30th April 2018

Annual Report 2017

RELIEF Therapeutics

Table of Contents

Letter to the Shareholders

Dear Shareholders:

The year 2017 was a period dedicated to the consolidation of our company. The merger between the Geneva-based Relief Therapeutics SA and THERAMetrics holding AG in July 2016 induced major restructuration of the resulting company Relief Therapeutics Holding AG, in which we applied a very lean overhead structure and simplified business model. Drastic reduction of our headcounts and operating sites occurred in 2017 as well as redirection of our activities towards the out-licensing of one of our most promising drug candidate: Aviptadil (for pulmonary indications). The Executive Committee succeeded in ensuring the further development of this program through an agreement with the University of Freiburg which gathered funding from the German government to implement a clinical trial that is expected to start later in 2018. This is a positive opportunity for the Group as well as for the patients which remain one of our main focus, who will benefit from a potential treatment to their devastating condition. Efforts remain intense on ensuring funding for the development of the second promising drug candidate of the Company, i.e. Atexakin alfa (for the indication Diabetic Neuropathy).

From this new business orientation, we have been working on exploring solutions to fund the company on a longer term and ensure its growth to create added value. In this, we have been able to secure a significant investment of CHF 500’000 and several drawdowns from the active Share Subscription Facility (SSF), both provided by our investor and main shareholder Global Emerging Market (GEM).

Relief needs now to take on the challenges of its new operating model where the drastic cost cutting measures implemented in 2017 have profoundly changed its operating abilities. In particular, the reduction and optimization of certain elements of its fixed overhead structure, e.g. by closing the Zurich office and transfer of the headquarter to Geneva that has been approved by the General Assembly of May 2017. In addition, the Company significantly down-sized its management bodies, i.e. Mr. Raffaele Petrone and Mr. Antonino Amato have resigned from the Board of Directors and Mr Petrone of his role of Chief Executive Officer. In addition, Mr. Timothy Snyder has served notice that he relinquishes his duties as Chief Financial Officer. As a consequence the current executive team is today concentrated on 3 managers Gael Hédou serving as Chief Executive Officer, Yves Sagot as Chief Science Officer and Michel Dreano as Chief Finance Officer on top of his function of Chief Business Officer. Further rationalization and simplification of the Group structure and operations will have to be elaborated and implemented shortly in order to ensure a smooth and capital efficient functioning of the Group.

Recently, Relief has been able to secure two important deals with third parties. Relief has signed a in-license agreement with the privately held company located in France Genclis SA whereby collaborative efforts are being implemented in order to further develop and eventually out-license two promising projects namely hypoallergenic milk and artificial colostrum for human applications. These two projects are based on the groundbreaking technology discovered and elaborated by Genclis SA related to the consequence of DNA to RNA transcription infidelity that constitute the ground of allergic reactions in mammals. More recently, Relief has concluded an option agreement for the out-licensing of Aviptadil for the treatment of Sarcoidosis and Acute Lung Injury to Seren Clinical, a privately held drug development company based in the UK. Seren will work with the aim to build the necessary framework to ensure full development of the program. The management is confident that these two promising opportunities support the Company’s objectives, i.e. to create a new dynamic for growth.

Despite the bright successes that are rendered public in our industry environment they mostly hide most of the companies that are confronted with a very competitive environment made uncertain by the world economic status. However these successes underline the view of the management that possibilities still exist and motivate the Executive Committee to seek out those options to further consolidate the strong foundations of our Group and provide all stakeholders with a bright future.

Again this year, without the daily commitment of our key employees, the continuous support of our investor and the confidence of our shareholders, our chances for future success would be limited. By providing the grounds for this objective, may all key stakeholders be gratefully thanked.

We will keep you continuously updated of our progress via the usual media releases and we look forward to meeting you at our upcoming General Assembly.

Sincerely,

Raghuram Selvaraju	Gael Hedou
Chairman of the Board of Directors	Chief Executive Officer

Company Profile

Business Overview

Relief Therapeutics ("Relief" "the Company") is a drug development company focusing on clinical stage projects, primarily developing drugs of natural human origin (peptides and proteins) with a history of clinical testing and use in human patients. Currently, Relief is concentrating its efforts on developing new treatment solutions for indications related to diabetic complications and 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 has been transferred from Zurich to Geneva Switzerland where seats its scientific offices.

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.

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 Therapeutics is preparing the deployment of a phase II clinical trial campaign with the aim to rapidly generate relevant data to drive decision on late stage development. The trial entitled "ATEXADIANE" for ATEXakin Alfa in DIAbetic NEuropathies will follow the principle of a focused and cost-contained trial with the aim to assess the efficacy of atexakin alfa to reinstate normal sensations and slow down disease progression in human patients.

Transcription Infidelity (TI) is a newly discovered ubiquitous epigenetic mechanism that increases RNA-DNA sequence divergences (RDD). TI was initially described and patented by Genclis SA and has since been confirmed by several independent academic teams. TI can lead to base substitutions or insertions 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 very few milk proteins are responsible for the allergic response. Their patented technology allows rapid and cost effective elimination of allergic proteins rendering the milk hypoallergenic. Via collaboration with Genclis SA and their established partners, Relief will scale up the production process with the ultimate aim to out-license the final product/technology to third party contractors.

Based on the identification of TI proteins that preside on the building of the immunological response, Genclis SA has developed methods to generate preparations of polyclonal antibodies from crude biological fluids mimicking the pattern of antibodies present in colostrum. Together with Genclis SA and its established partners, Relief will participate in the validation of the process and in the scaling up of artificial colostrum production with the objective to out-license more advanced products.

2017 Transformation

Business opportunity: in November 2017, Relief Therapeutics Holding SA finalized an a non-commercial, development-focused agreement with the Department of Pneumology from the University Medical Centre of the University of Freiburg, Germany to support the clinical development of Aviptadil in Sarcoidosis.

Relief Therapeutics SA management: In the first semester of 2017, the board of Directors and the Executive Committee were profoundly restructured to allow a direct management with cost contained and capital efficient operations.

Financial Review

Overview of Consolidated Financial Results

Relief generated consolidated revenues from continuing operations of TCHF 0 for the year ended 31 December 2017, compared to TCHF 15 for the year ended 31 December 2016.

The company incurred a net loss of TCHF 2'887 for the year ended 31 December 2017 compared to a net loss of TCHF 16'834 for the year ended 31 December 2016. Basic and diluted loss per share for the same periods was CHF 0.001 and CHF 0.013, respectively.

Personnel expense was TCHF 909 for the year ended 31 December 2017 and TCHF 724 for the year ended 31 December 2016.

Risk assessment disclosure required by Swiss Law

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

Compensation report

The Compensation Report provides an overview of the compensation programs, the method of determination of compensation and the compensation awarded in 2017 to the members of the Board of Directors and of the Executive Committee of Relief Therapeutics Holding AG.

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

1 Compensation Governance

1.1 Nomination and Compensation Committee

The Nomination and Compensation Committee (NCC) assists the Board of Directors in all nomination and compensation matters. 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 2017 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.

1.2 Role of Shareholders: Say-on-pay Vote

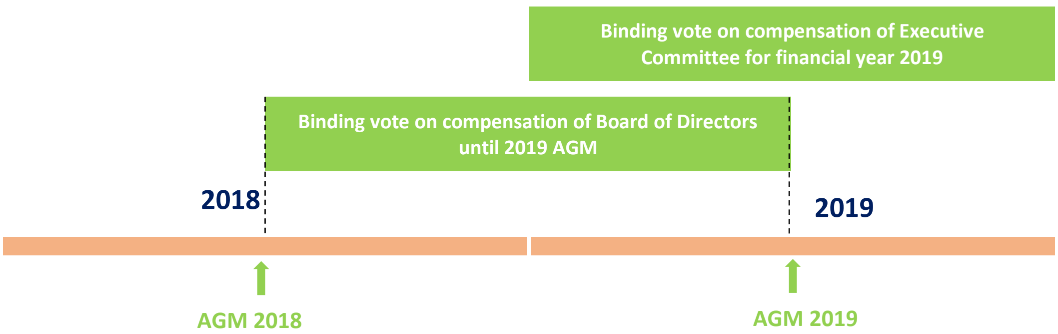
In line with the requirements of the Ordinance, the Company's articles of associations and the Organizational Regulation include provisions on the following governance and compensation-related matters:

- 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 2018 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.

<u>**Say-on-pay vote structure**</u>



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 necessary lead to any adjustment.

2 Compensation of the Board of Directors

2.1 Principles and Compensation Architecture

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

The compensation in cash and in options is usually paid at the end of the period of service, shortly after the Annual General Meeting, 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 2017

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 2017, members of the Board of Directors earned a total compensation of CHF 17'595 (previous year CHF 147'000). The decrease in total compensation from 2016 to 2017 is due primarily to a reduction in the number of Board members and a drastic reduction of all compensations in line with the cost cutting measures implemented in 2017.

In 2017 there was no fixed fee paid to the board of directors.

Compensation of the Board of Directors (2017 versus 2016) **in CHF** **Table 3.2**

Board of Directors	Fixed Fee 2017	Fixed Fee 2016	Options (fair value) 2017	Options (fair value) 2016	Total 2017	Total 2016
Raghuram Selvaraju, Chairman [1]	0	0	0	23'331	0	23'331
Raffaele Petrone, Vice-Chairman [2]	0	0	0	45'000	0	45'000
Michel Dreano [3]	0	0	17,595	11'667	17,595	11'667
Peter de Svastich [4]	0	0	0	11'667	0	11'667
Antonino Amato [5]	0	0	0	11'667	0	11'667
Michael Keller [6]	0	0	0	10'917	0	10'917
Claudio Palladini [7]	0	0	0	10'917	0	10'917
Robert Patterson [6]	0	0	0	10'917	0	10'917
Fulvio Citaredo [7]	0	0	0	10'917	0	10'917
Total Board of Directors	0	0	17,595	147'000	17,595	147'000

[1] Chairman of the Board since 25 May 2016 re-elected at the 2017 Annual General Meeting
[2] Member and Vice-Chairman of the Board of Directors since 25 May 2016 and CEO until February 17, 2017
[3] Member of the Board of Directors since 25 May 2016 re-elected at the 2017 Annual General Meeting and CFO
[4] Member of the Board of Directors since 25 May 2016 re-elected at the 2017 Annual General Meeting
[5] Member of the Board of Directors since 25 May 2016 until February 17, 2017
[6] Member of the Board of Directors until 25 May 2016
[7] Member of the Board of Directors from 13 May 2015 to 25 May 2016

For the period from the 2017 Annual General Meeting to the 2018 Annual General Meeting, the remuneration paid to the Board of Directors amounts to CHF 17,595 . This is within the limit to CHF 200'000 approved by the 2017 Annual General Meeting for this compensation period. For the same period of time, the remuneration for the Executive Committee amounts CHF538'288 which is within the limit to the CHF 1'500'000 approved by the 2017 Annual General Meeting.

In 2017, 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 7 of the stand-alone 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 2017

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 2017 members of the Executive Committee received a total remuneration of CHF 538'288 (previous year CHF 1'174'424). Executive Committee compensation decreased in 2017 due to a massive restructuration based on company financials during which 3 of the Executive Committee members accepted a 50% reduction of their remuneration and the resignation of Mr. Snyder at the end of August 2017.

Compensation of the Executive Committee (2017 versus 2016) **Table 4.2**

Executive Committee (in CHF)	Fixed compensation[1]	Cash bonus[2]	Pension benefits[3]	Options (fair value)	Total 2017	Total 2016
Gaël Hedou	122'400	0	20'023	17'595	160'018	184'560
Michel Dreano	98'000	0	14'808	17'595	130'403	111'159
Yves Sagot	114'750	0	17'241	17'595	149'586	185'645
Timothy Snyder[4]	85'133	0	13'148	0	98'281	286'753
Other Committee Members	-	-	-	-	-	406'307
Total Executive Committee	**420'283**	**0**	**65'220**	**52'785**	**538'288**	**1'174'424**

[1] Includes value of other short-term benefits, such as company car
[2] No cash bonuses for 2017 or 2016
[3] Includes the employer contributions to social security (AHV) and company pension plan (BVG)
[4] Compensation included until April 2017

In 2017, 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 7 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 2017.

MAZARS SA
Chemin de Blandonnet 2
1214 Vernier-Genève

Téléphone +41 22 708 10 80
Téléfax +41 22 708 10 88
CHE.116.331.176 TVA
www.mazars.ch

RELIEF THERAPEUTICS HOLDING AG,
GENEVA

Report of the statutory auditor
Remuneration report
December 31, 2017

MAZARS SA
Chemin de Blandonnet 2
1214 Vernier-Genève

Téléphone +41 22 708 10 80
Téléfax +41 22 708 10 88
CHE.116.331.176 TVA
www.mazars.ch

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

We have audited the accompanying remuneration report of RELIEF THREAPEUTICS Holding AG for the year ended December 31, 2017. 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 section 3.2 page 9 and in the section 4 page 10 of the remuneration report.

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

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

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

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

Opinion
In our opinion, the remuneration report for the year ended December 31, 2017 of RELIEF THERAPEUTICS Holding AG 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, 2018

CORPORATE GOVERNANCE

The corporate governance principles of Relief Therapeutics Holding AG (“Relief”, “the Company”) are laid out in the Company’s articles of incorporation (the Articles), in the organizational regulations (the Regulations) (in German: *Organisationsreglement*) adopted by the Board of Directors (the Board). The Articles can be viewed or downloaded on the Company’s webpage.

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

Listed Company

Company Name	Relief Therapeutics Holding 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 2016	CHF 19’466’273
Share price at 31 December 2016	CHF 0.01
Duration of the company	Unlimited

Unlisted Companies

The table below shows the companies (all unlisted) belonging to Relief Therapeutics Holding AG as of 31 December 2017:

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

Significant shareholders

The table below shows those shareholders or groups of shareholders who, according to information available to the Company, hold more than 3% of the share capital and voting rights (whether exercisable or not) as of 31 December 2017:

	voting rights conferred by shares	
shareholders	**shares**	**percentage**
GEM Global Yield Fund LLC SCS	615’869’250	30.69%
Fin Posillipo SpA, Naples, Italy	286’824’849	14.29%
Django Trading Sarl	189’282’350	9.43 %
Michel Dreano	189’350’000	9.44 %
Yves Sagot	186’298’685	10.04 %
Other shareholders	539’002’241	26.86%
Total	**2’006’627’375**	**100%**

As of 31 December 2017, 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 2017 financial year can be viewed on the SIX Swiss Exchange disclosure platform at www.six-swiss-exchange.com.

Capital Structure

As of 31 December 2017, the issued share capital of the Company amounted to CHF 20’066’273,75, consisting of 2’006’627’375 fully paid-in shares with a nominal value of CHF 0.01. All issued shares are listed and traded at the SIX Swiss Exchange.

Authorized share capital

As of 31 December 2017, 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.

Conditional share capital

As of 31 December 2017, the Company had the following conditional share capital:

(i) CHF 1’050’935.27 for the issuance of up to 105’093’527 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 7’500’000 for the issuance of up to 750’000’000 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 2017, there are 55’249’999 options outstanding, all of which are fully vested. During 2017, No option was exercised.

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

	2017	2016
Options outstanding at the beginning of the year	76,836,485	10,167,286
granted	40,000,000	73,067,199
forfeited	61,586,486	-
exercised	-	-10,000,000
Options outstanding at the end of the year	55,249,999	73,836,485

Changes in the share capital

On 22 March 2017 Relief Therapeutics Holding SA has completed an authorized capital increase in the amount of CHF 500’000 by issuing new registered shares of its common stock. Under the terms of this round of financing, GEM Global Yield Fund LLC SCS (“GEM”) has subscribed to 50 million new registered shares of Relief at a price of CHF 0.01. Under the terms of this financing agreement, Relief also issued to GEM 600 million warrants with an exercise price of CHF 0.01 exercisable for a period of 5 years.

On 7 Oct. 2017, GEM Global Yield Fund LLC SCS (“GEM”) has exercised 10’000’000 of its warrants for a total of CHF 100’000.

The total issued share capital of Relief Therapeutics Holding AG registered in the commercial register as of 31 December 2017 is CHF 20’066’273.75 corresponding to 2’006’627’375 while as of 31 December 2016 the capital of Relief amounted CHF 19’466’273 distributed on 1’946’627’375 shares with a nominal value of CHF 0.01 each, respectively.

Changes in the share capital between 1 January 2017 and 31 December 2017 are disclosed in the notes of the statutory financial statements.

Limitations on transferability and nominee registrations

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

Every person recorded in the share register is regarded as a shareholder or beneficiary vis-à-vis the Company. Pursuant to the Articles of

Association, the purchaser of shares is entered in the register of shares if there is an express declaration that the purchaser is holding the shares for himself. This also applies to the acquisition of shares through the exercise of purchase, option or conversion rights. If the purchaser is not prepared to make such a declaration, the Board of Directors may refuse registration as a voting shareholder. The Board of Directors regulates the rules for the registration of persons who hold the shares in the name and for the account of a third person, so called nominees. No applications in this regard were submitted in 2017.

Board of Directors and its Sub-Committees

In 2017 the Board of Directors and its sub-committees were composed of the following members:

On 17 Feb. 2017 Mr Petrone and Mr Amato resigned from the board. Therefore on 30 May 2017 date of the AGM the board membership was as follows:

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

After the 2017 AGM held on 30 May 2017 the board membership was as follows:

		Member of the board since	Sub-committees	
			AFC	NCC
Raghuram Selvaraju	Chairman	2016		
Michel Dreano	Member	2016		X
Peter de Svastich	Member	2016	X	X
David Lowe [(1)]	Member			

(1) Mr Lowe resigned from the board on 7 Jul. 2017 with immediate effect.

Director's education and professional background

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

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

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

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

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

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

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

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 Francaise de Commerce Exterieur (BFCE), and BNP. He has been a Director of WH Management Inc. since 1985 and Global Group Enterprises Corp. since April 26, 2013.

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

Other Activities and Vested Interests

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

Elections and Terms of Office

The Articles provide for a Board of Directors consisting of at least three members. Members are appointed and 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 while the Vice-chairman of the Board (the Vice-Chairman) is appointed by the Board of Directors. Members are elected or re-elected individually.

Internal Organization

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

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

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

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

Modus Operandi of the Board of Directors and the Board Committees

As a rule, the Board meets as often as the business requires. Given the current Company's high financial pressure, the Board met 19 times in 2016.

The NCC met once during 2017 to review Executive Committee compensation.

Areas of Responsibility

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

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

Information and control instruments in respect of the Executive Committee

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

Executive Committee

As of 31 December 2017, 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 Committees 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 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.

Members

Dr. Gaël Hédou, Chief Operating 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

Of note Mr Snyder resigned from his position as CFO with a six-month notice and Mr. Petrone from his position of CEO with immediate effect on 17 February 2017.

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

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

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

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

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

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

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

Dr. Habil. Dorian Bevec, Chief Development Officer, German national, born in 1957.

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

Dr. Bevec resigned from his position of Chief Development Officer with effect on 31 December 2017.

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.

Management Contracts

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

Shareholders' Participation

Voting Rights and Representation Restrictions

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

Statutory Quorum

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

Convocation of the general meeting of Shareholders

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

Agenda Rules

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

Registrations in the Share Register

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

Changes of Control and Defense Measures

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

Clauses on Changes of Control

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

Auditors

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

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

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

Auditing fees and additional fees

The charge for professional services rendered by the former auditor, i.e. PWC, from 1 Jan. 2017 to 30 May 2017 were CHF 158'295, essentially for audit services.

From 30 May 2017 to 31 Dec. 2017, the charge for professional services rendered by Mazars were CHF 8'600.00 exclusively for audit-related projects.

The charge for audit services rendered by Mazars for the twelve-month period ended 31 December 2017 were CHF 67'500.

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

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

Supervisory and control instruments pertaining to the audit

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

Information Policy

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

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

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

Relief Therapeutics Holding AG

Consolidated Financial Statements

for the year ended 31 December 2017

Consolidated balance sheet

TCHF	Notes	31 December 2017	31 December 2016
ASSETS			
Property, plant and equipment	7	5	8
Intangible assets	8	30'800	30'800
Non-current assets		**30'805**	**30'808**
Trade receivables		-	2
Other current assets and other receivables	10	31	219
Cash and cash equivalents		135	394
Current assets		**166**	**615**
Total assets		**30'971**	**31'423**
EQUITY AND LIABILITIES			
Share capital	12	20'066	19'466
Reserves	13	20'961	20'597
Accumulated losses		(20'082)	(17'827)
Equity		**20'945**	**22'236**
Defined benefit obligation	16	537	1'072
Deferred tax liabilities	21	7'454	6'468
Non-current liabilities		**7'991**	**7'540**
Trade payables		493	383
Liabilities due to related parties	14	1'012	878
Other current payables and liabilities	15	530	386
Current liabilities		**2'035**	**1'647**
Total equity and liabilities		**30'971**	**31'423**

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

Consolidated statement of comprehensive income

TCHF	Notes	2017	2016
Revenues		-	15
Service expense	17	(71)	(211)
Personnel expense	18	(989)	(724)
Other administrative expense	19	(704)	(1'003)
Other gains		31	-
EBITDA		**(1'733)**	**(1'923)**
Impairment expense	5	-	(14'556)
Depreciation expense	7	(3)	(10)
Operating result		**(1'736)**	**(16'489)**
Financial income	20	3	103
Financial expense	20	(168)	(428)
Result before income taxes		**(1'901)**	**(16'814)**
Income taxes	21.1	(986)	(20)
Result for the period		**(2'887)**	**(16'834)**
OTHER COMPREHENSIVE INCOME			
Remeasurement of defined benefit obligation	16	632	(838)
Total items that will not be reclassified subsequently to profit or loss		**632**	**(838)**
Currency translation differences	13.3	(20)	44
Total items that may be reclassified subsequently to profit or loss		**(20)**	**44**
Total other comprehensive income for the year, net of income tax		**612**	**(794)**
Total comprehensive income for the period		**(2'275)**	**(17'628)**
EARNINGS PER SHARE FROM CONTINUING OPERATIONS			
Basic and diluted earnings per share (in CHF)	23	(0.001)	(0.013)

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

Consolidated cash flow statement

TCHF	Notes	2017	2016
Result for the period		(2'887)	(16'834)
Adjustments for:			
- Taxes charged	21.1	986	20
- Depreciation expense	7	3	10
- Impairment expense	5	-	14'556
- Finance expenses	20	168	428
- Finance income	20	(3)	(103)
- Interest payments received		3	103
- Interest expenses paid		(88)	(428)
- Income tax received		-	25
- Changes in pension obligations		97	(202)
- Expenses recognised in relation to equity-settled share-based payments		70	91
- Net foreign exchange losses		34	44
Changes in working capital:			
- Decrease in trade receivables		2	140
- Decrease/(increase) in other receivables and accruals		188	(156)
- Increase/(decrease) in trade payables		110	(301)
- (Decrease) in liabilities due to related parties		-	(32)
- Increase/(decrease) in other payables and accrued liabilities		144	(249)
Cash flow used for operating activities		**(1'173)**	**(2'888)**
Purchase of property, plant and equipment	7	-	(11)
Net cash inflow on acquisition of subsidiary	5	-	132
Proceeds on sale of other financial assets		-	4
Cash flow from investing activities		**-**	**125**
Proceeds from capital increase	12	600	3'075
Proceeds from SSI draw downs	13.1	450	
Payment for transaction costs due to capital increase and SSF draw downs	13.1	(136)	(232)
Proceeds from liabilities due to related parties		-	301
Cash flow from financing activities		**914**	**3'144**
Net (decrease)/increase in cash and cash equivalents		**(259)**	**381**
Cash and cash equivalents at beginning of period		394	13
Cash and cash equivalents at end of period	**11**	**135**	**394**

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 2016		**6 548**	**(6 446)**	**(155)**	**(53)**
Result for the period		-	-	(16 834)	(16 834)
Other comprehensive income for the period, net of income tax		-	44	(838)	(794)
Total comprehensive income for the period		**-**	**44**	**(17 672)**	**(17 628)**
Capital increase		12 918	27 140	-	40 058
Transaction cost in relation to capital increase		-	(232)	-	(232)
Share-based payments		-	91	-	91
Balance at 31 December 2016		**19 466**	**20 597**	**(17 827)**	**22 236**
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	12	600	-	-	600
Unregistered SSF draw downs	13,1		450		450
Transaction cost in relation to capital increase and SSF		-	-136	-	(136)
Share-based payments	13.2 / 22	-	70	-	70
Balance at 31 December 2017		**20 066**	**20 961**	**(20 082)**	**20 945**

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

Notes to the consolidated financial statements

1 General information

RELIEF THERAPEUTICS Holding AG (“Relief” or “the Company”) (formerly THERAMetrics holding AG or “THERAMetrics”) is a Swiss stock corporation listed on the SIX Swiss Exchange whose registered office used to be Splügenstrasse 10, 8002 Zurich, Switzerland. The registered office is now located at Avenue de Sécheron 15, 1202 Geneva, Switzerland.
On 14 July 2016, the Company acquired Relief Therapeutics SA (“RTSA”) of Geneva, changed its name from THERAMetrics holding AG to Relief Therapeutics Holding AG, and moved its legal seat from Stans to Zurich. The Company owns 100% of RTSA; however, due to the fact that the former owners of RTSA are now the majority shareholders of Relief, the transaction has been treated as reverse acquisition in accordance with the IFRS accounting principles. (See Note 5 to these financial statements.) Accordingly, these consolidated financial statements are shown as a continuation of the financial statements of RTSA, retrospectively adjusted to reflect the legal capital of Relief which is still the legal parent company.
The newly combined Group in 2017 was focussed on the development and/or licensing of its portfolio of medicinal products candidates (MPCs). Its two most promising MPCs are aviptadil (for respiratory indications such as sarcoidosis and pulmonary hypertension) and atexakin alfa (for treatment of diabetic neuropathy).
Previously, as THERAMetrics, the Company was the parent of a global Contract Research Organization (“CRO”) which offered technological services and solutions to life sciences and pharmaceutical companies through the entire value chain of drug discovery and development. On 15 June 2016, the Company sold its significant CRO subsidiaries with an effective date of 31 May 2016. The Company’s smaller CRO subsidiaries have been closed and are in the process of being liquidated.
The consolidated financial statements are presented in Swiss Francs (CHF).

2 Application of new and revised International Financial Reporting Standards

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

In the current year, the Group has applied a number of amendments to IFRSs 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 IAS 7 Statement of Cash Flows – Accounting for Acquisitions of Interests in Joint Operations
The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.
Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses
The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

2.2 Standards and Interpretations in issue but not yet effective

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

	New, amended and revised Standards and Interpretations	**Effective from**
IFRS 2	Amends IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.	Annual periods beginning on or after 1 January 2018
IFRS 9	IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirement for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments.	Annual periods beginning on or after 1 January 2018

	New, amended and revised Standards and Interpretations	Effective from
IFRS 15	The new Standard IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognised revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	Annual periods beginning on or after 1 January 2018
IFRS 16	The new Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It supersedes IAS 17 Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts of the basis of whether there is an identified asset controlled by the customer. Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). In contrast, the Standard does not include significant changes to the requirements for accounting by lessors. The Company currently only has operating leases. Under IFRS 16 it will be required to recognise right-of-use assets and related lease liabilities in its statement of financial position.	Annual periods beginning on or after 1 January 2019
IFRIC 22	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 recognised	Annual periods beginning on or after 1 January 2018
IFRIC 23	The Interpretation requires an entity to: - 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 is currently assessing whether these changes will impact the consolidated financial statements in the period of initial application. Except for IFRS 9, IFRS 15 and IFRS 16, which will be applicable in 2018 and 2019, the Group does not expect any impact from the new or amended Standards mentioned above. Given that the Group currently does not have any significant revenue, leasing contracts and financial instruments, management does not expect any significant impact from IFRS 9, IFRS 15 and IFRS 16.

3 Summary of significant accounting policies

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.

3.2 Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2017. 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 statement of financial position based on current/non-current classification. An asset is classified as current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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 recognised in profit or loss. It is then considered in the determination of goodwill.
If the entity that issues the shares (the legal acquirer) is identified as the acquiree for accounting purposes, the entity whose equity interests are acquired (the legal acquiree) must be the acquirer for accounting purposes for the transaction to be considered a reverse acquisition.
Consolidated financial statements prepared following a reverse acquisition are issued under the name of the Company but described in the notes as a continuation of the financial statements of the legal subsidiary, with one adjustment, which is to adjust retroactively the accounting acquirer's legal capital to reflect the legal capital of the Company. That adjustment is required to reflect the capital of the Company.
Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration

classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.
Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.
After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.
Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3.6 Foreign currency translation

(a) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in CHF, which is the presentation currency of the Company (the 'presentation currency').
(b) Transactions and balances
In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.
(c) Group companies
Assets and liabilities of Group entities using a functional currency different from the presentation currency are translated into the presentation currency using year-end rates of exchange. Income and expenses and cash flows are translated at average exchange rates. All resulting translation differences are recognised directly in other comprehensive income. On the divestment of a foreign entity, the identified cumulative currency translation difference relating to that foreign entity is recognised in profit or loss as part of the gain or loss on divestment.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical costs include expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.
Depreciation of property, plant and equipment is calculated using the straight-line method to allocate costs to residual values over each asset's estimated useful lives, which for furniture and equipment as well as IT equipment is 3-5 years.

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

3.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.
Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.
The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.
Amortisation of capitalised IPR&D starts once the asset is available for use, which is usually the point in time at which marketing approval is granted by the relevant authority. Before that date, capitalised IPR&D that is not available for use is tested at least annually for impairment, irrespective of whether any indication of impairment exists.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.
Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

3.8 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.

3.9 Financial assets

(a) Classification

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

(b) Recognition and measurement

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

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

3.10 Trade receivables

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

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

3.11 Other receivables

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

3.12 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.

3.13 Financial liabilities

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

3.14 Current and deferred income tax

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

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

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

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

3.15 Trade and other payables

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

3.16 Derecognition of financial liabilities

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

3.17 Fair values

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
The fair values of financial assets and liabilities at the balance sheet date are not materially different from their reported carrying values unless specifically mentioned in the notes to the consolidated financial statements.

3.18 Revenue

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

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

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

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

3.19 Research and development costs

Research and development costs consist primarily of remuneration and other expenses related to research and development personnel, costs associated with preclinical testing and clinical trials of product candidates, expenses for research and development services under collaboration agreements and outsourced research and development expenses. Furthermore, the Group may acquire in-process research and development assets, either through business combinations or through purchases of specific assets. In-process research and development assets acquired either through business combinations or separate purchases are capitalized as intangible assets and reviewed for impairment at each reporting date. Once available for use, such intangible assets are amortised on a straight-line basis over the period of the expected benefit.
Internal development costs are capitalised as intangible assets only when there is an identifiable asset that can be completed and that will generate probable future economic benefits and when the cost of such an asset can be measured reliably.

3.20 Employee benefits

(a) General

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

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.
Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.
Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and

- The date that the Group recognises restructuring-related costs

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

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

3.21 Share based payments

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.
No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.
When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.
The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

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

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

4.1 Critical judgements in applying accounting policies

Acquisition of Relief Therapeutics SA

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

Going concern

In 2017, with no current sources of revenue, the Group relied on its current cash balance and financing instruments in place through which it received CHF 405'000 from draw downs out of the SSF agreement signed with GEM in December 2015 and a capital investment of CHF 500'000 by GEM. In addition, the Group has recently secured funding through the proceeds received from one draw down in January 2018 of CHF 497'741. In parallel, cost saving measures have been taken and applied including salary reduction, closure of the Zurich offices and heavy control of each spending so that the Group is now operating with a minimum level of fixed costs.
In order to provide a future stream of income as well as an immediate boost to its cash position, management 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 royalties 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 April 9, 2018 the Group in-licensed two assets from Genclis SA, a private company located in France, which will be further developed in collaboration with Genclis SA to create sufficient value to be out-licensed to third parties. Finally, efforts to raise cash through traditional financing methods such as 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
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.
On 4 April 2018, GEM Global yield fund LLC SCS, confirmed its intention, by a letter 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 as set forth in Relief Therapeutics Holding's three-year financial plan.
Because management is confident that its plan will succeed, and that the liquidity of the Group will be thereafter secured, these financial statements have been prepared on the going concern basis.

4.2 Key sources of estimation uncertainty

Impairment of intangible assets

Determining whether intangible assets are impaired requires management to estimate the recoverable value of the cash generating unit to which the intangible assets are attributable. If the recoverable value of the cash generating unit is lower than the carrying amount of the cash generating unit to which the intangible assets have been allocated, impairment is recorded.
The carrying amount of intangible assets at the end of the current reporting period is TCHF 30’800 (31 December 2016: 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 2017.
In 2017, the recoverable amounts of intangible assets were calculated using the discounted cash flow method. The significant assumptions are disclosed in note 8. At 31 December 2017, the impairment test showed no impairment. Changes to the assumptions may result in impairment losses in subsequent periods.

Deferred income taxes

The determination of the recoverability of deferred income tax assets is based on the judgment of management. Deferred income tax assets are only recognised if it is probable that they can be used in the future. Whether or not they can be used depends on whether the tax deductible temporary difference can be offset against future taxable profits. In order to assess the probability of their future use, management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies. At 31 December 2017 and at December 31, 2016, deferred income tax assets amounted to TCHF 0 (refer to note 21.4 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 summarised in note 16. At 31 December 2017, the underfunding amounted to TCHF 537 (31 December 2016: TCHF 1’072). Using other assumptions for the calculations could have led to different results.

5 Business combination

In 2016, RTSA as well as RTH and its subsidiaries combined their businesses to create an emerging biopharmaceutical player focused on promising medicinal product candidates. Refer to note 1 regarding the description of the transaction.

5.1 Consideration transferred

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

Under IFRS 3, the cost of the acquisition is based on the market value of RTH shares before the transaction (capital increase). Therefore, the consideration transferred is calculated as follows: 739’690’125 shares at a fair value of CHF 0.05 (share price on transaction date) resulting to TCHF 36’985.
Acquisition related costs amounting to TCHF 808 have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in 2016.

5.2 Assets acquired and liabilities recognised at the date of acquisition

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

5.3 Goodwill arising on acquisition

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

The final purchase price allocation included the recognition of an intangible asset relating to the medical compound ”aviptadil” amounting to TCHF 30’800 and a related deferred tax liability of TCHF 6’468. As no other future economic benefits which are not individually identified and separately recognised can be identified, the residual amount paid of TCHF 14’556 was allocated to goodwill. Subsequent to the acquisition, the goodwill was tested for impairment which resulted in an impairment expense for the full amount of goodwill during 2016 based on the future expected benefits attributable to the CGU.

5.4 Net cash inflow on acquisition of subsidiary

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

5.5 Impact of acquisition on the results of the group

Included in the loss for the year 2016 is a loss of TCHF 1’902 attributable to the additional business generated by RTH and its subsidiaries since acquisition date. If RTH and its subsidiaries were included since the beginning of the financial year, the loss for the year would be TCHF 4’616 higher. There was no revenue for the year in respect of RTH and its subsidiaries.

6 Segment information

6.1 Description of segment

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

6.2 Geographical information

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

7 Property, plant and equipment

TCHF	Furniture and Equipment	IT Equipment	Total
COST			
Balance at 1 January 2016	**-**	**-**	**-**
Acquired through business combination	7	-	**7**
Additions	4	7	**11**
Balance at 31 December 2016	**11**	**7**	**18**
Additions	-	-	-
Balance at 31 December 2017	**11**	**7**	**18**
ACCUMULATED DEPRECIATION			
Balance at 1 January 2016	**-**	**-**	**-**
Depreciation expense	(8)	(2)	**(10)**
Balance at 31 December 2016	**(8)**	**(2)**	**(10)**
Depreciation expense	(1)	(2)	**(3)**
Balance at 31 December 2017	**(9)**	**(4)**	**(13)**
CARRYING AMOUNT			
at 31 December 2016	3	5	8
at 31 December 2017	**2**	**3**	**5**

8 Intangible assets

Entire 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.

Impairment test at 31 December 2017

In consideration of the operating loss in 2017, the Company considered that there are indications of impairment of non-current assets and therefore has carried out an impairment test on its intangible assets.
The valuation was done using best-practice pharma compound valuation model, which is a discounted cash flow model (value in use valuation). A discount rate of 15% was used for this out-licensing program valuation due to the venture capital character of such an outlicensing program. For revenue based on out-licensing of rights owned by the Group, the expected revenue from the out-licensing agreement was forecasted for the entire licensing period. As a standard terminal value assumption for development programs we assumed that all remaining cash flows in the period after loss of IP protection would sum up to a cash flow which is similar to the cash flow from the last year of the IP protection period. The key assumptions used in the best-practice pharma compound valuation include sales growth rate and period required to commercialize the development program in order to have cash inflows. Growth rate is based on the expected sales cycle. The cash flows are based on market analysis performed by a third party. The period over which management has projected cash flows is greater than five years as based on comparable market data and information the development and commercialization of the compound will take significantly longer.
No impairment loss was recognised due to the impairment test at 31 December 2017.
Using a WACC of 17% instead of 15% would still not result in any impairment losses at 31 December 2017.

9 Subsidiaries

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

Name of subsidiary	Principal activity	Domicile	Proportion of ownership interest and voting power 31.12.17	31.12.16
THERAMetrics Discovery AG	Commercial exploitation of patents, licences, trademarks	Stans (CH)	100%	100%
Relief Therapeutics SA	Commercial exploitation of patents, licences, trademarks	Geneva (CH)	100%	100%

10 Other current assets and other receivables

TCHF	31 December 2017	31 December 2016
VAT receivables	24	94
Prepaid expenses	-	80
Deposits with others	7	35
Other current receivables	-	10
Total	**31**	**219**

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

11 Cash and cash equivalents

TCHF	31 December 2017	31 December 2016
Bank deposits	134	393
Cash on hand	1	1
Total	**135**	**394**

12 Share capital

	Number of common shares		Nominal value of share capital (TCHF)	
	2017	2016	2017	2016
Balance at beginning of year	1'946'627'375	654'783'652	19'466	6'548
Issuance of common shares	60'000'000	1'291'843'723	600	12'918
Balance at end of year	**2'006'627'375**	**1'946'627'375**	**20'066**	**19'466**

12.1 Issued share capital

At 31 December 2017, the issued share capital amounts to TCHF 20’066, consisting of 2’006’627’375 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 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.
The exercise of the options in October 2017, as well as the two capital increases of TCHF 849 and TCHF 100 prior to the business combination mentioned below, are not yet registered, thereby explaining the discrepancy in the number of outstanding shares registered at the commercial register and the one herewith disclosed.

Capital increases 2016

During 2016, due to the business combination with RTSA, the share capital has increased by TCHF 11’969. Refer also to notes 1 and 5 for further details.
Prior to the business combination, the share capital was further increased in 2016 by TCHF 849 through conversion of a loan and by TCHF 100 through exercise of share options. At 31 December 2016, these two capital increases were not yet registered.

12.2 Authorized share capital

At 31 December 2017, 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.

12.3 Conditional share capital

The conditional share capital of the Company as at 31 December 2017 was TCHF 8’451 (2016: CHF 3’262), consisting of 845’093’527 (2016: 326’219’491) registered shares with a par value of CHF 0.01 each, of which 190’000’000 (2016: 164’413’515) to be used for share options for members of the Board of Directors, Executive Management, employees and consultants as well as 655’093’527 (2016: 650’000’000) to be used for the exercise of conversion option rights granted in connection with bonds, notes or similar debt instruments issued by the Company.

12.4 Significant shareholders

The following significant shareholders are known to us:

	2017		2016	
	Number of shares	%	Number of shares	%
GEM	615'869'250	30.7%	610'437'250	31.4%
Founders of Relief Therapeutics SA	564'931'035	28.2%	586'500'000	30.1%
PIERREL S.p.A.	58'423'582	2.9%	179'372'543	9.2%
FIN POSILLIPO S.p.A	286'824'849	14.3%	286'780'649	14.7%
Others	480'067'239	23.9%	283'536'933	14.6%
	2'006'115'955	**100.0%**	**1'946'627'375**	**100.0%**

13 Reserves

TCHF	31 December 2017	31 December 2016
Share premium (note 13.1)	20'776	20'462
Share-based payment reserve (note 13.2)	161	91
Foreign currency translation reserve (note 13.3)	24	44
Total	**20'961**	**20'597**

13.1 Share premium

TCHF	2017	2016
Balance at beginning of year	20'462	(6'446)
Unregistered SSF draw downs (i)	450	-
Reverse acquisition RTSA (ii)	-	27'140
Capital issuance cost	(136)	(232)
Balance at end of year	**20'776**	**20'462**

(i) In 2017, the SSF was drawn down by a total of TCHF 450, eventually leading 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. As the draw down are not yet registered in the commercial register and not recorded at SIX, they are shown as increase in share premium. The following draw down incurred in 2017:

- On 6 January 2017, the SSF (refer to note 24.1 for further details) was drawn-down by 7.5 million ordinary shares at a nominal value of CHF 0.01. As the SSF was drawn-down at a share price of CHF 0.02, additional paid in capital of TCHF 75 is recognized.
- On 8 March 2017, there was a further draw-down of 20 million ordinary shares at a share price of CHF 0.01.
- On 2 August 2017, the SSF was drawn down by 10 million ordinary shares at a nominal value of CHF 0.01.

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

13.2 Share-based payment reserve

TCHF	2017	2016
Balance at beginning of year	91	-
Share-based payments granted and vested (i)	70	91
Balance at end of year	**161**	**91**

(i) For detailed information refer to note 22.
(ii)

13.3 Foreign currency translation reserve

TCHF	2017	2016
Balance at beginning of year	44	-
Exchange differences arising on translating foreign operations	(20)	44
Balance at end of year	**24**	**44**

The exchange differences are related to two subsidiaries in USA and Hungary which are dormant and/or under liquidation.
Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (CHF) are recognised directly in other comprehensive income and accumulated in the foreign currency

translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve in respect of translating the results and net assets of foreign operations are reclassified to profit or loss on the disposal of the foreign operation.

14 Liabilities due to related parties

TCHF	31 December 2017	31 December 2016
Shareholders' loan (i)	314	301
Other borrowings (ii)	698	577
Total	**1'012**	**878**

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

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

15 Other current payables and liabilities

TCHF	31 December 2017	31 December 2016
Accrued holiday	6	50
Payable to social security institutions	7	12
Accrued expenses	439	286
VAT payables	3	13
Prepayments received	44	16
Other current liabilities	31	9
Total	**530**	**386**

16 Defined benefit obligations

The Group participates in a Swiss pension plans which qualify as defined benefit plans under the requirements of IAS 19.
The Group operates fund defined benefit plans for qualifying employees in Switzerland. Under the plans, the employees are entitled to retirement benefits and risk insurance for death and disability. No other post-retirement benefits are provided to these employees. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on 31 December 2017. 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 statues and regulations.
The contributions of employers and employees in general are defined in percentages of the insured salary. Interest is credited to the employees' accounts at the minimum rate provided in the plan, payment of which is guaranteed by the insurance contract as described below. The retirement pension is calculated based on the old-age credit balance on retirement multiplied by the fixed conversion rate. The employee has the option to withdraw the capital at once. The death and disability pensions are defined as percentage of the insured salary. The assets are invested directly with the corresponding pension funds.
The fully reinsured pension fund has concluded insurance contracts to cover the insurance and investment risk. The board of the pension fund is responsible for the investment of assets and the investment strategy is defined in a way that the benefits can be paid out on due date. For accounting purposes this insurance contract represents the sole asset of the plan. Fair value of plan asset is the estimated cash surrender value at the respective balance sheet date.
The pension fund can change its financing system (contributions and future payments) at any time. Also, when there is a deficit which cannot be eliminated through other measures, the pension fund can oblige the entity to pay a restructuring contribution. For the pension fund of the Group such a deficit currently cannot occur as the plan is fully reinsured. However, the pension fund could cancel the contract and the entities of the Group would have to join another pension fund. In the current and comparative period no plan amendments, curtailments or settlements occurred.
Amounts recognized in profit or loss in respect of this defined benefit plans is as follows:

TCHF	2017	2016
Current service cost	144	59
Past service cost	-	(124)
(Gains) and losses on settlement	-	(105)
Net interest expense	6	4
Administration cost excl. cost for managing plan assets	2	(2)
Expense recognised in profit or loss	**152**	**(168)**

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

TCHF	2017	2016
Remeasurement (gain)/loss on defined benefit obligation		
due to changes in demographic assumptions	(64)	(22)
due to changes in financial assumptions	-	(1)
due to changes in experience adjustments	(577)	104
Losses due to settlement	-	734
Return on plan assets excl. interest income	9	23
Expense recognised in other comprehensive income	**(632)**	**838**

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

TCHF	31 December 2017	31 December 2016
Present value of funded defined benefit obligation	1'982	2'998
Fair value of plan assets	(1'445)	(1'926)
Net liability arising from defined benefit obligation	**537**	**1'072**

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

TCHF	2017	2016
Opening defined benefit obligation	2'998	-
Acquired through business combination	-	1'110
Current service cost	144	59
Past service cost	-	(124)
Interest expense on defined benefit obligation	18	9
Contributions from plan participants	55	48
Benefits (paid)/deposited	(592)	2'220
(Gains) and losses on settlement	-	(270)
Settlements paid	-	(135)
Remeasurement (gain)/loss due to changes in demographic assumptions	(64)	(22)
Remeasurement (gain)/loss due to changes in financial assumptions	-	(1)
Remeasurement (gain)/loss due to changes in experience adjustments	(577)	104
Administration cost (excluding cost for managing plan assets)	-	-
Closing defined benefit obligation	**1'982**	**2'998**

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

TCHF	2017	2016
Opening fair value of plan assets	1'926	-
Acquired through business combination	-	664
Interest income on plan assets	12	5
Return on plan assets excluding interest income	(9)	(23)
Contributions from the employer	55	48
Contributions from plan participants	55	48
Benefits (paid)/deposited	(592)	1'485
Settlements paid	-	(135)
Gains and (losses) on settlement	-	(165)
Administration cost	(2)	(1)
Closing fair value of plan assets	**1'445**	**1'926**

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

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

TCHF	2017	2016
Discount rates	0.60%	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 8.5% (increase by 9.7% if all other assumptions were held constant).
The average duration of the defined benefit obligation at the end of the reporting period is 18.2 years (31 December 2016: 16.4 years).
The Group expects to make a contribution of TCHF 12 to the defined benefit plans during the next financial year.

17 Service expense

TCHF	2017	2016
License expense	53	42
Consulting service expense	10	140
Travel and accomodation expense	-	-
Other expense for services	8	29
Total cost for services	**71**	**211**

18 Personnel expense

The average number of employees during 2017 (in full-time positions) was less than 10. Employee expense increased by TCHF 265 from TCHF 724 to TCHF 989 mainly due to the fact that in prior year due to the reverse acquisition only personnel expenses of the legal subsidiary Relief Therapeutics SA were included for the first 6 months of the year. Refer to note 25 for further details in relation to compensation for executive management and Board of Directors.

19 Other administrative expense

TCHF	2017	2016
Office expense	94	66
Accounting, legal and consulting expense (i)	522	774
Travel expense	15	22
IT expense	34	43
Marketing expense	-	40
Other operating expense	39	58
Total general and administrative expense	**704**	**1'003**

(i) In 2016, these expenses relate mainly to transaction costs in relation to the business acquisition (refer to notes 1 and 5).

20 Financial income/ (expenses)

TCHF	2017	2016
Interest expense	(88)	(3)
Bank charges	(19)	(17)
GEM Fee (i)	-	(300)
Foreign currency exchange losses	(61)	(104)
Other finance expense	-	(4)
Total finance expense	**(168)**	**(428)**
Foreign curreny exchange gains	2	99
Other finance income	1	4
Total finance income	**3**	**103**

(I) Cost in relation to the set-up of the SSF provided by GEM. For further details refer to note 24.1.

21 Income taxes

21.1 Income tax recognised in profit or loss

TCHF	2017	2016
CURRENT TAX		
Current tax expense for the current year	-	15
Adjustments in relation to the current tax of prior years	-	5
	-	**20**
DEFERRED TAX		
Deferred tax (income)/expense recognised in the current year	-	-
Adjustment to deferred tax attributable to changes in income tax rate	986	-
	986	**-**
Total income tax expense recognised in the current year	**986**	**20**

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

TCHF	2017	2016
Gain/(loss) before tax	(1'901)	(16'814)
Income tax income calculated at 24.2 % (2016: 21.0 %)	(460)	(3'531)
Unrecognised deferred tax assets during the year	463	3'714
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	-	5
Effect of income that is exempt from taxation	-	(195)
Effect of net expenses that are not deductible in determining taxable profit	-	27
Total income tax expense recognised in profit or loss	**986**	**20**

The weighted average applicable tax rate of the Group is 24.2% (2016: 21.0%) which is equal to the tax rate of the Company. The increase is due to changing the registered office of the Company from Zurich to Geneva in 2017.

21.2 Income tax recognised in other comprehensive income

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

21.3 Deferred tax balances

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**

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

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

21.4 Unrecognised deferred tax assets

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

TCHF	2017	2016
Within one year	36'569	22'649
Later than one year and not later than five years	104'944	42'129
More than five years	12'331	42'728
Total tax losses carried forward	**153'844**	**107'506**

There are no other unrecognised deferred tax assets.

22 Share-based payments

In 2012 and 2015, the Company implemented Equity Award Programs ("EAP") to grant share options to members of the BoD, selected employees and service providers. 105'093'527 shares are available for the EAP under the conditional share capital (see note 12.3). Each option gives the right to purchase at par value one ordinary share of the Company. The share options are conditional on the employee's service period, i.e. the vesting periods of the options are 0 to 3.5 years from the grant date. The share options vest immediately in the case of a change in control of the Company.

As a result of the reverse acquisition (note 5) in 2016, the Group took over the 83'836'483 share options already issued and fully vested. In September 2016, several employees of the Group received a total of 3 million share options as a bonus payment. In September 2017, several employees of the Group received a total of 40 million share options as part of their annual remuneration. The following table reconciles the share options outstanding at the beginning and end of the year:

	2017	2016
At beginning of the year	**76'836'483**	**-**
Acquired through business combination	-	83'836'483
Granted	40'000'000	3'000'000
Expired	(61'586'483)	-
Exercised	-	(10'000'000)
At end of the year	**55'250'000**	**76'836'483**

The share price at the date of exercise of the 10 million options in 2016 was CHF 0.05.

Share options outstanding at the end of the year 2017 and 2016 have the following expiry dates:

	31 December 2017	31 December 2016
EXPIRY DATE		
September 2018	-	1'749'286
April 2019	-	560'000
March 2020	-	1'420'000
September 2020	-	7'040'000
January 2021	-	49'167'197
April 2021	-	900'000
June 2021	500'000	500'000
July 2021	12'500'000	12'500'000
September 2021	2'250'000	3'000'000
August 2022	40'000'000	-
	55'250'000	**76'836'483**
Weighted average remaining contractual life in months	52	49

The 55'250'000 share options at year end were totally exercisable as per 31 December 2017. 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 recognised in the period in which the options were granted as they vested immediately. The weighted average fair value of options granted in 2017 was CHF 0.002 per option. The significant inputs into the model were share price of CHF 0.01 at grant date, exercise price of CHF 0.02, volatility of 62% based on peer companies and average risk-free interest rate (0.72)%.

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 70 (2016: TCHF 91) was recorded in personnel expense with a corresponding credit to equity (share-based payment reserve).

23 Earnings per share

	2017	2016
Loss for the year attributable to the equity holders of the Parent Company	(2'887)	(16'834)
Weighted average number of shares for the purposes of EPS	1'988'024'635	1'265'770'669
Basic and diluted earnings per share (in CHF)	**(0.001)**	**(0.013)**

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 2017 and 2016, the number of shares outstanding varied as a result of different transactions on the share capital structure of the Company (see note 12 for more details). The options granted as part of the EAP (refer to note 22 for further details) have not been considered in the calculation of the diluted loss per share as their effect is anti-dilutive.

24 Financial instruments

24.1 Capital risk management

The Group's objectives when managing capital (defined as "equity attributable to the Company's shareholders") are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The available funds rose in various private financing rounds, as well as the public placements executed since the listing of the Company on the Swiss Stock Exchange in 2009. In addition, funds have been generated through revenues/milestones (until 2010) and sale of non-core assets. In order to maintain or adjust the capital structure, the Group may issue new or own shares.
In December 2015, the Company signed a CHF 25 million share subscription facility (SSF) with GEM Global Yield Fund LLC (GEM). The SSF gives RTH the right, but not the obligation, for a period of up to 36 months, to issue and sell up to CHF 25 million of its shares to GEM. GEM will acquire ordinary registered shares of RTH upon the Company's exercise of draw-down notices. Each draw-down is conditional upon trading volumes and share prices. Specifically, a draw down cannot exceed 700% of the average trading volume during the 15 trading days immediately preceding the date of a draw-down. The purchase price per share is 90% of the closing bid price for a RTH share during the 15 trading days immediately following a draw-down notice. Until 31 December 2017, there were total draw-downs of the SSF of 37.5 million shares (note 13.1). Refer to note 29 for draw-downs subsequent to 31 December 2017.

24.2 Categories of financial instruments

31 December 2017 TCHF	At fair value through profit or loss	At fair value through OCI	Loans and receivables	Financial liabilities at amortised cost	Total
Other current assets and receivables	-	-	7	-	**7**
Cash and cash equivalents	-	-	135	-	**135**
Total financial assets	**-**	**-**	**142**	**-**	**142**
Trade payables	-	-	-	493	**493**
Liabilities due to related parties	-	-	-	1'012	**1'012**
Other current payables and liabilities	-	-	-	530	**530**
Total financial liabilities	**-**	**-**	**-**	**2'035**	**2'035**

31 December 2016 TCHF	At fair value through profit or loss	At fair value through OCI	Loans and receivables	Financial liabilities at amortised cost	Total
Trade receivables	-	-	2	-	**2**
Other current assets and receivables	-	-	45	-	**45**
Cash and cash equivalents	-	-	394	-	**394**
Total financial assets	**-**	**-**	**441**	**-**	**441**
Trade payables	-	-	-	383	**383**
Liabilities due to related parties	-	-	-	878	**878**
Other current payables and liabilities	-	-	-	386	**386**
Total financial liabilities	**-**	**-**	**-**	**1'647**	**1'647**

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

24.3 Financial risk management

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

Liquidity risk

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

24.4 Fair value measurement

At 31 December 2017 as well as 31 December 2016, there were no assets or liabilities measured at fair value.
For all other financial assets and liabilities their carrying amount at amortised cost approximates fair value.

25 Related party transactions

25.1 Compensation for executive management

TCHF	2017	2016
Fees, salaries and other short-term employee benefits	420	789
Post-employment benefits	49	117
Share-based compensation	35	268
Total compensation for executive management	**504**	**1'174**

25.2 Compensation for members of the board of directors

TCHF	2017	2016
For serving as board members	-	-
Share-based compensation	35	147
Total compensation for members of the board of directors	**35**	**147**

During 2017 and 2016 the members of the Board of Directors did not receive any fees. However, their incurred expenses for travelling and accommodation in relation to the Company were reimbursed. There have been no other related party transactions in the financial periods 2017 and 2016.
The above amounts show the remuneration of the legal group for the entire year and are therefore higher than the personnel expense shown in the statement of comprehensive income. The disclosures required by the Swiss Code of Obligations on Board and Executive committee compensation are shown in the compensation report.

25.3 Related party balances and transactions

Balances and transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.
The liabilities due to Therametrics CSS, Italy, a company owned by one of the major shareholders, as well as the liabilities due to the shareholder GEM are the only related party balance as at 31 December 2017 and 2016. For further details refer to note 14.

26 Operating lease arrangements

Description of leasing arrangements

Operating leases mainly relate to leased office spaces and car parks in Geneva and Zurich. Total lease expense in 2017 was TCHF 84 (2016: TCHF 57). As at 31 December 2017, office space and a parking lot in Geneva are the only residual operating lease contracts.

Non-cancellable operating lease commitments

TCHF	2017	2016
Within one year	7	49
Total operating lease commitments	**7**	**49**

27 Non-cash transactions

In 2017 and 2016, the Group did not enter into any significant non-cash investing and financing activities which are not reflected in the consolidated statement of cash flow except for the reverse acquisition of RTSA in 2016 (refer to note 5 for further details).

28 Contingent liabilities

28.1 Litigation

At 31 December 2017, the Group is not party to any legal, administrative or arbitral proceedings, the outcome of which, if adverse to the Company, may be material to its business, financial condition and results of operation taken as a whole.

28.2 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.

29 Subsequent events

29.1 SSF draw down

In January 2018, the SSF was drawn-down by 44'793'097 ordinary shares at a share price of CHF 0.0123.

29.2 In-licensing agreement

The Company signed an in-licensing agreement with a third party (Genclis) where it acquired exclusive worldwide commercial and manufacturing sub-licensable rights for human applications on two products protected by patents of this third party. This Agreement with Genclis stipulates that Company 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. The shareholder GEM signed a counter guarantee letter for this debt.
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.
Other than the events mentioned above, there have been no significant subsequent events since 31 December 2017.

30 Approval of financial statements

These consolidated financial statements were approved by the Board of Directors on 30 April 2018, subject to approval of the annual shareholders' meeting on 29 June 2018.

MAZARS SA
Chemin de Blandonnet 2
1214 Vernier-Genève

Téléphone +41 22 708 10 80
Téléfax +41 22 708 10 88
CHE.116.331.176 TVA
www.mazars.ch

RELIEF THERAPEUTICS HOLDING AG
GENEVA

STATUTORY AUDITOR'S REPORT
Consolidated Financial Statements
December 31, 2017

MAZARS SA
Chemin de Blandonnet 2
1214 Vernier-Genève

Téléphone +41 22 708 10 80
Téléfax +41 22 708 10 88
CHE.116.331.176 TVA
www.mazars.ch

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of RELIEF THERAPEUTICS Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2017 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 the accompanying consolidated financial statements (pages 21 to 45) give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

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

Material uncertainty related to going concern

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

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 30'800 (refer to note 4.2 – Critical accounting estimates and note 8 – Intangible assets).

Intangible assets mainly resulted from the reverse takeover which occurred in 2016. 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, in line with the work performed in accessing the acquisition accounting described above.

We discussed and challenged management's assumptions and evaluated the independence, objectivity and competence of the valuation experts that the board of directors engaged to assist them in the valuation process by confirming they are qualified and affiliated with an appropriate industry body.

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

For further information on Intangible assets, refer to the Note 8 - 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 claims and litigations, refer to the Note 28 - 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 AG and our auditor's reports thereon.

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

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

Other matters

The consolidated financial statements of the Group for the year ended December 31, 2016 were audited by another auditor whose report, dated April 28, 2017, expressed an unqualified opinion on those financial statements.

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. 1item 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, 2018

Relief Therapeutics Holding AG

Standalone Financial Statements 2017

Balance sheet
as of 31 December 2017 and 2016

(in CHF)

	Note	31 Dec 2017	31 Dec 2016
ASSETS			
Cash and cash equivalents		77 848	350 792
Other receivables - third parties		10 495	113 374
Other receivables - group companies		142 648	-
Prepaid expenses		-	17 320
Current assets		**230 991**	**481 486**
Investments in subsidiaries	3	44 000 000	44 000 000
Non-current assets		**44 000 000**	**44 000 000**
Total assets		**44 230 991**	**44 481 486**
LIABILITIES and EQUITY			
Other payables - third parties		328 430	319 274
Liabilities due to related parties	4	1 152 599	877 711
Tax payable		66 003	
Accrued expenses		356 233	125 932
Current liabilities		**1 903 265**	**1 322 917**
Share capital		20 066 274	19 466 274
General reserves		117 704 374	117 299 374
thereof capital contribution reserves		*117 613 735*	*117 282 869*
thereof other general reserves		*16 505*	*16 505*
Accumulated losses		(95 442 922)	(93 607 079)
loss carried forward		*(93 607 079)*	*(86 263 156)*
result of the period		*(1 745 204)*	*(7 343 923)*
Total shareholders' equity	5	**42 327 726**	**43 158 569**
Total equity and liabilities		**44 230 991**	**44 481 486**

Income statement
for the years ended 31 December 2017 and 2016

(in CHF)

	Note	31 Dec 2017	31 Dec 2016
Revenues		-	253'573
Personnel expenses		(197'953)	(316'314)
Other administrative and service expense		(603'344)	(2'100'893)
EBITDA		**(801'297)**	**(2'163'634)**
Depreciation and amortisation expenses		-	(9'252)
Impairment on loans to group companies		(820'144)	(1'840'185)
Impairment on investments	3.1	-	(4'381'976)
Operating result		**(1'621'441)**	**(8'395'047)**
Financial income	9	-	691'660
Financial expense	9	(98'384)	(401'179)
Net exchange differences		(62'641)	(65'573)
Net gain on sale of investments	10	-	676'698
Extraordinary income	11	43'445	156'222
Result before income taxes		**(1'739'021)**	**(7'337'218)**
Tax expenses		(6'183)	(6'705)
Result of the period		**(1'745'204)**	**(7'343'923)**

Notes to the financial statements

(All amounts in CHF)

1 General information

RELIEF THERAPEUTICS Holding AG ("Relief" or "the Company") (formerly THERAMetrics holding AG or "THERAMetrics") is a Swiss stock corporation listed on the SIX Swiss Exchange whose registered office is Avenue de Sécheron 15, Geneva, Switzerland.

On 14 July 2016, the Company acquired Relief Therapeutics SA (RTSA) of Geneva, changed its name from THERAMetrics holding AG to RELIEF THERAPEUTICS Holding AG, and moved its legal seat from Stans to Zurich. On 13 June 2017, the Company moved its legal seat from Zurich to Geneva.

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

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

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

2 Significant accounting policies

2.1 Basis of preparation of the financial statements

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

Investments in subsidiaries

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

Loans to subsidiaries

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

Cash

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

Other assets and liabilities

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

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 2017, with no current sources of revenue, the Company relied on its current cash balance and financing instruments in place through which it received CHF 405’000 from draw downs out of the SSF agreement signed with GEM in December 2015 and a capital investment of CHF 500’000 by GEM. In addition, the Company has recently secured funding through the proceeds received from one draw down in January 2018 of CHF 497’741. In parallel, cost saving measures have been taken and applied including salary reduction, closure of the Zurich offices and heavy control of each spending so that the Company is now operating with a minimum level of fixed costs.

In order to provide a future stream of income as well as an immediate boost to its cash position, management has reoriented the main strategy of the Company. The Company 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 Company may receive up-front and/or milestones and royalties 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 the Company in-licensed two assets from Genclis SA, a private company located in France, which will be further developed in collaboration with Genclis SA to create sufficient value to be out-licensed to third parties. Finally, efforts to raise cash through traditional financing methods such as 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

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

On 4 April 2018, GEM Global yield fund LLC SCS, confirmed its intention, by a letter 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 as set forth in Relief Therapeutics Holding’s three-year financial plan.

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

3 Investments in subsidiaries

	2017	2016
Investment in subsidiaries	49'339'963	49'339'963
Accumulated Impairment charges	(5'339'963)	(5'339'963)
	44'000'000	**44'000'000**

The table below shows the unlisted companies which belong to Relief Therapeutics Holding AG as of 31 December 2017:

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

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

3.1 Impairment of investment

2017

In 2017, 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). No additional impairment charge has been recognized, as a result of this impairment test.

2016

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

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

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

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

4 Liabilities due to related parties

Liabilities due to related parties mainly consist of a shareholders' loan due to GEM 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.

5 Shareholders' equity

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

Issued share capital

At 31 December 2017, issued share capital is CHF 20'066'274, consisting of 2'006'627'375 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 2016, issued share capital is CHF 19'466'274, consisting of 1'946'627'375 registered shares with a par value of CHF 0.01.

On 21 March 2017, the share capital was increased by CHF 500'000 by issuing 50'000'000 shares at nominal value of CHF 0.01. The share capital increase was paid in cash. Further, GEM (shareholder of the Company) received 600'000'000 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 10'000'000 share options which resulted in a capital increase of CHF 100'000.
The exercise of the options in October 2017, as well as two capital increases from 2016 (CHF 849'065 and CHF 100'000), are not yet registered, thereby explaining the discrepancy in the number of outstanding shares registered at the commercial register and the one herewith disclosed.

Authorized share capital

At 31 December 2017, 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 2017 is TCHF 8'451 (2016: CHF 3'262), consisting of 845'093'527 (2016: 326'219'491) registered shares with a par value of CHF 0.01 each, of which 190'000'000 (2016: 164'413'515) to be used for share options for members of the Board of Directors, Executive Management, employees and consultants as well as 655'093'527 (2016: 650'000'000) to be used for the exercise of conversion option rights granted in connection with bonds, notes or similar debt instruments issued by the Company.
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 2017, 40'000'000 options were granted and 61'586'483 options expired. There were no options exercised in 2017.

6 Significant shareholders

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

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

Summary of shareholders	**2017**		**2016**	
	Number of shares	**%**	**Number of shares**	**%**
GEM Global Yield Fund LLC SCS	615'869'250	30.7%	610'437'250	31.4%
Fin Posillipo SpA	286'824'849	14.3%	286'780'649	14.7%
Django Trading Sarl	189'282'350	9.4%	195'500'000	10.0%
Michel Dreano	189'350'000	9.4%	195'500'000	10.0%
Yves Sagot	186'298'685	9.3%	195'500'000	10.0%
Pierrel SpA	58'423'582	2.9%	179'372'543	9.2%
	1'526'048'716	76.1%	1'663'090'442	85.4%
Others	480'578'659	23.9%	283'536'932	14.6%
	2'006'627'375	100.0%	**1'946'627'374**	100.0%

7 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 2017.

Shares held by members of the Board of Directors	**Number of shares as of 31.12.2017**	**Number of shares as of 31.12.2016**
Michel Dreano, COO and member of the BoD	189'350'000	195'500'000

Shares held by Executive Management		
Gael Hedou, CEO	189'282'350	195'500'000
Yves Sagot, CSO	186'298'685	195'500'000

Options held by members of the Board of Directors	**Number of options as of 31.12.2017**	**Number of options as of 31.12.2016**
Michel Dreano, COO and member of the BoD [1)]	20'000'000	-

[1)] 50% of the options are related to activity as excecutive member and 50% are related to activity as member of the BoD

Options held by Executive Management		
Gael Hédou, CEO	10'000'000	-
Yves Sagot, CSO	10'000'000	-

8 Compensation

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

9 Financial income and expense

Financial income	2017	2016
Interest on intercompany loans	-	50'845
Gain on sale of treasury shares	-	640'815
	-	**691'660**

Financial expense	2017	2016
SSF origination fee	-	300'480
Interest on liabilities due to related parties	87'505	78'934
Bank fees and other	10'879	21'765
	98'384	**401'179**

10 Disposal of CRO business

On 15 June 2016, the Company sold its largest CRO subsidiaries to Accelovance, Inc. As part of the transaction, Accelovance also assumed management of the Company's clinical programs in the United States and took over outstanding trade payables totalling CHF 1.18 million of TMX's U.S. operating subsidiary. In a separate but contemporaneous transaction, Fin Posillipo S.p.A., a major shareholder of the Company, assumed the Company's existing bank debt with Banca Popolare di Milano in exchange for Accelovance shares the Company received under the transaction. The entire transaction resulted in a loss of CHF 289'245.
In a separate but contemporaneous transaction, Fin Posillipo acquired Relief's manufacturing and logistics subsidiary THERAMetrics CSS S.r.l. for CHF 1.1 million in cash, resulting in a gain on the sale of CHF 965'943.

11 Extraordinary income

	2017	2016
Reversal of accrual from prior year	-	109'237
Gain on write-off of intercompany loans	-	46'985
VAT received from prior periods in relation to closed subsidiaries	43'445	-
	43'445	**156'222**

12 Contingent liabilities

CRO sale

The contract for the sale of the Company's major CRO subsidiaries, dated 15 June 2016, contains representation and warranties, as well as clauses for working capital true-ups, which could result in additional financial claims being made against the Company.
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 Company did not record a provision on that topic assessing the likelihood of an adverse future cash outflow as not being probable.

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 95'442'922 as per 31 December 2017 will be carried forward.

14 Full-time equivalents

The average number of employees during 2017 (in full-time positions) was less than 10.

15 Significant events after the balance sheet date

SSF draw down

In January 2018, the SSF was drawn-down by 44’793’097 ordinary shares at a share price of CHF 0.0123.

In-licensing agreement

The Company signed an in-licensing agreement with a third party (Genclis) where it acquired exclusive worldwide commercial and manufacturing sub-licensable rights for human applications on two products protected by patents of this third party. The Agreement with Genclis stipulates that Company 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. The shareholder GEM signed a counter guarantee letter for this debt.

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.

Other than the event mentioned above, there have been no significant subsequent events since 31 December 2017.

16 Approval of financial statements

These statutory financial statements were approved by the Board of Directors on 30 April 2018, subject to approval of the annual shareholders’ meeting on 29 June 2018.

MAZARS SA
Chemin de Blandonnet 2
1214 Vernier-Genève

Téléphone +41 22 708 10 80
Téléfax +41 22 708 10 88
CHE.116.331.176 TVA
www.mazars.ch

RELIEF THERAPEUTICS HOLDING AG,
GENEVA

Report on the audit of
The financial Statements as of
December 31, 2017

MAZARS SA
Chemin de Blandonnet 2
1214 Vernier-Genève

Téléphone +41 22 708 10 80
Téléfax +41 22 708 10 88
CHE.116.331.176 TVA
www.mazars.ch

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

Report on the audit of the Financial Statements

We have audited the financial statements of RELIEF THERAPEUTICS Holding AG, which comprise the balance sheet as at December 31, 2017 and the income statement and notes for the year then ended.

In our opinion, the financial statements (pages 52 to 60) as at December 31, 2017 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Material uncertainty related to going concern

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

Other matters

The financial statements of the Group for the year ended December 31, 2016 were audited by another auditor whose report, dated April 28, 2017, expressed an unqualified opinion on those financial statements.

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 44'000 at December 31, 2017. 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 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 Note 12 - 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. 1item 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, 2018