Obseva

nature meets nurture

Q2 2022 interim report

Unaudited Interim Condensed Consolidated IFRS Financial Statements for the three-month and six-month period ended June 30, 2022

Unaudited Condensed Consolidated Balance Sheets

(in USD '000)	Notes	June 30, 2022	December 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents	4	14,126	54,734
Restricted cash	4	31,000	-
Other receivables		180	3,560
Prepaid expenses		3,371	5,223
Total current assets		**48,677**	**63,517**
Non-current assets			
Right-of-use assets		417	625
Furniture, fixtures and equipment		53	58
Intangible assets	5	4,503	24,503
Other long-term assets		534	288
Total non-current assets		**5,507**	**25,474**
Total assets		**54,184**	**88,991**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Other payables and current liabilities		4,735	9,038
Accrued expenses		11,049	13,783
Current lease liabilities		549	686
Total current liabilities		**16,333**	**23,507**
Non-current liabilities			
Non-current lease liabilities		-	240
Non-current borrowings	6	32,923	25,733
Post-employment obligations		6,468	6,581
Other long-term liabilities		563	591
Total non-current liabilities		**39,954**	**33,145**
Shareholders' equity			
Share capital		6,875	6,489
Share premium		437,537	430,630
Reserves		35,060	32,195
Accumulated losses		(481,575)	(436,975)
Total shareholders' equity	7	**(2,103)**	**32,339**
Total liabilities and shareholders' equity		**54,184**	**88,991**

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

Unaudited Condensed Consolidated Statements of Comprehensive Loss

(in USD '000, except per share data)	Notes	Three-month period ended June 30, 2022	Three-month period ended June 30, 2021	Six-month period ended June 30, 2022	Six-month period ended June 30, 2021
Operating income other than revenue	**8**	**2,612**	**4**	**4,849**	**10**
OPERATING EXPENSES					
Research and development expenses	9	(7,111)	(14,485)	(12,719)	(30,001)
General and administrative expenses		(7,511)	(3,888)	(14,744)	(8,079)
Impairment of intangible asset	5	(19,400)	—	(19,400)	—
Total operating expenses		**(34,022)**	**(18,373)**	**(46,863)**	**(38,080)**
OPERATING LOSS		**(31,410)**	**(18,369)**	**(42,014)**	**(38,070)**
Finance Income		23	(55)	1,956	574
Finance Expense		(1,357)	(690)	(4,434)	(1,601)
NET LOSS BEFORE TAX		**(32,744)**	**(19,114)**	**(44,492)**	**(39,097)**
Income tax expense	10	(54)	(30)	(107)	(51)
NET LOSS FOR THE PERIOD		**(32,798)**	**(19,144)**	**(44,599)**	**(39,148)**
Net loss per share					
Basic and Diluted	11	(0.39)	(0.25)	(0.54)	(0.54)
TOTAL OTHER COMPREHENSIVE INCOME / (LOSS)		**—**	**—**	**—**	**—**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(32,798)**	**(19,144)**	**(44,599)**	**(39,148)**

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

Unaudited Condensed Consolidated Statements of Cash Flows

(in USD '000)	Notes	Six-month period ended June 30, 2022	2021
NET LOSS BEFORE TAX FOR THE PERIOD		**(44,492)**	**(39,097)**
Adjustments for:			
Impairment of intangible asset		19,400	—
Depreciation expense		229	505
Post-employment cost		202	229
Share-based compensation expense		2,864	2,929
Finance expense, net		2,478	1,027
Other operating income		(4,849)	—
Changes in operating assets and liabilities:			
Other receivables		3,379	160
Prepaid expenses, deferred costs and other long-term assets		1,605	(2,621)
Other payables and current liabilities		(4,304)	(3,300)
Accrued expenses and other long-term liabilities		(2,483)	64
NET CASH FLOWS USED IN OPERATING ACTIVITIES		**(25,971)**	**(40,104)**
Net proceeds from disposal of intangible assets		5,691	—
Payments for plant and equipment		(15)	(10)
NET CASH FLOWS From (USED IN) INVESTING ACTIVITIES		**5,676**	**(10)**
Proceeds from issuance of shares		5,664	48,960
Proceeds from issuance of convertible debt		8,610	—
Proceeds from issuance of warrants		915	—
Proceeds from exercise of warrants		—	22,117
Issuance costs related to convertible debt and warrant		(1,696)	—
Share issuance costs		(197)	(1,674)
Principal elements of lease payments		(348)	(337)
Interest paid		(1,921)	(1,127)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**11,027**	**67,939**
Net (decrease) increase in cash, cash equivalents and restricted cash		(9,268)	27,825
Cash, cash equivalents and restricted cash at January 1,		**54,734**	**31,183**
Effects of exchange rate changes on cash, cash equivalents and restricted cash		(340)	(85)
Cash, cash equivalents and restricted cash at June 30,		**45,126**	**58,923**
NON-CASH FINANCING ACTIVITIES			
Issuance of common stock (in connection with conversion of convertible debt)		**906**	**—**

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

Unaudited Condensed Consolidated Statements of Changes in Equity

(in USD '000)	Share capital	Treasury shares	Share premium	Reserves	Accumulated losses	Total
January 1, 2021	**4,878**	**(304)**	**356,822**	**26,353**	**(379,395)**	**8,354**
Loss for the period	—	—	—	—	(39,148)	(39,148)
Other comprehensive loss	—	—	—	—	—	—
Total comprehensive loss	**—**	**—**	**—**	**—**	**(39,148)**	**(39,148)**
Issuance of treasury shares	1,515	(1,515)	—	—	—	—
Issuance of shares - ATM program	—	1,189	47,860	—	—	49,049
Share issuance costs	—	—	(1,677)	—	—	(1,677)
Exercise of warrants	555	—	21,562	—	—	22,117
Share-based remuneration	—	—	—	2,929	—	2,929
June 30, 2021	**6,948**	**(630)**	**424,567**	**29,282**	**(418,543)**	**41,624**
January 1, 2022	**6,948**	**(459)**	**430,629**	**32,196**	**(436,976)**	**32,338**
Loss for the period	—	—	—	—	(44,599)	(44,599)
Other comprehensive loss	—	—	—	—	—	—
Total comprehensive loss	**—**	**—**	**—**	**—**	**(44,599)**	**(44,599)**
Issuance of treasury shares	1,947	(1,947)	—	—	—	—
Issuance of shares - ATM program	—	323	5,341	—	—	5,664
Share issuance costs - ATM program	—	—	(196)	—	—	(196)
Conversion rights value - convertible notes	—	—	198	—	—	198
Issuance of shares - convertible notes	63	—	843	—	—	906
Reclassification of warrants	—	—	722	—	—	722
Share-based remuneration	—	—	—	2,864	—	2,864
June 30, 2022	**8,958**	**(2,083)**	**437,537**	**35,060**	**(481,575)**	**(2,103)**

The accompanying notes form an integral part of these unaudited condensed consolidated financial statements.

Notes to the Unaudited Condensed Consolidated Financial Statements

1. General information

ObsEva SA (the "Company") was founded on November 14, 2012, and its address is 12 Chemin des Aulx, 1228 Plan-les-Ouates, Geneva, Switzerland. The terms "ObsEva" or "the Group" refer to ObsEva SA together with its subsidiaries included in the scope of consolidation (see Note 2.3).

The Group is focused on the development of novel therapeutics to improve women's reproductive health and pregnancy. The Group has a portfolio of one in-licensed mid-stage development compound (nolasiban) and one out-licensed mid-stage development product (ebopiprant). The Group has no currently marketed products.

On July 27, 2022, the Company announced plans to initiate a corporate restructuring and refocus the Company's development and commercialization strategy. The Board of Directors decided to undertake the following actions: (i) give notice of termination of the Company's license agreement with Kissei Pharmaceutical Co., Ltd ("Kissei") for the development and commercialization of linzagolix (the "Kissei License Agreement"); (ii) commence planned corporate restructuring to resize the Company to be able to meet other license obligations and assess strategic options with respect to pipeline development; and (iii) file an application to the competent court in Geneva, Switzerland for a court-sanctioned moratorium to facilitate the planned restructuring. If granted, the moratorium will provide the Company with temporary protection against debt-enforcement and bankruptcy proceedings in Switzerland, with a view to make it possible for the Company to undertake restructuring measures under the supervision of one or more court-appointed administrators. Consistent with the Company's plans to restructure its operations, the Company will initiate a mass dismissal process, pursuant to Swiss law. A final decision on the extent of the restructuring will be taken following a consultation process with the Company's employees.

These unaudited condensed consolidated financial statements are presented in dollars of the United States (USD), rounded to the nearest thousand, except share and per share data, and have been prepared on the basis of the accounting principles described in Note 2.

These unaudited condensed consolidated financial statements were authorized for issue by the Audit Committee of the Company's Board of Directors (the "Board of Directors") on August 12, 2022.

2. Accounting principles and scope of consolidation

2.1 Basis of preparation and accounting principles

These unaudited three-month and six-month interim condensed consolidated financial statements (the "condensed consolidated financial statements") are prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (the "IASB").

Accounting policies

Accounting policies used in the preparation and presentation of these condensed consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended December 31, 2021 (the "annual financial statements"), which should be read in conjunction with these condensed consolidated financial statements as they provide an update of previously reported information.

Operating income other than revenue

Revenue includes royalty and milestone income from the out-licensing of intellectual property when ObsEva retains an interest in the intellectual property through a license. Royalty income earned through a license is recognized when the underlying sales have occurred. Milestone income is recognized at the point in time when it is highly probable that the relevant milestone event criteria are met, and the risk of reversal of revenue recognition is remote.

Going concern

The Company has incurred recurring losses since inception, including net losses of USD 44.6 million for the six-month period ended June 30, 2022. As of June 30, 2022, the Company had accumulated losses of USD 512.2 million, of which USD 30.6 million were offset with share premium. The Company expects to continue to generate operating losses for the foreseeable future. As of June 30, 2022, the Company had cash and cash equivalents of USD 45.1 million, of which USD 31.0 million is restricted. These interim condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern which contemplates the continuity of operations, realization of assets and the satisfaction of liabilities in the ordinary course of business. To date, the Company has funded its operations through equity and debt offerings and through payments from licensors. The Company believes that its current cash and cash equivalents, after taking into account our planned corporate restructuring actions, including a mass dismissal process pursuant to Swiss law, are sufficient to fund its operating expenses into the fourth quarter of 2022 and this

raises substantial doubt about the Company's ability to continue as a going concern. These factors individually and collectively indicate that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern within one year from the date of the issuance of these unaudited condensed consolidated financial statements. The future viability of the Company is dependent on its ability to implement a successful corporate reorganization and to raise additional capital to finance its future operations. The Company may receive future milestone payments from licensors but that is dependent on achieving certain regulatory or commercial milestones that may never happen. The Company may seek additional funding through its public or private financings, debt financing or collaboration agreements. The sale of additional equity may dilute existing shareholders and newly issued shares may contain senior rights and preferences compared to currently outstanding common shares. Issued debt securities may contain covenants and limit the Company's ability to pay dividends or make other distributions to shareholders. The inability to obtain funding, as and when needed, would have a negative impact on the Company's operations, financial condition and ability to pursue its business strategies. If the Company is unable to obtain the required funding to run its operations and to develop and commercialize its product candidates, the Company could be forced to delay, reduce or eliminate some or all of its research and development programs, product portfolio expansion or commercialization efforts, which could adversely affect its business prospects, or the Company may be unable to continue operations. Management continues to explore all potential options to obtain additional funding. However, there is no assurance that the Company will be successful in raising funds, obtaining sufficient funding on terms acceptable to the Company, or if at all, which could have a material adverse effect on the Group's business, results of operations and financial conditions.

2.2 Use of estimates and assumptions

The preparation of unaudited condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the interim financial statements. The Company bases the estimates on historical experience and on various other assumptions that the Company believes are reasonable, the results of which form the basis for making judgments about the carrying value of assets, liabilities and equity and the amount of revenues and expenses. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the condensed consolidated financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate during the period in which the circumstances change.

2.3 Scope of consolidation

The Company consolidates the financial operations of its four fully-owned subsidiaries, ObsEva Ireland Ltd, which is registered in Cork, Ireland and organized under the laws of Ireland, ObsEva Europe B.V., which is registered and organized under the laws of Netherlands, ObsEva Switzerland SA, which is registered and organized under the laws of Switzerland, and ObsEva USA Inc., which is registered and organized under the laws of Delaware, USA. ObsEva Ireland Ltd, ObsEva Europe B.V., and ObsEva Switzerland SA had no operations and no results of operations to report as of June 30, 2022 and 2021.

3. Fair value estimation and financial instruments

The carrying value less impairment provision of receivables and payables approximate their fair values due to their short-term nature.

All financial assets and liabilities, respectively, are held at their amortized cost.

The Group's financial assets and liabilities consist of cash and cash equivalents, restricted cash, other receivables, other payables and accruals which are classified as loans and receivables at amortized cost according to IFRS 9.

Assets recorded at fair value on a nonrecurring basis, such as intangible assets are recognized at fair value when they are impaired.

4. Cash, cash equivalents and restricted cash

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Restricted cash represents deposited amounts securing obligations under the Company's convertible note financing arrangement with JGB Management, Inc. (see Note 6). Restricted cash consists of USD 31.0 million held in a restricted depository account.

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts in the statement of cash flows.

(in USD '000)	June 30, 2022	December 31, 2021
Cash and cash equivalents	14,126	54,734
Restricted cash	31,000	—
Total cash, cash equivalents and restricted cash	**45,126**	**54,734**

5. Intangible assets

The Company's intangible assets consisted of the following:

	June 30, 2022			
(in USD '000)	Gross Carrying Value	Disposal	Impairment	Net Book Value
Intangible assets				
Linzagolix	20,000	(600)	(19,400)	—
Nolasiban	4,503	—	—	4,503
Total	**24,503**	**(600)**	**(19,400)**	**4,503**

	December 31, 2021			
(in USD '000)	Gross Carrying Value	Disposal	Impairment	Net Book Value
Intangible assets				
Linzagolix	20,000	—	—	20,000
Nolasiban	4,503	—	—	4,503
Ebopiprant	2,105	(2,105)	—	—
Total	**26,608**	**(2,105)**	**—**	**24,503**

On February 10, 2022, the Company entered into a strategic licensing agreement with Theramex HQ UK Limited ("Theramex") to support the commercialization and market introduction of linzagolix across global markets outside of the U.S., Canada and Asia ("Theramex License Agreement"). Given the out-licensing of linzagolix in certain territories to Theramex, the Company concluded that a portion of the linzagolix intangible assets should be de-recognized. The Company calculated the out-licensed territories as representing 3% of the probability-weighted gross profit from linzagolix product sales world-wide and as a result, recorded a partial derecognition of USD 0.6 million of intangible asset.

During the three months ended June 30, 2022, the Company identified an interim impairment trigger for the linzagolix intangible asset resulting from the review issues communicated by the U.S. Food and Drug Administration (FDA) regarding deficiencies in the New Drug Application (NDA) for linzagolix uterine fibroids. After performing an interim impairment assessment, the Company concluded that the full remaining net book value of the asset was impaired as of June 30, 2022 and recorded a charge of USD 19.4 million. The impairment charge is recorded in impairment of intangible asset on the condensed consolidated statements of comprehensive loss.

6. Borrowings

In October 2021, the Company entered into a convertible note financing agreement (the "Securities Purchase Agreement") with certain funds and accounts managed by JGB Management Inc. ("JGB"), which is structured to provide up to USD 135 million in borrowing capacity, available in nine tranches. The following is the activity of the Company's borrowings for the six months ended June 30, 2022:

(in USD '000)	2022
Borrowings as of January 1,	**$ 25,733**
Issuance of JGB convertible note	8,369
Transaction costs	(1,490)
Conversion of JGB convertible note	(906)
Interest expense	3,124
Interest paid	(1,907)
Borrowings as of June 30,	**$ 32,923**

The Securities Purchase Agreement provides for the Company to potentially receive funds from each of the seven remaining tranches that have not been funded as of June 30, 2022, which may be funded at JGB's sole option and subject to the Company meeting certain conditions, including, among others, that the Company's volume-weighted average price is not below USD 3.00 per share for five or

more trading days during the 30 days prior to a tranche funding date (the "Minimum Stock Price Condition"). As of May 25, 2022, the funding date of the third tranche, the Company had not met the Minimum Stock Price Condition for the third tranche. On May 27, 2022, the Company entered into a waiver and amendment agreement with JGB, whereby JGB agreed to waive its right to terminate its obligation to fund future tranches under the Securities Purchase Agreement, which JGB would be entitled to as a result of the Company's failure to meet the Minimum Stock Price Condition. In exchange, the Company agreed to further restrictions on the existing account control agreement in favor of JGB to establish a "blocked" account control agreement with respect to the applicable bank account. As of June 30, 2022, the Company held USD 31.0 million in such deposit account, which is classified as Restricted Cash in the unaudited condensed consolidated balance sheets. The minimum cash amount is subject to additional incremental increases totaling USD 21.0 million in aggregate depending on the amount of debt outstanding under the Securities Purchase Agreement.

The Securities Purchase Agreement includes affirmative and negative covenants applicable to the Company and its subsidiaries. The affirmative covenants include, among other things, requirements to file certain financial reports with the Securities and Exchange Commission, maintain insurance coverage and satisfy certain requirements regarding deposit accounts. Further, subject to certain exceptions, the Securities Purchase Agreement contains customary negative covenants limiting its ability to, among other things, transfer or sell certain assets, consummate mergers or acquisitions, allow changes in business, incur additional indebtedness, create liens, pay dividends or make other distributions and make investments. As of June 30, 2022, the Company was in compliance with its covenants.

On August 1, 2022, as a result of certain events of default under the outstanding convertible notes issued in the first and second tranches under the Securities Purchase Agreement, the Company announced the early retirement of USD 31.0 million of its debt with JGB, as the USD 31.0 million cash held as collateral was applied against the outstanding convertible notes on a pro rata basis, and the entry into an amendment and forbearance agreement to refinance the remaining outstanding debt held (see Note 14 for the events occurring after the reporting period).

7. Shareholders' equity

Share capital and share premium

As of June 30, 2022, the total outstanding share capital of USD 6.9 million, fully paid, consists of 84,499,179 common shares, excluding 24,921,292 treasury shares. As of December 31, 2021, the total outstanding share capital of USD 6.5 million, fully paid, consisted of 79,855,268 common shares, excluding 5,265,203 treasury shares. All shares have a nominal value of 1/13 of a Swiss franc, translated into USD using historical rates at the issuance date.

During the second quarter of 2022, JGB converted USD 1.3 million of its outstanding principal under the second tranche note into 800,000 common shares. As the conversions were completed within the terms of the Securities Purchase Agreement, no gain or loss was recognized as a result of these conversions.

In February 2022, the Company announced the issuance of 23,400,000 common shares at par value of 1/13 of a Swiss franc per share. The shares were fully subscribed for by a fully owned subsidiary of the Company and listed on the SIX Swiss Exchange accordingly. The shares were initially held as treasury shares.

During the six-months period ended June 30, 2022, the Company sold a total of 3,743,911 treasury shares at an average price of USD 1.51 per share, as part of its ATM program with SVB Leerink LLC. These multiple daily transactions generated total gross proceeds of USD 5.7 million. Directly related share issuance costs of USD 0.2 million were recorded as a deduction in equity.

During the six-month period ended June 30, 2021, the Company sold a total of 13,949,613 treasury shares at an average price of USD 3.51 per share, as part of its prior and current ATM programs. These multiple daily transactions generated total gross proceeds of USD 49.0 million. Directly related share issuance costs of USD 1.5 million were recorded as a deduction in equity. In addition, during the first quarter of 2021, the Company received proceeds of USD 22.1 million from the exercise of 6,448,240 warrants.

Warrants issued with Securities Purchase Agreement with JGB

On January 28, 2022, in connection with the second tranche under the Securities Purchase Agreement, the Company issued to JGB a warrant to purchase 1,018,716 common shares of the Company. The warrant has an exercise price of USD 1.87 per share. The Company determined the fair value of the warrant on January 28, 2022 using the Black Scholes model by using a risk-free interest rate of 1.78%, an expected term of 3 years, and an implied volatility of 96.5%. The fair value was calculated to be approximately USD 915 thousand on January 28, 2022. This valuation is considered to be Level 2 in the fair value hierarchy. The Company allocated the transaction fees, including the USD 1.25 million waiver payment, associated with the Securities Purchase Agreement based on the debt balance and the fair value of the warrant liability on January 28, 2022. The allocation of the transaction fees associated with the warrant liability was USD 163 thousand and was recorded as a period cost and included in finance expense on the statements of comprehensive loss.

Because the warrants were not exercisable until its affiliated registration statement was declared effective, the Company had to revalue the warrant liability on the date of the effective date of the registration statement which was March 1, 2022. The Company revalued the fair value of the warrants on March 1, 2022 using the Black Scholes model by using a risk-free interest rate of 1.72%, an expected term of 3 years, and an implied volatility of 95.8%. The fair value was calculated to be approximately USD 722 thousand on March 1, 2022. The resulting change in fair values from January 28, 2022 to March 1, 2022 of USD 193 thousand is recorded as a period cost and is included in finance income on the statements of comprehensive loss.

8. Revenue and other operating income

On February 10, 2022, the Company entered into the Theramex License Agreement with Theramex to support the commercialization and market introduction of linzagolix across global markets outside of the U.S., Canada and Asia. Under the terms of the Theramex License Agreement, the Company was entitled to receive royalties of a mid-thirties percentage on commercial sales up to EUR 72.75 million in upfront and milestone payments, including EUR 5 million obtained upon signing, up to EUR 13.75 million in development and commercial milestones and up to EUR 54 million in sales-based milestones.

As the Company received marketing authorization for the uterine fibroid indication in the European Union and the UK, the upfront payment of EUR 5.0 million was fully recognized during the six months ended June 30, 2022. The gain on the disposal of the asset, net of de-recognition of intangible asset, of USD 4.8 million is recorded in operating income other than revenue on the Company's interim condensed consolidated statements of comprehensive loss.

As a result of termination of the Kissei License Agreement, the Theramex License Agreement was automatically assigned to Kissei and the Company has no further rights or obligations under the agreement. See Note 14 for further information.

9. Research and development expenses

Research and development expenses consist of costs incurred in performing research and development activities, including salaries and bonuses, stock-based compensation, employee benefits, facilities costs, laboratory supplies, depreciation, manufacturing expenses as well as external costs of vendors engaged to conduct preclinical development activities and clinical trials.

10. Income tax

The Group is subject to income taxes in various jurisdictions, including primarily in Switzerland and the United States.

Since January 1, 2020, the Company is subject in Switzerland to a municipal and cantonal income tax rate of 14.0% and to a federal tax rate of 8.5% on its profits after tax. It is entitled to carry forward any loss incurred for a period of seven years and can offset such losses carried forward against future taxes. In 2015, the Company was granted by the State Council of the Canton of Geneva an exemption of income and capital tax at municipal and cantonal levels for the period from 2013 until 2022. Because of this exemption, and the fact that the Company has incurred net losses since its inception, no income tax expense at the municipal, cantonal or federal levels was recorded in the Company for the three-month and six-month periods ended June 30, 2022 and 2021. Additionally, due to the uncertainty as to whether it will be able to use its net loss carryforwards for tax purposes in the future, no deferred taxes have been recognized on the balance sheet of the Company as of June 30, 2022 and December 31, 2021.

The Company's U.S. subsidiary is a service organization for the Group and is therefore subject to taxes on the revenues generated from its services to the Group that are charged based upon the U.S. subsidiary's cost-plus arrangement with the Group. The profits of the U.S. subsidiary during the three-month and six-month periods ended June 30, 2022 and 2021 were each subject to a total U.S. income tax rate of 27.3% based on both the U.S. federal and state tax rates.

11. Loss per share

As of June 30, 2022 and 2021, the Company has one category of shares, which are common shares. The basic loss per share is calculated by dividing the loss of the period attributable to the common shares by the weighted average number of common shares outstanding during the period as follows:

	Three-month period ended June 30, 2022	Six-month period ended June 30, 2022
Net loss attributable to shareholders (in USD '000)	(32,798)	(44,599)
Weighted average number of common shares outstanding	83,884,893	82,916,093
Basic and diluted loss per share (in USD)	**(0.39)**	**(0.54)**

	Three-month period ended June 30, 2021	Six-month period ended June 30, 2021
Net loss attributable to shareholders (in USD '000)	(19,144)	(39,148)
Weighted average number of common shares outstanding	75,809,484	72,211,911
Basic and diluted loss per share (in USD)	**(0.25)**	**(0.54)**

For the three-month and six-months ended June 30, 2022, 12,364,148 shares issuable upon the exercise of stock-options and 18,021,414 shares issuable upon conversion of notes and/or exercise of warrants issued to JGB pursuant to the Securities Purchase Agreement, which would have an anti-dilutive impact on the calculation of the diluted earnings per share, were excluded from the calculation. For the three-month and six-month periods ended June 30, 2021, 8,956,610 and 516,352 shares issuable upon the exercise of stock-options and warrants, respectively, which would have an anti-dilutive impact on the calculation of the diluted earnings per share, were excluded from the calculation.

12. Leases

On May 10, 2022, the Company entered into a 120-month lease for office space and parking spaces in Geneva, Switzerland. The lease is for approximately 7,513 square feet and 4 parking spaces with the Company gaining access to areas on October 1, 2022. The expected lease commitments resulting from this contract are less than USD 0.1 million in 2022 and USD 0.3 million from 2023 onward. The expected lease commitments are linked to changes in the Swiss Consumer Price Index as published by Swiss Federal Statistical Office.

13. Segment information

The Group operates in one segment, which is the research and development of innovative women's reproductive, health and pregnancy therapeutics. The marketing and commercialization of such therapeutics depend, in large part, on the success of the development phase. The Chief Executive Officer of the Company reviews the consolidated statements of operations of the Group on an aggregated basis and manages the operations of the Group as a single operating segment. The Group currently generates no revenue from the sales of therapeutics products, and the Group's activities are not affected by any significant seasonal effect.

The geographical analysis of non-current assets is as follows:

(in USD '000)	June 30, 2022	December 31, 2021
Switzerland	5,414	25,385
USA	93	89
Total non-current assets	**5,507**	**25,474**

The geographical analysis of operating expenses is as follows:

(in USD '000)	Three-month period ended June 30,		Six-month period ended June 30,	
	2022	2021	2022	2021
Switzerland	33,337	16,730	45,953	34,885
USA	685	1,643	910	3,195
Total operating expenses	**34,022**	**18,373**	**46,863**	**38,080**

14. Events after the reporting period

On July 27, 2022, the Company announced plans to initiate a corporate restructuring and refocus the Company's development and commercialization strategy. The Company believed these changes were necessary due to the commercial landscape and potential additional capital needed to fund the completion of the linzagolix clinical development program, as the U.S. Food and Drug Administration (FDA) notified the Company of review issues regarding deficiencies in the New Drug Application (NDA) for linzagolix for uterine fibroids. These review issues precluded discussion of labeling and post-marketing commitments. As disclosed in Note 5, these expected review issues resulted in the Company impairing the linzagolix intangible asset as of June 30, 2022. Following these FDA discussions, the Board of Directors decided to undertake the following actions in July 2022: (i) give notice of termination of the Kissei License Agreement; (ii) commence planned corporate restructuring to resize the Company to be able to meet other license obligations and assess strategic options with respect to pipeline development; and (iii) file an application to the Swiss court for a court-sanctioned moratorium to facilitate the planned restructuring. As a result of termination of the Kissei License Agreement, the Theramex License Agreement was automatically assigned to Kissei and the Company has no further rights or obligations under the agreement.

In July 2022, following the corporate restructuring announcement, the Company sold a total of 3,077,175 treasury shares at an average price of USD 0.29 per share, as part of its ATM program with SVB Leerink LLC. These multiple daily transactions generated total gross proceeds of USD 0.9 million.

On July 27, 2022, the Company's previously announced application to the courts of competent jurisdiction of the Swiss canton of Geneva for a preliminary moratorium resulted in certain events of default under the outstanding Notes (the "Events of Default"). On July 31, 2022, the Company entered into an amendment and forbearance agreement (the "Amendment") with JGB in relation to the Securities Purchase Agreement, the Note issued in connection with the first tranche under the Securities Purchase Agreement (the "First Tranche Note"), and the Second Tranche Note. Pursuant to the Amendment, the Company and JGB agreed to apply the USD 31.0 million restricted cash balance of the Company (the "Account Balances") previously held in a control account in accordance with the Transaction Agreements against the outstanding Notes on a pro rata basis, and JGB waived any application of the 25% prepayment premium permitted under the outstanding Notes with respect to the Account Balances. In addition, JGB agreed to refrain and forebear from exercising or pursuing any rights or remedies under the Securities Purchase Agreement, the Notes, or any ancillary agreements thereto (the "Transaction Agreements"), with respect to the Events of Default until the earlier to occur of (i) October 29, 2022, (ii) the occurrence of any event of default under the Transaction Agreements (other than the Events of Default), and (iii) the date upon which a preliminary moratorium has been granted by the courts of competent jurisdiction of the Swiss canton of Geneva. In exchange for the waiver of the prepayment penalty and forbearance on exercising such rights and remedies, USD 1.5 million was added to the outstanding principal balance under the outstanding Notes, resulting in an aggregate outstanding balance of approximately USD 11.0 million under the outstanding Notes, the conversion price of the outstanding Notes was adjusted to a conversion price of USD 0.26 per share (subject to adjustment as provided in the outstanding Notes) and the Company's right to mandatory conversion of any convertible notes issued pursuant to the Securities Purchase Agreement, including the outstanding Notes, was terminated. In addition, JGB is no longer obligated to fund any future mandatory or optional tranche closing under the Securities Purchase Agreement. As of the issuance date of the unaudited condensed consolidated financial statements, the outstanding note balances are classified as short-term. The Company expects the early debt extinguishment to have a material impact on the Statement of Comprehensive Loss for the year ended December 31, 2022.

In August 2022, following the execution of the Amendment, JGB converted USD 3.5 million of its Notes and USD 0.3 million of accrued and unpaid interest into 14,272,239 common shares.

Financial Review

Overview

We are a biopharmaceutical company focused on the development of novel therapies to improve women's reproductive health. We are advancing a pipeline of orally-administered innovative new chemical entities, or NCEs, for the treatment of symptoms associated with preterm labor and improvement of clinical pregnancy and live birth rates in women undergoing IVF. Our goal is to build the leading women's reproductive health company focused on conditions where current treatment options are limited and significant unmet needs exist.

On July 27, 2022, we announced plans to initiate a corporate restructuring and refocus our development and commercialization strategy. We believed these changes were necessary due to the commercial landscape and potential additional capital needed to fund the completion of the linzagolix clinical development program, as the U.S. Food and Drug Administration ("FDA") notified us of review issues regarding deficiencies in the New Drug Application ("NDA") for linzagolix for uterine fibroids. These review issues precluded discussion of labeling and post-marketing commitments. As a result, our Board of Directors decided to undertake the following actions in July 2022: (i) give notice of termination of our license agreement with Kissei Pharmaceutical Co., Ltd ("Kissei") for the development and commercialization of linzagolix (the "Kissei License Agreement"); (ii) commence planned corporate restructuring to resize the Company to be able to meet other license obligations and assess strategic options with respect to pipeline development; and (iii) file an application to the competent court in Geneva, Switzerland for a court-sanctioned moratorium to facilitate the planned restructuring. If granted, the moratorium will provide us with temporary protection against debt-enforcement and bankruptcy proceedings in Switzerland, with a view to make it possible for us to undertake restructuring measures under the supervision of one or more court-appointed administrators. Consistent with our plans to restructure our operations, we will initiate a mass dismissal process, pursuant to Swiss law. A final decision on the extent of the restructuring will be taken following a consultation process with our employees.

Linzagolix was granted marketing authorization for the management of moderate to severe symptoms of uterine fibroids in reproductive age women over 18 years old by each of the European Commission and the UK Medicines and Healthcare Products Regulatory Agency in June 2022. As a result of the termination of the Kissei License Agreement, our licensing agreement with Theramex HQ UK Limited ("Theramex") for the commercialization and further development of linzagolix across global markets outside of the U.S., Canada and Asia (the "Theramex License Agreement"), was automatically assigned to Kissei and we have no further rights or obligations under the agreement.

Our portfolio currently consists of one mid-stage development in-licensed compounds (nolasiban) in development and one out-licensed mid- to late-stage development product (ebopiprant) for two indications intended to address areas that we believe present significant unmet medical needs:

Ebopiprant for the treatment of preterm labor

In July 2021, we entered into an agreement with Organon & Co. ("Organon"), whereby Organon licensed the global development, manufacturing and commercial rights to ebopiprant (formerly OBE022), an oral and selective prostaglandin F2α receptor antagonist, for preterm labor in weeks 24 to 34 of pregnancy. Organon intends to work with the scientific and medical communities and regulatory authorities in major markets, including the United States, to advance the clinical development and registration of ebopiprant. Under the terms of the agreement, Organon gained exclusive worldwide rights to develop, manufacture and commercialize ebopiprant. We are entitled to receive tiered double-digit royalties on commercial sales as well as up to USD 500 million in upfront and milestone payments, including USD 25 million that was paid at signing, up to USD 90 million in development and regulatory milestones and up to USD 385 million sales-based milestones.

Nolasiban for the improvement of pregnancy and birth rates in women undergoing embryo transfer following in-vitro fertilization

In January 2020, we and Hangzhou YuYuan BioScience Technology Co., Ltd., or YuYuan, entered into a sublicense agreement (the "YuYuan Sublicense Agreement") to develop and commercialize Nolasiban, an oral oxytocin receptor antagonist, to improve clinical pregnancy and live birth rates in women undergoing in-vitro fertilization, or IVF, in the People's Republic of China. Under the terms of the agreement, YuYuan has the exclusive rights to develop and commercialize nolasiban in China and will fund all development and registration activities in China, starting with the commitment to conduct Phase 1 trials and a Phase 2 proof-of-concept trial in China. We retain all rights to the product outside of China and have agreed to collaborate with YuYuan on its global development. Our development and commercialization partnership with YuYuan continues with steering committee meetings to define the development plan for nolasiban in China for women undergoing embryo transfer following IVF.

We were founded in November 2012 and our operations to date have included organizing and staffing our company, raising capital, in-licensing rights to our portfolio and conducting nonclinical studies and clinical trials. To date, we have not generated any revenue from product sales as none of our product candidates have been approved for commercialization. We have historically financed our operations mostly through the sale of equity and debt. From inception through June 30, 2022, we raised an aggregate of USD 447.2

million of net proceeds from the sale of equity securities and USD 64.5 million from the issuance of debt instruments, of which USD 25.0 million has been repaid.

We have never been profitable and have incurred significant net losses in each period since our inception. Our net losses were USD 44.6 million and USD 39.1 million for the six-months ended June 30, 2022 and June 30, 2021, respectively. As of June 30, 2022, we had accumulated losses of USD 512.2 million, out of which USD 30.6 million were offset with share premium. We expect to continue to incur significant expenses and operating losses for the foreseeable future. We used USD 26.0 million and USD 40.1 million of cash in operations in the six-months ended June 30, 2022 and June 30, 2021, respectively, and we anticipate that our expenses will remain significant in connection with our ongoing activities as we:

- continue to invest in the clinical development of our product candidates and any clinical trials, nonclinical studies and pre-commercial activities that we may conduct for product candidates;
- hire additional research and development and general and administrative personnel;
- maintain, expand and protect our intellectual property portfolio;
- identify and in-license or acquire additional product candidates;
- prepare for the commercialization, if approved, for any of our product candidates, and
- continue to incur additional costs associated with operating as a public company.

We will need substantial additional funding to support our operating activities as we advance our product candidates through clinical development, seek regulatory approval and prepare for and invest in future commercialization of these candidates, if approved. Adequate funding may not be available to us on acceptable terms, or at all. We are also exploring various alternatives for the future potential development and commercialization of our product candidates, including through collaborations with third parties.

We have no manufacturing facilities, and all of our product manufacturing is contracted out to third parties. We currently utilize third-party contract research organizations, or CROs, to carry out our clinical development and trials.

COVID-19 and Geopolitical Events Business Update

We have implemented a number of plans and policies designed to address and mitigate the impact of the COVID-19 pandemic on our employees and our business. We continue to closely monitor the ongoing COVID-19 situation and will evolve our plans and policies as needed going forward. If the COVID-19 pandemic continues to persist for an extended period and begins to impact essential distribution systems, we could experience disruptions to our supply chain and operations, and associated delays in the manufacturing of clinical trial supply.

The full extent to which the COVID-19 pandemic will directly or indirectly impact our business and operations, or the business and operations of our strategic partners, will depend on future developments that are highly uncertain, including the duration and spread of the pandemic, and the actions taken to contain it, such as the impact and effectiveness of current and any future governmental measures implemented in response thereto, or new information that may emerge concerning COVID-19.

In addition, the U.S. government and other nations have imposed significant restrictions on most companies' ability to do business in Russia as a result of the ongoing military conflict between Russia and Ukraine. It is not possible to predict the broader or longer-term consequences of this conflict, which could include further sanctions, embargoes, regional instability, geopolitical shifts and adverse effects on macroeconomic conditions, security conditions, currency exchange rates and financial markets. Such geopolitical instability and uncertainty could have a negative impact on our business, ability to develop our product candidates, our supply chain or our collaborators.

Strategic Licensing Agreements

Linzagolix

Kissei

In November 2015, we entered into the Kissei License Agreement with Kissei. Pursuant to the Kissei License Agreement we received an exclusive license to develop, manufacture and commercialize products containing the compounds which is a specified GnRH

antagonist and covered by certain licensed patent rights throughout the world except for specified Asian countries. We arranged to exclusively acquire from Kissei the material necessary to produce linzagolix.

In July 2022, in connection with our plans to initiate a corporate restructuring and refocus our development and commercialization strategy, the Kissei License Agreement was terminated.

Theramex

In February 2022, we entered into the Theramex License Agreement with Theramex for the commercialization and further development of linzagolix across global markets outside of the U.S., Canada and Asia. As a result of termination of the Kissei License Agreement in July 2022, the Theramex License Agreement was automatically assigned to Kissei and the Company has no further rights or obligations under the agreement.

Ebopiprant

Merck Serono

In June 2015, we entered into the 2015 license agreement with Merck Serono, which we amended in July 2016, pursuant to which we received a worldwide exclusive license to develop, manufacture and commercialize compounds covered by the licensed patent rights, including ebopiprant. In consideration for the license, we issued 325,000 Series A preferred shares to Merck Serono in September 2016 upon the initiation of a Phase 1 clinical trial for a licensed product. With respect to any products we commercialize under the 2015 license agreement, we agreed to pay Merck Serono royalties based on a mid-single-digit percentage of annual net sales of each product, subject to specified reductions, until the later of (i) the date that all of the patent rights for that product have expired, as determined on a country-by-country and product-by-product basis or (ii) ten years from the first commercial sale of such product on a country-by-country and product-by-product basis.

Organon

In July 2021, we entered into an agreement with Organon, pursuant to which we granted to Organon exclusive rights to develop, use, register, import, export, manufacture, market, promote, distribute, offer for sale and commercialize ebopiprant worldwide. In consideration for entering into the agreement, Organon has agreed to make up to USD 500 million in upfront and milestone payments, including USD 25 million that was paid at signing, up to USD 90 million in development and regulatory milestones and up to USD 385 million in sales-based milestones. In addition, Organon has agreed to pay us tiered double-digit royalties on annual net sales of all products, subject to specified reductions, until, on a country-by-country and product-by-product basis, the latest of (i) the expiration of the last valid claim covering such product in such country, (ii) expiration of regulatory exclusivity for such product in such country, and (iii) ten years from the first commercial sale of such product in such country.

Nolasiban

Ares Trading

In August 2013, we entered into the 2013 license agreement with Ares Trading S.A., an affiliate of Merck Serono, or Merck Serono, pursuant to which we received a worldwide exclusive license to develop, manufacture and commercialize compounds covered by the licensed patent rights, including nolasiban. In consideration for the license, we issued 914,069 Series A preferred shares to Merck Serono at the time of our Series A financing, which had a fair value of USD 4.9 million based on an exchange rate of USD 1.00 for CHF 0.9244 as of the date of the transaction. With respect to any products we commercialize under the 2013 license agreement, we agreed to pay Merck Serono royalties based on a high-single-digit percentage of annual net sales of each product, subject to specified reductions, until the later of (i) the date that all of the patent rights for that product have expired, as determined on a country-by-country and product-by-product basis, or (ii) ten years from the first commercial sale of such product on a country-by-country and product-by-product basis.

YuYuan

In January 2020, we entered into the YuYuan Sublicense Agreement with YuYan, pursuant to which we granted to YuYuan an exclusive sublicense under certain of our patents, trademarks and know-how to use, register, import, develop, market, promote, distribute, offer for sale and commercialize nolasiban for use in humans in the People's Republic of China, including Hong Kong and Macau. In consideration for entering into the YuYuan Sublicense Agreement, YuYuan has agreed to make aggregate milestone payments of up to USD 17.0 million upon the achievement of specified development, regulatory and first sales milestones and aggregate milestone payments of up to USD 115.0 million upon the achievement of additional, tiered sales milestones. In addition, YuYuan has agreed to pay tiered royalties on net sales at percentages ranging from high-single digit to low-second digits, subject to specified reductions, until the later of the expiration of the last valid claim covering the product in China and ten years from the first commercial sale of the product in China.

Components of Results of Operations

Revenue and other operating income

To date, we have not generated any revenue from product sales and we do not expect to generate revenue unless and until we successfully complete development and obtain regulatory approval for one or more of our product candidates.

Other operating income consists primarily of gains on disposal of intangible assets that we recognize when entering into certain agreements with partners for the development and/or commercialization of the product candidates we have been developing.

Operating Expenses

Research and Development Expenses

Research and development expenses consist primarily of costs incurred in connection with our research and development activities and consist mainly of direct research and development costs, which include: costs associated with the use of CROs and consultants hired to assist on our research and development activities; personnel expenses, which include salaries, benefits and share-based compensation expenses for our employees; expenses related to regulatory affairs and intellectual property; manufacturing costs in connection with conducting nonclinical studies and clinical trials; and depreciation expense for assets used in research and development activities. Research and development costs are generally expensed as incurred. However, costs for certain activities, such as manufacturing and nonclinical studies and clinical trials, are generally recognized based on an evaluation of the progress to completion of specific tasks using information and data provided to us by our vendors and collaborators.

Our employee, consultant and infrastructure resources are typically utilized across our multiple research and development programs. We track outsourced research and development costs by product candidate or nonclinical program, but we do not allocate personnel costs, other internal costs or external consultant costs to specific product candidates.

We expect our research and development expenses will remain significant for the foreseeable future as we seek to advance the development of our product candidates through clinical trials and potentially toward regulatory submissions. At this time, we cannot reasonably estimate or know the nature, timing and estimated costs of the efforts that will be necessary to complete the development of our product candidates. We are also unable to predict when, if ever, material net cash inflows will commence from sales of our product candidates. This is due to the numerous risks and uncertainties associated with developing such product candidates, including:

- the number of clinical sites included in the trials;
- the length of time required to enroll suitable patients;
- the number of patients that ultimately participate in the trials;
- the number of doses patients receive;
- the duration of patient follow-up;
- the results of our clinical trials; and
- regulatory requirements in support of potential approvals.

In addition, the probability of success for any of our product candidates will depend on numerous factors, including competition, manufacturing capability and commercial viability. A change in the outcome of any of these variables with respect to the development of any of our product candidates would significantly change the costs, timing and viability associated with the development of that product candidate.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel expenses, including salaries, benefits and share-based compensation expense, related to executive, finance, accounting, business development, legal and human resource functions. General and administrative expense also includes commercialization readiness costs, facility costs not otherwise included in research and development expenses, legal fees related to corporate matters, fees for accounting and consulting services, and costs of director and officer insurance.

We anticipate that our general and administrative expenses will decrease in the future as a result of our planned corporate restructuring; however, we may incur material restructuring costs in the third and fourth quarter of 2022. We also anticipate that we will continue spending material accounting, audit, legal, regulatory and compliance costs, as well as investor and public relations expenses, associated with operating as a public company.

Finance Expense, Net

Finance expense, net, consists mainly of foreign exchange loss and gain, as well as interest expense associated with our lease liabilities and debt instruments. We anticipate that our finance expense, net will increase in the future due to interest expense due on outstanding debt, as well as the potential extinguishment charge associated with the early retirement of the outstanding convertible notes under the Securities Purchase Agreement with JGB, subject to future additional borrowings under the Securities Purchase Agreement.

Taxation

We are subject to corporate taxation in Switzerland, Ireland, Netherlands and the United States.

In 2015, the Canton of Geneva granted us a ten-year tax holiday for all income and capital taxes on a communal and cantonal level commencing in fiscal year 2013 and valid through to 2022, subject to our Swiss domiciliation and compliance with certain reporting provisions. We remain subject to Swiss federal income tax on our profits after tax but have only incurred net losses since our inception. We are entitled under Swiss laws to carry forward any losses incurred for a period of seven years and can offset such losses carried forward against future taxes. As of December 31, 2021, we had tax loss carryforwards totaling USD 422.1 million. We do not believe it is probable that we will generate sufficient profits to avail ourselves of these tax loss carryforwards.

Our Swiss, Irish and Dutch subsidiaries had no activity in 2022 or 2021. Our US subsidiary, as a service organization to the group under cost plus arrangement, was the only entity to generate income tax expenses during 2022 and 2021.

Analysis of Results of Operations

Comparison of the three-month periods ended June 30, 2022 and June 30, 2021

Other operating income

Other operating income in the three-month period ended June 30, 2022 amounted to USD 2.6 million (USD 4 thousand in the three-month period ended June 30, 2021) due to the remaining portion of upfront proceeds received from the Theramex License Agreement, which was recognized upon obtaining marketing authorization from the European Commission in June 2022.

Operating Expenses

Research and Development Expenses

	Three-month period ended June 30,		
	2022	2021	Change
	(in thousands) (unaudited)		
Research and development expenses by product candidate			
Linzagolix	$ (3,575)	$ (9,759)	$ 6,184
Ebopiprant	(92)	(627)	535
Nolasiban	(17)	(168)	151
Unallocated expenses			
Staff costs	(2,684)	(2,991)	307
Other research and development costs	(743)	(940)	197
Total research and development expenses	$ (7,111)	$ (14,485)	$ 7,374

Research and development expenses decreased by USD 7.4 million in the three-month period ended June 30, 2022 compared to the three-month period ended June 30, 2021, primarily due to lower expenditures in our linzagolix program due to the timing of clinical trial activity.

General and Administrative Expenses

	Three-month period ended June 30,		
	2022	2021	Change
	(in thousands) (unaudited)		
Staff costs	$ (2,907)	$ (1,264)	$ (1,643)
Professional fees	(3,679)	(1,486)	(2,193)
Other general and administrative costs	(925)	(1,138)	213
Total general and administrative expenses	$ (7,511)	$ (3,888)	$ (3,623)

General and administrative expenses in the three-month period ended June 30, 2022 increased by USD 3.6 million compared to the three-month period ended June 30, 2021, primarily due to increased staff costs related to share-based compensation expense and increased professional fees resulting from the preparation of expected commercialization of linzagolix and related regulatory submissions.

Impairment expense

	Three-month period ended June 30,		
	2022	2021	Change
	(in thousands) (unaudited)		
Impairment of intangible asset	$ (19,400)	—	$ (19,400)

Impairment expense in the three-month period ended June 30, 2022 increased by USD 19.4 million compared to the three-month period ended June 30, 2021, due to the review issues communicated by the FDA regarding deficiencies in the NDA for linzagolix for uterine fibroids. We concluded that the full remaining net book value of the asset was impaired as of June 30, 2022 and recorded a charge of USD 19.4 million.

Finance Expense, Net

	Three-month period ended June 30,		
	2022	2021	Change
	(in thousands) (unaudited)		
Interest expense	$ (1,690)	(673)	$ (1,017)
Foreign exchange gain / (loss)	356	$ (73)	429
Finance expense, net	$ (1,334)	$ (746)	$ (589)

Finance expense, net in the three-month period ended June 30, 2022 increased by USD 0.6 million compared to the three-month period ended June 30, 2021, primarily due to interest expense associated with our debt instruments and lease liabilities, as well as foreign exchange gain and loss.

Comparison of the six-month periods ended June 30, 2022 and June 30, 2021

Other operating income

Other operating income increased in the six-month period ended June 30, 2022 by USD 4.8 million due to the upfront proceeds received from the Theramex License Agreement, net of the derecognition of the related intangible asset.

Operating Expenses

Research and Development Expenses

	Six months period ended June 30,		
	2022	2021	Change
	(in thousands) (unaudited)		
Research and development expenses by product candidate			
Linzagolix	$ (5,545)	$ (21,225)	$ 15,680
Ebopiprant	(96)	(1,121)	1,025
Nolasiban	(102)	(267)	165
Unallocated expenses			
Staff costs	(5,393)	(6,038)	645
Other research and development costs	(1,583)	(1,350)	(233)
Total research and development expenses	$ (12,719)	$ (30,001)	$ 17,282

Research and development expenses decreased by USD 17.3 million in the six-month period ended June 30, 2022 compared to the six-month period ended June 30, 2021, primarily due to lower expenditures in our linzagolix and ebopiprant programs due to the timing of clinical trial activity.

General and Administrative Expenses

	Six months period ended June 30,		
	2022	2021	Change
	(in thousands) (unaudited)		
Staff costs	$ (5,254)	$ (3,795)	$ (1,459)
Professional fees	(7,514)	(2,507)	(5,007)
Other general and administrative costs	(1,976)	(1,777)	(199)
Total general and administrative expenses	$ (14,744)	$ (8,079)	$ (6,665)

General and administrative expenses in the six-month period ended June 30, 2022 increased by USD 6.7 million compared to the six-month period ended June 30, 2021, primarily due to increased staff costs resulting from salaries and share-based compensation expense, and increased professional fees resulting from commercialization activities for linzagolix, as well as legal fees resulting from licensing and financing transactions.

Impairment expense

	Six months period ended June 30,		
	2022	2021	Change
	(in thousands) (unaudited)		
Impairment of intangible asset	$ (19,400)	—	$ (19,400)

Impairment expense in the six-month period ended June 30, 2022 increased by USD 19.4 million compared to the six-month period ended June 30, 2021, due to the review issues communicated by the FDA regarding deficiencies in the NDA for linzagolix for uterine fibroids. We concluded that the full remaining net book value of the asset was impaired as of June 30, 2022 and recorded a charge of USD 19.4 million.

Finance Expense, Net

	Six months period ended June 30,		
	2022	2021	Change
		(in thousands) (unaudited)	
Interest expense	$ (3,138)	(1,345)	$ (1,793)
Foreign exchange gain / (loss)	660	318	342
Finance expense, net	$ (2,478)	$ (1,027)	$ (1,451)

Finance expense, net in the six-month period ended June 30, 2022 increased by USD 1.5 million compared to the six-month period ended June 30, 2021, primarily due to interest expense associated with our debt instruments and lease liabilities, as well as foreign exchange loss and gain.

Liquidity and Capital Resources

Sources of Funds

As of June 30, 2022, we had USD 45.1 million in cash and cash equivalents, of which USD 31.0 million was restricted.

Since our inception, we have not generated any revenue and have incurred net losses and negative cash flows from our operations. We have funded our operations primarily through the sale of equity, debt financing and license of our product candidates. From inception through June 30, 2022, we raised an aggregate of USD 447.2 million of net proceeds from the sale of equity securities, through public and private offerings and our at-the-market programs. In July 2021, we received USD 25.0 million from Organon in connection with the licensing agreement for ebopiprant. In February 2022, we received EUR 5.0 million from Theramex in connection with the Theramax License Agreement. As of June 30, 2022, we have net borrowings of USD 32.9 million under our Securities Purchase Agreement with JGB, a portion of which was used to fully retire our prior credit facility, or the Oxford Credit Facility, with Oxford Finance LLC in October 2021.

Securities Purchase Agreement

On October 12, 2021, we entered into the Securities Purchase Agreement with JGB, which is structured to provide up to USD 135 million in borrowing capacity, available in nine tranches. We received gross proceeds of USD 30 million at closing and used the proceeds to repay all amounts outstanding under the Oxford Credit Facility. On January 28, 2022, we entered into an amendment agreement and an amended and restated securities purchase agreement, or the Amendment Agreements, with JGB regarding the second tranche under the Securities Purchase Agreement. In connection with the Amendment Agreements, we received proceeds of USD 10.5 million (USD 975 thousand of original issue discount) in the second tranche, funded on January 28, 2022, and the conversion price for the note issued in the second tranche was adjusted to a price of USD 1.66 per common share. In addition, as adjusted pursuant to the Amendment Agreements, we issued a warrant to purchase 1,018,716 of our common shares at an exercise price of USD 1.87 per share. Additionally, JGB waived certain conditions required to be met to fund the second tranche. Our net borrowings under the Securities Purchase Agreement as of June 30, 2022 were USD 32.9 million.

On May 27, 2022, we entered into a waiver and amendment agreement with JGB, whereby JGB agreed to waive its right to terminate its obligation to fund future tranches under the Securities Purchase Agreement, which JGB would have been entitled to as a result of our failure to meet the Minimum Stock Price Condition. In exchange, we agreed to further restrictions on the existing account control agreement in favor of JGB to establish a "blocked" account control agreement with respect to the applicable bank account. As of June 30, 2022, we held USD 31.0 million in such deposit account, or the Account Balances, which is classified as Restricted Cash in the unaudited condensed consolidated balance sheets. The minimum cash amount is subject to additional incremental increases totaling USD 21.0 million in aggregate depending on the amount of debt outstanding under the Securities Purchase Agreement.

The Securities Purchase Agreement includes affirmative and negative covenants applicable to us and our subsidiaries. The affirmative covenants include, among other things, requirements to file certain financial reports with the SEC, maintain insurance coverage and satisfy certain requirements regarding deposit accounts. Further, subject to certain exceptions, the Securities Purchase Agreement contains customary negative covenants limiting our ability to, among other things, transfer or sell certain assets, consummate mergers or acquisitions, allow changes in business, incur additional indebtedness, create liens, pay dividends or make other distributions and make investments. As of June 30, 2022, we were in compliance with our covenants.

On July 31, 2022, we entered into an amendment and forbearance agreement, or the Amendment, with JGB, as a result of our previously announced application for a court-sanctioned moratorium which resulted in certain events of default under the convertible notes issued in the first and second tranches under the Securities Purchase Agreement, or the Outstanding Notes. Pursuant to the

Amendment, we and JGB agreed to apply the USD 31 million Account Balances against the outstanding principal balance under Outstanding Notes on a pro rata basis, and JGB waived any application of the 25% prepayment premium permitted under the Outstanding Notes with respect to the Account Balances. In addition, JGB agreed to refrain and forebear from exercising or pursuing any rights or remedies under the Securities Purchase Agreement, the Outstanding Notes, or any ancillary agreements thereto, or the Transaction Agreements, with respect to the Events of Default until the earlier to occur of (i) October 29, 2022, (ii) the occurrence of any event of default under the Transaction Agreements (other than the Events of Default), and (iii) the date upon which a preliminary moratorium has been granted by the courts of competent jurisdiction of the Swiss canton of Geneva. In exchange for the waiver of the prepayment penalty and forbearance on exercising such rights and remedies, USD 1.5 million was added to the outstanding principal balance under the Outstanding Notes, resulting in an aggregate outstanding balance of approximately USD 11.0 million under the Outstanding Notes, the conversion price of the Outstanding Notes was adjusted to a conversion price of USD 0.26 per share (subject to adjustment as provided in the Outstanding Notes) and our right to mandatory conversion of any convertible notes issued pursuant to the Securities Purchase Agreement, including the Outstanding Notes, was terminated. In addition, JGB is no longer obligated to fund any future mandatory or optional tranche closing under the Securities Purchase Agreement.

We may potentially receive funds from each of the remaining seven tranches under the Securities Purchase Agreement, which may be funded in JGB's sole discretion.

ATM Program

During the six-month period ended June 30, 2022, we sold a total of 3,743,911 treasury shares at an average price of USD 1.51 per share, as part of our prior and current at-the-market (ATM) programs and received net cash proceeds of USD 5.5 million after deducting USD 0.2 million of directly-related issuance costs.

In July 2022, we sold a total of 3,077,175 treasury shares at an average price of USD 0.29 per share, as part of our ATM program with SVB Leerink LLC. These multiple daily transactions generated total gross proceeds of USD 0.9 million.

Material Cash Requirements

Our primary uses of cash are to fund operating expenses, primarily research and development expenditures. Cash used to fund operating expenses is impacted by the timing of when we pay these expenses, as reflected in the change in our outstanding accounts payable and accrued expenses. As of June 30, 2022, other than our Securities Purchase Agreement with JGB, we have no other ongoing material financing commitments, such as lines of credits or guarantees.

We expect to continue to incur additional costs associated with operating as a public company. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we may be unable to continue operations or we could be forced to delay, reduce or eliminate our research and development programs or future commercialization efforts.

We have incurred recurring losses since inception, including net losses of USD 44.6 million for the six-month period ended June 30, 2022. As of June 30, 2022, we had accumulated losses of USD 512.2 million, out of which USD 30.6 million were offset with share premium. We expect to continue to generate operating losses for the foreseeable future. As of June 30, 2022, we had cash and cash equivalents of USD 45.1 million, of which USD 31.0 million is restricted. We have prepared our consolidated financial statements assuming that we will continue as a going concern which contemplates the continuity of operations, realization of assets and the satisfaction of liabilities in the ordinary course of business. To date, we have funded our operations through equity and debt offerings and through payments from licensors. We believe that our current cash and cash equivalents, after taking into account our planned corporate restructuring actions, including a mass dismissal process pursuant to Swiss law, are only sufficient to fund our operating expenses into the fourth quarter of 2022 and this raises substantial doubt about our ability to continue as a going concern. These factors individually and collectively indicate that a material uncertainty exists that may cast significant doubt about our ability to continue as a going concern within one year from the date of the issuance of the consolidated financial statements. Our future viability is dependent on our ability to raise additional capital to finance our future operations and implement a successful corporate reorganization. We may raise funds through equity or debt offerings. The sale of additional equity may dilute existing shareholders and newly issued shares may contain senior rights and preferences compared to currently outstanding common shares. Issued debt securities may contain covenants and limit our ability to pay dividends or make other distributions to shareholders. We may receive future milestone payments from licensors but that is dependent on achieving certain regulatory or commercial milestones that may never happen. We may seek additional funding through public or private financings, debt financing or collaboration agreements. The inability to obtain funding, as and when needed, would have a negative impact on our operations, financial condition and ability to pursue our business strategies. If we are unable to obtain the required funding to run our operations and to develop and commercialize our product candidates, we could be forced to delay, reduce or eliminate some or all of our research and development programs, product portfolio expansion or commercialization efforts, which could adversely affect our business prospects, or we may be unable to continue operations. Management continues to explore all potential options to obtain additional funding. However, there is no

assurance that we will be successful in raising funds, sufficient funding on terms acceptable to us, or if at all, which could have a material adverse effect on our business, results of operations and financial conditions. We have based these estimates on assumptions that may prove to be wrong, and we could exhaust our available capital resources sooner than we currently expect.

Our future material cash requirements will depend on many factors, including:

- actions taken in connection with or as a result of our planned corporate restructuring to resize the Company and be able to meet other license obligations and assess strategic options with respect to pipeline development;
- the scope, progress, results and costs of nonclinical studies and clinical trials for our product candidates;
- the cost and timing of ongoing and planned manufacturing activities including active pharmaceutical ingredient and drug product pharmaceutical development and clinical trial supplies production for nolasiban;
- the timing and amount of milestone and royalty payments we are required to make under our license agreements;
- the extent to which we in-license or acquire other product candidates and technologies;
- the number and development requirements of other product candidates that we may pursue;
- the costs, timing and outcome of regulatory review of our product candidates;
- the costs and timing of future commercialization activities, including drug manufacturing, marketing, sales and distribution, for any of our product candidates for which we receive marketing approval;
- the revenue, if any, received from commercial sales of our product candidates for which we receive marketing approval;
- our ability to establish strategic collaborations; and
- the costs and timing of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending any intellectual property-related claims.

Identifying potential product candidates and conducting nonclinical studies and clinical trials is a time-consuming, expensive and uncertain process that takes many years to complete, and we may never generate the necessary data or results required to obtain marketing approval and achieve product sales. In addition, product candidates, if approved, may not achieve commercial success. Our revenue, if any, will be derived from royalties and milestone payments. We may be unable to derive revenue from sales of products, on a timely basis or at all.

Until such time that we can generate substantial product revenue, if ever, we may finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances and licensing arrangements.

To the extent that we raise additional capital through the sale of equity or convertible debt securities, shareholder ownership interest may be diluted, and the terms of any additional securities may include liquidation or other preferences that adversely affect the rights of shareholders. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends.

If we raise funds through additional collaborations, strategic alliances or licensing arrangements with third parties, such as our licensing agreement with Organon for ebopiprant, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates, or to grant licenses on terms that may not be favorable to us.

If we are unable to raise additional funds through equity or debt financings when needed, we may be unable to continue operations or may be required to delay, limit, reduce or terminate our product development or future commercialization efforts, or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

The following table shows a summary of our cash flows for the six-month periods ended June 30, 2022 and June 30, 2021:

	Six months period ended June 30,	
	2022	2021
	(in thousands) (unaudited)	
Cash and cash equivalents at beginning of period	$ 54,734	$ 31,183
Net cash used in operating activities	(25,971)	(40,104)
Net cash from/ (used in) investing activities	5,676	(10)
Net cash from financing activities	11,027	67,939
Effect of exchange rates	(340)	(85)
Cash and cash equivalents at end of period	$ 45,126	$ 58,923

Operating Activities

Net cash used in operating activities was USD 26.0 million for the six-month period ended June 30, 2022 compared to USD 40.1 million for the six-month period ended June 30, 2021. The decrease in our cash used in operating activities of USD 14.1 million is due to an increase in net loss of USD 5.4 million, offset by changes in net working capital of USD 3.9 million and a decrease in non-cash items of USD 15.6 million.

Investing Activities

Net cash from investing activities was USD 5.7 million for the six-month period ended June 30, 2022, compared to net cash used in investing activities of USD 10 thousand for the six-month period ended June 30, 2021. The increase in net cash from investing activities of USD 5.6 million consisted primarily of the upfront proceeds from the Theramex License Agreement, net of the derecognition of the related intangible asset.

Financing Activities

Net cash from financing activities was USD 11.0 million for the six-month period ended June 30, 2022 compared to USD 67.9 million for the six-month period ended June 30, 2021. The decrease in net cash from financing activities of USD 56.9 million is primarily due to a decrease in proceeds from the issuance of shares of USD 43.3 million from our current and prior ATM programs and a decrease in the proceeds from the exercise of warrants of USD 22.1 million, offset by USD 8.6 million in proceeds from the issuance of convertible debt under the Securities Purchase Agreement with JGB.

Main Contractual Obligations and Commitments

Under our license agreement with Merck Serono, we may be required to pay royalties in the future.

We enter into contracts in the normal course of business with clinical research organizations for clinical trials, nonclinical studies, manufacturing and other services and products for operating purposes. These contracts generally provide for termination upon notice, and we believe that our non-cancelable obligations under these agreements are not material.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our consolidated interim financial statements, which we have prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB).

As described below, the accounting policies used in the preparation and presentation of these consolidated interim financial statements are consistent with those used in the consolidated financial statements for the year ended December 31, 2021, which should be read in conjunction with these unaudited condensed consolidated financial statements and management's discussion and analysis as they provide an update of previously reported information.

The preparation of our unaudited condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the date of the interim financial statements. We base our estimates and assumptions on historical experience and other factors that we believe to be reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates.

Recent Accounting Pronouncements

The adoption of International Financial Reporting Standards (IFRS) as issued by the IASB and interpretations issued by the IFRS interpretations committee that are effective for the first time for the financial year beginning on or after January 1, 2022 had no material impact on our financial position.

JOBS Act Exemption

In April 2012, the U.S. Jumpstart Our Business Startups Act of 2012, or the JOBS Act, was enacted. Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the U.S. Securities Act of 1933, as amended for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

As an emerging growth company, subject to certain conditions, we are relying on certain of exemptions under the JOBS Act, including without limitation, (1) providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (2) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an emerging growth company until the earlier to occur of (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of our initial public offering in January 2017, (b) in which we have total annual gross revenues of at least USD 1.07 billion or (c) in which we are deemed to be a "large accelerated filer" under the rules of the U.S. Securities and Exchange Commission (SEC), which means the market value of our common shares that is held by non-affiliates exceeds USD 700 million as of the prior June 30, and (2) the date on which we have issued more than USD 1.0 billion in non-convertible debt during the prior three-year period. As of June 30, 2022, we have not met any of these criteria. We will be an "emerging growth company" until December 31, 2022.

Cautionary Statement Regarding Forward-Looking Statements

Forward-looking statements appear in a number of places in this discussion and analysis and include, but are not limited to, statements regarding our intent, belief or current expectations. Many of the forward-looking statements contained in this discussion and analysis can be identified by the use of forward-looking words such as "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "may", "might", "ongoing", "objective", "plan", "potential", "predict", "should", "will" and "would", or the negative of these and similar expressions. Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. Such statements are subject to risks and uncertainties, and actual results may differ materially from those expressed or implied in the forward-looking statements due to various factors, including, but not limited to, those identified under the section entitled "Item 3.D—Risk Factors" in our Annual Report on Form 20-F for the year ended December 31, 2021, or the Annual Report, filed with the U.S. Securities and Exchange Commission, or the SEC, on March 10, 2022, and the Risk Factors disclosed in our Report on Form 6-K filed with the SEC on May 17, 2022 and our Report on Form 6-K filed with the SEC on August 15, 2022, to which this Exhibit is attached, and other filings we make with the SEC, pursuant to the U.S. Securities and Exchange Act of 1934, as amended. These risks and uncertainties include factors relating to:

- the outcome and potential impact of our filing to the competent court in Geneva, Switzerland for a court-sanctioned moratorium, including with respect to our agreements with third parties, including the Securities Purchase Agreement with JGB, of our planned mass dismissal process, and in our ability to successfully restructure our operations and refocus our development and commercialization strategy;
- the success, cost, timing and potential indications of our product candidates' development activities and clinical trials, including ongoing and future trials of nolasiban;
- our or our partners' ability to obtain and maintain regulatory approval of our product candidates, including linzagolix, ebopiprant and nolasiban, in any of the indications for which we or our partners plan to develop them, and any related restrictions, limitations or warnings in the label of an approved product;
- our ability to continue as a going concern and to obtain funding for our operations, and the terms on which we are able to raise that additional capital;
- the availability of funds under the Securities Purchase Agreement or any future financing arrangement;
- the ability of our common shares to continue being listed on the Nasdaq Global Select Market;
- our plans to research, develop and commercialize our product candidates;
- the timing of our regulatory filings for our product candidates;
- the clinical utility of our product candidates;
- the size and growth potential of the markets for our product candidates;
- our commercialization, marketing and manufacturing capabilities and strategy;
- our expectations regarding our ability to obtain and maintain intellectual property protection for our product candidates and our ability to operate our business without infringing on the intellectual property rights of others;
- the timing and amount of milestone and royalty payments we are required to make or that we may receive under our license agreements;
- our ability to attract and retain qualified employees and key personnel;
- our ability to contract with third-party suppliers and manufacturers and their ability to perform adequately;
- the activities of our competitors and the success of competing therapies that are or become available;
- our plans to in-license or acquire additional product candidates;
- how long we will qualify as an emerging growth company or a foreign private issuer;
- our estimates regarding future revenue, expenses and needs for additional financing;
- our ability to build our commercialization organization;
- the duration, severity and impact on our operations and clinical trials of the COVID-19 pandemic or other geopolitical events;
- regulatory developments in the United States and foreign countries; and
- other risks and uncertainties, including those listed in the Annual Report, titled "Item 3.D—Risk Factors".

Forward-looking statements speak only as of the date they are made. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame or at all. We do not undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events, except as required by law.

CEO Office Contact:
Shauna Dillon
Shauna.dillon@obseva.ch
+41 22 552 1550

Investor Contact:
Katja Bührer
Katja.buhrer@obseva.com
+1 (917) 969-3438