COSMO PHARMACEUTICALS

HALF-YEAR REPORT 2022

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 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.

H1 2022 Highlights

Lialda® – franchise continues to grow and provide a strong foundation

- In H1 2022 product volumes supplied were 156.1 million tablets vs. 139.3 million in H1 2021
- Revenue growth of 11% versus last year due to an increase in volumes in U.S. and Japan

GI Genius™ – showing impressive U.S. trial results and contracts growing quickly

- In March 2022, first U.S. trial using GI Genius™ intelligent endoscopy module showed a 50% reduction in missed colorectal polyps with Artificial Intelligence technology versus standard colonoscopy
- Medtronic, our global partner, continues to place new devices in hospitals and an extensive marketing campaign is ongoing; to date more than 850 devices are already contracted with U.S. and EU clients by Medtronic
- Additional features and applications under development

Winlevi® – continues to be the #1 most prescribed branded topical acne product in the U.S.

- Since launch Winlevi® has generated approximately 258,000 TRx (prescriptions) on a cumulative basis as of June 2022; one of the most successful launches in the topical acne space in the last 15 years
- According to Sun, there are over 10,000 unique prescribers of Winlevi® to date
- Strong U.S. launch resulting in demand from potential commercial partners outside of the U.S.
- In July, signed addendums to the License and Supply Agreements for Winlevi® (clascoterone) cream 1% with Sun Pharma to expand the territory to include Japan, Brazil, Mexico, Russia, Australia and New Zealand for a US$7 million upfront payment, plus regulatory and commercial milestones and customary double-digit royalties

Cortiment® – expanding to Japan, 2nd largest IBD market

- Ferring, our partner for Cortiment® (budesonide), submitted the NDA for Japan on 23 June 2022; the application has been accepted by PMDA (Pharmaceuticals and Medical Devices Agency) and the review is expected to last approximately one year
- Commercial milestone of €8 million received as a result of Cortiment® cumulative net sales exceeding €100 million
- In H1 2022 product volumes supplied were 3.0 million tablets vs. 1.9 million in H1 2021 and revenues of €1.4 million increased by 40% compared to H1 2021

Eleview® – agreement with Medtronic further expanded

- Eleview® distribution agreement with Medtronic expanded to include all countries except Canada, following the mutual termination of the license agreement with EA Pharma in Japan

Clinical Development Pipeline update

- Breezula® (clascoterone solution) Phase 3 trial in males expected to commence in H2 2022
- CB-03-10 (cortexolone 17α-valerate-21-propionate) Phase I study started in patients with advanced refractory solid tumours, U.S. clinical sites activated and begun to screen patients
- CB-01-33 (colesevelam) formulation and IP protection under completion

Consolidated income statement

EUR 1,000	H1 2022	H1 2021
Revenue	**41,511**	**28,420**
Cost of sales	(17,221)	(13,796)
Gross profit	**24,290**	**14,624**
Other income	1,069	163
Research and development costs	(10,575)	(7,436)
Selling, general and administrative costs	(6,676)	(7,343)
Net operating expenses	**(16,182)**	**(14,616)**
Operating profit	**8,108**	**8**
Net financial income/(expenses)	981	(1,916)
Share of result of associate	–	(2,759)
Profit/(loss) before taxes	**9,089**	**(4,667)**
Profit/(loss) after taxes for the period	**7,896**	**(5,741)**

Consolidated statement of financial position

EUR 1,000	30-Jun-22	31-Dec-21
Non-current assets	492,814	529,713
Cash and cash equivalents	218,027	198,560
Other current assets	54,411	77,289
Liabilities	296,032	292,884
Equity attributable to owners of the Company	462,535	505,276
Equity ratio (%)	60.4	62.7

Earnings per share

	H1 2022	H1 2021
Weighted average number of shares	16,531,105	14,392,984
Earnings/(loss) per share (in EUR)	0.476	(0.399)

DIRECTORS' REPORT

Dear Shareholder

In the first half of 2022, we made great strides maintaining our disciplined approach and mitigating risk wherever possible. We are delighted to report revenue of €41.5 million, our best-ever half year in terms of revenue, and operating profit of €8.1 million compared to revenue of €28.4 million and operating profit of €0.008 million in H1 2021.

Our commercial partnerships with Medtronic and Sun Pharma for our two new products launched in 2021, GI Genius™ and Winlevi® respectively, are progressing well and having a positive impact on our financial performance.

GI Genius™

In March 2022, we reported results on a U.S. trial using GI Genius™ intelligent endoscopy module which showed a spectacular 50% reduction in missed colorectal polyps with GI Genius™ versus standard colonoscopy.

Cosmo has already delivered 1,362 devices to Medtronic to date for placement in the U.S. and a further 483 devices for the EU.

Medtronic is currently placing new devices in hospitals and endoscopy centres and an extensive marketing campaign is ongoing. To date more than 850 devices are already contracted with U.S. and EU clients by Medtronic. Most importantly, commercial negotiations are entertained in the U.S. with clients representing 6,000 endoscopy towers, equivalent to 20% of the U.S. market. We expect this trend to grow further in the near future.

Cosmo is steadily developing additional features and applications to broaden the scope of GI Genius™. A landmark paper has just been published on Nature npj Digital Medicine (the paper on the new GI Genius™ CADx).

Winlevi®

Our partner Sun Pharma has successfully launched Winlevi® in the U.S. Winlevi® is now the #1 branded acne product in the U.S., with over 10,000 unique prescribers in the U.S. since launch totalling more than 258,000 prescriptions (TRXs) to date. In the month of June alone, Winlevi® generated 42,972 TRxs', an 8% increase from May 2022 and the largest monthly prescriptions since launch. The strong U.S. launch has resulted in high demand from suitors seeking to in-license Winlevi® in several additional jurisdictions.

Just before the release of this report we have announced the expansion of our Winlevi® agreement with Sun Pharma to Japan, Brazil, Mexico, Russia, Australia and New Zealand for a US$7 million upfront payment, plus regulatory and commercial milestones and customary double-digit royalties. Cosmo is also the exclusive supplier of Winlevi®.

Legacy business

Our legacy business is solid and continues to grow, Lialda®/ Mezavant®/Mesavancol® reported 11% growth in revenues in H1 2022 compared to H1 2021 due to an increase in volumes in U.S. and Japan.

We received an €8 million commercial milestone for Cortiment® as a result of cumulative net sales exceeding €100 million; another €8 million milestone is due upon reaching €200 million cumulative net sales. Our partner, Ferring, also submitted the NDA for Japan in June; the application has been accepted by PMDA (Japan's Pharmaceuticals and Medical Devices Agency) and the review is expected to last approximately a year.

Drug development and manufacturing

Revenue from drug development and manufacturing continues to grow at a steady rate increasing by 3.4% to €6.0 million in H1 2022 versus €5.8 million in H1 2021.

Mauro S. Ajani
Chairman

Alessandro Della Chà
Chief Executive Officer

In H1 2022, we reported record revenues of €41.5 million, an operating profit of €8.1 million and a net cash flow from operating activities of €12.6 million.

In H1 2022, our operating profit increased to €8.1 million and our profit before taxes was €9.1 million.

Clinical development pipeline update

We have started a Phase I study in patients with advanced refractory solid tumours for our CB-03-10 (cortexolone 17 α-valerate-21-propionate), activated the clinical sites in the U.S. and begun to screen patients.

We are on track with Breezula® and expect to begin the Phase 3 trial in males in H2 2022.

In addition, we are completing formulation and IP protection for CB-01-33 (colesevelam).

Other products

All our other approved products are progressing, albeit not yet at the pace we would have liked to see, and we are doing our utmost best to bring them further along with ongoing discussions or negotiations with partners and regulatory authorities.

Investments and cash

As at 30 June 2022, the total value of our equity stakes in other companies, investments, loans, treasury shares and cash was €311.4 million. This includes cash balances of €219.0 million, treasury shares with a market value of €54.5 million and other investments, loans and equity stakes in listed companies of €37.9 million.

First half 2022 financial performance

Revenues in the first half of 2022 were €41.5 million compared to €28.4 million in the first half of 2021 and include an €8 million milestone related to Cortiment® and €5.6 million of manufacturing and royalty income related to Winlevi®. Our cost base remains well under control; total net expenses were €33.4 million compared to €28.4 million in the first half of 2021 with the increase in expenses relating mainly to the non-cash amortisation of our Winlevi® intangible asset. Operating profit was €8.1 million and the business continues to generate a strong cash flow with net cash flow from operating activities of €12.6 million.

Key priorities for the remainder of 2022 and beyond

The business is stronger than ever and well positioned, we will continue to support our partners with all our resources, progress our clinical development pipeline and also evaluate a number of new projects with a view to replenishing our pipeline. In the meantime, we are generating a substantial positive cash flow from our operating activities, so we look at the future with renewed optimism.

We are grateful to all those that have been supportive of Cosmo and believed in our capacity to deliver.

Mauro S. Ajani
Chairman

Alessandro Della Chà
Chief Executive Officer

Dublin, Ireland, 27 July 2022

Income statement

EUR 1,000	H1 2022	H1 2021
Revenue	**41,511**	**28,420**
Net expenses	(33,403)	(28,412)
Operating profit	**8,108**	**8**
Net financial income/(expenses)	981	(1,916)
Share of result of associates	–	(2,759)
Profit/(loss) before taxes	**9,089**	**(4,667)**
Income tax	1,193	(1,074)
Profit/(loss) after taxes for the period	**7,896**	**(5,741)**

- First-half revenue increased year over year by 46% to €41.5 million (H1 2021: €28.4 million).
- Net expenses increased by 18% to €33.4 million (H1 2021: €28.4 million).
- Net financial income was €1.0 million compared with net financial expense of €1.9 million in the prior period.
- The prior year share of result of associates relates to the Group's 46.56% share in the net loss of Cassiopea S.p.A. ('Cassiopea'). Cosmo acquired Cassiopea on 17 December 2021 and its results were consolidated to the Group since then.

Revenue

EUR 1,000	H1 2022	% of revenue	H1 2021	% of revenue
Manufacturing:				
Manufacturing of own products	22,188	53%	15,158	53%
Manufacturing of generic products, speciality drugs and related services	6,010	15%	5,816	20%
Licence fees, up-front fees and milestones	8,000	19%	4,000	14%
Royalties	4,645	11%	2,421	9%
Other revenues from sales	668	2%	1,025	4%
Total revenue	**41,511**	**100%**	**28,420**	**100%**

Lialda®/Mezavant®/Mesavancol®

Lialda®/Mezavant®/Mesavancol® revenue was €13.0 million (H1 2021: €11.7 million). The increase was mainly due to increase in net sales in the U.S. and Japan.

Uceris®

Uceris® revenue was €2.7 million compared with €1.8 million in H1 2021, reflecting higher net sales by Bausch Health which increased to US$17.8 million (H1 2021: US$13.6 million).

Cortiment®

Cortiment® revenue was €9.4 million compared with €1.0 million in H1 2021. Cortiment® sales increased by €0.5 million to €1.4 million compared with €0.9 million in H1 2021. Cortiment® net sales by Ferring were €10.2 million in H1 2022 compared with €9.8 million in H1 2021.

GI Genius™

GI Genius™ revenue was €2.7 million (H1 2021: €2.1 million) related to the sales of devices to Medtronic of €2.2 million (H1 2021: €2.1 million) and revenue share in Medtronic based on devices placed on contract into the market of €0.5 million (H1 2021: €0.02 million).

Winlevi®

Winlevi® revenue was €5.6 million and this relates to the supply of product and royalties on net sales (2021: nil). Winlevi® was launched in the U.S. market in November 2021.

Licence fees, up-front fees and milestones

Licence fees, up-front fees and milestones during the period relates to an €8.0 million milestone received from Ferring in H1 2022 upon the achievement of Cortiment cumulative net sales of €100 million. In the prior period, an up-front payment of €4.0 million was received from Alfasigma S.p.A. in relation to the out-licensing of the EU rights (plus Switzerland, the U.K., EEA countries, Russia and Mexico) for Lumeblue®.

Net expenses

EUR 1,000	H1 2022	% of revenue	H1 2021	% of revenue
Other income	1,069	2.6%	163	0.6%
Cost of sales	(17,221)	(41.5%)	(13,796)	(48.6%)
Research and development costs	(7,593)	(18.3%)	(7,436)	(26.2%)
Selling, general and administrative costs	(9,658)	(23.2%)	(7,343)	(25.8%)
Total net expenses	**(33,403)**	**(80.4%)**	**(28,412)**	**(99.9%)**

Net expenses as per nature

EUR 1,000	H1 2022	% of revenue	H1 2021	% of revenue
Other income	1,069	2.6%	163	0.6%
Changes in inventories of finished goods and work in progress (WIP)	2,044	4.9%	1,347	4.7%
Raw materials and consumables used	(8,957)	(21.6%)	(6,417)	(22.6%)
Personnel expenses	(12,084)	(29.1%)	(12,397)	(43.6%)
Outsourced preclinical and clinical trial costs	(1,109)	(2.7%)	(882)	(3.1%)
Other operating expenses	(7,562)	(18.2%)	(6,798)	(23.9%)
Depreciation and amortisation	(6,804)	(16.4%)	(3,428)	(12.1%)
Total net expenses	**(33,403)**	**(80.5%)**	**(28,412)**	**(100.0%)**

Raw materials and consumables used

Expenditure on raw materials and consumables used increased to €9.0 million (H1 2021: €6.4 million). This was mainly due to increased production of own products and products manufactured on contract which accounted for €0.7 million of the increase, increase in production costs related to Genius™ by €0.4 million and inclusion of Cassiopea's costs of raw materials and consumables related to Winlevi® this year for €1.6 million in H1 2022. The increase in raw materials and consumables used, combined with the increase in changes in inventories correlates to the increase in the manufacturing revenue in H1 2022.

Depreciation and amortisation

Depreciation of property, plant and equipment relates mainly to the manufacturing facility, laboratories and property in Lainate, and depreciation of other right-of-use assets. Amortisation of other intangible assets primarily relates to amortisation of patents and rights, and amortisation of capitalised development costs. The increase in H1 2022 largely relates to the half-year amortisation of Winlevi® which was acquired as part of the Cassiopea acquisition in December 2021.

Financial income and expenses

EUR 1,000	H1 2022	H1 2021
Financial income	6,164	2,748
Financial expenses	(5,183)	(4,664)
Net financial expense	**981**	**(1,916)**

Financial income was €6.2 million and includes foreign exchange gains during the period of €4.8 million (H1 2021: €1.0 million), interest of €1.3 million (H1 2021: €1.5 million) on the €25 million loan to Acacia Pharma Group plc ('Acacia Pharma') and interest received on cash and cash equivalents of €0.1 million.

Financial expenses of €5.2 million (H1 2021: 4.7 million) mainly consist of imputed interest of €4.4 million (H1 2021: 4.3 million) on Cosmo's €175 million 2.5% convertible bonds due 2023.

Assets

Non-current assets

EUR 1,000	30-Jun-22	31-Dec-21
Property, plant and equipment	30,400	30,478
Goodwill	24,005	24,005
Other intangible assets	368,546	372,733
Financial assets	16,959	49,077
Deferred tax assets	18,134	18,636
Other non-current receivables	34,770	34,784
Total non-current assets	**492,814**	**529,713**

Property, plant and equipment primarily consists of the real estate property in Lainate (industrial plant, laboratories and offices), inclusive of surrounding land, the equipment in the plant that is used for the manufacturing of MMX® tablets and the right-of-use assets which represent office buildings and motor vehicles.

Goodwill relates to the acquisition of the pharmaceutical manufacturing business from Parke-Davis in 1997, the acquisition of Linkverse S.r.l. ('Linkverse') in 2018 and the acquisition of Cassiopea in 2021.

Intangible assets as at 30 June 2022 consist of:
- Patents and rights of €4.1 million (2021: €4.1 million);
- Breezula®, €170.3 million (2021: €170.3 million);
- Winlevi®, €171.9 million (2021: €175.0 million);
- Methylene Blue MMX® (CB-17-01), €11.8 million (2021: €12.0 million);
- Aemcolo® (CB-01-11), €5.6 million (2021: €6.1 million);
- Eleview® (CB-17-04); €1.2 million (2021: €1.2 million); and
- GI Genius™ (CB-17-08), €3.7 million (2021 €4.0 million).

Breezula® and Winlevi® were acquired as part of the acquisition of Cassiopea. The development projects are progressing in line with the technical and economic plan, and after review, management confirms the recoverability of the relevant capitalised costs, based on probable future economic benefits.

Financial assets decreased by €32.1 million to €17.0 million. During the period, Eagle Pharmaceuticals Inc. ('Eagle Pharma', Nasdaq: EGRX) acquired Acacia Pharma by way of a scheme of arrangement under Part 26 of the United Kingdom's Companies Act 2006. As such, Cosmo disposed of its entire shareholding in Acacia Pharma and received a total consideration of €17.4 million from Eagle Pharma, comprising of cash of €13.3 million and 96,040 new Eagle Pharma shares with a fair value of €4.1 million on the date of disposal.

As at 30 June 2022, the total fair value of non-current financial assets was €17.0 million (2021: €49.1 million) comprising of US$6.0 million (€5.8 million) related to the 6,900,001 shares in RedHill Biopharma Ltd. at US$0.87 price per share (2021: US$17.8 million at US$2.58 price per share), €4.5 million related to the 4,861,999 shares in PAION AG at €0.92 price per share (2021: €5.8 million at €1.20 price per share) and US$4.3 million (€4.1 million) related to the 96,040 shares in Eagle Pharma at US$44.43 price per share. We are closely monitoring developments at Redhill. For details, refer to note 10 in the Condensed Consolidated Financial Statement.

Current assets

EUR 1,000	30-Jun-22	31-Dec-21
Inventories	15,002	13,119
Contract assets	3,943	3,943
Trade receivables	20,627	20,508
Current tax assets	9,582	10,884
Other receivables and other assets	4,319	5,188
Current financial assets	938	23,647
Cash and cash equivalents	218,027	198,560
Total current assets	**272,438**	**275,849**

During the period, the Group divested its investment in funds and there was a reduction in current financial assets of €22.7 million.

Equity and liabilities

EUR 1,000	30-Jun-22	31-Dec-21
Share capital	4,562	4,562
Share premium	243,565	243,565
Other reserves	47,745	47,845
Treasury shares	(83,019)	(65,557)
Stock option plan reserve	30,831	30,390
Fair value reserve	(41,470)	(56,618)
Equity component of convertible bond	7,011	7,011
Employee benefits actuarial gains/losses reserve	(144)	(220)
Currency translation reserve	1,384	987
Retained earnings	244,074	271,639
Profit for the period	7,896	21,672
Equity attributable to owners of the Company	**462,535**	**505,276**
Non-controlling interests	6,685	7,402
Total equity	**469,220**	**512,678**

As at 30 June 2022, Cosmo Pharmaceuticals had 17,543,522 (2021: 17,543,522) shares issued, fully subscribed and paid up, each share with a nominal value of €0.26.

As at 30 June 2022 the Group held 1,159,854 treasury shares at an average purchase price of CHF 77.94 per share. During H1 2022, the Group purchased 328,051 treasury shares at an average purchase price of CHF 55.88 per share and sold 3,500 treasury shares at an average selling price of CHF 59.47 per share.

Non-current liabilities

EUR 1,000	30-Jun-22	31-Dec-21
Interest-bearing loans and borrowings	170,912	169,028
Employee benefits	422	479
Deferred tax liabilities	98,483	99,749
Other non-current liabilities	2,392	2,392
Total non-current liabilities	**272,209**	**271,648**

Interest-bearing loans and borrowings of €170.9 million (2021: €169.0 million) consist of the convertible bond liability component of €168.6 million (2021: €166.5 million), financial lease liabilities of €1.6 million (2021: €1.9 million) and bank loans of €0.7 million (2021: €0.7 million).

Other non-current liabilities represent contingent consideration for the purchase of NCI in Linkverse in 2019.

Current liabilities

EUR 1,000	30-Jun-22	31-Dec-21
Interest-bearing loans and borrowings	914	889
Trade payables	10,196	11,586
Current tax liabilities	2,719	3,246
Other current liabilities	9,994	5,515
Total current liabilities	**23,823**	**21,326**

As at 30 June 2022, current liabilities were €23.8 million (2021: €21.3 million) and include trade payables of €10.2 million (2021: €11.6 million), other current liabilities of €10.0 million (2021: €5.5 million), interest-bearing loans and borrowings of €0.9 million (2021: €0.9 million) and current tax liabilities of €2.7 million (2021: €3.2 million).

Other current liabilities mainly include social security payables, withholding tax and accruals of deferred pay elements related to employees, calculated on the basis of the collective labour agreements currently in force. Other current liabilities also includes the current portion of contingent consideration for the purchase of the NCI in Linkverse in 2019. The increase in other current liabilities largely relates to dividend withholding tax of €3.9 million due in July 2022 for the cash distribution made by the Group in June 2022.

Cash flow

EUR 1,000	H1 2021	H1 2021
Profit/(loss) for the period before tax	9,089	(4,667)
Adjustment for non-monetary item	7,662	12,671
Operating cash flows before changes in working capital	**16,751**	**8,004**
Change in net working capital	(3,666)	4,662
Cash flows from operating activities	**13,085**	**12,666**
Income taxes paid	(517)	(2,989)
Net cash flows from operating activities	**12,568**	**9,677**
Investments in property, plant and equipment	(2,215)	(1,930)
Investments in other intangible assets	(324)	(1,585)
Net inflows from the disposal of financial assets	35,954	7,224
Interest received on Acacia Pharma Loan	1,138	1,386
Loan to associate	–	(6,000)
Purchase of Cassiopea NCI shares	(758)	–
Other loan amounts	–	(26)
Cash flows from investing activities	**33,795**	**(931)**
Interest paid on convertible bonds	(2,188)	(2,188)
Interest paid on loans and leases	(536)	(2,178)
Distributions paid, net of withholding tax	(11,705)	–
Purchase of treasury shares – net	(17,579)	(10,664)
Cash flows from financing activities	**(32,008)**	**(15,030)**
Net increase/(decrease) in cash and cash equivalents	**14,355**	**(6,284)**
Cash and cash equivalents at the beginning of the period	**198,560**	**185,937**
Unrealised foreign exchange gain on cash and cash equivalents	**5,112**	**753**
Total cash and cash equivalents at the end of the period	**218,027**	**180,406**

The net cash inflow from operating activities of €12.6 million (H1 2021: €9.7 million) includes a working capital outflow of €2.3 million (H1 2021: inflow of €4.7 million) and income taxes paid of €0.5 million (H1 2021: paid of €3.0 million).

Investments in property, plant and equipment were €2.2 million (H1 2021: €1.9 million). Investments in other intangible assets of €0.3 million (H1 2021: €1.5 million) mainly relate to patents and rights.

There was a net cash inflow of €36.0 million due to disposal of current financial assets for €22.6 million and cash consideration of €13.3 million for the transfer of equity investment in Acacia Pharma to Eagle Pharma.

Interest of €1.1 million (H1 2021: €1.4 million) was received in the period mainly relating to interest received on the loan to Acacia Pharma.

There was a cash outflow of €0.8 million for the purchase of NCI shares in Cassiopea.

Net outflows related to financing activities of €32.0 million (H1 2021: €15.0 million) includes a net outflow of €17.6 million (H1 2021: €10.7 million) relating to the purchase/sale of treasury shares. Convertible bond interest of €2.2 million was paid during the period (H1 2021: €2.2 million). Interest on loans and borrowings paid during the period was €0.5 million (H1 2021: €2.2 million (includes repayment of loans and borrowings)).

A cash distribution out of Cosmo's freely distributable reserves in the amount of €0.95 per ordinary share was approved at the AGM on the 27th of May 2022. The €11.7 million payment, net of withholding tax, was made in June 2022 and the €3.9 million withholding tax was paid in July 2022.

Risk management

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.

Risk management matrix

Strategic risks

Strategic risks relate 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.

Risk area	Description of risk	Mitigation
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 is supported by 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 that 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's 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. We rely on our partners to market, sell and distribute our products. The failure of our products to achieve commercial success could have a material adverse impact on result of operations, our business or our financial condition.	We place a heavy emphasis on selecting the right partner for our products and take steps to ensure that we have different partners for each product or class of products.
Pricing and reimbursement	The commercial success of our products depends on 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 that improve clinical outcomes and patient safety maximises the potential to achieve appropriate reimbursement for our products.

Operational risks

Risk area	Description of risk	Mitigation
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 that 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.	The Company's quality department monitors the supply chain regulatory requirements in relation to its products on an ongoing basis to ensure that it is in compliance with all relevant regulatory requirements and that all necessary authorisations are in place. The Company monitors the authorisations of its partners to ensure that the necessary authorisations are in place. Supply, quality and pharmacovigilance agreements are in place with relevant parties to ensure that products are manufactured and distributed in accordance with regulatory requirements.
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 employee stock ownership plan for directors, employees, co-workers and administrators of the Company or a Group company ('ESOP'), and a bonus scheme in place.

Financial risks

The Group is exposed to various financial risks in the normal course of business. The principle financial risks to which it is exposed include credit risks related to the credit worthiness of its customers and counterparties of its 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 has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence limits. The Audit Committee of the Board periodically reviews the policies and adequacy of the risk management framework in regards to the risks faced by the Group.

Risk area	Description of risk	Mitigation
Credit risk (1)	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 ongoing 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 a bank reference. If the Company is unable to reach sufficient comfort over the creditworthiness, the Company will transact based on a prepayment basis only.
Credit risk (2)	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 2022 was held on deposit with banks whose Fitch credit rating ranged from BB- 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; and • sufficient resources are maintained to mitigate risks and unforeseen events that 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	Given the global nature of its operations, 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). The Group is also 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 and regulatory risks

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

Risk area	Description of risk	Mitigation
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 that 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 that we take, there is no guarantee that regulatory approval will be obtained for new products or new indications for existing products.
Tax	We operate in a number of tax jurisdictions and are taxed accordingly. The Organisation for Economic Co-operation and Development (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.

2. Directors' Report

2.4 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 2022 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.

The Board of Directors

Mauro Ajani
Alessandro Della Chà
Kevin Donovan
Dieter Enkelmann
David Maris
Maria Grazia Roncarolo
Alexis de Rosnay

Dublin, Ireland, 27 July 2022

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

as of and for the six months ended 30 June 2022

3. Condensed Consolidated Financial Statements and Notes

3.1 CONDENSED CONSOLIDATED INCOME STATEMENT

Condensed consolidated income statement (unaudited)

For the six months ended 30 June 2022

EUR 1,000	Notes	H1 2022	H1 2021
Revenue	4	**41,511**	**28,420**
Cost of sales		(17,221)	(13,796)
Gross profit		**24,290**	**14,624**
Other income	5	1,069	163
Research and development costs		(7,593)	(7,436)
Selling, general and administrative costs		(9,658)	(7,343)
Net operating expenses		**(16,182)**	**(14,616)**
Operating profit		**8,108**	**8**
Financial income	6	6,164	2,748
Financial expenses	6	(5,183)	(4,664)
Net financial income/(expenses)		**981**	**(1,916)**
Share of result of associate	15	**–**	**(2,759)**
Profit/(loss) before taxes		**9,089**	**(4,667)**
Income tax	7	(1,193)	(1,074)
Profit/(loss) for the period		**7,896**	**(5,741)**
Profit/(loss) attributable to:			
Owners of the Company		7,871	(5,741)
Non-controlling interest		25	–
Earnings per share		EUR	EUR
Basic	8	0.476	(0.399)
Diluted	8	0.476	(0.399)

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

3.2 CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Condensed consolidated statement of comprehensive income (unaudited)

For the six months ended 30 June 2022

EUR 1,000	Notes	H1 2022	H1 2021
Profit/(loss) for the period (A)		**7,896**	**(5,741)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Losses on equity instruments measured at FVOCI		(18,811)	(19,751)
Remeasurement of defined benefit liability		76	9
Income tax	7	–	112
Total items that will not be reclassified subsequently to profit or loss (B1)		**(18,735)**	**(19,630)**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		397	(6)
Income tax	7	–	–
Total items that may be reclassified subsequently to profit or loss (B2)		**397**	**(6)**
Total other comprehensive income/(loss), net of tax (B)=(B1+B2)		**(18,338)**	**(19,636)**
Total comprehensive income/(loss) (A)+(B)		**(10,442)**	**(25,377)**
Total comprehensive income/(loss) attributable to:			
Owners of the Company		(10,467)	(25,377)
Non-controlling interest		25	–

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

3. Condensed Consolidated Financial Statements and Notes

3.3 CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Condensed consolidated statement of financial position (unaudited)

As at 30 June 2022

EUR 1,000	Notes	30-Jun-22	31-Dec-21
ASSETS			
Non-current assets			
Property, plant and equipment		30,400	30,478
Goodwill		24,005	24,005
Other intangible assets	9	368,546	372,733
Financial assets	10	16,959	49,077
Deferred tax assets		18,134	18,636
Other receivables and other assets		34,770	34,784
Total non-current assets		**492,814**	**529,713**
Current assets			
Inventories		15,002	13,119
Contract assets		3,943	3,943
Trade receivables		20,627	20,508
Current tax and other tax assets		9,582	10,884
Other receivables and other assets		4,319	5,188
Current financial assets	10	938	23,647
Cash and cash equivalents		218,027	198,560
Total current assets		**272,438**	**275,849**
TOTAL ASSETS		**765,252**	**805,562**

EUR 1,000	Notes	30-Jun-22	31-Dec-21
EQUITY			
Share capital	11	4,562	4,562
Share premium		243,565	243,565
Reserves		(37,562)	(36,162)
Retained earnings		251,970	293,311
Equity attributable to owners of the Company		**462,535**	**505,276**
Non-controlling interest		6,685	7,402
TOTAL EQUITY	11	**469,220**	**512,678**
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	12	170,912	169,028
Employee benefits		422	479
Deferred tax liabilities		98,483	99,749
Other non-current liabilities	13	2,392	2,392
Total non-current liabilities		**272,209**	**271,648**
Current liabilities			
Interest-bearing loans and borrowings	12	914	889
Trade payables		10,196	11,586
Current tax liabilities		2,719	3,246
Other current liabilities	13	9,994	5,515
Total current liabilities		**23,823**	**21,236**
TOTAL LIABILITIES		**296,032**	**292,884**
TOTAL EQUITY AND LIABILITIES		**765,252**	**805,562**

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

3. Condensed Consolidated Financial Statements and Notes

3.4 CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Condensed consolidated cash flow statement (unaudited)

For the six months ended 30 June 2022

EUR 1,000	Notes	H1 2022	H1 2021
Profit/(loss) for the period before tax		**9,089**	**(4,667)**
Adjustments for:			
Depreciation and amortisation	5	6,804	3,428
Share-based payment expenses		938	4,230
Interest expense recognised in profit or loss (net)		4,564	2,952
Loss on fair valuation of investments in funds (net)		83	39
Share of result of associate	15	–	2,759
Change in employee benefits/pension provision		19	22
Unrealised foreign exchange gain on cash and bond		(4,746)	(759)
Operating cash flows before changes in working capital		**16,751**	**8,004**
Change in inventories		(1,883)	(4,218)
Change in trade receivables		(118)	10,537
Change in trade payables		(1,389)	1,587
Change in other receivables and other assets		(187)	(1,738)
Change in deferred income		159	–
Change in other liabilities		435	(1,536)
Change in current tax assets/liabilities and deferred tax liabilities		267	30
Change in withholding tax receivables		(950)	–
Cash flows from operating activities		**13,085**	**12,666**
Income taxes paid (net)		(517)	(2,989)
Net cash flows from operating activities		**12,568**	**9,677**
Investments in property, plant and equipment (excluding right-of-use assets)		(2,215)	(1,930)
Investments in other intangible assets		(324)	(1,585)
Investments in financial assets		–	(48)
Disposal of financial assets		35,954	7,272
Interest received		1,138	1,386
Loan to associate		–	(6,000)
Other loans		–	(26)
Purchase of NCI shares of Cassiopea S.p.A.		(758)	–
Cash flows from investing activities		**33,795**	**(931)**

EUR 1,000	Notes	H1 2022	H1 2021
Interest paid on convertible bonds		(2,188)	(2,188)
Interest payment on interest-bearing loans and leases		(536)	(2,178)
Purchase of treasury shares – net	11(B)	(17,579)	(8,049)
Distributions to shareholders – net of withholding tax		(11,705)	–
Payment of contingent consideration related to Linkverse acquisition		–	(2,615)
Cash flows from financing activities		**(32,008)**	**(15,030)**
Net decrease in cash and cash equivalents		**14,355**	**(6,284)**
Cash and cash equivalents at the beginning of the period		**198,560**	**185,937**
Net foreign exchange differences		5,112	753
Cash and cash equivalents at the end of the period		**218,027**	**180,406**
Cash at hand		23	13
Bank accounts		218,004	180,393
Total cash and cash equivalents at the end of the period		**218,027**	**180,406**

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

3. Condensed Consolidated Financial Statements and Notes

3.5 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Condensed consolidated statement of changes in equity (unaudited)

For the six months ended 30 June 2022

		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 equity
Net equity as at 1 January 2022	**17,543,522**	**4,562**	**243,565**	**47,845**	**(65,557)**	**30,390**	**(56,618)**	**7,011**	**(220)**	**987**	**293,311**	**505,276**	**7,402**	**512,678**
Total comprehensive income for the period														
Profit for the period											7,871	7,871	25	7,896
Other comprehensive income for the period							(18,812)		76	397		(18,339)		(18,339)
Release of cumulative FV losses from disposal of investments in FVOCI							33,960				(33,960)	–		–
Total comprehensive income for the period							**15,148**		**76**	**397**	**(26,809)**	**(10,468)**	**25**	**(10,443)**
Transactions with owners of the Company														
Payment of dividends											(15,607)	(15,607)		(15,607)
Personnel cost for stock options						938						938		938
Forfeited Stock options						(497)					497			
Purchase of treasury shares – net					(17,523)						(56)	(17,579)		(17,579)
Treasury shares exchanged for Cassiopea S.p.A. NCI shares					61						(22)	39		39
Acquisition of NCI in Cassiopea S.p.A.											(64)	(64)	(742)	(806)
Total transactions with owners of the Company					**(17,462)**	**441**					**(15,252)**	**(32,723)**	**(742)**	**(33,105)**
Net equity as at 30 June 2022	**17,543,522**	**4,562**	**243,565**	**47,845**	**(83,019)**	**30,831**	**(41,470)**	**7,011**	**(144)**	**1,384**	**251,970**	**462,535**	**6,685**	**469,220**

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

3. Condensed Consolidated Financial Statements and Notes

3.5 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

Condensed consolidated statement of changes in equity (unaudited)

For the six months ended 30 June 2021

		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 equity
Net equity as at 1 January 2021	**15,037,483**	**3,910**	**84,448**	**47,845**	**(49,400)**	**34,331**	**6,141**	**7,011**	**(198)**	**687**	**265,350**	**400,125**
Total comprehensive income for the period												
Loss for the period											(5,741)	(5,741)
Other comprehensive income/(loss) for the period							(20,657)		9	(6)	1,018	(19,636)
Total comprehensive income/(loss) for the period							**(20,657)**		**9**	**(6)**	**(4,723)**	**(25,377)**
Transactions with owners of the Company												
Personnel cost for stock options						4,302						4,302
Purchase of treasury shares – net					(8,040)						(9)	(8,049)
Total transactions with owners of the Company					**(8,040)**	**4,302**					**(9)**	**(3,747)**
Net equity as at 30 June 2021	**15,037,483**	**3,910**	**84,448**	**47,845**	**(57,440)**	**38,633**	**(14,516)**	**7,011**	**(189)**	**681**	**260,618**	**371,001**

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

3. Condensed Consolidated Financial Statements and Notes

3.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

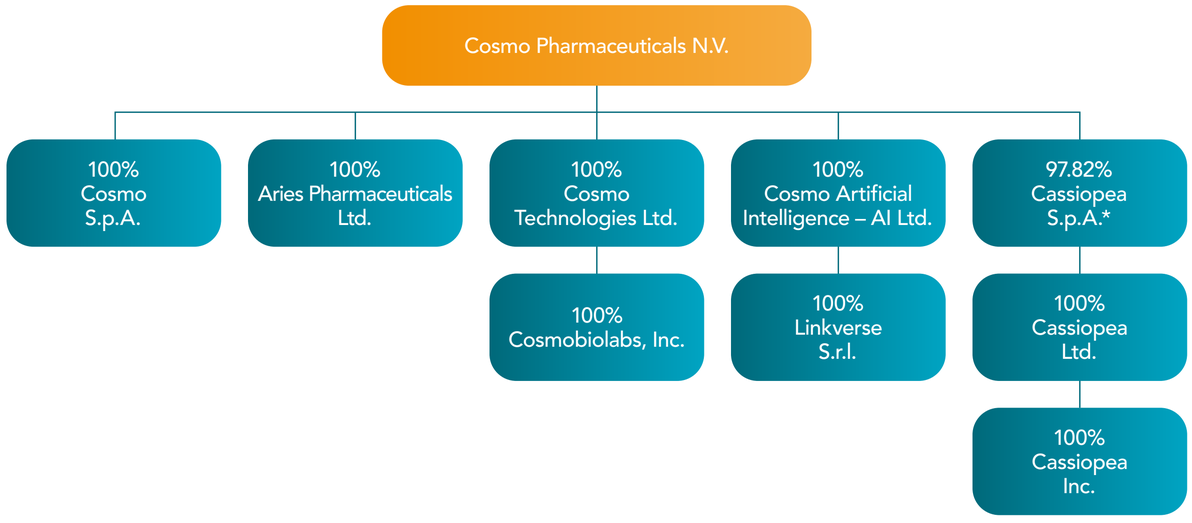
1 General information

Cosmo Pharmaceuticals N.V. with its subsidiaries and associates, ('Cosmo' or 'Cosmo Pharmaceuticals' or 'Company' or 'Group') is a speciality pharmaceutical company registered in the Netherlands with its seat of management at Riverside II, Sir John Rogerson's Quay, Dublin, Ireland, and is listed on the SIX Swiss Exchange (SIX: COPN) and XETRA exchange (C43. COSMO PHARMACEUT). 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 focus on gastrointestinal (GI) diseases and dermatology. Cosmo develops and manufactures products which are distributed globally by its partners.

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 2022 was equal to CHF 766.76 million.

Group structure as of 30 June 2022:



* Cassiopea S.p.A. ('Cassiopea'), previously an associate, was acquired by Cosmo on 17 December 2021 and became a subsidiary of the Group since then. In 2022, the Group further acquired 26,648 NCI shares in Cassiopea, increasing the Group's ownership interest in Cassiopea to 97.82% as of 30 June 2022 (31 December 2021: 97.57%).

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 2022 were authorised for issuance by the Board of Directors on 27 July 2022.

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 2021 ('last annual financial statements'). These Condensed Consolidated Financial Statements 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.

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 Significant accounting policies

The accounting policies applied in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group's annual Consolidated Financial Statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

A number of amendments apply for the first time in 2022, but do not have an impact on the interim Condensed Consolidated Financial Statements of the Group:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Annual improvements to IFRS Standards 2018-2020;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Reference to the Conceptual Framework (Amendments to IFRS 3);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2); and
- Definition of Accounting Estimates (Amendments to IAS 8).

The Group elected to adopt the following new amendment early for the annual reporting period as of 31 December 2021:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

4 Revenue

EUR 1,000	H1 2022	H1 2021
Manufacturing:		
Manufacturing of own products	22,188	15,158
Manufacturing of generic products, speciality drugs and related services	6,010	5,816
Licence fees, up-front fees and milestones	8,000	4,000
Royalties	4,645	421
Other revenues from sales	668	1,025
Total revenue	**41,511**	**28,420**

EUR 1,000	H1 2022	H1 2021
Own products	34,833	21,579
Third-party products	6,678	6,841
Total revenue	**41,511**	**28,420**

5 Net expenses

Net expenses in the table below represent cost of sales and net operating expenses by nature of the expenses:

EUR 1,000	H1 2022	H1 2021
Other income	1,069	163
Changes in inventories of finished goods and work in progress	2,044	1,347
Raw materials and consumables used	(8,957)	(6,417)
Personnel expenses	(12,084)	(12,397)
Outsourced preclinical and clinical trial costs	(1,109)	(882)
Other operating expenses	(7,562)	(6,798)
Depreciation and amortisation	(6,804)	(3,428)
Total net operating expenses	**(33,403)**	**(28,412)**

Expenditure on raw materials and consumables used increased to €9.0 million (H1 2021: €6.4 million). This was mainly due to increased production of own and products manufactured on contract which accounted for €0.7 million of the increase, increase in production costs related to GI Genius™ by €0.4 million and consolidation of Cassiopea's production costs to the Group this year which incurred €1.6 million costs for raw materials in H1 2022. The increase in raw materials and consumables used, combined with the increase in changes in inventories correlates to the increase in the manufacturing revenue in H1 2022.

The increase in depreciation and amortisation largely relates to the half-year amortisation of Winlevi® which was acquired as part of the Cassiopea acquisition in December 2021.

EUR 1,000	H1 2022	H1 2021
Salaries and wages	8,549	6,722
Social security contributions	1,873	1,908
Employee benefits	335	292
Stock options	763	3,297
Other costs	564	178
Total personnel expenses	**12,084**	**12,397**

Personnel expenses decreased by €0.3 million to €12.1 million (H1 2021: €12.4 million) mainly due to net effect of decrease in stock options by €2.5 million and increase in salaries and wages by €1.8 million. Stock option costs were lower in H1 2022 due to completion of vesting period for series 11, fewer stock options granted in H1 2022 compared to prior period and the effect of forfeited and waived stock options in 2021. Increase in salaries and wages was due to higher bonus accrual, inclusion of Cassiopea salaries and wages this year and increased number of staff.

5 Net expenses continued

The number of staff as at 30 June 2022 was as follows:

No. of staff	30-Jun-22	30-Jun-21
Managers	17	18
Junior managers	26	29
Employees	129	122
Workers	120	107
Total number	**292**	**276**

The average number of staff for the period ended 30 June 2022 was as follows:

Average no. of staff	H1 2022	H1 2021
Managers	17.5	17.5
Junior managers	27.5	27.5
Employees	130.0	121.0
Workers	116.0	104.5
Total number	**291.0**	**270.5**

6 Financial income and expenses

EUR 1,000	H1 2022	H1 2021
Financial income:		
Interest received on cash and cash equivalents	68	5
Interest income on Acacia Pharma loan	1,334	1,537
Foreign exchange gains	4,761	1,001
Gain on investments in funds	–	38
Other	1	167
Total financial income	**6,164**	**2,748**
Financial expenses:		
Interest on bank overdraft/advance on invoices	(150)	(105)
Interest on medium and long-term bank loan	(2)	(2)
Interest on financial lease payables	(60)	(76)
Interest on convertible bond	(4,373)	(4,261)
Loss on investments in funds	(83)	(77)
Foreign exchange losses	(467)	(94)
Other	(48)	(49)
Total financial expenses	**(5,183)**	**(4,664)**
Net financial income/(expense)	**981**	**(1,916)**

Financial income was €6.2 million and includes foreign exchange gains during the period of €4.8 million (H1 2021: €1.0 million), interest of €1.3 million (H1 2021: €1.5 million) on the €25 million loan to Acacia Pharma Group plc ('Acacia Pharma') and interest received on cash and cash equivalents of €0.1 million.

Financial expenses of €5.2 million (H1 2021: 4.7 million) mainly consist of imputed interest of €4.4 million (H1 2021: 4.3 million) on Cosmo's €175 million 2.5% convertible bonds due 2023.

7 Income tax expenses

Income tax recognised in profit or loss

EUR 1,000	H1 2022	H1 2021
Income tax	(2,132)	(1,084)
Changes in estimates related to prior years	–	–
Current income tax	**(2,132)**	**(1,084)**
Deferred tax assets	(327)	(377)
Deferred tax liabilities	1,266	387
Deferred tax	**939**	**10**
Total income tax	**(1,193)**	**(1,074)**

Income tax recognised in other comprehensive income

EUR 1,000	H1 2022	H1 2021
Deferred tax		
Arising on income and expense recognised in other comprehensive income:		
Fair value on remeasurement of equity instruments at FVOCI	–	112
Total income tax recognised in other comprehensive income	**–**	**112**

8 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 2022	H1 2021
Net profit/(loss) attributable to shareholders (in EUR 1,000)	7,871	(5,741)
Weighted average number of outstanding ordinary shares	16,531,105	14,392,984
Basic earnings/(loss) per share (in EUR)	**0.476**	**(0.399)**

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.

Potential new ordinary shares did not have a dilutive effect.

	H1 2022	H1 2021
Net profit/(loss) attributable to shareholders (in EUR 1,000)	7,871	(5,741)
Weighted average number of outstanding ordinary shares	16,531,105	14,392,984
Incremental shares with dilutive effect	n/a	n/a
Adjusted weighted average number of outstanding ordinary shares	16,531,105	14,392,984
Diluted earnings/(loss) per share (in EUR)	**0.476**	**(0.399)**

9 Other intangible assets

A Patents and rights

Patents and rights of €4.1 million (2021: €4.1 million) 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 Development costs

Other intangible assets of €244.6 million as at 30 June 2022 (2021: €245.6 million) consist of:
(i) Breezula®, €170.3 million, (2021: €170.3 million);
(ii) Methylene Blue MMX® (CB-17-01), €11.8 million (2021: €12.0 million);
(iii) Aemcolo® (CB-01-11), €5.6 million (2021: €6.1 million);
(iv) Eleview® (CB-17-04), €1.2 million (2021: €1.2 million);
(v) GI Genius™ (CB-17-08), €3.7 million (2021: €4.0 million); and
(vi) Winlevi® (Non-U.S.), €52.0 million (2021: €52.0 million).

Development costs are capitalised when management believe that capitalisation criteria are met and the capitalised costs are recoverable based on probable future economic benefits. Assets are amortised from the date on which they are available for use on a straight-line basis over the period of their expected benefit.

C Licensing and royalty agreements

Licensing and royalty agreements of €119.9 million (2021: €123.0 million) relate to Winlevi® (U.S.) which was acquired by the Group as part of the Cassiopea acquisition on 17 December 2021 and the amortisation commenced from that date.

10 Financial assets

A Financial assets – Non-current

Equity instruments designated as at FVOCI

EUR 1,000	30-Jun-22	31-Dec-21
Equity instruments measured at FVOCI – PAION shares	4,478	5,834
Equity instruments measured at FVOCI – RedHill shares	5,779	15,718
Equity instruments measured at FVOCI – AIMM and RSouth shares	2,594	2,594
Equity instruments measured at FVOCI – Acacia Pharma shares	–	24,931
Equity instruments measured at FVOCI – Eagle Pharma shares	4,108	–
Non-current financial assets	**16,959**	**49,077**

As at 30 June 2022, the Company held 6,900,001 shares in RedHill Biopharma ('Redhill') which had a market value of US$0.87 per share (2021: US$2.58), 4,861,999 shares in PAION AG which had a market value of €0.92 per share (2021: €1.2) and 96,040 shares in Eagle Pharmaceuticals Inc. ('Eagle Pharma') which had a market value of US$44.43 per share. During the period, Eagle Pharma (Nasdaq: EGRX) acquired Acacia Pharma by way of a scheme of arrangement under Part 26 of the United Kingdom's Companies Act 2006. As such, Cosmo disposed of its entire shareholding in Acacia Pharma and received a total consideration of €17.4 million from Eagle Pharma, comprising of cash of €13.3 million and 96,040 new Eagle Pharma shares with a fair value of €4.1 million on the date of disposal. The cumulative loss on the investment in equity instruments at FVOCI in Acacia Pharma amounted to €33.9 million and had been recognised in other comprehensive income.

B Financial assets – Current

Investments in funds measured at FVTPL

EUR 1,000	30-Jun-22	31-Dec-21
Investment in funds measured at FVTPL	938	23,647
Current financial assets	**938**	**23,647**

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 and loss. During H1 2022, investment in funds amounting to €22.6 million was disposed of.

11 Total shareholders' equity

EUR 1,000	30-Jun-22	31-Dec-21
Share capital	4,562	4,562
Share premium	243,565	243,565
Other reserves	47,845	47,845
Treasury shares	(83,019)	(65,557)
Stock option plan reserve	30,831	30,390
Fair value reserve	(41,470)	(56,618)
Equity component of convertible bond	7,011	7,011
Employee benefits actuarial gains/losses reserve	(144)	(220)
Currency translation reserve	1,384	987
Retained earnings	244,074	271,639
Profit for the period	7,896	21,672
Equity attributable to owners of the Company	**462,535**	**505,276**
Non-controlling interest	6,685	7,402
Total equity	**469,220**	**512,678**

A Share capital

	Ordinary shares	Preference shares
In issue at 1 January 2021 – fully paid	15,037,483	–
Issued in business combination	2,506,039	–
Exercise of share options	–	–
In issue at 31 December 2021 – fully paid	**17,543,522**	**–**
Authorised at 31 December 2021 – par value €0.26	**36,047,457**	**36,047,457**
In issue at 1 January 2022 – fully paid	17,543,522	–
Exercise of share options	–	–
In issue at 30 June 2022 – fully paid	**17,543,522**	**–**
Authorised at 30 June 2022 – par value €0.26	**36,047,457**	**36,047,457**

11 Total shareholders' equity continued

B Treasury shares

As at 30 June 2022, the Group held 1,159,854 treasury shares at an average purchase price of CHF 77.94 per share. During H1 2022, the Group purchased 328,051 treasury shares at an average purchase price of CHF 55.88 per share and sold 3,500 treasury shares at an average selling price of CHF 59.47 per share.

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

EUR 1,000	Ordinary shares
In issue at 1 January 2021 – fully paid	**15,037,483**
Treasury shares	(604,183)
Outstanding at 1 January 2021 – fully paid	**14,433,300**
Issue of new shares	2,506,039
Treasury shares sold	10,439
Treasury shares purchased	(287,005)
Treasury shares exchanged for the Cassiopea acquisition	44,625
Outstanding at 31 December 2021 – fully paid	**16,707,398**
In issue at 1 January 2022 – fully paid	**17,543,522**
Treasury shares	(836,124)
Outstanding at 1 January 2022 – fully paid	**16,707,398**
Treasury shares exchanged for acquisition Cassiopea NCI shares	821
Treasury shares sold	3,500
Treasury shares purchased	(328,051)
Outstanding at 30 June 2022	**16,383,668**

C Stock option plan reserve

The stock option plan reserve relates to the stock option plan of Cosmo Pharmaceuticals N.V. Refer to note 14 for further details.

D Dividend

In H1 2022, a cash distribution out of Cosmo's freely distributable reserves in the amount of €0.95 per ordinary share on the 16,428,003 shares outstanding as at 1 June 2022 (ex-distribution date), was approved at the AGM on 27 May 2022. The payment of €11.7 million, net of withholding tax, was made in June 2022 and the withholding tax of €3.9 million was paid in July 2022.

E Non-controlling interest

Non-controlling interest refers to minority interest in Cassiopea, representing 2.18% of the equity interest of Cassiopea as of 30 June 2022.

12 Loans and borrowings (non-current and current)

A Non-current

EUR 1,000	30-Jun-22	31-Dec-21
Bank loans	693	693
Convertible bond due 2023 – liability component	168,637	166,452
Lease liabilities	1,582	1,883
Total interest-bearing loans and borrowings (non-current)	**170,912**	**169,028**

Non-current bank loan detail:

EUR 1,000	30-Jun-22	31-Dec-21
UBI Banca	693	693
Bank loans (non-current)	**693**	**693**

B Current

EUR 1,000	30-Jun-22	31-Dec-21
Bank loans	133	133
Lease liabilities	781	756
Total interest-bearing loans and borrowings (current)	**914**	**889**

Current bank loan detail:

EUR 1,000	30-Jun-22	31-Dec-21
UBI Banca	133	133
Bank loans (non-current)	**133**	**133**

13 Other liabilities (non-current and current)

A Non-current

EUR 1,000	30-Jun-22	31-Dec-21
Contingent consideration	2,392	2,392
Total other non-current liabilities	**2,392**	**2,392**

B Current

EUR 1,000	30-Jun-22	31-Dec-21
Social security payables	612	606
Withholding tax for employees	414	346
Withholding tax for dividends	3,902	–
Withholding tax for consultants	–	4
Contingent consideration	762	762
Other liabilities	3,076	2,375
Refund liabilities	–	63
Accrued expenses and deferred income	1,228	1,359
Total other current liabilities	**9,994**	**5,515**

Contingent consideration represents amounts payable to prior owners of Linkverse S.r.l. ('Linkverse') on the occurrence of certain future events related to the achievement of future regulatory and commercial milestones. During H1 2021, as a result of approval of GI Genius™ by the FDA, the Group paid €2.6 million of contingent consideration.

14 Share-based payments

A Stock option plan of Cosmo Pharmaceuticals N.V.

During H1 2022, the Company granted 156,797 share options. As at 30 June 2022, 1,369,435 options were outstanding, 570,195 of which were exercisable.

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

	Number	Weighted average exercise price (CHF)
Outstanding as at 1 January 2022	**1,251,305**	**81.09**
Granted during the period	156,797	57.20
Forfeited during the period	(38,667)	78.77
Outstanding as at 30 June 2022	**1,369,435**	**78.42**
Exercisable as at 30 June 2022 (included in above total)	570,195	81.06

The following is a breakdown of the outstanding share options of Cosmo Pharmaceuticals N.V. as at 30 June 2022.

Option series	Issue date	Number	Grant date	Vesting date	Expiry date	Exercise price (CHF)	Fair value* (CHF)
6	11 April 2017	14,000	11/04/2017	11/04/2020	11/04/2023	154.90	25.05
9a	25 January 2019	218,090	25/01/2019	25/01/2022	24/01/2025	89.00	17.91
10	25 January 2019	120,000	25/01/2019	25/01/2020	24/01/2023	89.00	10.41
11	13 March 2019	150,000	13/03/2019	13/03/2022	13/03/2025	83.15	16.55
12	13 March 2019	150,000	13/03/2019	13/03/2024	13/03/2027	83.15	21.29
14	2 September 2019	1,334	02/09/2019	02/09/2022	01/09/2025	84.10	16.22
15	16 March 2020	12,000	16/03/2020	16/03/2023	15/03/2026	58.70	11.84
16	2 April 2020	218,105	02/04/2020	25/01/2022	24/01/2025	64.00	10.32
17	2 April 2020	–	02/04/2020	20/05/2022	19/05/2025	64.00	11.18
18	2 April 2020	1,333	02/04/2020	02/09/2022	01/09/2025	64.00	11.90
20	25 January 2021	154,103	25/01/2021	25/01/2023	24/01/2026	80.30	14.59
21	25 January 2021	166,340	25/01/2021	25/01/2024	24/01/2027	80.30	17.64
22	31 May 2021	5,333	31/05/2021	31/05/2024	30/05/2027	87.00	19.26
23	30 September 2021	2,000	30/09/2021	30/09/2024	30/05/2027	80.50	17.82
24	31 January 2022	156,797	31/01/2022	31/01/2025	30/01/2028	57.20	13.31
Outstanding as at 30 June 2022		**1,369,435**					

* At grant date.

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. At 30 June 2022, all 14,000 options were exercisable.

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 9a/9b) with an exercise price of CHF 89.00 and vesting period of three years. In 2019, 12,000 options were forfeited, and in 2020, 24,000 options were forfeited and 564,876 options were replaced with 282,438 options of series 16. During H1 2022, 6,666 options were forfeited. As at 30 June 2022, 218,090 options related to option series 9a are outstanding.

14 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 a vesting period of one year, expiring on 24 January 2023 and an exercise price of CHF 89.00. In 2021, 3,900 options were forfeited and 42,000 options were cancelled. As at 30 June 2022, 120,000 options were outstanding.

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 an exercise price of CHF 83.15, 150,000 of which 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 on 12 March 2027. The vesting of these options is conditional upon the Group receiving a cumulative revenue from GI Genius™ of not less than €100 million within 13 March 2024 up to 12 March 2025 and on condition that the option holder continues to be employed by Linkverse or by another company within the Group. As at 30 June 2022, all options related to option series 11 and 12 are outstanding.

Option series 13

On 20 May 2019, the Board of 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. In 2019, 36,000 and in 2020, 6,000 options were forfeited. In 2020, 2,626 options were replaced with 1,333 options of series 17. During H1 2022, all remaining 1,333 options were forfeited.

Option series 14

On 2 September 2019, the Board of Directors granted a total of 4,000 options to existing employees. These options have an exercise price of CHF 84.10, will vest on 2 September 2022 and will expire on 1 September 2025. In 2020, 2,626 options were replaced with 1,333 options of series 18. As at 30 June 2022, 1,334 options related to option series 14 are outstanding.

Option series 15

On 16 March 2020, the Board of Directors granted a total of 12,000 options to existing employees. These options have an exercise price of CHF 58.70, will vest on 16 March 2023 and will expire on 15 March 2026. At 30 June 2022, all options related to option series 15 are outstanding.

Option series 16

On 2 April 2020, the Board of Directors replaced 564,876 options related to series 9a/9b with 282,438 options (series 16) with an exercise price of CHF 64.00. These options will vest on 25 January 2022 and expire on 24 January 2025. In 2021, 9,666 options were forfeited and 46,667 options were cancelled. During H1 2022, 8,000 options were forfeited. As at 30 June 2022, 218,105 options related to option series 16 are outstanding.

Option series 17

On 2 April 2020, the Board of Directors replaced 2,666 options related to series 13 with 1,333 options (series 17) with an exercise price of CHF 64.00. These options will vest on 20 May 2022 and will expire on 19 May 2025. During H1 2022, all remaining 1,334 options were forfeited.

Option series 18

On 2 April 2020, the Board of Directors replaced 2,666 options related to series 14 with 1,333 options (series 18) with an exercise price of CHF 64.00. These options will vest on 2 September 2022 and will expire on 1 September 2025. As at 30 June 2022, all options related to option series 18 are outstanding.

Option series 20

On 25 January 2021, the Board of Directors granted a total of 215,436 options to existing employees. These options have an exercise price of CHF 80.30, will vest on 25 January 2023 and will expire on 24 January 2026. During H1 2022, 9,333 options were forfeited. As at 30 June 2022, 154,103 options related to option series 20 are outstanding.

Option series 21

On 25 January 2021, the Board of Directors granted a total of 190,340 options to existing employees. These options have an exercise price of CHF 80.30, will vest on 25 January 2024 and will expire on 24 January 2027. During H1 2021, 10,667 options were forfeited. As at 30 June 2022, 166,340 options related to option series 21 are outstanding

Option series 22

On 31 May 2021, the Board of Directors granted a total of 5,333 options to existing employees. These options have an exercise price of CHF 87.00, will vest on 31 May 2024 and expire on 30 May 2027. At 30 June 2022, all options related to option series 22 are outstanding.

Option series 23

On 30 September 2021, the Board of Directors granted a total of 2,000 options to existing employees. These options have an exercise price of CHF 80.50, will vest on 30 September 2024 and will expire on 29 September 2027. As at 30 June 2022, all options related to option series 23 are outstanding.

Option series 24

On 31 January 2022, the Board of Directors granted a total of 156,797 options to existing employees. These options have an exercise price of CHF 57.20, will vest on 31 January 2025 and will expire on 30 January 2028. As at 30 June 2022, all options related to option series 24 are outstanding.

14 Share-based payments continued

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

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 2022 were as follows:

Option series	24
Issue date	31/01/2022
Share price at grant date (in CHF)	57.20
Exercise price (in CHF)	57.20
Expected volatility	35%
Employee exit rate	0%
Option life	1,095 days
Risk-free interest rate	0.3214%
Dividend yield	0.50%

The fair value of the options granted has been determined on the basis of the binomial tree generated by the Fincad programme, 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.

15 Acquisition of NCI in Cassiopea S.p.A.

On 17 December 2021, Cassiopea, formerly an associate, became a subsidiary when Cosmo acquired an additional 51.01% of its issued share capital, increasing the Group's ownership in Cassiopea from 46.56% to 97.57%. Details of this business combination were disclosed in notes 14 and 34 of the Group's annual Consolidated Financial Statements for the year ended 31 December 2021.

During the first half of 2022, the Group acquired non-controlling interest in Cassiopea equivalent to 0.25% or 26,648 shares. As at 30 June 2022, the Group's ownership in Cassiopea increased to 97.82%.

The following table summarises the acquisition date fair value of purchase consideration and the amount of NCI transferred to retained earnings:

EUR 1,000	
Cash	757
Equity instruments (821 treasury shares exchanged for 1,761 Cassiopea NCI shares)	49
Total consideration transferred	**806**
Less: Carrying amount of NCI acquired	(742)
A decrease in equity attributable to owners of the Company	**64**

16 Related party transactions

At 30 June 2022, Cosmo Holding S.a.r.l., a Luxembourg company controlled by Mauro S. Ajani, the Chairman of the Company, held 6,099,563 shares in the Company.

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.

17 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 that are directly or indirectly observable for the assets or liabilities to be measured; and
- 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.

17 Fair value measurement continued

A Qualitative information continued

In the event of a significant reduction in the volume or level of operations compared with 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.

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

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

	30-Jun-22				31-Dec-21			
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 – PAION shares	4,478	–	–	4,478	5,834	–	–	5,834
Equity instruments measured at FVOCI – AIMM and other shares	–	–	2,594	2,594	–	–	2,594	2,594
Equity instruments measured at FVOCI – RedHill shares	5,779	–	–	5,779	15,718	–	–	15,718
Equity instruments measured at FVOCI – Acacia Pharma shares	–	–	–	–	24,931	–	–	24,931
Equity instruments measured at FVOCI – Eagle Pharma shares	4,108	–	–	4,108	–	–	–	–
Current financial assets								
Investment in funds	938	–	–	938	23,647	–	–	23,647
Total financial assets	**15,306**	**–**	**2,594**	**17,897**	**70,130**	**–**	**2,594**	**72,724**
Contingent consideration	–	–	(3,154)	(3,154)	–	–	(3,154)	(3,154)
Total financial liabilities	**–**	**–**	**(3,154)**	**(3,154)**	**–**	**–**	**(3,154)**	**(3,154)**

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); and
- investments in 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.

In the case of level 2 inputs, the valuation is based on prices taken from official listings of instruments which are similar in terms of risk profile. There are no level 2 financial assets as at 30 June 2022.

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 cash flows, discounted using a risk-adjusted discount rate. The estimated fair value would increase/(decrease) if the expected cash flows were higher/(lower) or if the risk-adjusted discount rate were lower/(higher); and
- contingent consideration in relation to the acquisition of Linkverse. The present value of future expected payments (expected payments discounted using a risk-adjusted discount rate of 4.98%) have been recorded as contingent consideration. These payments are contingent upon occurrence of future events, e.g. NDA approval of GI Genius™, and other commercial milestones. The estimated present value would increase/(decrease) if the expected payments were higher/(lower) or if the risk-adjusted discount rate were lower/(higher). 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.

17 Fair value measurement continued

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

During H1 2022, 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 values.

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-22		31-Dec-21	
EUR 1,000	Classification	Carrying amount	Fair value	Carrying amount	Fair value
Other non-current receivables (*)	Amortised cost	26,541	26,541	26,541	26,541
Trade receivables (including contract assets)	Amortised cost	20,627	20,627	24,451	24,451
Other receivables and other assets (*)	Amortised cost	–	–	–	–
Cash and cash equivalents	Amortised cost	218,027	218,027	198,560	198,560
Total assets		**265,195**	**265,195**	**249,552**	**249,552**
Lease liabilities	Amortised cost	(2,363)	(2,363)	(2,639)	(2,639)
Subsidised loans	Amortised cost	(826)	(847)	(826)	(847)
Trade payables	Amortised cost	(10,196)	(10,196)	(11,586)	(11,586)
Convertible bond – liability component	Amortised cost	(168,637)	(160,878)	(166,452)	(164,588)
Other current liabilities (*)	Amortised cost	(1,228)	(1,228)	(1,422)	(1,422)
Total liabilities		**(183,250)**	**(175,512)**	**(182,925)**	**(181,082)**
Unrecognised loss			(7,738)		(1,843)

(*) Only financial assets/liabilities.

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 lease liabilities, unsecured bank loans, convertible bond, included at level 2, the carrying amount represents the fair value calculated based on the present value of future principal and interest cash flows, discounted at the Group's incremental borrowing rate.

The fair value of subsidised loans, included at level 2, has been estimated with discounted cash flow models. The main inputs used are year-end market interest rates.

18 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.

The Board of Directors

Mauro Ajani
Alessandro Della Chà
Kevin Donovan
Dieter Enkelmann
David Maris
Maria Grazia Roncarolo
Alexis de Rosnay

Dublin, Ireland, 27 July 2022

3. Condensed Consolidated Financial Statements and Notes

3.7 CONTACTS AND ADDRESSES

Cosmo Pharmaceuticals N.V.
Riverside II
Sir John Rogerson's Quay
Dublin 2
Ireland

Phone: +353 181 70 370
www.cosmopharma.com

Investor and public relations
Hazel Winchester, Head of Investor Relations
Phone: +353 181 70 370
hwinchester@cosmopharma.com

Publications and further information
investor.relations@cosmopharma.com

Cosmo Pharmaceuticals N.V.
Riverside II
Sir John Rogerson's Quay
Dublin 2
Ireland
Phone: +353 181 70 370
www.cosmopharma.com

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