28 April 2017

Annual Report 2016

RELIEF Therapeutics

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Letter to the Shareholders

Dear Shareholders:

The year 2016 was a transformational period for our company. We started the year as THERAMetrics, a provider of contract research services to the pharma and biotech industries, and ended the year as Relief Therapeutics, a drug-development company with a portfolio of promising drug candidates

After the loss-making CRO business was sold in June 2016, the company acquired the Geneva-based Relief Therapeutics SA and changed its name from THERAMetrics holding AG to Relief Therapeutics Holding AG. Now, with a very lean overhead structure and simplified business model, the company is focused on raising the necessary capital to develop its two most promising drug candidates: Aviptadil (for the indication Sarcoidosis) and Atexakin alfa (for the indication Diabetic Neuropathy).

From this business combination, we have been working on preparing the company for its upcoming challenges and the change of focus that we have initiated. We have been working mainly on two parallel fronts: raising capital to ensure smooth clinical development of our promising candidates and preparing the ground to implement the trials. In an environment rendered competitive by the current uncertainties in which the global economy navigates, the investors have become hesitant to commit funds in our industry. This situation is also reinforced by the deep restructuration that the pharmaceutical industry is pursuing in which many more small companies than before compete for funds as large companies divest their early stage programs to focus on late-stage opportunities. The clinical development of our promising drug candidates also requires a thorough preparation to ensure risks are assessed properly and concrete actions are undertaken to mitigate them and reduce their financial impact. The vast majority of our resources have been engaged in these key activities to ensure the company can count on a solid basis to build a bright future.

The end of 2016 was a necessarily difficult transition period during which the company has embarked in key backstage actions, that we are confident will deliver benefits in the near future for the company's shareholders and for the patients desperately awaiting new treatments. We would like to thank our key employees who have committed their energy and passion to allow this transition. Finally, we are grateful to our shareholders who have continued their support despite the current uncertainty.

We look forward to updating you in the coming months about our progress.

Sincerely,

Raghuram Selvaraju
Chairman of the Board of Directors

Gael Hedou
Chief Executive Officer (ad interim)

Company Profile

Business Overview

Relief Therapeutics (“Relief” “the Company”) is a drug development company focusing on clinical stage projects, primarily developing drugs of natural human origin (peptides and proteins) with a history of clinical testing and use in human patients. Currently Relief is concentrating its initial efforts on diabetic complications and respiratory diseases.

The Company was formed in June 2016 following the merger of Relief Therapeutics SA and THERAMetrics holding AG. Its legal seat is in Zurich, Switzerland and its scientific offices are in Geneva, Switzerland.

Business Activities

Current business activities are focused on preparing the development of the Company’s two most promising drug candidates:

Aviptadil (Vasoactive Intestinal Peptide – VIP) is an abundant biologically active endogenous human peptide that possesses anti-proliferative, anti-inflammatory, and immune-regulatory activities. Its predominant biological activity is observed in the lungs, and a vast body of experimental, pharmacological and clinical evidence suggests aviptadil to be an attractive candidate for the treatment of sarcoidosis. Based on long standing clinical explorations, aviptadil will be administered by inhalation to sarcoidosis patients with the aim to circumvent the side effects observed with systemic delivery, accelerate its action, minimize undesired negative side effects, avoid the hepatic first-pass metabolism, and act locally in the affected organ. Following a successful phase II trial that has been conducted in 20 sarcoidosis patients that showed suppression of lung inflammation, amelioration of dry cough and of exertional dyspnea, Relief is now planning a phase III trial to support the registration of its product.

Atexakin alfa is a low-dosage formulation of interleukin-6 (IL-6) that exhibits a plethora of functions in diverse tissues and organs. In the nervous system specifically, IL-6 was shown to protect neurons from toxic injuries, promote nerve regeneration and restore the isolating myelin sheet around axons. These functions were confirmed in several animal models of peripheral neuropathies suggesting its potential therapeutic activity to treat the human condition. On this basis, Relief is preparing the deployment of a phase II clinical trial campaign with the aim to rapidly generate relevant data to drive decision on late stage development. The trial entitled “ATEXADIANE” for ATEXakin Alfa in DIAbetic NEuropathies will follow the principle of a focused and cost-contained trial with the aim to assess the efficacy of atexakin alfa to reinstate normal sensations and slow down disease progression in human neuropathic patients.

2016 Transformation

Sale of the CRO Business: In June 2016 the Company exited the CRO business by selling its significant contract research subsidiaries to a larger, global contract research organization (CRO). The Company’s smaller CRO subsidiaries, where there was little or no business, have been closed.

Business combination with Relief Therapeutics SA: In July 2016 THERAMetrics holding AG combined its business with Relief Therapeutics SA, moved its legal seat from Stans to Zurich, and changed its name to Relief Therapeutics Holding AG.

Financial Review

Overview of Consolidated Financial Results

Relief generated consolidated revenues from continuing operations of TCHF 15 for the year ended 31 December 2016, compared to zero for the year ended 31 December 2015.

The company incurred a net loss of TCHF 1.850 for the year ended 31 December 2016 compared to a net loss of TCHF 81 for the year ended 31 December 2015. Basic and diluted loss per share for the same periods was CHF 0.001 and CHF 0.000, respectively.

Personnel expense was TCHF 724 for the year ended 31 December 2016 and zero for the year ended 31 December 2015.

Risk assessment disclosure required by Swiss Law

Group management has initiated a new restructuring program to reorganize the Group with the aim to improve operating results. Due to the ongoing monitoring of these initiatives, no separate risk assessment was performed in the current year.

Capital and financial risk management is described in more detail in Note 24 of the accompanying Consolidated Financial Statements.

Compensation Report

The Compensation Report provides an overview of the compensation programs, the method of determination of compensation and the compensation awarded in 2016 to the members of the Board of Directors and of the Executive Committee of Relief Therapeutics Holding AG.

The report is written in compliance with the provisions of the Ordinance against Excessive Compensation in Stock Listed Corporations and the standards related to information on Corporate Governance issued by the SIX Swiss Exchange.

1 Compensation Governance

1.1 Nomination and Compensation Committee

The Nomination and Compensation Committee (NCC) assists the Board of Directors in all nomination and compensation matters. The NCC is responsible to ensure the best possible leadership and management talent for the company and an appropriate compensation policy. In particular, the NCC is responsible for the following activities:

- identification of suitable candidates to positions on the Board of Directors and on the Executive Committee;
- recommendation and proposal of compensation principles and programs, including share-based compensation plans;
- recommendation and proposal of the compensation of the members of the Board of Directors and Executive Committee;
- recommendation and proposal of specific compensation packages for further members of management.

The decision-making authorities in compensation matters are summarized in the table below:

Levels of authority

	CEO	NCC	Board	AGM
Compensation policy including share-based plans		proposes	approves	
Aggregate compensation of the Board of Directors		proposes	reviews	approves
Individual remuneration of the Board members		proposes	approves	
Aggregate compensation of the Executive Committee		proposes	reviews	approves
Individual compensation of the CEO		proposes	approves	
Individual compensation of Executive Committee members	proposes	reviews	approves	
Compensation report		proposes	approves	

The NCC consists of members of the Board of Directors who are elected individually and annually by the Annual General Meeting for the period until the following Annual General Meeting. At the 2016 Annual General Meeting, Mr. Michel Dreano (Chairman) and Mr. Raffaele Petrone were elected as NCC members.

The NCC meets as often as the business requires, but at least once a year. The NCC Chairman may invite the Chairman of the Board, the CEO or other members of the Executive Committee to join the meeting in an advisory capacity. However, the executives do not take part in the meeting, or parts of meeting, during which their own compensation is discussed. The NCC Chairman reports to the Board of Directors on the activities of the committee after each meeting. The minutes of the NCC meetings are made available to all members of the Board of Directors. The NCC may retain external advisors to get support in fulfilling its duties.

1.2 Role of Shareholders: Say-on-pay Vote

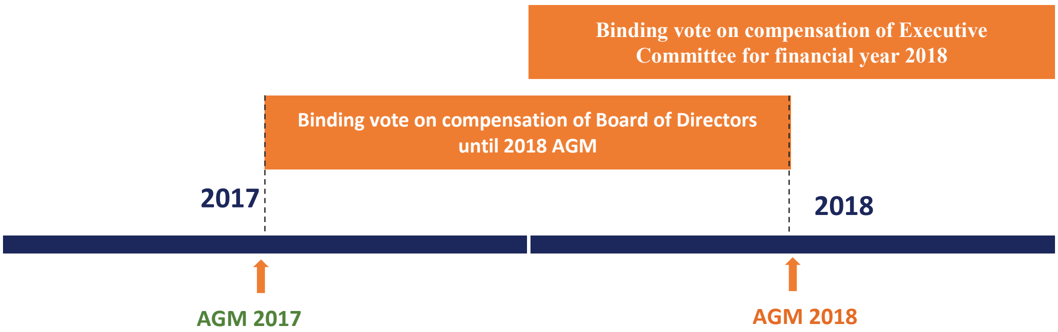
In line with the requirements of the Ordinance, the Company's articles of associations include provisions on the following governance and compensation-related matters:

- Principles of the duties and responsibilities of the NCC;
- Number of permissible mandates in the supreme governing bodies of other legal entities;
- Maximum terms of employment contracts and maximum notice period for members of the Executive Committee;
- Principles of compensation applicable to the Board of Directors and Executive Committee;
- Shareholders' binding vote on compensation of the Board of Directors and Executive Committee;
- Additional amount for members of the Executive Committee hired after the vote on compensation by the Annual General Meeting;
- Loans, credit facilities and post-employment benefits for members of the Board of Directors and of the Executive Committee.

At the 2017 Annual General Meeting, a binding vote on the compensation amount of the Board of Directors and Executive Committee will be conducted (say-on-pay vote). In order to provide the company and its executives with a necessary level of planning certainty to operate efficiently, a prospective voting structure has been chosen. The Annual General Meeting will vote on:

- the maximum compensation amount of the Board of Directors for the period of office until the following Annual General Meeting;
- the maximum compensation amount of the Executive Committee for the following financial year.

Say-on-pay vote structure



1.3 Method of Determination of Compensation

The Board of Directors decides upon the compensation of the Board of Directors and Executive Committee at its own discretion, on the basis of the recommendation by the NCC. When preparing the compensation proposals, the NCC takes the following factors into consideration:

- Affordability and overall situation of the company;
- Business financial results and individual performance;
- Level of compensation paid by other companies that are deemed to be comparable in terms of industry (where they compete for talents) and complexity (defined by their size and geographic scope).

The compensation of the Board of Directors and Executive Committee is reviewed annually on the basis of those factors, however the review does not necessary lead to any adjustment.

2 Compensation of the Board of Directors

2.1 Principles and Compensation Architecture

The compensation of the Board of Directors is determined based on discretionary economic considerations and may be delivered in cash and/or in the form of share-options.

The compensation in cash and in options is usually paid at the end of the period of service, shortly after the Annual General Meeting.

The compensation of the Board of Directors is subject to regular social security contributions and is not pensionable.

2.2 Compensation Awarded to the Board of Directors in 2016

This section is audited in accordance to the Article 17 of the Ordinance.

The disclosure of compensation below includes all forms of consideration given by the company in exchange for services rendered by the members of the Board of Directors.

In 2016, members of the Board of Directors earned a total compensation of CHF 147'000 (previous year CHF 182'657). The decrease in total compensation from 2015 to 2016 is due primarily to a reduction in the compensation of the Chairman.

In 2016 there was no fixed fee paid to the board of directors.

Compensation of the Board of Directors (2016 versus 2015) in CHF Table 3.2

Board of Directors	Fixed Fee 2016	Fixed Fee 2015	Options (fair value) 2016	Options (fair value) 2015	Total 2016	Total 2015
Raghuram Selvaraju, Chairman [2]	0	0	23'331	0	23'331	0
Raffaele Petrone, Vice-Chairman [1]	0	0	45'000	80'087	45'000	80'087
Michel Dreano [2]	0	0	11'667	0	11'667	0
Peter de Svastich [2]	0	0	11'667	0	11'667	0
Antonino Amato [2]	0	0	11'667	0	11'667	0
Michael Keller [3]	0	0	10'917	26'228	10'917	26'228
Claudio Palladini [4]	0	0	10'917	26'228	10'917	26'228
Robert Patterson[3]	0	0	10'917	26'228	10'917	26'228
Fulvio Citaredo [4]	0	0	10'917	17'486	10'917	17'486
Gabriele Albera [5]	0	6'400	0	0	0	6'400
Total Board of Directors	**0**	6'400	147'000	176'257	147'000	182'657

1 Board member and CEO. Compensation in this table relates to the Board fee only
2 Member of the Board of Directors since 25 May 2016
3 Member of the Board of Directors until 25 May 2016
4 Member of the Board of Directors from 13 May 2015 to 25 May 2016
5 Member of the Board of Directors until 13 May 2015

For the period from the 2016 Annual General Meeting to the 2017 Annual General Meeting, the remuneration paid to the Board of Directors amounts to CHF 120'000. This is within the limit to CHF 200'000 approved by the 2016 Annual General Meeting for this compensation period.

In 2016, no compensation was granted to former members of the Board of Directors or related parties.

Details on shareholdings of the members of the Board of Directors can be found in Note 6 of the stand-alone financial statements.

3 Compensation of the Executive Committee

3.1 Principles and Compensation Architecture

The compensation principles are aligned to the company's strategy of becoming profitable by generating new business and increasing revenue, while improving cost efficiency and restructuring business processes. The compensation principles are:

- Balance between competitiveness and company's affordability: as far as possible within the company's financial affordability, compensation levels are competitive and aligned to market practice for similar functions in comparable companies;
- Pay for performance: part of compensation is directly linked to the performance of the business and to the achievement of individual objectives;
- Alignment to shareholders' interests: part of compensation is delivered in the form of share-option and thus is directly tied to the long-term company's share performance;

The compensation of the CEO and members of the Executive Committee consists of a fixed base salary, possibly a performance-based cash bonus, a grant of share options, and benefits.

Compensation Model of Executive Committee

	Vehicle	Purpose	Drivers	Performance
Fixed base salary	Monthly cash	Attract & retain	Market practice	-
Performance bonus	Cash bonus	Pay for performance	Business and individual performance	Company's profitability, individual performance
Employee Participation Program (EAP)	Share options	Align to shareholders' interests	Level of the role	Share price
Benefits	Pension/insurance plans	Protect against risk	Market practice	-

Fixed base salary: The fixed base salary pays for the function and depends on the company affordability, the market value of the function and the profile of the individual in terms of qualifications and skills set.

Performance bonus: The performance bonus rewards the profitability of the business and the achievement of individual objectives over a period of one year. The target performance bonus is expressed as a percentage of fixed base salary and usually amounts to 20% for the members of the Executive Committee. Generally, there is no bonus payout if the company does not generate profit. When the company is profitable, the bonus amount effectively paid out is determined at the discretion of the Board of Directors, upon proposal of the NCC. The performance bonus is paid in cash, usually in April of the following year.

Employee Participation Program: The Employee Participation Program provides an incentive for management to make significant contributions towards the long-term success of the company and aligns their interest to those of its shareholders. The Board of Directors determines the individual allocation of share-options as its own discretion, taking into account the level of the role and economic considerations. The value of the options is calculated according to the Black Scholes valuation methodology.

Benefits: Members of the Executive Committee participate in the regular pension scheme applicable to all employees in their country of employment. The provision of those pension plans are in line with local legislation and prevalent market practice. Further, the members of the Executive Committee may be entitled to benefits in kind, in line with local market practice, such as company car.

Contractual provisions: The employment contracts of members of the Executive Committee are concluded for an indefinite period and stipulate a notice period of 6 months. They do not contain any agreement on severance payments.

3.2 Compensation Awarded to the Executive Committee in 2016

This section is audited in accordance to the Article 17 of the Ordinance.

The disclosure of compensation includes all forms of consideration given by the company in exchange for services rendered by the members of the Executive Committee.

In 2016, members of the Executive Committee received a total remuneration of CHF 1’174’424 (previous year CHF 2’254’628). Executive Committee compensation decreased in 2016 due to stock option rewards made to certain members in 2015 for their extraordinary efforts that year.

Compensation of the Executive Committee (2016 versus 2015) **Table 4.2**

Executive Committee (in CHF)	Fixed compensation[1]	Cash bonus[2]	Pension benefits[3]	Options (fair value)	Total 2016	Total 2015
Timothy Snyder[4]	215’000	0	34’253	37’500	286’753	650’017
Other members of the Executive Committee	574’461	0	83’210	230’000	887’671	1’604’611
Total Executive Committee	**789’461**	**0**	**117’463**	**267’500**	**1’174’424**	2’254’628

1 Includes value of other short-term benefits, such as company car
2 No cash bonuses for 2016 or 2015.
3 Includes the employer contributions to social security (AHV) and company pension plan (BVG)
4 Highest-compensated member of the Executive Committee.

In 2016, no compensation was granted to former members of the Executive Committee or related parties. Details on shareholdings of the members of the Executive Committee can be found in Note 6 of the stand-alone financial statements.

4 Loans to Members of the Board of Directors and Executive Committee

No member of the Board of Directors or Executive Committee was granted a loan during the business year, and there were no loans to any members of the Board of Directors or Executive Committee outstanding at the end of 2016 or 2015.

RELIEF THERAPEUTICS Holding AG

Zurich

Report of the statutory auditor to the General Meeting

on the remuneration report 2016

Report of the statutory auditor

to the General Meeting of RELIEF THERAPEUTICS Holding AG

Zurich

We have audited the remuneration report of RELIEF THERAPEUTICS Holding AG for the year ended 31 December 2016. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the table 3.2 on page 8 and in the table 4.2 on page 9 of the remuneration report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, www.pwc.ch

Opinion

In our opinion, the remuneration report of RELIEF THERAPEUTICS Holding AG for the year ended 31 December 2016 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Daniel Anliker

Audit expert
Auditor in charge

Christian Jäger

Audit expert

Zürich, 28 April 2017

CORPORATE GOVERNANCE

The corporate governance principles of Relief Therapeutics Holding AG ("Relief", "the Company") are laid out in the Company's articles of incorporation (the Articles), in the organizational regulations (the Regulations) (in German: *Organisationsreglement*) adopted by the Board of Directors (the Board) and in a set of other group directives, including an internal control system (the ICS). The Articles can be viewed or downloaded on the Company's webpage.

Further information disclosed below conforms to the Directive on Information relating to Corporate Governance issued by the SIX Swiss Exchange. In order to avoid redundancies, references are inserted to other parts of this Annual Report and links to the Relief Therapeutics website www.relieftherapeutics.com that could provide additional, more detailed information.

Listed Company

Company Name	Relief Therapeutics Holding AG
Domicile	Splügenstrasse 10, CH-8002 Zurich
Register number	CHE-113.516.874
Listing	SIX Swiss Exchange, symbol 'RLF'
ISIN	CH 0100191136
Swiss security ID	10191073
Market capitalization 31 December 2015	CHF 58'398'821
Share price at 31 December 2015	CHF 0.03
Duration of the company	Unlimited

Unlisted Companies

The table below shows the companies (all unlisted) belonging to Relief Therapeutics Holding AG as of 31 December 2016:

Name	Domicile	Share Capital	Shareholder	% owned
Relief Therapeutics SA	Geneva (CH)	CHF 208'163	Relief Therapeutics Holding AG	100
THERAMetrics Discovery AG	Stans (CH)	CHF 338'364	Relief Therapeutics Holding AG	100
THERAMetrics (Switzerland) GmbH	Zürich (CH)	CHF 20'000	Relief Therapeutics Holding AG	100
Pierrel Research Hungary Kft (in liquidation)	Budapest (Hungary)	EUR 46'000	Relief Therapeutics Holding AG	100
THERAMetrics, Inc. (in liquidation)	Wayne, PA (USA)	USD 0	Relief Therapeutics Holding AG	100

Significant shareholders

The table below shows those shareholders or groups of shareholders who, according to information available to the Company, hold more than 3% of the share capital and voting rights (whether exercisable or not) as of 31 December 2016.

shareholders	shares	percentage
GEM Global Yield Fund LLC SCS	610’437’250	31.36%
Fin Posillipo SpA, Naples, Italy	286’824’849	14.73%
Django Trading Sarl	195'500’000	10.04 %
Michel Dreano	195'500’000	10.04 %
Yves Sagot	195'500’000	10.04 %
Pierrel SpA. Capua (CE), Italy	179'372’543	9.21%
Other shareholders	283’492’733	14.56%
Total	**1’946’627’375**	**100%**

As of 31 December 2016, the Company is not aware of any other person or group of persons directly or indirectly holding, alone, together or in concert with third parties, 3% or more of the voting rights in the Company or has or have a sale position of more than 3% of the voting rights in the Company.

Details on changes subject to disclosure requirements during the 2016 financial year can be viewed on the SIX Swiss Exchange disclosure platform at www.six-swiss-exchange.com.

Capital Structure

As of 31 December 2016, the issued share capital of the Company amounted to CHF 19’466’273, consisting of 1’946’627’375 fully paid-in shares with a nominal value of CHF 0.01. All issued shares are listed and traded at the SIX Swiss Exchange.

Authorized share capital

As of 31 December 2016, the Company had an authorized but not yet issued nominal capital of CHF 9’250’000, consisting of 925’000’000 registered shares with a par value of CHF 0.01 each that the Board of Directors is authorized to issue at any time until 25 May 2018.

Conditional share capital

As of 31 December 2016, the Company had the following conditional share capital:

(i) CHF 2’500’000 for the issuance of up to 250’000’000 shares for the exercise of employees, directors, and consultants stock options (Article 3b, para 1 of the Articles of Association)

(ii) CHF 6’500’000 for the issuance of up to 650’000’000 shares in connection with bonds, financial instruments, or other option rights (Article 3b para 2 of the Articles of Association)

(iii) CHF 250’000 for the issuance of up to 25’000’000 shares for the exercise of employees and directors stock options (Article 3d of the Articles of Association)

The Company has two stock option plans for its employees, board members, and consultants whereby each option gives its holder the right to purchase one of the Company’s common shares at a pre-determined price. When options are exercised, the related shares are issued from the Company’s conditional capital. Option grants are proposed by the Company’s Nomination & Compensation Committee and approved by the Board of Directors.

One stock option plan is from 2011 and exists only to cover options still outstanding under it. The second plan was established in 2015. All future stock option grants will be issued under the 2015 plan.

As of 31 December 2016, there are 76’836’485 options outstanding, all of which are fully vested. During 2016, 10’000’000 options were exercised.

The following table reconciles the share options outstanding at the beginning and end of the year:

	2016	2015
Options outstanding at beginning of the year	10,769,286	2,309,286
granted	73,067,199	8,460,000
forfeited	-	-
exercised	-10,000,000	-
Options outstanding at end of the year	73,836,485	10,769,286

Changes in the share capital

On 14 July 2016, THERAMetrics holding AG combined with Relief Therapeutics SA by issuing 1’196’937’250 registered shares with a combined nominal value of CHF 11’969’372.50 to the shareholders of Relief Therapeutics SA in exchange for 100% of the shares in that company. Also in July 2016, the company converted CHF 3’396’259 of shareholder loans and related accrued interest into 84’906’473 registered shares.

The total issued share capital of Relief Therapeutics Holding AG registered in the commercial register as of 31 December 2016 and 2015 is CHF 19’466’273 and CHF 6’547’836.65 with 1’946’627’375 and 654’783’652 shares with a nominal value of CHF 0.01 each, respectively.

Changes in the share capital between 1 January 2016 and 31 December 2016 are disclosed in the notes of the statutory financial statements.

Limitations on transferability and nominee registrations

In principle, the Company’s shares are freely transferable. There is no percentage limitation, and consequently, the Company does not grant any exception. Pursuant to the Articles of Association, any transfer in shares, including the granting of security interests, is subject to the Intermediated Securities Act. The transfer of shares by assignment further requires the notification to the Company for its validity.

Every person recorded in the share register is regarded as a shareholder or beneficiary vis-à-vis the Company. Pursuant to the Articles of Association, the purchaser of shares is entered in the register of shares if there is an express declaration that the purchaser is holding the shares for himself. This also applies to the acquisition of shares through the exercise of purchase, option or conversion rights. If the purchaser is not prepared to make such a declaration, the Board of Directors may refuse registration as a voting shareholder. The Board of Directors regulates the rules for the registration of persons who hold the shares in the name and for the account of a third person, so called nominees. No applications in this regard were submitted in 2016.

Board of Directors and its Sub-Committees

In 2016, the Board of Directors and its sub-committees were composed of the following members:

Membership up to the 2016 annual general meeting (AGM) held on 25 May 2016:

		member of the board since	sub-committees AFC	NCC
Raffaele Petrone	Chairman	2013		
Michael Keller	Vice-Chairman	2008		
Robert Patterson	Member	2010		x
Claudio Palladini	Member	2014	x	x
Fulvio Citaredo	Member	2015	x	

Membership after the 2016 AGM held on 25 May 2016:

		member of the board since	sub-committees AFC	NCC
Raghuram Selvaraju	Chairman	2016	x	
Raffaele Petrone (1)	Vice-Chairman	2013		x
Michel Dreano	Member	2016		x
Peter de Svastich	Member	2016	x	
Antonino Amato (1)	Member	2016		

(1) Mr. Petrone and Mr. Amato resigned from the board on February 17, 2017

Director's education and professional background

Dr. Raghuram Selvaraju, Swiss national, born in 1978, Chairman of the Board of Directors.

Dr. Selvaraju joined the Board of Directors on 25 May 2016 as Chairman.

Currently, Dr. Selvaraju is a Managing Director and Senior Healthcare Analyst at Rodman & Renshaw Research, a unit of H.C. Wainwright & Co., a full-service investment bank headquartered in New York City. Dr. Selvaraju originally started his sell-side research analyst career with the firm in 2005. Prior to rejoining Rodman & Renshaw, he was a Managing Director and Senior Healthcare Analyst at MLV & Co LLC's Research Division. Dr. Selvaraju was employed at MLV & Co. till August 2015. He covered the biotechnology, specialty pharmaceuticals and diagnostics space within the healthcare sector at the firm. Prior to this, Dr. Selvaraju served as Managing Director and Head of Healthcare Equity Research at Aegis Capital Corporation, Research Division since March 2012. Before that, he served as a Senior Vice President in Equity Research and Senior Biotechnology Analyst at Morgan Joseph TriArtisan LLC, Research Division since May 2011. From 2010 to March 2011, Dr. Selvaraju served as a Senior Equity Research Analyst covering the biotechnology and pharmaceuticals sectors at Noble Financial Group, Inc., Research Division. From 2009 to 2010, he served as the Senior Vice President and Head of Healthcare Equity Research at Hapoalim Securities USA, Inc., Research Division, covering biotechnology, specialty pharmaceuticals, molecular analytics, and diagnostics. Prior to research, he started his career at the Serono Pharmaceutical Research Institute in 2000. Dr. Selvaraju served as a Technician and Pharmaceutical Researcher at the firm until 2004. He designed models and user interfaces for analysis of gene expression data from quantitative real-time RT-PCR; led multi-disciplinary teams developing animal models to identify novel therapeutic products; and discovered the first novel protein candidate. Dr. Selvaraju has a total of over 15 years of total experience in the biotechnology and pharmaceutical sectors. Dr. Selvaraju is widely quoted in national publications such as Barron's and The Wall Street Journal, as well as healthcare industry publications such as The Pink Sheet, BioWorld Today, and BioCentury, and has appeared numerous times on Bloomberg, CNBC, Business News Network and BTV to comment on drug development trends, healthcare reform policy, and pharma and biotech M&A. He has published articles in leading peer-reviewed journals, presented research at various international scientific conferences, and is a co-inventor on several drug patents. Dr. Selvaraju has published sector reports on Alzheimer's disease, multiple sclerosis, stroke, orphan neurological disorders, and the Wall Street research on United States healthcare reform policy. He has been ranked on StarMine for earnings accuracy since 2010 and also by The Wall Street Journal's Best on The Street survey on the basis of portfolio return performance in 2006. While at Serono Pharmaceutical Research Institute, Dr. Selvaraju became the youngest-ever recipient of the Serono Pharmaceutical Research Institute's Inventorship Award for exceptional innovation and creativity in 2003.

Dr. Selvaraju obtained his Ph.D. in cellular immunology & molecular neuroscience from the University of Geneva, Switzerland, his M.B.A. from the Johnson Graduate School of Management, Cornell University, Ithaca, New York, US, his M.S. in molecular biology from the University of Geneva, Switzerland and his B.S. in molecular, cell and developmental biology & technical writing from Carnegie-Mellon University, Pittsburgh, Pennsylvania, US. He currently does not hold and has not held any Management positions in the past. Apart from his membership on the Board of Directors of the Company, he does not hold and has not held any board of directors' memberships in the past.

Mr. Raffaele Petrone, Italian national, born in 1965.

Mr. Petrone has been a member of the Board of Directors since 20 June 2013 and Chief Executive Officer since 1 October 2013.

Mr. Petrone obtained his pharmacy degree in 1986 and gained his first experiences in the family business before founding Fin Posillipo S.p.A., a pharmaceutical holding company which operates in the area of strategic investments, finance and business development. Mr. Petrone is furthermore Chairman of Petrone Group, a company holding about 30 companies which operate in the pharmaceutical, para-pharmaceutical and health sectors. He is also the Chairmen of Pierrel S.p.A., listed on the Milan stock exchange, which is one of the leading manufacturers of local anesthetics for dental use, vials and tubo vials. Mr. Petrone also serves on the Board of Directors of a number of companies.

On 17 February 2017, Mr. Petrone resigned from the Board or Directors and as CEO with immediate effect.

Dr. Michel Dreano, French national, born in 1957.

Dr. Dreano has been a member of the Board of Directors since 25 May 2016.

Dr. Dreano holds a PhD in Molecular Virology at the Institut Pasteur/University Paris VII and a PhD in Molecular and Cellular Biology at the University of Burgundi (France). He joined the Battelle Memorial Institute in Geneva in 1983 where he headed a group involved in the production of recombinant proteins. He moved to Serono International SA in 1989 where he operated as a drug developer and then as a project/alliance manager. In this context, he managed many strategic collaborations and partnerships with academic institutions, research contract organizations, biotechs or large pharmaceutical organizations. In 2007 after the acquisition of Serono International SA by Merck KGaA, Dr. Dreano pursued the management of international research projects and integrated the business development department. In 2012, Dr. Dreano created an independent consulting company specialized in the management of multidiplinary and cross-national R&D projects. He also participated in the creation of a not-for-profit foundation, ReMedys, where he serves as an executive member of the board of directors. Finally, Dr. Dreano is one of the three founders of Relief Therapeutics SA.

Mr. Peter de Svastich, United States of America national, born in 1943.

Mr. de Svastich has been a member of the Board of Directors since 25 May 2016.

Mr. de Svastich is a Managing General Partner of Global Emerging Markets Limited. Mr. de Svastich is Managing General Partner at GEM Brazil Private Equity Fund. He interfaces with GEM in matters related to fund-raising, private placement opportunities, and investor relations. He was originally Principal Executive Officer, President, Principal Financial Officer, Treasurer and Secretary at Global Group Enterprises Corp. from April 2013 to March 2015. Mr. de Svastich served as President, Principal Executive Officer Principal Financial Officer, Treasurer, Director, and Secretary of Tyme Technologies, Inc. from April 2013 to March 2015. He has been the President of WH Management Inc., since 1985. Since September 2012, Mr. de Svastich has been a Managing Director of GEM Group, head of Latin America/Southern Europe/Administration. He has been the Chief Financial Officer, Chief Operating Officer, and Chief Compliance Officer for a number of hedge funds and funds of funds. From January 2009 to March 2010, Mr. de Svastich was a self-employed consultant; from June 2007 to December 2009, Mr. de Svastich was a Registered Representative at Partner Capital Group, LLC; and from April 2005 to November 2008, Mr. de Svastich served as a Partner, Chief Financial Officer and Chief Compliance Officer of Alpha Equity Management, L.P. Mr. de Svastich served as Vice President at General American Investors Company since January 2005. He joined General American Investors in November 2004, and has spent his entire business career in the investment management and financial services industry since joining a fund management and investment services firm located in Madrid, Spain, in 1970. He served as Chief Financial Officer, Chief Operating Officer, and Chief Compliance Officer at Alpha Equity Management LLC. He helped sell a 25% equity stake to SunTrust Bank N.A. Previously, he served as Partner and Chief Financial Officer of Decision Capital LLC from 2002 to 2004 and of Hawkins McEntee LLC from 2000 to 2001. He worked as an investment banker involved in Brazil. He served as President of Delegated Management S.A. He founded and ran WestHem International Group for 15 years. He ran the International Division of one of Brazil's five banks in the 1980's and spearheaded its international expansion. He has formed joint-ventures in banking and alternative investments with N.M. Rothschild & Sons, Banco Internacional y de Comercio Exterior, Banque Francaise de Commerce Exterieur (BFCE), and BNP. He has been a Director of WH Management Inc. since 1985 and Global Group Enterprises Corp. since April 26, 2013.

Mr. de Svastich has a Latin American Teaching Fellowship from the Fletcher School of Law and Diplomacy at Tufts University. Mr. de Svastich has a B.A. cum laude from Princeton University, which he received in 1965, and a J.D. from the Yale Law School which he received in 1968.

Dr. Antonino Amato, Italian national, born 1958

Dr. Amato has been a member of the Board of Directors since 25 May 2016.

Dr. Amato is the Director of the Clinical Trial Center at the Agostino Gemelli University Hospital of the School of Medicine at Università Cattolica del Sacro Cuore, Rome, and had been elected as a member of the Scientific Advisory Board of the Company on 28 July 2014.

Dr. Amato has spent more than 20 years in pharmaceutical R&D and was instrumental as part of the Sigma Tau SpA team for the development and registration of the drug Eurartesim against Malaria, the first ever centralized approval by the European Medicines Agency in this indication, which was supported by the Bill and Melinda Gates Foundation through its affiliate Medicines for Malaria Ventures.

On 17 February 2017, Dr. Amato resigned from the Board of Directors with immediate effect.

Other Activities and Vested Interests

Other than described above, none of the board members have any position in governing or supervisory bodies of any major organization, institution or foundation under private or public law, permanent management or consultancy function for major interest groups, official function or political mandate.

Elections and Terms of Office

The Articles provide for a Board of Directors consisting of at least three members. Members are appointed and removed by shareholders' resolution. Their term of office is until the next annual shareholders' meeting. Re-election is allowed. The Chairman of the Board (the Chairman) is also appointed by shareholders' resolution while the Vice-chairman of the Board (the Vice-Chairman) is appointed by the Board of Directors. Members are elected or re-elected individually.

Internal Organization

The Board of Directors is self-constituting and designates its Vice-chairman and Secretary. The latter need not be a member of the Board. The Chairman (or, in his absence or incapacity, the Vice-chairman) convenes the Board as often as the Company's affairs require and presides (or in his absence the Vice-Chairman or another Director specifically designated by the majority of the other Directors present at the meeting) over the Board meetings. Each Director is entitled to request to the Chairman, in writing, a meeting of the Board by indicating the grounds for such a request. The Chairman decides on agenda items and motions. Every Director is entitled to request to the Chairman, in writing, the insertion of a specific agenda item by indicating the grounds for such a request.

To pass a valid resolution, the majority of the Directors have to attend the meeting. Meetings may also be held by telephone conference to which all the Directors are invited. No quorum is required for confirmatory resolutions (*Feststellungsbeschlüsse*) and adaptations of the Articles in connection with capital increases. The Board of Directors passes its resolutions by way of simple majority. The members of the Board may only vote in person, not in proxy. In the event of a tied vote, the Chairman has the casting vote. Minutes are kept of deliberations and resolutions, and are signed by the Chairman and the Secretary.

The Board has established the following committees to further strengthen the corporate governance structure of the Company. Committee memberships are set out in the membership and permanent committee membership resume table of this Annual Report.

Audit and Finance Committee (AFC): The AFC advises the Board of Directors in the performance of its supervisory duties. In particular, the AFC reviews the financial reporting to shareholders and the general public as well as the relationship with the external auditors, satisfies itself that the Company's financial risk management and the Company's internal controls are of an appropriate standard, ensures that its activities are consistent and compliant with the organizational regulations, assesses the adherence to the relevant 'best practice' corporate governance provisions, to the extent such practice has effect on the activities and the functions of the AFC, satisfies itself that the Company's overall fraud prevention procedures are of an appropriate standard and ensures that appropriate procedures to enable employees to confidentially and anonymously submit their concerns regarding accounting, internal controls or auditing matters are in place.

Nomination and Compensation Committee (NCC): The NCC advises the Board of Directors in the performance of its supervisory duties related to nomination and compensation matters. It is responsible for ensuring the best possible leadership and management for the Company and for determining compensation policies, including share-based incentive programs, for the Company's top management and Board of Directors.

Modus Operandi of the Board of Directors and the Board Committees

As a rule, the Board meets as often as the business requires. Given the high volume of both operational and financial restructuring activities, the Board met 26 times in 2016.

The NCC met once during 2016 to review Executive Committee compensation.

Areas of Responsibility

The Board is entrusted with the ultimate direction of the Company and supervision of the Executive Committee. The Board's non- transferable and inalienable duties include the duty to: (i) ultimately manage the Company and issue any necessary directives; (ii) determine the organizational structure of the Company; (iii) organize the accounting system and the financial control and approve the financial plans; (iv) appoint, recall and supervise the persons entrusted with the management and representation of the Company; (v) prepare the annual report and the shareholders' meeting, carrying out shareholders' meeting resolutions; and (vi) notify to the judge in case of over-indebtedness of the Company.

The Board of Directors has entrusted the execution of its defined strategies and the day-by-day management of the Company and the Group to the Chief Executive Officer who, together with an executive management committee (the "**Executive Committee**") is responsible for overall management of the Relief Therapeutics Group, in accordance with the Articles and pursuant to the areas of responsibility as detailed into the By-laws.

Information and control instruments in respect of the Executive Committee

Relief's management information system consists of the financial reporting system. Each quarter, the financial statements and additional information derived therein for the individual companies are entered in the financial reporting system, consolidated and compared against the financial plans as amended by the Board of Directors. The Executive Committee discusses the results in detail and decides on actions to be taken. The Executive Committee informs and submits its report to the AFC and the Board of Directors on a half-year basis or in case of material deviations. Such Information is submitted immediately to the AFC and to the Board on topics such as legal issues, changes in the risk environment (risk management) and other issues with extraordinary character.

Directors also have the opportunity to talk to the members of the Executive Committee to overcome the Company's business and processes. Each Director is entitled to request and receive information on all matters of the Company and the Group and has access to all the Group's records. Directors do not participate to the meetings of the Executive Committee.

Executive Committee

As of 31 December 2016, the Executive Committee comprises the CEO and five other officers. The Executive Committee, under the direction of the CEO and the control of the Board, conducts the operational management of the Group pursuant to the Company's organizational regulations.

During the Board and Board Committee meetings, the members of the Executive Committee reports whenever required. The members of the Executive Committee are appointed by the Board upon proposal by the NCC.

The Executive Committee is responsible for implementation of the decisions made by the Board and the Board Committees. It prepares the Business Plan for the Board's decisions, approves material contracts and allocates financial, personnel and other resources within the Group as well as supervising senior management. The Executive Committee meets as often as required together with the senior management. The meetings usually cover the following topics: licensing activities related to development programs, clinical research business development, resource allocation, competitive situation and trends in the economic environment, corporate affairs (including important contracts), public and investor relations, human resources and taxes, legal and compliance.

Members:

Raffaele Petrone, Chief Executive Officer, since October 2013

Timothy Snyder, Chief Financial Officer, since May 2014

Dr. Gaël Hédou, Chief Operating Officer, since May 2016

Dr. Yves Sagot, Chief Scientific Officer, since May 2016

Dr. Michel Dreano, Chief Business Officer, since May 2016

Dr. Dorian Bevec, Chief Development Officer, since September 2001

Raffaele Petrone, Chief Executive Officer (CEO), Italian national, born in 1965.

Refer to the Board of Directors section for a summary of Mr. Petrone's background.

Mr. Petrone resigned as CEO on 17 February 2017. Dr. Gaël Hédou, COO, has assumed the role of CEO ad interim.

Timothy Snyder, Chief Financial Officer (CFO), U.S. American national, born in 1966.

Mr. Snyder graduated in 1988 with a degree in Business Administration from The Ohio State University (USA) and subsequently obtained certification as a CPA (Certified Public Accountant). Mr. Snyder spent the first nine years of his career with Deloitte then served as Finance Director and CFO at several international companies in the USA and in Europe, primarily in the private-equity sector. Mr. Snyder has consistently demonstrated strong leadership and technical skills, especially in the area of turn-arounds and restructurings. He also has extensive experience in M&A, post-merger integrations, and the assimilation and streamlining of financial processes.

On 17 February 2017, Mr. Snyder submitted his resignation of employment with an effective date of 31 August 2017.

Gaël Hédou, Chief Operating Officer, French national, born in 1972.

Dr. Gaël Hédou graduated in Neuroscience from the University of Strasbourg (FR) in 1997. He then completed his PhD in Natural Sciences at the ETH in Zurich, Switzerland, in the field of drug addiction. He pursued his academic research with a postdoc at the ETH studying brain plasticity and repair before joining the pharmaceutical industry. He started his industrial career at GlaxoSmithKline, Verona, Italy, in 2004 were he led a laboratory supporting both preclinical and clinical projects in psychiatric diseases. He joined Merck Serono KGaA in 2008 to participate in the implementation of the drug discovery and development strategy in parkinson's disease. Under his supervision, drug discovery projects became the basis for a spin off company of Merck Serono KGaA. Dr. Hedou has acquired expertise in the field of drug discovery and project management through different positions of increasing responsibility. He is one of the co-founders of Relief Therapeutics SA where he supported mainly the strategic positioning and fundraising campaign of the company as a managing partner and administrator.

Dr. Hédou assumed the role of CEO ad interim on 17 February 2017 after the resignation of Mr. Petrone.

Yves Sagot, Chief Scientific Officer, French national, born in 1964.

Dr. Sagot received his PhD in Neurobiology at the University Paul Sabatier (Toulouse, France) for his work on factors regulating axonal regeneration. He did his postdoctoral studies at the University Medical Center (CMU, University of Geneva) on motoneuron diseases. In 1999, he joined Serono international SA, to work on neurodegenerative and neuroinflammatory diseases as group leader and technological platform leader. In 2001, he received the Serono CEO award for his team building spirit and accomplished work. He had the privilege to bring a biologic towards phase I for an autoimmune disease of the peripheral nervous system. Following Merck KGaA's takeover of "erono in 2007, Dr. "agot's activities focused on therapeutic target validation for alzheimer and parkinson's diseases through internal and external partnerships with public or private institutions, being acknowledged for his work through the Merck Serono Reward and Recognition award 2008 for innovation and target support. He is one of the founders of Relief Therapeutics SA acting as managing partner and CSO. In 2014, he completed his formation by obtaining a Certificate of Advance Studies in Management of Biotech, Medtech and Pharma Ventures at the EPFL (Swiss Federal Institute of Technology, Lausanne, Switzerland). Until recently, he maintained his consulting activities as expert on neurodegenerative diseases and target validation for private and public foundations.

Dr. Michel Dreano, Chief Business Officer, French national, born in 1957.

Refer to the Board of Directors section for a summary of Dr. Dreano's background.

Dr. habil. Dorian Bevec, Chief Scientific Officer, German national, born in 1957.

Dr. Bevec holds a Ph.D. (Dr. rer. nat.) from the Ludwig-Maximilians-University of Munich and a habilitation (Venia Docendi) from the University of Vienna. He is a co-founder of the former mondoBIOTECH. Prior to that, Dr. Bevec worked as Head of Molecular Biology and project team leader at the Sandoz Research Institute in Vienna for ten years and at Axxima AG in Martinsried for two years.

Other Activities and Vested Interests

Other than Raffaele Petrone, none of the Executive Committee members has any position in governing or supervisory bodies of any major organization, institution or foundation under private or public law, permanent management or consultancy function for major interest groups, official function or political post.

Management Contracts

Except for Mr. Petrone, all members of the Executive Committee have employment agreements with the Group. There are no other management contract in place between the Group and the members of the Executive Committee.

Shareholders' Participation

Voting Rights and Representation Restrictions

There are no voting rights restrictions stipulated by the Articles, no statutory group clauses and hence no rules for making exceptions. Consequently, there is neither a procedure nor a condition for their cancellation. A shareholder may be represented at any shareholders meeting by his legal representative, the corporate proxy, the independent proxy, by a depositary or by another shareholder**.**

Statutory Quorum

There are no provisions in the Articles on quorums differing from the applicable legal provisions.

Convocation of the general meeting of Shareholders

There are no provisions in the Articles on the convocation of the shareholders' meeting differing from the applicable legal provisions.

Agenda Rules

The Board of Directors decides on the agenda of the shareholders' meeting. Shareholders with voting rights representing at least 10% of the Company's share capital or representing shares in the Company of an aggregate nominal value of at least CHF 1'000'000 may, up to 45 days before the date of the meeting, demand that items be included in the agenda. Such requests must be in writing and must specify the items and the motions to be submitted.

Registrations in the Share Register

Shareholders entered in the share register as shareholders on a specific qualifying day designated by the Board of Directors (record date), which is usually more than five business days before the annual shareholders' meeting, are entitled to attend the shareholders' meeting and to exercise their voting rights at such a meeting.

Changes of Control and Defense Measures

The Articles contain an "opting out" clause. Therefore, a purchaser who acquires one third or more of Relief Therapeutics' share capital is not obliged to make a public offering to purchase the remaining shares.

Clauses on Changes of Control

No change of control clauses exists in the agreements with members of the Board of Directors, of the Executive Committee and of the Management of the Company. However, a change of control clause is included in the Company's Equity Award Program, allowing for immediate vesting of non-vested options at the time of the change of control.

Auditors

Duration of the mandate and term of office of the lead auditor

The Company's auditors are appointed for a term of office of one year each year at the AGM.

PWC is the Company's auditors since 13 May 2015. The auditor in charge is Mr. Daniel Anliker.

Auditing fees and additional fees

The charge for professional services rendered by PWC for the twelve-month period ended 31 December 2016 were CHF 370'000, thereof CHF 279'000 for audit services and CHF 91'000 for audit-related projects.

The charge for professional services rendered by PWC for the twelve-month period ended 31 December 2015 were CHF 540'000, thereof CHF 440'000 for audit services and CHF 100'000 for audit-related projects.

Audit services are defined as the standard audit work that needs to be performed each year in order to issue an opinion on the consolidated financial statements of the Company and to issue reports on the local statutory financial statements where necessary, which includes also the audit of the existence of the Internal Control System.

Supervisory and control instruments pertaining to the audit

The Board of Directors performs its supervisory and control functions towards the external auditors through the AFC. In particular, the AFC meets with the auditors during the audit process to discuss in depth the audit procedure, any findings made and recommendation proposed. The management letter is also extensively discussed. The primary objective of the AFC is to support the Board of Directors in monitoring the Company's Internal Control System, accounting principles, financial reporting and auditing.

Information Policy

Relief Therapeutics reports to its shareholders, employees, business partners and other public stakeholders in an open, transparent and timely manner. Equal treatment of all stakeholders is the guiding principle behind its approach. In doing so, the Company is able to promote an understanding of its objectives, strategy and business activities, and to ensure and increase awareness therein. The Company has adopted a disclosure policy to protect its interests and assets, to release material information in a timely and controlled manner, to observe the legal requirements and rules and in particular to distinguish competencies and responsibilities of corporate and strategic disclosure.

The most important informational tools are news releases, the Annual Reports, Interim Reports, the Swiss official gazette and the website www.relieftherapeutics.com as well as the meeting of shareholders.

Investors and other parties interested in subscribing to the Company's news service may do so by registering themselves on www.relieftherapeutics.com.

Relief Therapeutics Holding AG

Consolidated Financial Statements
for the year ended 31 December 2016

Relief Therapeutics Holding AG

Consolidated balance sheet

TCHF	Notes	31 December 2016	31 December 2015 restated
ASSETS			
Property, plant and equipment	7	8	-
Intangible assets	8	30'800	-
Non-current assets		**30'808**	**-**
Trade receivables		2	-
Other current assets and other receivables	10	219	-
Cash and cash equivalents	11	394	13
Current assets		**615**	**13**
Total assets		**31'423**	**13**
EQUITY AND LIABILITIES			
Share capital	12	19'466	6'548
Reserves	13	20'597	(6'446)
Accumulated losses		(17'827)	(155)
Total equity		**22'236**	**(53)**
Defined benefit obligation	16	1'072	-
Deferred tax liabilities	21.3	6'468	-
Non-current liabilities		**7'540**	**-**
Trade payables		383	-
Liabilities due to related parties	14	878	-
Other current payables and liabilities	15	386	66
Current liabilities		**1'647**	**66**
Total equity and liabilities		**31'423**	**13**

The structure of equity in the comparative period was restated to show the share capital of the legal parent entity Relief Therapeutics Holding AG.

The accompanying notes form an integral part of the consolidated financial statements.

Relief Therapeutics Holding AG

Consolidated statement of comprehensive income

TCHF	Notes	2016	2015
CONTINUING OPERATIONS			
Revenues		15	-
Service expense	17	(211)	(74)
Personnel expense	18	(724)	-
Other administrative expense	19	(1'003)	(7)
EBITDA		**(1'923)**	**(81)**
Impairment expense	5	(14'556)	
Depreciation expense	7	(10)	-
Operating result		**(16'489)**	**(81)**
Financial income	20	103	-
Financial expense	20	(428)	-
Result before income taxes		**(16'814)**	**(81)**
Income taxes	21.1	(20)	-
Result for the period		**(16'834)**	**(81)**
OTHER COMPREHENSIVE INCOME			
Remeasurement of defined benefit obligation	16	(838)	-
Total items that will not be reclassified subsequently to profit or loss		**(838)**	**-**
Currency translation differences	13.3	44	-
Total items that may be reclassified subsequently to profit or loss		**44**	**-**
Total other comprehensive income for the year, net of income tax		**(794)**	**-**
Total comprehensive income for the period		**(17'628)**	**(81)**
EARNINGS PER SHARE FROM CONTINUING OPERATIONS			
Basic and diluted earnings per share (in CHF)	23	(0.013)	(0.000)

The accompanying notes form an integral part of the consolidated financial statements.

Relief Therapeutics Holding AG

Consolidated cash flow statement

TCHF	Notes	2016	2015
Result for the period		(16'834)	(81)
Adjustments for:			
- Taxes charged	21.1	20	-
- Depreciation expense	7	10	-
- Impairment expense	5	14'556	
- Finance expenses	20	428	-
- Finance income	20	(103)	-
- Interest payments received		103	-
- Interest expenses paid		(428)	-
- Income tax received		25	-
- Changes in pension obligations		(202)	-
- Expenses recognised in relation to equity-settled share-based payments		91	-
- Net foreign exchange losses		44	-
Changes in working capital:			
- Decrease in trade receivables		140	-
- (Increase) in other receivables and accruals		(156)	-
- (Decrease) in trade payables		(301)	-
-Increase in liabilities due to related parties		(32)	-
- (Decrease)/increase in other payables and accrued liabilities		(249)	54
Cash flow from operating activities		**(2'888)**	**(27)**
Purchase of property, plant and equipment	7	(11)	-
Net cash inflow on acquisition of subsidiary	5	132	-
Proceeds on sale of other financial assets		4	-
Cash flow from investing activities		**125**	**-**
Proceeds from capital increase		3'075	-
Payment for transaction costs due to capital increase	13.1	(232)	
Proceeds from liabilities due to related parties		301	
Cash flow from financing activities		**3'144**	**-**
Net (decrease)/increase in cash and cash equivalents		**381**	**(27)**
Cash and cash equivalents at beginning of period		13	40
Net effect of currency translation on cash and cash equivalents			-
Cash and cash equivalents at end of period	**11**	**394**	**13**

The accompanying notes form an integral part of the consolidated financial statements.

Relief Therapeutics Holding AG

Consolidated statement of changes in equity

TCHF	Notes	Share capital	Reserves	Accumulated loss	Total
Balance at 1 January 2015		**6'546**	**(6'444)**	**(74)**	**28**
Result for the period		-	-	(81)	(81)
Total comprehensive income for the period		**-**	**-**	**(81)**	**(81)**
Capital increase		2	(2)	-	-
Balance at 31 December 2015		**6'548**	**(6'446)**	**(155)**	**(53)**
Balance at 1 January 2016		**6'548**	**(6'446)**	**(155)**	**(53)**
Result for the period				(16'834)	(16'834)
Other comprehensive income for the period, net of income tax			44	(838)	(794)
Total comprehensive income for the period		**-**	**44**	**(17'672)**	**(17'628)**
Capital increase	12	12'918	27'140		40'058
Transaction cost in relation to capital increase			-232		(232)
Share-based payments	13.2 / 22		91		91
Balance at 31 December 2016		**19'466**	**20'597**	**(17'827)**	**22'236**

The accompanying notes form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

1 General information

RELIEF THERAPEUTICS Holding AG ("Relief" or "the Company") (formerly THERAMetrics holding AG or "THERAMetrics") is a Swiss stock corporation listed on the SIX Swiss Exchange whose registered office is Splügenstrasse 10, 8002 Zurich, Switzerland.

On 14 July 2016, the Company acquired Relief Therapeutics SA (RTSA) of Geneva, changed its name from THERAMetrics holding AG to Relief Therapeutics Holding AG, and moved its legal seat from Stans to Zurich. The Company owns 100% of RTSA; however, due to the fact that the former owners of RTSA are now the majority shareholders of Relief, the transaction has been treated as reverse acquisition in accordance with the IFRS accounting principles. (See Note 5 to these financial statements.) Accordingly, these consolidated financial statements are shown as a continuation of the financial statements of RTSA, retrospectively adjusted to reflect the legal capital of Relief which is still the legal parent company.

The newly combined Group is focussed on the development and/or licensing of its portfolio of medicinal products candidates (MPCs). Its two most promising MPCs are aviptadil (for respiratory indications such as sarcoidosis and pulmonary hypertension) and atexakin alfa (for treatment of diabetic neuropathy).

Previously, as THERAMetrics, the Company was the parent of a global contract research organization (CRO) which offered technological services and solutions to life sciences and pharmaceutical companies through the entire value chain of drug discovery and development. On 15 June 2016, the Company sold its significant CRO subsidiaries with an effective date of 31 May 2016. The Company's smaller CRO subsidiaries have been closed and are in the process of being liquidated.

The consolidated financial statements are presented in Swiss Francs (CHF).

2 Application of new and revised International Financial Reporting Standards

2.1 Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for the current year. None of the revised Standards and the new Interpretation has had a material effect on these financial statements. The details of the revised Standards and the new Interpretation are as follows:

Amendments to IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations

Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

The amendments have been applied prospectively. The application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements - Disclosure Initiative

The Group has applied the amendments to IAS 1 Presentation of Financial Statements in relation to the disclosure initiative for the first time in the current year. IAS 1 Presentation of Financial Statements is amended to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

- clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;
- clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;
- additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

The application of these amendments has had no significant impact on the disclosures and no impact on the amounts recognised in the Group's consolidated financial statements.

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation

Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

The amendments have been applied prospectively. The application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Amendments resulting from annual improvements 2012 – 2014 Cycle

Makes amendments to the following standards:

- IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued
- IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements
- IAS 19 — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid
- IAS 34 — Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference

The amendments have been applied retrospectively. The application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

2.2 Standards and Interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not adopted the following Standards and Interpretations that have been issued but are not yet effective. They will be effective on or after the dates described below.

	New, amended and revised Standards and Interpretations	**Effective from**
IFRS 2	Amends IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.	Annual periods beginning on or after 1 January 2018
IFRS 9	IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirement for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.	Annual periods beginning on or after 1 January 2018
IFRS 15	The new Standard IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognised 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. Specifically, the Standard introduces a 5-step approach to revenue. 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. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	Annual periods beginning on or after 1 January 2018

	New, amended and revised Standards and Interpretations	Effective from
IFRS 16	The new Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts of the basis of whether there is an identified asset controlled by the customer. Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast, the Standard does not included significant changes to the requirements for accounting by lessors.	Annual periods beginning on or after 1 January 2019
IAS 7	Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	Annual periods beginning on or after 1 January 2017
IAS 12	Amends IAS 12 Income Taxes to clarify the following aspects: - Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. - The carrying amount of an asset does not limit the estimation of probable future taxable profits. - Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. - An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.	Annual periods beginning on or after 1 January 2017

The Group is currently assessing whether these changes will impact the consolidated financial statements in the period of initial application. Except for IFRS 9, IFRS 15 and IFRS 16, which will be applicable in 2018 and 2019, the Group does not expect any impact from the new or amended Standards mentioned above. Given that the Group currently does not have any significant revenue, leasing contracts and financial instruments, management does not expect any significant impact from IFRS 9, IFRS 15 and IFRS 16.

3 Summary of significant accounting policies

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and comply with Swiss law. They have been prepared under the historical cost convention, as modified by the revaluation of financial instruments at fair value, are presented in Swiss Francs (CHF) and all values are rounded to the nearest thousand (TCHF), except when otherwise indicated.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. The actual outcome may differ from the assumptions and estimates made. If in the future such estimates and assumptions, which are based on management’s best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. The areas involving higher degrees of judgement or complexity or where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Any contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. Inter-company transactions, balances and unrealized gains/losses on transactions between Group companies are eliminated. The accounting policies of subsidiaries are consistent with the policies adopted by the Group.

Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle which is 12 months
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle which is 12 months
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Board of Directors, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker.

The accounting policies used for segment reporting are the same as those used for the preparation of these financial statements.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

If the entity that issues the shares (the legal acquirer) is identified as the acquiree for accounting purposes, the entity whose equity interests are acquired (the legal acquiree) must be the acquirer for accounting purposes for the transaction to be considered a reverse acquisition. Consolidated financial statements prepared following a reverse acquisition are issued under the name of the Company but described in the notes as a continuation of the financial statements of the legal subsidiary, with one adjustment, which is to adjust retroactively the accounting acquirer's legal capital to reflect the legal capital of the Company. That adjustment is required to reflect the capital of the Company.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Foreign currency translation

(a) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in CHF, which is the presentation currency of the Company (the 'presentation currency').

(b) Transactions and balances
In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

(c) Group companies
Assets and liabilities of Group entities using a functional currency different from the presentation currency are translated into the presentation currency using year-end rates of exchange. Income and expenses and cash flows are translated at average exchange rates. All resulting translation differences are recognised directly in other comprehensive income. On the divestment of a foreign entity, the identified cumulative currency translation difference relating to that foreign entity is recognised in profit or loss as part of the gain or loss on divestment.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical costs include expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate costs to residual values over each asset's estimated useful lives, which for furniture and equipment as well as IT equipment is 3-5 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Where the carrying amount of an asset is greater than its estimated recoverable amount (higher of value in use and fair value less costs to sell), it is written down immediately to its recoverable amount.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Amortisation of capitalised IPR&D starts once the asset is available for use, which is usually the point in time at which marketing approval is granted by the relevant authority. Before that date, capitalised IPR&D that is not available for use is tested at least annually for impairment, irrespective of whether any indication of impairment exists.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Leases

Leases under which substantially all of the risks and rewards of ownership are not transferred to the Group are classified as operating leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease. Impairment of non-financial assets

Financial assets

(a) Classification

The Group classifies all its financial assets as 'loans and receivables'. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

(b) Recognition and measurement

Investments are initially recognised at fair value plus transaction costs. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired.

Financial assets are derecognised when the contractual rights to the cash flows of the assets expire or when the Group sells or otherwise disposes of the contractual rights to the cash flows, including situations where the Group retains the contractual rights but assumes a contractual obligation to pay the cash flows to a third party.

Trade receivables

Trade receivables are initially recognised at their invoiced amounts including any related sales taxes less adjustments for estimated revenue deductions such as rebates, charge-backs and cash discounts.

Provisions for doubtful trade receivables are established once there is an indication that it is likely that a loss will be incurred. These provisions represent the difference between the trade receivable's carrying amount in the consolidated balance sheet and the estimated net collectible amount. Significant financial difficulties of a customer, such as probability of bankruptcy, financial reorganization, default or delinquency in payments are considered indicators that recovery of the trade receivable is doubtful. Charges for doubtful trade receivables are recognised in the statement of comprehensive income within "other administrative expense".

Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. If collection is expected within one year or less, they are classified as current asset. If not, they are presented as non-current assets.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within financial debts in current liabilities on the balance sheet. This definition is also used for the purposes of the cash flow statement.

Financial liabilities

Financial debts are initially recorded at fair value, net of transaction costs. Financial debts are subsequently stated at amortised cost using the effective interest rate method. Financial debts are normally classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised costs using the effective interests' method. If payment is due within one year or less, they are classified as current liabilities. If not, they are represented as non-current liabilities.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

– In the principal market for the asset or liability, or
– In the absence of a principal market, in the most advantageous market for the asset or liability

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The fair values of financial assets and liabilities at the balance sheet date are not materially different from their reported carrying values unless specifically mentioned in the notes to the consolidated financial statements.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised:

(a) Rendering of services

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

(b) Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

(c) Dividends

Revenue is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Research and development costs

Research and development costs consist primarily of remuneration and other expenses related to research and development personnel, costs associated with preclinical testing and clinical trials of product candidates, expenses for research and development services under collaboration agreements and outsourced research and development expenses. Furthermore, the Group may acquire in-process research and development assets, either through business combinations or through purchases of specific assets. In-process research and development assets acquired either through business combinations or separate purchases are capitalized as intangible assets and reviewed for impairment at each reporting date. Once available for use, such intangible assets are amortised on a straight-line basis over the period of the expected benefit.

Internal development costs are capitalised as intangible assets only when there is an identifiable asset that can be completed and that will generate probable future economic benefits and when the cost of such an asset can be measured reliably.

Employee benefits

(a) General

Wages, salaries, social security contributions, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

(b) Pension obligations

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

– The date of the plan amendment or curtailment, and
– The date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'personnel expense' in consolidated statement of comprehensive income:

– Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
– Net interest expense or income

Share based payments

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

4 Summary of critical accounting judgements and key sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

4.1 Critical judgements in applying accounting policies

Acquisition of Relief Therapeutics SA

The Company entered into contribution in kind agreements with the holders of the contributed shares of Relief Therapeutics SA ("RTSA"), pursuant to which the RTSA shareholders contributed their RTSA shares to the Company in exchange for newly issued shares of the Company. Accordingly, RTSA became a wholly owned subsidiary of the Company. The business combination is considered a reverse acquisition in accordance with IFRS 3 as RTSA's shareholders obtained the clear majority of shares of the combined company upon completion of the transaction and therefore have obtained control over the combined entity.

Going concern

Although the Company sold its loss making CRO business (as described in Note 1 to these financial statements) its long-term liquidity is not yet secured. With no current source of revenue, the company must rely on its current cash balance and further fund raising efforts in order to finance its continuing operations for the next year.

Cost savings measures have already been taken and the Company is now operating with a minimum level of fixed costs. In order to provide a future stream of income as well as an immediate boost to its cash position, management is currently negotiating with multiple interested parties for the licensing out of some of its MPCs. Management expects to conclude these negotiations in the coming months and, in doing so, expects to generate sufficient cash to secure the viability of the Company. Cash from such license agreements is expected to come in the combined form of up-font payments, milestone payments, and future royalty fees. Finally, management will continue its efforts to raise cash through traditional financing methods such as the issuance of debt and equity instruments – including the use of the SSF agreement it has with GEM (refer to note 24 for a description of the SSF).

Although management is confident that its fund-raising efforts will be sufficient to fund the Company's operations for the foreseeable future, there remains a risk that it might not. In such a case, there would be significant doubt about the Company's ability to continue as a going concern and, as such, there exists a material uncertainty at present.

Because management is confident that its plan will succeed, and that the liquidity of the Company will be thereafter secured, these financial statements have been prepared on the going concern basis.

4.2 Key sources of estimation uncertainty

Impairment of intangible assets

Determining whether intangible assets are impaired requires management to estimate the recoverable value of the cash generating unit to which the intangible assets are attributable. If the recoverable value of the cash generating unit is lower than the carrying amount of the cash generating unit to which the intangible assets have been allocated, impairment is recorded.

The carrying amount of intangible assets at the end of the current reporting period is TCHF 30'800 (31 December 2015: TCHF 0). The recoverability of intangible assets is tested for impairment annually during the fourth quarter, or earlier, if an indication of impairment exists. The annual impairment test was done at 31 December 2016.

In 2016, the recoverable amounts of intangible assets were calculated using the discounted cash flow method. The significant assumptions are disclosed in note 8. At 31 December 2016, the impairment test showed no impairment. Changes to the assumptions may result in impairment losses in subsequent periods.

Deferred income taxes

The determination of the recoverability of deferred income tax assets is based on the judgment of management. Deferred income tax assets are only recognised if it is probable that they can be used in the future. Whether or not they can be used depends on whether the tax deductible temporary difference can be offset against future taxable profits. In order to assess the probability of their future use, management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies. At 31 December 2016, deferred income tax assets amounted to TCHF 0 (31 December 2015 and 1 January 2015: TCHF 0). Such deferred tax assets are only recorded when it becomes evident that sufficient future taxable profits are probable. Deferred income tax assets are written down in the same period in which the latest assessment of recoverability indicates a lower value than currently recorded in the financial statements.

Retirement benefit obligations

The retirement benefit obligation is calculated on the basis of various financial and actuarial assumptions. The key assumptions for assessing these obligations are the discount rate, future salary and pension increases and the probability of the employee reaching retirement. The calculations were done by external experts and the principal assumptions used are summarised in note 16. At 31 December 2016, the underfunding amounted to TCHF 1'072 (31 December 2015 and 1 January 2015: TCHF 0). Using other basis for the calculations could have led to different results.

5 Business combination

RTSA as well as RTH and its subsidiaries combined their businesses to create an emerging biopharmaceutical player focused on promising medicinal product candidates. Refer to note 1 regarding the description of the transaction.

5.1 Consideration transferred

	TCHF
Non-cash (TMX shares)	36'985
Total consideration transferred	**36'985**

Under IFRS 3, the cost of the acquisition is based on the market value of RTH shares before the transaction (capital increase). Therefore, the consideration transferred is calculated as follows: 739’690’125 shares at a fair value of CHF 0.05 (share price on transaction date) resulting to TCHF 36’985.

Acquisition related costs amounting to TCHF 808 have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current year.

5.2 Assets acquired and liabilities recognised at the date of acquisition

	TCHF
Non-current assets	
Property, plant and equipment	7
Intangible assets	30'800
Loans and other non-current assets	4
Current assets	
Trade receivables	142
Tax receivables	47
Other current assets and other receivables	63
Cash and cash equivalents	132
Non-current liabilities	
Defined benefit obligation	(436)
Deferred tax liabilities	(6'468)
Current liabilities	
Trade payables	(683)
Liabilities due to related parties	(609)
Tax payables	(1)
Other current payables and liabilities	(569)
Net assets acquired	**22'429**

5.3 Goodwill arising on acquisition

	TCHF
Consideration transferred	36'985
+ non-controlling interest	-
./. Fair value of identifiable net assets	(22'429)
Goodwill	**14'556**

The final purchase price allocation included the recognition of an intangible asset relating to the medical compound ”aviptadil” amounting to TCHF 30’800 and a related deferred tax liability of TCHF 6’468. As no other future economic benefits which are not individually identified and separately recognised can be identified, the residual amount paid of TCHF 14’556 was allocated to goodwill. Subsequent to the acquisition, the goodwill was tested for impairment which resulted in an impairment expense for the full amount of goodwill during the year based on the future expected benefits attributable to the CGU.

5.4 Net cash inflow on acquisition of subsidiary

	TCHF
Cash and cash equivalent balances acquired	132
Less: Consideration paid in cash and cash equivalents	-
Total net cash inflow	**132**

5.5 Impact of acquisition on the results of the group

Included in the loss for the year is a loss of TCHF 1'902 attributable to the additional business generated by RTH and its subsidiaries since acquisition date. If RTH and its subsidiaries were included since the beginning of the financial year, the loss for the year would be TCHF 4'616 higher. There was no revenue for the year in respect of RTH and its subsidiaries.

6 Segment information

6.1 Description of segment

The Group has only one business stream which is further explained in note 1.

6.2 Geographical information

The Group currently only operates in Switzerland therefore no separate geographical information is presented. The two subsidiaries in USA and Hungary are dormant and/or in liquidation.

7 Property, plant and equipment

TCHF	Furniture and Equipment	IT Equipment	Total
COST			
Balance at 1 January 2015	-	-	-
Balance at 31 December 2015	-	-	-
Acquired through business combination	7		**7**
Additions	4	7	**11**
Balance at 31 December 2016	**11**	**7**	**18**
ACCUMULATED DEPRECIATION			
Balance at 1 January 2015	-	-	-
Balance at 31 December 2015	-	-	-
Depreciation expense	(8)	(2)	**(10)**
Balance at 31 December 2016	**(8)**	**(2)**	**(10)**
CARRYING AMOUNT			
at 31 December 2015	-	-	-
at 31 December 2016	**3**	**5**	**8**

8 Intangible assets

TCHF	MPC Portfolio
COST	
Balance at 1 January 2015	**-**
Balance at 31 December 2015	**-**
Acquisition through business combination	30'800
Balance at 31 December 2016	**30'800**
ACCUMULATED AMORTISATION	
Balance at 1 January 2015	**-**
Balance at 31 December 2015	**-**
Amortisation expense	-
Balance at 31 December 2016	**-**
CARRYING AMOUNT	
at 1 January 2015	-
at 31 December 2015	-
at 31 December 2016	**30'800**

Entire intangible assets relate to medicinal product candidate "aviptadil" which was acquired during the business combination in 2016. Once the intangible asset is available for use, the assets will be depreciated over its useful life.

Impairment test at 31 December 2016

In consideration of the operating loss in 2016, the Company considered that there are indications of impairment of non-current assets and therefore has carried out an impairment test on its intangible assets.

The valuation was done using best-practice pharma compound valuation model, which is a discounted cash flow model (value in use valuation). A discount rate of 15% was used for this out-licensing program valuation due to the venture capital character of such an outlicensing program. For revenue based on out-licensing of rights owned by the Group, the expected revenue from the out-licensing agreement was forecasted for the entire licensing period. As a standard terminal value assumption for development programs we assumed that all remaining cash flows in the period after loss of IP protection would sum up to a cash flow which is similar to the cash flow from the last year of the IP protection period. The key assumptions used in the best-practice pharma compound valuation include sales growth rate and period required to commercialize the development program in order to have cash inflows. Growth rate is based on the expected sales cycle. The cash flows are based on market analysis performed by a third party. The period over which management has projected cash flows is greater than five years as based on comparable market data and information the development and commercialization of the compound will take significantly longer.

No impairment loss was recognised due to the impairment test at 31 December 2016.

Using a WACC of 17% instead of 15% would still not result in any impairment losses at 31 December 2016.

9 Subsidiaries

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Domicile	Proportion of ownership interest and voting power	
			31.12.16	**31.12.15**
THERAMetrics Discovery AG	Commercial exploitation of patents, licences, trademarks	Stans (CH)	100%	100%
Relief Therapeutics SA	Commercial exploitation of patents, licences, trademarks	Geneva (CH)	100%	0%

10 Other current assets and other receivables

TCHF	31 December 2016	31 December 2015
VAT receivables	94	-
Prepaid expenses	80	-
Deposits with others	35	-
Other current receivables	10	-
Total	**219**	**-**

Other current assets and other receivables are neither impaired nor overdue.

11 Cash and cash equivalents

TCHF	31 December 2016	31 December 2015
Bank deposits	393	13
Cash on hand	1	-
Total	**394**	**13**

12 Share capital

	Number of common shares		Nominal value of share capital (TCHF)	
	2016	**2015**	**2016**	**2015**
Balance at beginning of year	654'783'652	654'643'652	6'548	6'547
Issuance of common shares	1'291'843'723	140'000	12'918	1
Balance at end of year	**1'946'627'375**	**654'783'652**	**19'466**	**6'548**

12.1 Issued share capital

At 31 December 2016, the issued share capital amounts to TCHF 19'466, consisting of 1'946'627'375 fully paid registered shares with a par value of CHF 0.01.

During 2016, due to the business combination with RTSA, the share capital has increased by TCHF 11'969. Refer also to notes 1 and 5 for further details.

Prior to the business combination, the share capital was further increased in 2016 by TCHF 849 through conversion of a loan and by TCHF 100 through exercise of share options. At 31 December 2016, these two capital increases were not yet registered.

12.2 Authorized share capital

At 31 December 2016, the Company had authorized, but not yet issued, nominal share capital of CHF 9'250'000, consisting of 925'000'000 registered shares with a par value of CHF 0.01 each, that the Board of Directors is authorized to issue at any time until 25 May 2018.

12.3 Conditional share capital

The conditional share capital of the Company as at 31 December 2016 was CHF 3'262'194.91 (2015: CHF 3'262'194.91)), consisting of 729'507'042 (2015: 326'219'491) registered shares with a par value of CHF 0.01 each, of which 164'413'515 (2015: 34'219'491) to be used for share options for members of the Board of Directors, Executive Management, employees and consultants as well as 650'000'000 (2015: 292'000'000) to be used for the exercise of conversion option rights granted in connection with bonds, notes or similar debt instruments issued by the Company.

12.4 Significant shareholders

The following significant shareholders are known to us:

	2016		2015	
	Number of shares	**%**	**Number of shares**	**%**
GEM	610'437'250	31.4%	-	-
Founders of Relief Therapeutics SA	586'500'000	30.1%	-	0.0%
PIERREL S.p.A.	179'372'543	9.2%	180'135'833	27.5%
FIN POSILLIPO S.p.A	286'780'649	14.7%	200'237'756	30.6%
Others	283'536'933	14.6%	274'410'063	41.9%
	1'946'627'375	**100.0%**	**654'783'652**	**100.0%**

13 Reserves

TCHF	31 December 2016	31 December 2015
Share premium (note 13.1)	20'462	-
Share-based payment reserve (note 13.2)	91	
Foreign currency translation reserve (note 13.3)	44	-
Total	**20'597**	**-**

13.1 Share premium

TCHF	2016	2015
Balance at beginning of year	(6'446)	(6'444)
Reverse acquisition RTSA (i)	27'140	(2)
Capital issuance cost	(232)	-
Balance at end of year	**20'462**	**(6'446)**

(i) For detailed information on the reverse acquisition of RTSA refer to note 5.

13.2 Share-based payment reserve

TCHF	2016	2015
Balance at beginning of year	-	-
Share-based payments granted and vested (i)	91	-
Balance at end of year	**91**	**-**

(i) For detailed information refer to note 22.

13.3 Foreign currency translation reserve

TCHF	2016	2015
Balance at beginning of year	-	-
Exchange differences arising on translating foreign operations	44	-
Balance at end of year	**44**	**-**

The exchange differences are related to two subsidiaries in USA and Hungary which are dormant and/or under liquidation.

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (CHF) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve in respect of translating the results and net assets of foreign operations are reclassified to profit or loss on the disposal of the foreign operation.

14 Liabilities due to related parties

TCHF	31 December 2016	31 December 2015
Shareholders' loan (i)	301	-
Other borrowings (ii)	577	-
Total	**878**	**-**

(i) The shareholders' loan due to GEM accrues interest of 4% above the based rate of Barclays Bank PLC. The repayment date is not defined.

(ii) Other borrowings are due to a former subsidiary of the Group. Until repayment, the unpaid balance accrues interest at a rate of 8% per annum.

15 Other current payables and liabilities

TCHF	31 December 2016	31 December 2015
Accrued holiday	50	-
Payable to social security institutions	12	-
Accrued expenses	286	-
VAT payables	13	-
Prepayments received	16	-
Other current liabilities	9	66
Total	**386**	**66**

16 Defined benefit obligations

The Group participates in a Swiss pension plans which qualify as defined benefit plans under the requirements of IAS 19.

The Group operates fund defined benefit plans for qualifying employees in Switzerland. Under the plans, the employees are entitled to retirement benefits and risk insurance for death and disability. No other post-retirement benefits are provided to these employees. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on 31 December 2016. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Swiss pension plans need to be administered by a separate pension fund that is legally separated from the entity. The law prescribes certain minimum benefits.

The pension plan is managed by collective funds with “PKG Pensionskasse”. The board of the pension fund is composed of an equal number of representatives from both employers and employees.

Due to the requirements of IAS 19 the above-mentioned pension plan is classified as defined benefit plans and is described in detail in the corresponding statues and regulations.

The contributions of employers and employees in general are defined in percentages of the insured salary. Interest is credited to the employees’ accounts at the minimum rate provided in the plan, payment of which is guaranteed by the insurance contract as described below. The retirement pension is calculated based on the old-age credit balance on retirement multiplied by the fixed conversion rate. The employee has the option to withdraw the capital at once. The death and disability pensions are defined as percentage of the insured salary. The assets are invested directly with the corresponding pension funds.

The fully reinsured pension fund has concluded insurance contracts to cover the insurance and investment risk. The board of the pension fund is responsible for the investment of assets and the investment strategy is defined in a way that the benefits can be paid out on due date. For accounting purposes this insurance contract represents the sole asset of the plan. Fair value of plan asset is the estimated cash surrender value at the respective balance sheet date.

The pension fund can change its financing system (contributions and future payments) at any time. Also, when there is a deficit which cannot be eliminated through other measures, the pension fund can oblige the entity to pay a restructuring contribution. For the pension fund of the Group such a deficit currently cannot occur as the plan is fully reinsured. However, the pension fund could cancel the contract and the entities of the Group would have to join another pension fund. In the current and comparative period no plan amendments, curtailments or settlements occurred.

Amounts recognised in profit or loss in respect of this defined benefit plans is as follows:

TCHF	2016	2015
Current service cost	59	-
Past service cost	(124)	-
(Gains) and losses on settlement	(105)	
Net interest expense	4	-
Administration cost excl. cost for managing plan assets	(2)	-
Expense recognised in profit or loss	**(168)**	**-**

Amounts recognised in other comprehensive income in respect of these defined benefit plans are as follows:

TCHF	2016	2015
Remeasurement (gain)/loss on defined benefit obligation		-
due to changes in demographic assumptions	(22)	
due to changes in financial assumptions	(1)	
due to changes in experience adjustments	104	
Losses due to settlement	734	
Return on plan assets excl. interest income	23	-
Expense recognised in other comprehensive income	**838**	**-**

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

TCHF	31 December 2016	31 December 2015
Present value of funded defined benefit obligation	2'998	-
Fair value of plan assets	(1'926)	-
Net liability arising from defined benefit obligation	**1'072**	**-**

Movements in the present value of the defined benefit obligation in the current year were as follows:

TCHF	2016	2015
Opening defined benefit obligation	-	-
Acquired through business combination	1'110	
Current service cost	59	-
Past service cost	(124)	-
Interest expense on defined benefit obligation	9	-
Contributions from plan participants	48	-
Benefits (paid)/deposited	2'220	-
(Gains) and losses on settlement	(270)	
Settlements paid	(135)	-
Remeasurement (gain)/loss due to changes in demographic assumptions	(22)	-
Remeasurement (gain)/loss due to changes in financial assumptions	(1)	
Remeasurement (gain)/loss due to changes in experience adjustments	104	
Administration cost (excluding cost for managing plan assets)	-	-
Closing defined benefit obligation	**2'998**	**-**

Movements in the present value of the plan assets in the current period were as follows:

TCHF	2016	2015
Opening fair value of plan assets	-	-
Acquired through business combination	664	-
Interest income on plan assets	5	-
Return on plan assets excluding interest income	(23)	-
Contributions from the employer	48	-
Contributions from plan participants	48	-
Benefits (paid)/deposited	1'485	-
Settlements paid	(135)	-
Gains and (losses) on settlement	(165)	-
Administration cost	(1)	-
Closing fair value of plan assets	**1'926**	**-**

The respective insurance company is providing reinsurance of these assets and bears all market risk on these assets.

Principal assumptions used for the purposes of the actuarial valuations were as follows:

TCHF	2016	2015
Discount rates	0.60%	n/a
Expected rates of salary increase	1.50%	n/a

The following sensitivity analyses - based on the principal assumptions - have been determined based on reasonably possible changes to the assumptions occurring at the end of the reporting period:

If the discount rate would be 50 basis points (0.50 percent) higher (lower), the defined benefit obligation would decrease by 9.1% (increase by 10.5% if all other assumptions were held constant).

The average duration of the defined benefit obligation at the end of the reporting period is 16.4 years.

The Group expects to make a contribution of TCHF 77 to the defined benefit plans during the next financial year.

17 Service expense

TCHF	2016	2015
License expense	42	-
Consulting service expense	140	62
Travel and accomodation expense	-	3
Other expense for services	29	9
Total cost for services	**211**	**74**

18 Personnel expense

As part of the business acquisition in 2016 (refer to note 5 for further details) the Group has acquired part of management and staff of the acquired business. Further, due to the reorganisation of the Group, the founders of Relief Therapeutics SA form part of management of the reorganised Group and are employed within the Group. In 2015, Relief Therapeutics SA did not have any personnel.

19 Other general and administrative expense

TCHF	2016	2015
Office expense	66	4
Accounting, legal and consulting expense (i)	774	-
Travel expense	22	-
IT expense	43	2
Marketing expense	40	-
Other operating expense	58	1
Total general and administrative expense	**1'003**	**7**

(i) These expenses relate mainly to transaction costs in relation to the business acquisition (refer to notes 1 and 5).

20 Financial income/ (expenses)

TCHF	2016	2015
Interest expense	(3)	-
Bank charges	(17)	-
GEM Fee (i)	(300)	
Foreign currency exchange losses	(104)	-
Other finance expense	(4)	-
Total finance expense	**(428)**	**-**
Foreign curreny exchange gains	99	-
Other finance income	4	-
Total finance income	**103**	**-**

(I) Cost in relation to the set-up of the SSF provided by GEM.

21 Income taxes

21.1 Income tax recognised in profit or loss

TCHF	2016	2015
CURRENT TAX		
Current tax expense for the current year	15	-
Adjustments in relation to the current tax of prior years	5	-
	20	**-**
DEFERRED TAX		
Deferred tax (income)/expense recognised in the current year		-
Write-down of deferred tax assets		-
	-	-
Total income tax expense recognised in the current year	**20**	**-**

The following table provides reconciliation between income tax expense recognised for the year and the tax calculated by applying the applicable tax rates on accounting profit:

TCHF	2016	2015
Gain/(loss) before tax	(16'814)	(81)
Income tax income calculated at 21.0 % (2015: 23.7 %)	(3'531)	(19)
Unrecognised deferred tax assets during the year	3'714	19
Adjustments in relation to prior years	5	
Effect of income that is exempt from taxation	(195)	
Effect of net expenses that are not deductible in determining taxable profit	27	-
Total income tax expense recognised in profit or loss	**20**	**-**

The weighted average applicable tax rate of the Group is 21.0% (2015: 23.7%; tax rate of RTSA) which is equal to the tax rate of the Company.

21.2 Income tax recognised in other comprehensive income

Due to the ongoing loss situation in the respective subsidiaries, no deferred tax assets were recognised in relation to the items recognised through other comprehensive income.

21.3 Deferred tax balances

2016 TCHF	Opening balance	Recognised in profit or loss	Acquired through business combination	Closing balance
Total deferred tax assets	**-**	**-**	**-**	**-**
Intangible assets	-	-	6'468	**6'468**
Total deferred tax liabilities	**-**	**-**	**6'468**	**6'468**

In 2015, there were no deferred tax balances.

The remaining deferred tax liabilities will be reversed over the residual life of the intangibles as they are depreciated.

21.4 Unrecognised deferred tax assets

In accordance with IAS 12, the Company did not capitalize any deferred tax asset relating to tax loss carry-forwards since the criteria for recognition (i.e. the probability of future taxable profits) are not met. The gross value of unused tax losses which have not been capitalized as deferred tax asset will expire as follows:

TCHF	2016	2015
Within one year	22'649	-
Later than one year and not later than five years	42'129	35
More than five years	42'728	58
Total tax losses carried forward	**107'506**	**93**

There are no other unrecognised deferred tax assets.

22 Share-based payments

In 2012, the Company implemented an Equity Award Program ("EAP") to grant share options to members of the BoD and selected employees. The EAP allows the allocation of up to 12'161'926 stock options, out of the 164'413'515 available for such purpose under the conditional share capital (see note 12.3). Each option gives the right to purchase at par value one ordinary share of the Company. The share options are conditional on the employee's service period, i.e. the vesting periods of the options are 0 to 3.5 years from the grant date. The share options vest immediately in the case of a change in control of the Company.

As a result of the reverse acquisition (note 5), the Group took over the 83'836'483 share options already issued and fully vested. In September 2016, several employees of the Group received a total of 3 million share options as a bonus payment. The following table reconciles the share options outstanding at the beginning and end of the year:

TCHF	2016	2015
At beginning of the year	**-**	**-**
Acquired through business combination	83'836'483	-
Granted	3'000'000	-
Exercised	(10'000'000)	-
At end of the year	**76'836'483**	**-**

The share price at the date of exercise of the 10 million options was CHF 0.05.

Share options outstanding at the end of the year 2016 and 2015 have the following expiry dates:

	31 December 2016	31 December 2015
EXPIRY DATE		
September 2018	1'749'286	-
April 2019	560'000	-
March 2020	1'420'000	-
September 2020	7'040'000	-
January 2021	49'167'197	-
April 2021	900'000	-
July 2021	13'000'000	-
September 2021	3'000'000	-
	76'836'483	**-**
Weighted average remaining contractual life in months	49	-

The 76’836’483 share options at year end were totally exercisable as per 31 December 2016. The exercise prices range from CHF 0.01 to CHF 0.06.

The fair values of the options at the grant date have been assessed using the Black-Scholes valuation model and recognised in the period in which the option were granted as they vested immediately. The weighted average fair value of options granted in 2016 was CHF 0.031 per option. The significant inputs into the model were share price of CHF 0.04 at grant date, exercise price of CHF 0.01, volatility of 62% and average risk-free interest rate (0.68)%.

The expected life of the options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

23 Earnings per share

TCHF	2016	2015
Loss for the year attributable to the equity holders of the Parent Company	(16'834)	(81)
Weighted average number of shares for the purposes of EPS	1'265'770'669	586'500'000
Basic and diluted earnings per share (in CHF)	**(0.013)**	**(0.000)**

Basic and diluted losses per shares are calculated by dividing the net loss attributable to the shareholders by the weighted average shares outstanding during the period (including any convertible loans which are mandatorily convertible into shares). In 2016 and 2015, the number of shares outstanding varied as a result of different transactions on the share capital structure of the Company (see note 12 for more details).

The options granted as part of the EAP (refer to note 22 for further details) have not been considered in the calculation of the diluted loss per share as their effect is anti-dilutive.

24 Financial instruments

24.1 Capital risk management

The Group’s objectives when managing capital (defined as “equity attributable to the Company’s shareholders”) are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The available funds rose in various private financing rounds, as well as the public placements executed since the listing of the Company on the Swiss Stock Exchange in 2009. In addition, funds have been generated through revenues/milestones (until 2010) and sale of non-core assets. In order to maintain or adjust the capital structure, the Group may issue new or own shares.

In December 2015, the Company signed a CHF 25 million share subscription facility (SSF) with GEM Global Yield Fund LLC (GEM). The SSF gives RTH the right, but not the obligation, for a period of up to 36 months, to issue and sell up to CHF 25 million of its shares to GEM. GEM will acquire ordinary registered shares of RTH upon the Company’s exercise of draw-down notices. Each draw-down is conditional upon trading volumes and share prices. Specifically, a draw down cannot exceed 700% of the average trading volume during the 15 trading days immediately preceding the date of a draw-down. The purchase price per share is 90% of the closing bid price for a RTH share during the 15 trading days immediately following a draw-down notice. Until 31 December 2016 there have been no draw-downs of the SSF. Refer to note 29 for draw-downs subsequent to 31 December 2016.

24.2 Categories of financial instruments

31 December 2016 TCHF	At fair value through profit or loss	At fair value through OCI	Loans and receivables	Financial liabilities at amortised cost	Total
Trade receivables	-	-	2	-	**2**
Other current assets and receivables	-	-	45	-	**45**
Cash and cash equivalents	-	-	394	-	**394**
Total financial assets	**-**	**-**	**441**	**-**	**441**
Trade payables	-	-	-	383	**383**
Liabilities due to related parties				878	**878**
Other current payables and liabilities	-	-	-	295	**295**
Total financial liabilities	**-**	**-**	**-**	**1'556**	**1'556**

At 31 December 2015, the only financial assets of the Group were “cash and cash equivalents” of TCHF 13 (1 January 2015: TCHF 40) which are categorised as “loans and receivables”.

At 31 December 2015, the only financial liabilities of the Group were “other liabilities” of TCHF 66 (1 January 2015: TCHF 12) which are categorised as “financial liabilities at amortised cost”.

The carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

24.3 Financial risk management

Except for some liquidity risk in relation to the financial liabilities, the Company is not exposed to any significant financial risks such as credit risk, liquidity risk or market risk (including interest-rate and currency risk). Counterparty risk is also minimized by ensuring that all financial assets are placed with a well-known private bank in Switzerland

<u>Liquidity risk</u>

All financial liabilities are due within the next 3 months and are non-interest bearing except for the liabilities due to related parties (refer to note 14 further details.

24.4 Fair value measurement

At 31 December 2016 as well as 31 December 2015, there were no assets or liabilities measured at fair value.

For all other financial assets and liabilities their carrying amount at amortised cost approximates fair value.

25 Related party transactions

25.1 Compensation for executive management

TCHF	2016	2015
Fees, salaries and other short-term employee benefits	789'461	-
Post-employment benefits	117'463	-
Share-based compensation	267'500	-
Total compensation for executive management	**1'174'424**	**-**

25.2 Compensation for members of the board of directors

TCHF	2016	2015
For serving as board members	-	-
Share-based compensation	147'000	-
Total compensation for members of the board of directors	**147'000**	**-**

During 2016 and 2015 the members of the Board of Directors did not receive any fees. However, their incurred expenses for travelling and accommodation in relation to the Company were reimbursed. There have been no other related party transactions in the financial periods 2016 and 2015.

The above amounts show the remuneration of the legal group for the entire year and are therefore higher than the personnel expense shown in the statement of comprehensive income. The disclosures required by the Swiss Code of Obligations on Board and Executive committee compensation are shown in the compensation report.

25.3 Related party balances and transactions

Balances and transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The liabilities due to Therametrics CSS, Italy, a company owned by one of the major shareholders, as well as the liabilities due to the shareholder GEM are the only related party balance as at 31 December 2016 (2015: none). For further details refer to note 14.

26 Operating lease arrangements

Description of leasing arrangements

Operating leases mainly relate to leased office spaces and car parks in Zurich and Geneva. Total lease expense in 2016 was TCHF 57 (2015: none)

Non-cancellable operating lease commitments

TCHF	2016	2015
Within one year	49	-
Total compensation for members of the board of directors	**49**	**-**

27 Non-cash transactions

During the current year, the Group did not enter into any significant non-cash investing and financing activities which are not reflected in the consolidated statement of cash flow except for the reverse acquisition of RTSA (refer to note 5 for further details).

28 Contingent liabilities

CRO sale

The contract for the sale of the Company's major CRO subsidiaries, dated 15 June 2016, contains representation and warranties, as well as clauses for working capital true-ups. The buyer brought up a working capital true-up claim relating to various items in a total amount of approximately CHF 0.8 million, whereas the Company brought up a counter claim of approximately CHF 1.9 million relating to a specific matter. In accordance with the accounting policies, the Company has on one side recorded an accrual for those items claimed where the likelihood of a future cash outflow is more likely than not with the residual amount only being considered contingent liabilities. On the other side, the counter claim is only disclosed as a contingent asset as the future cash inflow is not virtually certain.

29 Subsequent events

Capital increase and issuance of warrants

On 21 March 2017, the share capital was increased by CHF 500'000 by issuing 50 million shares at nominal value of CHF 0.01. The share capital increase was paid in cash.

SSF draw downs

On 6 January 2017, the SSF was drawn-down by 7.5 million ordinary shares at a share price of CHF 0.02. On 8 March 2017, there was a further draw-down of 20 million ordinary shares at a share price of CHF 0.01.

Other than the events mentioned above, there have been no significant subsequent events since 31 December 2016.

30 Approval of financial statements

These consolidated financial statements were approved by the Board of Directors on 28 April 2017, subject to approval of the annual shareholders' meeting on 30 May 2017.

RELIEF THERAPEUTICS Holding AG

Zurich

Report of the statutory auditor to the General Meeting

on the consolidated financial statements 2016

pwc

Report of the statutory auditor

to the General Meeting of RELIEF THERAPEUTICS Holding AG

Zurich

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of RELIEF THERAPEUTICS Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 22 to 47) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

The accompanying financial statements have been prepared assuming that the Group will continue as a going concern. We draw your attention to note 4.1 to the consolidated financial statements, paragraph “Going Concern”, which states that the Group is dependent upon external funding as well as a successful completion of the out-licensing of some of its medicinal product candidates (MPCs). This, along with other matters as described in note 4.1, indicates the existence of a material uncertainty which may cast significant doubt about the ability of the company to continue as a going concern. Our opinion is not qualified in respect of this matter.

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, www.pwc.ch

Our audit approach

Overview

Overall Group materiality: CHF 150'000 which represents 0.5% of total assets.

We concluded full scope audit work at one reporting unit in Switzerland and performed specified audit procedures on a further two units in Switzerland. Our audit scope addressed over 95% of the Group's assets and over 87% of the operating expenses.

As key audit matters the following areas of focus have been identified:

- Accounting for the acquisition of Relief Therapeutics SA (Business Combination)
- Assessment of potential impairments of intangible assets (CHF 30.8 mio)

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is structured in one reportable segment being the drug development and discovery business. The Group financial statements are a consolidation of 6 reporting units, comprising the Group's operating business and centralised functions. Two reporting units, one in the USA and one in Hungary, are dormant and/or in liquidation. The Group currently operates only in Switzerland. We concluded full scope audit work at the main reporting unit in Switzerland and performed specified audit procedures on a further two units in Switzerland. Our audit scope addressed over 95% of the Group's assets and over 87% of the operating expenses.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	CHF 150'000
How we determined it	0.5% of total assets
Rationale for the materiality benchmark applied	We applied this benchmark because, in our view, it is a benchmark which is commonly used in a start-up type environment where, for the investors, reported results are less critical than scientific progress, and is a generally accepted benchmark.

We agreed with Management and the Board of Directors that we would report to them misstatements identified during our audit above CHF 7'500 as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material uncertainty related to going concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Accounting for the acquisition of Relief Therapeutics SA (Business Combination)

Key audit matter	*How our audit addressed the key audit matter*
Refer to notes 1 and 5 and page 27 and 35-36 of the annual report. During the year Relief Group (former THERAMetrics) entered into a significant transaction with Relief Therapeutics SA. The acquisition of Relief Therapeutics SA, which was accounted for as a reverse takeover, resulted in fair value of consideration transferred of CHF 36.985 million, of which CHF 22.429 million was allocated to separately net identifiable assets acquired and CHF 14.556 million was allocated to goodwill. Subsequent to the acquisition, the goodwill was tested for impairment which resulted in an impairment expense for the full amount of goodwill during the year based on the future expected benefits attributable to the CGU. Management exercised significant judgement in the determination of the acquirer, the acquisition date and the purchase price allocation (PPA). Key judgements in the PPA included the identification of separately identifiable intangible assets and the determination of the fair value of acquired assets and liabilities. We focused on this area as the judgement exercised by management on the acquirer, the acquisition date and the identification and valuation of	With regard to management's determination of the acquirer being Relief Therapeutics SA ("RTSA") we have read and assessed the terms of the combination agreement, reviewed the exchange ratio and the composition of the post-merger Board of Directors and Executive Board. This allowed us to evaluate which party has factually obtained control and is thus to be seen as the accounting acquirer. We obtained the Group's assessment of the valuation and identification of assets acquired as part of the reverse takeover. This assessment was performed together with an external valuation expert. As part of our audit procedures we evaluated the' assumptions with reference to the Group's accounting policies by: - reading the executed sale and purchase agreement; - evaluating the independence, objectivity and competence of the valuation experts that the board of directors engaged to assist them in the valuation process by confirming they are qualified and affiliated with an appropriate industry body; - using internal valuation specialists to independently assess the models and assumptions.

assets and liabilities acquired significantly impacts the current balance sheet and income statement.	This assessment included consideration of third party sources to challenge management's main assumptions on the conditions of the potential out-licensing, the royalties on revenue potential and the discount rate. In addition we performed our own sensitivity analysis around the key estimates to ascertain the extent of change in those assumptions that either individually or collectively would be required for goodwill to be impaired, - assessing the main assumptions, and ensuring these are consistent with our understanding of the assets acquired and with accounting standards. To assess the completeness and challenge the assumptions underpinning the valuations of the fair value of the identified assets and liabilities as well as to evaluate the adequacy of the disclosures in the Group's financial statements we examined the acquiree's financial records and reviewed meeting minutes, significant contracts and relevant agreements. As a result of our procedures, as discussed with the Board of Directors, we determined that the conclusions reached by management with regard to the acquisition accounting, the impairment of goodwill and the related disclosures were reasonable and supportable.

Assessment of potential impairments of intangible assets (CHF 30.8 million)

Key audit matter	*How our audit addressed the key audit matter*
Refer to note 4.2 page 35 'critical accounting estimates' and note 8 page 37 'intangible assets' of the annual report. Intangible assets mainly resulted from the reverse takeover as described above. We focussed on their impairment reviews because the assumptions used to support the intangible assets value involve significant judgment on both, the probability of success of the development, plus the achievement of regulatory approval across indications, and the probability of success of the resulting product launches and market size. We evaluated and challenged management's assumptions (as described on page 37 of the financial statements) both individually and collectively.	We obtained the Group's carrying value calculations and assessed the key assumptions. Management have followed a documented process for drawing up future cash flow forecasts, which includes the involvement of external specialists and is subject to oversight and considerations by the Board of Directors. With the support of our valuation specialists we considered third party sources to challenge management's main assumptions and assess the risk of impairment, in line with the work performed in accessing the acquisition accounting described above. We discussed and challenged management's assumptions and evaluated the independence, objectivity and competence of the valuation experts that the board of directors engaged to assist them in

the valuation process by confirming they are qualified and affiliated with an appropriate industry body.

As a result of our procedures we consider the valuation appropriate We found that the assessment made by management were based upon reasonable assumptions, consistently applied.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of RELIEF THERAPEUTICS Holding AG and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Daniel Anliker
Audit expert
Auditor in charge

Christian Jäger
Audit expert

Zurich, 28 April 2017

Enclosure:

- Consolidated financial statements (consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes)

Relief Therapeutics Holding AG

Financial Statements 2016

Relief Therapeutics Holding AG

Balance sheet as of 31 December 2016 and 2015

(in CHF)

	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Cash and cash equivalents		350'792	292'688
Other receivables - third parties		113'374	55'800
Prepaid expenses		17'320	47'754
Current assets		**481'486**	**396'242**
Tangible assets		-	9'252
Investments in subsidiaries	3	44'000'000	2'500'000
Non-current assets		**44'000'000**	**2'509'252**
Total assets		**44'481'486**	**2'905'494**
LIABILITIES and EQUITY			
Other payables - third parties		319'274	156'583
Other payables - group companies		-	173'267
Other payables - related parties		877'711	2'225'916
Other short term liabilities - group companies		-	2'987'337
Accrued expenses		125'933	505'168
Current liabilities		**1'322'917**	**6'048'272**
Share capital		19'466'275	6'547'837
General reserves		117'299'374	76'572'541
thereof capital contribution reserves		*117'282'869*	*76'556'036*
thereof other general reserves		*16'505*	*16'505*
Accumulated losses		(93'607'079)	(86'263'156)
loss carried forward		*(86'263'156)*	*(53'022'346)*
result of the period		*(7'343'923)*	*(33'240'810)*
Total shareholders' equity	4	**43'158'570**	**(3'142'778)**
Total equity and liabilities		**44'481'487**	**2'905'493**

Relief Therapeutics Holding AG

Income statement for the years ended 31 December 2016 and 2015

(in CHF)

	Note	31 Dec 2016	31 Dec 2015
Revenues		253'573	396'113
Costs for services		(2'100'893)	(2'885'877)
Personnel expenses		(316'314)	208'252
EBITDA		**(2'163'634)**	**(2'281'512)**
Depreciation and amortisation expenses		(9'252)	(21'233'180)
Impairment on loans to group companies	8	(1'840'185)	(9'252'278)
Impairment on investments	3.1	(4'381'976)	(1'328'118)
Operating result		**(8'395'047)**	**(34'095'088)**
Financial income	9	691'660	1'260'858
Financial expense	9	(401'179)	(21'285)
Net exchange differences		(65'573)	(391'521)
Net gain on sale of investments	10	676'698	-
Extraordinary income	11	156'222	39'616
Extraordinary expenses	11	-	(33'237)
Result before income taxes		**(7'337'218)**	**(33'240'656)**
Tax expenses		(6'705)	(155)
Result of the period		**(7'343'923)**	**(33'240'810)**

Notes to the financial statements
(All amounts in CHF)

1 General information

RELIEF THERAPEUTICS Holding AG ("Relief" or "the Company") (formerly THERAMetrics holding AG or "THERAMetrics") is a Swiss stock corporation listed on the SIX Swiss Exchange whose registered office is Splügenstrasse 10, 8002 Zurich, Switzerland.

On 14 July 2016, the Company acquired Relief Therapeutics SA (RTSA) of Geneva, changed its name from THERAMetrics holding AG to RELIEF THERAPEUTICS Holding AG, and moved its legal seat from Stans to Zurich.

The newly combined Group is focussed on the development and/or licensing of its portfolio of medicinal products candidates (MPCs). Its two most promising MPCs are aviptadil (for respiratory indications such as sarcoidosis and pulmonary hypertension) and atexakin alfa (for treatment of diabetic neuropathy).

Previously, as THERAMetrics, the Company was the parent of a global contract research organization (CRO) which offered technological services and solutions to life sciences and pharmaceutical companies through the entire value chain of drug discovery and development. On 15 June 2016, the Company sold its significant CRO subsidiaries with an effective date of 31 May 2016. The Company's smaller CRO subsidiaries have been closed and are in the process of being liquidated.

RELIEF THERAPEUTICS Holding AG is presenting consolidated financial statements in accordance with a recognized accounting standard (IFRS). As a result, these financial statements and notes do not include additional disclosures, cash flow statement, audit fees and management report.

2 Significant accounting policies

2.1 Basis of preparation of the financial statements

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements as well as the reported amounts of expenses during the reporting period. Although these estimates are based on the management's best knowledge, actual results may ultimately differ from those estimates. The financial statements have been prepared on a going concern basis (for further details refer to note 2.2).

Investments in subsidiaries

Investments in subsidiaries are recorded at their acquisition cost less adjustments for impairment of value. The acquisition cost includes charges and expenses in connection with the acquisition. The company evaluates its investments in subsidiaries for impairment at least annually and when it identifies indicators that the carrying amount of such assets exceeds the fair value.

Loans to subsidiaries

Loans to subsidiaries are carried at original nominal value less adjustments for impairment of value. A provision for impairment is recorded when there is objective evidence that the Company will not be able to collect the amounts due.

Cash

Cash balances, denominated in Swiss francs, EURO and USD, include cash deposited in demand bank accounts and interest earned on such cash balances.

Other assets and liabilities

Unless otherwise stated, all other assets and liabilities are stated at their nominal values.

Treasury shares

Treasury shares are recognized at acquisition cost and deducted from shareholders' equity at the time of acquisition. In case of a resale, the gain or loss is recognized through the income statement as financial income or financial expense.

Net exchange difference

Current assets and current liabilities denominated in foreign currencies are converted at year-end exchange rates. Realized exchange gains and losses as well as all unrealized exchange losses arising from these as well as those from business transactions are recorded as net exchange differences.

2.2 Going Concern

Although the Company sold its loss making CRO business (as described in Note 1 to these financial statements) its long-term liquidity is not yet secured. With no current source of revenue, the company must rely on its current cash balance and further fund raising efforts in order to finance its continuing operations for the next year.

Cost savings measures have already been taken and the Company is now operating with a minimum level of fixed costs. In order to provide a future stream of income as well as an immediate boost to its cash position, management is currently negotiating with multiple interested parties for the licensing out of some of its MPCs. Management expects to conclude these negotiations in the coming months and, in doing so, expects to generate sufficient cash to secure the viability of the Company. Cash from such license agreements is expected to come in the combined form of up-front payments, milestone payments, and future royalty fees. Finally, management will continue its efforts to raise cash through traditional financing methods such as the issuance of debt and equity instruments – including the use of a share subscription facility it has with a major shareholder, GEM Global Yield Fund LLC SCS.

Although management is confident that its fund-raising efforts will be sufficient to fund the Company's operations for the foreseeable future, there remains a risk that it might not. In such a case, there would be significant doubt about the Company's ability to continue as a going concern and, as such, there exists a material uncertainty at present.

Because management is confident that its plan will succeed, and that the liquidity of the Company will be thereafter secured, these financial statements have been prepared on the going concern basis.

3 Investments in subsidiaries

	2016	2015
Investment in subsidiaries	49'339'963	11'148'118
Accumulated Impairment charges	(5'339'963)	(8'648'118)
	44'000'000	**2'500'000**

The table below shows the unlisted companies which belong to Relief Therapeutics Holding AG as of 31 December 2016:

Company	Domicile	Share capital	Shareholder	% owned
Relief Therapeutics SA	Geneva (CH)	CHF 208'163	Relief Therapeutics Holding AG	100%
THERAMetrics Discovery AG	Stans (CH)	CHF 338'364	Relief Therapeutics Holding AG	100%
THERAMetrics Switzerland GmbH	Zurich (CH)	CHF 20'000	Relief Therapeutics Holding AG	100%
THERAMetrics Inc. (1)	Wayne, PA (US)	USD 0	Relief Therapeutics Holding AG	100%
Pierrel Research Hungary Kft (1)	Budapest (H)	EUR 46'000	Relief Therapeutics Holding AG	100%

(1) These companies are in the process of being liquidated.

3.1 Impairment of investment

2016

In consideration of the operating loss in 2016 as well as the delays in the development of "atexakin alfa", the Company considered that there are indications of impairment of non-current assets and therefore has carried out an impairment test on its investment in Relief Therapeutics SA which mainly includes the development drug "atexakin alfa".

The valuation was done using a best-practice pharma compound valuation model, which is a risk adjusted discounted cash flow model (value in use valuation). A discount rate of 17% was used for this valuation due to the venture capital character of such a development program. For revenue based on sales from the self-developed drug program, the expected revenue was forecasted for the entire expected life cycle of the product. The key assumptions used in the best-practice pharma compound valuation include a period required to commercialize the development program in order to have cash inflows. The sales related cash flows are based on market analysis performed by a third party. The period over which management has projected cash flows is greater than five years as based on comparable market data and information the development and commercialization of the compound will take significantly longer.

The impairment test resulted in an impairment charge on the investment in Relief Therapeutics SA of CHF 3'877'490.

Further, the residual investments were fully impaired at the total amount of CHF 504'486 as they are in the process of being liquidated and/or their future use for the Company remains uncertain.

2015

In light of the planned disposal of the CRO business, an impairment loss on the investment in the CRO entities in the amount of CHF 1'328'118 was recognized in 2015.

4 Shareholders' equity

	Share capital	General reserves	Accumulated losses	Total shareholders' equity
Equity at 1 January 2015	6'546'437	76'572'541	(53'022'346)	30'096'632
Capital increases, net of transaction costs	1'400			1'400
Net result for the period			(33'240'810)	(33'240'810)
Equity at 31 December 2015	**6'547'837**	**76'572'541**	**(86'263'156)**	**(3'142'778)**
Capital increase related to business combination	11'969'372	35'908'119		47'877'491
Capital increase from conversion of convertible bonds	849'065	2'547'194		3'396'259
Capital increase related to stock option activity	100'000	300'000		400'000
Capital increase from a shareholder cash contribution		1'971'520		1'971'520
Net result for the period			(7'343'923)	(7'343'923)
Equity at 31 December 2016	**19'466'274**	**117'299'374**	**(93'607'079)**	**43'158'569**

Issued share capital

At 31 December 2016, issued share capital is CHF 19'466'274, consisting of 1'946'627'375 registered shares with a par value of CHF 0.01.

At 31 December 2015, issued share capital is CHF 6'547'837, consisting of 654'783'652 registered shares with a par value of CHF 0.01

Authorized share capital

At 31 December 2016, the Company had authorized share capital of CHF 9'250'000 consisting of 925'000'000 registered shares with a par value of CHF 0.01 each, that the Board of Directors is authorized to issue at any time until 25 May 2018.

At 31 December 2015, the Company had authorized share capital of CHF 1'980'000 consisting of 198'000'000 registered shares with a par value of CHF 0.01 each.

Conditional share capital

Conditional share capital of the Company consists of three elements:

As of 31 December 2016, CHF 2'500'000 (2015: CHF 92'194), consisting of 250'000'000 shares (2015: 9'219'491 shares) with a par value of CHF 0.01 each, can be used for granting options to employees, members of the Board of Directors, and consultants

As of 31 December 2016 and 2015, an additional CHF 250'000, consisting of 25'000'000 shares with a par value of CHF 0.01 each, can be used for granting options to employees and members of the Board of Directors.

As of 31 December 2016, CHF 6'500'000 (2015: CHF 2'920'000), consisting of 650'000'000 shares (2015: 292'000'000 shares) with a par value of CHF 0.01 each, can be used for the exercise of conversion option rights granted in connection with bonds, notes or similar debt instruments issued by the Company.

The Company has two stock option plans for its employees, board members, and consultants whereby each option gives its holder the right to purchase one of the Company's common shares at a pre-determined price. When options are exercised, the related shares are issued from the Company's conditional capital. Option grants are proposed by the Company's Nomination & Compensation Committee and approved by the Board of Directors.

One stock option plan is from 2011 and exists only to cover options still outstanding under it. The second plan was established in 2015. All future stock option grants will be issued under the 2015 plan.

As of 31 December 2016, there were 76'836'485 options outstanding, all of which are fully vested. During 2016, 10 million options were exercised.

Treasury shares

	2016		2015	
	Shares	CHF	Shares	CHF
At beginning of period	20'841'131		0	
Purchase	0		38'500'000	1
Sale	20'841'131	640'815	17'658'869	1'020'582
At end of period	-		20'841'131	

In July 2015, the Company acquired from its two largest shareholders a total of 38'500'000 of its own shares for the symbolic price of one CHF and by 31 December 2015 had sold 17'658'869, at market price. The remaining shares were sold in 2016, also at market price.

5 Significant shareholders

The following significant shareholders as defined by Art. 663c of the Swiss Code of Obligations, holding more than 5% of the common shares of the Company, are recorded in the share register or have disclosed their shareholdings to the Company:

- Chris Brown, NY, USA through GEM Global Yield Fund LLC SCS, Luxembourg
- Raffaele Petrone, Pierluigi Petrone, Massimo Petrone, Carmine Petrone, and Fernanda Parisi, through Fin Posillipo S.p.A., Naples, Italy
- Gael Hedou through Django Trading Sarl, Yverdon, Switzerland
- Michel Dreano, Collonges sous Salève, France
- Yves Sagot, Beaumont, France
- Pierrel S.p.A., Capua, Italy

Summary of shareholders	2016		2015	
	Number of shares	%	Number of shares	%
GEM Global Yield Fund LLC SCS	610'437'250	31.4%	0	
Fin Posillipo SpA	286'780'649	14.7%	200'237'756	30.6%
Django Trading Sarl	195'500'000	10.0%	0	
Michel Dreano	195'500'000	10.0%	0	
Yves Sagot	195'500'000	10.0%	0	
Pierrel SpA	179'372'543	9.2%	180'135'833	27.5%
	1'663'090'442	85.4%	380'373'589	58.1%
Others	283'536'933	14.6%	274'410'063	41.9%
	1'946'627'375	100.0%	**654'783'652**	100.0%

6 Equity instrument disclosure of Board of Directors and Executive Management

The following tables show the total shares and options owned by Board of Directors, Executive Management and persons closely linked to them (i.e. their spouse, their children below age 18, any legal entity they own or otherwise control and any legal or natural person who is acting as their fiduciary) as per 31 December 2016.

Shares held by members of the Board of Directors	Number of shares as of 31.12.2016	Number of shares as of 31.12.2015
Raffaele Petrone, Board Member and CEO	511'250	511'250
Shares held by Executive Management		
Gael Hedou	195'500'000	0
Michel Dreano	195'500'000	0
Yves Sagot	195'500'000	0
Dorian Bevec	186'506	186'506
Shares held by Related Parties		
Fin Posillipo SpA	286'780'649	209'389'206
Pierrel SpA	179'372'543	221'484'383

Options held by members of the Board of Directors	total as of 31.12.2016	total as of 31.12.2015
Raffaele Petrone, Vice-Chairman of the Board	6'922'240	1'000'000
Dr. Antonino Amato, member	200'000	-
Michael Keller, former member	2'920'416	140'000
Robert Patterson, former member	3'173'788	140'000
Fulvio Citaredo, former member	440'000	140'000
Claudio Palladini, former member	2'314'125	140'000

Options held by Executive Management	total as of 31.12.2016	total as of 31.12.2015
Raffaele Petrone, Chief Executive Officer	12'000'000	-
Timothy Snyder, Chief Financial Officer	14'000'000	2'000'000
Dorian Bevec, Chief Development Officer	1'013'494	1'013'494
Fulvio Citaredo, former General Manager	16'400'000	4'400'000

In addition, current borrowings of CHF 2.2 million at 31 December 2015 related to a fully-subordinated convertible loan granted by a shareholder. The loan was increased to CHF 3.3 million during the first half of 2016, then converted, along with accrued unpaid interest, to shares in July 2016.

7 Compensation

Regarding the compensation for members of the Board of Directors and the executive committee members please refer to the compensation report.

8 Impairment on loans to group companies

In 2016, loans to group companies were impaired as part of the sale of CRO business as well as due to the further restructuring of the Group.

9 Financial income and expense

Financial income	2016	2015
Interest on bank accounts	0	101
Interest on intercompany loans	50'845	240'175
Gain on sale of treasury shares	640'815	1'020'582
	691'660	1'260'858

Financial expense	2016	2015
SSF origination fee	300'480	0
Interest on convertible loan	78'934	0
Bank fees and other	21'765	21'285
	401'179	21'285

10 Disposal of CRO business

On 15 June 2016, the Company sold its largest CRO subsidiaries to Accelovance, Inc.. As part of the transaction, Accelovance also assumed management of the Company's clinical programs in the United States and took over outstanding trade payables totalling CHF 1.18 million of TMX's U.S. operating subsidiary. In a separate but contemporaneous transaction, Fin Posillipo S.p.A., a major shareholder of the Company, assumed the Company's existing bank debt with Banca Popolare di Milano in exchange for Accelovance shares the Company received under the transaction. The entire transaction resulted in a loss of CHF 289'245.

In a separate but contemporaneous transaction, Fin Posillipo acquired Relief's manufacturing and logistics subsidiary THERAMetrics CSS S.r.l. for CHF 1.1 million in cash, resulting in a gain on the sale of CHF 965'943.

11 Extraordinary expenses and income

Extraordinary income	2016	2015
Reversal of accrual from prior year	109'237	24'900
Gain on write-off of intercompany loans	46'985	0
Gain on sale of assets	0	9'259
Various	0	5'457
	156'222	39'616

Extraordinary expense	2016	2015
Final invoice for VAT audit 2010-2014	0	33'237
	0	33'237

12 Contingent liabilities

CRO sale

The contract for the sale of the Company's major CRO subsidiaries, dated 15 June 2016, contains representation and warranties, as well as clauses for working capital true-ups, which could result in additional financial claims being made against the Company. Since the likelihood of such claims cannot be estimated or measured, there is no provision for such claims as at 31 December 2016. The buyer brought up a working capital true-up claim relating to various items in a total amount of approximately CHF 0.8 million, whereas the Company brought up a counter claim of approximately CHF 1.9 million relating to a specific matter. In accordance with the accounting policies, the Company has on one side recorded an accrual for those items claimed where the likelihood of a future cash outflow is more likely than not with the residual amount only being considered contingent liabilities. On the other side, the counter claim is only disclosed as a contingent asset as the future cash inflow is not virtually certain.

13 Accumulated losses

To preserve the possibility to use the capital contribution reserves for future distribution to shareholders free of withholding tax the accumulated loss of CHF 98’607’079 as per 31 December 2016 will be carried forward.

14 Full-time equivalents

The average number of employees during 2016 (in full-time positions) was less than 10.

15 Significant events after the balance sheet date

Capital increase and issuance of warrants

On 21 March 2017, the share capital was increased by CHF 500’000 by issuing 50 million shares at nominal value of CHF 0.01. The share capital increase was paid in cash.

SSF draw downs

On 6 January 2017, the SSF was drawn-down by 7.5 million ordinary shares at a share price of CHF 0.02. On 8 March 2017, there was a further draw-down of 20 million ordinary shares at a share price of CHF 0.01.

16 Approval of financial statements

These statutory financial statements were approved by the Board of Directors on 28 April 2017, subject to approval of the annual shareholders’ meeting on 30 May 2017.

RELIEF THERAPEUTICS Holding AG

Zurich

Report of the statutory auditor to the General Meeting

on the financial statements 2016

Report of the statutory auditor

to the General Meeting of RELIEF THERAPEUTICS Holding AG

Zurich

Report on the audit of the financial statements

Opinion

We have audited the financial statements of RELIEF THERAPEUTICS Holding AG, which comprise the balance sheet as at 31 December 2016, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 56 to 65) as at 31 December 2016 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. We draw your attention to note 2 to the financial statements, paragraph 2 "Going Concern", which states that the Company is dependent on external funding as well as a successful completion of the out-licensing of some of its medicinal product candidates (MPCs). This, along with other matters as described in note 2, indicates the existence of a material uncertainty which may cast significant doubt about the ability of the company to continue as a going concern. If it is not possible for the company to continue as a going concern, the financial statements will need to be prepared on the basis of liquidation values. This would lead to a substantiated concern that the Company's liabilities exceed its assets within the meaning of article 725 para. 2 CO, requiring compliance with the corresponding legal provisions. Our opinion is not qualified in respect of this matter.

Our audit approach

Overview	Overall materiality: CHF 120'000 which represents 0.3% of total assets We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zurich, Switzerland
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, www.pwc.ch

as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

- Valuation of investments in subsidiaries

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	CHF 120'000
How we determined it	0.3% of total assets
Rationale for the materiality benchmark applied	We applied this benchmark because, in our view, it is a benchmark which is commonly used in a start-up type environment where, for the investors, reported results are less critical than scientific progress, and is a generally accepted benchmark.

We agreed with Management and the Board of Directors that we would report to them misstatements above CHF 6'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material uncertainty related to going concern" section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Valuation of investments in subsidiaries

Key audit matter	*How our audit addressed the key audit matter*
Refer to note 3 of the annual report. The Company's investment in the subsidiaries were carried at CHF 44 million as at 31 December 2016. The Group's investments in subsidiaries cosist of the investment in Relief Therapeutics SA which was acquired on 14 July 2016. There are significant judgements and estimates to be made in relation to the valuation of the investments. In particular, Relief Therapeutics SA is a clinical stage biotechnology company with a portfolio of drug candidates. Early stage technology companies inherently require sophisticated and unique approaches for determining their value. The valuation of products in development is challenging, as management is required to make judgements both as to the probability of success of the development plus the achievement of regulatory approval across indications, and the probability of success of the resulting product launches and market size.	We obtained the Group's carrying value calculations and assessed the key assumptions. Management had followed a clearly documented process for drawing up future cash flow forecasts, which included the involvement of external specialists and was subject to timely oversight and considerations by the Board of Directors. With the support of our valuation specialists we considered third party sources to challenge management's main assumptions on the conditions of the potential revenue and the discount rate. In addition we performed our own sensitivity analysis around the key estimates to ascertain the extent of change in those assumptions that either individually or collectively would be required for investments in subsidiaries to be impaired. We discussed and challenged management's assumptions and evaluated the independence, objectivity and competence of the valuation experts that the board of directors engaged to assist them in the valuation process by confirming they are qualified and affiliated with an appropriate industry body. As a result of our procedures we conclude that the valuation is reasonable.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved.

Further, we draw attention to the fact that half of the share capital and the legal reserves is no longer covered (article 725 para. 1 CO).

PricewaterhouseCoopers AG

Daniel Anliker

Audit expert
Auditor in charge

Christian Jäger

Audit expert

Zurich, 28 April 2017