RELIEF THERAPEUTICS Holding SA

Condensed consolidated interim financial statements for the half-year ended 30 June 2020

(unaudited)

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RELIEF THERAPEUTICS Holding SA (condensed consolidated interim financial statements)

Consolidated interim balance sheet

TCHF	Notes	30 June 2020	31 December 2019
ASSETS			
Intangible assets	6	30’800	19’600
Financial assets due from third parties	7	476	-
Non-current assets		**31’276**	**19’600**
Financial investments	8	718	-
Other current assets and other receivables	9	682	98
Cash and cash equivalents		1’668	129
		3’068	**227**
Assets held for sale		-	36
Current assets		**3’068**	**263**
Total assets		**34’344**	**19’863**
EQUITY AND LIABILITIES			
Share capital	10	22’295	21’139
Reserves		21’047	20’665
Accumulated losses		(19’077)	(27’506)
Equity		**24’265**	**14’298**
Deferred tax liabilities		4’312	2’742
Non-current liabilities		**4’312**	**2’742**
Trade payables	11	981	283
Financial liabilities due to third parties	12	1’664	757
Financial liabilities due to related parties	13	1’745	982
Provisions	14	704	58
Other current payables and liabilities	15	673	412
		5’767	**2’492**
Liabilities directly associated with assets held for sale		-	331
Current liabilities		**5’767**	**2’823**
Total equity and liabilities		**34’344**	**19’863**

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

Consolidated interim statement of comprehensive income

TCHF	Notes	1.1. - 30.6.2020	1.1. - 30.6.2019
Service expense	16	(2'871)	(37)
Personnel expense		(200)	(207)
Other administrative expense	17	(434)	(176)
Other gains	18	3'173	-
Other losses	19	(918)	(112)
EBITDA		**(1'250)**	**(532)**
Depreciation and amortisation expense		-	(1)
Reversal of impairment losses on intangible assets	6	11'200	-
Operating profit/(loss)		**9'950**	**(533)**
Finance income		35	14
Finance expense	20	(164)	(37)
Profit/(loss) before income taxes		**9'821**	**(556)**
Income taxes	6.1	(1'570)	-
Profit/(loss) for the period		**8'251**	**(556)**
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX			
Remeasurement of defined benefit obligation		136	-
Total items that will not be reclassified subsequently to profit or loss		**136**	**-**
Currency translation differences		6	-
Total items that may be reclassified subsequently to profit or loss		**6**	**-**
Total other comprehensive income for the year, net of income tax		**142**	**-**
Total comprehensive income for the period		**8'393**	**(556)**
EARNINGS PER SHARE			
Basic and diluted earnings per share (in CHF)	21	0.004	(0.000)

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

Consolidated interim cash flow statement

TCHF	Notes	1.1. - 30.6.2020	1.1. - 30.6.2019
Cash flow used in operating activities		**(3'216)**	**(465)**
Net cash out flow on disposal of subsidiary	22.5	(16)	-
Proceeds from sale of financial investments	8	3'006	-
Payment for financial assets due from third parties		(241)	-
Interest received		-	-
Cash flow from investing activities		**2'749**	**-**
Proceeds from capital increase	10.1	1'558	-
Transaction cost in relation to capital increase		(26)	-
Proceeds from borrowings	13	500	300
Cash flow from financing activities		**2'032**	**300**
Net increase/(decrease) in cash and cash equivalents		1'565	(165)
Cash and cash equivalents at beginning of period		129	265
Net effect of currency translation on cash and cash equivalents		(26)	-
Cash and cash equivalents at end of period		**1'668**	**100**

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

Consolidated interim statement of changes in equity

TCHF	Notes	Share capital	Reserves	Accumulated loss	Total
Balance at 1 January 2019		**20'889**	**20'910**	**(20'516)**	**21'283**
Loss for the period		-	-	(556)	(556)
Other comprehensive income for the period, net of income tax		-	-	-	-
Total comprehensive income for the period		**-**	**-**	**(556)**	**(556)**
Reclassification due to registeration of SSF draw-downs from 2018		250	-250	-	-
Balance at 30 June 2019		**21'139**	**20'660**	**(21'072)**	**20'727**
Balance at 1 January 2020		**21'139**	**20'665**	**(27'506)**	**14'298**
Profit for the period		-	-	8'251	8'251
Other comprehensive income for the period, net of income tax		-	6	136	142
Total comprehensive income for the period		**-**	**6**	**8'387**	**8'393**
Capital increase		1'156	150	-	1'306
Shares issued and not yet registered	10.1	-	252	-	252
Transaction cost in relation to capital increase		-	-26	-	-26
Share-based payments				42	42
Balance at 30 June 2020		**22'295**	**21'047**	**(19'077)**	**24'265**

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

Our mission is to provide patients therapeutic relief from serious diseases with high unmet medical need. We aim to develop alternative treatment options rapidly that are safe and efficacious. The combined Group is focused on the development and/or licensing of its portfolio of medicinal product candidates (MPCs). Its lead MPC is RLF-100 (aviptadil), for respiratory indications such as COVID-19-ARDS or pulmonary sarcoidosis.

On 1 April 2020, Relief divested its subsidiary Relief Therapeutics SA, the focus of which was to develop atexakin alfa, to Sonnet BioTherapeutics, Inc. (“Sonnet Holdings”) through a Share Exchange Agreement (“SEA”) which was executed on 12 August 2019. Through this transaction, Relief intends to refocus its activities on the clinical development of RLF-100 for respiratory diseases, in particular for Acute Respiratory Distress Syndrome (“ARDS”) induced by SARS-COV-2 infection. In coordination with NeuroRx, our U.S. development partner, two clinical trials are underway in the United States. Following the completion of these phase II/III clinical trials in the ARDS indication, positive data may pave the way for the further development of RLF-100 in additional indications in the respiratory disease arena. In September 2020, Relief hired Virtuoso Sarl, a strategic and tactical, operational and trial delivery services firm, as Clinical Trials Manager to set up and run RLF-100 clinical trials in Europe (post period).

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

2 Application of new and revised International Financial Reporting Standards (“IFRSs”)

2.1 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 2019 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 2020, and will be adopted in the 2020 annual financial statements.

None of the revised Standards mentioned below has had a material impact on these condensed consolidated financial statements. The details of each of the revised Standards adopted by the Group are detailed below:

	Amended and revised Standards
IFRS 3	Amends IFRS 3 Business Combinations to clarify the definition of business based on the defined terms, the application guidance and illustrative examples
Various	The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of “material” and align the definition used in the Conceptual Framework and the standards.

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 16	Amends IFRS 16 Leases to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.	Annual periods beginning on or after 1 June 2020.
IAS 1	Amends IAS 1 Presentation of Financial Statements to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current	Annual periods beginning on or after 1 January 2023
IAS 16	Amends IAS 16 Property, Plant and Equipment regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management.	Annual periods beginning on or after 1 January 2022

2.2 Standards and Interpretations in issue but not yet effective (continued)

IAS 37	Amends IAS 37 Provisions, Contingent Liabilities and Contingent Assets regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.	Annual periods beginning on or after 1 January 2022
Various	Amendments resulting from annual improvements 2018-2020 Cycle to the following applicable Standards: • IFRS 9 Financial Instruments – Fees in the "10 per cent test" for derecognition of financial liabilities • IFRS 16 Leases – Lease incentives	Annual periods beginning on or after 1 January 2022

The Group is currently assessing whether these changes will impact the consolidated financial statements in the period of initial application. The Group does not expect any significant impact from the new or amended Standards mentioned above.

3 Summary of significant accounting policies

3.1 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 2019 annual report and are neither audited nor reviewed.

3.2 Significant accounting policies

The same accounting policies, presentation and methods of computation are followed in the interim consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019.

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 2019 except for the following:

Going concern

Over the last years, the Group reported difficulties in relation to shortage of liquidity and excess of current liabilities over current assets. During the reporting period, the Group fulfilled its obligations thanks to cash injections from capital increases transactions (TCHF 1'532) and to the sale of shares in Sonnet Bio Therapeutics (TCHF 3'006). In addition, the Group received funding through a new loan executed with its main shareholder GEM for an amount of TCHF 500. In the third quarter of 2020 up to the date of publication of this report, the Group benefited from the development of its share price and received over TCHF 32'000 from conditional capital increases. Furthermore, the outstanding debt due to GEM was converted into equity (note 27).

As at 31 August 2020 the Group had approximately TCHF 32'000 cash in bank, which is sufficient to finance cash needs for its short-term operations including completion of the ongoing phase IIB/III clinical trials. Management will pursue its efforts to raise financing to fund operational expenditures in the longer run.

From an operational perspective, the Group remains focused on the clinical development RLF-100 for respiratory diseases, in particular for Acute Respiratory Distress Syndrome ("ARDS") induced by SARS-COV-2 (COVID-19) infection. The Company has placed all other developmental programs on hold to first focus on the development of RLF-100 in two COVID-19 studies to address a dire medical need. In collaboration with the privately held U.S.-based company NeuroRx, RLF-100 was granted under U.S. Food and Drug Administration ("FDA") Emergency Use Investigational New Drug (IND) authorization and Expanded Access Protocol authorization for the treatment of respiratory failure in COVID-19 (see press release dated 29 March, 2020). The Company hired NeuroRx to conduct a clinical trial for RLF-100 in COVID-19-associated Acute Respiratory Distress Syndrome ("ARDS"). In addition to the clinical sites in U.S., this trial is also conducted at Rambam Healthcare Campus in coordination with the Government of Israel. In September 2020, Relief hired Virtuoso Sarl, a strategic and tactical, operational and trial delivery services firm, as Clinical Trials Manager to set up and run RLF-100 clinical trials in Europe (post period).

The viability of the Group is partly dependent on the success of its current clinical trials. Should the outcome of the clinical trials be negative, the ability of the Group to raise financing and fund its long-term operations will be adversely affected. Considering current liquidity plans, Management is confident in the Group's ability to continue as a going concern and has prepared the interim consolidated using the going concern basis of accounting.

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 2019.

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

The Group currently operates in Switzerland and has a collaboration with NeuroRx to conduct clinical trials in the United States of America. All assets of the Group are in Switzerland. The geographical analysis of operating costs is as follows:

TCHF	2020	2019
Switzerland	841	420
United States of America	2’664	-
Total	**3’505**	**420**

6 Intangible assets

Intangible assets of TCHF 30’800 relate to medicinal product candidate RLF-100 (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 March 2020, management elected to develop RLF-100 in the clinic for respiratory diseases, in particular for Acute Respiratory Distress Syndrome (“ARDS”) induced by SARS-CoV-2 infection. In collaboration with the privately held U.S.-based company NeuroRx, RLF-100 was granted under U.S. Food and Drug Administration (“FDA”) Emergency Use Investigational New Drug (IND) authorization and Expanded Access Protocol authorization for the treatment of respiratory failure in COVID-19 (see press release dated 29 March, 2020). In addition to the clinical sites in the U.S., this trial is also conducted at Rambam Healthcare Campus in coordination with the Government of Israel. In September 2020, Relief hired Virtuoso Sarl, a strategic and tactical, operational and trial delivery services firm, as Clinical Trials Manager to set up and run RLF-100 clinical trials in Europe (post period).

In consideration of the fact that business and development plans changed significantly in the first half of the financial year 2020, the Group conducted a novel impairment test of this intangible asset which accounted for in these condensed consolidated financial statements. The impairment test, which is described further below, resulted in a reversal of the impairment losses recognised in previous financial periods of TCHF 11’200.

6.1 Impairment test at 30 June 2020

The valuation was done using best-practice pharma compound valuation model, which is a probability weighted discounted cash flow model (value in use valuation). This valuation is valid as of 30 June 2020, therefore takes into consideration the recent plans to develop RLF-100 for COVID-19 complications. In addition, the commercial perspectives for RLF-100 for Sarcoidosis are unchanged. A discount rate of 17% (31 December 2019: 17%) was used for this valuation due to the venture capital character of such programs and the current development stage. The expected revenue and associated cost for the COVID-19 complication program were forecasted for the entire expected life cycle. 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 internal market analyses. This includes for example the number of patients who could benefit from these treatments. It is to be noted that this number is continuously revised on the rise based on the sensitization of doctors to the disease and environmental factors causing the condition. The period over which Management has projected cash flows is greater than five years as, based on comparable market data and information, the commercialization of the compound will last significantly longer and Management was able to access to reliable data to determine the key assumptions.

The amended model results in a fair value of TCHF 750’152. Hence, any past impairment losses on the intangible asset were reversed, resulting in a carrying amount of TCHF 30’800 and a reversal of impairment loss recognised in previous financial periods of TCHF 11’200. As the plans to develop RLF-100 for COVID-19 complications only matured in the first quarter of 2020, they could not be included in the valuation considerations as at 31 December 2019, hence represented a non-adjusting subsequent event.

Projected future tax consequences of the temporary difference between the amount of intangible assets recognized for financial reporting purposes and such amount recognized for tax purposes are recorded as a deferred tax liability for 13.99% of the temporary difference. The reversal of impairment led to a deferred income tax expense of TCH 1’570 and a corresponding variation of the deferred tax liability on the balance sheet.

6.2 Sensitivity analysis in relation to the impairment test at 30 June 2020

Sensitivity analysis related to success probability and discount rate based on management assumptions (in TCHF)

	45%	55%	60%	65%	75%
15%	615'064	755'767	826'107	896'447	1'037'126
17%	558'106	686'145	**750'152**	814'159	942'173
20%	485'192	597'019	652'918	708'816	820'614

Sensitivity analysis was carried out to show the impact from a change in discount rate in combination with a change in success probability. Using a discount rate of 20% and a success probability of 45% would result in a net realizable value of TCHF 458'192, whereas using a discount rate of 15% and a success probability of 75% would result in a net realizable value of TCHF 1'037'126.

Given the valuation model resulted in a fair value which is more than 24 times higher than the carrying amount, no further sensitivity analysis were made.

7 Financial assets due from third parties

As mentioned in note 1 and 6, the Group and NeuroRx, a privately held US company, was hired to conduct a clinical trial for RLF-100 in COVID-19-induced ARDS. As part of the collaboration agreement, the Group has provided a loan of TUSD 500 (TCHF 474) to NeuroRx. The loan carries an interest rate per annum of 2% and is due in April 2022.

8 Financial investments

For the sale of its subsidiary Relief Therapeutics SA, the Group received 757'933 shares of listed Sonnet Holdings shares with a total fair value of TCHF 4'642 (CHF 6.12 per share). For further details on the disposal of the subsidiary refer to note 22. The shares were subsequently measured at fair value through profit or loss ("FVTPL") as management intends to sell the shares on the market in various tranches.

During Q2 2020, the Group sold a total of 550'000 shares in various tranches at an average price of CHF 5.47 per share resulting in proceeds of TCHF 3'006 and valuation losses of TCHF 362 which are recognised as other losses within the consolidated statement of comprehensive income.

As at 30 June 2020, the remaining 207'933 shares were valued at the closing share price of that day (CHF 3.45 per share) resulting in a carrying amount of TCHF 718 and a revaluation loss of TCHF 556 which is also recognised as other losses within the consolidated statement of comprehensive income.

9 Other current assets and receivables

The increase in other current assets and receivables is mainly due to prepayments in relation to the clinical trial for RLF-100 in COVID-19-induced ARDS.

10 Share capital

10.1 Issued share capital

At 30 June 2020, the issued share capital amounts to TCHF 22'295, consisting of 2'229'499'272 registered shares with a par value of CHF 0.01.

In April and May 2020, stock options of various option holders were exercised at a nominal value of CHF 0.01 resulting in a capital increase of TCHF 1'156. As some of the stock options had an exercise price of CHF 0.02, additional paid in capital of TCHF 150 was recognized within reserves.

In June 2020, stock options were exercised by an amount of TCHF 252, eventually leading to an increase in share capital of TCHF 216 (216 million shares) and in share premium of TCHF 36. As the newly issued shares are not yet registered in the commercial register, it is shown as increase in share premium. The shares were however listed at the SIX, bringing the total number of issued shares to 2'251'099'272 as of 30 June 2020.

10.2 Authorized share capital

At 30 June 2020, the Company had authorized, but not yet issued, nominal share capital of TCHF 10'569, consisting of 1'056'959'600 registered shares with a par value of CHF 0.01 each, that the Board of Directors is authorized to issue at any time until 14 June 2021.

10.3 Conditional share capital

The conditional share capital of the Company as at 30 June 2020 was TCHF 9’414, consisting of 941’379’622 shares with a par value of CHF 0.01 each, of which 174’420’000 to be used for share options for members of the Board of Directors and Executive Management, employees and consultants as well as 766’959’622 to be used for the exercise of conversion option rights granted in connection with bonds, notes or similar debt instruments issued by the Company.

As at 30 June 2020, there were 35’850’000 options outstanding, all of which are fully vested. During the reporting period, 2’500’000 options were granted, 37’180’000 were exercised, and none were cancelled or expired.

As at 30 June 2020, the number of warrants outstanding issued by the Group is 666’658’667. During the reporting period, 100’000’000 warrants were exercised. The Company issued 10’000’000 new warrants to GEM as compensation for the loan granted on 24 March 2020 (note 13). Further, 166'658'667 warrants were issued in May 2020 in connection with a commitment made to GEM in August 2018 as compensation for its financial support. These committed warrants were erroneously not disclosed in the previous financial reports. The warrants give the right to the warrant holder to buy an equal number of shares of the Company, 656’658’667 warrants at an exercise price of CHF 0.0100 and 10’000’000 warrants at an exercise price of CHF 0.0146.

10.4 Significant shareholders

The following significant shareholders are known to the company:

	30.06.2020		31.12.2019	
	Number of shares	**%**	**Number of shares**	**%**
GEM	519’298’319	23.1%	566’154’033	26.8%
Founders of Relief Therapeutics SA	329’068’850	14.6%	432’661’784	20.5%
PIERREL S.p.A.	1’649’740	0.1%	1’649’740	0.1%
Others	1’398’082’363	62.2%	1’113’453’715	52.6%
Total shares	**2’248’099’272**	**100.0%**	**2’113’919’272**	**100.0%**

11 Trade payables

Trade payables mainly increased due to open invoices due to third party service providers for the clinical trial for RLF-100 in COVID-19-induced ARDS.

12 Financial liabilities due to third parties

The financial liabilities are due to former subsidiaries of the Group. Until repayment, a part of the balance (TCHF 773) accrues interest at a rate of 8% per annum, the rest is interest free. The financial liabilities do not have a fixed repayment date.

13 Liabilities due to related parties

These financial liabilities consist of various shareholders’ loans due to GEM which accrue interest of 4% to 5% above certain benchmarks as described in the 2019 annual report. These loans were repayable on demand as of 30 June 2020. In addition, GEM granted the following loans during the first 6 months of 2020:

- On 24 March 2020: CHF 500’000 bearing an interest rate per annum of 1%, repayable on demand as of 30 June 2020
- On 9 April 2020: USD 250’000 (CHF 236’825) bearing an interest rate per annum of 2%, repayable on demand as of 30 June 2020.

As described in note 27, all loans and accrued interest due to GEM were redeemed in exchange of newly issued shares. Terms of the transactions were agreed by GEM and the Company on 15 July 2020.

14 Provisions

Provisions for litigation cases recognised as at 31 December 2019 were dissolved in the first six months of 2020 as the litigation cases were settled. The residual provisions mainly relate to various claims to third parties as part of the sale of the subsidiary. For further details refer to note 22.

15 Other current payables and liabilities

As at 30 June 2020, other current payables and liabilities mainly consist of accrued expenses as well as prepayments received. The increase is mainly due to accrued expenses in relation to the ongoing clinical trials.

16 Service expense

Service expense primarily include costs for services provided by third parties in relation to the clinical trial for RLF-100 in SARS-COV-2-induced ARDS.

17 Other administrative expense

TCHF	2020	2019
Office expense	7	15
Accounting, legal and consulting expense	356	130
Travel expense	-	7
IT expense	2	7
Other operating expense	69	17
Total general and administrative expense	**434**	**176**

18 Other gains

TCHF	2020	2019
Gain from disposal of a subsidiary (note 22)	3’171	-
Various others	2	-
Total other gains	**3’173**	**-**

19 Other losses

In 2020, other losses relate to realized and unrealized valuation losses in relation to the shareholdings in Sonnet Holdings, which was received as consideration for the disposal of Relief Therapeutics SA. For further details refer to note 8.

In 2019, the losses were mainly due to the cancellation of the collaboration agreement with Genclis.

20 Finance expense

Increase in the financial expense are mainly explained by the transaction fees incurred in relation with the sale of Sonnet shares. Foreign exchange losses and increase in financial liabilities also contributed to the financial expense.

21 Earnings per share

TCHF	2020	2019
Profit/(loss) for the period attributable to the equity holders of the Parent Company	8'251	(556)
Weighted average number of shares for the purposes of EPS	2'148'512'019	2'093'063'920
Total basic and diluted earnings per share (in CHF)	**0.004**	**(0.000)**

Basic and diluted losses per shares are calculated by dividing the net loss attributable to the shareholders by the weighted average shares outstanding during the period. In 2020 and 2019, the number of shares outstanding varied as a result of different transactions on the share capital structure of the Company.

The warrants and 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.

22 Disposal of subsidiary

22.1 Description of transaction

On 1 April 2020, the Group concluded the SEA in relation to the sale of Relief Therapeutics SA between Sonnet Holdings and the Company. Consequently, Sonnet Holdings acquired all outstanding shares of Relief Therapeutics SA that became a wholly owned Geneva-based subsidiary of Sonnet. In exchange, Sonnet Holdings paid to the Company shares of its common stock that converted into 757'933 shares of listed Sonnet Holdings common stock.

Based on contractual agreements, and due to the change of control of Relief Therapeutics SA, the Group will have to pay various claims to third parties estimated at TCH 696.

22.2 Consideration received

	TCHF
Consideration received in shares of Sonnet Holdings	4'642
Total consideration received	**4'642**

At closing of the transaction date, the share price of Sonnet Holdings was CHF 6.1243 (USD 6.3150) per share. Hence, the fair value of the 757'933 Sonnet Holdings shares received was TCHF 4'642.

22.3 Analysis of assets and liabilities over which control was lost

	TCHF
Current assets	
Financial assets due from shareholder	896
Financial assets due to related parties	1
Other current assets and other receivables	29
Cash and cash equivalents	16
Current liabilities	
Trade payables	(51)
Financial liabilities due to related parties	(14)
Tax liabilities	(10)
Other current payables and liabilities	(92)
Net assets disposed of	**775**

22.4 Gain/(loss) on disposal of subsidiaries

	TCHF
Fair value of consideration received	4'642
Net assets disposed of	(775)
Estimated liabilities due to third parties (i)	(696)
Gain on disposal (note 18)	**3'171**

(i) The final amount payable to third parties still needs to be assessed, therefore the liability is shown within current provisions (note 14). The estimated amount is based on latest discussions with third parties.

22.5 Net cash outflow on disposal of subsidiaries

As consideration received was in shares of Sonnet Holdings and therefore non-cash, the transaction led to a net cash outflow of TCHF 16 being the cash position of the disposed subsidiary.

23 Related party balances and transactions

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

The liabilities due to the shareholder GEM are the only related party balance as at 30 June 2020 and 31 December 2019. Other than the additional loans provided by GEM and the equity transactions with GEM, there were no other related party transactions in the reporting period. For further details refer to note 10 and 13.

24 Fair value measurement

Except for the Sonnet Holdings shares, which are measured at fair value through profit or loss, there are no assets or liabilities measured at fair value. For all financial assets and liabilities measured at amortised cost, the carrying amount approximates fair value.

25 Non-cash transactions

In 2020 and 2019, 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 following transactions:

- In 2020: the loan of TUSD 250 provided by GEM to Relief (note 13) was directly wired to NeuroRx as payment of 50% of the loan granted to NeuroRx by Relief (note 7). Relief wired an additional TUSD 250 to NeuroRx. Relief therefore recorded a receivable from NeuroRx of TUSD 500 (TCHF 474) and a liability due to GEM of TUSD 250 (TCHF 237).

- In 2019: the cancellation of the collaboration agreement with Genclis. For further details refer to note 7 of the 2019 annual report.

26 Contingent liabilities

Litigation

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.

Sale of certain old subsidiaries of Relief Therapeutics SA (CRO Sale)

The contract for the sale of the Company's major CRO subsidiaries, dated 15 June 2016, contains representation and warranties, as well as clauses for working capital true-ups, which could result in additional claims being made against the Group.

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

No further development has been incurred in 2020. The situation was the same at 31 December 2019.

27 Subsequent events

Capital contributions

In the period from July to the date of this report, the Group realized the following capital increases transactions:

- Borrowings due to GEM in the total amount of TCHF 1'723 were converted into 58'023'584 new shares at a nominal value of CHF 0.01 resulting in a capital increase of TCHF 580 and additional paid in capital of TCHF 1'143.

- SSF draw-downs for a total amount of TCHF 31'266, received in cash, resulting in an increase in share capital of TCHF 2'000 (200 million shares) and additional paid in capital of TCHF 29'266.

Change in Management structure

Dr. Gilles Della Corte joined the group on 4 September 2020 as CMO (Chief Medical Officer).

Other than the above-mentioned events, there have been no significant subsequent events since 30 June 2020.

28 Approval of financial statements

These consolidated financial statements were approved by the Board of Directors on 14 September 2020.