MALIN

Malin
Corporation
plc

Interim Financial
Statements

For the 6-month period
ended 30 June 2018

Who We Are

Malin (ISE:MLC) is a company investing in high-growth opportunities in the global healthcare sector. Its purpose is to create shareholder value through the application of long-term capital and operational and strategic expertise to a diverse range of global healthcare businesses. Malin has a focus on innovative businesses underpinned by exceptional science, with a proven, sustainable business model. Formed in 2015, Malin works with its diverse portfolio of investee companies, providing strategic and financial support to enable them to reach their value potential. Malin is headquartered and domiciled in Ireland and listed on Euronext Dublin, with offices in London and a global investment focus. For more information visit www.malinplc.com.

Directors

Ian Curley (Chairman)
(appointed 16 July 2018)

Adrian Howd, Ph.D (CEO)

Liam Daniel

Jean-Michel Cosséry, Ph.D
(appointed 16 July 2018)

Rudy Mareel
(appointed 16 July 2018)

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H1 2018 Performance Highlights

Significant progress within Malin's core drivers of value creation

Translating best-in-class gene editing technologies into life-saving therapeutics.

POSEIDA THERAPEUTICS

Presented positive clinical data for its lead P-BCMA-101 CAR-T Stem cell Memory Product in patients with multiple myeloma at both the Amercian Association of Cancer Research earlier this year and the CAR-TCR Summit on 5 September 2018. We believe this data supports a best-in-class BCMA CAR-T product in terms of safety profile and efficacy.

Developing biological drugs to treat cancer, infectious diseases and autoimmune diseases through its pioneering soluble T cell receptor technology platform.

IMMUNOCORE targeting T cell receptors

Compelling data presented from its lead programme, IMCgp100, for the treatment of patients with metastatic uveal melanoma (mUM) demonstrating that the drug doubles the length of time the condition remains stable without progressing further. The pivotal trials with IMCgp100 in mUM continue to enrol. A second asset, IMCnyeso, is now in the clinic to assess safety and tolerability in patients with non-small cell lung cancer (NSCLC), bladder cancer, melanoma and synovial sarcoma.

Developing effective, human antibodies across four main therapeutic areas - immuno-oncology, inflammation, haematology and infectious disease.

kymab

Positive data in Phase 1 trial of its fully human monoclonal antibody, KY1005, and will proceed to Phase 2 studies in atopic dermatitis before the end of 2018, with additional plans to run studies in other immune-mediated diseases. Its next most advanced program, anti-ICOS antibody therapy KY1044, will enter the clinic in H2 2018.

Financial interest in the potential success of a Phase 3 compound in development for the treatment of recurrent vulvovaginal candidiasis (RVVC), an unmet need in women's health, and onychomycosis, or fungal nail infection.

VIAMET

Following the structured transaction through which NovaQuest Capital acquired the VT-1161 molecule from Viamet and assuming the successful clinical and commercial progression of this molecule, Malin could receive significant, recurring cash inflows from milestone payments and royalties that will become payable.

The Directors, in coming to their conclusions on the valuation of Malin's investments at 30 June 2018, have taken the advice of a leading professional services and consulting firm.

MALIN

The fair value of the core portfolio assets, as outlined above, has increased by 20%, or €49 million, during H1 2018 while the value of the rest of the portfolio has reduced by €48 million, having taken a number of write-downs.

CEO's Letter

On behalf of the board of Malin, I am pleased to present the Company's interim report for the 6-month period ended 30 June 2018. A number of important milestones have been achieved during the first half of 2018. Crucially, the core assets which we believe can deliver the most significant returns for our shareholders, Poseida, Immunocore, Kymab and Viamet; have all made important progress on multiple fronts in 2018 to date.

The fair value of our portfolio, estimated in accordance with the International Private Equity Valuation (IPEV) guidelines, has increased to €402 million, with our core assets increasing in value by 20%, or €49 million, since 31 December 2017 and now representing 72% of the fair value of our portfolio. The aggregate fair value of the rest of the portfolio has decreased by €48 million at 30 June 2018, having taken a number of write-downs.

The Board, under the leadership of our new Chairman, Ian Curley, is undertaking an extensive review of Malin's portfolio and strategy with a view to making a presentation of the Company's outlook and strategy at our Capital Markets Day in London on 8 November 2018.

Asset Updates

Poseida

Poseida, our gene-editing/cellular therapy asset has had a highly productive year to date. The company presented positive clinical data for its lead P-BCMA-101 CAR-T Stem cell Memory Product in patients with multiple myeloma at both the American Association of Cancer Research earlier this year and the CAR-TCR Summit on 5 September 2018. We believe this data supports a best-in-class BCMA CAR-T product in terms of safety profile and efficacy. Data on the company's next product, targeting prostate cancer, was presented at a Keystone Symposia on Emerging Therapies in February 2018. Poseida has also been active financially, raising approximately $31 million in an oversubscribed funding round in which Malin participated alongside new investors including Longitude Capital, Vivo and Tavistock.

Positive clinical validation of its science, combined with a more robust balance sheet and investor base, places Poseida in a strong strategic position. The company's progress in 2018, combined with increasing sector interest in the CAR-T space in general, increases our confidence in Poseida as a source of continued significant value creation for our shareholders. We currently own approximately one-third of Poseida.

Immunocore

Immunocore presented compelling data from its lead programme – IMCgp100 for the treatment of patients with metastatic uveal melanoma (mUM) – at the American Society for Clinical Oncology (ASCO) in June 2018. The data demonstrated a meaningful improvement in progression-free survival, effectively doubling the time the condition remains stable without progressing further. The pivotal trials with IMCgp100 in mUM continue to enrol. Beyond this program, Immunocore's deep and diverse pipeline of proprietary and partnered solid tumour oncology programs is progressing well and the company recently announced that a second asset, IMCnyeso, has entered the clinic to assess safety and tolerability in patients with non-small cell lung cancer (NSCLC), bladder cancer, melanoma and synovial sarcoma.

Immunocore is a rapidly-growing biotech company which, with a lead candidate heading towards potential approval in 2020, is evolving into a fully-integrated, commercial-stage business. The company has seen some recent changes in leadership which reflect this shift in focus. We are confident that with a compelling pipeline and a highly experienced board, Immunocore remains well positioned for continued strong progress.

Kymab

Kymab reported positive data from its Phase 1 trial of the fully human monoclonal antibody KY1005 during the first half of 2018. It intends to initiate Phase 2 studies in atopic dermatitis before the end of 2018, with additional plans to run studies in other immune-mediated diseases, such as Graft-versus-Host Disease (GvHD). Kymab has also successfully progressed other products in its pipeline and we expect it to initiate Phase 1/2 clinical studies for the anti-ICOS antibody therapy KY1044 in 2019 in a variety of solid cancer tumours, both as monotherapy and in combination with Roche's PD-L1 blocking antibody atezolizumab. The ability of its platform technology to generate fully human antibodies means that Kymab has the potential to generate an extensive clinical pipeline over the coming years focused on autoimmune diseases, immune-oncology, haematology and infectious disease.

Viamet / Mycovia

Mycovia was formed by NovaQuest Capital Management following its acquisition of Viamet's lead anti-fungal drug, VT-1161, in January 2018. Mycovia has initiated a Phase 3 clinical trial of VT-1161 in recurrent vulvovaginal candidiasis (RVVC). Mycovia may also initiate a Phase 3 study to evaluate VT-1161 in the treatment of onychomycosis (OM).

If this molecule is successfully advanced clinically and commercially, Malin will receive significant and recurring cash flows from the milestones and sales royalties included in structured transaction completed with NovoQuest Capital. We estimate that these payments to Malin would commence from 2021.

Portfolio Update

The estimated fair value of Malin's portfolio at 30 June 2018 is €402 million. The directors, in coming to their conclusions on the valuation of Malin's investments at 30 June 2018, have taken the advice of a leading firm of consultants.

Since July, the Board has undertaken a review of the Company's portfolio and development strategy and further detail will be provided at the forthcoming Capital Markets Day on 8 November 2018, together with presentations by a number of companies in our portfolio. A greater focus on Malin's core assets which generate the bulk of the Company's IPEV fair value will allow Malin to allocate capital to its core assets while pursuing a programme of divestment of its other assets.

Corporate Updates

The changes made to refine our corporate structure during Q4 2017 have been fully implemented and I believe the organisation is better aligned to unlock the full value potential of our assets. The changes have already delivered a significant reduction in our operating costs and we now anticipate corporate cash operating expenses for full-year 2018 will be less than €10 million.

We have also agreed amendments to the terms of our European Investment Bank ("EIB") debt to better align this facility with our business needs. €30 million of undrawn debt remains available under this facility and we will assess whether to draw down this debt before year-end.

Post-period end, in July, Malin announced a number of changes to the Board designed to further increase the focus on translating the potential of our portfolio into value for our shareholders and on closing the gap between the intrinsic value of our assets and our share price. In addition to the appointment of Ian Curley as our Chairman, Malin also appointed two widely-experienced healthcare executives, Jean-Michel Cosséry and Rudy Mareel, as Non-Executive Directors.

In addition to these Board changes and the ongoing review of strategy, I am confident that anticipated events and milestones in the rest of 2018 will enable us to reaffirm Malin's value proposition over the coming months.

Capital Markets Day & Outlook

We look forward to welcoming shareholders to our first Capital Markets Day on 8 November 2018. This will be an opportunity for the management team to further explain our vision for the future of the company and for investors to hear directly from management on a number of our core assets.

We look forward to the remainder of 2018 with renewed confidence.

Adrian Howd
Chief Executive Officer
5 September 2018

Update from CFO, Darragh Lyons

The business has progressed well in the first half of 2018 and we aim to further strengthen our capital position during the second-half of the year by realising capital from assets where further value creation is considered unlikely. This will help to better position the business to support our core assets with the ultimate goal of delivering significant value to our shareholders.

As in previous financial reports, because of the accounting basis we are required to apply, the interim financial statements prepared in accordance with IAS 34 Interim Financial Statements (IFRS) do not provide a strong basis on which to appraise the progress or position of Malin. I have therefore commented on the significant financial metrics below.

Cash Position

Our corporate period-end cash position was €36 million. Our cash position was strengthened during the first half of 2018 following the completion of an equity placing in January 2018 which raised proceeds of €28 million. We also had inflows from asset realisations and distributions of almost €10 million in the period. Furthermore, we have amended the terms of our €70 million debt facility with the EIB which provides additional flexibility and better aligns this facility with the needs of our business. We will assess whether to draw down the remainder of this debt facility of €30 million before year-end.

Operating Expenses

The changes made to restructure the Malin organisation and infrastructure last October have yielded a significant reduction in operating expenses while better positioning the organisation to manage its assets. Our corporate cash operating expenses for the first half of 2018 were €5 million (2017: €9 million) and we are targeting a reduction in corporate cash operating expenses to under €10 million for the full-year 2018.

Fair Value of Malin's Portfolio

The fair value of Malin's portfolio has been estimated in accordance with the IPEV guidelines. The estimated fair value at 30 June 2018 is €402 million, with our core assets increasing in value by 20%, or €49 million, since 31 December 2017. The aggregate fair value of the rest of the portfolio has decreased by €48 million at 30 June 2018, having taken a number of write-downs.

Our corporate cash operating expenses for the first half of 2018 were €5 million (2017: €9 million) and we are targeting corporate cash operating expenses to be under €10 million for the full-year 2018.

Fair Value of Malin's Investee Companies

The estimated fair value of the Group's investee companies is set out below. Fair value has been estimated in accordance with the IPEV guidelines which are widely recognised as best practice in the valuation of private companies. The directors, in coming to their conclusions on the valuation of Malin's investments at 30 June 2018, have taken the advice of a leading professional services and consulting firm.

	31 December 2017		30 June 2018	
	Net Cash Exposure[1] €'m	IPEV Fair Value Estimate[2] €'m	Net Cash Exposure[1] €'m	IPEV Fair Value Estimate[2] €'m
Poseida	31.5	55.5	35.6	99.4
Immunocore	74.3	82.9	74.3	85.1
Kymab	20.7	27.3	20.7	28.1
Melinta	46.9	20.5	46.9	6.3[3]
Viamet	29.9	75.9	21.3	77.2
Novan	35.1	9.2	35.1	5.2[4]
Altan	34.5	65.3	34.5	57.7
3D4Medical	15.2	14.2	15.2	14.6
Xenex	23.2	30.5	23.2	21.9
Jaan Health	0.9	0.8	0.9	-
NeuVT	19.7	-	19.7	-
Nidus Companies	17.5	18.4	19.2	5.7[5]
Other	20.0	0.4	20.0	0.4
Total	**369.4**	**400.9**	**366.6**	**401.6**

1. Net cash exposure represents invested capital less capital returned to Malin.
2. The following considerations are used when calculating the fair value of unlisted life science companies:
    - Cost basis: Where the investment has been made recently it is valued on a cost basis unless there is objective evidence that a change in fair value has occurred since the investment was made.
    - Price of recent investment ("PRI"): Where there has been any recent investment by third parties, the price of that investment generally provides the basis of the valuation.
    - Discounted cash flows ("DCF"): Involves estimating the fair value of an investment by calculating the present value of expected future cash flows, based on the most recent forecasts in respect of the underlying business.
    - Milestone analysis: In applying the milestone analysis approach, the Group attempts to assess whether there has been an indication of change in fair value based on consideration of the progress of the investee company's key milestones. A milestone event may include technical, regulatory and/or financial measures.
    - Other: Interest in an underlying fund is based on a reported Net Asset Value provided by the investee fund manager.
3. Based on Melinta's share price at 31 August 2018. The value of Malin's investment in Melinta at 30 June 2018 was €8.5 million.
4. Based on Novan's share price at 31 August 2018. The value of Malin's investment in Novan at 30 June 2018 was €5.3 million.
5. For Nidus Companies (our early stage investees), management has taken account of best available information through 31 August 2018 in making this fair value estimate.

Statement of Directors' Responsibilities

The Directors are responsible for preparing this interim management report in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

In preparing the interim financial information, the directors are required to:

- prepare and present the interim financial information in accordance with IAS 34 Interim Financial Reporting and the Enterprise Securities Market ("ESM") Rules for Companies as issued by Euronext Dublin;
- ensure the interim financial information has adequate disclosures;
- select and apply appropriate accounting policies; and
- make accounting estimates that are reasonable in the circumstances.

The Directors are responsible for designing, implementing and maintaining such internal controls as they determine are necessary to enable the preparation of the interim financial information that is free from material misstatement whether due to fraud or error.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board:

Ian Curley
Chairman

Adrian Howd
CEO

5 September 2018

Independent Auditor's Report to Malin Corporation plc

Introduction

We have been engaged by Malin Corporation plc ("the Company") to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related explanatory notes. Our review was conducted having regard to the Financial Reporting Council's ("FRC's") International Standard on Review Engagements ("ISRE") (UK and Ireland) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the ESM Rules.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the ESM rules. As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Directors are responsible for ensuring that the condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review having regard to the FRC's ISRE (UK and Ireland) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We read the other information contained in the half-yearly financial report to identify material inconsistencies with the information in the condensed set of consolidated financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the review. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

KPMG 5 September 2018
Chartered Accountants
1 Stokes Place
St Stephen's Green
Dublin 2

Unaudited condensed consolidated income statement

For the 6-month period ended 30 June 2018

	Notes	Unaudited 6-month period ended 30 June 2018 €'m	Unaudited 6-month period ended 30 June 2017 €'m
Revenue	4	22.5	21.6
Cost of sales	6	(15.8)	(16.1)
Gross profit		**6.7**	**5.5**
Research and development expenses	6	(2.0)	(5.2)
Selling, general and administrative expenses	6	(13.9)	(23.5)
Operating loss		**(9.2)**	**(23.2)**
Share of net losses attributable to associate undertakings	8	(1.2)	(13.1)
Gain/(loss) on change in equity ownership of associate undertakings	8	7.5	(5.6)
Impairment loss on associate undertaking	8	(2.4)	-
Gain on financial asset held at fair value	9	0.2	-
Fair value movement on reclassification to financial assets held at fair value	9	(11.5)	15.3
Fair value movements on derivative assets and liabilities		-	(1.5)
Finance income		0.3	0.3
Finance expense		(6.5)	(2.3)
Loss before tax		**(22.8)**	**(30.1)**
Income tax	7	(0.1)	0.2
Loss after tax for the period		**(22.9)**	**(29.9)**
Equity holders of the parent		(22.5)	(26.8)
Non-controlling interest		(0.4)	(3.1)
Basic and diluted loss per share attributable to owners of the parent (euro per share)	15	(€0.49)	(€0.66)

Unaudited condensed consolidated statement of comprehensive income

For the 6-month period ended 30 June 2018

	Notes	Unaudited 6-month period ended 30 June 2018 €'m	Unaudited 6-month period ended 30 June 2017 €'m
Loss after tax for the period		(22.9)	(29.9)
Other comprehensive income/(loss) ("OCI"):			
Items that may be reclassified subsequently to the income statement			
Foreign currency translation differences		(0.4)	(1.4)
Share of OCI of associate undertakings – foreign currency translation	8	1.4	(6.4)
Kymab Transaction: reclassification of previously recognised foreign currency translation of associate		-	1.9
Novan Transaction: reclassification of previously recognised foreign currency translation of associate	9	2.1	-
Financial assets held at fair value – foreign currency translation	9	2.6	(8.4)
Financial assets held at fair value – fair value movement	9	(25.0)	-
Other comprehensive loss for the period		**(19.3)**	**(14.3)**
Total comprehensive loss for the period		**(42.2)**	**(44.2)**
Attributable to:			
Equity holders of the parent		(41.6)	(40.5)
Non-controlling interest		(0.6)	(3.7)

Unaudited condensed consolidated statement of financial position

As at 30 June 2018

	Notes	Unaudited 30 June 2018 €'m	Audited 31 December 2017 €'m
Assets			
Non-current assets			
Investments in associates	8	101.8	117.3
Financial assets held at fair value	9	68.0	81.6
Goodwill and other intangible assets		39.1	39.4
Property, plant and equipment		10.7	11.0
Derivative financial asset		0.2	0.2
Deferred tax asset		1.4	1.5
Total non-current assets		**221.2**	**251.0**
Current assets			
Inventories		11.7	13.8
Trade and other receivables	10	11.1	16.1
Cash and cash equivalents	11	48.7	27.1
Total current assets		**71.5**	**57.0**
Total assets		**292.7**	**308.0**
Liabilities			
Non-current liabilities			
Loans and borrowings		54.3	57.6
Provisions		0.2	0.2
Deferred tax liability		5.8	6.6
Total non-current liabilities		**60.3**	**64.4**
Current liabilities			
Loans and borrowings		7.0	5.9
Derivative financial liabilities		0.2	0.2
Trade and other payables		16.3	16.0
Current income tax liabilities		0.6	0.1
Total current liabilities		**24.1**	**22.2**
Equity			
Share capital	13	-	-
Share premium		109.5	81.2
Other reserves	14	(12.7)	13.5
Retained earnings		98.0	112.6
Equity attributable to owners of parent		**194.8**	**207.3**
Non-controlling interests		13.5	14.1
Total equity		**208.3**	**221.4**
Total liabilities and equity		**292.7**	**308.0**

On behalf of the Board:

Ian Curley
Chairman

Adrian Howd
CEO

5 September 2018

Unaudited condensed consolidated statement of changes in equity

For the 6-month period ended 30 June 2018

	Unaudited – Attributable to the equity holders of the Parent						
	Share capital €'m	Share premium €'m	Other reserves €'m	Retained earnings €'m	Total €'m	Non-controlling interests €'m	Total equity €'m
At beginning of period	-	81.2	13.5	112.6	207.3	14.1	**221.4**
Comprehensive income/(loss):							
Loss for the period	-	-	-	(22.5)	(22.5)	(0.4)	**(22.9)**
Other comprehensive losses	-	-	(18.9)	(0.2)	(19.1)	(0.2)	**(19.3)**
Total comprehensive loss for the period	**-**	**-**	**(18.9)**	**(22.7)**	**(41.6)**	**(0.6)**	**(42.2)**
Equity settled share-based payments	-	0.5	(7.3)	8.3	1.5	-	**1.5**
Issue of shares from placing	-	27.8	-	(0.2)	27.6	-	**27.6**
Total transactions with shareholders	**-**	**28.3**	**(7.3)**	**8.1**	**29.1**	**-**	**29.1**
At 30 June 2018	**-**	**109.5**	**(12.7)**	**98.0**	**194.8**	**13.5**	**208.3**

Unaudited condensed consolidated statement of changes in equity

For the 6-month period ended 30 June 2017

	Unaudited – Attributable to the equity holders of the Parent						
	Share capital €'m	Share premium €'m	Other reserves €'m	Retained earnings €'m	Total €'m	Non-controlling interests €'m	Total equity €'m
At beginning of period	-	393.2	20.5	(127.7)	286.0	22.1	**308.1**
Comprehensive income/(loss):							
Loss for the period	-	-	-	(26.8)	(26.8)	(3.1)	**(29.9)**
Other comprehensive gains	-	-	(13.1)	(0.6)	(13.7)	(0.6)	**(14.3)**
Total comprehensive gain/(loss) for the period	**-**	**-**	**(13.1)**	**(27.4)**	**(40.5)**	**(3.7)**	**(44.2)**
Equity settled share-based payments	-	-	8.9	-	8.9	-	**8.9**
Issue of shares from additional placing	-	27.0	-	-	27.0	-	**27.0**
Total transactions with shareholders	**-**	**27.0**	**8.9**	**-**	**35.9**	**-**	**35.9**
At 30 June 2017	**-**	**420.2**	**16.3**	**(155.1)**	**281.4**	**18.4**	**299.8**

Unaudited condensed consolidated statement of cash flows

For the 6-month period ended 30 June 2018

	Notes	Unaudited 6-month period to 30 June 2018 €'m	Unaudited 6-month period to 30 June 2017 €'m
Cash flows from operating activities			
Loss for the period		(22.9)	(29.9)
Adjustments for:			
Amortisation of intangible assets		1.8	1.8
Depreciation of property, plant and equipment		0.9	1.0
Net share of gains and losses attributable to associate investments	8	(6.3)	18.7
Impairment loss on associate undertaking	8	2.4	-
Gain on available-for-sale investment	9	(0.2)	
Fair value movement on reclassification to financial assets held at fair value	9	11.5	(15.3)
Non-cash stock compensation	16	4.5	9.1
Net finance costs		6.2	2.0
Derivative fair value movements		-	1.5
Tax charge/(benefit)	7	0.1	(0.2)
		(2.0)	**(11.3)**
Decrease in inventory		2.1	1.2
Increase in trade and other receivables		(1.3)	(0.5)
Decrease in trade and other payables		(1.3)	(4.3)
Income tax paid		(0.2)	-
Interest paid		(1.1)	(1.3)
Net cash used in operating activities		**(3.8)**	**(16.2)**
Cash flows from investing activities			
Investments in associates	8	(4.8)	(3.5)
Proceeds from associate investment	8	8.6	-
Investments in financial assets held at fair value	9	(1.5)	(3.0)
Proceeds from financial assets held at fair value	9	0.5	-
Purchase of intangible assets		(1.5)	(1.0)
Purchase of property, plant and equipment		(0.6)	(0.6)
Net cash from/(used) in investing activities		**0.7**	**(8.1)**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	13	27.6	27.0
Repayment of loans and borrowings		(2.3)	(2.0)
Net cash from financing activities		**25.3**	**25.0**
Net increase in cash and cash equivalents		**22.2**	**0.7**
Cash and cash equivalents at beginning of period		27.1	48.9
Exchange losses on cash and cash equivalents		(0.6)	(0.5)
Cash and cash equivalents at end of period		**48.7**	**49.1**

Notes to the unaudited condensed consolidated financial statements

for the 6-month period ended 30 June 2018

1. General Information and basis of preparation

Malin Corporation plc ("the Company") is an Irish incorporated and domiciled public limited company trading on the Enterprise Securities Market ("ESM") of Euronext Dublin.

The unaudited condensed consolidated interim financial statements as at and for the 6-month period ended 30 June 2018 (the "interim consolidated financial statements") include the financial statements of the Company and its subsidiary undertakings (together referred to as "the Group" or "Malin").

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Report ("IAS 34") as adopted by the European Union. They do not include all of the information required for full annual statutory financial statements and should be read in conjunction with the audited consolidated financial statements of Malin Corporation plc as at and for the year ended 31 December 2017.

These results are unaudited but were reviewed by the Company's auditors. The statutory financial statements for the year ended 31 December 2017, together with the independent auditor's report thereon, have been filed with the Companies Registration Office and are available on the Company's website. The auditor's report on those financial statements was not modified.

The interim consolidated financial statements are presented in euro, rounded to the nearest million (€'m) unless otherwise stated. Euro is the functional currency of the Company and also the presentation currency for the Group's financial reporting. The interim consolidated financial statements are prepared under the historical cost basis, as modified by the measurement at fair value of share-based payments at date of grant and certain financial instruments at each reporting date.

The preparation of the interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reporting amounts of assets and liabilities, income and expenses. Actual results could differ materially from these estimates. In preparing these interim consolidated financial statements, the critical judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended 31 December 2017.

The Company's goal in managing cash resources is to ensure as far as possible that it has sufficient cash resources to:

- Fund its ongoing activities and future capital commitments;
- Ensure funds exist to allow for the selective and efficient deployment of capital in strategic businesses which have potential to create further shareholder value; and
- Maintain sufficient financial resources to mitigate against risk and unforeseen events.

As at 30 June 2018, the Company's main source of funding was a combination of equity finance and debt finance. Since incorporation, the Company has raised €434 million on equity markets including, on 31 January 2018, the completion of a placing of 3,132,130 new Ordinary Shares in the capital of the Company raising proceeds of €27.8 million.

1. General Information and basis of preparation (continued)

In 2016, the Company's subsidiary, Malin Life Sciences Holdings Limited ("MLSHL"), secured a debt facility of €70.0 million from the European Investment Bank ("EIB"). As at 30 June 2018, €40.0 million of this facility was drawn down.

A number of Malin's assets have made meaningful progress over the period which has or is expected to result in value creation. In January 2018, Viamet Pharmaceuticals Holdings, LLC ("Viamet") completed the sale of its most advanced molecule, VT-1161, to NovaQuest Capital Management LLC ("NovaQuest Capital"). The acquisition of the molecule followed the successful Phase 2b clinical trials for the treatment of recurrent vulvovaginal candidiasis ("RVVC") and onychomycosis, or fungal nail infection. NovaQuest Capital will be responsible for the further development of VT-1161. Although the financial terms of the transaction were not publicly disclosed, in addition to a share of the upfront payment, Malin will receive regulatory and commercial milestone payments and a royalty on all worldwide sales assuming successful development in at least one indication. Malin's share of the upfront payment to Viamet shareholders was $11.6 million of which €8.6 million ($10.6 million) was received in February 2018.

Malin also received a dividend from Hatteras Venture Partners V, L.P. ("Hatteras") of €0.5 million ($0.6 million) in February 2018 following the disposal of a Hatteras investment.

On the basis of the above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of approval of this report. For this reason, the Directors continue to adopt the going concern basis of accounting in preparing the interim consolidated financial statements for the 6-month period ended 30 June 2018.

2. Significant accounting policies

Except as described below, the accounting policies applied in these interim consolidated financial statements are consistent with those applied in the Group's audited consolidated financial statements as at and for the year ended 31 December 2017.

IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 Revenue from Contracts with Customers ("IFRS 15"), which replaces the existing guidance in IAS 18 Revenue, from 1 January 2018. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. At the date of adoption, the Group assessed the impact on its consolidated financial statements resulting from the application of IFRS 15. The vast majority of the Group's revenue is attributable to Malin's investee subsidiary, Altan Pharma Limited ("Altan"). Generally legal title of goods sold is transferred on delivery and there is one performance obligation in each of Altan's sale contracts. Based on the Group's contractual and trading relationships, the impact of adopting IFRS 15 on the consolidated financial statements was not material for the Group and there was no adjustment to retained earnings on application at 1 January 2018. The Group has not restated the 2017 prior year / half year results on adoption.

2. Significant accounting policies (continued)

IFRS 9 Financial Instruments

The Group has adopted IFRS 9 Financial Instruments ("IFRS 9"), which replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement, from 1 January 2018. Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost or fair value through other comprehensive income ("FVTOCI"), or fair value through profit or loss ("FVTPL"). This classification is dependent on the business model for managing the financial assets and on whether the cash flows represent solely the payment of principal and interest. The Group has quantified the impact on its consolidated financial statements resulting from the application of IFRS 9. The vast majority of financial assets held by the Group are financial asset investments in investee companies which were previously classified as available-for-sale investments under IAS 39. Under IFRS 9, the Group will continue to measure these instruments at FVTOCI as Malin's business model is both held-to-collect and held-for-sale. Any gains or losses arising on de–recognition of such assets will remain in equity and will not be recycled to the income statement. The available-for-sale reserve will now become the FVTOCI reserve.

Trade receivables and cash will continue to be accounted for at amortised cost. IFRS 9 introduces a forward-looking expected credit losses model, rather than the current incurred loss model, when assessing the impairment of financial assets in the scope of IFRS 9. Given historic loss rates and normal receivable ageing, the move from an incurred loss model to an expected loss model has not had a material impact. On this basis, the classification and measurement changes do not have a material impact on the Group's consolidated financial statements.

The impact of adopting IFRS 9 on the consolidated financial statements was not material for the Group and there was no adjustment to retained earnings on application at 1 January 2018. In line with the transition guidance in IFRS 9 the Group has not restated the 2017 prior year / half year results on adoption.

A number of new standards, amendments to standards and interpretations are not yet effective for the period and have not yet been applied in preparing the interim consolidated financial statements:

Effective date	New / revised International Financial Reporting Standards
1 January 2019	IFRS 16 Leases
1 January 2019	IFRIC Interpretation 23: Uncertainty of Income Tax Treatments
1 January 2019	Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
1 January 2019	Annual Improvements to IFRS Standards 2015-2017 Cycle
Deferred indefinitely	Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture

3. Critical accounting estimates and judgement

The critical accounting estimates and judgements applied in these interim financial statements are consistent with those applied in the audited consolidated financial statements as at and for the year ended 31 December 2017. In April 2018, the Board approved a grant of restricted stock units ("RSUs") under the 2015 Long Term Incentive Plan. The April 2018 awards have been accounted for in a manner consistent with prior period RSU grants and the assumptions used to determine the fair value of the awards are set out in note 16.

4. Revenue

Of the Group's revenue of €22.5 million for the 6-month period to 30 June 2018, €21.6 million is attributable to Malin's investee subsidiary, Altan (2016: €20.4 million). Altan's revenue is derived from contracts with customers for the sale of pharmaceutical products, primarily the sale of injectable medications, to hospitals and other healthcare providers.

The Group's revenues are disaggregated below based on the geographical location of customers and customer segment.

	6-month period to 30 June 2018 €'m	6-month period to 30 June 2017 €'m
Spain	12.4	11.9
EU (excluding Spain)	4.8	7.9
Rest of World	5.3	1.8
	22.5	**21.6**

The nature and effect of initially applying IFRS 15 on the Group's interim financial statements is disclosed in note 2.

5. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The Group's CODM has been identified as the CEO of the Group, Adrian Howd.

The Group's activities are organised, reviewed and analysed internally by the CODM, in a single operating segment structure. Management will continue to evaluate this as the Group evolves.

6. Cost of sales and operating expenses

The operating expenses that arose during the 6-month period to 30 June 2018 are analysed below:

	Cost of sales expenses €'m	Research and development expenses €'m	Selling, general and administrative expenses €'m	Total €'m
Malin corporate subsidiaries	-	-	5.2[1]	**5.2**
Malin corporate subsidiaries – restructuring and exceptional charges	-	-	0.2	**0.2**
Investee subsidiary companies	15.8	2.0	4.0	**21.8**
Founder Equity and Malin share-based payment charges (note 16)	-	-	4.3	**4.3**
Investee company employee share-based payment charges	-	-	0.2	**0.2**
	15.8	**2.0**	**13.9**	**31.7**

1. Includes €0.2 million representing Malin's corporate subsidiaries' depreciation charge for the period.

6. Cost of sales and operating expenses (continued)

The operating expenses that arose during the 6-month period to 30 June 2017 are analysed below:

	Cost of sales expenses €'m	Research and development expenses €'m	Selling, general and administrative expenses €'m	Total €'m
Malin corporate subsidiaries	-	-	9.4	**9.4**
Investee subsidiary companies	16.1	5.2	5.0	**26.3**
Founder Equity and Malin share-based payment charges	-	-	9.0	**9.0**
Investee company employee share-based payment charges	-	-	0.1	**0.1**
	16.1	**5.2**	**23.5**	**44.8**

7. Income tax

	6-month period to 30 June 2018 €'m	6-month period to 30 June 2017 €'m
Current tax expense	0.8	0.1
Deferred tax benefit	(0.7)	(0.3)
Income tax expense/(benefit)	**0.1**	**(0.2)**

The income tax expense for the period can be reconciled to the expected income tax expense at the effective rate of tax in Ireland as follows:

	6-month period to 30 June 2018 €'m	6-month period to 30 June 2017 €'m
Net loss before tax	(22.8)	(30.1)
Tax at the Irish corporation tax rate of 12.5%	(2.9)	(3.8)
Income taxed at higher rates	0.1	(1.0)
Expenses not deductible for tax purposes	2.1	-
Unused tax losses for which no deferred tax asset is recognised (no expiry date)	0.9	4.6
Other	(0.1)	-
Income tax expense/(benefit) on net loss	**0.1**	**(0.2)**

7. Income tax (continued)

The current tax expense comprises corporation tax payable in Spain, the US and the UK on normal business activities.

The deferred tax benefit mainly arises due to the release to the income statement of previously recognised deferred tax liabilities in Altan. The deferred tax benefit also relates to the recognition of deferred tax assets in respect of timing differences of the Group in the US and the UK because it is probable that future operating profits will be available in these jurisdictions against which the Group can recognise these timing differences.

The total deferred tax liability at 30 June 2018 was €5.8 million (31 December 2017: €6.6 million) arising from deferred tax recognised on the acquisition of Altan in 2015. The total deferred tax asset at 30 June 2018 was €1.4 million (31 December 2017: €1.5 million) arising from temporary differences between tax value and book value of property, plant and equipment in Altan and timing differences on recognition of expenses in the US.

Deferred tax assets have not been recognised in respect of certain tax losses of the Group amounting to €80.6 million (31 December 2017: €81.7 million) because it is not probable that future taxable profits will be available against which the Group can use these tax losses.

8. Investments in associates

At 30 June 2018, Malin had 8 associates (31 December 2017: 9) all of which are accounted for using the equity method of accounting.

	6-month period to 30 June 2018 €'m	Year to 31 December 2017 €'m
At beginning of period/year	117.3	162.3
Cash consideration for investments in associates	4.8	7.8
Distribution from associate investment	(8.6)	-
Impairment of associate investment	(2.4)	-
Novan Transaction: reclassification to financial assets held at fair value	(17.0)	-
Kymab Transaction: reclassification to financial assets held at fair value	-	(10.9)
Share of net losses of associates:		
Income statement – share of losses	(1.2)	(25.0)
Income statement – net gain/(loss) on partial disposal	7.5	(5.3)
Other comprehensive income – currency translation gain/(loss)	1.4	(11.6)
At end of period/year	**101.8**	**117.3**

Viamet

In January 2018, Viamet completed the sale of its most advanced molecule, VT-1161, to NovaQuest Capital. Malin was entitled to an upfront payment of $11.6 million of which $10.6 million (€8.6 million) was received in February 2018 ("Viamet Distribution") with the balance of $1.0 million held in escrow for one year. Malin will receive regulatory and commercial milestones and ongoing sales royalties assuming the successful development and commercialisation of the compound in at least one indication.

In accordance with the equity method of accounting under IAS 28 Investments in Associates and Joint Ventures, the Viamet Distribution is accounted for as a reduction in the carrying amount of the investment with no impact on Malin's income statement.

8. Investments in associates (continued)

Poseida

On 3 April 2018, Malin completed a €4.1 million ($5.0 million) follow-on investment in Poseida Therapeutics Inc. ("Poseida") as part of a $30.5 million Series B financing round. Following this investment, Malin owns approximately 33% of the issued share capital of Poseida.

Novan

In January 2018, management determined that Malin no longer had the ability to exert significant influence over the financial and operating policy decisions of Novan, Inc. ("Novan"). This resulted from Novan's completion of a financing round on 11 January 2018, in which Malin did not participate, which caused a dilution of Malin's equity shareholding from 16% to 10%.

Malin discontinued accounting for its investment in Novan as an investment in associate from 11 January 2018 ("Novan Transaction"). This reclassification from associate investment to financial asset held at fair value resulted in the derecognition of the carrying amount of Novan as an associate investment of €17.0 million and the recognition of a loss of €11.5 million in Malin's income statement, of which €9.4 million related to the re-measurement of this investment to fair value on the reclassification date of €7.6 million and €2.1 million represented the reclassification of the previously recognised foreign currency translation reserve. The fair value was determined based on Novan's publicly quoted share price on the re-measurement date of $3.46 per share.

Artizan

On 17 January 2018, Malin completed a €0.7 million ($0.9 million) contingent commitment investment with Artizan Biosciences, Inc. ("Artizan") following the achievement by Artizan of specific milestones outlined in the initial investment agreement in September 2016. Following this investment, Malin owns approximately 25% of the issued share capital of Artizan.

An2H

During the period, Malin wrote down its equity investment in An2H Discovery Limited ("An2H") to €nil. This resulted in a charge to Malin's income statement of €2.4 million in the period. Malin also wrote off the interest-free convertible loan notes extended to An2H in 2016 amounting to €5.0 million.

8. Investments in associates (continued)

	Novan €'m	Viamet €'m	3D4 Medical €'m	Immunocore €'m	Poseida €'m	Other Associates[1] €'m	Total €'m
Total comprehensive loss for the 6-month period to 30 June 2018:							
Gain/(loss) for the period attributable to Malin	(0.1)	7.2	(0.2)	(3.6)	(3.7)	(0.8)	(1.2)
Gain on changes in equity ownership of investments[2]	-	3.1	-	-	4.2	0.2	7.5
Other comprehensive income/(loss) for the year attributable to Malin[3]	(0.3)	0.5	0.3	0.1	0.9	(0.1)	1.4
Total comprehensive income/(loss) for the 6-month period to 30 June 2018	**(0.4)**	**10.8**	**0.1**	**(3.5)**	**1.4**	**(0.7)**	**7.7**
Statement of financial position as at 30 June 2018:							
Non-current assets	-	3.0	0.7	26.9	8.2	0.2	39.0
Current assets	-	6.5	1.7	147.3	32.3	7.7	195.5
Non-current liabilities	-	-	-	(21.4)	(10.8)	(3.3)	(35.5)
Current liabilities	-	(1.2)	(0.7)	(40.2)	(9.1)	(8.3)	(59.5)
Net assets/(liabilities) at 30 June 2018	**-**	**8.3**	**1.7**	**112.6**	**20.6**	**(3.7)**	**139.5**
Malin's share of net assets/(liabilities)	**-**	**1.2**	**0.6**	**11.3**	**6.8**	**(0.7)**	**19.2**
Malin's ownership interest at 30 June 2018 (rounded %)	10%	15%	38%	10%	33%		
Malin's interest in the investee at 1 January 2018	17.4	14.6	11.1	49.4	20.7	4.1	117.3
Cash consideration for investments in associates during the period	-	-	-	-	4.1	0.7	4.8
Novan Transaction: reclassification of associate to financial assets held at fair value	(17.0)	-	-	-	-	-	(17.0)
Distribution from associate investment	-	(8.6)	-	-	-	-	(8.6)
Impairment of associate investment	-	-	-	-	-	(2.4)	(2.4)
Total comprehensive income/(loss) attributable to Malin	(0.4)	10.8	0.1	(3.5)	1.4	(0.7)	7.7
Carrying amount of investee at 30 June 2018[4]	**-**	**16.8**	**11.2**	**45.9**	**26.2**	**1.7**	**101.8**

1. Malin does not consider its equity method investments in An2H, Artizan, KNOW Bio LLC ("KNOW Bio") and Jaan Health, Inc. ("Jaan Health"), to be individually significant and has elected to group these investments into one category in both the current period and prior comparative year.
2. Represents a gain or loss arising on the re-measurement of Malin's equity interest in its associate investee companies following the completion of funding rounds or issued share capital dilution, after Malin's initial investment in these investee companies, in which Malin may or may not have participated.
3. Represents foreign currency translation adjustments.
4. The difference between the carrying amount of the investee and Malin's share of the net assets of its associate investee companies relates to goodwill arising on the initial investment in the company.

8. Investments in associates (continued)

	Novan[1] €'m	Viamet €'m	Kymab €'m	3D4 Medical €'m	Immunocore €'m	Poseida €'m	Other Associates[2] €'m	Total €'m
Total comprehensive loss for year to 31 December 2017:								
Loss for the year attributable to Malin	(5.0)	(4.2)	-	(1.6)	(5.1)	(6.7)	(2.4)	(25.0)
Loss on changes in equity ownership of investments[3]	-	(2.1)	-	-	(2.6)	(0.6)	-	(5.3)
Other comprehensive loss for the year attributable to Malin[4]	(2.7)	(2.3)	-	(1.5)	(2.0)	(2.9)	(0.2)	(11.6)
Total comprehensive loss for the year ended 31 December 2017	**(7.7)**	**(8.6)**	**-**	**(3.1)**	**(9.7)**	**(10.2)**	**(2.6)**	**(41.9)**
Statement of financial position as at 31 December 2017:								
Non-current assets	14.7	0.1	-	0.9	48.2	7.2	0.4	71.5
Current assets	3.0	4.0	-	1.8	167.0	14.1	6.2	196.1
Non-current liabilities	(12.9)	-	-	-	(20.9)	(9.2)	(0.1)	(43.1)
Current liabilities	(7.0)	(8.5)	-	(0.5)	(46.1)	(6.5)	(3.1)	(71.7)
Net assets/(liabilities) at 31 December 2017	**(2.2)**	**(4.4)**	**-**	**2.2**	**148.2**	**5.6**	**3.4**	**152.8**
Malin's share of net assets	**(0.4)**	**(0.6)**	**-**	**0.8**	**14.8**	**2.1**	**0.9**	**17.6**
Malin's ownership interest at 31 December 2017 (rounded %)	16%	15%	-	38%	10%	37%		
Malin's interest in the investee at 1 January 2017	25.1	19.7	10.9	14.2	59.1	26.6	6.7	162.3
Cash consideration for investments in associates during the year	-	3.5	-	-	-	4.3	-	7.8
Kymab Transaction: reclassification of associate to available-for-sale investment	-	-	(10.9)	-	-	-	-	(10.9)
Total comprehensive loss attributable to Malin	(7.7)	(8.6)	-	(3.1)	(9.7)	(10.2)	(2.6)	(41.9)
Carrying amount of investee at 31 December 2017[5]	**17.4**	**14.6**	**-**	**11.1**	**49.4**	**20.7**	**4.1**	**117.3**

1. As of 14 March 2018, Malin estimated Novan's Q4 2017 income statement and forecasted a balance sheet as at 31 December 2017.
2. Malin does not consider its equity method investments in An2H, KNOW Bio, Artizan and Jaan Health, to be individually significant and has elected to group these investments into one category in both the current period and prior comparative year.
3. Represents a gain or loss arising on the re-measurement of Malin's equity interest in its associate investee companies following the completion of funding rounds or issued share capital dilution, after Malin's initial investment in these investee companies, in which Malin may or may not have participated.
4. Represents foreign currency translation adjustments.
5. The difference between the carrying amount of the investee and Malin's share of the net assets of its associate investee companies relates to goodwill arising on the initial investment in the company.

9. Financial assets held at fair value

	6-month period to 30 June 2018 €'m	Year ended 31 December 2017 €'m
At beginning of period	81.6	79.3
Cash consideration for investments acquired during the period	1.5	4.3
Non-cash consideration for investments acquired during the period	-	5.0
Return of capital on financial asset held at fair value	(0.3)	-
Novan Transaction: reclassification from associate undertaking	17.0	-
Kymab Transaction: reclassification from associate undertaking	-	10.9
Novan Transaction: fair value movement recognised in income statement	(11.5)	-
Kymab Transaction: fair value movement recognised in income statement	-	15.3
Novan Transaction: fair value movement recognised in other comprehensive income	2.1	-
Kymab Transaction: fair value movement recognised in other comprehensive income	-	1.9
Fair value movement recognised in other comprehensive income	(25.0)	(21.5)
Foreign currency transition recognised in other comprehensive income	2.6	(13.6)
At end of period/year	**68.0**	**81.6**

Foreign exchange differences

The positive unrealised foreign currency movement of €2.6 million primarily relates to the strengthening of the US Dollar in the 6-month period to 30 June 2018.

The breakdown of the Group's financial assets held at fair value at 30 June 2018 is set out below:

	30 June 2018 €'m	31 December 2017 €'m
Unlisted securities:		
Hatteras	4.2	3.3
Kymab	28.1	27.3
Xenex	21.9	30.5
Listed securities:		
Novan	5.3	-
Melinta	8.5	20.5
	68.0	**81.6**

9. Financial assets held at fair value (continued)

Hatteras

On 16 January 2018, Malin advanced €1.5 million ($1.9 million) to Hatteras under its $20.0 million investment commitment. This investment amount was added to the carrying value of Malin's financial asset.

On 9 February 2018, Malin received its first distribution from Hatteras of €0.5 million ($0.6 million) following the disposal of a Hatteras investment at a 94% gain. The proceeds were allocated as a return of capital of €0.3 million ($0.3 million) and realised gains of €0.2 million ($0.3 million). The €0.3 million distribution representing a return of capital is accounted for as a reduction in the carrying amount of the investment. The €0.2 million distribution representing a realised gain is recognised in the income statement.

Malin has recognised a fair value reduction in its investment in Hatteras of €0.3 million, including foreign exchange translation, in the statement of other comprehensive income as a movement through the FVTOCI reserve account.

Xenex

Malin revised its estimate of the fair value of its investment in Xenex Disinfection Services, LLC ("Xenex") to €21.9 million as at 30 June 2018. Malin has recognised a fair value reduction in its investment in Xenex of €8.6 million, including foreign exchange translation, in the statement of other comprehensive income as a movement through the FVTOCI reserve account.

Listed securities – Novan and Melinta

On 11 January 2018, Novan was reclassified from an associate investment to a financial asset held at fair value, at a fair value on the reclassification date of €7.6 million (see note 8). This resulted in a loss of €11.5 million of which €9.4 million related to the re-measurement to fair value on the reclassification date and €2.1 million related to foreign currency translation.

The value of Malin's investment in Novan on 30 June 2018 was €5.3 million ($6.2 million). Malin has recognised a fair value reduction in its investment in Novan of €2.3 million, including foreign exchange translation, in the statement of other comprehensive income as a movement through the FVTOCI reserve account.

Based on the share price of Melinta Therapeutics, Inc. ("Melinta") at 30 June 2018 of $6.35, the fair value of Malin's investment in Melinta on this date was €8.5 million ($9.9 million). Malin has recognised a fair value reduction in its investment in Melinta of €12.0 million, including foreign exchange translation. The change in fair value for the 6-month period to 30 June 2018 of Malin's investment in Melinta is recognised in the statement of other comprehensive income as a movement through the FVTOCI reserve account.

10. Trade and other receivables

	30 June 2018 €'m	31 December 2017 €'m
Trade receivables	8.6	9.8
Prepayments	2.0	0.8
Vat recoverable	0.3	0.3
Convertible loan notes (note 8)	-	5.0
Other receivables	0.2	0.2
	11.1	**16.1**

11. Cash and cash equivalents

	30 June 2018 €'m	31 December 2017 €'m
Cash held by Malin and Malin direct corporate subsidiaries	35.7	13.5
Cash held by Malin investee company subsidiaries	13.0	13.6
	48.7	**27.1**

As at 30 June 2018, the Group's cash and cash equivalents balance included a restricted cash balance of €4.3 million (31 December 2017: €2.0 million).

12. Borrowings

In June 2016, the Company's subsidiary, MLSHL, secured a debt facility of €70.0 million over a period of 7 years from the EIB. As at 30 June 2018, €40.0 million of this facility was drawn down.

On 25 May 2018, MLSHL, entered into a revised debt facility agreement with the EIB to better align the facility with the structure and needs of the Malin business. Under the revised terms of the EIB debt facility, the minimum cash balance was set at one third of debt outstanding.

At 30 June 2018, €20.5 million of the Group's borrowings (31 December 2017: €22.7 million) relate to a secured term loan obtained by Altan in June 2015. In addition, Altan has a €7.5 million revolving credit facility which can be drawn down at any time through May 2019. At the balance sheet date, this facility was fully undrawn.

13. Share capital

Authorised share capital

There were no changes to the authorised share capital in the 6-month period to 30 June 2018.

Issued ordinary share capital

On 31 January 2018, Malin completed a placing of 3,132,130 new Ordinary Shares in the capital of the Company raising proceeds of €27.8 million. Equity placing costs of €0.2 million have been deducted from the retained earnings reserve account.

During the 6-month period to 30 June 2018, 59,402 new Ordinary Shares were issued under the 2015 Long Term Investment Plan ("2015 LTIP"). Minimal proceeds arose on issuance of the shares under the 2015 LTIP.

There were no other changes to the issued share capital of the Company in the 6-month period to 30 June 2018. As at 30 June 2018, the issued share capital consisted of 45,590,362 Ordinary Shares of nominal value €0.001 each and 3,279,299 A Ordinary Shares of €0.001 each. As at 31 December 2017, the issued share capital consisted of 42,398,830 Ordinary Shares of nominal value €0.001 each and 3,279,299 A Ordinary Shares of €0.001 each.

14. Other reserves

	Share-based payment reserve €'m	FVTOCI €'m	Foreign currency translation reserve €'m	Re-measurement of NCI €'m	Capital redemption reserve €'m	Total €'m
At 1 January 2018	34.5	(0.8)	(21.3)	1.1	-	13.5
Founder A Ordinary Shares expense	1.7	-	-	-	-	1.7
2015 LTBP and 2015 LTIP charges	2.7	-	-	-	-	2.7
2015 LTIP – cancelled RSUs	(2.0)	-	-	-	-	(2.0)
Settlement Agreement (note 18)	(9.4)	-	-	-	-	(9.4)
Issue of shares – share-based payments	(0.5)	-	-	-	-	(0.5)
Investee company share-based payments	-	-	-	0.2	-	0.2
Currency translation:						
Arising in the period – subsidiaries	-	-	(0.2)	-	-	(0.2)
Arising in the period – associates	-	-	1.4	-	-	1.4
Arising in the period – recycle of FX – associates	-	-	0.2	-	-	0.2
Novan Transaction – reclassification of previously recognised foreign currency translation of associate	-	-	2.1	-	-	2.1
Financial assets held at fair value – change in fair value (including foreign currency)	-	(22.4)	-	-	-	(22.4)
At 30 June 2018	**27.0**	**(23.2)**	**(17.8)**	**1.3**	**-**	**(12.7)**

	Share-based payment reserve €'m	Available-for-sale reserve €'m	Foreign currency translation reserve €'m	Re-measurement of NCI €'m	Capital redemption reserve €'m	Total €'m
At 1 January 2017	17.6	12.8	(11.0)	1.1	-	20.5
Founder A Ordinary Shares expense	6.1	-	-	-	-	6.1
2015 LTBP and 2015 LTIP charges	11.8	-	-	-	-	11.8
Issue of shares – share-based payments	(1.0)	-	-	-	-	(1.0)
Currency translation:						
Arising in the period – subsidiaries	-	-	(1.5)	-	-	(1.5)
Arising in the period – associates	-	-	(11.6)	-	-	(11.6)
Arising in the period – recycle of FX – associates	-	-	0.9	-	-	0.9
Kymab Transaction – reclassification of previously recognised foreign currency translation of associate	-	-	1.9	-	-	1.9
Available-for-sale investments – change in fair value (including foreign currency)	-	7.9	-	-	-	7.9
Reclassification of available-for-sale investment impairment loss to income statement	-	(21.5)	-	-	-	(21.5)
At 31 December 2017	**34.5**	**(0.8)**	**(21.3)**	**1.1**	**-**	**13.5**

14. Other reserves (continued)

Share-based payment reserve

The share-based payment reserve comprises the amounts expensed in the income statement in connection with share-based payments which were unissued at the reporting date.

FVTOCI reserve

The FVTOCI reserve comprises unrealised gains and losses arising from changes in the fair value of financial assets held at fair value through other comprehensive income including changes arising from foreign currency translation.

Foreign currency translation reserve

The Group's foreign currency translation reserve represents all foreign exchange differences arising from the translation of the net assets of the Group's non-euro denominated operations, including the translation of the profits and losses of such operations from the actual rate for the period to the closing rate at the reporting date, as well as the Group's share of the currency translation adjustment of its associate undertakings.

Re-measurement of NCI

This reserve category represents re-measurement of the non-controlling interest ("NCI") following step-up investments and disposals of Malin's subsidiaries which resulted in movements in Malin's ownership interests.

Capital redemption reserve

The capital redemption reserve of €2k arose in 2015 from the Company buying back and cancelling its ordinary shares.

15. Loss per Ordinary Share

Basic loss per share is computed by dividing the net loss for the period attributable to ordinary shareholders by the weighted average number of Ordinary Shares outstanding during the period.

Diluted loss per share is computed by dividing the net loss for the period by the weighted average number of Ordinary Shares outstanding, and when dilutive, adjusted for the effect of all potentially dilutive shares, including the unvested Founder A Ordinary Shares and outstanding RSUs.

	6-month period to 30 June 2018 €'m	6-month period to 30 June 2017 €'m
Numerator:		
Net loss for the period attributable to equity holders of the parent	(22.5)	(26.8)
Denominator:		
Weighted average number of Ordinary Shares outstanding for the period	45.6	40.5
Basic and diluted loss per share (euro per share)	(€0.49)	(€0.66)

As at 30 June 2018, there were 3,279,299 Founder A Ordinary Shares (31 December 2017: 3,279,299) and 1,102,436 outstanding RSUs, of which 813,580 RSUs had not met the respective Total Shareholder Return ("TSR") vesting condition at 30 June 2018, that could potentially have a dilutive impact on earnings per share in the future. As a net loss was recorded in the period, the dilutive potential shares are anti-dilutive for the earnings per share.

16. Share-based compensation

	6-month period to 30 June 2018 €'m	6-month period to 30 June 2017 €'m
Founder A Ordinary Shares expense	1.7	3.0
Long-term bonus plan expense	0.6	0.5
Long-term incentive plan and equity-based remuneration expense	2.1	5.4
Other	0.1	0.2
	4.5	**9.1**

Founder A Ordinary Shares

In connection with Malin's admission to the ESM in March 2015 (the "Admission"), the Company issued 3,279,299 A Ordinary Shares to its Founder, a Brandon Point Industries ("BPI") Group company, referred to as the Founder A Ordinary Shares. On 28 June 2018, 2,967,766 A Ordinary Shares were transferred to a number of other Brandon Point group entities and Brandon Point shareholders (see note 18).

There are 2 separate tranches of performance thresholds upon which the Founder A Ordinary Shares convert to Ordinary Shares. The first tranche of 2,314,561 A Ordinary Shares is convertible at any time after the third year anniversary of the Admission on the achievement by the Company of a compounded annual growth rate ("CAGR") on TSR of equal to or greater than 11%. This infers Malin having a share price of €13.68 at 30 June 2018. The second tranche of 964,738 A Ordinary Shares is convertible at any time after the fifth anniversary of Admission on the achievement by the Company of a CAGR on TSR of equal to or greater than 17.5%.

Malin is recognising the fair value of the first tranche and second tranche over a period of three and five years respectively, with the first tranche fair value charge culminating in March 2018. A charge of €1.7 million was recognised for the 6-month period to 30 June 2018 in relation to the Founder A Ordinary Shares.

2015 Long-term bonus plan ("2015 LTBP")

The 2015 LTBP provides for a bonus pool to be created if an exceptional level of TSR is delivered by the Group. Malin recognises the fair value of the 2015 LTBP over its estimated vesting period of 5 years from 1 November 2015. In September 2017, 79.5% of the 2015 LTBP was allocated to select identifiable Malin executives. This decision triggered an accounting treatment distinction between the 79.5% allocated portion and the 20.5% unallocated portion of the 2015 LTBP.

The fair value of the 79.5% allocated portion was determined in September 2017 as €5.4 million by applying a Monte Carlo simulation technique. Malin is recognising this fair value charge as an expense in the income statement with a corresponding credit recorded in a share-based payment reserve in equity over the remaining vesting period. The fair value of the remaining 20.5% unallocated portion will continue to be re-measured at each reporting date with the final measurement occurring at the end of the vesting period. The cumulative fair value of the 20.5% unallocated portion of the 2015 LTBP awards was estimated at €0.3 million on 30 June 2018 by applying a Monte Carlo simulation technique. The assumptions used in this model at 30 June 2018 were similar to those used at 31 December 2017 as outlined in the 2017 annual report.

A fair value charge of €0.6 million was recognised in the income statement for the 6-month period to 30 June 2018 in relation to the 2015 LTBP allocated and unallocated awards.

16. Share-based compensation (continued)

2015 LTIP

During the 6-month period to 30 June 2018, 415,000 Restricted Stock Units ("RSUs") were granted under the 2015 LTIP, referred to as the April 2018 awards. The April 2018 awards will vest in 3 equal tranches over the 24-month period following the grant date. The first tranche of the April 2018 awards shall vest on the achievement of at least 23% TSR at any point before 12 May 2019 ("First TSR Target") subject to a 6-month period lapsing after the First TSR Target. There are 2 vesting conditions attached to the second and third tranches of the April 2018 awards granted: (i) achievement of TSR target (market condition), and (ii) employees must remain in employment at the vesting date (service condition).

The fair value of the three tranches of RSUs granted in April 2018 was estimated using the Monte Carlo simulation technique at €5.81 per RSU (first tranche), €4.52 per RSU (second tranche) and €3.85 per RSU (third tranche). The cumulative fair value of these RSUs is €2.0 million. Malin will recognise this fair value expense over the respective vesting period. A charge of €0.3 million was recognised in respect of the three tranches in the 6-month period to 30 June 2018. The fair value of the April 2018 awards was arrived at by applying a Monte Carlo simulation technique with the following weighted average assumptions:

	Assumptions
Reference share price	€8.15
Expected volatility[1]	42%
Expected life – first tranche	1 year
Expected life – second tranche	1 year
Expected life – third tranche	2 years
Expected dividend yield	-
Risk-free interest rate	0.1%

The RSUs outstanding at 30 June 2018 and 31 December 2017 are summarised below:

	No. of RSUs 30 June 2018	No. of RSUs 31 December 2017
Outstanding at beginning of period/year	1,017,801	634,073
Granted	512,500	489,565
Exercised – issued	(59,402)	(82,838)
Cancelled	(368,463)	(22,999)
Outstanding at end of period/year	**1,102,436**	**1,017,801**

1. A historic volatility approach, using comparable companies to Malin, has been used to derive the volatility of the Malin share price.

17. Financial instruments

Set out below is a comparison of the carrying amounts and fair values of financial assets and liabilities at 30 June 2018 and 31 December 2017. The tables do not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. The fair value measurement techniques used are consistent with those described in the 2017 annual report.

	30 June 2018		31 December 2017	
	Carrying amount €'m	Fair value €'m	Carrying amount €'m	Fair value €'m
Financial assets:				
Financial assets held at fair value (note 9)	68.0	68.0	81.6	81.6
Derivative financial assets	0.2	0.2	0.2	0.2
At end of period/year	**68.2**	**68.2**	**81.8**	**81.8**
Financial liabilities:				
Interest bearing loans and borrowings	(60.7)	(54.2)	(62.8)	(55.4)
Non-interest bearing loans and borrowings	(0.6)	(0.5)	(0.7)	(0.6)
Derivative financial liabilities	(0.2)	(0.2)	(0.2)	(0.2)
At end of period/year	**(61.5)**	**(54.9)**	**(63.7)**	**(56.2)**

	Level 1 €'m	Level 2 €'m	Level 3 €'m	Total €'m
Financial assets measured at fair value:				
Financial assets held at fair value (unquoted equity shares)	-	-	54.2	54.2
Financial assets held at fair value (quoted equity shares)	13.8	-	-	13.8
Derivative financial assets	-	-	0.2	0.2
At 30 June 2018	**13.8**	**-**	**54.4**	**68.2**
Financial liabilities measured at fair value:				
Interest bearing loans and borrowings	-	(54.2)	-	(54.2)
Non-interest bearing loans and borrowings	-	(0.5)	-	(0.5)
Derivative financial liabilities	-	(0.2)	-	(0.2)
At 30 June 2018	**-**	**(54.9)**	**-**	**(54.9)**

17. Financial instruments (continued)

	Level 1 €'m	Level 2 €'m	Level 3 €'m	Total €'m
Financial assets measured at fair value:				
Available-for-sale investments (unquoted equity shares)	-	-	61.1	61.1
Available-for-sale investments (quoted equity shares)	20.5	-	-	20.5
Derivative financial assets	-	-	0.2	0.2
At 31 December 2017	**20.5**	**-**	**61.3**	**81.8**
Financial liabilities measured at fair value:				
Interest bearing loans and borrowings	-	(55.4)	-	(55.4)
Non-interest bearing loans and borrowings	-	(0.6)	-	(0.6)
Derivative financial liabilities	-	(0.2)	-	(0.2)
At 31 December 2017	**-**	**(56.2)**	**-**	**(56.2)**

18. Related party transactions

Mr Kelly Martin – Settlement Agreement

Mr Martin's Employment Agreement with the Company was terminated with effect from 30 September 2017. On 14 March 2018, Mr Martin agreed to forfeit 765,449 Ordinary Shares due to be issued to him by Malin as well as 75,000 unvested outstanding RSUs in return for a cash payment of €3.1 million. The surrender of the outstanding 765,449 Ordinary Shares and 75,000 RSUs in return for a cash settlement amount is a modification in accordance with IFRS 2 Share-based Payments. The cash settlement amount of €3.1 million was reclassified from equity to liabilities on the modification date (14 March 2018) and the difference between this and the aggregate equity-based share-based payment charges recognised in 2017 and 2016 was €6.3 million which was reclassified from equity to retained earnings. €1.2 million of the cash settlement amount was paid on 14 March 2018 and the balance was paid on 24 July 2018 in full and final settlement of the amounts due to Mr Martin under his settlement agreement.

Mr Martin's advisory contract with Malin was also terminated on 14 March 2018 and Malin made final payment to Mr Martin of €0.1 million to settle accrued charges up to March 2018 and as final settlement of all other obligations under the advisory contract.

18. Related party transactions (continued)

Brandon Point Distribution

On 28 June 2018, 971,338 Malin Ordinary Shares and 2,967,766 Malin A Ordinary Shares previously held by Brandon Point Enterprises 5 Limited were distributed to Brandon Point shareholders. As Brandon Point shareholders, Malin CEO, Adrian Howd, received 97,459 Ordinary Shares and 393,516 A Ordinary Shares, Malin CFO, Darragh Lyons, received 2,701 Ordinary Shares, having received a further 12,892 Ordinary Shares earlier in the year, Malin company secretary, Neil McLoughlin, received 62,374 Ordinary Shares, and Malin Executive Vice President, Sean Murphy received 165,680 Ordinary Shares and 655,860 A Ordinary Shares.

There have been no other related party transactions or changes in related party transactions other than those described in the audited consolidated financial statements in respect of the year ended 31 December 2017 that could have a material impact on the financial position or performance of the Group in the 6-month period to 30 June 2018.

19. Events after the reporting date

On 16 July 2018, Malin announced a number of Board of Director changes effective immediately including the appointment of Ian Curley as Chairman and Jean-Michel Cosséry and Rudy Mareel as Non-Executive Directors. On the same date, each of Owen Hughes, Robert A. Ingram, Darragh Lyons, who continues in his current role as CFO, Kieran McGowan and Donal O'Connor, stepped down from the Board of Directors.

20. Approval of financial statements

The Board of Directors approved the interim consolidated financial statements for the 6-month period to 30 June 2018 on 5 September 2018.

Directors, Secretary and Advisors

Directors
Ian Curley (Chairman)
Adrian Howd, Ph.D (CEO)
Liam Daniel
Jean-Michel Cosséry, Ph.D
Rudy Mareel

Company Secretary
Neil McLoughlin

Company Registration Number
554442

Registered Office
2 Harbour Square
Crofton Road
Dun Laoghaire
Co. Dublin
Ireland

Website
www.malinplc.com

Share Identifiers
Ticker: MLC
ISIN: IE00BVGC3741
SEDOL: BVGC374

Legal Advisors
A&L Goodbody
IFSC
North Wall Quay
Dublin 1
Ireland

Auditor
KPMG
1 Stokes Place
St Stephen's Green
Dublin 2
Ireland

Registrar
Computershare Investor Services, Ireland
Heron House
Corrig Road
Dublin 18
Ireland

ESM Advisor & Broker
Davy
Davy House
49 Dawson Street
Dublin 2
Ireland

MALIN

2 Harbour Square
Crofton Road
Dun Laoghaire
Co. Dublin
Ireland

www.malinplc.com