Relief Therapeutics Holding AG

Condensed consolidated interim financial statements for the half-year ended 30 June 2018

(unaudited)

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Relief Therapeutics Holding AG (condensed consolidated interim financial statements)

Relief Therapeutics Holding AG

Consolidated interim balance sheet (in TCHF)

TCHF	Notes	30 June 2018	31 December 2017
ASSETS			
Property, plant and equipment	6	3	5
Intangible assets	7	35'238	30'800
Non-current assets		**35'241**	**30'805**
Trade receivables		-	-
Other current assets and other receivables		28	31
Cash and cash equivalents		136	135
Current assets		**164**	**166**
Total assets		**35'405**	**30'971**
EQUITY AND LIABILITIES			
Share capital	8	20'889	20'066
Reserves		20'636	20'961
Accumulated losses		(20'447)	(20'082)
Equity		**21'078**	**20'945**
Non-current payables	9	4'361	-
Defined benefit obligation		537	537
Deferred tax liabilities		7'454	7'454
Non-current liabilities		**12'352**	**7'991**
Trade payables		365	493
Liabilities due to related parties	10	1'032	1'012
Other current payables and liabilities	11	578	530
Current liabilities		**1'975**	**2'035**
Total equity and liabilities		**35'405**	**30'971**

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

Relief Therapeutics Holding AG

Consolidated interim statement of comprehensive income (in TCHF)

TCHF	Notes	1.1. - 30.6.2018	1.1. - 30.6.2017
CONTINUING OPERATIONS			
Service expense		(16)	(27)
Personnel expense	12	(162)	(486)
Other administrative expense	13	(244)	(552)
Other gains and losses		2	17
EBITDA		**(420)**	**(1'048)**
Depreciation and amortisation expense		(2)	(2)
Operating loss		**(422)**	**(1'050)**
Finance income	14	94	2
Finance expense		(37)	(21)
Loss before income taxes		**(365)**	**(1'069)**
Income taxes		-	-
Loss for the period		**(365)**	**(1'069)**
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX			
Total items that will not be reclassified subsequently to profit or loss		**-**	**-**
Currency translation differences		-	(2)
Total items that may be reclassified subsequently to profit or loss		**-**	**(2)**
Total other comprehensive income for the year, net of income tax		**-**	**(2)**
Total comprehensive income for the period		**(365)**	**(1'071)**
EARNINGS PER SHARE FROM CONTINUING OPERATIONS			
Basic and diluted earnings per share (in CHF)	15	(0.000)	(0.001)

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

Relief Therapeutics Holding AG

Consolidated interim cash flow statement (in TCHF)

TCHF	1.1. - 30.6.2018	1.1. - 30.6.2017
Cash flow used in operating activities	**(497)**	**(944)**
Interest received	-	2
Cash flow from investing activities	**-**	**2**
Proceeds from capital increase	551	815
Transaction cost in relation to capital increase	(53)	(46)
Cash flow from financing activities	**498**	**769**
Net (decrease)/increase in cash and cash equivalents	1	(173)
Cash and cash equivalents at beginning of period	135	394
Net effect of currency translation on cash and cash equivalents	-	-
Cash and cash equivalents at end of period	**136**	**221**

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

Relief Therapeutics Holding AG

Consolidated interim statement of changes in equity (in TCHF)

TCHF	Notes	Share capital	Reserves	Accumulated loss	Total
Balance at 1 January 2017		**19'466**	**20'597**	**(17'827)**	**22'236**
Loss for the period		-	-	(1'069)	**(1'069)**
Other comprehensive income for the period, net of income tax		-	(2)	-	**(2)**
Total comprehensive income for the period		**-**	**(2)**	**(1'069)**	**(1'071)**
Capital increase		775	75	-	850
Transaction cost in relation to capital increase		-	(81)	-	(81)
Balance at 30 June 2017		**20'241**	**20'589**	**(18'896)**	**21'934**
Balance at 1 January 2018		**20'066**	**20'961**	**(20'082)**	**20'945**
Loss for the period		-	-	(365)	(365)
Other comprehensive income for the period, net of income tax		-	-	-	-
Total comprehensive income for the period		**-**	**-**	**(365)**	**(365)**
Capital increase (note 8.1)		448	103	-	551
Transaction cost in relation to capital increase		-	(53)	-	-53
Reclassification due to registration of SSF draw-downs from 2017 (note 8.1)		375	(375)	-	-
Balance at 30 June 2018		**20'889**	**20'636**	**(20'447)**	**21'078**

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

Notes to the consolidated interim financial statements

1 General information

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

On 14 July 2016, the Company acquired Relief Therapeutics SA (RTSA) of Geneva and changed its name from THERAMetrics holding AG to Relief Therapeutics Holding AG. 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. 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 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). In addition to these initial MPCs, Relief acquired in April 2018 two products under development that are artificial colostrum and hypoallergenic milk produced without hydrolysis. Both products have successfully completed pre-clinical validation. Artificial colostrum provides highly reactive immunoglobulins that closely mimic natural colostrum. Non-hydrolyzed hypoallergenic milk has the potential to constitute a novel therapeutic strategy for preventing milk allergies. Relief is committed to elaborate plans either on its own or via co-development agreement(s) with third parties to evaluate the efficacy and commercial potential of these two new projects.

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

2 Basis of preparation

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2017 annual report and are neither audited nor reviewed.

3 Summary of significant accounting policies

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

The consolidated financial statements of the Group have been prepared using the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2017 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2018, and will be adopted in the 2018 annual financial statements.

None of the new or revised Standards and Interpretation mentioned below has had a material impact on these financial statements. The details of each of the new or revised Standards and Interpretation adopted by the Group are detailed below.

	New, amended and revised Standards and Interpretations
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.
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.
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 recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. 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.

	New, amended and revised Standards and Interpretations
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.

3.2 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 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 on 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.	Annual periods beginning on or after 1 January 2019
IAS 19	Amends IAS 19 Employee Benefits to clarify the following aspects: ***Past service cost (or the gain or loss on settlement)*** The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income. ***Current service cost and net interest on the net defined benefit liability (asset)*** An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).	Annual periods beginning on or after 1 January 2019
Various	***Amendments resulting from annual improvements 2015-2017 Cycle:*** IAS 12 Income Taxes - clarifies that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits. IAS 23 Borrowing Costs - clarifies that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	Annual periods beginning on or after 1 January 2019
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 16, which will be applicable in 2019, the Group does not expect any significant impact from the new or amended Standards mentioned above.

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

Critical judgements in applying accounting policies were the same as those applied to the consolidated financial statements of the year ended 31 December 2017 except for the following:

Going concern

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

In order to provide a future stream of income as well as an immediate boost to its cash position, management has reoriented the main strategy of the Group. The Group has signed an option agreement for a future out-licensing of its most advanced MPC, aviptadil for the treatment of Sarcoidosis and Acute Lung Injury to the UK-based clinical development company Seren Clinical. With Seren Clinical reaching defined milestones, the Group may receive up-front and/or milestones and royalty payments. This agreement complements the agreement in place with the University of Freiburg which received a grant from the German Research Foundation (Deutsche Forschungsgemeinschaft – DFG) supporting the entire costs of the clinical trial planned to test aviptadil for its efficacy in Sarcoidosis patients. In parallel, since 9 April 2018 the Group in-licensed two assets from Genclis SA, a private company located in France. On 11 September 2018, Relief signed a sublicensing and collaboration agreement with Health and Happiness Hong Kong Limited (H&H) for a four-year development plan with the goal of reducing allergenicity or even preventing food (particularly milk) allergy in humans. Development foresees a close collaboration between Genclis SA, H&H and Relief for the development operations and is associated with development fees, upfront, milestones and royalty payments. Finally, efforts to raise cash through traditional financing methods such as attracting new investors, the issuance of debt and equity instruments – including the use of the SSF agreement - are still made in order to finance its continuing operations for the upcoming years

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

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

Key sources of estimation uncertainty were the same as those applied to the consolidated financial statements of the year ended 31 December 2017.

5 Segment information

5.1 Description of segment

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

5.2 Geographical information

As the Group currently only operates in Switzerland, no separate geographical information is presented.

6 Property, plant and equipment

There were no additions or disposals in the first half of 2018.

7 Intangible assets

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. In consideration of the fact that business and development plans remained unchanged in the first half of the financial year 2018, the Group considered that there is no indication of impairment of these intangible assets and therefore has not carried out an impairment test on them.

In April 2018, the Group in-licensed two assets from Genclis SA, a private company in France for a net amount of TCHF 4'438. The intangible assets will be further developed in collaboration with Genclis SA and Relief's sublicensee H&H. Payment of the assets is deferred until 2020 and 2022. Therefore, the acquisition price was discounted to its present value. For further details refer to note 9.

8 Share capital

8.1 Issued share capital

At 30 June 2018, the issued share capital amounts to TCHF 20'889, consisting of 2'088'920'472 registered shares with a par value of CHF 0.01.

In January 2108, the SSF was drawn-down by 44.8 million ordinary shares at a nominal value of CHF 0.01 resulting in a capital increase of TCHF 448. As the SSF was drawn-down at a share price of CHF 0.0123, additional paid in capital of TCHF 50 is recognised within reserves.

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

8.2 Authorized share capital

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

8.3 Conditional share capital

The conditional share capital of the Company as at 30 June 2018 was TCHF 7'628, consisting of 762'800'430 registered shares with a par value of CHF 0.01 each, of which 190'000'000 to be used for share options for members of the Board of Directors and Executive Management, employees and consultants as well as 655'093'527 to be used for the exercise of conversion option rights granted in connection with bonds, notes or similar debt instruments issued by the Company.

8.4 Significant shareholders

The following significant shareholders are known to the company:

	30.06.2018		31.12.2017	
	Number of shares	**%**	**Number of shares**	**%**
GEM	651'039'867	31.2%	615'869'250	30.7%
Founders of Relief Therapeutics SA	538'981'384	25.8%	564'931'035	28.2%
PIERREL S.p.A.	43'747'149	2.1%	58'423'582	2.9%
FIN POSILLIPO S.p.A	286'824'849	13.7%	286'824'849	14.3%
Others	568'327'223	27.2%	480'067'239	23.9%
Total shares	**2'088'920'472**	**100.0%**	**2'006'115'955**	**100.0%**

9 Non-current payables

Non-current payables relate to the acquisition of the licences in 2018 (note 7). Payment of the licences is deferred until April 2020 and 2022. The non-current payables are non-interest bearing and are therefore discounted to their present value.

10 Liabilities due to related parties

TCHF	30 June 2018	31 December 2017
Shareholders' loan (i)	317	314
Other borrowings (ii)	715	698
Total	**1'032**	**1'012**

(i) The subordinated 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.

11 Other current payables and liabilities

As at 30 June 2018, other current payables and liabilities mainly consist of accrued expenses and prepayments as well as current provisions in relation to litigation cases concerning service providers and former employees.

12 Personnel expense

The decrease in employee expense is mainly due to the reduction of the salary of each management member by 50% as well as reduction of the number of employees during 2017.

13 Other administrative expense

TCHF	2018	2017
Office expense	15	79
Accounting, legal and consulting expense	165	415
Travel expense	3	11
IT expense	6	24
Other operating expense	55	23
Total general and administrative expense	**244**	**552**

The decrease in accounting, legal and consulting expense is mainly due to the fact that the reorganisation of the Group has been finalised in 2017, hence less such expenses incurred in 2018.

14 Finance income

Finance income for half-year 2018 mainly relates to foreign exchange gains on the non-current liabilities.

15 Earnings per share

TCHF	2018	2017
Loss for the period attributable to the equity holders of the Parent Company	(365)	(1'069)
Weighted average number of shares for the purposes of EPS	2'010'719'297	1'993'381'519
Total basic and diluted earnings per share (in CHF)	**(0.000)**	**(0.001)**

Basic and diluted losses per shares are calculated by dividing the net loss attributable to the shareholders by the weighted average shares outstanding during the period. In 2018 and 2017, the number of shares outstanding varied as a result of different transactions on the share capital structure of the Company.

The options granted as part of the EAP have not been considered in the calculation of the diluted loss per share as their effect is anti-dilutive.

16 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 30 June 2018 and 31 December 2017. For further details refer to note 10. There were no related party transactions in the reporting period.

17 Fair value measurement

Unchanged to 31 December 2017, there are no assets or liabilities measured at fair value. For all financial assets and liabilities their carrying amount at amortised cost approximates fair value.

18 Non-cash transactions

There were no significant non-cash transactions during the first six months of 2018 or 2017 except for the acquisition of intangible assets in 2018 for which payment is due in 2020 and 2022 (notes 7 and 9).

19 Contingent liabilities

Litigation

At 30 June 2018, the Company has recognised provisions in relation to current litigation cases (note 11). Other than that, the Company or any of its subsidiaries are not party to any legal, administrative or arbitral proceedings, the outcome of which, if adverse to the Group, may be material to its business, financial condition and results of operation taken as a whole.

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.

20 Subsequent events

SSF draw downs

In August 2018, the SSF was drawn-down by 25 million ordinary shares at a share price of CHF 0.01.

Sublicensing and collaboration agreement with H&H

On 11 September 2018, Relief signed a sublicensing and collaboration agreement with H&H for a four-year development plan of hypoallergenic cow milk produced without hydrolysis, with the goal of reducing allergenicity or even preventing food (particularly milk) allergy in humans. Development foresees a close collaboration between Genclis SA, H&H and Relief for the development operations and is associated with development fees, upfront, milestones and royalty payments.

Amendment of the Share Subscription Facility ("SSF")

GEM Global Yield Fund LLC SCS ("GEM") agreed to amend the SSF by prolonging its original term by two years until 31 December 2020. In addition, GEM agreed to increase the total aggregate amount that the Group will be allowed to draw down by CHF 20 million for a new total of CHF 44.1 million. The definitive amendment has been signed on 18 September 2018 and has become an integral part of the original SSF agreement.

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

21 Approval of financial statements

These consolidated financial statements were approved by the Board of Directors on 27 September 2017.