanding	Grant date	Vesting date	Expiry date	Exercise price CHF	Fair value of the option at the grant date CHF
Series 3 – Issued 26 March 2014	2,000	26/03/2014	26/03/2017	26/03/2020	100.36	24.20
Series 4 – Issued 26 March 2014	16,000	26/03/2014	26/03/2017	26/03/2020	79.64	35.01
Series 6 – Issued 11 April 2017	14,000	11/04/2017	11/04/2020	11/04/2023	154.90	25.05
Series 9 – Issued 25 January 2019	907,300	25/01/2019	25/01/2022	24/01/2025	89.00	17.93
Series 10 – Issued 25 January 2019	165,900	25/01/2019	25/01/2020	24/01/2023	89.00	10.41
Series 11 – Issued 13 March 2019	150,000	13/03/2019	13/03/2022	12/03/2025	83.15	16.55
Series 12 – Issued 13 March 2019	150,000	13/03/2019	13/03/2024	12/03/2027	83.15	21.29
Series 13 – Issued 20 May 2019	46,000	20/05/2019	20/05/2022	19/05/2025	97.90	19.32

Option Series 3 and 4

On 26 March 2014, the Board of Directors granted a total of 638,000 options with a vesting period of three years, expiring on 26 March 2020 and an exercise price of CHF 100.36 for 150,000 options (Option series 3) and an exercise price of CHF 79.64 for 488,000 options (Option series 4). The options granted are recognised as costs over the vesting period. With regard to Option Series 3 and Option Series 4, following the exercise of 618,500 options on 31 March 2017, 2,000 options are outstanding relating to Option Series 3 and 16,000 options are outstanding relating to Option Series 4.

Option Series 6

On 11 April 2017, the Board of Directors granted a total of 832,300 options with a vesting period of three years, expiring on 11 April 2023 and an exercise price of CHF 154.90 (Option series 6). In H1 FY19, 14,000 options were forfeited, and 796,300 options were replaced with series 9 share options and 14,000 share options are outstanding.

Option Series 9

On 25 January 2019, the Board of Directors replaced 879,300 options related to series 5 to 8 and granted a further 28,000 options (Option series 9) with exercise price of CHF 89.00 and vesting period of 3 years.

16 Share-based payments continued

A Stock option plan of Cosmo Pharmaceuticals N.V. continued

Option Series 10

On 25 January 2019, the Board of Directors granted a total of 165,900 options with vesting period of one year, expiring on 24 January 2023 and exercise price of CHF 89.00.

Option Series 11 and 12

On 13 March 2019, the Board of Directors granted a total of 300,000 options to employees of Linkverse. These options have exercise price of CHF 83.15, 150,000 will vest on 13 March 2022 and expire on 12 March 2025, the remaining 150,000 options will vest on 13 March 2024 and expire of 12 March 2027.

Option Series 13

On 20 May 2019, the Board of the Directors granted a total of 46,000 options to existing employees. These options have an exercise price of CHF 97.90, will vest on 20 May 2022 and will expire on 19 May 2025.

The inputs used in the measurement of the fair value at grant date of the Cosmo Pharmaceuticals N.V. stock option plan for options granted during H1 2019 were as follows:

Option Series	9	10	11	12	13
Issue Date	25/01/2019	25/01/2019	13/03/2019	13/03/2019	20/05/2019
Share price at grant date (in CHF)	89.00	89.00	83.15	83.15	97.90
Exercise price (in CHF)	89.00	89.00	83.15	83.15	97.90
Expected volatility	30%	30%	30%	30%	30%
Employee Exit Rate	0%	0%	0%	0%	0%
Option life	1,095 days	1,095 days	1,095 days	1,094 days	1,095 days
Risk-free interest rate	0.46%	0.13%	0.25%	0.49%	0.10%
Dividend yield	0.50%	0.50%	0.50%	0.50%	0.50%

The fair value of the options granted has been determined on the basis of the binomial tree generated by the Fincad program, a technique similar to the Black-Scholes valuation model.

The expected volatility of the underlying instrument measures the expected fluctuations in price/value for a given period. The indicator that measures volatility in the model used to evaluate the options is the annualised standard deviation of the compound returns of a share.

B Stock option plan of Aries Pharmaceuticals Ltd.

On 22 July 2016 the board of Aries Pharmaceuticals Ltd. established a share option program which entitled certain employees of Aries Pharmaceuticals Ltd. and its subsidiary Aries Pharmaceuticals Inc. to purchase shares in Aries Pharmaceuticals Ltd. During H1 2019 5,337,966 options were forfeited and a further 668,750 options were cancelled. As at 30 June 2019 no options were outstanding and no options were exercisable.

The table below details the movement in the share options of Aries Pharmaceuticals Ltd. during the period.

	Number	Weighter average exercise price
Outstanding as at 1 January 2019	**6,006,716**	**6.23**
Forfeited during the period	(5,337,966)	6.23
Cancelled during the period	(668,750)	6.23
Outstanding as at 30 June 2019	–	–
Exercisable as at 30 June 2019	–	–

The cancelled options were accounted for as accelerated vesting and €266 thousand was recognised in the profit and loss in the period.

17 Acquisition of NCI in Linkverse

In March 2019, the Group acquired the remaining non-controlling interest (i.e. 40% shares) in Linkverse S.r.l., increasing its ownership from 60% to 100%. The following table summarises the acquisition date fair value of purchase consideration and the amount transferred to retained earnings:

EUR 1,000	
Cash	100
Fair value of contingent consideration (Total contingent consideration €19.9m)	8,054
Total purchase consideration	**8,154**
Carrying amount of NCI on the date of acquisition	1,016
A decrease in equity attributable to owners of the Company	**7,138**

Contingent consideration is payable on the occurrence of certain future events related to the achievement of future commercial milestone. As of 30 June 2019 €2,900 thousand of contingent consideration has been paid and €5,154 thousand of the contingent consideration remains in liabilities.

18 Related-party transactions

The Company's major shareholder is Cosmo Holding S.a.r.l., which as at 30 June 2019 owns 5,571,209 of the Company shares amounting to 37.05% of the issued shares. Any member of the board who has an interest in a related party transaction which is under discussion by the board must abstain from this discussion and abstain from any vote on the approval of the related party transaction under discussion.

Cassiopea S.p.A.

In the period H1 2019 the Group charged its associate company Cassiopea S.p.A. under a service agreement €461 thousand (H1 2018: €239 thousand) for research and development services, regulatory services and related activities and €76 thousand (H1 2018: €76 thousand) for secretarial and accounting services. As at 30 June 2019 the amount owed by Cassiopea S.p.A. to the Group was €525 thousand (2018: €291 thousand).

Since May 2015 under an agreement with Cassiopea S.p.A., Cosmo Pharmaceuticals has provided Cassiopea S.p.A. with Chief Financial Officer and Chief Scientific Officer services by Hans Christoph Tanner and Luigi Moro. The Group has provided these services to Cassipoea S.p.A. at no charge. The services provided under this agreement shall not exceed 30% of the respective available working time of the individuals providing those services. In 2017 and 2019, the board of Cassiopea S.p.A. granted 40,000, 40,000, 20,000 and 3,333 options to subscribe to Cassiopea S.p.A. shares to Luigi Moro (CSO), Hans Christoph Tanner (Head of Transaction Office), Marco Lecchi (Head of Internal Audit) and an administrative employee of the Group respectively. The cost of these options for H1 2019 in Cassiopea financial statements is €145 thousand. In 2017 and 2019 Cosmo Pharmaceutical N.V., under a stock option plan, granted 18,000 options to certain employees of Cassiopea S.p.A. The cost of these options for H1 2019 is €97 thousand.

On 12 December 2018, Cosmo agreed an unsecured term loan facility expiring on 31 December 2021 of €10 million. Cosmo may, at its sole discretion, extend the loan facility by a further €10 million under the same terms and conditions. During H1 2019, the Group advanced a loan of €2,000 thousand to Cassiopea S.p.A. Other conditions of the facility are:

- Cassiopea may repay the loan in advance of expiry date.
- Cassiopea shall pay a signing fee of 0.5%.
- The interest rate will be 10% per annum for the drawn amount and 2% commitment fee will be payable on undrawn amount.
- Signage fee, interest and commitment fee will be payable at the repayment date. During H1 2019, the group accrued €199 thousand in relation to these fee.

19 Fair value measurement

A Qualitative information

The fair value is the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between market participants (i.e. not as part of the compulsory liquidation or a below-cost sale) as at the measurement date. Fair value is a market measurement criterion, not specifically referring to a single entity. Underlying the definition of fair value is the assumption that the company is carrying out normal operations, without any intention of liquidating its assets, significantly reducing the level of operations or carrying out transactions at unfavourable conditions.

An entity has to measure the fair value of an asset or liability by adopting the assumptions that would be used by market participants when pricing an asset or liability, presuming that they act with a view to satisfying their own economic interest in the best way possible.

The fair value of financial instruments is determined according to a hierarchy of criteria based on the origin, type and quality of the information used (IFRS 13). In detail, this hierarchy assigns top priority to quoted prices (unadjusted) in active markets and less importance to unobservable inputs. Three different levels of input are identified:

- level 1: input represented by quoted prices (unadjusted) in active markets for identical assets or liabilities accessible by the entity as at the measurement date,
- level 2: input other than quoted prices included in level 1 that are directly or indirectly observable for the assets or liabilities to be measured,
- level 3: unobservable input for the asset or liability.

A market is regarded as active if quoted prices, representing actual and regularly occurring market transactions considering a normal reference period, are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency.

In specific cases research is carried out in order to verify the significance of official market values. In the event of a significant reduction in the volume or level of operations compared to normal operations for the asset or liability (or for similar assets or liabilities) highlighted by a number of indicators (number of transactions, limited significance of market prices, significant increase in implicit premiums for liquidity risk, expansion or increase of the bid-ask spread, reduction or total lack of market for new issues, limited publicly-available information), analyses of the transactions or of the quoted prices are carried out: if the conclusion is reached that the market is inactive, the asset or liability is reclassified to level 2 of the fair value hierarchy.

19 Fair value measurement continued

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

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

	30–Jun–19		31–Dec–18	
EUR 1,000	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Non-current financial assets	16,665	16,665	41,855	41,855
Current financial assets	165,580	165,580	138,747	138,747
Total Assets	**182,245**	**182,245**	**180,602**	**180,602**
Non-current financial liability	(3,254)	(3,254)	–	–
Current financial liability	(2,515)	(2,515)	(615)	(615)
Total Liabilities	**(5,769)**	**(5,769)**	**(615)**	**(615)**

The following table shows the fair-value hierarchy for financial assets and financial liabilities that are measured at fair value measured at fair value on a recurring basis:

	30–Jun–19				31–Dec–18			
EUR 1,000	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Non-current financial assets								
Equity instruments measured at FVOCI – Volitionrx shares	2,547	–	–	2,547	1,459	–	–	1,459
Equity instruments measured at FVOCI – Paion shares	11,524	–	–	11,524	11,472	–	–	11,472
Equity instruments measured at FVOCI – AIMM & RSouth shares	–	–	2,594	2,594	–	–	2,594	2,594
Debt securities measured at FVOCI – investment securities	–	–	–	–	26,330	–	–	26,330
Current financial assets								
Debt securities measured at FVOCI – current investment securities	–	–	–	–	12,056	–	–	12,056
Investment in funds measured at FVTPL	161,213	4,367	–	165,580	126,691	–	–	126,691
Total financial assets	**175,284**	**4,367**	**2,594**	**182,245**	**178,008**	–	**2,594**	**180,602**
Non-current financial liabilities								
Contingent consideration	–	–	(3,254)	(3,254)	–	–	–	–
Current financial liabilities								
Contingent consideration	–	–	(2,515)	(2,515)	–	–	(615)	(615)
Total financial liabilities	–	–	**(5,769)**	**(5,769)**	–	–	**(615)**	**(615)**

19 Fair value measurement continued

B Assets and liabilities that are measured at fair value on a recurring basis and non-recurring basis continued

The following are considered as level 1 financial instruments:

- shares valued using official closing prices and/or fixing provided by regulated stock exchanges,
- bonds and shares of Funds valued using official closing prices and/or fixing provided by local authorities (central bank, monetary authority or local stock exchange),
- bonds and shares of Funds quoted on Multilateral Trading Facility (i.e. the EuroTLX or NASD TRACE circuit) or for which it is possible to continuously derive the quotation from the main price contribution international platforms.

When no quotation on an active market exists or the market is not functioning regularly, that is, when the market does not have a sufficient and continuous number of trades, and bid-ask spreads and volatilities that are not sufficiently contained, the fair value of the financial instruments is mainly determined through the use of valuation techniques whose objective is the establishment of the price at which, in an orderly transaction, the asset could be sold or the liability transferred between market participants, as at the measurement date, under current market conditions.

The level 2, as at 30 June 2019, primarily includes investments in funds without official quotations expressed by an active market and for which the Net Asset Value (NAV) provided by the Fund Administrator is considered as the fund's fair value. This value may be analysed based on the financial instruments underlying the funds with the purpose to assign the fair value hierarchy level resulting from an individual valuation process aimed at verifying specific risks (counterparty risk, illiquidity risk).

In H1 2019 there were no transfers between Levels 1 and 2 in the fair value hierarchy, and the level 2 investment represent investment in funds during the period.

The level 3 consist of the following:

- equity investments for which there is no quoted market price in an active market. This has been fair valued using a value in use approach (DCF) model and did not indicate any material change in the carry value of the investment. This valuation model considers the present value of expected future cashflows, discounted using a risk-adjusted discount rate.
- contingent consideration in relation to the acquisition of Linkverse. The contingent consideration is the present value of the expected payments contingent upon certain regulatory approval and revenue milestones, discounted using a risk-adjusted discount rate. The probability and timing of achieving the milestones have been estimated by the Group based on the knowledge of the business and how the current economic environment is likely to impact it. The fair value of contingent consideration will increase if the approval process and revenue milestones are achieved sooner than expected.

During H1 2019, the only change in level 3 is in relation to increase in contingent consideration as a result of acquisition of NCI shares in Linkverse (refer to note 17).

During H1 2019 there were no significant transfers between Levels 1 and 2 or between Level 2 and 3 in the fair value hierarchy and the changes were due to a change in the market where the bonds are quoted.

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

This table shows the comparison of fair values versus carrying amounts of financial assets and liabilities not measured at fair value, as required by IFRS 7.

		30–Jun–19		31–Dec–18	
EUR 1,000		Carrying amount	Fair value	Carrying amount	Fair value
Other non-current receivables	***Amortised cost***	4,175	4,175	173	173
Trade receivables	***Amortised cost***	10,336	10,336	12,762	12,762
Other receivables and other assets (*)	***Amortised cost***	250	250	164	164
Cash and cash equivalents	***Amortised cost***	158,406	158,406	210,689	210,689
Total Assets		**173,167**	**173,167**	**223,788**	**223,788**
Financial lease liabilities	***Amortised cost***	(6,273)	(6,273)	(2,617)	(2,617)
Subsidised loans	***Amortised cost***	(1,211)	(1,274)	(1,211)	(1,274)
Trade payables	***Amortised cost***	(7,916)	(7,916)	(8,806)	(8,806)
Convertible bond – liability component	***Amortised cost***	(156,188)	(156,188)	(154,322)	(154,322)
Other current liabilities (*)	***Amortised cost***	(72)	(72)	(359)	(359)
Total Liabilities		***(171,660)***	***(171,723)***	***(167,315)***	***(167,378)***
Unrecognised (loss) gain			(63)		(63)

(*) Only financial assets/liabilities.

19 Fair value measurement continued

C Assets and liabilities not measured at fair value on recurring basis continued

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

For Financial lease liabilities, Unsecured bank loans and Convertible bond, the carrying amount approximates the fair value calculated based on the present value of future principal and interest cash flows, discounted at the interest market rate at the reporting date.

Subsidised loans are included in Level 2 of the fair-value hierarchy and has been estimated with discounted cash flows models. The main inputs used are year-end market interest rates.

20 Subsequent events

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

Dublin, Ireland, 29 July 2019

The Board of Directors
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