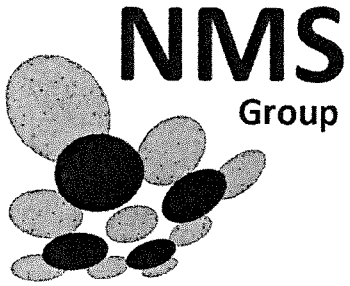

Interim Financial Statements at June 30, 2020

SUMMARY

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NMS Group S.p.A.
Viale Pasteur, 10
20014 NERVIANO (MI)
C.F. e P.IVA 10477011000

CORPORATE BODIES OVERVIEW

Board of Directors

Chairman	Andrea Agazzi
CEO	Shao Ying
Directors	Cao Xichen
	Cristina Cagnazzi
	Xi Baxian
	Xu Jun
	Zhao Jianghua

Board of Statutory auditors

Chairman	Salvatore Fiorenza
Statutory auditors	Giovanni Ghelfi
	Laura Bordoli

Audit firm

PricewaterhouseCoopers S.p.A.	Mandate for 2020-2022 (three-years period)

NMS Group S.p.A.
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C.F. e P.IVA 10477071000

MAIN ECONOMIC AND FINANCIAL DATA OF NMS GROUP S.P.A.

(in millions of Euro)	30/06/2020	31/12/2019
ECONOMIC DATA		
Value of production	2,0	4,4
Gross operating result	(1,5)	(2,0)
Amortisation depreciation and write-downs	(0,3)	(0,5)
Net operating result	(1,8)	(2,5)
Operating result before taxes	(2,9)	(3,6)
Net profit	(5,4)	(2,2)
BALANCE SHEET FIGURES		
Net invested capital	124,5	129,7
Provisions for risks and charges and Severance Indemnity	(0,9)	(0,7)
Net financial position	5,5	5,3
Net Equity	129,1	134,3

NMS Group S.p.A.
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DIRECTORS' REPORT

1. THE COMPANY

NMS GROUP S.p.A. was established on May 7th, 2009 and it is the parent company of the NMS Group, a research center in the field of oncology which operates at the Nerviano (MI) site, carrying out research and pharmaceutical development activities.

As the 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 Centre S.r.l. in Liquidation (company set in wind-down by the notary act of notary Stefania Davide on 29 April 2016), and Consorzio Infra in liquidation company set in wind-down on May, 09 2018).

Indirect control is held through the subsidiary Nerviano Medical Sciences S.r.l., which holds directly 100% of the shares of the various companies except Consorzio Infra in liquidation.

2. SIGNIFICANT EVENTS FROM THE END OF THE FINANCIAL YEAR DECEMBER 31, 2019 TO JUNE 30, 2020

On January 1st, 2020, as established by deed n° 8668 of December 16th, 2019, the partial demerger of Nerviano Medical Sciences S.r.l. in favor of NMS Group S.p.A. became effective. In particular, the transaction relates to the assignment of the business unit called Nerviano Servizi Informatici (*'NSI'*), in favour of the beneficiary NMS Group S.p.A. This business unit is divided into two macro areas of activity: IT services management and development of IT projects to which two sub transversal -areas of activity overlap who deal security and quality/operating procedures.

The demerger was drafted in a simplified format in view of the fact that the company demerged, Nerviano Medical Sciences S.r.l., is totally owned by the beneficiary one. There is, therefore, no need to determine the exchange ratio or to provide for any cash settlement.

Following the demerger, the demerged company and the beneficiary one did not change their company Articles of Association, moreover, the demerged company did not reduce its share capital, since the book values to be assigned to the beneficiary one was allocated to Net Equity items other than share capital.

The actual value of the Net Equity assigned to NMS Group S.p.A. coincides with the book value that is equal to Euros 183.975,56, which resulted in a change in the shareholders' equity of NMS Group S.p.A. of Euros 183.975,56 recorded under "Other Reserves".

On January 8th 2020, a "*zero balance*" cash pooling agreement was signed between NMS Group S.p.A. (so-called Treasury), Nerviano Medical Sciences S.r.l., Simis S.r.l., Accelera S.r.l. and Nerpharma S.r.l. (Secondary Companies) and Intesa San Paolo S.p.A. The agreement provides for a centralized treasury system, on the part of the holding company, of the financial resources of the corporate Group. With the "*zero balance*" cash pooling system, the bank balances of each companies belonging to the Group are reset to zero on a daily basis through an effective movement to the centralized treasury account.
This contract established that the Treasury expressly waives any remuneration for the service rendered in favor of the Secondary Companies and any form of interest for the amounts of money that it could possibly grant as internal credit to the Secondary Companies, drawn from its current account. The Secondary Companies, on the other hand, expressly waive the receipt of interest on the sums transferred to the Treasury's current account, both with regard to the latter company and to the other Secondary Companies, possibly benefiting from such transfer of funds. Therefore, the contract provides for the Treasury's cash pooling service to be completely free of charge and, furthermore, the service is for an indefinite period of time with the recognition of the right of withdrawal to any party with a specific procedure and notice.

The first half of 2020 of the Group and the Company 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 11, 2020, the WHO (World Health Organization) declared the Coronavirus pandemic disease.
From February 21, 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 company and 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 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 of the 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.

Finally, it should be noted that during the lockdown period, the Group made use of the instrument of the Supplementary Fund (so called CIGO) provided for by Decree no. 18 of March 17th, 2020, as amended.

Four companies of the Group, namely Nerviano Medical Sciences S.r.l., Simis S.r.l., Accelera S.r.l., and Nerpharma S.r.l., benefited from the Covid-19 lay-off fund in the period between March 16, 2020 and April 30, 2020. During the emergency, the Group also facilitated the disposal of paid leave for the year 2019 and organized activities from May 2020 so as not to have to resort to the additional weeks of redundancy fund provided for by current legislation.

As of today, no Group company benefits from this compensation issued by the Italian State to support companies.

The presence of this virus on national and international territory is having an economic and financial impact on the Company's business performance for the current year and on the Group as a whole, with an impact both in terms of income and planning of research and development projects.

In March 2020, an agreement was reached to terminate, by mutual consent, the relationship 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.

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3. ECONOMIC AND FINANCIAL PERFORMANCE

NMS Group S.p.A. Balance Sheet is summarized as follows - values in thousands of Euros:

Description	**30/06/2020**	**31/12/2019**
Fixed assets	111.897	112.139
Financial assets that are not fixed assets	3	3
Net working capital	12.632	17.543
Net invested capital	**124.532**	**129.685**
Provisions for risks and charges and Severance Indemnity	(886)	(705)
Net invested capital and funds	**123.646**	**128.980**
Funded by:		
Net financial position	**5.456**	**5.324**
of which:		
payables due to banks medium / long term	*(20.000)*	*(20.000)*
payables due to banks short term	*(9)*	-
cash pooling financial assets	*3.227*	-
cash pooling financial liabilities	*(6.114)*	
Cash and cash equivalents	*25.033*	*20.005*
Financial receivables/payables due from/ to subsidiaries	*5.318*	*5.318*
Net Equity	**129.102**	**134.303**

Fixed assets of 111.897 thousand Euros mainly include the value of equity investments in subsidiaries net of the provision for write-downs of equity investments, the value of the 30-year lease, conferred by the previous shareholder, on the portion of real estate located in Piazza Frattini in Milan, the net value of which is equal to 8.597 thousand Euros, and the goodwill relating to a branch of business owned by the holding company. For further details, reference should be made to the Supplementary Notes in the section "ANALYSIS OF THE BALANCE SHEET AND THE INCOME STATEMENT ITEMS".

Net working capital, for 12.632 thousand Euros, includes:

- inventory of finished products for 137 thousand Euros;
- receivables due from subsidiaries for 11.825 thousand Euros;
- receivables due from suppliers for 12 thousand Euros;
- Tax receivables for 4.902 thousand Euros.

Other items included in the net working capital are "Other receivables" for 436 thousand Euros and "Accrued income and prepaid expenses" for 254 thousand Euros.

Net of:

- payables due to suppliers for 693 thousand Euros;

- payables due to subsidiaries for 3.294 thousand Euros;
- payables due to social security institutions and tax payables for 320 thousand Euros;
- other payables for 619 thousand Euros;
- Accrued liabilities and deferred charges for 8 thousand Euros.

For further details of the above items, please refer to the section entitled "ANALYSIS OF THE BALANCE SHEET AND THE INCOME STATEMENT ITEM" in the Supplementary Notes.

The provisions for risks and the TFR (Employee severance indemnity fund) amount to a total of 887 thousand Euros and the Net equity, net of the result for the period, amount to 129.102 thousand Euros and it includes a loss for the year of 5.385 thousand Euros

The net financial position shows a positive balance of 5.456 thousand Euros as describes below:

- ✓ Financial receivables from the subsidiary Nerviano Medical Sciences S.r.l. of 5.318 thousand Euros;
- ✓ Available funds on bank accounts of 23.033 thousand Euros;
- ✓ Long term fund for 20.000 thousand Euros regarding the loan agreement with Bank of China;
- ✓ Short term payables to bank for 9 thousand Euros;
- ✓ Cash pooling financial assets for 3.227 thousand Euros;
- ✓ Cash pooling financial liabilities for 6.114 thousand Euros.

The Income Statement of NMS Group S.p.A. is summarized as follows - values in thousands of Euros:

Description	**30/06/2020**	**31/12/2019**
Value of production	2.003	4.421
Costs of production	(3.526)	(6.386)
Gross operating result (E.B.I.T.D.A.)	**(1.524)**	**(1.965)**
Amortisation depreciation and write-downs	(298)	(535)
Net operating result (E.B.IT.)	**(1.821)**	**(2.500)**
Net financial charges	(210)	(234)
Value adjustments of financial assets	(883)	(821)
Operating result before taxes	**(2.915)**	**(3.554)**
Current taxes	(2.470)	1.315
Net profit	**(5.385)**	**(2.239)**

The value of production, in the first half of 2020, amounts to 2.003 thousand Euros, details of which are provided in paragraph "A - VALUE OF PRODUCTION" of the Supplementary Notes.

Cost of production, which totaled 3.526 thousand Euros, include 1.302 thousand Euros in general service costs incurred mainly to provide services provided by subsidiaries, such as the recharging of technical services that the subsidiaries Nerviano Medical Sciences S.r.l. and Simis S.r.l. provide to the entire Group, miscellaneous outsourced services and corporate costs related to the compensation of the Board of Directors and the Board of Statutory Auditors. Details are provided in Section B – "COSTS OF PRODUCTION" of the Supplementary Notes of this Interim Financial Statements..

Production costs also include 84 thousand Euros mainly relating to the purchase of safety devices for the prevention of COVID-19 and ancillary materials for the performance of employees' work activities and for pest control and waste disposal activities, 293 thousand Euros for costs relating to the use of third party assets, largely represented by rents payable and licenses and software, 1.775 thousand Euros for labor costs relating to employees of central bodies, 69 thousand Euros for miscellaneous operating costs, the bulk of which is represented by the IMU relating to properties held in Milan.

During the period, depreciation and amortization of 298 thousand Euros was recorded, reflecting the actual use of the assets during the period.

Net financial income and expenses are negative and equal to 210 thousand Euros and are represented by interest expenses pertaining to the first half of the year relating to the loan contract with Bank of China signed on 19 June 2019.

Income for current taxes, amounting to 2.470 thousand Euros, mainly relates to the determination of IRES (corporate income tax) as a result of the application of the tax regime provided by the national tax consolidation.

4. HUMAN RESOURCES AND INDUSTRIAL RELATIONS

During the first half of the year, the Company implemented procedures and protocols to protect workers' health for the management of the Covid -19 emergency and regulations (subsequently constantly revised on the basis of the evolution of the pandemic) for the management of the state of emergency were implemented as early as February 23rd.

Specifically, the following measures have been implemented

- Definition of protocols and vademecum for the management of the emergency;
- Establishment of a Covid -19- Task Force for the management of possible Covid -19 cases within the Campus;
- Smart working implementation;

- Reinforcement of the infirmary service garrison;
- Continuous updating for all employees;
- Temperature measurement for all those who enter the Campus;
- Sanitization of working environments;
- Revision of the canteen service.

The management of the state of emergency is constantly monitored.

5. RESEARCH AND DEVELOPMENT COSTS

In compliance with the requirements of art. 2428 of the Civil Code, it is noted that no research and development activities were undertaken during the half year of 2020.

6. INVESTMENTS

During the first half of 2020, investments amount to approximately 620 thousand Euros and are mainly attributable to the I.T. department.

In particular, these investments relate to data center transformation, expansion of the company network, development and renewal of Office 365 and purchase of new equipment for the new "Carlo Erba" meeting room.

7. INFORMATION ON RISKS AND UNCERTAINTIES

Given the specific sphere of activity, NMS Group S.p.A. is subject to financial risks: liquidity risk, credit risk, interest rate risk and exchange rate risk.

FINANCIAL RISKS

1. Liquidity risk

The liquidity risk represents the risk that the available financial resources may be insufficient to finance regular transactions and to develop own research activities. The typical nature of the company leads to a high incidence of operating costs (personnel, services, purchase of laboratory materials, costs for clinical trials) compared to the dynamics of the revenues. The liquidity risk is rendered concrete by the need to find adequate resources to finance the Group's operations, as well as the need for the effective management of short-term funding lines.

2. Credit risk

Credit risk represents the exposure to potential losses arising from lack of compliance by the partners with the pertinent obligations. The outstanding receivables at year-end represent mainly

trade receivables from Group companies. The credit risk is strictly related to the considerations made in the paragraph on Going Concern expounded upon in the Notes.

3. Exchange rate fluctuation risk

The company's exposure to the risks of fluctuations in exchange rates at June 30, 2020 is not significant in that there are no significant debt and credit entries in currencies other than the Euros, nor financial instruments subject to foreign exchange risk.

4. Interest rate fluctuation risk

The trend in interest rates is constantly monitored by the Management of NMS Group which controls the effects on forecast cash flows ready to carry out interventions to hedge this risk.

Pursuant to art. 2428, paragraph 3, in point 6-bis of the Italian Civil Code, it is noted that the company did not use and did not issue financial derivatives relevant for the valuation of the financial position.

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

In NMS Group S.p.A. the *"Organization, Management and Control Model"* provided for in art. 6 of Legislative Decree 231/2001 on "*Regulations governing the Administrative Responsibility of Legal Persons*", which defines the ethical commitments and responsibilities in the conduct of company activities undertaken by directors and employees and it is shared in its General Section with all NMS Group companies.

The Model, introduced in 2012, was revised in 2016 and subsequently reworked during a process of revision of the Model itself launched at the end of 2018, which led to the drafting and subsequent approval by the Company's Board of Directors on 27 December 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.

The Supervisory Board, in office for the entire year 2020, is made up of Luciano Bagna, a chartered accountant acting as Chairman, Rossella Infante, an expert lawyer on compliance 231 and Dr. Ubaldo Percivalle, a member with legal training and consolidated corporate experience in the sector. The appointment, conferred by the Board of Directors on 31 October 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 controls and control points for functions and processes, as well as the "*whistleblowing*" procedure and the list of crimes.

The drafts of the above documents were presented to the Company's Directors and Statutory Auditors in June for examination and approval.

During the first half of the year, however, the Board continued its institutional activity in constant monitoring of the application of the organizational model, as a result of which, to date, no elements of violation of the Model or specific critical issues have emerged.

9. PRIVACY AND PERSONAL DATA PROTECTION

NMS Group S.p.A. processes certain personal data, including sensitive data of its employees/collaborators and those of Group companies.

During the first half of the year, NMS Group S.p.A. implemented compliance/updating and monitoring activities dictated by the "Covid-19" emergency regulations, as described in Section 2 "SIGNIFICANT EVENTS FROM THE END OF THE FINANCIAL YEAR DECEMBER 31, 2019 TO JUNE 30, 2020".

10. INFORMATION ON THE PROTECTION OF HEALTH AND SAFETY IN THE WORKPLACE

NMS Group S.p.A. has as one of its main objectives the protection of the health of its resources and the diffusion, at all levels, of the culture of safety as an asset to be preserved and encouraged.

During the first six months of 2020, the Company has implemented all the necessary procedures to ensure that work activities are carried out safely in order to combat the Covid-19 emergency.

In particular:

- ✓ Preparation, together with the other Group companies, of the report integrating the DVRs, aimed at summarizing the measures taken to manage Covid-19 in compliance with the provisions of the Protocol signed on 23 March 2020 and updated on 24 April 2020;
- ✓ Coordination with the Competent Doctor;
- ✓ Coordination with the Purchasing Office for the assessment of the adequacy of the IPR purchased;
- ✓ Preparation and display of posters aimed at informing workers of the measures to be taken to prevent the spread of Covid-19.

It should also be noted that the Risk Assessment Document is currently being updated.

It can therefore be considered primary the commitment to the punctual performance of work activities with particular attention to prevention and minimization of possible accidents/risks at work.

This perspective, together with the strong intention of continuously recalling and consolidating the pre-existing bases, have had as a common aim the intention to follow up proactive attitudes during

the working methods and therefore to solicit the workers' attention on prevention and protection issues.

11. MANAGEMENT OUTLOOK

NMS Group S.p.A. and the companies directly and indirectly controlled by it, have maintained their commitment in all research activities currently underway for the first half 2020.

The plans of the Management assume the commitment to strengthen the capital composition of the companies also by the new ownership structure, designed to ensure operational continuity and financial self-sufficiency in subsequent years. For more information, please refer to the contents of the paragraph of the Supplementary Notes relating to the Business Continuity.

Nerviano, 09 September 2020

The Chairman
Andrea Agazzi

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Interim Financial Statement at June 30, 2020 and Supplementary Note

BALANCE SHEET- ASSETS (Value in Euro)				Financial Year 30/06/2020	Financial Year 31/12/2019	Differences
A)	**Receivables due from shareholders**			-	-	-
B)	**Fixed assets**					
	I)	**Intangible Fixed Assets**				
		3)	patent and intellectual property rights	98.696	-	98.696
		4)	licences trademarks and similar rights	8.265	-	8.265
		5)	goodwill	127.323	153.665	(26.343)
		6)	fixed assets in progress and advances	28.647	28.647	-
		7)	other intangible fixed assets	-	-	-
		Total		**262.930**	**182.312**	**80.618**
	II)	**Tangible Fixed Assets**				
		1)	land and buildings	8.596.669	8.810.000	(213.331)
		2)	plants and machinery	3.182	3.584	(402)
		3)	industrial and commercial equipment	2.280	-	2.280
		4)	other assets	92.942	38.351	54.590
		5)	fixed assets in progress and advances	746.092	36.826	709.266
		Total		**9.441.164**	**8.888.761**	**552.403**
	III)	**Financial fixed assets**				
		1) Equity investments				
		a) Investments in subsidiaries		102.193.272	103.068.030	(874.759)
			Neviano Medical Sciences s.r.l. investment	*99.244.386*	*99.244.386*	-
			Accelera s.r.l investment	*1.394.434*	*1.394.434*	-
			Nepharma s.r.l. investment	*3.207.835*	*3.207.835*	-
			Consorzio Infra in Liquidation investment	*50.000*	*41.665*	*8.335*
			provision for the write-down of investments	*(1.703.384)*	*(820.290)*	(883.094)
		2) Receivables due from subsidiaries		5.318.291	5.318.291	-
			- due within the next year	*5.318.291*	*5.318.291*	-
			- due beyond the next year	-	-	-
		Total		**107.511.562**	**108.386.321**	**(874.759)**
	Total fixed assets			**117.215.657**	**117.457.394**	**(241.737)**
C)	**Current assets**					
	I)	**Inventory**		**137.468**	**17.032**	**120.436**
		1)	*subsidiary materials and consumables*	*28.946*	-	*28.946*
		2)	*products in progess and finished products*	-	-	-
		3)	*work in progress on order*	-	-	-
		4)	*finished goods/products*	-	*17.032*	*(17.032)*
		5)	*advances to suppliers*	*108.522*	-	*108.522*
	II)	**Receivables**				
		1)	due from clients	11.528	8.000	3.528
			- due within the next year	*11.528*	*8.000*	*3.528*
			- due beyond the next year	-	-	-
		2)	due from subsidiaries	11.824.742	14.586.845	(2.762.103)
			- due within the next year	*11.824.742*	*14.586.845*	*(2.762.103)*
			- due beyond the next year	-	-	-
		5 bis)		4.902.153	4.369.011	533.142
			- due within the next year	*50.894*	*337.613*	*(286.719)*
			- due beyond the next year	*4.851.259*	*4.031.398*	*819.861*
		5 quater) due from others		436.233	174.654	261.578
			- due within the next year	*436.233*	*174.654*	*261.578*
			- due beyond the next year	-	-	-
		Total		**17.174.655**	**19.138.510**	**(1.963.855)**
	III)	**Financial assets that are not fixed assets**				
		6)	other securities	2.540	2.540	-
		7)	financial assets for centralized trheasury management	3.227.347	-	3.227.347
		Total		**3.229.888**	**2.540**	**3.227.347**
	IV)	**Cash and cash equivalents**				
		1)	bank and post office deposits	23.033.253	20.004.388	3.028.865
		3)	cash on hand	245	846	(600)
		Total		**23.033.498**	**20.005.234**	**3.028.264**
	Total current assets			**43.575.508**	**39.163.315**	**4.412.193**
D)	**Accrued income and prepaid expenses**					
		1)	accrued income	-	175.590	(175.590)
		2)	prepaid expenses	253.619	19.290	234.329
	Total prepaid expenses and accrued income			**253.619**	**194.880**	**58.739**
	TOTAL ASSETS			**161.044.784**	**156.815.589**	**4.229.195**

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BALANCE SHEET- LIABILITIES (Value in Euro)		Financial Year 30/06/2020	Financial Year 31/12/2019	Differences
A)	**Net Equity**			
	I) Capital	10.075.125	10.075.125	-
	II) Quota premium reserve	70.284.875	70.284.875	-
	III Riserve di rivalutazione	-	-	-
	IV Legal reserve	4.198.426	4.198.426	-
	V) Statutory reserve	-	-	-
	VI Other reserves	77.395.329	77.211.354	183.976
	VI Profits (losses) carried forward	(27.466.479)	(25.227.110)	(2.239.369)
	IX Profit (loss) for the year	(5.385.016)	(2.239.369)	(3.145.647)
	Total Net Equity	**129.102.260**	**134.303.301**	**(5.201.041)**
B)	**Provisions for risks and charges**			
	2) for taxes	-	-	-
	4) other	350.500	369.250	(18.750)
	Totale fondi per rischi ed oneri	**350.500**	**369.250**	**(18.750)**
C)	**Employee severance indemnity**	**535.548**	**335.947**	**199.601**
D)	**Payables**			
	3) payables to shareholders for loans	-	-	-
	- due within the next year	-	-	-
	- due beyond the next year	-	-	-
	4) payables due to banks	20.009.205	20.000.000	9.205
	- due within the next year	*9.205*	-	*9.205*
	- due beyond the next year	*20.000.000*	*20.000.000*	-
	7) payables due to suppliers	692.597	815.087	(122.490)
	- due within the next year	*692.597*	*815.087*	*(122.490)*
	- due beyond the next year	-	-	-
	9) payables due to subsidiaries	9.407.996	208.941	9.199.055
	of which cash pooling financial liabilities	*6.113.866*	-	*6.113.866*
	- due within the next year	*9.407.996*	*208.941*	*9.199.055*
	- due beyond the next year	-	-	-
	12) taxes due	97.941	103.259	(5.318)
	- due within the next year	*97.941*	*103.259*	*(5.318)*
	- due beyond the next year	-	-	-
	13) payables due to social security institutions	221.730	152.792	68.938
	- due within the next year	*221.730*	*152.792*	*68.938*
	- due beyond the next year	-	-	-
	14) other payables	619.321	507.354	111.967
	- due within the next year	*619.321*	*507.354*	*111.967*
	- due beyond the next year	-	-	-
	Total payables	**31.049.791**	**21.787.433**	**9.261.358**
E)	**Accrued liabilities and deferred charges**			
	1) Accrued liabilities	7.685	19.658	(11.973)
	2) Deferred charges	-	-	-
	Total accrued liabilities and deferred charges	**7.685**	**19.658**	**(11.973)**
	TOTAL LIABILITIES	**161.044.784**	**156.815.589**	**4.229.195**

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INCOME STATEMENT *(Value in Euro)*			Financial Year 30/06/2020	Financial Year 31/12/2019	Differences
A)	**Value of production**				
	1)	revenue from sales and services	1.189.134	2.564.710	(1.375.575)
	2)	changes to products in progress/semi-finished products	-	-	-
	3)	changes to works in progress on order	-	-	-
	5)	other revenue and income	813.536	1.856.027	(1.042.492)
	Total value of production		**2.002.670**	**4.420.737**	**(2.418.067)**
B)	**Costs of production**				
	6)	for primary, ancillary materials, consumables and goods	(84.072)	(48.291)	(35.781)
	7)	costs for services	(1.301.635)	(3.163.191)	1.861.556
	8)	costs for use of third party goods	(293.464)	(230.460)	(63.003)
	9)	staff costs:	(1.774.834)	(2.470.380)	695.547
		- wages and salaries	*(1.105.675)*	*(1.973.796)*	*868.122*
		- social security contributions	*(349.166)*	*(624.096)*	*274.930*
		- severance indemnity	*(75.108)*	*(143.954)*	*68.846*
		- other staff costs	*(244.885)*	*271.466*	*(516.351)*
	10)	amortisations/depreciations and write-downs:	(297.626)	(534.883)	237.257
		- amortisations of intangible fixed assets	*(56.377)*	*(52.685)*	*(3.691)*
		- amortisations of tangible fixed assets	*(241.250)*	*(438.861)*	*197.611*
		- write-downs of fixed assets	-	*(43.338)*	*43.338*
	11)	changes in inventory of raw materials	11.914	(1.515)	13.429
	12)	risk provisions	(15.000)	(324.000)	309.000
	14)	other operating expenses	(69.153)	(147.839)	78.686
	Total costs of production		**(3.823.869)**	**(6.920.560)**	**3.096.691**
	Difference between value and cost of production (A-B)		**(1.821.199)**	**(2.499.823)**	**678.624**
C)	**Financial income and expenses**				
	16)	other financial incomes:	-	85	(85)
		a) from receivables entered in the fixed assets	-	-	-
		b) from securities entend in the fixed assets	-	-	-
		c) from securities entend in the current assets		-	-
		d) income other than the above from third parties	-	*85*	*(85)*
	17)	interest and other financial expenses:	(210.235)	(226.418)	16.183
	17 bis) profits and losses of currency exchange		-	(7.214)	7.214
	Total financial income and charges		**(210.235)**	**(233.545)**	**23.312**
D)	**Value adjustments of financial assets**				
	18)	revaluations	-	-	-
	19)	write-downs	(883.094)	(820.922)	(62.172)
	Total of value adjustments of financial assets		**(883.094)**	**(820.922)**	**(62.172)**
	Result before taxes		**(2.914.528)**	**(3.554.293)**	**639.765**
	20)	Income tax for the year	**(2.470.488)**	**1.314.924**	**(3.785.412)**
		- prepaid taxes	-	-	-
		- deferred taxes	-	-	-
		- irap	-	-	-
		- ires	-	-	-
		-tax consolidation (expenses)/ income	*(2.470.488)*	*1.312.038*	*(3.782.527)*
		- tax adjustments of previous years	-	*2.885*	*(2.885)*
	21)	**Profit (loss) for the year**			

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Cash flow statement

(value in Euro)

	30/06/2020	31/12/2019
A. Cash flow generated from operating management		
Utile (perdita) del periodo	(5.385.016)	(2.239.369)
+ Profit (loss) for the year	2.470.488	(1.314.924)
+ interests payable/(interests receivable)	210.235	233.548
- (dividends)		
+ capital losses		
- capital gain from transfer of assets		
= Profit (loss) for the year before taxes, interests, dividends and capital interests dividends and capital gains/losses fro	(2.704.293)	(3.320.745)
Adjustments for non-monetary elements that were not offset in the net working capital		
+ allocation to funds	180.851	(296.338)
+ amortisation/depreciation fixed assets	297.626	534.883
+ write-downs for impairment	883.094	820.922
+ Other adjustments for non-monetary elements		
= Financial flows prior to adjustments of NOWC	(1.342.723)	(2.261.278)
Changes in net working capital		
+ Decrease/(increase) inventory	(120.436)	1.515
- Decrease/(increase) of receivables due from clients	(3.528)	(8.000)
+ Decrease/(increase) of payables due to suppliers	(122.490)	268.716
- Decrease/(increase) of accrued income and prepaid expenses	(58.739)	(140.629)
- Decrease/(increase) of accrued liabilities and deferred charges	(11.973)	18.426
- Other changes in net working capital	2.757.670	4.063.349
= Financial flows following adjustments of NOWC	1.097.782	1.942.100
Other adjustments for non-monetary elements		
- Interests collected/(paid)	(210.235)	(233.548)
- (Income taxes paid)		
- Dividends collected		
+ (Use of provisions)		
= Financial flows following adjustments	887.547	1.708.552
= Cash flows from operations	887.547	1.708.552
B.Financial flows from investment activities		
Investments in tangible and intangible fixed assets	(930.648)	(76.964)
Other financial assets	(8.335)	(1.872.780)
Equity investments		
Dividends collected by the Subsidiaries		
Changes from the sale of fixed assets		
= Financial flows from investment activities	(938.983)	(1.949.744)
C. Financial flows from investment activities		
shareholder loans		
Opening of new loans	9.205	20.000.000
Financial changes from Cash Pooling	2.886.519	-
Capital increase		
Changes of Net Equity	183.976	
Changes UCCB bank		
Repayment of the Banca Popolare di Sondrio line		
= Financial flows from financing activities	3.079.700	20.000.000
= Changes in cash on hand and cash equivalents	3.028.264	19.758.808
Cash on hand as at 1 January 2020	20.005.234	246.426
Cash on hand as at 30 June 2020	23.033.498	20.005.234

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PRINCIPALS FOR THE PREPARATION OF THE INTERIM FINANCIAL STATEMENT AT JUNE 30, 2020

The Supplementary Note constitutes an integral part of the Interim financial statement as at June 30, 2020 and contains information required by Art. 2427 of the Italian Civil Code, which is in line with the regulation changes introduced by Italian Legislative Decree no. 139/15 and in compliance with the provisions of the accounting principle issued by the Italian GAAP.

In drawing up the Interim financial statement, the principles indicated in Art. 2423 and subsequent of the Italian Civil Code have been complied with, as reformed by Italian Legislative Decree no. 139/15 in carrying out the European Directive 2013/34, and reference was made to the interpretations and integrations established by the Accounting Standards of Chartered Accountants and Accounting Experts and O.I.C documents (Italian GAAP).

The valuation of the individual balance sheet items were made based on the principle of prudence and with a view to continuing the business With regards to the issue of going concern, please refer to what is reported in the dedicated paragraph in the Supplementary Notes of the Consolidated Financial statement.

The Interim Financial Statement at June 30, 2020 is composed by the Balance Sheet, the Income Statement, the Supplementary Notes and the Cash Flow Statement.

Income and charges were considered on an accrual basis independent of their financial manifestation; costs and revenue were considered pertinent although the same refer to events occurring subsequent to the date of period closure.

Moreover Supplementary note provides information which are deemed essential to give a true and fair view of the economic - equity and financial situation of the company.

GOING CONCERN

The company closed at June 30, 2020 with a loss of 5,4 million of Euros and a net equity, positive, of 129 million of Euros. At the same time as the IFRS consolidated financial statement, the total loss is approximately 12,4 million of Euros with a net equity of 74,9 million of Euros.

The analysis of the economic and financial performance, carried out at the end of the 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, made 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.

ACCOUNTING STANDARDS

B.I) INTANGIBLE FIXED ASSETS

The intangible fixed assets are recorded, where required with the consent of the Board of Statutory Auditors, at the original purchase cost and amortized on a straight-line basis in relation to the period of expected future use.

The goodwill is entered at the value defined in the sworn appraisal related to the deed of transfer of the "key entities" by the parent company Nerviano Medical Sciences. This is amortized on a straight-line basis in relation to the expected future usefulness period estimated over ten years, with the consent of the Board of Statutory Auditors.

The choice of an amortization period of more than five years derives from the belief that goodwill is not intended to be reduced in the short-term. However, this period does not exceed the duration for the use of this asset.

In compliance with accounting standard OIC 9 in the event that, regardless of the amortization already recorded, there is an impairment loss, the company proceeds to estimate the recoverable

amount of the asset that is correspondingly devalued. The recoverable value of an asset or cash-generating unit is defined as the greater of its value in use and its fair value ("*fair value*"), less selling costs. A loss in value is defined as the impairment loss which renders the recoverable value of a fixed asset, determined from a long-term perspective, lower than its net book value.

The original value, net of the amortization that would have been calculated if no write-down was recorded, is reinstated when the reasons for the impairment cease to exist (with the exception of any write-downs made with regard to goodwill).

Pursuant to Article 2427 par. 3-bis of the Italian Civil Code, it is specified that during the year no value reductions were made to intangible fixed assets, except for those related to amortization and depreciation.

B.II) TANGIBLE FIXED ASSETS

Property, plant and equipment are recorded at purchase or production cost and the related depreciations have been calculated on the basis of the residual useful life of the assets.

The purchase or production cost includes ancillary charges and costs incurred for the portion reasonably attributable to the asset up to the date of entry into operation of the asset.

The fixed assets which, at year-end, were consistently of a lower value than those determined according to the principles set out above, were recorded at this lower value.

However, with reference to the provisions of article 2427 par. 3-bis of the Italian Civil Code, it is specified that during the year no value reductions were made to tangible assets, except for those related to amortization and depreciation.

It is noted that tangible assets have never been subject to revaluation procedures governed by specific laws, nor to re-evaluation processes carried out for other purposes.

Maintenance and repair costs bearing conservative effectiveness are entered in full in the income statement for the year in which they were incurred on the basis of the accrual principle.

Those of an incremental nature, in that they are aimed at prolonging the useful life of the asset or its technological adaptation, are attributed to the asset to which they refer.

The expansion, update, and transformation costs are aimed at prolonging the useful life of the asset or its technological adaptation, are attributed to the asset to which they refer.

The cost of fixed assets whose use is limited in time is systematically amortized each year on the basis of economic-technical rates determined in relation to the residual useful life.

The depreciation rates applied to the values of assets not fully depreciated existing as at June 30, 2020 unchanged compared to the previous year, are equal to 3, 33% for the surface rights and 10% for the plants.

Impairment loss

At each closing date of the financial year, the existence of indicators that indicate the probability that a fixed asset may have been impaired is assessed.

Should such indicators exist, the tangible assets undergo an "*Impairment test*" in order to verify that the recoverable value of these assets, defined as the higher value of the value in use and the fair value ("*fair value*") net of selling costs, is higher than their carrying amount.

In the event that the recoverable amount is lower than the net book value, this is reported at the recoverable value, recognizing the loss in value, as a general rule, in the Income Statement under the item "*Other write-downs of fixed assets*". The original value is restored if the reasons for the impairment are no longer valid.

B.III) FINANCIAL FIXED ASSETS

The investments in subsidiaries, which represent fixed assets, are valued according to the cost criterion pursuant to art. 2426, first paragraph of the Italian Civil Code, written down in case of permanent and/or definitive losses in value.

The original value is reinstated in subsequent years if the reasons for the write-downs decrease.

The investments recorded under fixed assets represent a long-term strategic investment by the company.

The investment in Consorzio Infra in Liquidation has been recorded, featuring a long-term investment character, among financial fixed assets and valued at cost, written down if long-lasting and/or permanent losses in value occur.

C.II) RECEIVABLES

Receivables are recognized at amortized cost, taking into account the time frame and the expected realizable value. In particular, the initial value recorded is represented by the nominal value net of all premiums, discounts, rebates, and including any costs directly attributable to the transaction that generated the receivables. Such transaction costs, any commission income and expense, and any difference between the initial value and nominal value at maturity are included in the calculation of the amortized cost using the effective interest rate method.

The company has chosen to use the optional exception provided for by Legislative Decree no. 139/15, which introduced the criterion for the evaluation of the amortized cost to be used for the representation of receivables, payables and fixed assets represented by securities, which allows not to apply the amortized cost criterion for receivables, payables and fixed assets represented by securities registered in the 2015 statement.

Consequently, the positions that arose from January 1, 2016 have been valued using the amortized cost criterion, while the positions which arose prior to January 1, 2016 have been accounted for using the old rules.

Any estimates of losses are based on the analytical valuation of receivables that present impairment risks.

C III) FINANCIAL ASSETS THAT ARE NOT FIXED ASSETS

The shares held in Banca Popolare di Sondrio are recorded, not representing a long-lasting investment, among current financial assets and valued at cost or, if lower, at market value

B) PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are set aside to cover certain or likely charges, but for which the amount or date of occurrence cannot be established at year-end. The provisions include the best possible estimate on the basis of the elements available.

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

It is calculated in compliance with the laws and labour contracts in force and represents the amount accrued by the Company in favour of employees, net of the amount already paid as an advance payment and of the amount paid to the supplementary pension funds or the Social Security Institute.

D) LIABILITIES

Payables are recognized at amortized cost, taking into account the time period. In particular, the initial value recorded is represented by the nominal value net of the debt, net of all transaction costs and premiums, discounts, and allowances directly attributable to the transaction that generated the debt. Such transaction costs, any commission income and expense, and any difference between the initial value and nominal value at maturity are included in the calculation of the amortized cost using the effective interest rate method.

The company has chosen to use the optional exception provided for by Legislative Decree no. 139/15, which introduced the criterion for the evaluation of the amortized cost to be used for the representation of receivables, payables and fixed assets represented by securities, which allows not to apply the amortized cost criterion for receivables, payables and fixed assets represented by securities registered in the 2015 statement. Consequently, the positions that arose from January 1, 2016 have been valued using the amortised cost criterion, while the positions which arose prior to January 1, 2016 have been accounted for using the old rules.

D) TAX PAYABLES

The identification of the tax burden for the year and, consequently, the related payables to the tax authorities, is made on the basis of a realistic forecast of the tax charges to be paid, in application of the current tax legislation.

The item tax payables covers only deferred tax liabilities, certain and established, as liabilities for probable or uncertain tax liabilities in the amount or on the date of occurrence, or deferred taxes, are recognized under item B.2 of Liabilities.

E) ACCRUALS AND DEFERRALS

The criteria for recording accruals and deferrals in the financial statement have been determined in compliance with the principle of accrual and calculated in accordance with art. 2424 bis 6 c. C.C. These items correspond to the amounts pertaining to the period payable in subsequent periods or incurred by the end of the period but relevant to subsequent periods. These items recorded only shares of income statement items common to two or more years, whose amount varies over time.

REVENUES AND COSTS FOR THE YEAR

Costs and revenues are recorded in the financial statement on an accruals basis. Revenues from the sale of products are recognized at the time of transfer of ownership, which normally corresponds to delivery or shipment, while revenues from services are recognized on the basis of the progress of works. Revenues and income, costs and expenses relating to foreign currency transactions are calculated at the exchange rate on the date on which the transaction occurred.

TAXES

On October 27, 2017, NMS Group S.p.A. joined the national consolidated regime together with all the companies of the Group, submitting a specific request as parent company and valid for the 2017-2019 three-year period.

NMS Group S.p.A, as required by current regulations, has tacitly renewed the option for consolidation for the subsequent three-year period 2020-2022.

Tax payables, if due, show the current tax payables for the year (IRES) relating to the companies participating in the aforementioned scheme, while receivables (payables) from subsidiaries show the credit (debt) relating to taxes transferred by the latter to the parent company.

The provisions of the accounting standard OIC 25 "*Income taxes*" have been applied for the deferred tax assets and liabilities arising from the temporary differences between the values recorded in the financial statement and the values recognized for tax purposes.

In compliance with the principle of prudence, any pre-paid tax is recognized if there is a

reasonable certainty of existence, in the years in which the deductible temporary differences that led to their recognition are reversed, of a taxable income not lower than the amount of the same differences.

ANALYSIS OF THE BALANCE SHEET AND THE INCOME STATEMENT ITEMS[1]

In these Supplementary Notes the items commented on in the Balance Sheet and the Income Statement are shown in thousands of Euros and are compared with the values of the previous year.

The balance sheet and income statement items that do not appear have a zero balance.

INFORMATION ON THE BALANCE SHEET

B I – INTANGIBLE FIXED ASSETS

The net intangible fixed assets at June 30, 2020 amount to 263 thousand Euros and are mainly represented by the goodwill deriving from the acquisition of the "*key entities*" business unit by the subsidiary Nerviano Medical Sciences S.r.l., which is amortized over ten years with the favourable opinion of the Board of Statutory Auditors (year amortization for 53 thousand Euros).

The increases in the period are due to the acquisition by incorporation of the IT branch, until last year in the hands of the subsidiary Nerviano Medical Sciences S.r.l.. In addition, in the first half of 2020, the project to implement the "*Antispam*" security software was completed, thus transferring about 23 thousand Euros from "Fixed assets in progress and advances" to "Patent and intellectual property rights".

	31/12/2019	Merger contribution	Incr.	Transfer	Amort.	Decr.	30/06/2020
Patent and intellectual property rights	-	106	-	23	(30)	-	99
Licences trademarks and similar rights	-	-	9	-	(0)	-	8
Goodwill	154	-	-	-	(26)	-	127
Fixed assets in progress and advances	29	-	-	-	-	-	29
Total	**182**	**106**	**9**	**23**	**(56)**	**-**	**263**

B II – TANGIBLE FIXED ASSETS

Tangible fixed assets, at June 30, 2020, amounted to 9.441 thousand Euros and are mainly represented by the thirty-year surface rights, conferred by the previous shareholder, on the real estate portion located in Piazza Frattini in Milan whose net value is equal to 8.597 thousand Euros.

[1]Any differences in increase or decrease of 1 unit are due to rounding up.

The write-down, for 540 thousand Euros, is related to the adjustment of the value following the appraisal by Yard S.r.l. (of which 497 thousand Euros referred to 2018 and 43 thousand Euros referred to 2019).

In addition to the item "Industrial Buildings", fixed assets include: 3 thousand Euros of systems relating to relevant regulatory adjustments made to the same, 2 thousand Euros of various laboratory equipment, about 93 thousand Euros for "other assets" (of which 84 thousand Euros for electronic machines and 9 thousand Euros for internal transport vehicles). The value of the amortization recorded amounts to 241 thousand Euros.

The increases in tangible fixed assets are mainly due to the effectiveness of the acquisition by incorporation of the IT branch from January 1st, 2020. For further information on this subject, please refer to paragraph 6 "INVESTMENTS" in Directors' Report.

The item " Fixed assets in progress and advances" amounting to 746 thousand Euro, mainly refers to investments in data center transformation, expansion of the company network, development and renewal of Office 365 and purchase of new equipment for the new "*Carlo Erba*" meeting room.

	Value at December 31, 2019					Changes							Value at June 30, 2020				
	Historical value	Revaluation (write-downs)	Amort. fund	Write-downs	Valuation at balance	Purchases	Merger contribution	Incr.	Trasf.	Fund	Amort. fund	Revaluation (write-downs)	Historical value	Revaluation write-downs	Amort. fund	Write-downs	Valuation at balance
Lands and buildings	12.500	-	(3.450)	(540)	8.510	-	-	-	-	-	(213)	-	12.500	-	(3.663)	(540)	8.597
Industrial plant	*12.500*	-	*(3.450)*	*(540)*	*8.510*	-	-	-	-	-	*(213)*	-	*12.500*	-	*(3.663)*	*(540)*	*8.597*
Plants and machinery	9	-	(5)	-	4	-	235	-	-	(241)	(0)	-	244	-	(241)	-	3
General machinery	*9*	-	*(5)*	-	*4*	-	*235*	-	-	*(241)*	*(0)*	-	*244*	-	*(241)*	-	*3*
Industrial and commercial equipment	4	-	(4)	-	-	3	-	-	-	(4)	(0)	-	6	-	(4)	-	2
Various laboratory equipment	*4*	-	*(4)*	-	-	*3*	-	-	-	*(4)*	*(0)*	-	*6*	-	*(4)*	-	*2*
Other assets	128	-	(90)	-	38	-	2.768	-	-	(2.776)	(27)	-	2.896	-	(2.803)	-	93
Internal transport vehicles	*15*	-	*(5)*	-	*11*	-	-	-	-	*(3)*	*(2)*	-	*15*	-	*(6)*	-	*9*
Office electron. Equip.	*113*	-	*(85)*	-	*28*	-	*2.768*	-	-	*===*	*(26)*	-	*2.881*	-	*(2.797)*	-	*84*
Fixed assets in progress and advances	37	-	-	-	37	617	115	-	(23)	-	-	-	746	-	0	-	746
fixed assets in progress and advances	*37*	-	-	-	*37*	*617*	*115*	-	*(23)*	-	-	-	*746*	-	*0*	-	*745*
Total	12.978	-	(3.549)	(540)	8.889	620	3.118	-	(23)	###	(241)	-	16.693	-	(6.712)	(540)	9.441

B III - FINANCIAL FIXED ASSETS

These amount to 107.511 thousand Euros and comprise investments in subsidiaries for 102.193 thousand Euros and financial receivables due from subsidiaries for 5.318 thousand Euros, as summarized in the tables below:

Name	Registered office	Share Capital	Net Equity	Profit (Loss) of the period	% di possesso	Balance Value
			30-giu-20	30-giu-20		30-giu-20
Nerviano Medical Sciences S.r.l.	Viale Pasteur 10, 20014 Nerviano	1.040	51.584	(7.725)	100	99.244
Accelera Srl	Viale Pasteur 10, 20014 Nerviano	100	3.091	640	100	1.394
NetPharMa Srl	Viale Pasteur 10, 20014 Nerviano	100	1.504	(685)	100	1.504
Consorzio Infra in Liquidazione	Viale Pasteur 10, 20014 Nerviano	100	362	2	8,33	50
Total						102.193

	30/06/2020	changes for the period	31/12/2019
Financial Receivables	5.318	-	5.318
Total	5.318	-	5.318

The main difference compared to December 31st, 2019 is the write-down of the investment in Nerpharma S.r.l., equal to 833 thousand Euros, following the recording of the loss for the year relating to the first half of 2020 of the subsidiary with a consequent decrease in its Net Equity.

The item "Investments in subsidiaries" refers to the investments owned by the holding company in Nerviano Medical Sciences S.r.l., Accelera S.r.l., NerPharMa S.r.l. and to the portion of the consortium fund held in Consorzio Infra in liquidation.

Consorzio Infra in liquidation, a consortium to which all the companies of the Group adhere under a specific regulation, defines a unitary management of the ordinary and extraordinary maintenance activities of the real estate, NMS Group S.p.A. holds the 8,33 % of the total investments.

The indirect equity investments are all held through the direct subsidiary Nerviano Medical Sciences S.r.l. Through its direct and indirect investee companies, the company also indirectly holds a full stake in Consorzio Infra in liquidation.

Name	Registered office	Share Capital	Net Equity	Profit (Loss) of the period	% di possesso	Balance Value
			30/06/2020	30/06/2020		30/06/2020
Sienis Srl	Viale Pasteur 10, 20014 Nerviano	50.000	54.295	344	100	78.503
Centro di ricerca Life Labin liquidazione	Contrada Valcorrente SC 95032 Belpasso	20	(194)	(0)	100	-
Consorzio Infra in liquidazione	Viale Pasteur 10, 20014 Nerviano	100	562	2	8,33	50
Total		50.120	54.663	346		78.553

Name	Shares owned	Share value	Balance value
Tiziana Life Sciences Ltd	4.233.616	0,00	3.018
		Total	81.571

Direct holdings

Nerviano Medical Sciences S.r.l.: a company controlled directly by NMS Group S.p.A. since August 5th, 2009, following a decision to increase the share capital in kind to be subscribed and released through the transfer of 100% of the equity in the company's share capital.

Pursuant to art.2465 of the Civil Code, this equity was appraised on 30 April 2009, and the pertinent appraisal report indicated a total valuation of Euros 46.000.000 including a capital increase in 2013. In 2013, the company was subject to a capital increase of 20 million Euros due to waiver.

The value of Net Equity of Nerviano Medical Sciences S.r.l. at June 30, 2020 amounts to 51.584 thousand Euros.

The company carried out the impairment test on the investment in the subsidiary Nerviano Medical Sciences S.r.l. From the test would result a book value of the asset recorded in the financial statements higher than its recoverable value (thus generating an *impairment loss*) which management does not consider to be "durable" since, although the subsidiary closed the first half of 2020 with a loss, by the end of the current financial year it will recognize in its revenues the milestones contractually related to the registration of Entrectinib in EMA (European Medicines

Agency) for two indications. This event will involve in an increase in the value of the subsidiary's Net Equity such as to fully get the loss at June 30, 2020. Therefore, Management has not made any write-down of the investment.

Accelera S.r.l.: a company that carries out its commercial activities operating independently in the non-clinical CRO (Contract Research Organizations) segment; revenues derive mainly from the provision of applied research, development and bio-analysis services.

The applied research services are aimed at pharmacological models in the oncology area, while for pharmacokinetic activities and support for lead selection and optimization, working with its art technological platform (*"Attrition Reducing Technologies"*), the characteristics of the biopharmaceutical market apply to all therapeutic areas, major and niche.

Non-clinical development activities are aimed at the global pharmaceutical market and are conducted both as individual studies and as integrated packages of studies on toxicology, pharmacokinetics and metabolism, ADME (Absorption, Distribution, Metabolism, Elimination) and gene toxicity.

Bio-analysis services include quantitative analyses of chemical or biotechnological compounds in biological samples deriving from toxicology, pharmacokinetic and clinical trial studies.

The company at June 30, 2020 recorded a profit equal to 640 thousand Euros.

NerPharMa S.r.l.: a company active in the development and pharmaceutical production on behalf of third parties of products under development and of commercial productions within an international market context, lending a considerable part of its services to foreign and, mainly, US companies.

NerPharMa S.r.l. has closed the period at June 30, 2020 with a loss for 883 thousand Euros.

Indirect holdings

Simis S.r.l.: The company that owns the real estate assets of the research centre and specializes in the maintenance and management of both real estate and scientific and pharmaceutical research and equipment.

The carrying value of investment of Simis S.r.l, at June 30, 2020 is equal to 78.503 thousand Euros net of a write-down for 24.096 thousand Euros. In relation to the entry into the NMS Group of a new Chinese investor, operation concluded on March 28th, 2018 with the acquisition by the Luxembourg company, Luxembourg Investment Company 240 Sarl, of 90% of the shares of the parent company NMS Group S.p.A. and in the context of the necessity of the same, as envisaged by the international accounting standards, to calculate the "*Purchase Price Allocation*" (PPA), that is

the process of assigning a "*fair value*" to all the major assets and liabilities acquired the indirect parent company Chinese, Hefei SARI Oborgen Biopharma Co., Ltd., entrusted this task to Grant Thornton Value Management Consulting Co. Ltd. China.
Within the scope of analysis, the consultant had, also, assigned a higher value to the land and industrial buildings held by the subsidiary Simis S.r.l. (net of the effect of deferred taxes) of approximately 24.828 thousand Euros gross of depreciation and amortization. Considering the value of the Net Equity of Simis S.r.l. at June 30, 2020 and the higher value to be recognized to land and buildings (a value not expressed in the subsidiary's financial statement) the Net Equity adjusted for the purposes of the impairment test of the equity investments is consistent with the carrying value of the investment. This evaluation consider the fact that the appraisal of the entire value of the land and industrial buildings is not updated to June 30, 2020 and, furthermore, on the basis of forecasts of the company's economic and financial performance, the same will record a profit for the year at December 31, 2020 with a consequent increase in the value of Net Equity.

Centro Ricerca Life Lab S.r.l. in liquidation (ex SSR S.r.l.): a non-operating company held since August 2010, which included in its assets only health receivables, in favor of Azienda Sanitaria Locale Roma E, whose existence has not yet been formally recognized despite the company has filed two application and a request for access to administrative documents with the counterparty. Therefore, due to the risk of being irrecoverable of the receivables, they have been written down in full, thus recording a loss greater than the value of Net Equity. So, the Company was placed in liquidation on 29 April 2016, appointing Roberto Monteforte as liquidator.
At June 30, 2020 the company had a negative Net Equity of 194 thousand Euros. As a result, Nerviano Medical Sciences S.r.l. wrote down the value of the equity investment in its financial statements, allocating the entire amount to the provision for risks.
The management of the parent company Nerviano Medical Sciences S.r.l. is still willing to close the liquidation within the second half of 2020 with a merger by incorporation.

Investments in fixed assets represent a lasting and strategic investment by the Company.
No equity investments in fixed assets have undergone any change of use.

Financial receivables for 5.318 thousand Euros refer to loans provided to the subsidiary Nerviano Medical Sciences S.r.l..

C.II – RECEIVABLES

They amount to 17.175 thousand Euros as shown below:

(value in Euro)	30/06/2020	Changes for the period	31/12/2019
Receivables due from clients	12	4	8
Receivables due from subsidiaries	11.825	(2.762)	14.587
Tax credits	4.902	533	4.369
Credits VAT	*4.877*	*822*	*4.055*
Credits IRES	*25*	*(289)*	*314*
Receivables due from others	436	262	175
Total	**17.175**	**(1.964)**	**19.139**

and comprise mainly:

a) Receivables due from subsidiaries for 11.825 thousand Euros (of which 1.074 thousand Euros for invoice to be issued) that include:

- ✓ 441 thousand Euros to Nerviano Medical Sciences S.r.l. for invoices to be issued for staff services;
- ✓ 4.079 thousand Euros to NerPharMa S.r.l. (of which 259 thousand Euros for invoice to be issued) mainly for the IRES for the National Tax Consolidation, for the invoices issued for staff services and for the transfers of receivables within the Group;
- ✓ .3.546 thousand Euros to Simis S.r.l. (of which 80 thousand Euros for invoice to be issued) for the IRES for the National Tax Consolidation and for the transfers of receivables within the Group;
- ✓ 3.758 thousand Euros to Accelera S.r.l. (of which 290 thousand Euros for invoice to be issued) for the IRES for the National Tax Consolidation, for the invoices issued for staff services and for the transfers of receivables within the Group;

b) Tax receivables amounting to 4.902 thousand Euros and mainly include:

- ✓ 25 thousand Euros relating to IRES credits deriving from the subsidiary NMS S.r.l. (withholding tax) which, in the context of adhering to the national tax consolidation, has transferred this activity to the tax consolidating company;
- ✓ 24 thousand Euros relating to the VAT credit accrued by the company before joining the Group VAT payment procedure;
- ✓ over 4.851 thousand Euros relating to the consolidated VAT credit. It should be noted that on March 4th, 2020, with the submission of the 2019 VAT declaration, the Company requested a refund of 3.200 thousand Euros. On June 4th, 2020, the Company received, from the Tax Authority (as called Agenzia delle Entrate), the letter containing the request for documentation necessary to finalize the refund procedure. On June 18th, 2020, NMS

Group S.p.A. provided the required documentation to the Tax authority. At June 30, 2020 the inquiry is still ongoing.

c) Other receivables for 436 thousand Euros mainly represented by receivables due from the INPS (Italian National Social Welfare Institute) Treasury. The increase compared to December 31st, 2019 is due to the transfer of the personnel involved in the assignment of the I.T. branch from the subsidiary Nerviano Medical Sciences S.r.l. to the parent company NMS Group S.p.A..

C III – FINANCIAL ASSETS THAT ARE NOT FIXED ASSETS

Financial assets that are not fixed assets are equal to 3.230 thousand Euros.

(value in Euro)	30/06/2020	Changes for the period	31/12/2019
other securities	3	-	3
financial assets for centralized treasury management	3.227	3.227	-
Total	**3.230**	**3.227**	**3**

The increase of 3.227 thousand Euros, compared with the previous period, is due to the signing on January 8th, 2020 of the "*zero balance*" cash pooling agreement between NMS Group S.p.A., the Secondary Companies and Intesa San Paolo S.p.A., details of which can be found in Paragraph "2. SIGNIFICANT EVENTS FROM THE END OF THE FINANCIAL YEAR DECEMBER 31, 2019 TO JUNE 30, 2020".

Pursuant to the O.I.C. 14, receivables arising from centralized treasury management have been classified under "Financial assets that are not fixed assets".

The item "Other securities", amounts to 3 thousand Euros and comprises the purchase in November 2012 of 1.205 shares of Banca Popolare di Sondrio, of which 205 granted by exercising the option right during the Bank's capital increase phase, carried out in July 2014.

C.IV – CASH ON HAND AND CASH EQUIVALENTS

Amount to 23.033 thousand Euros and consist of cash equivalents and short-term bank assets (mainly with reference to the ordinary current account with Bank of China).

(Value in Euros)	30/06/2020	Changes for the period	31/12/2019
bank and post office deposits	23.033	3.029	20.004
cash on hand	0	(1)	1
Total	23.033	3.028	20.005

The increase compared to the previous period is due to the cash pooling transaction between NMS Group S.p.A., the Secondary Companies and Intesa San Paolo S.p.A., for details of which reference should be made to the paragraph "2. SIGNIFICANT EVENTS FROM THE END OF THE FINANCIAL YEAR DECEMBER 31, 2019 TO JUNE 30, 2020".

A – NET EQUITY

At June 30, 2020 the Net Equity amounts to 129.102 thousand Euros. The share capital is 10.075 thousand Euros and 90% is held by the Luxembourg company, Luxembourg Investment 240 S.a.r.l., (indirectly held by Hefei-Sari V- Capital Management Co. LTD) and 10% by the partner Fondazione Regionale per la Ricerca Biomedica.

The following table shows the changes that have taken place over the last three years in the amount of shareholders' equity:

(amounts in Euro/1.000)

	Quota capital	Quota premium reserve	Legal reserve	Other reserves	Profits (losses) carried forward	Profits (losses) for the year	Total
Balance at 31 December 2017	9.075	20.285	-	40.000	(35.537)	(6.484)	27.339
Report the result of 2017					(6.484)	6.484	-
Capitalization transaction	1.000	50.000					51.000
Renounce to FRRB receivables				37.211			37.211
Report the result of 2018						20.992	20.992
Balance at 31 December 2018	10.075	70.285	-	77.211	(42.021)	20.992	136.543
Report the result of 2018			4.198		16.794	(20.992)	-
						(2.239)	(2.239)
Balance at 31 December 2019	10.075	70.285	4.198	77.211	(25.227)	(2.239)	134.303
Report the result of 2019				184	(2.239)	2.239	184
Report the result al 30 giugno 2020						(5.385)	(5.385)
Balance at 30 June 2020	10.075	70.285	4.198	77.395	(27.466)	(5.385)	129.102
of which:							
No- distributable share	10.075		2.015			(1.077)	11.013
Distributable share		70.285	2.183	77.395	(27.466)	(4.308)	118.089
	10.075	70.285	4.198	77.395	(27.466)	(5.385)	129.102

The item "Other reserves" increased by 184 thousand Euros as a result of the demerger of the NSI (Nerviano Servizi informatici) business unit of Nerviano Medical Sciences S.r.l. into NMS Group S.p.A.. The change corresponds to the carrying amounts of the business unit on the date of the demerger plan (June 30, 2019) which amounted to 183.975.56 euros. For details of which

reference should be made to the paragraph "2. SIGNIFICANT EVENTS FROM THE END OF THE FINANCIAL YEAR DECEMBER 31, 2019 TO JUNE 30, 2020".

B - PROVISIONS FOR LIABILITIES AND CHARGES

The provision for liabilities and charges amounts to 351 thousand Euros and the changes are outlined below:

		Variazioni dell'esercizio		
	31/12/2019	Accti	Rilasci	30/06/2020
Fondo rischi su costi futuri	369	15	(34)	351
Totale	**369**	**15**	**(34)**	**351**

and includes:

- ✓ 339 thousand Euros for the minutes notified by the Guardia di Finanza on August 7th, 2019 relating to an inspection on an illicit former Director of the Company ;
- ✓ 9 thousand Euros for a potential liability related to the expense reports still to be paid to a former employee;
- ✓ 3 thousand Euros for bonuses not paid to resigning employees.

The release of the provision, amounting to 34 thousand Euros, relates to a provision made in previous years for a potential lawsuit with a professional firm. As of today, any request for compensation from the counterparty is time-barred, so the Company has released the provision.

D - PAYABLES

At June 30, 2020 amount to 31.049 thousand Euros, the composition of the items and the relative changes are expounded below in terms of the most relevant components:

(value in Euro)	30/06/2020	Changes for the period	31/12/2019
Payables due to banks	20.009	9	20.000
Bank of China long-term loan	*20.000*	-	*20.000*
Short-term interest expense due to banks	*9*	*9*	-
Pyables due to suppliers	693	(122)	815
National Suppliers	*317*	*(183)*	*500*
Extra UE Suppliers	*45*	*34*	*11*
Professional suppliers	*57*	*11*	*45*
Invoices to be received from national suppliers	*274*	*15*	*259*
Payables due to subsiadiaries	9.408	9.199	209
Payables vs CRLL	*0*	-	*0*
Payables vs Consorzio Infra in Liquidation	*10*	*9*	*1*
Payables vs NMS	*2.899*	*2.899*	-
Payables vs NPM	*250*	*250*	-
Cash pooling financial liabilities	*6.114*	*6.114*	-
Invoices to be received from subsidiary	*135*	*(73)*	*208*
Tax payables	98	(5)	103
Irpef on employees	*97*	*(1)*	*97*
Irpef on professionals	*1*	*(5)*	*6*
Payables due to social security institutions	222	69	153
INPS on wages of december	*164*	*71*	*93*
Contribution on allocation	*16*	*3*	*13*
Others	*42*	*(5)*	*47*
Other payables	619	112	507
Payables for unused vacation days	*71*	*51*	*20*
Other payables due to employees	*188*	*39*	*148*
Payables for security deposits	*40*	-	*40*
Others	*320*	*21*	*299*
Total	**31.049**	**9.261**	**21.787**

Payables due to bank amount to 20.009 thousand Euros: for 20.000 thousand Euros refer to loan agreement signed with Bank of China at June 19, 2019 and for 9 thousand Euros to the allocation of the portion of interest expense.

Trade payables equal to 693 thousand Euros and refer to payables to Italian suppliers for the operational management of the company.

Payables due to subsidiaries, amount to 9.408 thousand Euros, and are related to Nerviano Medical Sciences S.r.l. for recharge of operating costs and to Simis S.r.l for technical services and maintenance of the site. These services are provided by the two subsidiaries to the entire Group. The increase in payables due to subsidiaries is attributable to financial payables from cash pooling, for details of which reference should be made to Paragraph "2. SIGNIFICANT EVENTS FROM THE END OF THE FINANCIAL YEAR DECEMBER 31, 2019 TO JUNE 30, 2020".

The item "Other payables", equal to 619 thousand Euros, includes mainly the Board's fees for the period 2020 and for the first half of 2015 (not yet paid), the fees of the Board of Statutory Auditors and of the Supervisory Body. The item also includes provisions for the 13th monthly salary to employees, holidays not taken and unpaid bonuses and payables for security deposits deriving from the rental, of the property in Piazza Frattini, intended for non-residential use, with the company Bloom International School S.r.l.

INFORMATION ON THE INCOME STATEMENT

A – VALUE OF PRODUCTION

value in Euro	30/06/2020	Changes for the period	31/12/2019
Revenue from sales and services	**1.189**	**(1.376)**	**2.565**
Revenue from services to subsidiaries	*1.189*	*(1.376)*	*2.565*
Other revenues	**814**	**(1.042)**	**1.856**
Other income from subsidiaries	*741*	*(615)*	*1.356*
Various income	*73*	*(428)*	*500*
Total	**2.003**	**(2.418)**	**4.421**

The value of production, at 30 June 2020, amount to 2.003 thousand Euros of which:

- ✓ Revenue from services to subsidiaries for 1.189 thousand Euros and mainly refer to revenues from services provided to all Group companies. Specifically, these services include administrative, legal, tax, personnel management and administration, general services and Information & Communication Technologies services. All services provided by the holding company are regulated by the cost sharing agreement that governs intra-group relations;
- ✓ Other income from subsidiaries, for 741 thousand Euros, refer to other intercompany revenues for the reversal to subsidiaries of mainly external costs of central staff (for example consultancies);
- ✓ Various income, for 73 thousand Euros, mainly refer to the release of the provision for future risks and charges, as described in Section "B - FUNDS FOR RISKS AND CHARGES" of the Supplementary Notes of the Interim Financial Statements and for 40 thousand Euros relating to the rent of the building in Piazza Frattini to the company Bloom International School S.r.l.

B – COST OF PRODUCTION

Cost of raw materials, consumable supplies

The item amounts to 84 thousand Euros at June 30, 2020. The composition of the items and the relative changes are analysed below in terms of its most relevant components:

(value in Euro)	30/06/2020	Changes for the period	31/12/2019
Purchase of consumables not in stock	26	24	3
Purchase of stationary/paper	9	4	5
Others	49	8	40
Total	**84**	**36**	**48**

Purchase of consumable not in stock amount to 26 thousand Euros. The increase is mainly due to the purchase of protection and safety devices for the containment of COVID-19 contagion in order to improve prevention in the workplace.

Other costs amount to 49 thousand Euros and represent ancillary materials for the performance of employees' work activities and for pest control and waste disposal activities.

Cost of services

They amount to 1.302 thousand Euros and include the following costs:

(value in Euro)	30/06/2020	Changes for the period	31/12/2019
Managerial consultancy	15	(543)	558
Services from subsidiaries	198	(327)	525
Corporate costs	477	(440)	917
Legal advice	48	(233)	281
Services from Consorzio	-	(1)	1
Administrative and tax consultancy	45	(67)	112
Reimbursement travel expenses and tickets	11	(43)	53
Consultancy and medical-sanitary	38	(18)	56
Insurances	41	(15)	56
Other services outsourced	142	37	106
Maintenances and repairs from subsidiaries	80	(97)	177
Catering	10	(12)	22
Maintences and repairs	42	11	31
Telephonic expenses	9	(13)	22
Technical and IT consultancy	84	(67)	152
Professional training	3	(32)	35
Reimbursement of automotive	0	(1)	1
Couriers	3	2	1
Others	55	(3)	57
Total	**1.302**	**(1.862)**	**3.163**

The services provided by subsidiaries, amounting to 198 thousand Euros, mainly concern the technical services provided by the indirect subsidiary Simis S.r.l. and operating costs that the direct subsidiary Nerviano Medical Sciences S.r.l. provides to the entire Group.

The item "Corporate costs" amount to 477 thousand Euros and include the fees of the Board of Directors, of the Board of Statutory Auditors, and the fees paid to the audit firm.

Maintenances and repairs from subsidiaries, for 80 thousand Euros, concern mainly technical services from Simis S.r.l..

"Other services outsourced", amount to 142 thousand Euros, refer principally to Information & Communication Technologies services, security services and services in sustain of the HR department, such as processing coupons.

Technical and IT consultancy amounted to 84 thousand Euros; technical consultancy refers to the final activities of the rebranding project, already started in 2019 to support the company brand, while IT consultancy includes support for the Oracle system, on-site help desk, optical HR data storage system.

The item "Other costs" mainly includes costs for services provided by third parties for the search for qualified personnel and fees for the supervisory authority.

Costs for use of third party goods

These items amount to 293 thousand Euros and include the following costs:

(value in Euro)	30/06/2020	Changes for the period	31/12/2019
Rentals	99	(98)	197
Licenses and software	158	155	2
Vehicle rent long term	8	8	0
rental from subsidiary	13	(4)	17
Other rentals	16	2	14
Total	**293**	**63**	**230**

- ✓ 158 thousand Euros refer to license and software. The increase of this item is related to transfer of the "key entities" by the parent company Nerviano Medical Sciences to NMS Group S.p.A.;
- ✓ 99 thousand Euros of rental expenses related to lease signed on April 29, 2016 with Simis S.r.l. for 6 years renewable for a further six years;
- ✓ Rental from subsidiary, for 13 thousand Euros, mainly refer to the rental of boilers on the site and video surveillance equipment;
- ✓ The item "Other rental", for 16 thousand Euros, refers to the rental of forklifts for the company's warehouse.

Staff costs

Personnel costs amount to 1.775 thousand Euros and the breakdown of these costs is provided in the Income Statement.

The staff as at June 30, 2020 is as follows:

	Average no. of employee 30/06/2020	Changes for the period	Average no. of employee 31/12/2019
Executives	5	(0)	5
Managers	16	3	13
Employees	17	1	16
Workers	1	-	1
Total	**39**	**3**	**35**

Amortization, depreciation

Amortization and depreciation for the period amount to 298 thousand Euros. For 213 thousand Euros it refers to the real estate unit located in Piazza Frattini in Milan, 26 thousand Euros refer to goodwill generated by the acquisition of the business unit from the subsidiary Nerviano Medical Sciences S.r.l., which is amortized in ten years with the approval of the Board of Statutory Auditors (annual amortization of 53 thousand Euros), 30 thousand Euros for license/software amortization. The increase of this item is related to transfer of the "key entities" by the parent company Nerviano Medical Sciences to NMS Group S.p.A. (For further details of the above items, please refer to the section 2 entitled "SIGNIFICANT EVENTS FROM THE END OF THE FINANCIAL YEAR DECEMBER 31, 2019 TO JUNE 30, 2020")

(value in Euro)	30/06/2020	Changes for the period	31/12/2019
Amortization of intangible fixed assets	**56**	**4**	**53**
Goodwill	*26*	*(26)*	*53*
Licenses/software	*30*	*30*	-
Trademarks	0	0	-
Amortization of tangible fixed assets	**241**	**(198)**	**439**
Industrial plant	*213*	*(213)*	*427*
General machinery	*1*	*(0)*	*1*
Electrical equipments, Internal transport vehicles	*27*	*16*	*11*
Other write downs of fixed assets	-	**(43)**	**43**
Total	**298**	**(237)**	**535**

Other operating expenses

Other operating expenses amount to 69 thousand Euros as shown below:

(value in Euro)	30/06/2020	Change for the period	31/12/2019
Registration tax	2	(0)	2
IMU	35	(30)	65
Membership fee	4	(0)	4
Other taxes/operating expenses	14	(24)	38
Other operating expenses	15	(24)	39
Total	**69**	**(79)**	**148**

The item is mainly made up of IMU (tax) paid during the period and relating to properties held in Milan and documented entertainment expenses.

C - FINANCIAL CHARGES

Net financial income and charges are negative and are equal to 210 thousand Euros. They are represented by interest expense for the first half of 2020 relating to the loan agreement with Bank of China signed on 19 June 2019.

(Value in Euro)	30/06/2020	Changes for the period	31/12/2019
Interest expense on bank accounts	210	(16)	226
Interest income from a bank account	-	0	(0)
Interest expense	-	(0)	0
Realized exchange rate gains/losses	-	(7)	7
Income on investment management	-	0	(0)
Total	**210**	**(23)**	**234**

D- VALUE ADJUSTMENTS TO FINANCIAL ASSETS

At June30, 2020 amounted to 833 thousand Euros. Following the reduction of the net equity of the subsidiary NerPharMa S.r.l., the related equity investments were written down to the value of its net equity. For details, please refer to Paragraph BIII) Financial fixed assets.

TAXES

Income and charges from consolidated taxation

These amount to 2.471 thousand Euros and are mainly related to the determination of the Group's IRES (Income taxes) as a result of the application of the tax regime envisaged by the tax consolidation scheme.

Additional information

Commitments, guarantees given and potential liabilities not shown on the balance sheet

Pursuant to Article 2427, subsection 9 of the Civil Code, the following commitments, guarantees given and contingent liabilities not shown in the balance sheet are highlighted.

Guarantees

The company has not Guarantees that have not been recognized in the interim Financial Statement.

Commitments

The company has not assumed commitments that have not been recognized in the interim Financial Statement.

Potential Liabilities

The Company has not assumed contingent liabilities that have not been recognized in the interim Financial Statement.

Revenues or costs of a significant type or bearing

Pursuant to art.2427, point 13 of the Civil Code, it is noted that no revenue items of revenue and costs of a significant type or bearing were recorded.

Remuneration of Directors and Statutory Auditors

Pursuant to art. 2427, sections 16 and 16-bis of the Civil Code, below is information concerning the fees of the directors and auditors:

1) Category	2) 30/06/2020	3) 31/12/2019
Board of directors	418.816 Euros	797.427 Euros
Board of Statutory auditors	36.324 Euros	72.000 Euros
Audit Firm	22.050 Euros	46.420 Euros

It is noted that the company has not granted advances and loans to directors and statutory auditors.

Financial derivatives

Pursuant to art. 2427-bis, first paragraph, n. 1 of the Italian Civil Code, it is acknowledged that the Company did not purchase any financial derivatives.

Transactions with related parties not concluded at market conditions

Transactions with related parties were concluded at normal market conditions, with the exception of loans received from the Shareholder and granted to subsidiaries.

Agreements not recorded in the Balance Sheet

There are no agreements that were not recorded in the Balance Sheet, which can significantly influence the financial situation and the net result of the company, pursuant to art. 2427, point 22-ter of the Civil Code.

Name and registered office of the company preparing the consolidated financial statement

With reference to the information required under article 2427, section 22-quinquies and sexies of the Civil Code, it is noted that the company NMS Group, with registered office in Nerviano, via L. Pasteur 10, arranges for the preparation of the Group's consolidated financial statement to which the company belongs as a subsidiary; said statements are available at the company's registered office.

The Company has made use of the faculty envisaged by Legislative Decree 28 February 2005, n. 38, as subsequently amended by Law Decree n. 91 of 24 June 2014, which governs the exercise of the options provided by Article 5 of European Regulation n. 1606/2002 on international accounting standards, and adopted, on a voluntary basis, 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 statement.

Significant events occurring after June 30, 2020

There were no significant events after the end of the period June 30, 2020 to consider in the drawing up of the interim financial statements.

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