

30th April 2019

Annual Report 2018



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Letter to the shareholders

Dear shareholders,

2018 constituted the first year materializing the novel strategy with which the members of the Board of Directors and of the Management intend to conduct Relief. The needed restructuring measures implemented in 2017 were consolidated in 2018 and helped stabilize the financial and structural situation of the group. The overall spending of the company were maintained to their very minimal amount and have been covered by not only investment but also real income. The strategy to collaborate with external partners to develop Relief's assets but also rejuvenate our company's pipeline is starting to pay off.

In particular, our most advance Medicinal Product Candidate ("MPC") aviptadil has received particular attention. The University of Freiburg with which Relief has signed a licensing agreement in 2017 is in the preparation of the clinical trial that will generate complementary data to those obtained by the phase II trial completed in 2009. In addition, new hope to make aviptadil MPC a real drug for the treatment of patients arose from the option on a future license granted to the UK-based privately-held company Seren Clinical ("Seren"). Under the current option, Seren will have the opportunity, provided that they fulfil several condition precedents, to acquire the rights to develop and commercialize the product in patients suffering from Sarcoidosis and Pulmonary Hypertension. The management has good hope that Seren will succeed and is committed to support their efforts in this direction.

Atexakin alfa remains a molecule with a significant potential in which management places its confidence. Based on internal research, Relief is keen to explore the whole potential of this molecule and to give it a chance to become a real drug to be provided to patients in need. Several options are being explored that aim at stimulating the development of the molecule towards a marketable therapeutic solution. It is highly workable that such investigation will enable to rejuvenate the Relief intellectual property portfolio related to this asset.

Finally, through privileged interactions that have been consolidated over the years, Relief has gained access to two new projects of particular interest and potential, from the privately held French company Genclis SA ("Genclis"). Genclis is a biotechnology company applying a mixed business model in which they have been able to fund the discovery of a new key and disruptive biological mechanism, called Transcription Infidelity ("TI"), that allows them to formulate and mature new prototypic biotechnological products as well as an extensive know how that Genclis uses to deliver services to external clients. TI is a natural mechanism by which living cells produce in tiny quantities, proteins that differ from the genetic sequence from which they arise. The resulting TI-proteins bear specific characteristics that may induce intense immune reaction which, in some cases, can culminate in allergic reactions. This understanding allows the design of new hypoallergenic products by removing the pro-allergenic TI-proteins. Relief has in-licensed from Genclis specific applications to generate new proprietary cow milk-derived product(s). Relief together with Genclis has further sub-licensed one application to the leader in the Chinese market of infants food formulas, Health and Happiness Group located in Hong-Kong ("H&H"). Under the terms of this agreement, Relief, Genclis and H&H are now actively collaborating to develop a cow milk formula for the prevention of milk allergy to be commercialized, if successful, by H&H. Relief intends to follow a similar route with the second product in-licensed from Genclis: artificial colostrum.

Despite these achievements Mr Hedou and Mr Dreano have decided on April 26, 2019 to leave the company under a friendly agreement under which they will maintain their support to the Group in order to ensure a smooth transition of all the projects and daily business activities until completion of the Annual General Meeting 2019. Both GEM and the Board of Directors are committed to rapidly appoint new manager(s) to restructure the Group Management Team around Mr. Sagot who has decided to maintain his position. GEM and the Board reiterate their commitment to support the financial and logistical needs of the Company to consolidate the return on investment to the Company shareholders and efficient treatments to patients.

We would like to warmly welcome new Relief's shareholders and thank all historical ones for their patience and renewed support. Finally, we praise Relief's employees and Board Members for their daily commitment in these difficult times, for their efforts and achievements to reach the elevated goal that the Company has to maintain in order to deliver new treatments to patients in need.

Further updates will be shared as they arrive and we look forward to welcoming you at our next Annual General Meeting.

Sincerely,

Raghuram Selvaraju
Chairman of the Board of Directors

Gael Hedou
Chief Executive Officer

Company Profile

1. Business overview

Relief Therapeutics Holding SA (“Relief”, the “Company”, the “Group”) is a company developing drugs via participation in active entities that have obtained intellectual properties through their own research activities or via in-licensing. Development activities of the Group focus primarily on clinical-stage projects based on molecules of natural origin (peptides and proteins) with a history of clinical testing and use in human patients or a strong scientific rationale. Currently, Relief is concentrating its efforts on developing new treatment solutions for indications related to diabetic complications, respiratory diseases.

In addition, with the recent acquisition of two programs from Genclis SA regarding the development of Hypoallergenic milk and artificial colostrum, Relief intends to widen its field of business by entering in well-defined segments of the large markets of allergy.

The Company was formed in June 2016 following the merger of Relief Therapeutics SA and THERAMetrics holding AG. Its legal seat is in Geneva Switzerland where all the Group’s activities are located.

2. Business activities

Current business activities are focused on preparing the development/out-licensing 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. Since the 1970s, a number of clinical phase I/II trials using systemic (by injection) and local (by inhalation) administration of aviptadil have been performed in humans. To circumvent the side effects observed with systemic delivery, aviptadil will be administered by inhalation as the route of administration for sarcoidosis patients, as inhaled drugs act quickly, minimize undesired negative side effects, avoid the hepatic first-pass metabolism, and act locally in the affected organ. Following a phase II trial in 20 sarcoidosis patients demonstrating a striking suppression of inflammatory mechanisms of the lung, in combination with amelioration of dry cough and of exertional dyspnea, following development phases are currently in preparation via external partners.

Atexakin alfa is a low-dosage formulation of interleukin-6 (IL-6) that has different functions in diverse tissues and organs. In the nervous system, 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. Relief 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 patients.

Recently Relief enlarged its field of interest through close collaboration with the privately held French company Genclis SA (“Genclis”). Genclis has discovered Transcription Infidelity (TI) that is an ubiquitous biological mechanism that explains the RNA-DNA sequence divergences (RDD) observed at a low frequency. TI was initially described and patented by Genclis SA and has since been confirmed by several independent academic teams. TI leads in particular to the elimination of one nucleotide in the transcribed RNA compared to its originating DNA sequence, causing translational frameshifts that have important consequences in determining protein immunogenicity. Based on this discovery, Genclis SA has identified that TI peptides from the few allergenic milk proteins are responsible for development of milk allergy. Relief has in-licensed the program by which selective elimination of milk allergic TI proteins may reduce milk allergy. Relief has since sublicensed this program to the Hong-Kong-based Health & Happiness Group, an active collaboration is ongoing with the aim to obtain an infant milk formula for commercialization.

In addition, based on the identification of TI proteins that preside over the building of the natural human immunological response, Genclis SA has developed methods to generate preparations of active antibodies from inactive biological fluids. Starting from whey, it would be possible to generate artificial colostrum that may have attractive biological activities. This program has also been in-licensed by Relief with the aim to collaborate with Genclis SA to further validate, scale up and ultimately sub-license the production process of artificial colostrum.

3. 2018 transformation

Business opportunity: in November 2017, Relief Therapeutics Holding SA finalized a non-commercial, development-focused agreement with the Department of Pneumology from the Medical Centre of the University of Freiburg, Germany to support the clinical development of Aviptadil in Sarcoidosis. The University of Freiburg is actively preparing the initiation of the corresponding clinical trial. In addition, Relief has signed in March 2018 an option agreement with the privately held company Seren Clinical Ltd which aim is to raise funds to support entry into a final licensing agreement with Relief to gain the rights of further developing Aviptadil for the treatment of Sarcoidosis.

In September 2018, Relief entered into a Sub-licensing and Development agreement with Health & Happiness Group to develop and commercialize an infant cow milk formula that could prevent milk, and potentially other, allergy.

Financial Review

1. Overview of consolidated financial results

Relief generated consolidated revenues from continuing operations of TCHF 565 for the year ended 31 December 2018, compared to TCHF 0 for the year ended 31 December 2017.

The company incurred a net loss of TCHF 436 for the year ended 31 December 2018 compared to a net loss of TCHF 2'887 for the year ended 31 December 2017. Basic and diluted loss per share for the same periods was CHF 0.000 and CHF 0.001, respectively.

Personnel expense was TCHF 346 for the year ended 31 December 2018 and TCHF 989 for the year ended 31 December 2017.

2. Risk assessment disclosure required by Swiss Law

Capital and financial risk management is described in more detail in Note 27 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 2018 to the members of the Board of Directors and of the Executive Committee of Relief Therapeutics Holding SA.

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. As detailed in the Organizational Rules of the Company, 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 2018 Annual General Meeting, Mr. Michel Dreano (Chairman) and Mr. Peter de Svastich 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.

In 2018, the NCC met once on 17 December.

1.2 Role of shareholders: say-on-pay vote

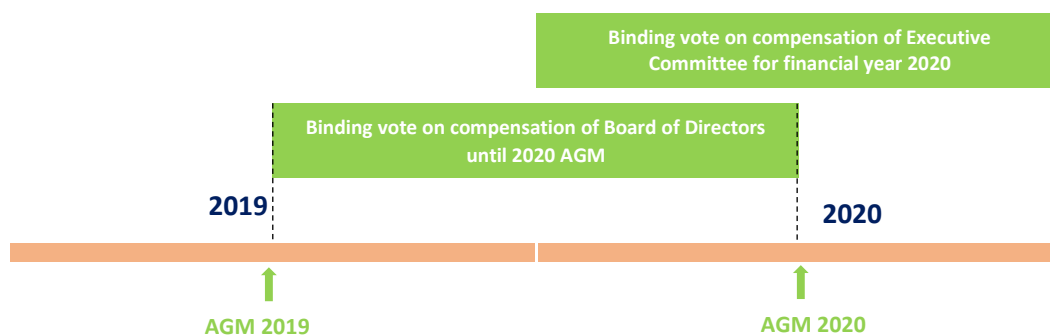
In line with the requirements of the Ordinance, the Company's articles of associations and the Organizational Regulation include provisions on the following governance and compensation-related matters:

- 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 2019 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

Based on the recommendation of the NCC, 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 which is ultimately approved by the AGM. 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 necessarily 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, however, the Board of Directors may elect to retribute one or all of its members at its own discretion any time during the period between one Annual General Meeting and the following one.

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 2018

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 2018, members of the Board of Directors earned a total compensation of CHF 0 (previous year CHF 17'595). The decrease in total compensation from 2017 to 2018 is due primarily to a concerted decision to apply a drastic reduction of all compensations in line with the cost cutting measures implemented in 2017.

In 2018 there was no fixed fee paid to the members of the Board of Directors.

Compensation of the Board of Directors (2018 versus 2017), in CHF

Table 3.2 (audited)

| Board of Directors | Fixed Fee 2018 | Fixed Fee 2017 | Options (fair value) 2018 | Options (fair value) 2017 | Total 2018 | Total 2017 |
|---|-------------------|-------------------|---------------------------------|---------------------------------|---------------|---------------|
| Raghuram Selvaraju, Chairman ¹ | 0 | 0 | 0 | 0 | 0 | 0 |
| Michel Dreano ² | 0 | 0 | 0 | 17,595 | 0 | 17,595 |
| Peter de Svastich ³ | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Board of Directors | 0 | 0 | 0 | 17,595 | 0 | 17,595 |

¹ Chairman of the Board of Directors since 25 May 2016 re-elected at the 2018 Annual General Meeting

² Member of the Board of Directors since 25 May 2016 re-elected at the 2018 Annual General Meeting and CFO

³ Member of the Board of Directors since 25 May 2016 re-elected at the 2018 Annual General Meeting

For the period from the 2018 Annual General Meeting to the 2019 Annual General Meeting, the remuneration paid to the Board of Directors amounts to CHF 0. This is within the limit to CHF 200'000 approved by the 2018 Annual General Meeting for this compensation period. For the same period of time, the remuneration for the Executive Committee amounts CHF 315'834 which is within the limit to the CHF 1'500'000 approved by the 2018 Annual General Meeting.

In 2018, 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 8 of the Standalone financial statements.

3. Compensation of the Executive Committee

3.1 Principles and compensation architecture

The compensation principles are aligned with 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 with 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 with 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 or at the discretion of the Board of Directors and NCC, decision to attribute a bonus is taken. The bonus amount effectively paid out is then determined by the Board of Directors, upon proposal of the NCC. The performance bonus is paid in cash or options, 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 or other benefits.

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 2018

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 2018 members of the Executive Committee received a total remuneration of CHF 315'834 (previous year CHF 538'288). Executive Committee compensation decreased in 2018 due to a massive restructuring based on company financials during which the remaining members of the Executive Committee accepted a significant reduction of their remuneration.

Compensation of the Executive Committee (2018 versus 2017), in CHF

Table 3.3 (audited)

| Executive Committee | Fixed compensation¹ | Cash bonus² | Pension benefits³ | Options (fair value) | Total 2018 | Total 2017 |
|----------------------------------|---------------------------------------|-------------------------------|-------------------------------------|-----------------------------|-------------------|-------------------|
| Gaël Hedou | 114'750 | 0 | 18'936 | 19'353 | 153'039 | 160'018 |
| Michel Dreano | 96'450 | 0 | 14'531 | 0 | 110'981 | 130'403 |
| Yves Sagot | 45'900 | 0 | 5'914 | 0 | 51'814 | 149'586 |
| Timothy Snyder | 0 | 0 | 0 | 0 | 0 | 98'281 |
| Total Executive Committee | 257'100 | 0 | 39'381 | 19'353 | 315'834 | 538'288 |

¹ Includes value of other short-term benefits, such as company car

² No cash bonuses for 2018 or 2017

³ Includes the employer contributions to social security (AHV) and company pension plan (BVG)

In 2018, 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 8 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 2018.

**RELIEF THERAPEUTICS HOLDING SA,
GENEVA**

**Report of the statutory auditor
Compensation report
December 31, 2018**

Report of the statutory auditor to the General Meeting of RELIEF THERAPEUTICS Holding SA

We have audited the accompanying compensation report of RELIEF THERAPEUTICS Holding SA for the year ended December 31, 2018. 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 tables labeled “audited” in section 2.2 on page 7, in section 3.2 on pages 8 and 9 and in section 4 on page 9 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation 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 compensation 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 compensation 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 compensation 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 compensation 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 compensation report.

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

Opinion

In our opinion, the compensation report for the year ended December 31, 2018 of RELIEF THERAPEUTICS Holding SA complies with Swiss law and articles 14 – 16 of the Ordinance.

MAZARS SA

Franck Paucod
Licensed Audit Expert
(Auditor in Charge)

Sébastien Gianelli
Licensed Audit Expert

Geneva, April 30, 2019

CORPORATE GOVERNANCE

The corporate governance principles of Relief Therapeutics Holding SA (“Relief”, the “Company”, the “Group”) 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”). 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 to other parts of this Annual Report and links to the Relief Therapeutics website (www.relieftherapeutics.com) that could provide additional, more detailed information, are inserted.

1. Listed Company

| | |
|--|---------------------------------------|
| Company Name | Relief Therapeutics Holding SA |
| Domicile | Avenue de Sécheron 15, CH-1202 Geneva |
| Register number | CHE-113.516.874 |
| Listing | SIX Swiss Exchange, symbol ‘RLF’ |
| ISIN | CH 0100191136 |
| Swiss security ID | 10191073 |
| Market capitalization 31 December 2018 | CHF 20’889’204 |
| Share price at 31 December 2018 | CHF 0.01 |
| Duration of the company | Unlimited |

2. Unlisted companies

The table below shows the companies (all unlisted) belonging to Relief Therapeutics Holding SA as of 31 December 2018:

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

3. 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 2018:

| shareholders | voting rights conferred by shares | |
|----------------------------------|-----------------------------------|-------------|
| | shares | percentage |
| GEM Global Yield Fund LLC SCS | 563’155’233 | 27.0% |
| Fin Posillipo SpA, Naples, Italy | 286’824’849 | 13.7% |
| Django Trading Sarl | 182’182’699 | 8.7% |
| Yves Sagot | 177’798’685 | 8.5% |
| Michel Dreano | 171’000’000 | 8.2% |
| Other shareholders | 707’959’006 | 33.9% |
| Total | 2’088’920’472 | 100% |

As of 31 December 2018, 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 2018 financial year can be viewed on the SIX Swiss Exchange disclosure platform at www.six-swiss-exchange.com.

4. Capital structure

As of 31 December 2018, the issued share capital of the Company amounted to CHF 20'889'204,72, consisting of 2'088'920'472 fully paid-in shares with a nominal value of CHF 0.01. All issued shares are listed and traded at the SIX Swiss Exchange.

4.1 Authorized share capital

As of 31 December 2018, the Company had an authorized but not yet issued nominal capital of CHF 9'500'000, consisting of 950'000'000 registered shares with a par value of CHF 0.01 each that the Board of Directors is authorized to issue at any time until 30 May 2019.

4.2 Conditional share capital

As of 31 December 2018, the Company had the following conditional share capital:

- (i) CHF 1'900'000 for the issuance of up to 190'000'000 shares for the exercise of employees, members of the board, and consultants of the Company or its subsidiaries (Article 3b, paragraph 1 of the Articles of Association)
- (ii) CHF 5'728'004,30 for the issuance of up to 572'800'430 shares in connection with bonds, financial instruments, or loans of the Company or its subsidiaries (Article 3b, paragraph 2 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 has been kept only to cover options still outstanding under it. As all options that have been attributed under this plan either have expired or have been exercised the management is considering to close it. The second plan was established in 2015. All future stock option grants will be issued under the 2015 plan.

As of 31 December 2018, there are 55'250'000 options outstanding, all of which are fully vested. During 2018, no option was exercised.

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

| | 2018 | 2017 |
|---|------------|------------|
| Options outstanding at the beginning of the year | 55'250'000 | 76'836'485 |
| granted | 15'000'000 | 40'000'000 |
| forfeited | - | 61'586'485 |
| exercised | - | - |
| Options outstanding at the end of the year | 70'250'000 | 55'250'000 |

5. Changes in the share capital

In June 2018, Relief Therapeutics Holding SA has completed an authorized capital increase in the amount of CHF 822'930,97 by issuing new registered shares of its common stock. This capital increase related to issue the shares of the drawdowns made under the Share Subscription Facility in 2017.

Changes in the share capital between 1 January 2018 and 31 December 2018 are disclosed in the notes of the statutory financial statements.

6. 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 2018.

7. Board of Directors and its sub-committees

In 2018 the Board of Directors and its sub-committees were composed of the following members:

| Name | Function | Member of the board since 2016 | Sub-committees | |
|--------------------|----------|--------------------------------|----------------|-----|
| | | | AFC | NCC |
| Raghuram Selvaraju | Chairman | X | | |
| Michel Dreano | Member | X | | X |
| Peter de Svastich | Member | X | X | X |

7.1 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 SeroPharmaceutical 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 18 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 SeroPharmaceutical Research Institute, Dr. Selvaraju became the youngest-ever recipient of the SeroPharmaceutical 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.

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 from the Institut Pasteur/University Paris VII and a PhD in Molecular and Cellular Biology from 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 Sero 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, biotech or large pharmaceutical organizations. In 2007, after the acquisition of Sero 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 multidisciplinary 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, serving as Chief Business Officer and Chief Finance Officer.

Mr. Peter de Svastich, United States of America national, born in 1945.

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 Française de Commerce Extérieur (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.

7.2 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.

7.3 Elections and terms of office

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

7.4 Internal organization

The Board of Directors is self-constituting and designates its Vice-chairman and Secretary. The latter needs not be a member of the Board. The Chairman convenes the Board as often as the Company's affairs require and presides (or in his absence 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 and adaptations of the Articles of Association 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 of deliberations and resolutions are kept and 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. In addition, the AFC is kept informed on a weekly basis of the cash situation of the Company and adherence of the spending with the annual budget. It may decide on the execution or not of each individual payments proposed by the Executive Committee.

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 of the Company and for determining compensation policies, including share-based incentive programs, for the Company's top management and Board of Directors.

7.5 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 current Company's high financial pressure, the Board met 9 times in 2018.

The NCC met once during 2018 to review the 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 the overall management of the 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. In addition, the Executive Committee submits on a weekly basis the cash position and outstanding invoices of all the Group's entities to the AFC that decides all actions to be undertaken in light of the financial and business plan of the Company.

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.

8. Executive Committee

As of 31 December 2018, the Executive Committee comprises the CEO and two 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 of Directors and Board Committee meetings, the members of the Executive Committee report whenever required. The members of the Executive Committee are appointed by the Board upon proposal by the NCC.

The Executive Committee is responsible for the implementation of the decisions made by the Board of Directors 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.

8.1 Members

- Dr. Gaël Hédou, Chief Executive Officer, since February 2017
- Dr. Yves Sagot, Chief Scientific Officer, since May 2016
- Dr. Michel Dreano, Chief Business Officer since May 2016 and Chief Finance Officer since February 2017

Gaël Hédou, Chief Executive 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 Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland, in the field of Neuroscience and Neuropharmacology studying brain and behavioral plasticity related to drug addiction. He pursued his academic research with a postdoc at the ETH researching on brain plasticity and repair before joining the pharmaceutical industry. He started his industrial career at GlaxoSmithKline, Verona, Italy, in 2004 where 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. Hédou 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 assumes the role of CEO since 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 Serono in 2007, Dr. Sagot's

activities focused on therapeutic target validation for Alzheimer's 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 training by a Certificate of Advance Studies in Management of Biotech, Medtech and Pharma Ventures at the Swiss Federal Institute of Technology (EPFL), 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 and Chief Finance Officer, French national, born in 1957.

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

8.2 Other activities and vested interests

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.

8.3 Management contracts

All members of the Executive Committee have employment agreements with entities of the Group. There are no other management contract in place between the Group and the members of the Executive Committee.

9. Shareholders' participation voting rights and representation restrictions

There are no voting right 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.

10. 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.

10.1 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.

11. Auditors

11.1 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.

Mazars SA is the Company's auditors since 30 May 2017. The auditor in charge is Mr. Franck Paucod.

11.2 Auditing fees and additional fees

The charge for professional services rendered by the auditors in 2017 (PWC and Mazars) were CHF 233'895, essentially for audit services.

The charge for professional services rendered by Mazars for the twelve-month period ended 31 December 2018 were CHF 140'000, thereof CHF 134'615 for audit services and CHF 5'385 for audit in relation to the capital increase of June 2018.

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.

11.3 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 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.

12. Information policy

Relief 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 SA

CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2018

Consolidated balance sheet

| TCHF | Notes | 31 December 2018 | 31 December 2017 |
|--|-------|------------------|------------------|
| ASSETS | | | |
| Property, plant and equipment | 6 | 1 | 5 |
| Intangible assets | 7 | 35'224 | 30'800 |
| Non-current assets | | 35'225 | 30'805 |
| Other current assets and other receivables | 9 | 86 | 31 |
| Cash and cash equivalents | 10 | 265 | 135 |
| Current assets | | 351 | 166 |
| Total assets | | 35'576 | 30'971 |
| EQUITY AND LIABILITIES | | | |
| Share capital | 11 | 20'889 | 20'066 |
| Reserves | 12 | 20'910 | 20'961 |
| Accumulated losses | | (20'516) | (20'082) |
| Equity | | 21'283 | 20'945 |
| Non-current financial liabilities | 13 | 4'312 | - |
| Defined benefit obligation | 18 | 567 | 537 |
| Deferred tax liabilities | 24 | 7'454 | 7'454 |
| Non-current liabilities | | 12'333 | 7'991 |
| Trade payables | | 119 | 493 |
| Financial liabilities due to third parties | 14 | 725 | 698 |
| Financial liabilities due to related parties | 15 | 328 | 314 |
| Provisions | 16 | 258 | 113 |
| Other current payables and liabilities | 17 | 530 | 417 |
| Current liabilities | | 1'960 | 2'035 |
| Total equity and liabilities | | 35'576 | 30'971 |

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

Consolidated statement of comprehensive income

| TCHF | Notes | 2018 | 2017 |
|---|-------|--------------|----------------|
| Revenue from contracts with customers | 19 | 565 | - |
| Service expense | 20 | (55) | (71) |
| Personnel expense | 21 | (346) | (989) |
| Other administrative expense | 22 | (649) | (704) |
| Other gains | | 2 | 31 |
| EBITDA | | (483) | (1'733) |
| Depreciation and amortisation expense | 6/7 | (17) | (3) |
| Operating result | | (500) | (1'736) |
| Financial income | 23 | 235 | 3 |
| Financial expense | 23 | (151) | (168) |
| Result before income taxes | | (416) | (1'901) |
| Income taxes | 24.1 | (20) | (986) |
| Result for the period | | (436) | (2'887) |
| OTHER COMPREHENSIVE INCOME | | | |
| Remeasurement of defined benefit obligation | 18 | 2 | 632 |
| Total items that will not be reclassified subsequently to profit or loss | | 2 | 632 |
| Currency translation differences | 12.3 | 5 | (20) |
| Total items that may be reclassified subsequently to profit or loss | | 5 | (20) |
| Total other comprehensive income for the year, net of income tax | | 7 | 612 |
| Total comprehensive income for the period | | (429) | (2'275) |
| EARNINGS PER SHARE | | | |
| Basic and diluted earnings per share (in CHF) | 26 | (0.000) | (0.001) |

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

Consolidated cash flow statement

| TCHF | Notes | 2018 | 2017 |
|--|-----------|--------------|----------------|
| Result for the period | | (436) | (2'887) |
| Adjustments for: | | | |
| - Taxes charged | 24.1 | 20 | 986 |
| - Depreciation expense | 6,7 | 17 | 3 |
| - Finance expenses | 23 | 151 | 168 |
| - Finance income | 23 | (235) | (3) |
| - Interest payments received | | - | 3 |
| - Interest expenses paid | | (8) | (88) |
| - Income tax paid | | (20) | - |
| - Changes in pension obligations | | 32 | 97 |
| - Expenses recognised due to equity-settled share-based payments | 25 | 19 | 70 |
| - Net foreign exchange losses | | - | 34 |
| Changes in working capital: | | | |
| - Decrease in trade receivables | | - | 2 |
| - Decrease/(increase) in other receivables and accruals | | (54) | 188 |
| - Increase/(decrease) in trade payables | | (369) | 110 |
| - (increase) in provisions | 16 | 144 | 162 |
| - Increase/(decrease) in other payables and accrued liabilities | 17 | 121 | (18) |
| Cash flow used for operating activities | | (618) | (1'173) |
| Cash flow from investing activities | | - | - |
| Proceeds from capital increase | 11,12.1 | 748 | 600 |
| Proceeds from SSF draw downs | 12.1 | - | 450 |
| Payment for transaction costs due to capital increase and SSF draw downs | 12.1 | - | (136) |
| Cash flow from financing activities | | 748 | 914 |
| Net (decrease)/increase in cash and cash equivalents | | 130 | (259) |
| Cash and cash equivalents at beginning of period | | 135 | 394 |
| Cash and cash equivalents at end of period | 10 | 265 | 135 |

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

Consolidated statement of changes in equity

| TCHF | Notes | Share capital | Reserves | Accumulated loss | Total |
|--|---------|---------------|---------------|------------------|----------------|
| Balance at 1 January 2017 | | 19'466 | 20'597 | (17'827) | 22'236 |
| Result for the period | | - | - | (2'887) | (2'887) |
| Other comprehensive income for the period, net of income tax | | - | (20) | 632 | 612 |
| Total comprehensive income for the period | | - | (20) | (2'255) | (2'275) |
| Capital increase | | 600 | - | - | 600 |
| Unregistered SSF draw downs | | - | 450 | - | 450 |
| Transaction cost in relation to capital increase and SSF | | - | (136) | - | (136) |
| Share-based payments | | - | 70 | - | 70 |
| Balance at 31 December 2017 | | 20'066 | 20'961 | (20'082) | 20'945 |
| Balance at 1 January 2018 | | 20'066 | 20'961 | (20'082) | 20'945 |
| Result for the period | | - | - | (436) | (436) |
| Other comprehensive income for the period, net of income tax | | - | 5 | 2 | 7 |
| Total comprehensive income for the period | | - | 5 | (434) | (429) |
| Capital increase | 11 | 448 | 50 | - | 498 |
| Unregistered SSF draw down | 12.1 | - | 250 | - | 250 |
| Previously unregistered SSF draw downs reclassified to share capital | 12.1 | 375 | -375 | - | - |
| Share-based payments | 12.2/25 | - | 19 | - | 19 |
| Balance at 31 December 2018 | | 20'889 | 20'910 | (20'516) | 21'283 |

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

Notes to the consolidated financial statements

1. General information

RELIEF THERAPEUTICS Holding SA (“Relief”, the “Company” or the “Group”) is a Swiss stock corporation listed on the SIX Swiss Exchange whose registered office is Avenue de Sécheron 15, 1202 Geneva, Switzerland.

The combined Group is focused on the development and/or licensing of its portfolio of medicinal product candidates (MPCs). Its two most promising MPCs are aviaptadil (for respiratory indications such as sarcoidosis and pulmonary hypertension) and atexakin alfa (for the treatment of diabetic neuropathy). In addition to these initial MPCs, in April 2018 Relief acquired from the privately held French biotechnology company Genclis SA (“Genclis”) two products under development that are artificial colostrum and hypoallergenic milk produced without hydrolysis. Both products have successfully completed pre-clinical validation. Artificial colostrum is intended to provide highly reactive immunoglobulins that closely mimic natural colostrum. Non-hydrolyzed hypoallergenic milk has the potential to constitute a novel therapeutic strategy for preventing milk allergies. In September 2018, Relief in collaboration with Genclis executed a collaboration and sublicense agreement with the Hong Kong-based Health and Happiness group whereby the three companies are actively collaborating to develop the final product following mutually agreed plans and milestones.

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 issued by the International Accounting Standards Board (IASB) that are mandatorily effective for the current year. None of the revised Standards 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 2 share-based payments – Accounting for cash-settled share-based payments with performance conditions

The amendments 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.

IFRS 9 financial instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group adopted IFRS 9 using the prospective approach. The adoption of IFRS 9 has not had any impact on the Company’s financial statements, except for some limited changes in the notes.

IFRS 15 revenue from contracts with customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenues arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption. The adoption of IFRS 15 has not had any impact on the Group’s financial statements as the Group has not had any revenue prior to the financial year 2018.

IFRIC 22 foreign currency transactions and advance consideration

The Interpretation clarifies that when an entity pays or receives consideration in advance in a foreign currency, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date of the advance consideration, i.e. when the prepayment or income received in advance liability was recognized.

2.2 Standards and Interpretations in issue but not yet effective

IFRS 16 Leases

IFRS 16 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” (“IAS 17”) and its associated interpretative guidance. IFRS 16 applies a right to control model to the identification of leases, distinguishing between leases and service contracts. In accordance with IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The date of initial application of IFRS 16 for the Company will be 1 January 2019.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and the requirement for lease liabilities and right of use assets to be recognized on the balance sheet for almost all leases (subject to limited

exceptions for short-term leases and leases of low value assets). For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Company will opt to recognize a lease expense on a straight-line basis as permitted by IFRS 16 (i.e. the same accounting treatment as under superseded IAS 17).

The Group will make use of the practical expedient available on transition to IFRS 16, and will not reassess whether a contract is, or contains, a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 "Determining whether an Arrangement Contains a Lease" ("IFRIC 4") will continue to apply to those leases entered or modified before 1 January 2019.

The Group plans to apply the modified transition approach. At the date of initial application, the Group will measure the lease liability for leases previously classified as operating at present value of the remaining lease payments, discounted using its incremental borrowing rates at the date of transition. The right of use asset will be measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments recognized in the statement of financial position immediately before the date of initial application. The comparative period will not be restated and there will be no impact to the Group's opening equity based on the method applied.

As of 31 December 2018, the Group has non-cancellable operating lease commitments of TCHF 8 (note 29).

A preliminary assessment indicates that as of 31 December 2018, the entire lease commitments relate to short-term leases with a cancellation period of maximum six months, and hence, as of 1 January 2019, the Group does not expect any impact on first-time application of IFRS 16.

Besides IFRS 16, which will be applied by the Group as of 1 January 2019, the Group does also not expect any significant impact from the other new or amended Standards and Interpretations mentioned below:

| | New, amended and revised Standards and Interpretations | Effective from |
|---------|---|---|
| IFRS 3 | Amends IFRS 3 Business Combinations to clarify the definition of business based on the defined terms, the application guidance and illustrative examples. | Annual periods beginning on or after 1 January 2020 |
| IAS 19 | Amends IAS 19 Employee Benefits to clarify the following aspects: Past service cost (or the gain or loss on settlement) The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognized in the normal manner in other comprehensive income. Current service cost and net interest on the net defined benefit liability (asset) An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)). | Annual periods beginning on or after 1 January 2019 |
| Various | The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of "material" and align the definition used in the Conceptual Framework and the standards. | Annual periods beginning on or after 1 January 2020 |
| Various | Amendments resulting from annual improvements 2015-2017 Cycle: IAS 12 Income Taxes - clarifies that an entity should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits. IAS 23 Borrowing Costs - clarifies that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. | Annual periods beginning on or after 1 January 2019 |

| | New, amended and revised Standards and Interpretations | Effective from |
|----------|--|---|
| IFRIC 23 | <p>The Interpretation requires an entity to:</p> <ul style="list-style-type: none"> - determine whether uncertain tax positions are assessed separately or as a group; and - assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings: - if yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings - if no, the entity should reflect the effect of uncertainty in determining its accounting tax position. | Annual periods beginning on or after 1 January 2019 |

The Group has not applied any Standards or Interpretations before their effective date.

3. Summary of significant accounting policies

3.1 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.

Some amounts in the balance sheet of the comparative period were reclassified for comparability purposes with no impact regarding the disclosure as current versus non-current.

3.2 Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2018. 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.

3.3 Current versus non-current classification

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

- Expected to be realized or intended to be sold or consumed in normal operating cycle which is 12 months
- Held primarily for the purpose of trading
- Expected to be realized 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.

3.4 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.

3.5 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 recognized 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 recognized 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 IFRS 9, is measured at fair value with changes in fair value recognized in profit or loss. If the contingent consideration is not within the scope of IFRS 9, 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 recognized 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 recognized 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 recognized 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.

3.6 Foreign currency translation

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").

Transactions and balances

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency are recognized 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 recognized in profit or loss in the period in which they arise.

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 recognized directly in other comprehensive income. On the divestment of a foreign entity, the identified cumulative currency translation difference relating to that foreign entity is recognized in profit or loss as part of the gain or loss on divestment.

3.7 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 recognized 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.

3.8 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 amortization and accumulated impairment losses.

Internally generated intangibles, excluding capitalized development costs, are not capitalized 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 amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization 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 amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Amortization of capitalized 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, capitalized 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 amortized, 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 recognized in the statement of profit or loss when the asset is derecognized.

3.9 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.

3.10 Financial assets

The Group adopted IFRS 9 Financial Instruments issued by IASB on 24 July 2014 endorsed by the EU on 22 November 2016 and published in the Official Journal of the EUR on 29 November 2016. With effect from 1 January 2018, IFRS 9 replaces the currently applicable standards on the presentation, recognition and measurement of financial instruments (IAS 39). There was no major impact with the implementation.

Classification

The Group has only financial assets classified within the category “financial assets at amortized cost”. The classification at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. The Group’s financial assets at amortized cost include trade and other receivables that are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of Relief’s financial assets and financial liabilities as at 1 January 2018.

| | Note | Classification | | Carrying Amount | |
|--|------|-----------------------------|-----------------------------|----------------------|---------------------|
| | | Under IAS 39 | Under IFRS9 | Under IAS 39 TCHF | Under IFRS9 TCHF |
| Financial Assets | | | | | |
| Other current assets and other receivables | 9 | Loans and receivables | Amortised cost | 7 | 7 |
| Cash and cash equivalents | 10 | Loans and receivables | Amortised cost | 135 | 135 |
| Total Financial Assets | | | | 142 | 142 |
| Financial Liabilities | | | | | |
| Trade payables | | Other financial liabilities | Other financial liabilities | 493 | 493 |
| Financial liabilities due to third parties | 14 | Other financial liabilities | Other financial liabilities | 698 | 698 |
| Financial liabilities due to related parties | 15 | Other financial liabilities | Other financial liabilities | 314 | 314 |
| Other current payables and liabilities | 17 | Other financial liabilities | Other financial liabilities | 417 | 417 |
| Total Financial Liabilities | | | | 1'922 | 1'922 |

Recognition and measurement

These assets are measured initially at their fair value and are subsequently measured at amortized cost using the effective interest rate method and are subject to impairment.

A financial asset is derecognized when:

- the contractual rights to the cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (“ECL”) for all debt instruments not held at fair value through profit or loss. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the

outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3.11 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.

3.12 Financial liabilities

The Group's financial liabilities include trade and other payables as well as borrowings.

Financial liabilities are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

3.13 Current and deferred income tax

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

Deferred income tax is recognized, 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 realized or the deferred income tax liability is settled.

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

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.

3.14 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, maximizing the use of relevant observable inputs and minimizing 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.

3.15 Revenue

Revenue from contracts with customers is recognized when control of the services provided are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, 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 specific recognition criteria described below must be met before revenue is recognized:

Rendering of services

Sublicense agreements

As signing fees are received upon signing of the contracts without any further performance obligations of the Group and success fees are due upon reaching certain milestones, such revenues are recognized upon signing of the contract or reaching of the agreed milestones. In the case of the contract signed with H&H, the total consideration amounted EUR 500K as a fixed consideration corresponding to the signing fee, considered as a right to use license.

Collaboration agreements

Whenever amounts are received from collaboration agreements which are passed on to third-party service companies, the amounts received and paid are not recognized through the statement of comprehensive income.

3.16 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 amortized on a straight-line basis over the period of the expected benefit.

Internal development costs are capitalized 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.

3.17 Employee benefits

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.

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 recognized 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 recognized in profit or loss on the earlier of:

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

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes 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

3.18 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 recognized, 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 recognized 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 recognized at the beginning and end of that period and is recognized in employee benefits expense.

No expense is recognized 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 vested 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 recognized is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognized 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

Going concern

In 2018, the Group mainly relied on its current cash balance and financing instruments in place through which it received drawdowns in January 2018 of CHF 497'741 and in July 2018 of CHF 250'000.

In order to provide a future stream of income as well as an immediate boost to its cash position, management has reoriented the main strategy of the Group. The Group has signed an option agreement for a future out-licensing of its most advanced Medicinal Product Candidates ("MPCs"), aviptadil for the treatment of Sarcoidosis and Acute Lung Injury to the UK-based clinical development company Seren Clinical. With Seren Clinical reaching defined milestones, the Group may receive up-front and/or milestones and royalty payments. This agreement complements the agreement in place with the University of Freiburg which received a grant from the German Research Foundation (Deutsche Forschungsgemeinschaft – DFG) supporting the entire costs of the clinical trial planned to test aviptadil for its efficacy in Sarcoidosis patients. In parallel, since 9 April 2018, the Group has in-licensed two assets from Genclis SA, a private company located in France. On 11 September 2018, Relief signed a sublicensing and collaboration agreement with Health and Happiness Hong Kong Limited (H&H) granting H&H the right to develop and commercialize one of the acquired assets. In addition, the agreement includes a four-year development plan with the goal of reducing allergenicity or even preventing food (particularly milk) allergy in humans. A close collaboration between Genclis SA, H&H and the Group is on-going for the development operations and is associated with development fees, upfront, milestones and royalty payments. An upfront payment by H&H to the Group has already taken place right after the execution of the collaboration and licensing agreement.

Finally, efforts to raise cash through traditional financing methods such as attracting new investors, the issuance of debt and equity instruments - including the use of the SSF agreement - are still made in order to finance its continuing operations for the upcoming years.

On 4 April 2018, 31 August 2018 and 28 February 2019, GEM Global yield fund LLC SCS, confirmed its intention, by letters of comfort, to take the measures necessary – either by waiving certain restrictions of the SSF or through other means – to ensure that the Group will have sufficient funds to allow it to meet its financial obligations. With the same objective, GEM also agreed to amend the SSF agreement in place by prolonging its term for an additional two years until the end of December 2020 and by increasing the total aggregate amount by CHF 20 million for a new total of CHF 44.1 million.

Although management is confident that its fund-raising and business efforts will be sufficient to fund the Group'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 Group's ability to continue as a going concern and, as such, there exists a material uncertainty at present.

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 35'224 (31 December 2017: TCHF 30'800). 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 2018.

In 2018, the recoverable amounts of intangible assets were calculated using the discounted cash flow method. The significant assumptions are disclosed in note 7. At 31 December 2018, 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 recognized 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 2018 and at 31 December 2017, deferred income tax assets amounted to TCHF 0 (refer to note 24.4 for further details on unrecognized deferred tax assets). 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 summarized in note 18. At 31 December 2018, the underfunding amounted to TCHF 567 (31 December 2017: TCHF 537). Using other assumptions for the calculations could have led to different results.

5. Segment information

5.1 Description of segment

The Group has only one business stream. It focusses on the development and/or licensing of its portfolio of medicinal products candidates (MPCs). This is further explained in note 1.

5.2 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.

6. Property, plant and equipment

| TCHF | Furniture and Equipment | IT Equipment | Total |
|---------------------------------|-------------------------|--------------|-------|
| COST | | | |
| Balance at 1 January 2017 | 11 | 7 | 18 |
| Additions | - | - | - |
| Balance at 31 December 2017 | 11 | 7 | 18 |
| Additions | - | - | - |
| Balance at 31 December 2018 | 11 | 7 | 18 |
| ACCUMULATED DEPRECIATION | | | |
| Balance at 1 January 2017 | (8) | (2) | (10) |
| Depreciation expense | (1) | (2) | (3) |
| Balance at 31 December 2017 | (9) | (4) | (13) |
| Depreciation expense | (1) | (3) | (4) |
| Balance at 31 December 2018 | (10) | (7) | (17) |
| CARRYING AMOUNT | | | |
| at 31 December 2017 | 2 | 3 | 5 |
| at 31 December 2018 | 1 | - | 1 |

7. Intangible assets

| TCHF | Aviptadil | Milk | Colostrum | Total |
|---------------------------------|-----------|-------|-----------|--------|
| COST | | | | |
| Balance at 1 January 2017 | 30'800 | - | - | 30'800 |
| Additions | - | - | - | - |
| Balance at 31 December 2017 | 30'800 | - | - | 30'800 |
| Additions | - | 2'863 | 1'575 | 4'438 |
| Balance at 31 December 2018 | 30'800 | 2'863 | 1'575 | 35'238 |
| ACCUMULATED DEPRECIATION | | | | |
| Balance at 1 January 2017 | - | - | - | - |
| Amortisation expense | - | - | - | - |
| Balance at 31 December 2017 | - | - | - | - |
| Amortisation expense | - | (14) | - | (14) |
| Balance at 31 December 2018 | - | (14) | - | (14) |
| CARRYING AMOUNT | | | | |
| at 31 December 2017 | 30'800 | - | - | 30'800 |
| at 31 December 2018 | 30'800 | 2'849 | 1'575 | 35'224 |

Intangible assets of TCHF 30'800 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. Although business and development plans remained unchanged in the second half of the financial year 2018, the Group conducted a novel impairment of these intangible which accounted for in this year annual report.

In April 2018, the Company signed an in-licensing agreement with a third party (Genclis) where it acquired exclusive worldwide commercial and manufacturing sub-licensable rights for the two human applications "Hypoallergenic Milk" and "Artificial Colostrum" which are protected by patents of this third party, for a total amount of TCHF 4'438. This Agreement with Genclis stipulates that the amount due will

be divided in two tranches each occurring two years and four years following the effective date of the agreement signed in March 2018. Therefore, the acquisition price was discounted to its present value of TCHF 4'438. The shareholder GEM signed a counter guarantee letter for this debt.

Impairment test at 31 December 2018

In consideration of the operating loss in 2018, the Group has tested whether impairment of non-current assets should be recognized and therefore has carried out an impairment test on its intangible assets. "Aviptadil" and "Colostrum". For "Milk" no impairment test was performed as for this finite life intangible asset the business plan has not changed since acquisition and therefore no indication for impairment exists.

Aviptadil

The valuation was done using best-practice pharma compound valuation model, which is a probability weighted discounted cash flow model (value in use valuation). A discount rate of 15% (2017: 15%) was used for this out-licensing program valuation due to the venture capital character of such an out-licensing 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. 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 analyses performed by a third party. This includes for example the number of patients who could benefit from this treatment. It is to be noted that while this number is continuously revised on the rise based on the sensitization of doctors to the disease and environmental factors causing the condition, Management has adopted a conservative position as to only partially reflect the increase of the patient population over years. 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.

Various hypotheses have been tested in order to estimate the impact of variations of the different key assumptions used to construct the model presented. For example, using a discount rate of 17% would result in a Net Present Value of CHF 29.2 million compared to CHF 34.3 million with a discount rate of 15%. Different scenarios were also tested for impairment including a delayed first entry to the market. A delay of 1 year applied to the model would indicate an impairment of approximately CHF 3.5 million. The current status of development renders uncertain the exact time at which aviptadil may effectively enter the market, but overall, the clinical development plan and regulatory application for registration is expected to last another 4 years. Therefore, management still considers that the most reasonable time of market entry is 2023. Hence, no impairment was applied to the original valuation of CHF 30.8 million to reflect a possible shift of this parameter. Finally, different sales growth rates and peak sales were tested for impairment of the intangible asset aviptadil as well as combinations thereof. Management hypothesizes that peak sales is to be reached five years following market entry, that is commonly accepted by the industry for similar compounds in comparable indications. We tested different reduced rates and peak sales delays. Applying these variables, it appeared that a reduction of 10% in the peak sales and revenue curve, negatively impacts the overall value of the intangible asset by CHF 3.8 million. Management estimates that its assumptions regarding the sales growth rate are in line with the expectations of an efficient treatment as well as the progression in the accuracy of diagnosis in the patient population. Consequently, no impairment loss was applied to the valuation published in the annual report of 2018.

Artificial Colostrum

While the hypoallergenic milk was sublicensed in September 2018, artificial colostrum is still to be sub-licensed. However, Management hypothesized that the terms of a sub-license for the artificial colostrum would be similar to those obtained for the hypoallergenic milk and therefore the sub-license terms of the hypoallergenic milk were used to calculate the value of the artificial colostrum. A potential sub-licensing deal has been hypothesized by the Management to occur one year later than that obtained for the hypoallergenic milk.

The impairment test was done based on a best-practice pharma compound valuation model, which is a probability weighted discounted cash flow model (value in use valuation). A discount rate of 20% was used for this out-licensing program valuation due to the pre-clinical development stage of the Colostrum development program. For revenue based on out-licensing of rights owned by the Group, the expected revenue from the out-licensing agreement was estimated for the entire licensing 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 analyses performed by management. This includes for example the number of patients who could benefit from this treatment, which is subject to change based on environmental factors and additional information on numbers of potential patients obtained via updated market research. 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.

Varying the discount rate to 21% would have provided a value of the project to CHF 2.0 million, which still supports the carrying amount.

Different scenarios were also tested for impairment including a delayed first entry to the market. A delay of 1 year applied to the model would provide a value of CHF 1.9 million. The current status of development renders uncertainty regarding the exact time at which Colostrum may effectively enter the market, but overall, the clinical development plan and regulatory application for registration is expected to last another 6 years. Therefore, management still considers that the most reasonable time of market entry is 2024. Based on the impairment test described above, no impairment loss was recognised for the year ended 31 December 2018.

8. 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 | |
|---------------------------|--|-------------|---|----------|
| | | | 31.12.18 | 31.12.17 |
| THERAMetrics Discovery AG | Commercial exploitation of patents, licences, trademarks | Geneva (CH) | 100% | 100% |
| ReliefTherapeutics SA | Commercial exploitation of patents, licences, trademarks | Geneva (CH) | 100% | 100% |

9. Other current assets and other receivables

| TCHF | 31 December 2018 | 31 December 2017 |
|---------------------------|------------------|------------------|
| VAT receivables | 15 | 24 |
| Prepaid expenses | 62 | - |
| Deposits with others | 7 | 7 |
| Other current receivables | 2 | - |
| Total | 86 | 31 |

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

10. Cash and cash equivalents

| TCHF | 31 December 2018 | 31 December 2017 |
|---------------|------------------|------------------|
| Bank deposits | 264 | 134 |
| Cash on hand | 1 | 1 |
| Total | 265 | 135 |

11.Share capital

| | Number of common shares | | Nominal value of share capital (TCHF) | |
|-------------------------------|-------------------------|----------------------|---------------------------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Balance at beginning of year | 2'006'627'375 | 1'946'627'375 | 20'066 | 19'466 |
| Issuance of common shares | 82'293'097 | 60'000'000 | 823 | 600 |
| Balance at end of year | 2'088'920'472 | 2'006'627'375 | 20'889 | 20'066 |

11.1 Issued share capital

At 31 December 2018, the issued share capital amounts to TCHF 20'889, consisting of 2'088'920'472 fully paid registered shares with a par value of CHF 0.01. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of shares and amounts paid on the shares held.

Capital increases 2018

In January 2018, the SSF was drawn-down by 44.8 million ordinary shares at a nominal value of CHF 0.01 resulting in a capital increase of TCHF 448. As the SSF was drawn-down at a share price of CHF 0.0123, additional paid in capital of TCHF 50 was recognized within reserves.

Further, in June 2018, all capital increases of 2016 and 2017, which were not yet registered at the commercial register as at 31 December 2017, were registered. As the unregistered draw-downs of the SSF in 2017 so far were shown within share premium reserve and not as increase in share capital, the registration led to a reclassification from share premium reserve to issued share capital. All other unregistered capital increases were already recognized as increases in issued share capital and therefore had no impact on these financial statements.

Capital increases 2017

On 21 March 2017, the share capital was increased by TCHF 500 by issuing 50 million shares at nominal value of CHF 0.01. The share capital increase was paid in cash. Further, GEM (shareholder of the Company) received 600 million share options as compensation for the capital increase at an exercise price of CHF 0.01 which was equal to the share price at that time.

On 6 October 2017, GEM has exercised 10 million share options which resulted in a capital increase of TCHF 100.

11.2 Authorized share capital

At 31 December 2018, the Company had authorized, but not yet issued, nominal share capital of TCHF 9'500, consisting of 950'000'000 registered shares with a par value of CHF 0.01 each, that the Board of Directors is authorized to issue at any time until 30 May 2019.

11.3 Conditional share capital

The conditional share capital of the Company as at 31 December 2018 was TCHF 7'628 (2017: TCHF 8'451), consisting of 762'800'430 (2017: 845'093'527) registered shares with a par value of CHF 0.01 each, of which 190'000'000 (2017: 190'000'000) to be used for share options for members of the Board of Directors, Executive Management, employees and consultants as well as 572'800'430 (2017: 655'093'527) to be used for the exercise of conversion option rights granted in connection with bonds, notes or similar debt instruments issued by the Company.

11.4 Significant shareholders

The following significant shareholders are known to us:

| | 2018 | | 2017 | |
|------------------------------------|----------------------|---------------|----------------------|---------------|
| | Number of shares | % | Number of shares | % |
| GEM | 563'155'233 | 27.0% | 615'869'250 | 30.7% |
| Founders of Relief Therapeutics SA | 530'981'384 | 25.4% | 564'931'035 | 28.2% |
| FIN POSILLIPO S.p.A | 286'824'849 | 13.7% | 286'824'849 | 14.3% |
| PIERREL S.p.A. | 43'747'149 | 2.1% | 58'423'582 | 2.9% |
| Others | 664'211'857 | 31.8% | 480'578'659 | 23.9% |
| | 2'088'920'472 | 100.0% | 2'006'627'375 | 100.0% |

12. Reserves

| TCHF | 31 December 2018 | 31 December 2017 |
|--|------------------|------------------|
| Share premium (note 12.1) | 20'701 | 20'776 |
| Share-based payment reserve (note 12.2) | 180 | 161 |
| Foreign currency translation reserve (note 12.3) | 29 | 24 |
| Total | 20'910 | 20'961 |

12.1 Share premium

| TCHF | 2018 | 2017 |
|--|---------------|---------------|
| Balance at beginning of year | 20'776 | 20'462 |
| Additional paid in capital in capital increase | 50 | - |
| Registered SSF draw downs reclassified to issued share capital (i) | (375) | - |
| Unregistered SSF draw downs (i) | 250 | 450 |
| Capital issuance cost | - | (136) |
| Balance at end of year | 20'701 | 20'776 |

(i) In August 2018, the SSF was drawn down by an amount of TCHF 250, eventually leading to an increase in share capital of TCHF 250 (25 million shares). As the draw down is not yet registered in the commercial register and not recorded at SIX, it is shown as increase in share premium.

In 2017, a total of unregistered SSF drawn down of TCHF 450, which eventually led to an increase in share capital of TCHF 375 (37.5 million shares at a share price of CHF 0.01) and an increase in share premium of TCHF 75 were recognized as share premium. In June 2018, those SSF draw-downs were registered in the commercial register and the total nominal amount of TCHF 375 reclassified from share premium reserve to issued share capital.

12.2 Share-based payment reserve

| TCHF | 2018 | 2017 |
|---|------------|------------|
| Balance at beginning of year | 161 | 91 |
| Share-based payments granted and vested (i) | 19 | 70 |
| Balance at end of year | 180 | 161 |

⁽ⁱ⁾ For detailed information refer to note 25.

12.3 Foreign currency translation reserve

| TCHF | 2018 | 2017 |
|--|-----------|-----------|
| Balance at beginning of year | 24 | 44 |
| Exchange differences arising on translating foreign operations | 5 | (20) |
| Balance at end of year | 29 | 24 |

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 recognized 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.

13. Non-current financial liabilities

Non-current financial liabilities of TCHF 4'312 (31 December 2017: none) relate to the acquisition of the licenses in 2018 (note 7). Payment of the licenses is deferred until April 2020 and 2022. The non-current financial liabilities are non-interest bearing and are therefore discounted to their present value. In 2018, an interest expense of TCHF 65 was recognized in relation to non-current payables.

14. Financial liabilities due to third parties

These financial liabilities are due to a former subsidiary of the Group. Until repayment, the unpaid balance accrues interest at a rate of 8% per annum. The financial liabilities do not have a fixed repayment date. In the comparative period these financial liabilities were reclassified from related parties to third parties as the former subsidiary is not considered a related party. Also refer to note 27.3.

15. Financial liabilities due to related parties

These financial liabilities consist of a shareholders' loan due to GEM which accrues interest of 4% above the based rate of Barclays Bank PLC. The repayment date is not defined. Also refer to note 27.3.

16. Provisions

Provisions mainly relate to litigation cases. Also refer to note 31.1. In the comparative period, provisions were reclassified from other current payables and liabilities to provisions for comparability purposes.

| TCHF | 31 December 2018 | 31 December 2017 |
|---|------------------|------------------|
| Carry amount at the beginning of the period | 113 | - |
| Additional provisions made in the period, including increase to existing provisions | 145 | 113 |
| Total | 258 | 113 |

17. Other current payables and liabilities

| TCHF | 31 December 2018 | 31 December 2017 |
|---|------------------|------------------|
| Accrued holiday | 8 | 6 |
| Payable to social security institutions | 10 | 7 |
| Accrued expenses | 441 | 326 |
| VAT payables | - | 3 |
| Prepayments received | 41 | 44 |
| Other current liabilities | 30 | 31 |
| Total | 530 | 417 |

18. Defined benefit obligations

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

The Group operates fund defined benefit plans for qualifying employees in Switzerland. Under the plan, 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 2018. 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 "Patrimonia Fondation". As at 31 December 2016, the Group also had affiliation contracts with "PKG Pensionskasse". However, in 2017 all members previously associated with the "PKG Pensionskasse" have terminated their contracts. 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 statutes 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 recognized in profit or loss in respect of this defined benefit plans is as follows:

| TCHF | 2018 | 2017 |
|---|-----------|------------|
| Current service cost | 42 | 144 |
| Net interest expense | 3 | 6 |
| Administration cost excl. cost for managing plan assets | 1 | 2 |
| Expense recognised in profit or loss | 46 | 152 |

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

| TCHF | 2018 | 2017 |
|---|------------|--------------|
| Remeasurement (gain)/loss on defined benefit obligation | | |
| due to changes in demographic assumptions | - | (64) |
| due to changes in financial assumptions | (77) | - |
| due to changes in experience adjustments | 97 | (577) |
| Return on plan assets excl. interest income | (22) | 9 |
| Expense recognised in other comprehensive income | (2) | (632) |

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 2018 | 31 December 2017 |
|--|------------------|------------------|
| Present value of funded defined benefit obligation | 2'200 | 1'982 |
| Fair value of plan assets | (1'633) | (1'445) |
| Net liability arising from defined benefit obligation | 567 | 537 |

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

| TCHF | 2018 | 2017 |
|---|--------------|--------------|
| Opening defined benefit obligation | 1'982 | 2'998 |
| Current service cost | 42 | 144 |
| Interest expense on defined benefit obligation | 12 | 18 |
| Contributions from plan participants | 14 | 55 |
| Benefits (paid)/deposited | 130 | (592) |
| Remeasurement (gain)/loss due to changes in demographic assumptions | - | (64) |
| Remeasurement (gain)/loss due to changes in financial assumptions | (77) | - |
| Remeasurement (gain)/loss due to changes in experience adjustments | 97 | (577) |
| Closing defined benefit obligation | 2'200 | 1'982 |

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

| TCHF | 2018 | 2017 |
|---|--------------|--------------|
| Opening fair value of plan assets | 1'445 | 1'926 |
| Interest income on plan assets | 9 | 12 |
| Return on plan assets excluding interest income | 22 | (9) |
| Contributions from the employer | 14 | 55 |
| Contributions from plan participants | 14 | 55 |
| Benefits (paid)/deposited | 130 | (592) |
| Administration cost | (1) | (2) |
| Closing fair value of plan assets | 1'633 | 1'445 |

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 | 2018 | 2017 |
|-----------------------------------|-------------|-------------|
| Discount rates | 0.80% | 0.60% |
| Expected rates of salary increase | 1.50% | 1.50% |

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 8.0% (increase by 9.1% if all other assumptions were held constant).

The average duration of the defined benefit obligation at the end of the reporting period is 17.2 years (31 December 2017: 18.2 years). The Group expects to make a contribution of TCHF 21 to the defined benefit plans during the next financial year.

19. Revenue from contracts with customers

19.1 Disaggregated revenue information

The Group derives its revenue from contracts with customers for the transfer of services at a point in time. In September 2018, the Group received the signing fee for its sublicense agreement with H&H of TCHF 565 (2017: none).

The first development phase of the collaboration agreement with H&H and Genclis for which the Group received TCHF 567 from H&H was started in October 2018. As the development work is carried out by Genclis, the received amount was transferred to Genclis. As the Group is only acting as agent in this transaction, no revenue is recognized for this transaction. As at 31 December 2018, there are no unsatisfied performance obligations (31 December 2017: none).

20. Service expense

| TCHF | 2018 | 2017 |
|--|-------------|-------------|
| Third party research and development expense | 15 | - |
| License expense | 36 | 53 |
| Consulting service expense | 1 | 10 |
| Other expense for services | 3 | 8 |
| Total cost for services | 55 | 71 |

21. Personnel expense

The average number of employees during 2018 (in full-time positions) was less than 10. Employee expense decreased by TCHF 643 from TCHF 989 to TCHF 346 mainly due to the fact that the number of employees and their remaining compensation was reduced during 2018. Refer to note 28 for further details in relation to compensation for executive management and Board of Directors.

22. Other administrative expense

| TCHF | 2018 | 2017 |
|---|-------------|-------------|
| Office expense | 29 | 94 |
| Accounting, legal and consulting expense | 462 | 522 |
| Travel expense | 7 | 15 |
| IT expense | 16 | 34 |
| Tax expense, other than income tax | 6 | - |
| Other operating expense | 129 | 39 |
| Total general and administrative expense | 649 | 704 |

23. Financial income / (expenses)

| TCHF | | 2018 | 2017 |
|----------------------------------|------|--------------|--------------|
| Interest expense | | (140) | (88) |
| Bank charges | | (4) | (19) |
| Foreign currency exchange losses | | (7) | (61) |
| Total finance expense | | (151) | (168) |
| Foreign currency exchange gains | 27.3 | 235 | 2 |
| Other finance income | | - | 1 |
| Total finance income | | 235 | 3 |

24. Income taxes

24.1 Income tax recognized in profit or loss

| TCHF | | 2018 | 2017 |
|---|--|-----------|------------|
| CURRENT TAX | | | |
| Current tax expense for the current year | | - | - |
| Adjustments in relation to the current tax of prior years | | 20 | - |
| | | 20 | - |
| DEFERRED TAX | | | |
| Deferred tax (income)/expense recognised in the current year | | - | - |
| Adjustment to deferred tax attributable to changes in income tax rate | | - | 986 |
| | | - | 986 |
| Total income tax expense recognised in the current year | | 20 | 986 |

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

| TCHF | | 2018 | 2017 |
|--|--|-----------|------------|
| Gain/(loss) before tax | | (416) | (1'901) |
| Income tax income calculated at 24.2 % (2017: 24.2 %) | | (101) | (460) |
| Unrecognised deferred tax assets during the year | | 294 | 463 |
| Previously unrecognised tax losses used | | - | (3) |
| Effect of deferred tax balances due to change in income tax rate | | - | 986 |
| Adjustments in relation to prior years | | 20 | - |
| Effect of net expenses that are not deductible in determining taxable profit | | (193) | - |
| Total income tax expense recognised in profit or loss | | 20 | 986 |

The weighted average applicable tax rate of the Group is 24.2% (2017: 24.2%) which is equal to the tax rate of the Company.

24.2 Income tax recognized in other comprehensive income

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

24.3 Deferred tax balances

| 2018 TCHF | Opening balance | Recognised in profit or loss | Acquired through business combination | Closing balance |
|---------------------------------------|-----------------|---------------------------------|---|--------------------|
| Total deferred tax assets | - | - | - | - |
| Intangible assets | 7'454 | - | - | 7'454 |
| Total deferred tax liabilities | 7'454 | - | - | 7'454 |

| 2017 TCHF | Opening balance | Recognised in profit or loss | Acquired through business combination | Closing balance |
|---------------------------------------|-----------------|---------------------------------|---|--------------------|
| Total deferred tax assets | - | - | - | - |
| Intangible assets | 6'468 | 986 | - | 7'454 |
| Total deferred tax liabilities | 6'468 | 986 | - | 7'454 |

The remaining deferred tax liability will be reversed when the related intangible asset (Aviptadil) will be amortised or impaired.

24.4 Unrecognized 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 | 2018 | 2017 |
|---|----------------|----------------|
| Within one year | 35'666 | 36'569 |
| Later than one year and not later than five years | 83'119 | 104'944 |
| More than five years | 9'947 | 12'331 |
| Total tax losses carried forward | 128'732 | 153'844 |

There are no other unrecognized deferred tax assets.

25. Share-based payments

In 2012 and 2015, the Company implemented Equity Award Programs ("EAP") to grant share options to members of the Board of Directors, selected employees and service providers. 190'000'000 shares are available for the EAP under the conditional share capital (see note 11.3). 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.

In September 2018, one of the employees of the Group received 15 million share options as part of his annual remuneration. The following table reconciles the share options outstanding at the beginning and end of the year:

| | 2018 | 2017 |
|---------------------------------------|-------------------|-------------------|
| At beginning of the year | 55'250'000 | 76'836'483 |
| Acquired through business combination | - | - |
| Granted | 15'000'000 | 40'000'000 |
| Expired | | (61'586'483) |
| At end of the year | 70'250'000 | 55'250'000 |

Share options outstanding at the end of the year 2018 and 2017 have the following expiry dates:

| | 31 December 2018 | 31 December 2017 |
|---|-------------------|-------------------|
| EXPIRY DATE | | |
| August 2020 | 15'000'000 | - |
| June 2021 | 500'000 | 500'000 |
| July 2021 | 12'500'000 | 12'500'000 |
| September 2021 | 2'250'000 | 2'250'000 |
| August 2022 | 40'000'000 | 40'000'000 |
| | 70'250'000 | 55'250'000 |
| Weighted average remaining contractual life in months | 36 | 52 |

The 70'250'000 share options at year end were totally exercisable as per 31 December 2018. The exercise prices range from CHF 0.01 to CHF 0.04.

The fair values of the options at the grant date have been assessed using the Black-Scholes valuation model and recognized in the period in which the options were granted as they vested immediately. The weighted average fair value of options granted in 2018 was CHF 0.001 per option. The significant inputs into the model were share price of CHF 0.01 at grant date, exercise price of CHF 0.01, volatility of 84% based on peer companies and average risk-free interest rate 0.00% as any risk-free interest rates in the market were negative.

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.

An expense of TCHF 19 (2017: TCHF 70) was recorded in personnel expense with a corresponding credit to equity (share-based payment reserve).

26. Earnings per share

| | 2018 | 2017 |
|--|----------------|----------------|
| Loss for the year attributable to the equity holders of the Parent Company | (436) | (2 887) |
| Weighted average number of shares for the purposes of EPS | 2 050 141 259 | 1 988 024 635 |
| Basic and diluted earnings per share (in CHF) | (0,000) | (0,001) |

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 2018 and 2017, the number of shares outstanding varied as a result of different transactions on the share capital structure of the Company (see note 11 for more details).

The options granted as part of the EAP (refer to note 25 for further details) have not been considered in the calculation of the diluted loss per share as their effect is anti-dilutive.

27. Financial instruments

27.1 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 2018, there were total draw-downs of the SSF of 82.3 million shares representing a cash injection of CHF 902'741 which decreased the remaining balance on the current SSF to CHF 24.1 million.

In September 2018, The SSF agreement has been amended whereby its term has been prolonged until the end of December 2020 and the total aggregate amount increased by CHF 20 million for a new total of CHF 44.1 million.

27.2. Categories of financial instruments

| 31 December 2018 TCHF | Financial assets at amortised cost | Financial liabilities at amortised cost | Total |
|--|---------------------------------------|--|--------------|
| Other current assets and receivables | 10 | - | 10 |
| Cash and cash equivalents | 265 | - | 265 |
| Total financial assets | 275 | - | 275 |
| Non-current financial liabilities | - | 4'312 | 4'312 |
| Trade payables | - | 119 | 119 |
| Financial liabilities due to third parties | - | 725 | 725 |
| Financial liabilities due to related parties | - | 328 | 328 |
| Other current payables and liabilities | - | 520 | 520 |
| Total financial liabilities | - | 6'004 | 6'004 |

| 31 December 2017 | Financial assets at amortised cost (under IAS 39: loans and receivables) at amortised cost | Financial liabilities at amortised cost | Total |
|--|---|--|--------------|
| TCHF | | | |
| Other current assets and receivables | 7 | - | 7 |
| Cash and cash equivalents | 135 | - | 135 |
| Total financial assets | 142 | - | 142 |
| Trade payables | - | 493 | 493 |
| Financial liabilities due to third parties | - | 698 | 698 |
| Financial liabilities due to related parties | - | 314 | 314 |
| Other current payables and liabilities | - | 417 | 417 |
| Total financial liabilities | - | 1'922 | 1'922 |

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

27.3 Reconciliation of liabilities arising from financing activities

| 2018 | Opening balance | Financing cash flows | Non-cash changes | | | Closing balance |
|---|----------------------------|---------------------------------|---|-----------------------------|--------------|----------------------------|
| | | | Deferred payment of assets | Accrued interest | FX | |
| TCHF | | | | | | |
| Non-current financial liabilities (note 13) | - | - | 4'438 | 65 | (191) | 4'312 |
| Financial liabilities due to third parties (note 14) | 698 | - | - | 56 | (29) | 725 |
| Financial liabilities due to related parties (note 15) | 314 | - | - | 14 | - | 328 |
| Total | 1'012 | - | 4'438 | 135 | (220) | 5'365 |

| 2017 | Opening balance | Financing cash flows | Non-cash changes | | | Closing balance |
|---|----------------------------|---------------------------------|---|-----------------------------|-----------|----------------------------|
| | | | Deferred payment of assets | Accrued interest | FX | |
| TCHF | | | | | | |
| Financial liabilities due to third parties (note 14) | 577 | - | - | 75 | 46 | 698 |
| Financial liabilities due to related parties (note 15) | 301 | - | - | 13 | - | 314 |
| Total | 878 | - | - | 88 | 46 | 1'012 |

27.4 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.

Liquidity risk

All financial liabilities are due within the next 3 months and are non-interest bearing except for the non-current financial liabilities (note 13) and the financial liabilities due to third and related parties (notes 14 and 15).

27.5 Fair value measurement

At 31 December 2018 as well as 31 December 2017, there were no assets or liabilities measured at fair value. For all other financial assets and liabilities their carrying amount at amortized cost approximates fair value.

28. Related party transactions

28.1 Compensation for executive management

| TCHF | 2018 | 2017 |
|---|------------|------------|
| Fees, salaries and other short-term employee benefits | 257 | 420 |
| Post-employment benefits | 33 | 49 |
| Share-based compensation | 19 | 35 |
| Total compensation for executive management | 309 | 504 |

28.2 Compensation for members of the board of directors

| TCHF | 2018 | 2017 |
|---|----------|-----------|
| For serving as board members | - | - |
| Share-based compensation | - | 35 |
| Total compensation for members of the board of directors | - | 35 |

During 2018 and 2017 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, if any could have been reimbursed. There has been no such reimbursement for the members of the Board of Directors during 2018. There have been no other related party transactions in the financial periods 2018 and 2017.

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.

28.3 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 the shareholder GEM are the only related party balance as at 31 December 2018 and 2017. For further details refer to note 15.

29. Operating lease arrangements

Description of leasing arrangements

Operating leases mainly relate to leased office spaces and car parks in Geneva. The rental agreement on a renewable on monthly basis. Total lease expense in 2018 was TCHF 29 (2017: TCHF 84). As at 31 December 2018, office space and a parking lot in Geneva are the only residual operating lease contracts.

Non-cancellable operating lease commitments

| TCHF | 2018 | 2017 |
|--|----------|----------|
| Within one year | 8 | 7 |
| Total operating lease commitments | 8 | 7 |

30. Non-cash transactions

In 2018 and 2017, 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.

31. Contingent liabilities

31.1 Litigation

At 31 December 2018, the Company has recognized provisions in relation to current litigation cases (note 16). Other than that, the Company or any of its subsidiaries are not party to any legal, administrative or arbitral proceedings, the outcome of which, if adverse to the Group, may be material to its business, financial condition and results of operation taken as a whole.

31.2 Sale of certain old subsidiaries of Relief Therapeutics SA (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 claims being made against the Group.

The buyer brought up a working capital true-up claim relating to various items whereas the Company brought up a counter claim to a specific matter. The Group did not record a provision on that topic assessing the likelihood of an adverse future cash outflow as not being probable.

32. Subsequent events

32.1 Seren Option Agreement

In addition, Relief signed an option agreement for the out-licensing of aviptadil for sarcoidosis and acute lung injury to Seren Clinical. Upon exercise of the option by Seren, Relief will be entitled to receive upfront, and eventually milestones and royalties based on the terms of the agreement. An extension until 31 December 2019 of the term of the original option agreement has been signed with Seren Clinical in February 2019.

32.2 Closing Notice

On April 12, 2019, the company received a closing notice for a subscription of 30'000'000 ordinary shares at a subscription price of CHF 0.01 per share.

32.3 Change in the Management structure

On April 26, 2019, Mr Hedou and Mr Dreano resigned from their position as CEO and CFO of the Group, respectively. In agreement with the Board of Directors, Mr Hedou and Mr Dreano will maintain their support to the Group in order to ensure a smooth transition of all the projects and daily business activities until completion of the Annual General Meeting 2019. Both GEM and the Board of Directors are committed to rapidly appoint new manager(s) to restructure the Group Management Team around Mr. Sagot who has decided to maintain his position. GEM and the Board reiterate their commitment to support the financial and logistical needs of the Company to consolidate the return on investment to the Company shareholders.

Other than the events mentioned above, there have been no significant subsequent events since 31 December 2018.

33. Approval of financial statements

These consolidated financial statements were approved by the Board of Directors on 30 April 2019, subject to approval of the annual shareholders' meeting 2019.

RELIEF THERAPEUTICS HOLDING SA
GENEVA

STATUTORY AUDITOR'S REPORT
Consolidated Financial Statements
December 31, 2018

**Report of the statutory auditor to the General Meeting
of RELIEF THERAPEUTICS Holding SA**Téléphone +41 22 708 10 80
Téléfax +41 22 708 10 88
CHE.116.331.176 TVA
www.mazars.ch**Report on the Audit of the Consolidated Financial Statements***Opinion*

We have audited the consolidated financial statements of RELIEF THERAPEUTICS Holding SA and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2018 and the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements (pages 19 to 46) give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, 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 Qualified Opinion

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. This, along with other matters as described in note 4.1 and in note 32.3 (change in the management structure), indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. The Note 4.1 to the financial statements does not describe sufficiently this uncertainty, particularly the mechanism and the timing of the financing for the next twelve months. In case of absence of additional financing required for the overheads needs of the Group, the continuity of the activities of the Group would be impossible and an intermediary balance sheet, with both continuity values and liquidation values, would have to be prepared.

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) 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.

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) 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.

Key Audit Matters (based on the circular 1/2015 of the Federal Audit Oversight Authority)

- Assessment of potential impairments of intangible assets
- Ongoing claims and litigations

Key audit matters are those matters that, in our professional judgment, 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.

Assessment of potential impairments of intangible assets**Areas of focus**

The assessment of potential impairments of intangible assets for an amount of TCHF 35'200 (refer to note 4.2 – Key sources of estimation uncertainty and note 7 – Intangible assets).

Intangible assets mainly result from the reverse takeover, which occurred in 2016 for TCHF 30'800, and from the acquisition of two licenses from Genclis for a total TCH 4'438. We focused 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 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.

Our audit response

With the support of our valuation specialists we considered third party sources to challenge management's main assumptions and assess the risk of impairment.

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.

For further information on Intangible assets, refer to the following:

- Note 7, « Intangible assets »

Ongoing claims and litigations

Areas of focus

During our audit procedures, we noted that the company was subject to a certain number of disputes with some third parties, some of them leading to ongoing litigations.

Given the level of uncertainty surrounding outstanding cases, judgement is also required to determine the potential outcome based on the facts and circumstances Management has in its possession.

Our audit response

We performed inquiries with Management to get an understanding of the different disputes and the ongoing litigations and we also sent external confirmations to the law firms hired by the company to deal with the different ongoing cases.

Based on the procedures performed above, we found that the assessment made by management was based upon reasonable assumptions, and the disclosure in the notes of the consolidated financial statements consistently applied.

For further information on Contingent liabilities, refer to the following:

- Note 31, « Contingent liabilities »

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 SA 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.

Responsibility 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 skepticism 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 para. 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.

MAZARS SA

Franck Paucod
Licensed Audit Expert
(Auditor in Charge)

Sébastien Gianelli
Licensed Audit Expert

Geneva, April 30, 2019

Relief Therapeutics Holding SA

STANDALONE FINANCIAL STATEMENTS 2018

Balance sheet

as of 31 December 2018 and 2017

(in CHF)

| | Note | 31 Dec 2018 | 31 Dec 2017 |
|--|------|-------------------|-------------------|
| ASSETS | | | |
| Cash and cash equivalents | | 210'642 | 77'848 |
| Other receivables - third parties | | 10'524 | 10'495 |
| Other receivables - group companies | | - | 142'648 |
| Prepaid expenses | | 40'580 | - |
| Current assets | | 261'746 | 230'991 |
| Investments in subsidiaries | 3 | 38'817'000 | 44'000'000 |
| Intangible assets | | 4'423'979 | - |
| Non-current assets | | 43'240'979 | 44'000'000 |
| Total assets | | 43'502'725 | 44'230'991 |
| LIABILITIES and EQUITY | | | |
| Other payables - third parties | | 9'121 | 328'430 |
| Liabilities due to related parties | 5 | 794'827 | 454'419 |
| Loan to CSS | | 724'887 | 698'180 |
| Accrued expenses | | 411'717 | 325'756 |
| Provision | 6 | 210'263 | 96'480 |
| Current liabilities | | 2'150'815 | 1'903'265 |
| Loan to Genclis SA | | 4'312'014 | - |
| Provision for unrealised exchange gains | | 192'432 | - |
| long-term liabilities | | 4'504'446 | - |
| Share capital | | 20'889'205 | 20'066'274 |
| General reserves | | 117'538'545 | 117'613'735 |
| <i>thereof capital contribution reserves</i> | | 117'522'040 | 117'597'230 |
| <i>thereof other general reserves</i> | | 16'505 | 16'505 |
| Accumulated losses | | (101'580'284) | (95'352'283) |
| <i>loss carried forward</i> | | (95'352'283) | (93'607'079) |
| <i>result of the period</i> | | (6'228'001) | (1'745'204) |
| Total shareholders' equity | 7 | 36'847'465 | 42'327'726 |
| Total equity and liabilities | | 43'502'727 | 44'230'991 |

Income statement

for the years ended 31 December 2018 and 2017

(in CHF)

| | Note | 31 Dec 2018 | 31 Dec 2017 |
|--|------|--------------------|--------------------|
| Revenues | | 564'715 | - |
| Expenses operating services | | (1'545) | - |
| Personnel expenses | | (292'462) | (197'953) |
| Other administrative and service expense | | (547'153) | (603'344) |
| EBITDA | | (276'445) | (801'297) |
| Depreciation and amortisation expenses | | (35'112) | - |
| Impairment on loans to group companies | | (635'855) | (820'144) |
| Impairment on investments | 3 | (5'183'000) | - |
| Operating result | | (6'130'411) | (1'621'441) |
| Financial income | 10 | - | - |
| Financial expense | 11 | (142'339) | (98'384) |
| Net exchange differences | | 32'820 | (62'641) |
| Net gain on sale of investments | 11 | - | - |
| Extraordinary income | 12 | 11'929 | 43'445 |
| Result before income taxes | | (6'228'000) | (1'739'021) |
| Tax expenses | | - | (6'183) |
| Result of the period | | (6'228'000) | (1'745'204) |

Notes to the financial statements

(All amounts in CHF)

1. General information

RELIEF THERAPEUTICS Holding SA ("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 Avenue de Sécheron 15, Geneva, Switzerland.

The combined Group is focused 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 the treatment of diabetic neuropathy). In addition to these initial MPCs, in April 2018 Relief acquired from the privately held French biotechnology company Genclis SA ("Genclis") two products under development that are artificial colostrum and hypoallergenic milk produced without hydrolysis. Both products have successfully completed pre-clinical validation. Artificial colostrum is intended to provide highly reactive immunoglobulins that closely mimic natural colostrum. Non-hydrolyzed hypoallergenic milk has the potential to constitute a novel therapeutic strategy for preventing milk allergies. In September 2018, Relief in collaboration with Genclis executed a collaboration and sublicense agreement with the Hong Kong-based Health and Happiness group whereby the three companies are actively collaborating to develop the final product following mutually agreed plans and milestones.

RELIEF THERAPEUTICS Holding SA 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

These financial statements are prepared in accordance with Swiss law, in particular with the law on commercial accounting and financial reporting of the Swiss Code of Obligations (CO Art. 957 to Art. 962).

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 costs 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.

Intangible assets

Licenses and other intangible assets are capitalized as intangible assets when it is probable that future economic benefits will be generated. Such assets are in general amortized on a straight-line basis over their useful lives. Estimated useful life is the lower of legal duration or economic useful life. The estimated useful life of the intangible assets is regularly reviewed and if necessary, the future amortization charge is accelerated. As a general rule, amortization starts at the beginning of the asset's commercialization and last for the whole duration of the period during which it generates revenues.

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. As of balance sheet date the intercompany loans are totally depreciated. No income was recorded on these fully depreciated loans.

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.

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

In 2018, the Group mainly relied on its current cash balance and financing instruments in place through which it received draw downs in January 2018 of CHF 497'741 and in July 2018 of CHF 250'000.

In order to provide a future stream of income as well as an immediate boost to its cash position, management has reoriented the main strategy of the Group. The Group has signed an option agreement for a future out-licensing of its most advanced MPC, aviptadil for the treatment of Sarcoidosis and Acute Lung Injury to the UK-based clinical development company Seren Clinical. With Seren Clinical reaching defined milestones, the Group may receive up-front and/or milestones and royalty payments. This agreement complements the agreement in place with the University of Freiburg which received a grant from the German Research Foundation (Deutsche Forschungsgemeinschaft – DFG) supporting the entire costs of the clinical trial planned to test aviptadil for its efficacy in Sarcoidosis patients. In parallel, since 9 April 2018 the Group in-licensed two assets from Genclis SA, a private company located in France. On 11 September 2018, Relief signed a sublicensing and collaboration agreement with Health and Happiness Hong Kong Limited (H&H) granting H&H the right to develop and commercialize on one of the acquired assets. In addition, the Agreement includes a four-year development plan with the goal of reducing allergenicity or even preventing food (particularly milk) allergy in humans. A close collaboration between Genclis SA, H&H and Relief is ongoing for the development operations and is associated with development fees, upfront, milestones and royalty payments. An upfront payment by H&H to Relief has already taken place right after the execution of the collaboration and licensing agreement.

Finally, efforts to raise cash through traditional financing methods such as attracting new investors, the issuance of debt and equity instruments - including the use of the SSF agreement - are still made in order to finance its continuing operations for the upcoming years.

On both 4 April 2018 and 31 August 2018, GEM Global yield fund LLC SCS, confirmed its intention, by letters of comfort, to take the measures necessary – either by waiving certain restrictions of the SSF or through other means – to ensure that RLF will have sufficient funds to allow it to meet its financial obligations. In this context, GEM agreed to amend the SSF agreement in place by prolonging its term for an additional two years until the end of December 2020 and increasing the total aggregate amount by CHF 20 million for a new total of CHF 44.1 million.

Although management is confident that its fund-raising and business efforts will be sufficient to fund the Group'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 Group's ability to continue as a going concern and, as such, there exists a material uncertainty at present.

3. Investments in subsidiaries

| | 2018 | 2017 |
|--------------------------------|-------------------|-------------------|
| Investment in subsidiaries | 49'339'963 | 49'339'963 |
| Accumulated Impairment charges | (10'522'963) | (5'339'963) |
| | 38'817'000 | 44'000'000 |

The table below shows the unlisted companies which belong to Relief Therapeutics Holding SA as of 31 December 2018:

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

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

Impairment of investment

In 2018, an impairment test has been carried out on the 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). Recalculation included some adjustments regarding technical calculation, revenue estimation, royalty payments, tax and net working capital assumptions resulting in a lower net present value compared to 2017. This indicated a need for impairment of CHF 5'183K (2017 : CHF 0K).

4. Loans to subsidiaries

2018

| Company (in CHF) | Domicile | Loans | Depreciation | Total |
|-------------------------------|----------------|-------------------|---------------------|----------|
| Relief Therapeutics SA | Geneva (CH) | 1'150'000 | (1'150'000) | 0 |
| THERAMetrics Discovery AG | Geneva (CH) | 22'005'171 | (22'005'171) | 0 |
| THERAMetrics Switzerland GmbH | Zurich (CH) | 1'326'501 | (1'326'501) | 0 |
| THERAMetrics Inc. | Wayne, PA (US) | 78'561 | (78'561) | 0 |
| Pierrel Research Hungary Kft | Budapest (H) | 16'677 | (16'677) | 0 |
| | | 24'576'910 | - 24'576'910 | 0 |

2017

| Company (in CHF) | Domicile | Loans | Depreciation | Total |
|-------------------------------|----------------|-------------------|--------------------|----------------|
| Relief Therapeutics SA | Geneva (CH) | 695'000 | (695'000) | 0 |
| THERAMetrics Discovery AG | Geneva (CH) | 22'001'171 | (21'992'587) | 8'585 |
| THERAMetrics Switzerland GmbH | Zurich (CH) | 1'290'500 | (1'158'231) | 132'270 |
| THERAMetrics Inc. | Wayne, PA (US) | 78'561 | (78'561) | 0 |
| Pierrel Research Hungary Kft | Budapest (H) | 16'677 | (16'677) | 0 |
| | | 24'081'910 | -23'941'055 | 140'855 |

5. Liabilities due to related parties

Liabilities due to related parties mainly consist of a shareholders' loan due to GEM (TCHF 328) which accrues interest of 4% above the based rate of Barclays Bank PLC as well as a loan due to a former subsidiary of the Group. Until repayment, the unpaid balance accrues interest at a rate of 8% per annum. The repayment date for these two loans is not defined.

The remaining part of related parties amount includes a balance of TCH 337 toward Relief Therapeutics SA (2017: TCHF 0), TCH130 toward THERAMetrics Switzerland GmbH (2017: TCH 132) and TCHF 0 towards THERAMetrics Discovery AG (2017: 8).

6. Provisions

Provisions mainly relate to litigation cases. Also refer to note 16.1. In the comparative period, provisions were reclassified from other current payables and liabilities to provisions for comparability purposes.

| TCHF | 31 December 2018 | 31 December 2017 |
|---|------------------|------------------|
| Carry amount at the beginning of the period | 96 | - |
| Additional provisions made in the period, including increase to existing provisions | 113 | 96 |
| Total | 210 | 96 |

7. Shareholders' equity

| (in CHF) | Share capital | General reserves | Accumulated losses | Total shareholders' equity |
|---|-------------------|--------------------|----------------------|----------------------------|
| Equity at 1 January 2017 | 19'466'274 | 117'299'374 | (93'607'079) | 43'158'569 |
| Capital increase related to stock option activity | 100'000 | - | - | 100'000 |
| Capital increase from a shareholder cash contribution | 500'000 | - | - | 500'000 |
| Unregistered SSF draw downs | - | 450'000 | - | 450'000 |
| Cost on capital increase and SSF | | (135'639) | | (135'639) |
| Net result for the period | - | - | (1'745'204) | (1'745'204) |
| Equity at 31 December 2017 | 20'066'274 | 117'613'735 | (95'352'283) | 42'327'726 |
| Capital increase related to stock option activity | | | | - |
| Capital increase from a shareholder cash contribution | 447'931 | 299'810 | | 747'741 |
| Unregistered SSF draw downs | 375'000 | (375'000) | | - |
| Cost on capital increase and SSF | | | | - |
| Net result for the period | | | (6'228'001) | (6'228'001) |
| Equity at 31 December 2018 | 20'889'205 | 117'538'545 | (101'580'284) | 36'847'466 |

Issued share capital

At 31 December 2018, issued share capital is CHF 20'889'204, consisting of 2'088'920'472 registered shares with a par value of CHF 0.01. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

At 31 December 2017, issued share capital was CHF 20'066'273, consisting of 2'006'627'375 registered shares with a par value of CHF 0.01.

On 21 June 2018, the share capital was increased by CHF 822'931 by issuing 82'293'097 shares at nominal value of CHF 0.01. This total amount of shares corresponds to the capital previously drew down on the SSF through the four initial drawdowns completed in 2017.

Authorized share capital

At 31 December 2018, the Company had authorized, but not yet issued, nominal share capital of TCHF 9'500, consisting of 950'000'000 registered shares with a par value of CHF 0.01 each, that the Board of Directors is authorized to issue at any time until 30 May 2019.

Conditional share capital

The conditional share capital of the Company as at 31 December 2018 is TCHF 7'628 (2017: CHF 8'451), consisting of 762'800'430 (2017: 845'093'527) registered shares with a par value of CHF 0.01 each, of which 190'000'000 (2017: 190'000'000) to be used for share options for members of the Board of Directors, Executive Management, employees and consultants as well as 572'800'430 (2017: 655'093'527) to 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 2017, there were 55'250'000 options outstanding, all of which are fully vested. During 2018, 15'000'000 options were granted and no options expired. There were no options exercised in 2018.

8. 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, Yvonand, Switzerland
- Michel Dreano, Collonges sous Salève, France
- Yves Sagot, Beaumont, France

| Summary of shareholders | 2018 | | 2017 | |
|-------------------------------|----------------------|---------------|----------------------|---------------|
| | Number of shares | % | Number of shares | % |
| GEM Global Yield Fund LLC SCS | 563'155'233 | 27.0% | 615'869'250 | 30.7% |
| Fin Posillipo SpA | 286'824'849 | 13.7% | 286'824'849 | 14.3% |
| Django Trading Sarl | 182'182'699 | 8.7% | 189'282'350 | 9.4% |
| Michel Dreano | 171'000'000 | 8.2% | 189'350'000 | 9.4% |
| Yves Sagot | 177'798'685 | 8.5% | 186'298'685 | 9.3% |
| | 1'380'961'466 | 66.1% | 1'526'048'716 | 76.1% |
| Others | 707'959'006 | 33.9% | 480'578'659 | 23.9% |
| | 2'088'920'472 | 100.0% | 2'006'627'375 | 100.0% |

9. 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 2018.

| Shares held by members of the Board of Directors | Number of shares as of 31.12.2018 | Number of shares as of 31.12.2017 |
|--|--------------------------------------|--------------------------------------|
| Michel Dreano, CFO and CBO and member of the BoD | 171 000 000 | 189 350 000 |

| Shares held by Executive Management | Number of shares as of 31.12.2018 | Number of shares as of 31.12.2017 |
|-------------------------------------|--------------------------------------|--------------------------------------|
| Gael Hedou, CEO | 182 182 699 | 189 282 350 |
| Yves Sagot, CSO | 177 798 685 | 186 298 685 |

| Options held by members of the Board of Directors | Number of options as of 31.12.2018 | Number of options as of 31.12.2017 |
|--|---------------------------------------|---------------------------------------|
| Michel Dreano, CFO and member of the BoD ¹⁾ | 20 000 000 | 20 000 000 |

¹⁾ 50% of the options are related to activity as executive member and 50% are related to activity as member of the BoD

| Options held by Executive Management | Number of options as of 31.12.2018 | Number of options as of 31.12.2017 |
|--------------------------------------|---------------------------------------|---------------------------------------|
| Gael Hédou, CEO | 25 000 000 | 10 000 000 |
| Yves Sagot, CSO | 10 000 000 | 10 000 000 |

10. Compensation

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

11. Financial income and expense

| Financial expense | 2018 | 2017 |
|--|----------------|---------------|
| Interest on liabilities due to third parties | 69'831 | - |
| Interest on liabilities due to related parties | 70'484 | 87'505 |
| Bank fees and other | 2'024 | 10'879 |
| | 142'339 | 98'384 |

12. Extraordinary income

| | 2018 | 2017 |
|--|---------------|---------------|
| Gain on write-off of payables | 11'929 | - |
| VAT received from prior periods in relation to closed subsidiaries | - | 43'445 |
| | 11'929 | 43'445 |

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 101'580'284 as per 31 December 2018 will be carried forward.

14. Full-time equivalents

The average number of employees during 2018 (in full-time positions) was less than 10.

15. Significant events after the balance sheet date

15.1 Seren Option Agreement

In addition, Relief signed an option agreement for the out-licensing of aviptadil for sarcoidosis and acute lung injury to Seren Clinical. Upon exercise of the option by Seren, Relief will be entitled to receive upfront, and eventually milestones and royalties based on the terms of the agreement. An extension until 31 December 2019 of the term of the original option agreement has been signed with Seren Clinical in February 2019.

15.2 Closing Notice

On April 12, 2019, the company received a closing notice for a subscription of 30'000'000 ordinary shares at a subscription price of CHF 0.01 per share.

15.3 Change in the Management structure

On April 26, 2019, Mr Hedou and Mr Dreano resigned from their position as CEO and CFO of the Group, respectively. In agreement with the Board of Directors, Mr Hedou and Mr Dreano will maintain their support to the Group in order to ensure a smooth transition of all the projects and daily business activities until completion of the Annual General Meeting 2019. Both GEM and the Board of Directors are committed to rapidly appoint new manager(s) to restructure the Group Management Team around Mr. Sagot who has decided to maintain his position. GEM and the Board reiterate their commitment to support the financial and logistical needs of the Company to consolidate the return on investment to the Company shareholders.

Other than the events mentioned above, there have been no significant subsequent events since 31 December 2018.

16. Contingent Liabilities

16.1 Litigation

At 31 December 2018, the Company has recognized provisions in relation to current litigation cases (note 6). Other than that, the Company or any of its subsidiaries are not party to any legal, administrative or arbitral proceedings, the outcome of which, if adverse to the Group, may be material to its business, financial condition and results of operation taken as a whole.

16.2 Sale of certain old subsidiaries of Relief Therapeutics SA (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 claims being made against the Group.

The buyer brought up a working capital true-up claim relating to various items whereas the Company brought up a counter claim to a specific matter. The Group did not record a provision on that topic assessing the likelihood of an adverse future cash outflow as not being probable.

17. Approval of financial statements

These statutory financial statements were approved by the Board of Directors on 30 April 2019, subject to approval of the annual shareholders' meeting 2019.

**RELIEF THERAPEUTICS HOLDING SA,
GENEVA**

**Report on the audit of
The financial Statements as of
December 31, 2018**

**Report of the statutory auditor to the General Meeting
of RELIEF THERAPEUTICS Holding SA**Téléphone +41 22 708 10 80
Téléfax +41 22 708 10 88
CHE.116.331.176 TVA
www.mazars.ch**Report on the audit of the Financial Statements**

We have audited the financial statements of RELIEF THERAPEUTICS Holding SA, which comprise the balance sheet as at December 31, 2018 and the income statement and notes for the year then ended.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements (pages 53 to 62) as at December 31, 2018 comply with Swiss law and the company's articles of incorporation.

Basis for Qualified Opinion

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 upon external funding as well as a successful completion of the out-licensing of some of its medicinal product candidates. This, along with other matters as described in note 2 and in note 15.3 (change in the management structure), indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern. 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. The Note 2 to the financial statements does not describe sufficiently this uncertainty, particularly the mechanism and the timing of the financing for the next twelve months. In case of absence of additional financing required for the overheads needs of the Company, the continuity of the activities of the Company would be impossible and an intermediary balance sheet, with both continuity values and liquidation values, would have to be prepared

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.

Key Audit Matters (based on the circular 1/2015 of the Federal Audit Oversight Authority)

- Valuation of investments in subsidiaries
- Ongoing claims and litigations

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

Areas of focus

The Company's investment in the subsidiaries were carried at TCHF 38'817 at December 31, 2018. The Group's investments in subsidiaries consist 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.

Our audit response

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.

For further information on Valuation of investments in subsidiaries, refer to the following:

- Note 3, « Investments in subsidiaries »

Ongoing claims and litigations

Areas of focus

During our audit procedures, we noted that the company was subject to a certain number of disputes with some third parties, some of them leading to ongoing litigations.

Given the level of uncertainty surrounding outstanding cases, judgement is also required to determine the potential outcome based on the facts and circumstances Management has in its possession.

Our audit response

We performed inquiries with Management to get an understanding of the different disputes and the ongoing litigations and we also sent external confirmations to the law firms hired by the company to deal with the different ongoing cases.

Based on the procedures performed above, we found that the assessment made by management was based upon reasonable assumptions, and the disclosure in the notes of the consolidated financial statements consistently applied.

For further information on Ongoing claims and litigations, refer to the following:

- Note 16, « Contingent liabilities »

Responsibility 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 para. 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).

MAZARS SA

Franck Paucod
Licensed Audit Expert
(Auditor in Charge)

Sébastien Gianelli
Licensed Audit Expert

Geneva, April 30, 2019