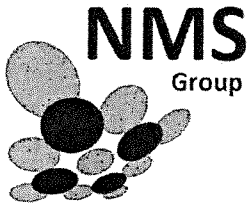

Gruppo NMS

Interim Consolidated Financial Statements at June 30, 2020

1. DIRECTORS' REPORT

NMS Group is one of the largest Italian group involved in innovation, research and development in oncology, with 413 employees, the Group employs over 130 qualified researchers, involved in research and development projects, from target validation to phase II clinical trials.

The Discovery area and the applied research of Nerviano Medical Sciences - which represents the innovative heart of the Group and has established itself as an important international reference in the field of personalized therapy - is integrated with the other development activities aimed at the discovery of new oncological drugs.

The Group is able to manage the entire integrated chain of research and development: from the pre-clinical phase, to the First-Time-In-Man of the clinical phase, up to the production and packaging of the finished product.

NMS Group's mission is to discover and develop new molecules and therapeutic strategies that can represent the personalized care of cancer patients, helping to shape the future of oncology. The wealth of internal skills, technologies and experience represent our excellence and, together with constant commitment and enthusiasm, are the basis for the achievement of our goals.

In addition, the numerous international certifications, the comparison with the most prestigious public and private scientific realities and the solid network of alliances with the scientific community are a guarantee of our highest quality levels applied to oncology.

Finally, thanks to its consolidated experience in research and its technological platforms, NMS Group is oriented to build alliances and strategic collaborations in order to promote the discovery and development of innovative treatments for cancer treatment.

Particularly, the Group is involved in the licensing of specific projects at different stages of development - both pre-clinical and clinical - and in the implementation of R&D cooperation initiatives aimed at discovering and developing the treatment options of the future.

The Group, also, offers research and production services aimed at the local and international market through two different companies:

- Accelera S.r.l.: company specialized in the field of evaluation and profiling of molecules in preclinical trials, their possible interactions with metabolism and their toxicity levels, thanks to a team of researchers with internationally recognized experience able to offer a complete package of services and consulting in various areas, from pharmacology for safety to drug interaction with drug, from in vitro tests to radio synthesis, up to PBPK and PK/PD modeling;
- NerPharMa S.r.l.: company characterized by a strong specialization in the oncology sector, which guarantees the highest standards of control and quality covers the entire process from the production of the active ingredient, through its formulation to the packaging and supply chain management phase, to the approvals of national and international regulatory activities with strategic expertise in the development and optimization of the entire process.

The large and innovative structure of the Centre, which occupies an area of about 100 thousand covered square meters, is structured to offer a range of highly specialized services and further instrumental opportunities to the world of research and academia

As parent company, NMS Group S.p.A. carries out the management and coordination of a Group structured as follows:

- Direct subsidiary: Nerviano Medical Sciences S.r.l., NerPharMa S.r.l. and Accelera S.r.l.
- Indirect subsidiary: Simis S.r.l., Life Lab Research Center S.r.l. in Liquidation and Consorzio Infra in liquidation

Indirect control is held through the subsidiary Nerviano Medical Sciences S.r.l., which holds 100% of the shares. For further details on the activities carried out by each Group company, please refer to the Supplementary Notes to the respective Financial Statements.

The significant events that took place during the period at June 30th, 2020 were as follows:

The first half of 2020 of the Group has been certainly influenced by the growing spread of SARS-CoV-2 (Severe Acute Respiratory Syndrome - Coronavirus - 2 hereinafter COVID 19), a pandemic as we know it is still ongoing although, at a local level, with a more modest size compared to the crisis that occurred in March and April.

On January 31st, 2020, the Council of Ministers of the Italian Government declared a state of emergency, for the duration of six months, as a result of the health risk associated with Coronavirus infection.

With the evolution of the world situation, on March 11th, 2020, the WHO (World Health Organization) declared the Coronavirus pandemic disease.

From February 21st, 2020 in Italy, with the registration of the first cases in the Codogno area (in the province of Lodi), the virus began to spread exponentially. Since then, both at local and national level, the authorities in charge have begun to take more stringent measures to contain and to fight the health emergency. The Group as a whole, following the updating of regulations at national level, have begun to update their internal security protocols:

- February 23rd, 2020 - Decree-Law no. 6 "*Urgent measures for the containment and management of the epidemiological emergency from COVID-19*": the decree provided that the competent authorities could adopt containment measures in municipalities or areas where at least one person for whom the source of transmission was unknown or in any case in municipalities or areas where there was a case not attributable to a person from an area already affected by the virus.

  On the same date, NMS Group S.p.A., in agreement with all CEO/Sole Directors of all companies directly or indirectly controlled by the same, sent an internal vademecum to all Group employees and collaborators, with the information brochure of the Ministry of Health, that provided some procedures to be followed in the campus in relation to: meetings, travel, the use of the canteen area. All procedures were aimed at reduce contact between employees and optimize the management of common areas.

  In accordance with the provisions of the Decree Law, all employees and suppliers residing in what the Decree called the "red zone" suspended their work activities and were no longer accepted to enter the campus. The Group also decided to apply an extended concept of "red zone", extending this restriction also to employees, collaborators and suppliers residing in adjacent areas.

  At the same time a procedure dedicated to internal logistics and warehouse management was issued.

  The Group has also established an internal team, inside the Emergency Team for the rescue of employees/collaborators who presented symptoms during their presence on campus. The team is coordinated by the company doctor who has prepared an operational procedure to be followed in case of intervention.

- March 8th, 2020, Prime Minister's Decree "*Further provisions implementing Decree Law No. 6 of February 23, 2020, on urgent measures for the containment and management of the epidemiological emergency by COVID-19, applicable throughout Italy*" and it subsequent Decree of March 9th, 2020: the two Decrees Prime Minister's extended to the entire national territory the measures initially envisaged only for the so-called red/orange zone. The decree initially in force until April 3rd, 2020 and subsequently extended until May 4th (beginning of the so-called Phase 2) provided for the prohibition of any movement of natural persons except for work requirements, situations of necessity or health reasons, the suspension of congresses, meetings and events in public and private places, the suspension of school and university activities, the suspension of public and private competition procedures (excluding competitions for health personnel) and finally the recommendation to persons symptomatic of respiratory infection and fever to remain at home.

As a result of these regulations, the Group:

- ✓ confirmed all the measures in force, suspending the recommendation not to go to the place of work of all employees, collaborators and suppliers from other regions, from ex-red zones and local municipalities;
- ✓ issued an update of its vademecum aligning it with the requirements of the Prime Minister's Decree issued by the Government;
- ✓ prohibited all suppliers from entering the site;
- ✓ started smart working activities, where it was considered possible;
- ✓ established the obligation to measure temperature before entering the site;
- ✓ defined strict canteen shifts in order to avoid a crowding situation;
- ✓ started a path (still in progress) for the sanitization activities of the different company areas shared with the competent doctor, trade unions and RSPP;

- ✓ provided all employees present on the site with adequate personal protective equipment.

The goal pursued by all CEO/Sole Directors of all the companies was to design a new organizations and new working methods compatible with a reduction in the presence of staff at the work.

The issuance of the Prime Minister's Decree of April 26th, 2020, in line with the pandemic trend on national soil, initiated what, after the lock-down period, was called "Phase 2" of the pandemic. The Group, in accordance with the provisions of the "*Agreed protocol for the regulation of measures to combat and contain the spread of the Covid-19 virus in the workplace*" signed between the Government and the social partners on March 13rd, 2020 and supplemented on April 24th, 2020 has started a phase of recovery, although it is worth mentioning that the production of the drug and preclinical services provided by the subsidiaries NerPharMa S.r.l. and Accelera S.r.l. in support of its customers have never stopped even during a period of full pandemic.

The process which began in May and is still ongoing at the end of this interim situation has seen a reduction in the number of people in smart working (to date about one third of the total company population) in favor of a normal resumption of activities while maintaining all the procedures and controls in force since the beginning of March.

Other important events that occurred in the first half of 2020 were:

The holding in March 2020, reached a consensual termination agreement with an executive in the role of "*Strategic Coordinator of Corporate Organization, Personnel Management and Group Industrial Relations*". The event is part of the wider framework of the NMS Group's reorganization process aimed at simplifying organizational structures and thus creating a clear and unambiguous system of roles and responsibilities with regard to both the definition of each company's objectives and their achievement. This agreement provided for a payment, made in April, for the redundancy incentive and for the general settlement pursuant to art. 1965 of the Italian Civil Code of 212 thousand Euros added to the 17 thousand Euros of legal expenses. In April 2020, a new HR Director assumed this responsibility.

As already mentioned in the Financial Statements at December 31st, 2019, the NMS Group's strategy for clinical development changed following the change in governance in 2018. In fact, while initially the development horizon was essentially focused in Italy and in Europe, today the approach is more international with global studies in Europe, the United States and China already in the early stages of development.

During 2020, NMS S.r.l., in relation to the NMS-088 project, continued the "*dose-escalation*" activities of the phase I/II study, started in Italy in 2019, on patients with AML and CMML relapsed/refractory to previous treatments. The study is conducted in two parts: a Phase I of progressive dose increase (dose-escalation) , still in progress, to identify the dose to be used in the so-called "*recommended Phase II dose*" or "RP2D" study, which includes patients with AML and CMML, and a Phase II comprising two parallel is expected to include two parallel cohorts of selected patients with the aim of increasing the probability of response to the drug: a cohort of AML patients with FLT3 mutations and a cohort of CMML patients. The Phase II study will subsequently be extended to the United States and China.

During 2019, Entrectinib, an inhibitor of ROS, TRK and ALK, was invented and developed at NMS S.r.l., has obtained registration approval in two different indications. The molecule was initially developed and brought to Phase I by NMS, then licensed in 2013 to Ignyta (San Diego, California, USA), which was subsequently acquired by Roche in 2017.

In 2018, Roche licensed its subsidiary Chugai Pharmaceutical Co. the exclusive rights to Entrectinib for Japan. On June 18th, 2019 Entrectinib (Rozlytrek) was approved in Japan for the treatment of tumors with TRK mutations, regardless of tumor type and in August 2019 by the U.S. regulatory body, the FDA.

The molecule also received two independent marketing approvals in tumors with TRK mutations as well as in non-small cell lung cancer (NSCLC) with ROS1. A second therapeutic indication was also approved in Japan in March 2020.

These approvals have started milestone payments and royalty flows. Roche is continuing the clinical development of Entrectinib in further indications.In August 2020, the molecule is also expected to be registered in Europe on two indications.

On November 19th, 2019, the licensee Institut de Recherches Internationales Servier, by formal notice, informed NMS S.r.l. of its intention to terminate the ongoing clinical trials on the licensed project in 2015.

Starting from March 4th, 2020, the transfer of ownership of certain patents from Institut de Recherches Internationales Servier to NMS Srl became effective, with the purpose of regulating the termination of the License Agreement (signed on 22nd July 2013), as well as the transfer, free of charge, of certain patents held by Institut de Recherches Internationales Servier to NMS Srl.

As of today, the notarization phase of the Patent Assignment Agreement is underway in order to allow our Patent to complete the administrative formalities required to take over ownership of the patents from the various patent offices.

2. ACCOUNTING TREATMENT OF RESEARCH AND DEVELOPMENT COSTS

NMS Group's core activity consists of researching new therapeutic strategies able to cope the needs of cancer patients; this applied research and development activity accounts for the largest part of the total costs incurred by the group.

For the current year, in accordance with the provisions of current regulations for the preparation of Consolidated Financial Statements, the Group companies have not capitalised these costs, which are therefore fully recorded in the income statement.

3. FINANCIAL RISKS MANAGEMENT

The Group's activities are mainly exposed to the following risks:

1. Risks associated with external factors:
    1. *risks related to products under clinical development,*
    2. *risks related to sectorial legislation.*
2. Financial risks:
    3. *market risk (interest risk),*
    4. *credit risk,*
    5. *risk of exchange rate fluctuations,*
    6. *liquidity risk.*

1. RISKS ASSOCIATED WITH EXTERNAL FACTORS:

a) Risks related to products under clinical development

Given the particular nature of these activities, the Group's products in the clinical development phase could cause - during the trial phases - damage due to side effects, or prove to be ineffective in combating the target audience and/or not receive approval from the competent (national and international) bodies. The conduct of the clinical trial may also be suspended at any stage of progress by decision of the company or competent bodies if patients are deemed to be exposed to high health risks. In particular, on a monthly basis, the committee of NMS S.r.l., SSC ("*Scientific Strategic Committe*"), in which, in addition to the research manager, all the heads of department of the same business unit and of the subsidiaries participate, evaluates the progress of the work, the data and information received from the project monitors and, on the basis of these, defines strategies and, if necessary, the closure of the project. Lastly, as required by current legislation, the Group uses insurance policies with leading companies for each individual firm/country in which it operates.

b) Risks related to sectorial legislation

The nature of the activities carried out by Group companies makes them subject to strict regulations both at national and international level. All the competent bodies (Ministry of Health - AIFA - EMEA - FDA or similar in other countries) governing the activities of manufacturing and marketing of the product provide for long and complex procedural procedures to obtain the necessary authorizations, which could lead to delays in the initiation and execution of clinical trials.

2. FINANCIAL RISKS:

The objective of the Group is to maintain over time a balanced management of its financial exposure, designed to guarantee a structure of liabilities in balance with the composition of the balance sheet assets and able to ensure the necessary operational flexibility through the use of the liquidity generated from current operating activities and the use of bank loans.
The ability to generate liquidity from the characteristic management, together with the ability to borrow, allow the Group to adequately satisfy its operating needs, financing of operating and investment working capital, as well as compliance with its financial obligations.
The Group's financial policy and the management of the related financial risks are guided and monitored centrally. In particular, the central finance function has the task of assessing and approving the forecast financial needs, of monitoring the trend and implementing, where necessary, the appropriate corrective actions.

The following section provides qualitative and quantitative reference information on the incidence of these risks on the Group.

3.1 Market risk

Interest rate risk

The Group uses external financial resources in the form of debt and uses the liquidity available in money market and financial instruments (ex. bank deposits). The totality of the loans obtained by the companies of the Group foresees interest rates. The risk is represented by the exposure of financial flows to fluctuations in interest rates. The trend in interest rates is constantly monitored by the management of the NMS Group which controls the effects on the forecast cash flows ready to carry out interventions to cover this risk.

Sensitivity analysis relating to interest rate risk

With reference to interest rate risk, a sensitivity analysis was prepared to determine the effect on the income statement and on the consolidated net equity that would derive from a hypothetical positive and negative change of 50 bps in interest rates compared to those actually recorded in each period.

The table below shows the results of the analysis carried out

(in thousands of Euro)	Impact on net of tax profit		Impact on other components of equity	
	- 50 bps	+ 50 bps	- 50 bps	+ 50 bps
At 30 June 2020	142	(142)	142	(142)
For the period at 31 December 2019	142	(142)	142	(142)

It should be noted the positive sign indicates a greater profit and an increase in net equity; the negative sign indicates a lower profit and a decrease in net equity.

3.2 Credit risk

Credit risk represents the Group's exposure to the risk of potential losses deriving from the non-fulfilment of the obligations assumed by the counterparties. The receivables outstanding at June 30, 2020 are mainly trade receivables from national and international biotech companies and large pharmaceutical Groups. The credit risk is therefore considered low.

3.3 Risk of exchange rate fluctuations

As at June 30, 2020, the Group's exposure to the risk of fluctuations in exchange rates was not extremely significant from a debt point of view as there were no significant debt positions. At consolidated level, payables expressed in foreign currency are equal to:

- ✓ 846 thousand USD in payables due to U.S. suppliers , and
- ✓ 94 thousand pounds for payables due to British suppliers.

From a credit point of view, the Group, through its subsidiary Nerviano Medical Sciences S.r.l., is exposed to a current account in foreign currency with Banca Intesa San Paolo which at June 30, 2020 shows a positive balance of 7.311 thousand USD and as a result of tax receivables for foreign withholding tax for 5.212 thousand USD.

The positive trend in the euro/dollar exchange rate at June 30, 2020 led the Group to have a positive impact on the income statement of approximately 261 thousand Euros.

3.4 Liquidity risk

Liquidity risk represents the risk that the financial resources available may be insufficient to finance normal operations and to develop its own research activities. The peculiarity of the Group leads to a high incidence of operating costs (personnel, services, purchase of laboratory materials, costs for clinical trials) with respect to revenue dynamics. The liquidity risk is substantiated by the need to find adequate resources to finance the Group's operations, as well as the need for effective management of short-term financing lines. With reference to the period at June 30, 2020 see the paragraph on going concern.

The table below shows an analysis of maturities, based on contractual repayment obligations, relating to financial debts, leasing contracts, trade payables and other liabilities existing at June 30, 2020 and December 31, 2019:

(in thousands of Euro)	At 30 June 2020		
	Portion due within one year	Portion due between 1 and 5 years	Portion due after 5 years
Short-term loans	-	-	-
Long-term loans	3.296	35.054	1.271
Financial liabilities for leased assets	288	943	18
Trade payables	11.993		
Other current liabilities	5.794		
Other non-current liabilities		-	
Total	**21.371**	**35.998**	**1.290**

(in thousands of Euro)	At 31 December 2019		
	Portion due within one year	Portion due between 1 and 5 years	Portion due after 5 years
Short-term loans	-	-	-
Long-term loans	3.319	34.019	2.543
Financial liabilities for leased assets	323	967	131
Trade payables	13.101		
Other current liabilities	6.017		
Other non-current liabilities		-	
Total	**22.760**	**34.986**	**2.673**

All the amounts indicated in the previous tables represent not discounted nominal values, determined with reference to the residual contractual maturities, both for the capital share and for the interest portion. The Group expects to meet the commitments mentioned above through the cash flows that will be generated by the operational management.

Pursuant to Article 2428, paragraph 3, point 6-bis, of the Italian Civil Code, it should be noted that the Group has not used and issued financial instruments relevant to the evaluation of its financial position.

4. INVESTMENTS

The investments made in the period relating to intangible assets mainly concerned the purchase in NMS S.r.l. of the Pipeline Pilot Software Perpectual licences to support the chemistry function and in Nerpharma S.r.l. the purchase of the Emperor Entriprise software, a data integrity system for AIFA and FDA authorizations.

The investments made in tangible fixed assets refer for the subsidiary Simis S.r.l. mainly to the investment in the evaporative towers serving the refrigeration units of the control room, which will guarantee higher plant efficiency and lower risks of plant downtime, in addition to the purchase of the new compressor for building 65 and the revamping of the lifts of building 75.

The subsidiary Accelera S.r.l., on the other hand, has mainly invested in new laboratory equipment mainly oriented towards eco-sustainability, safety and improvement and renewal of instrumentation aimed at obtaining robustness and quality of experimental data.

As far as the subsidiary NerPharMa S.r.l. is concerned, it has invested mainly in the replacement of obsolete laboratory equipment and instruments, both for the DS division (replacement of obsolete equipment for maintaining GMP quality) and the DP division (in the oral solids department in the injectable department and for Quality control).

Finally, with regard to Nerviano Medical Sciences S.r.l., the company made investments mainly for the benefit of the chemistry, biology and biotechnology sectors through the acquisition of laboratory equipment, all aimed at process optimization and validation.

5. CORPORATE CRIMINAL LIABILITY (Italian Legislative Decree 231/01)

In Legislative Decree 231/2001 on "*Corporate Criminal Liability*" provides commitments and ethical responsibilities of managers and employees in the conduct of business activities. According to above Decree (art. 6) in NMS Group S.p.A. an "*Organization, Management and Control Model*" is in force. General Section of the Model is common to all companies of the NMS Group.

The Model, was introduced in 2012 and revised in 2016 and subsequently was reworked during a process of revision of the Model itself launched at the end of 2018, which led to the elaboration and subsequent approval by the Board of Directors of the Company, on December 27th, 2019, of the General Part of the Model, shared by all Group companies.

The Model includes the Code of Ethics, which is also extended to all NMS Group companies.

A Supervisory Board, in force for the full year 2020 is composed by Mr. Luciano Bagna, chartered accountant with the position of chairman, Mrs. Rossella Infante, lawyer expert in the field of compliance 231, and by Mr. Ubaldo Percivalle, member with legal training and consolidated company experience in the field. The assignment, conferred by the Board of Directors on October 31st, 2017, covers the three-year period 1.1.2018 - 31.12.2020.

During the first half of the year, the Board completed the revision of the Special Part of the Model, which consists of 19 Decision Protocols, including the controls and control points for functions and processes, as well as the "*Whistleblowing*" procedure and the list of offences.

The draft of the above documents has been presented to Directors and Statutory Auditors of the Company during June for examination and approval.

The Body during the first half of the year continued its ordinary activity of constant monitoring of the application of the organizational model as a result of which are not report any cases of significant violation of the Model in force or inadequacy.

6. PRIVACY AND PERSONAL DATA PROTECTION

NMS Group companies processes some personal data, including sensitive data of its and of all other NMS Group company employees/collaborators.

During the half year NMS Group S.p.A. undertook adaptation/updating and monitoring activities dictated by the "Covid-19" emergency regulations as described in Section "1 DIRECTORS' REPORT".

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Interim Consolidated Financial Statements at June 30, 2020 and Supplementary Notes

CONSOLIDATED BALANCE SHEET AND FINANCIAL POSITION

(In thousand of Euro)	Notes	30 June, 2020	31 December, 2019
Assets			
Non-current assets			
Other intangible assets	3.2	1.027	761
Property, plant and equipment	3.3	89.652	90.301
Investments	3.4	5.400	2.264
Other non-current assets	3.5	5.567	4.674
Total non-current assets		**101.646**	**98.001**
Current assets			
Cash and cash equivalents	3.6	36.333	50.026
Inventories	3.7	852	1.287
Trade receivables	3.8	5.914	6.717
Contract assets	3.9	4.694	2.884
Derivatives	3.10	-	-
Current tax assets	3.11	383	352
Other current assets	3.12	7.896	7.647
Total current assets		**56.073**	**68.913**
Total assets		**157.719**	**166.914**
Liabilities and shareholders' equity			
Shareholders' equity			
Share capital	3.13	10.075	10.075
Reserves	3.13	77.211	70.255
Net profit (Loss) for the period		(12.384)	3.820
Total shareholders' equity		**74.902**	**84.150**
Non-current liabilities			
Employee benefit obligations	3.14	3.377	3.596
Provisions	3.15	2.768	2.859
Non current financial liabilities	3.16	35.967	36.106
Deferred tax liabilities	3.17	14.910	15.280
Other non-current liabilities	3.18	-	-
Total non-current liabilities		**57.021**	**57.841**
Current liabilities			
Current financial liabilities	3.16	3.037	2.916
Trade payables	3.19	11.993	13.101
Contract liabilities	3.20	4.561	2.561
Current tax liabilities	3.21	411	327
Other current liabilities	3.18	5.794	6.017
Total current liabilities		**25.796**	**24.923**
Total liabilities		**82.817**	**82.764**
Total liabilities and shareholders' equity		**157.719**	**166.914**

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CONSOLIDATED INCOME STATEMENT

(In Euro thousand)	Notes	For the period ended 30 June 2020	For the year ended 31 December 2019
Revenue	4.1	18.996	58.878
Other operating income	4.2	367	6.784
Total revenue and other operating income		**19.363**	**65.662**
Raw materials, consumables and goods	4.3	(3.630)	(5.368)
Service costs	4.4	(10.239)	(22.971)
Personnel expenses	4.5	(13.959)	(24.103)
Other operating costs	4.6	(770)	(1.415)
Impairment losses of financial assets	4.7	22	-
Depreciation, amortization, and other impairment losses	4.7	(3.359)	(8.023)
Net Operating Income		**(12.572)**	**3.783**
Financial income	4.8	278	312
Financial expenses	4.8	(412)	(654)
Other income		-	-
Profit before income tax		**(12.706)**	**3.441**
Income tax expenses	4.9	322	378
Net profit/(Loss) for the period		**(12.384)**	**3.820**
Other Comprehensive Income (OCI)			
Net profit/(Loss) for the period		**(12.384)**	**3.820**
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit plan liability net of tax effect		-	(169)
Equity investments fair value gains / (losses)	3.4/3.13	3.136	(1.266)
Total comprehensive income for the period		**(9.248)**	**2.385**

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CONSOLIDATED STATEMENT OF CASH FLOW

(In Euro thousand)	Cash flow Statement for the period ended June 30, 2020	Cash flow Statement for the period ended December 31, 2019
Profit before income tax	**(12.706)**	**3.441**
Adjustment for:	-	-
Depreciation	3.307	6.692
Amortization	143	209
Impairment change	171	274
(Profit)/loss on disposal of fixed assets	-	-
Net financial (income) / expenses	(134)	(342)
Other income	-	-
Post employment benefit	-	22
Other provision	(113)	1.089
Change in working capital	-	-
Inventories	435	31
Trade receivables	542	15.572
Trade payables	(1.108)	808
Contract assets	(1.810)	(575)
Contract liabilities	2.000	(423)
Other assets/liabilities	(1.366)	(6.205)
Change in provision	22	(1.787)
Change in TFR	(219)	5
Change in Deferred tax	(0)	(0)
Cash generated from operations	**(10.836)**	**18.812**
Net interest paid	401	676
Income tax paid	5	(275)
Net cash flows from/(for) operating activities (A)	**(10.429)**	**19.213**
Purchase of intangible assets	(409)	(579)
Purchase of fixed assets	(2.818)	(5.518)
Purchase of equity investments	(0)	(0)
Proceeds from sale of intangible assets	-	-
Proceeds from sale of fixed assets	-	-
Proceeds from sale of financial assets at fair value to profit or loss	-	-
Net cash flows from/(for) investing activities (B)	**(3.227)**	**(6.098)**
Proceeds from borrowing	20.000	20.000
Repayment of borrowing	(20.036)	(2.863)
Capital increase	0	(337)
Proceeds from other financial assets/liabilities	-	-
Repayment of other financial assets/liabilities	-	-
Net cash flows from/(for) financing activities (C)	**(36)**	**16.800**
Total (decrease)/increase in cash and cash equivalents (A+B+C)	**(13.692)**	**29.915**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**50.026**	**20.111**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**36.333**	**50.026**

Investments in property, plant and equipment didn't reflect the increase in rights of use due to the application of IFRS 16.

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STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY

(In thousands of Euro)	Share capital	Reserves	Net profit /(Loss) for the	Total Equity
Balance as at 1 January 2018	9.075	(106.046)	(24.032)	(121.003)
Profit/(Loss) for the period			119.246	119.246
Other comprehensive income for the period		(4.401)		(4.401)
Total comprehensive income for the period	-	(4.401)	119.246	114.845
Transactions with owners in their capacity as owners:				
Capital increase (net of transaction costs)	1.000	49.712		50.712
FRRB loan write-off		37.211		37.211
Total transactions with owners in their capacity as owners	1.000	86.923	-	87.923
Transfer within owners' equity:				
Net profit / (loss) transfer		(24.032)	24.032	-
Other transfers				-
Total transfers within owners' equity	-	(24.032)	24.032	-
Balance as at 31 December 2018	10.075	(47.556)	119.246	81.765

(In thousands of Euro)	Share capital	Reserves	Net profit /(Loss) for the period	Total Equity
Balance as at 31 December 2018	10.075	92.745	(21.055)	81.765
Profit/(Loss) for the period			3.820	3.820
Other comprehensive income for the period		(1.435)		(1.435)
Total comprehensive income for the period	-	(1.435)	3.820	2.385
Transactions with owners in their capacity as owners:				
Capital increase	-	-		-
		-		-
Total transactions with owners in their capacity as owners	-	-	-	-
Transfer within owners' equity:				
Net profit / (loss) transfer		(21.055)	21.055	-
Other transfers				-
Total transfers within owners' equity	-	(21.055)	21.055	-
Balance as at 31 December 2019	10.075	70.255	3.820	84.150

(In thousands of Euro)	Share capital	Reserves	Net profit /(Loss) for the period	Total Equity
Balance as at 31 December 2019	10.075	70.255	3.820	84.150
Profit/(Loss) for the period			(12.384)	(12.384)
Other comprehensive income for the period		3.136		3.136
Total comprehensive income for the period	-	3.136	(12.384)	(9.248)
Transactions with owners in their capacity as owners:				
Capital increase	-	-		-
		-		-
Total transactions with owners in their capacity as owners	-	-	-	-
Transfer within owners' equity:				
Net profit / (loss) transfer		3.820	(3.820)	-
Other transfers				-
Total transfers within owners' equity	-	3.820	(3.820)	-
Balance as at 30 June 2020	10.075	77.211	(12.384)	74.902

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1. Premise

NMS Group S.p.A. (hereinafter "**NMS**", the "**Company**" or the "**Parent Company**" and together with the subsidiaries, the "**Group**" or the "**NMS Group**") is a joint-stock company established and domiciled in Italy, with registered office in Nerviano (MI), via Pasteur n. 10, organized according to the legal system of the Italian Republic.

The share capital of NMS is held:

- for 90% from Luxembourg Investment 240 S.a.r.l. ("**LIC 240**"), a company incorporated under Luxembourg law whose share capital is indirectly held by Hefei-Sari V- Capital Management Co. LTD; and
- for 10% from the Fondazione Regionale per Ricerca Biomedica (hereinafter "**FRRB**" and together with LIC 240, the "**Members**").

It should be noted that LIC 240 acquired the majority of the share capital of NMS on March 28, 2018.

The NMS Group is the one of the largest reality in Italy committed to innovation and research and development in oncology and is the only company capable of managing the entire integrated supply chain of the research and development path: from the identification of new molecular targets up to clinical trials, production and packaging.

* * *

2. SUMMARY OF ACCOUNTING PRINCIPLES

The main criteria and accounting principles adopted in the preparation of the Consolidated Financial Statements are shown below.

2.1. Basis for preparing Financial Statements

The Company has made use of the faculty envisaged by Legislative Decree of February 28, 2005, n. 38, as subsequently amended by Law Decree n. 91 of June 24, 2014, which governs the exercise of the options provided by Article 5 of European Regulation n. 1606/2002 on international accounting standards, and voluntarily adopted the International Financial Reporting Standards, issued by the International Accounting Standards Board, and adopted by the European Union ("**EU-IFRS**" or "**International Accounting Principles**") for the preparation of its Consolidated Financial Statements.

It should be noted that the Consolidated Financial Statements for the period ended June 30, 2020 (the "Consolidated Financial Statements") represent the fourth financial statements of the Company prepared in accordance with International Accounting Standards since, previously, the Company prepared its Consolidated Financial Statements in agreement with the rules applicable in Italy and the accounting principles issued by the National Council of Chartered Accountants and Accounting Experts, modified by the Italian Accounting Body (the "Italian Accounting Principles").

The main accounting policies and principles applied in preparing the Consolidated Financial Statements are shown below.

2.2. Conformity declaration of International Accounting Principles

The Consolidated Financial Statements has been prepared in accordance with International Accounting Standards endorsed by the European Commission and in force since June, 30, 2020. UE-IFRS means all the "*International Financial Reporting Standards*", all the "*International Accounting Standards*" (IAS) and all the interpretations of "*International Financial Reporting Interpretations Committee*" (IFRIC), previosuly called "*Standing Interpretations Committee*" (SIC).

The application of International Accounting Principles has been carried out also by referring at "Systematic framework for the preparation and presentation of the Financial Statement" and no exceptions have been made to the application of the IAS/IFRS principales.

The Consolidated Financial Statements project has been approved by Board of Directors of the Company on 9 September 2020 and is not subject to audit.

2.3. Form and content of the accounting statements

The Consolidated Financial Statements has been prepared in Euros, which corresponds to the currency of the prevailing economic environment in which the entities of NMS Group operate. All amounts included in this document are represented in thousands of Euros, unless otherwise specified.

Below are indicated the scheme of the financial statement and the related classification criteria adopted by the Group, as part of the options envisaged by IAS 1 "Presentation of the financial statements" ("**IAS 1**"):

- the *consolidated balance sheet* has been prepared by classifying the assets and liabilities according to the "current/non-current" criterion;
- the *consolidated income statement* - whose format follows a classification of costs and revenues based on the nature of the same - indicates the economic result, integrated with the items that, by express provision of the EU-IFRS, are recognized directly in net equity , different than those relating to transactions entered into with the Company's shareholders;
- the *consolidated cash flow statement* has been prepared by showing the cash flows deriving from operating activities according to the "indirect method".

The schemes used are those that best represent the economic, patrimonial and financial situation of the Group.

The Consolidated Financial Statements has been prepared:

- based on the best knowledge of EU-IFRS and taking into account the best doctrine on the subject; any future guidelines and interpretative updates will be reflected in subsequent years, in accordance with the procedures provided from time to time by the reference accounting standards;
- with a view to going concern, since the directors verified the absence of financial, management or other indicators that could indicate critical issues regarding the Group's ability to meet its obligations in the foreseeable future and in particular in the next 12 months;
- on the basis of the conventional historical cost criterion, except for the valuation of financial assets and liabilities in the cases in which the application of the *fair value* criterion is mandatory.

2.4. Area and criteria of consolidation

The Consolidated Financial Statements includes the balance sheet, income statement and financial position of the Parent Company and its subsidiaries, approved by the respective administrative bodies, prepared on the basis of the related accounting situations and, where applicable, appropriately adjusted to make them compliant with EU-IFRS.

With reference to the subsidiaries, the following table summarizes the main information relating to the same at June 30, 2020 as well as the consolidation methods:

(in thousands of Euro)	Place of registration / incorporation	Date of registration / incorporation	Place of operations	Nominal value incorporation / registered	% of equity attributable to the Company		Principal activities
					31 December, 2019	30 June, 2020	
Parent company							
NMS Group SpA	Italy	7 May 2009	Nerviano (Italy)	9.075			Holding
Subsidiaries							
NMS Srl	Italy	23 April 2004	Nerviano (Italy)	1.040	100%	100%	Drug Discovery
Samit Srl	Italy	29 November 2005	Nerviano (Italy)	50.000	100%	100%	Real Estate and Properties
Nerpharma Srl	Italy	12 June 2008	Nerviano (Italy)	100	100%	100%	Drug Substance & Product
Accelera Srl	Italy	12 June 2008	Nerviano (Italy)	100	100%	100%	Pre-clinical development
Consorzio Infra	Italy	16 December 2009	Nerviano (Italy)	100	100%	100%	Site management
Centro di Ricerche Life Lab S.r.l.	Italy	03 August 2010	Belgirate (CI)	20	100%	100%	Drug Discovery

The criteria adopted by the Group for defining the area of consolidation and the related consolidation principles are shown below.

Subsidiaries

An investor controls an entity when: i) it is exposed, or has the right to participate, to the variability of its economic returns and ii) it is able to exercise its decision-making power over the relevant activities of the entity itself so as to influence such returns. The existence of control is verified whenever facts and/or circumstances indicate a change in one of the aforementioned elements qualifying the control. Subsidiaries are consolidated on a line-by-line basis starting from the date on which control was acquired and cease to be consolidated from the date on which control is transferred to third parties. The financial statements of all subsidiaries have a closing date coinciding with that of the Parent Company. The criteria adopted for full consolidation are the following:

- the assets and liabilities, charges and income of the subsidiaries are assumed line by line, attributing to the minority shareholders, where applicable, the portion of Net Equity and the net result for the period in which they are accrued; these portions are shown separately under shareholders' equity and the income statement;
- gains and losses, including the related tax effects, deriving from transactions carried out between fully consolidated companies not yet realized with third parties, are eliminated, except for losses that are not eliminated if the transaction provides evidence of a reduction of value of the transferred asset. Furthermore, reciprocal debit and credit relationships, costs and revenues, as well as financial charges and income are eliminated;
- in the presence of of shareholdings acquired after the assumption of control (acquisition of minority interests), any difference between the purchase cost and the corresponding fraction of the acquired equity is recognized in the Group's net equity; similarly, the effects deriving from the sale of minority interests without loss of control are recognized in equity. On the other hand, the sale of shares of investments that entails the loss of control determines the recognition in the income statement:

  (i) any capital gain/loss calculated as the difference between the consideration received and the corresponding portion of the consolidated net equity sold;
  (ii) the effect of the re-measurement of any residual equity investment maintained to align it with the related fair *fair value*;
  (iii) any values recorded in the other components of the overall result relating to the investee company whose control was no longer required for which a reversal to the comprehensive income statement is envisaged, or in the event

that there is no provision for the transfer to the comprehensive income statement, under the item of equity "Results carried forward".

The value of any equity investment, aligned to the related *fair value* at the date of loss of control, represents the new book value of the investment, which also constitutes the reference value for the subsequent valuation of the same according to the applicable valuation criteria.

Business combination

Business combination transactions, by virtue of which control of a business is acquired, are recognized in accordance with IFRS 3, applying the so-called acquisition method. In particular, the identifiable assets acquired, the liabilities and the potential liabilities assumed are recorded at their current value at the acquisition date, i.e. the date on which control is acquired (the "*Acquisition Date*"), except for deferred taxes assets and liabilities, assets and liabilities related to employee benefits and assets held for sale that are recorded based on the relevant accounting standards. The difference between the acquisition cost and the current value of the assets and liabilities, if positive, is recorded in the intangible assets as goodwill, or, if negative, after having rechecked the correct measurement of the current values of the assets and liabilities acquired and the cost of acquisition, is entered directly in the income statement, as income. When the determination of the values of the assets and liabilities of the acquired business is carried out provisionally, it must be concluded within a maximum period of twelve months from the acquisition date, taking into account only the information relating to facts and circumstances existing on the Acquisition Date. In the year in which the aforementioned determination is concluded, the provisionally recorded values are adjusted with retrospective effect. The additional transaction costs are recognized in the income statement at the time they are incurred.

The acquisition cost is represented by the fair value at the acquisition date of the transferred assets, the liabilities assumed and the equity instruments issued for the purpose of the acquisition, and also includes the potential consideration, i.e. that part of the consideration whose amount and whose disbursement are dependent on future events. The contingent consideration is recognized on the basis of the relative fair value on the Acquisition Date and subsequent changes in fair value are recognized in the income statement if the contingent consideration is a financial asset or liability, while the potential considerations classified as equity are not restated and the subsequent extinction is accounted for directly in the net equity.

2.5. Accounting standards and valuation criteria

Below is a brief description of the most significant accounting standards and valuation criteria used for the preparation of the Consolidated Financial Statements.

DISTINCTION OF ACTIVITIES AND LIABILITIES BETWEEN CURRENT AND NON-CURRENT

The Group classifies an activity as current when:

- owns it for sale or consumption, or provides for its realization, in the normal course of its operating cycle;
- owns it mainly for the purpose of negotiating it;
- provides for its realization within twelve months of the year end date; or
- consists of cash or cash equivalents whose use is not subject to restrictions or restrictions such as to prevent their use for at least twelve months from the closing date of the year.

All activities that do not meet the conditions listed above are classified as non-current.

The Group classifies a liability as current when:

- expects to settle the liability in its normal operating cycle;
- possesses the liability primarily for the purpose of trading it;
- must be settled within twelve months of the year-end closing date; or
- does not have an unconditional right to defer settlement of the liability for at least twelve months from the balance sheet date.

All liabilities that do not meet the conditions listed above are classified as non-current.

PROPERTY, PLANT AND MACHINERY

Tangible assets are recorded at purchase or production cost, net of accumulated depreciation and any impairment losses. The purchase or production cost includes the charges directly incurred to prepare the assets for their use, as well as any dismantling and removal charges that will be incurred as a result of contractual obligations that require the asset to be restored to its original condition. The financial charges directly attributable to the acquisition, construction or production of the tangible assets whose realization requires periods of time exceeding the year, are capitalized and amortized on the basis of the useful life of the asset to which they refer.

The charges incurred for ordinary maintenance and repairs are charged to the income statement when incurred. The capitalization of costs related to the expansion, modernization or improvement of elements owned or used by third parties is carried out to the extent that they meet the requirements to be classified as an asset or part of an asset.

The assets recognized in relation to improvements to third-party assets are amortized based on the duration of the rental contract, or on the basis of the specific useful life of the asset, if lower.
Depreciation is calculated on a straight-line basis using rates that allow assets to be depreciated until the useful economic-technical life is exhausted. When the asset being depreciated is composed of distinctly identifiable elements, whose useful economic-technical life differs significantly from that of the other parts that make up the asset, the depreciation is carried out separately for each of these parts, in application of the method of the *"component approach"*.

The estimated useful life of the main tangible assets is as follows:

(Years)	Useful time
Lands	indefinite
Buildings	37
Lightweight constructions	10
General plants and machinery	10
Plants and machinery with highly corrosive processing	8
Waste water treatments machinery	7
Production and commercial equipment	3
Use rights	3-12 (base on end term of *leasing*)
Tangible fixed assets in progress	-
Office furniture	8
Electrical equipment	5
Automotive	4
Internal transport vehicles	5

The useful economic-technical life of tangible assets is reviewed and, where necessary, updated, at least at the end of each year.

LEASING

The Group availed itself of the faculty of early adopting the new accounting standard IFRS 16 "Leases", which replaces IAS 17 "Leasing" and the related interpretations. In accordance with IFRS 16, a contract is, or contains, a *leasing* if, in exchange for a fee, it confers the right to control the use of a specified asset for a period of time. The contract is re-evaluated to see if it is or contains a *lease* only if the terms and conditions of the contract are changed.
For a contract that is, or contains, a *lease*, each *leasing* component is separated from the *non-leasing* components, unless the Group applies the practical expedient referred to in paragraph 15 of IFRS 16. This practical expedient allows the *lessee* to choose , for each underlying asset class, not to separate the *non-leasing* components from the *leasing* components and to account for each *leasing* component and the associated *non-leasing* components as a single *leasing* component.
The duration of the *lease* is determined as the non-cancellable period of the *lease*, to which both the following periods must be added:

- periods covered by a *lease* extension option, if the *lessee* has the reasonable certainty of exercising the option; and
- periods covered by the *lease* termination option, if the *lessee* is reasonably certain not to exercise the option.

In assessing whether the *lessee* is reasonably certain to exercise the *lease* extension option or not to exercise the *lease* termination option, all relevant facts and circumstances that create an economic incentive for the lessee to exercise the *lease* are considered. The *lessee* must re-determine the duration of the lease in the event of a change in the non-cancellable period of the *lease*.
On the effective date of the contract, the Group recognizes the asset for right of use and the relative liability of the *lease*. On the effective date of the contract the activity for right of use is valued at cost. The cost of the activity for right of use includes:

a) the amount of the initial valuation of the *lease* liability;
b) payments due for *leasing* made on or before the effective date, net of *lease* incentives receive;
c) the direct initial costs incurred by the *lessee*; and

d) the estimate of the costs that the *lessee* will incur for the dismantling and removal of the underlying asset and for the restoration of the site in which it is located or for the restoration of the underlying asset under the conditions set by the terms and conditions of the *lease*, unless such costs are incurred for the production of inventories. The obligation relating to the aforementioned costs arises for the *lessee* at the effective date or as a result of the use of the underlying asset during a specific period.

On the effective date of the contract the lessee must evaluate the liability of the *lease* at the present value of the payments due for the lease not paid on that date. Payments due for leasing include the following amounts:

a) Fixed payments, net of any *leasing* incentives to be received;
b) Variable payments due for *leasing* which depend on an index or a rate, initially valued using an index or a rate on the effective date;
c) The amounts that the tenant is expected to pay as security of the residual value;
d) The exercise price of the purchase option, if the *lessee* has the reasonable certainty of exercising the option; and
e) Payments of *lease* termination penalties, if the duration of the *lease* takes into account the exercise by the *lessee* of the option to terminate the *lease*.

Payments due for *leasing* must be discounted using the implicit interest rate of the *lease*, if it can be easily determined. If this is not possible, the lessee must use his marginal financing rate, or rather the incremental interest rate that the company should pay to obtain a loan of the same duration and amount of the lease.
After initial recognition, the activity for right of use is assessed at cost:

a) net of accumulated depreciation and accumulated impairment; and
b) adjusted to take into account any restatements of the liability of the *lease*.

After initial recognition, the *lease* liability is measured:

a) increasing the carrying amount to take into account the interest on the liability of the *lease*;
b) decreasing the carrying amount to take into account the payments due for the *lease*; and
c) recalculating the carrying amount to take into account any new valuations or changes to the *lease* or the revision of the payments due for the fixed *lease* in substance.

In the event of changes to the *lease* that do not qualify as a separate *lease*, the asset for right of use is re-determined (upward or downward), in line with the change in the liability of the *lease* on the date of the change. The liability for the *lease* is recalculated based on the new conditions provided for in the *lease* agreement, using the discount rate at the date of the amendment. It should be noted that the Group makes use of two exemptions envisaged by IFRS 16, with reference to short-term *leases* (leasing contracts that have a duration equal to or less than 12 months starting from the effective date) and to *leases* of assets of modest value (when the value of the underlying asset, if new, is indicatively lower at USD 5.000,00). In such cases, the asset consisting of the right of use and the relative liability of the *lease* is not recognized, and the payments due for the *lease* are recognized in the income statement.

INTANGIBLE ASSETS

Intangible assets include identifiable assets without physical substance, controlled by the Group and capable of producing future economic benefits, as well as goodwill recognized following business combinations. The requirement of identificability is normally met when an intangible asset is:

- attributable to a legal or contractual right; or
- separable, it can be sold, transferred, rented or exchanged independently.

The control over the intangible asset consists of the right to take advantage of the future economic benefits deriving from the asset and in the possibility of limiting access to others. The goodwill, internally generated, is not recognized as an asset as intangible assets deriving from research (or from the research phase of an internal project).

An intangible asset arising from development (or from the development phase of an internal project) shall be recognized if, and only if, the following can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits: among other things, the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

In application of the criterion mentioned above, the Group recognizes the research costs in the year in which they are incurred on the income statement. The development costs incurred by the Group for new molecules and/ or active substance studies are capitalized only if the technical and commercial feasibility of the related development and sales activity appears to be clearly determined and tested. If the regulatory uncertainties and those linked to product development remain high, the Group recognizes the development costs in the income statement in the year in which they are incurred.

Intangible assets are initially recorded at purchase and/or production cost, including directly attributable expenses to prepare the asset for use. All other subsequent expenses are charged to the income statement in the year in which they are incurred. Research costs are recognized as a cost at the time they are incurred.

The depreciation criterion used for intangible assets is the straight-line method over their useful life. The useful life estimated by the Group for the various categories of intangible assets is shown below:

(Years)	Useful life
Patent and intellectual property rights	5
Licenses, brands and patents	10

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

Tangible, intangible assets with a finite useful life

At each balance sheet date, the Group assesses whether there are any indications of impairment of tangible, intangible and/or investment property assets with a finite useful life. Both internal and external sources of information are used for this purpose. Internal sources include obsolescence or physical damage, significant changes in the use of the asset and the economic performance of the asset compared to estimated performance. External sources include the market value of the asset, changes in technology, markets or laws, trends in market interest rates and the cost of capital used to evaluate investments.

When indicators of impairment exist, the recoverable amount is estimated and the carrying amount of the asset reduced accordingly, with the impairment loss being charged to the statement of comprehensive income. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use, where value in use is determined by discounting the asset's estimated future cash flows including, if materially significant and reasonably certain, those relating to disposal of the asset at the end of its useful economic life, less any costs of disposal. In calculating the value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For assets that do not generate cash inflows that are largely independent of those from other assets or groups of assets, the Group estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

If the carrying amount of an asset or the CGU to which it belongs exceeds the recoverable amount, an impairment loss is recognized in the statement of comprehensive income. Such impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to other assets of the unit in proportion to their carrying amounts, while respecting their relative recoverable amounts. If the conditions that gave rise to an impairment loss no longer exist, the asset is revalued to the revised estimate of its recoverable amount, up to the value that would have been recorded, net of amortization, had no impairment loss been recognized, with the increase being recognized in the income statement.

FINANCIAL ASSETS

On initial recognition, financial assets are classified in one of the three categories described below based on:

- the entity's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

Financial assets are derecognised from the Financial Statements when, and only when, disposal involves the substantial transfer of all the risks and rewards of ownership of the financial asset. If, on the other hand, the company retains substantially all the risks and rewards of ownership of the financial asset, it must continue to recognise the financial asset, even if legal ownership has effectively been transferred.

a) Financial assets measured at amortised cost

Financial assets are measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a "Hold to collect" business model, in which the objective is to hold financial assets in order to collect contractual cash; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (i.e. that pass the "SPPI test").

At initial recognition, such assets are measured at fair value including directly attributable transaction costs or income. Subsequent to initial recognition, such financial assets are measured at amortised cost, calculated using the effective interest method. The amortised cost method is not used for those assets (measured at historical cost) whose short-term nature means there is no requirement to discount to present value, assets with no set maturity date or revocable credit lines.

b) Financial assets measured at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a "Hold to collect and sell" *business* model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (i.e. that pass the "SPPI test").

This category includes equity instruments (other than investments in subsidiaries, associates or joint ventures) not held for sale, for which the option has been exercised to designate the asset at *fair value* through other comprehensive income.
At initial recognition, such assets are measured at *fair value* including directly attributable transaction costs or income. Subsequent to initial recognition, equity interests (other than investments in subsidiaries, associates or joint ventures) are measured at fair value, with the offsetting amounts recognised in equity (Statement of comprehensive income) and not subsequently reclassified to profit or loss, even in the event of sale. Related dividends represent the only relevant component recognised in the income statement.
For securities included in this category not quoted in an active market, cost is used as an estimate for *fair value* under certain limited circumstances, such as when recent information to measure *fair value* is insufficient or there exists a broad range of possible measures of *fair value* and cost is considered to be the best estimate of these.

c) Financial assets measured at fair value through profit or loss

This category includes all financial assets other than those measured at amortised cost or at fair value through other comprehensive income.
It includes financial assets available for sale and derivatives not classified as hedges (which are recognised as assets if the fair value is positive and liabilities if fair value is negative).
At initial recognition, financial assets measured at fair value through profit or loss are measured at fair value, excluding transaction costs or income that are directly attributable to the instrument in question. Subsequently, they are measured at fair value with related gains and losses being recognised in the income statement.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recorded in accordance with IFRS 9.
At the stipulation of the contract, derivative instruments are initially recognised at *fair value* as financial assets at *fair value* through profit or loss when the *fair value* is positive, or as financial liabilities at *fair value* through profit or loss when the *fair value* is negative. If the financial instruments are not designated as hedging instruments, any changes in *fair value* after initial recognition are treated as components of profit or loss for the period. If the derivative instruments meet the requirements to qualify as hedging instruments, subsequent changes in *fair value* are recognised according to the specific criteria described below. A derivative financial instrument is classified as a hedge if the relationship between the hedging instrument and the hedged item is formally documented, including the risk management objectives, the hedging strategy and the methods that will be used to verify perspective and retrospective effectiveness. The effectiveness of each hedge is assessed both at the inception of the contract and during its life, specifically at each year-end and interim reporting date. A hedge is considered to be highly effective if at the start of the hedge and during subsequent periods, changes in the *fair value* (in the case of a *fair value* hedge) or expected future cash flows (in the case of a cash flow hedge) of the hedged item are substantially offset by changes in the *fair value* of the hedging instrument.
IFRS 9 provides for the following three types of hedging relationship:

a) *fair value hedge*: when the hedge relates to exposure to changes in the *fair value* of a recognised asset or liability, changes in the *fair value* of the hedging instrument as well as changes in the *fair value* of the hedged item are recognised in profit or loss.
b) *cash flow hedge*: in the case of hedges intended to neutralise exposure to variability in cash flows attributable to future execution of commitments in place as at the reporting date, changes in the *fair value* of the hedging instrument relating to the portion determined to be an effective hedge are recognised in other comprehensive income, and therefore in an equity reserve. When the economic effects of the hedged item crystallise, the amounts recognised in other comprehensive income are then reclassified to profit or loss. Changes in the *fair value* of the hedging instrument relating to the portion not determined to be an effective hedge are recognised immediately in profit or loss.
c) hedge of a net investment in a foreign operation (*net investment hedge*).

If the checks do not confirm the effectiveness of the hedge, the hedge accounting is interrupted with immediate effect and the hedging derivative reclassified as a financial asset at *fair value* through profit or loss, or financial liability at *fair value* through profit or loss. Moreover, the hedging relationship shall cease when

- the derivative matures, is sold, rescinded or exercised;
- the hedged item is sold, expires or is refunded;
- it is no longer highly probable that the future hedged transaction will take place.

At June 30, 2020 there were no derivative financial instruments on the financial statements.

VALUE REDUCTION OF FINANCIAL ACTIVITIES

In accordance with the provisions contained in IFRS 9, the Group applies the *expected credit loss model* for the evaluation of the recoverability of financial assets. The model in question is based on a predictive approach, which provides for the comparison between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. Considering the financial assets held by the Group, the valuation model described above is applied by NMS with reference to trade receivables and other receivables.
For trade receivables, the Group adopts a simplified approach to valuation (the so-called *simplified approach*) which does not require the recognition of periodic changes in credit risk, but rather the accounting for an *Expected Credit Loss* ("ECL") calculated on the entire life of the credit (so-called *lifetime* ECL). In particular, the policy implemented by the Group provides for the stratification of trade receivables into categories based on the days of expiry and an assessment of the solvency of the counterparty. These categories are subject to different write-down percentages that reflect the relative recovery expectations. The other receivables, for which the Group estimates a low credit risk, are valued by adopting a general approach (the so-called *general approach*). This approach envisages the estimation of the ECL with reference to a time horizon of 12 months as well as the verification at each balance sheet date of the changes to the credit risk with respect to the initial assessment. With reference to receivables for which no significant credit risk increases are detected, the ECL continues to be valued over a time horizon of 12 months. With reference to receivables for which significant increases in credit risk are recorded, the ECL is measured over the entire life of the credit.
The value of the receivables is shown in the statement of financial position net of the related provision for doubtful accounts. The write-downs carried out pursuant to IFRS 9 are recognized in the consolidated income statement net of any positive effects related to releases or restorations of value and are shown on the Write-downs line of financial assets.

INVENTORIES

Inventories are recorded at the lower of purchase or production cost and net realizable value represented by the amount that the Group expects to obtain from their sale in the normal course of business. The cost of inventories is determined by applying the FIFO method.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, demand deposits, financial assets with original maturity equal to or less than three months, readily convertible into cash and subject to an irrelevant risk of change in value. Items included in cash and cash equivalents are measured at *fair value* and the related changes are recognized in the income statement.

EMPLOYEE SEVERANCE INDEMNITY (so called T.F.R.)

In programs with defined benefits, including the employee severance indemnity due to employees pursuant to Article 2120 of the Italian Civil Code, the amount of the benefit to be paid to employees can be quantified only after the termination of the employment relationship and is linked to one or more factors such as age, years of service and pay. Therefore, the related charge is recognized in the income statement on the basis of an actuarial calculation. The liability recorded in the financial statements for defined benefit plans corresponds to the present value of the obligation at the balance sheet date.
The obligations for defined benefit plans are determined annually by an independent actuary using the projected unit credit method. The present value of the defined benefit plan is determined by discounting the future cash flows at an interest rate equal to that of bonds (high-quality corporate) issued in Euro and which takes into account the duration of the related pension plan. Actuarial gains and losses deriving from the aforementioned adjustments and changes in actuarial assumptions are charged to the comprehensive income statement.

Starting from January 1, 2007, the Financial Law 2007 and the related implementation decrees have introduced significant changes to the severance indemnity regulations, including the choice of the employee regarding the destination of his accruing Severance Indemnity Fund. In particular, the new Severance Indemnity Fund flows can be directed by the worker to selected pension schemes or paid to the treasury fund set up by the INPS (Italian National Social Welfare Institute). In

the case of allocation to external pension schemes, the company is subject only to the payment of a defined contribution to the chosen fund, and starting from that date the newly matured portions are defined contribution plans and therefore are not subject to actuarial valuation. On June 30, 2020 the Group has not recalculated the employee severance indemnity required by ISA 19 Accounting Principles, as it has considered the impact on the Income Statement not relevant.

PROVISION FOR RISKS AND CHARGES

Provisions for risks and charges include costs and charges of a determinate nature and of certain or probable existence, which at the balance sheet date are undetermined in terms of amount and/or date of occurrence. Provisions to these funds are recognized when:

- there is a present obligation, legal or implicit, deriving from a past event;
- it is probable that the fulfillment of the obligation will be onerous;
- the amount of the obligation can be reliably estimated.

Provisions are recorded at the value representing the best estimate of the amount that the entity would reasonably pay to extinguish the obligation or to transfer it to third parties at the balance sheet date. When the financial effect of the passage of time is significant and the payment dates of the obligations can be reliably estimated, the provision is determined by discounting the expected cash flows determined taking into account the risks associated with the obligation; the increase in the provision connected with the passage of time is recognized in the income statement under the item "Financial charges".

The funds are periodically updated to reflect changes in cost estimates, completion times and the discount rate; the estimate revisions are charged to the same item in the income statement that previously accepted the provision.

PAYABLES

Trade payables and other payables are initially recognized at *fair value* and are subsequently measured based on the amortized cost method.
Payables due to banks and other lenders are initially recorded at *fair value*, net of directly attributable ancillary costs, and are subsequently valued at amortized cost, applying the effective interest rate criterion. If there is a change in the estimate of expected cash flows, the value of the liabilities is recalculated to reflect this change based on the present value of the new expected cash flows and the actual internal rate initially determined. Payables due to banks and other lenders are classified under current liabilities, unless the Group has an unconditional right to defer their payment for at least twelve months after the reference date.
The debts are removed from the financial statements at the time of their extinction and when the Group has transferred all the risks and charges relating to the instrument itself.

DETERMINING THE *FAIR VALUE* OF FINANCIAL INSTRUMENTS

Valuation at *fair value* of financial instruments is carried out by applying IFRS 13 "Valuation of *fair value*" ("**IFRS 13**"). The *fair value* represents the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in the context of an ordinary transaction entered into between market operators, on the valuation date.

The *fair value* measurement is based on the assumption that the sale of the asset or transfer of the liability takes place in the main market, ie in the market in which the greatest volume and level of transactions for the asset or liability takes place
In the absence of a main market, it is assumed that the transaction takes place in the most advantageous market to which the Group has access, ie the market likely to maximize the results of the sale transaction of the asset or to minimize the amount to be paid to transfer the liability.

The *fair value* of an asset or liability is determined by considering the assumptions that market participants would use to define the price of the asset or liability, on the assumption that they act according to their best economic interest. Market participants are independent, informed buyers and sellers who are able to enter into a transaction for the asset or liability and are motivated but not obliged or induced to carry out the transaction.

In evaluating the *fair value*, the Group takes into account the characteristics of the specific assets or liabilities, in particular, for non-financial assets, of the ability of a market operator to generate economic benefits by using the asset in its maximum and best use or by selling it at another market operator able to use it in its maximum and best use. The *fair value* measurement of the assets and liabilities is carried out using techniques appropriate to the circumstances and for which sufficient data are available, maximizing the use of observable inputs.

IFRS 13 identifies the following hierarchy of fair value levels that reflects the significance of the input used in the related determination:

- Level 1 Quoted price (active market): the data used in the valuations are represented by prices quoted on markets where assets and liabilities are exchanged identical to those being valued.
- Level 2 Use of parameters observable on the market (for example, for derivatives, the exchange rates recorded by the Bank of Italy, market rate curves, volatility provided by qualified providers, credit spreads calculated on the basis of CDS, etc.) other than the quoted prices of level 1.
- Level 3 Use of parameters that cannot be observed on the market (internal assumptions, for example, financial flows, spreads adjusted for risk, etc).

RECOGNITION OF REVENUES

Revenue from contracts with customers is recognised when the following conditions are met:

- the contract with a customer has been identified;
- the performance obligations in the contract have been identified (*"performance obligations"*);
- the transaction price has been determined;
- the transaction price has been allocated to the performance obligations in the contract;
- when the related performance obligation contained in the contract is satisfied.

The Group recognises revenue from contracts with customers when (or as) it satisfies its performance obligations, by transferring the promised goods or services (i.e. an asset) to the customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs;
- the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced;
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, it is satisfied at a point in time. In such case, the Group recognises revenue at the moment the customer acquires control of the promised asset.

The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both. If the consideration promised in a contract includes a variable amount (e.g. discounts, price concessions, incentives, penalties or other similar items), the Group estimates the amount of consideration to which it is entitled in exchange for transferring the promised goods or services to a customer. The Group includes a variable consideration in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

In application of the accounting rules described above, the Group's revenue lines and the criteria of cot-stabilization adopted are briefly described below:

- license agreements: their object is the licensing to a third party of a molecule under development. The licensing agreements normally provide for the reconnection to the NMS Group of: i) upfront fees, generally calculated as a percentage of the costs incurred by NMS for the R&D activities carried out up to the time of conclusion of the agreement; ii) predefined amounts (*"milestone payments"*) paid by the customer to NMS if the product covered by the agreement reaches certain stages of development and iii) royalties calculated as a percentage of the turnover achieved through the marketing of the registered drug. The upfron fees are recognized as revenues by the Group at the time of signing the license agreement with the licensee; milestone payments are recognized as revenue as soon as the degree of uncertainty associated with obtaining this fee is lost, normally coinciding with the achievement by the licensed product of the development phase defined in the agreement; revenues from royalties are recognized by the Group on sales once the product has reached the marketing stage;
- manufacturing activities on behalf of third parties of active principles and experimental and marketed drugs ("CMO"): revenues are recognized *"over time"*, along the production process, based on the percentage of completion, determined according to the *"cost to cost"*;
- services provided to third parties relating to research activities in the preclinical and clinical "CRO" phases: revenues are recognized *"over time"*, along the production process, based on the percentage of completion, determined according to the *"cost to cost"* method.

GOVERMENT GRANTS

Government grants, including non-monetary grants measured at fair value, are recognized when there is a reasonable certainty that they will be received and that the Group will respect all the conditions for their disbursement. Government grants are recognized in the income statement (under Other revenues and income), with a systematic criterion, in the years in which the Group recognizes as costs the related expenses that the grants are intended to offset.

Government grants received for the purchase, construction or acquisition of fixed assets (tangible or intangible) are recognized as a direct reduction of the related purchase or production cost.

COST RECOGNITION

Costs are recognized in the income statement on an accruals basis.

FINANCIAL INCOM AND EXPENSES

Financial income and charges are recognized in the income statement during the year in which they accrued.

INCOME TAXES

Current taxes are determined based on an estimate of taxable income, in accordance with the tax legislation applicable to Group companies and are recognized in the income statement under the item "*Income taxes for the year*", with the exception of those relating to items directly debited or credited to an equity reserve; in these cases the related tax effect is recognized directly to the respective net equity reserves. The total consolidated income statement shows the amount of income taxes relating to each item included among the "other components of the consolidated comprehensive income statement". Provisions for taxes that could be generated by the transfer of non-distributed profits of subsidiaries are made only when there is a real intention to transfer such profits.

Deferred/prepaid taxes are recognized using the *balance sheet liability method.* They are calculated on all the temporary differences that emerge between the tax base of the assets and liabilities and the related book values in the financial statements, with the exception of goodwill that cannot be tax-deductible and of those differences deriving from investments in subsidiary companies for which it is not envisaged cancellation in the foreseeable future. Deferred tax assets, including those relating to any tax losses that can be carried forward, are recognized to the extent that it is probable that future taxable income will be available against which they can be recovered. Tax assets and liabilities for taxes are offset, separately for current taxes and for deferred taxes, when income taxes are applied by the same tax authority, when there is a legal right to offset and a net balance is expected to be liquidated. Tax assets for prepaid taxes and tax liabilities for deferred taxes are determined using the tax rates that are expected to be applicable in the years in which the differences will be realized or settled, taking into account the provisions of current legislation or substantially in force at the reference date of the budget

USE OF ACCOUNTING ESTIMATES

The preparation of the financial statements requires the administrators to apply accounting principles and methods which, in certain circumstances, are based on assessments and estimates that are difficult and subjective, based on historical experience and on assumptions that are considered reasonable from time to time and realistic according to the circumstances. The application of these estimates and assumptions affects the amounts reported in the financial statements, the income statement, the cash flow statement, and the information provided. The final results of the financial statement items for which the aforementioned estimates and assumptions have been used may differ, even significantly, from those reported in the financial statements which show the effects of the occurrence of the event being estimated, due to the uncertainty that characterizes the assumptions and conditions on which the estimates are based.

The following is a brief description of the areas that require greater subjectivity on the part of the directors in preparing the estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the Group's financial results.

Prepaid taxes

Prepaid taxes are recognized against the temporary differences deductible between the values of assets and liabilities expressed in the financial statements with respect to the corresponding fiscal value and the tax losses that can be carried

forward, to the extent that it is probable that adequate future taxable profits will be available, before which these losses can be used. A discretionary assessment is required from the directors to determine the amount of deferred tax assets that can be accounted for, which depends on the estimate of the probable timing and amount of future taxable profits.

Provision for receivables

The recoverability of receivables is assessed taking into account the risk of non-collectability of the same, their seniority and losses on receivables recognized in the past for similar types of receivables.

Value reduction of assets

Tangible and intangible assets with a clear useful life are subject to verification in order to ascertain whether a reduction in value has been achieved, which must be recognized by a write-down, when, with reference to tangible and intangible assets with a defined useful life, there are indicators that foresee difficulties in recovering the relative net book value through use. The verification of the existence of the aforementioned indicators requires, from the directors, the exercise of subjective assessments based on the information available within the Group and on the market, as well as on historical experience. Moreover, if it is determined that a potential reduction in value may have been generated, the Group proceeds to determine the same using valuation techniques deemed appropriate. The correct identification of the indicators of the existence of a potential reduction in the value of tangible, intangible assets, as well as the estimates for the determination of the same depend on factors that may vary over time, influencing the assessments and estimates made by the administrators.

Amortization

The cost of tangible and intangible assets with a clear useful life is amortized on a straight-line basis over the estimated useful life of the related assets. The useful economic life of these assets is determined by the directors when they are purchased; it is based on historical experience for similar activities, market conditions and anticipations regarding future events that could have an impact on the useful life of the assets, including changes in technology. Therefore, the actual economic life may differ from the estimated useful life.

2.6. RECENTLY ISSUED ACCOUNTING STANDARDS

2.6.1 Accounting standards, amendments and interpretations not yet applicable and not adopted early by the Group

At the date of approval of the Consolidated Financial Statements, the competent bodies of the European Union have not yet completed the approval process necessary for the adoption of the following accounting standards and amendments:

Accounting principle	*EU approved*	*Effective date*
IFRS 17 Insurance Contracts	No	Exercises starting from 1 January 2023
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	No	Exercises starting from 1 January 2022
Amendments to "IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Annual Improvements 2018-2020	No	Exercises starting from 1 January 2022
Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 19	No	Exercises starting from 1 January 2021
Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions	No	Exercises starting from 1 June 2020

2.7. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The following tables show the details of the Group's financial assets and liabilities required by IFRS 7, according to the categories identified by IFRS 9, at June 30, 2020 and at December 31, 2019:

(In thousands of Euro)	At 30 June 2020	At 31 December 2019
FINANCIAL ASSETS:		
Financial asset evaluated at amortized cost:		
No current financial fixed assets	669	594
Other no current financial fixed assets	4.851	4.031
Trade receivables	5.914	6.717
Cash and cash equivalents	36.333	50.026
Other current assets	12.973	10.883
	60.741	**72.251**
Financial assets evaluated at fair value with impact on the overall profitability:		
No current financial fixed assets	5.400	2.264
	5.400	**2.264**
Financial assets evaluated at fair value with impact on Income Statements:		
No current financial fixed assets	46	49
Current financial fixed assets	-	-
	46	**49**
TOTAL FINANCIAL ASSETS	**66.188**	**74.564**

(In thousands of Euro)	At 30 June 2020	At 31 December 2019
FINANCIAL LIABILITIES:		
Financial liabilities evaluated at amortized cost:		
No current financial payables	35.967	36.106
Other no current liabilities	-	-
Trade receivables	11.993	13.101
Current financial payables	3.037	2.916
Other current liabilities	10.766	8.906
	61.763	**61.030**
TOTAL FINANCIAL LIABILITIES	**61.763**	**61.030**

Fair value information

The following charts summarise the financial assets and liabilities measured at fair value, broken down according to the levels provided for in the hierarchy:

(In thousands of Euro)	30/6/2020			
	Accounting value	Level 1	Level 2	Level 3
No current financial assets				
Financial assets evaluated at fair value with impact on the overall profitability- no current	**5.400**	5.400		
Financial assets evaluated at fair value with impact on Income Statements- no current	**46**	46		
Current financial assets				
Derivative financial contracts	-			

(In thousands of Euro)	31/12/2019			
	Accounting value	Level 1	Level 2	Level 3
No current financial assets				
Financial assets evaluated at fair value with impact on the overall profitability- no current	**2.264**	2.264		
Financial assets evaluated at fair value with impact on Income Statements- no current	**49**	49		
Current financial assets				
Derivative financial contracts	-			

Referring to financial assets valued at *fair value* with impact on overall profitability, it should be noted that these shares are listed on regulated markets. (*fair value* level 1, as defined by IFRS 13).

As regards financial assets and liabilities represented by trade receivables and payables pertaining to the group, it is confirmed that the financial statement value is substantially the same as the related *fair value*.

* * *

3. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT OF FINANCIAL POSITION

3.1 Going concern

The company closed the period at June 30, 2020 with a loss of approximately 12,4 million of Euros and a net equity of 74,9 million of Euros.

The analysis of the economic and financial performance, carried out at the end of the Consolidated Financial Statements as at December 31, 2019, has ensured the continuation of the operations of the holding company and of the entire Group for the whole of 2020 and reasonably even beyond that date.

This assessment, carried out by Group management at the beginning of 2020, was based on assumptions that can still be considered valid today. In particular, it should be noted that:

- ✓ The update of Business Plan, which took place on January 2020, provides for the consolidation on the market of the subsidiaries Accelera S.r.l. and Nerpharma S.r.l. and the registration, for two indications, of the Entrectinib molecule in EMA. This event inevitably represents an important economic-financial support for the entire group, although it is reasonable to expect a decrease in the 2020 revenues of the subsidiaries due to the pandemic with an impact on cash profiles;
- ✓ the loan agreement issued by Bank of China in favour of NMS Group S.p.A. of 20 million of Euros, subscribed on June 19, 2019 to be repaid in a lump sum in June 2022;
- ✓ cash and cash equivalents of the Group June 30, 2020 amount to approximately 36,3 million Euros;
- ✓ the payable due to Banca Popolare di Sondrio, subscribed on May 31, 2017 by the subsidiary Nerviano Medical Sciences S.r.l., the balance of which, at June 30, 2020 is equal to 17,5 million Euros;
- ✓ the Group's financial requirements as resulting from the forecast cash flows processed by the management for at least the next 6 months;

are economic and financial pillars which, despite the difficult period still in progress, represent a set of transactions that contribute to ensuring the continuation of the Group's operations and therefore make it possible to prepare these interim financial statements on a going concern basis, since conditions of significant uncertainty do not exist.

3.2 Other intangible assets

The item in question and the related movements are detailed as follows:

(In thousand ofEuro)	Patents and intellectual property right	Concessions, licenses, trademarks and similar rights	IA under construction	Total
As of 31 December 2019				
Historical cost	3.465	624	29	4.118
Accumulated amortization	(2.738)	(615)	-	(3.353)
Provision for impairment	(3)	(1)	-	(3)
Total as of 31 December 2019	**724**	**8**	**29**	**761**
Increases	398	9	3	409
Decreases/write down	-	-	-	-
Write-down Reversal	-	-	-	-
Depreciation expense	(142)	(1)	-	(143)
Total balance as of 30 June 2020	**980**	**16**	**31**	**1.027**
of which:				
Historical cost	3.862	633	31	4.527
Accumulated amortization	(2.880)	(616)	-	(3.496)
Provision for impairment	(3)	(1)	-	(3)
Total as of 31 June 2020	**980**	**16**	**31**	**1.027**

The items "Patent and intellectual property rights", respectively for 980 thousand Euros at June 30, 2020 and 724 thousand Euros at December 31, 2019, mainly refer to software licenses.

The increase of 2020 refers to the implementation of licenses to support the chemistry function and in Nerpharma S.r.l. the purchase of the Emperor Entriprise software and data integrity system for AIFA and FDA authorizations.
The item "Concessions, trademark licenses and similar rights", respectively equal to Euro 16 thousand Euros at June 30, 2020 and 8 thousand Euros at December 31, 2019, is mainly attributable to the Accelera S.r.l. trademark.

The item "Intangible assets in progress", respectively equal to 31 thousand Euros at June 30, 2020 and for 29 thousand Euros at December 31, 2019 and they refer to an investment made by NMS Group S.p.A. in the data center transformation.

3.3 Property, plant and machinery

The item in question and the related movements are detailed as follows:

(In Euro)	Lands and buildings	Plants and machineries	Industrial and commercial equipment	Right of use assets	Assets under construction	Other assets	Total
As of 31 December 2019							
Historical cost	175.287	70.526	37.961	2.515	2.411	5.930	294.630
Accumulated depreciation	(95.455)	(65.777)	(35.965)	(1.104)	0	(5.471)	(203.773)
Impairment provision	(540)	(16)	0	0	0	0	(556)
Total balance as of 31 December 2019	**79.292**	**4.733**	**1.997**	**1.411**	**2.411**	**459**	**90.301**
Increases (historical cost)	4	0	219	11	2.733	4	2.970
Decreases (historical cost)	0	0	(757)	(5)	(48)	(10)	(821)
Decreases (accumulated depreciation)	0	0	757	0	0	10	767
Write down	0	0	0	0	0	0	0
Write down reversal	0	0	0	0	0	0	0
Reclassification	183	279	563	0	(1.292)	14	(253)
Depreciation expense	(1.989)	(382)	(690)	(176)	0	(77)	(3.315)
Total balance as of 30 June 2020	**77.489**	**4.630**	**2.088**	**1.241**	**3.803**	**399**	**89.652**
of which:							
Historical cost	175.474	70.805	37.987	2.521	3.803	5.937	296.527
Accumulated depreciation	(97.444)	(66.159)	(35.898)	(1.279)	0	(5.538)	(206.319)
Impairment provision	(540)	(16)	0	0	0	0	(556)
Total balance as of 30 June 2020	**77.489**	**4.630**	**2.089**	**1.241**	**3.803**	**399**	**89.652**

The item "Land and Buildings", amounting to 77.489 thousand Euros at June 30, 2020 and 79.292 thousand Euros at December 31, 2019, mainly includes the value of the Group's operating site, located in the municipality of Nerviano and its buildings and the surface right on a property located in Milan in Piazza Frattini.

The item "Plant and machinery" equal to 4.630 thousand Euros at June 30, 2020 and 4.733 thousand Euros at December 31, 2019 mainly includes the net book value referred to plant and machinery. The increase mainly refers to the purchase of the evaporative towers serving the refrigeration units of the control room, which will guarantee higher plant efficiency and lower risks of plant downtime, in addition to the purchase of the new compressor for building 65 and the revamping of the lifts of building 75.

The item "Industrial and commercial equipment", amounting to 2.089 thousand Euros at June 30, 2020 and 1.997 thousand Euros at December 31, 2019, mainly includes the net carrying amount relating to laboratory equipment

The item "Other tangible assets" for 399 thousand Euros at June 30, 2020 and 459 thousand Euros at December 31, 2019, essentially includes office furniture and equipment.

The item "Fixed assets in progress", which amounted to 3.803 thousand Euros at June 30, 2020 and 2.411 thousand Euros at December 31, 2019, includes mainly investments in progress by Nerviano Medical Sciences Srl (laboratory equipment) and Simis Srl (moving NMS Srl's Biotechnology laboratories from Building 71 to Building 75 and restyling of the lobby of Building 75).

The item "Use rights", recorded following the implementation of IFRS 16, includes the value of the assets held in leasing for a total net value of approximately 1.241 thousand Euros at June 30, 2020 and 1.410 thousand Euros at December 31, 2019. This item can be detailed as follows:

(Value in Euro/ 1.000)	31/12/2019	Increases	Decreases	Amortization	30/06/2020
Lands and buildings	139	-	(5)	(28)	106
Plants and machinery	1.146	-	-	(104)	1.043
Industrial and commercial equipment	72	-	-	(13)	59
Other tangible fixed assets	53	11	-	(31)	33
Total	**1.410**	**11**	**(5)**	**(176)**	**1.241**

3.4 Financial assets measured at fair value with impact on overall profitability

The item in question can be detailed as follows:

(in thousands of Euro)	30 June, 2020	31 December, 2019
Investments at fair value through other comprehensive income	5.400	2.264
Total	**5.400**	**2.264**

This item includes n. 4.233.616 shares (the "Shares") of Tiziana Life Sciences Plc ("Tiziana") obtained by the NMS Group as consideration for the license agreement signed between NMS S.r.l. and Tiziana during the 2015 financial year. As part of the contractual agreements between the Group and Tiziana:

- the Shares are negotiable not before the completion of at least one phase II clinical trial;
- Tiziana appears to have the opportunity to repurchase the Shares in case i) of phase II failure; ii) failure to begin phase II after 5 years from the signing of the license agreement or iii) abandonment of the research project for just cause. The repurchase price agreed in the event that Tiziana exercises the option is contractually established in a pound;
- any dividends and other economic rights pertaining to the Shares remain in the hands of the Group but give rise to the temporary deposit of the sums in a restricted deposit enforceable by the Group only when the call option referred to above no longer exists.

The operation, mentioned above, stems from the Group's desire to directly monitor the molecule development process while maintaining the possibility of influencing the decision-making process and the desire to forge a strategic alliance with the company as well as the belief that the development process can have a positive outcome.
As a Tiziana shareholder, the Group maintains the right to be constantly informed about the progress of product development and marketing activities. It also maintains its right to vote in the Shareholders' Meeting in relation to the shares held and is an effective member (with a minimum of two participants) of the *Joint Development Committee*, a committee whose purpose is to supervise, review and coordinate the product development plan including any changes and / or change should be decided for the clinical development of the same and for patent strategies. The combination of these tools allows the company to protect its interests and safeguard the value of its shares.

It should be remembered that a Phase II clinical study is an evaluation study of the drug on selected populations of patients in order to evaluate their efficacy and tolerability and to define their dose. Phase II studies can in turn be subdivided into IIA phase (pilot study, often open with different doses, but with measurable results) and phase IIB (randomized studies in parallel groups with comparative case studies and comparisons). It is therefore necessary to specify that there is a risk that the phase II studies may have to be interrupted if the drug proves to be excessively toxic or if it is found to be ineffective. The possibility therefore exists for Tiziana to exercise the aforementioned call option by acquiring the Shares for the symbolic value of one pound.

Despite this, the Group has deemed it appropriate to enter this item in the financial statement as:

• the nature of *upfront fees* of the shares received and the decision of the Management of the company to invest in such shares instead of accepting an entirely monetary *upfront fee*; and
• the contractual obligation of the licensee to develop at least one of the two main indications to which the right to sell the shares is related.

In the opinion of the management of the company, the current progress of clinical trials allows this item to be entered in the balance sheet.
With regard to the fair value measurement of these shares, it should be noted that the book value of the shares at June 30, 2020 was lower than the market value at the same date. The NMS Group has adjusted the value and written it down accordingly in accordance with IFRS 9.
In April 2020, Tiziana Life Sciences Plc announced the development of a new investigational treatment for patients infected with COVID-19 using direct administration of monoclonal anti-inclusion antibodies to 6 receptors.

In May 2020, during the virtual conference of the American Society of Clinical Oncology (ASCO), the same company presents two studies with StemPrintER, a prognostic tool for breast cancer prognosis based on stem cell biology, and announces that data demonstrating StemPrintER's superiority over other tools in providing prognostic information to conventional clinical parameters in breast cancer patients.
These two indications led to an appreciation of Tiziana Life Sciences' shares from an average value of 0,41 pound at December 31, 2019 to an average value of 0,98 Pound at June 30, 2020.

3.5 Other non-current assets

The item in question can be detailed as follows:

(in thousands of Euro)	30 June, 2020	31 December, 2019
Non-income tax receivables	4.851	4.031
Security deposits	669	594
Investments at fair value through profit or loss	46	49
Total	**5.567**	**4.674**

The "Receivables for indirect taxes" are exclusively attributable to VAT credits.

On March 4, 2020, with the submission of the 2019 VAT declaration, the Company requested a refund of 3.200 thousand Euros. On June 4, 2020, the Company received, from the Tax Authority (as called Agenzia delle Entrate), the mail pec containing the request for documentation necessary to finalize the refund procedure. On June 18, 2020, NMS Group S.p.A. provided the required documentation to the Tax authority. At June 30, 2020 the inquiry is still ongoing.

The "Security deposits" are mainly attributable to users of Engie Italia and Italpower.

"Financial assets at fair value through profit or loss" refer to n. 23.188 shares of Banca Popolare di Sondrio (BPS) held by the Group.

3.6 Cash and cash equivalent

The item in question can be detailed as follows:

(in thousands of Euro)	30 June, 2020	31 December, 2019
Bank and postal accounts	36.328	50.022
Cash-in hand	5	5
Total cash and cash equivalents	**36.333**	**50.026**

3.7 Inventories

The item in question can be detailed as follows:

(in thousands of Euro)	30 June, 2020	31 December, 2019
Raw materials, consumables and goods	692	451
Work in progress and semi-finished goods	38	38
Finished goods and goods for resale	122	798
Total	**852**	**1.287**

"Finished products" mainly include batches of finished products that have been completed and not shipped at June 30, 2020.

The movement of the inventory write-down provision is shown below:

(in thousands of Euro)	Provision for impairment of inventories
31/12/2019	**2.163**
Addition	
Use/Release	(4)
30/6/2020	**2.159**

The inventory write-down provision, equal to 2.159 thousand Euros at June 30, 2020 and 2.163 thousand Euros at December 31, 2019, mainly refers to the provision recorded by Nerviano Medical Sciences S.r.l. relative to the finished product resulting from the synthesis of the NMS-03594945 payload used in the preparation of ADC ("Antibody Drug Conjugates") in consideration of the difficulty encountered in selling the product mentioned above.

3.8 Trade receivables

The item in question can be detailed as follows:

(in thousands of Euro)	30 June, 2020	31 December, 2019
Gross receivables	6.046	6.871
Allowance for doubtful accounts	(132)	(154)
Trade receivables	**5.914**	**6.717**

Trade receivables are shown net of a provision for bad debts, which during the period from December 31, 2019 to June 30, 2020 has undergone the following movements:

(in thousands of Euro)	Provision for bad debt
31 December, 2019	**(154)**
Addition	
Use/Release	22
30 June, 2020	**(132)**

The bad debt provision at June 30, 2020 is based on the write-down of receivables existing on these dates and deemed to be doubtful for the subsidiaries NerPharMa S.r.l., Accelera S.r.l., and Nerviano Medical Sciences S.r.l..

There are no receivables with a residual duration of more than five years.

At June 30, 2020 the Group does not have sureties guaranteeing trade receivables.

3.9 Contractual activities

The contractual activities, amounting to 4.694 thousand Euros at June 30, 2020 (2.884 thousand Euros at December 31, 2019) represent the progress in the first half of 2020 of the sales contracts signed and not concluded at the closure of the period and for which the related billing (net of payments on account invoiced during the year) will take place in the following half-year, respectively of the subsidiaries Accelera S.r.l. and NerPharMa S.r.l..

3.10 Derivative financial contracts

At June 30, 2020, the Group has not derivative financial contracts.

3.11 Current taxes receivables

Below is a breakdown of the item "*Current tax receivables*":

(in thousands of Euro)	30 June, 2020	31 December, 2019
IRES related receivables	383	352
IRAP related receivables	-	-
Total	**383**	**352**

Receivables for current taxes refer to the IRES credit deriving from the application of withholding tax (4%) on invoices from the related company Fondazione Regionale per la Ricerca Biomedica.

3.12 Other current assets

The item in question can be detailed as follows:

(in thousands of Euro)	30 June 2020	31 December 2019
Granted projects receivables	1.254	1.296
Tax receivables	6.041	6.460
Prepayments and accrued income	1.759	1.122
Social security receivables	-	-
Other receivables	88	13
Allowance for doubtful accounts	(1.244)	(1.244)
Total	**7.897**	**7.647**

The "Receivables for indirect taxes" mainly refer to tax receivables of the subsidiary NMS S.r.l. deriving from 8-10% withholdings on foreign collections

The "Accrued income and prepaid expenses", included in "Other current receivables and financial assets", are mainly attributable to commercial and operational transactions.

The "Receivables for funded projects" mainly include receivables for operating grants related to GPS-PNR projects relating to government grants originally due to the Group, which, at the balance sheet date, were no longer collectible and therefore written down in full.

3.13 Net Equity

Movements in net equity are shown in the schedules of these Financial Statements.

The item "Net Equity", amounting to 74.902 thousand Euros at June 30, 2020 and for 84.150 thousand Euros at December 31, 2019 is made up as follows:

Share capital

The "Share capital" amounts to 10.075 thousand Euros June 30, 2020 and consists of n. 72.541 of A category shares and n. 8.060 of B category shares.

Reserves

The "Reserves" can be detailed as follows:

(in thousands of Euro)	31/12/2019	Increase	Decrease	30/6/2020
Share premium reserve	43.486	-		43.486
Retained earnings (losses)	(71.893)		3.820	(68.073)
Other comprehensive income	(1.290)		3.136	1.847
Other reserves	99.952	-		99.952
Total reserves	**70.255**	**-**	**6.956**	**77.211**

The "Other components of income statement" are detailed below:

(In migliaia di Euro)	31/12/2019	Changes for the period (at net of tax effect)	30/6/2020
Profit (loss) actuarial for Employee severance indemnity (at net of tax effect)	(537)	-	(537)
Changes of financial assets evaluated at fair value with impact on the overall profitability (at net of tax effect)	(753)	3.136	2.383
Total	**(1.290)**	**3.136**	**1.846**

The reserve for "Actuarial gains and losses", amounting to a negative euro 537 thousand at June 30, 2020, has the same value as at December 31, 2019. For the period ended June 30, the Group has not recalculated the actuarial value of the employee severance indemnity reserve.

The reserve for "Changes in the fair value of financial assets with impact on income statement", amounting to 2.383 thousand Euros at June 30, 2020, represents the change, net of the related tax effect, of the equity investment held in Tiziana Life Science PLC. For more information, see paragraph 3.4 above.

3.14 Employee's benefits

The item showed a balance at June 30, 2020 of euro 3.377 thousand Euros. As already written in the previous pages, the company did not recalculate the actuarial calculation of the employee leaving indemnity as required by IAS 19 as it considered the impact on the profit and loss account not to be significant.

3.15 Provisions for risks and charges

The item in question can be detailed as follows:

(in thousands of Euro)	Future expenses	Other risks	HR	Tax risk	Total
At 31 December 2019	248	2.584	28	-	2.859
Additional provisions over the period	-	25	-	-	25
Reduction over the period	(74)	(43)	-	-	(117)
At 30 June 2020	174	2.566	28	-	2.768

The provision for "Future charges" relates to expected losses on orders in progress and calculated taking into account the margin recorded on these orders at the closing date of the period.

The provision for "Other risks" mainly relates to contingent liabilities towards former employees of Group companies and lawsuits against former employees and a former director. The decrease of Euro 43 thousand refers to the lapse of the statute of limitations of a possible lawsuit with a former labor consultant.

3.16 Current and non-current financial payables

The item in question can be detailed as follows:

(in thousands of Euro)	30 June, 2020		31 December, 2019	
	Current	Non current	Current	Non current
Long-term loans	2.734	35.017	2.592	35.011
Financial liabilities for leased assets	302	950	324	1.096
Total	**3.037**	**35.967**	**2.916**	**36.106**

The items "Payables for loans" are as follows:

(In thousands of Euro)	30/6/2020					
	Nominal value	Stipulation date	Extinction date	Interest rate	Short-term	Long-term
Bank of China	20.000	20-Jun-19	31-May-22	Euribor 3 mesi + 210 bs	-	20.000
Banca Popolare di Sondrio	25.710	29-May-17	31-Dec-26	Euribor 3 mesi + 2%	2.688	14.952
MIUR	147	31-Mar-16	31-Dec-21	0.5%	19	37
MIUR	220	7-Aug-15	30-Jun-21	0.5%	28	28
Totale					**2.734**	**35.017**

3.17 Liabilities for deferred taxes

The item in question can be detailed as follows:

(In thousands of Euro)	30-Jun	31-Dec
	2020	2019
Land	8.077	8.277
Amortization of buildings, plants and machinery	6.833	7.003
Total liabilities and deferred taxes	**14.910**	**15.280**

3.18 Other current and no current liabilities

The item in question can be detailed as follows:

(in thousands of Euro)	30 June, 2020	31 December, 2019
Payables to controlling entities	-	-
Payables to employees for restructuring	-	490
Payables to employees	2.786	2.285
Social security payables	1.767	1.805
Tax liabilities other than income tax liabilities	746	832
Accrued expenses and Deferred income	26	123
Other payables	469	483
Total	**5.794**	**6.017**

The "Payables to personnel" mainly refer to deferred salaries, holidays, other amounts.

"Indirect tax payables" mainly refer to IRPEF and IMU withholdings.

The "Other current payables" are mainly attributable to provisions for the remuneration of the Board of Directors for the first half of 2015, for 2019 and for first half of 2020 not yet paid.

3.19 Trade Payables

Trade payables mainly relate to payables to suppliers of services and raw materials necessary for the normal performance of the Group's activities. At June 30, 2020 they amounted to 11.993 thousand Euros (13.101 thousand Euros at December 31, 2019) mainly refer to Italian suppliers for 9,1 million Euros, to UE suppliers for 1,7 million Euros, to Extra-UE suppliers for 1,2 million Euros.

3.20 Contractual liabilities

The contractual liabilities, equal to 4.561 thousand Euros at June 30, 2020 (2.561 thousand euros at December 31, 2019), mainly represent the advances of the subsidiaries Accelera S.r.l. and NerPharMa S.r.l. received from customers in the context of contracts signed and not concluded at the closure of the period and for which the relative service / product will be made in the following year.

3.21 Current taxes liabilities

The item in question can be detailed as follows:

(in thousands of Euro)	30 June, 2020	31 December, 2019
IRES tax liabilities	-	-
IRAP tax liabilities	411	327
Total current tax liabilities	**411**	**327**

"Current tax liabilities" refer to the debt position with the tax authorities for current IRAP taxes (Regional tax on production activities).

* * *

4. NOTES TO THE CONSOLIDATED STATEMENT INCOME

4.1 Revenues

The item in question can be detailed as follows:

(in thousands of Euro)	Period ended 30 June 2020	Year ended 31 December 2019
Revenue from sales of products		
Italy	-	-
Outside Italy	249	193
Sub-total	249	193
Revenue from scientific services supplied		
Italy	1.309	7.879
Outside Italy	11.125	17.538
Sub-total	12.434	25.418
Revenue from development of research projects		
Italy		
Outside Italy	6.312	33.267
Sub-total	6.312	33.267
Total	18.996	58.878

Revenues for the development of research projects amounted to 6.312 thousand Euros, generated mainly by the subsidiary NMS S.r.l. and related to the registration milestones of Entrectinib in Japan for a therapeutic indication, to the agreement with Merck KgAA under which were granted the rights of exploitation and marketing of target inhibitors and royalties on molecules currently on the market were granted.

Revenues for the provision of scientific services refer to revenues generated by Accelera S.r.l. and NerPharMa S.r.l. and are determined by scientific services to third parties.

Below is a breakdown of revenues by method of recognition:

(in thousands of Euro)	Period ended 30 June 2020
At a point in time	249
Over time	18.746
Total	18.996

Revenues recognized at "certain period" refer to revenues generated by NerPharMa S.r.l. from the sale of finished and marketable products.

Revenues recognized "over time", on the other hand, refer to revenues for scientific services and services to third parties.

4.2 Other revenues and income

The item "Other revenues and income" amounted to 367 thousand Euros for the first half period of 2020, and can be detailed as follows:

(in thousands of Euro)	Period ended 30 June 2020	Year ended 31 December 2019
Projects grants	48	5.789
Other	319	996
Total	**367**	**6.784**

The item "Incentives and contributions" at 31 December 2019 mainly included incentives relating to scientific projects received by FRRB. As at 30 June 2020, the item includes contributions relating to the "Marie Curie Individual Fellowship DETRIMODE" project, a European project that finances a 24-month fellowship for an experienced researcher and provides for the reimbursement of research and general expenses for the host beneficiary.

The item "Others" mainly includes the recharging of costs of services to clients (e.g. transport costs).

4.3 Costs for raw and ancillary materials and consumables

The item in question can be detailed as follows:

(in thousands of Euro)	Period ended 30 June 2020	Year ended 31 December 2019
Raw materials	21	142
Supplies and consumables	2.057	3.410
In vivo test subjects	1.097	1.778
Inventory changes	435	30
Other	21	7
Total	**3.630**	**5.368**

4.4 Costs for services

The item in question can be detailed as follows:

(in thousands of Euro)	Period ended 30 June 2020	Year ended 31 December 2019
Other utilities	1.638	2.892
Maintenance, repairs and utilities	1.566	3.563
Energy	1.478	4.973
Laboratory costs	1.435	2.435
Directors fees	748	1.503
Other third parties services	650	553
Production ancillary services	503	1.124
Legal and advisory	410	1.964
IT and Technical consulting	285	870
Insurances	271	525
Commissions	182	268
Cleaning and garden services	176	307
Personnel training and recruiting services	167	452
Statutory auditors fees	151	365
Windfall loss	139	63
External auditors fees	106	242
Scientific online libraries	101	22
Freight costs	95	217
Security services	89	178
Canteen	75	187
Work clothes management services	63	72
Mail, telephone and fax expenses	58	135
Other services	39	
Medical services	39	67
Travel expenses and refunds	34	236
Bank expenses	34	73
Advertising and sales promotion	7	73
Translation services	0	3
Windfall profit on previous years directors' fees	(299)	(391)
Total	10.239	22.971

Non-recurring income for services refers to adjustments to service costs on previous year's appropriations

4.5 Staff cost

The item in question can be detailed as follows:

(in thousands of Euro)

	Year ended 30 June 2020	Year ended 31 December 2019
Salaries and wages	9.743	18.546
Social security contributions	3.134	6.022
Employee termination benefits	674	1.309
Severance indemnities and similar costs	-	-
Temporary labour costs	70	119
Other personnel expenses	338	(1.893)
Total	**13.959**	**24.103**

The following table shows the number of Group employees, broken down by categories:

(number of employees)

	30 June, 2020	31 December, 2019
Managers	140	147
White-collar	227	219
Blu-collar	46	42
Total	**413**	**408**

It should be noted that the NMS Group has not recalculated the actuarial calculation of the employee severance indemnity for the period ended at June 30, 2020, as required by IAS 19, as described in paragraph "3.14 Employee benefits".

4.6 Other operative costs

The item in question can be detailed as follows:

(in thousands of Euro)

	Year ended 30 June 2020	Year ended 31 December 201
Taxes	391	777
Rent expenses	292	335
Fines	3	94
Membership fees	19	53
Entertainment expenses	12	89
Media subscriptions	14	16
Duties and certificates	36	46
Others	2	5
Total	**770**	**1.415**

The item "Miscellaneous taxes and duties" mainly includes the costs relating to IMU (Municipal Tax), TASI (Tax on Indivisible Services) registration and mortgage taxes and other indirect taxes.

The "Costs for use of third-party assets" include the costs of leasing assets not falling within the scope of application of IFRS 16.

4.7 Amortization, depreciation and impairment

The item in question can be detailed as follows:

(in thousands of Euro)	Period ended 30 June 2020	Year ended 31 December 2019
Depreciation and Amortization:		
Intangible assets	143	209
Property, plant and equipment	3.307	6.692
of wich Right of use Assets	*171*	*274*
Total	**3.451**	**6.901**
Impairment losses and Write-down:		
Property, plant and equipment	-	33
Goodwill		
Intangible assets		
Other		
Total	**-**	**33**
Net accruals for risks:	**(113)**	**1.089**
TOTAL DEPRECIATION, AMORTISATION, IMPAIRMENT LOSSES AND NET ACCRUALS	3.337	8.023

4.8 Financial income and charges

The item in question can be detailed as follows:

(in thousands of Euro)	Year ended 30 June2020	Year ended 31 December 2019
Financial income:		
Interest income	-	20
Exchange gains (net of losses)	261	287
Other financial income	17	6
Total Financial income	**278**	**312**
Financial expenses:		
Interest expenses	(399)	(582)
Financial expenses for leases liabilities	(13)	(20)
Changes in fair value	(0)	(12)
Financial expenses for employees benefits	-	(40)
Total Financial expenses	**(412)**	**(654)**

"Exchange gains (net of losses)" amount to Euro 261 thousand and reflect the positive trend of the Euro/Dollar exchange rate as mentioned in paragraph "3.4 Liquidity risk".

"Other financial income from leases" refers mainly to financial income recalculated for the application of IFRS 16.

"Interest expense" mainly refers to loans received from Banca Popolare di Sondrio and Bank of China.

"Other financial charges for leasing payables" mainly refer to recalculated financial charges recalculated for the application of IFRS 16.

4.9 Income taxes

The item in question can be detailed as follows:

(in thousands of Euro)	Year ended 30 June 2020	Year ended 31 December 2019
Income tax (IRES)	-	(22)
Italian IRAP and similar	(106)	(585)
Changes in Deferred tax assets/liabilities	370	752
Tax relating to prior periods	58	233
Total tax expense/(income)	**322**	**378**

The income from deferred taxes, amounting to Euro 370 thousand, mainly derives from temporary differences between the values recorded in the financial statements and the values recognized for tax purposes by the company Simis Srl. The change refers to the higher value acquired by the industrial buildings following the appraisal which led, therefore, to a recalculation of the deferred taxes. The reduction in deferred taxation for the period relates to the depreciation charges for the year calculated on the higher values resulting from the appraisal of the contribution compared to the tax data.

The item "Tax relating to prior periods" refers to the IRAP income relating to the release of the tax recognized as at 31 December 2019 following the Decree Law (called *Decreto Rilancio*) which exempted commercial and production companies from paying the balance of IRAP 2019 and the advance IRAP 2020.

* * *

5. RELATED PARTY TRANSACTIONS

Transactions with related parties for the periods ended June 30, 2020 and December 31, 2019 are shown below:

(Value in Euro/ 1.000)	Trade receivables		Other revenues	
Correlated part	**30/06/2020**	**31/12/2019**	**30/06/2020**	**31/12/2019**
FRRB	-	491	-	5.619
Total correlated part	**-**	**491**	**-**	**5.619**

The 2019 figures referred to revenues and related receivables related to calls for tenders issued in 2010 and 2011 (for the clinical part) and 2011 (for the preclinical part) under the Convention signed between the National Cancer Institute (replaced in 2012 by FRRB as implementing body) and the NMS Group for clinical analysis and research activities aimed at developing new anticancer therapies through the identification and/or validation of new molecular targets in specific types of tumors for which specific drugs should be developed. The projects ended on 31 December 2019.

* * *

6. OTHER INFORMATIONS

6.1 Commitments and risks

Guarantees and guarantees granted in favor of third parties

It should be noted that, as at June 30, 2020, the Group had the following guarantees:

(in thousands of Euro)	**30 June, 2020**
Guarantees on funded projects	494
Total	**494**

Consignment goods

It should be noted that, as at June, 30, 2020, the Group held in its stores, raw materials and semi-finished products owned by the customer totaling Euros 13 thousand awaiting processing by the Group.
In addition, there are plants and machinery owned by customers for a value of 2.600 thousand Euros.

Other commitments

The Group has undertaken the following commitments not recognized in the financial statements and relating to the leasing of low value and / or short-term equipment, for which the recognition rules envisaged by IFRS 16 have not been applied.

(in thousands of Euro)	**30 June, 2020**
Portion due within one year	8
Portion due between 1 and 5 years	19
Portion due after 5 years	
Total operating leases committments	27

Potential liabilities

The Group has not assumed contingent liabilities that have not been recognized in the Financial Statements.

6.2 Fees of manager and statutory auditors

For the period ended at June, 30, 2020, the compensation due to directors amounted to 748 thousand Euros (1.497 thousand Euros for the year ended December 31, 2019).
For the period ended at June, 30, 2020, the fees due to statutory auditors amounted to 107 thousand Euros (255 thousand Euros for the year ended December 31, 2019).

6.3 Remuneration to the auditing firm

For the year ended at June 30, 2020, the fees due to the auditing firm amounted to 106 thousand Euros (242 thousand Euros for the year ended December 31, 2019).

6.4 Significant events after June 30, 2020

No significant events occurred after the end of the period ended at June 30, 2020.

* * *

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