ObsEva
nature meets nurture

Half Year 2023 interim report

OBSEVA SA

INDEX TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Unaudited Interim Condensed Consolidated IFRS Financial Statements for the six-month period ended June 30, 2023

Unaudited Condensed Consolidated Balance Sheet

(in USD ’000)	Notes	June 30, 2023	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents	4	3,340	8,424
Restricted cash	4	—	6,534
Other receivables		93	252
Prepaid expenses		91	783
Total current assets		**3,524**	**15,993**
Non-current assets			
Right-of-use assets		756	208
Intangible assets	5	4,503	4,503
Other long-term assets		239	325
Total non-current assets		**5,498**	**5,036**
Total assets		**9,022**	**21,029**
LIABILITIES AND SHAREHOLDERS’ EQUITY			
Current liabilities			
Other payables and current liabilities	7	3,539	1,674
Accrued expenses		1,013	2,149
Current borrowings	6	—	6,534
Current lease liabilities		136	237
Total current liabilities		**4,688**	**10,594**
Non-current liabilities			
Post-employment obligations	13	307	514
Long-term lease liabilities		620	—
Other long-term liabilities		299	292
Total non-current liabilities		**1,226**	**806**
Shareholders’ equity			
Share capital		9,550	8,755
Share premium		441,109	441,709
Reserves		35,193	34,871
Accumulated losses		(482,744)	(475,706)
Total shareholders’ equity	8	**3,108**	**9,629**
Total liabilities and shareholders’ equity		**9,022**	**21,029**

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

Unaudited Condensed Consolidated Statement of Comprehensive Loss

(in USD ’000, except per share data)		Six-month period ended June 30,	
	Notes	2023	2022
Operating income other than revenue	**9**	**7**	**4,849**
OPERATING EXPENSES			
Research and development expenses	10	(1,219)	(12,719)
General and administrative expenses		(5,442)	(14,744)
Impairment of intangible asset	5	—	(19,400)
Total operating expenses		**(6,661)**	**(46,863)**
OPERATING LOSS		**(6,654)**	**(42,014)**
Loss on debt extinguishment	**6**	(17)	—
Finance Income		1,704	1,956
Finance Expense		(1,830)	(4,434)
NET LOSS BEFORE TAX		**(6,798)**	**(44,492)**
Income tax expense	11	—	(107)
NET LOSS FOR THE PERIOD		**(6,798)**	**(44,599)**
Net loss per share			
Basic and Diluted	12	(0.06)	(0.54)
OTHER COMPREHENSIVE INCOME / (LOSS)			
Items that will not be reclassified to profit and loss			
Remeasurements on post-employment benefit plans, net of tax	13	(240)	—
TOTAL OTHER COMPREHENSIVE INCOME / (LOSS)		**(240)**	**—**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(7,038)**	**(44,599)**

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

Unaudited Condensed Consolidated Statement of Cash Flows

(in USD '000)	Notes	Six-month period ended June 30, 2023	2022
NET LOSS BEFORE TAX FOR THE PERIOD		**(6,798)**	**(44,492)**
Adjustments for:			
Impairment of intangible asset	5	—	19,400
Depreciation expense		223	229
Post-employment (benefit) / cost		(460)	202
Share-based compensation expense		321	2,864
Loss on extinguishment of debt	6	17	—
Finance expense, net		155	2,478
Other operating income	9	7	(4,849)
Income tax paid		(28)	—
Changes in operating assets and liabilities:			
Other receivables		159	3,379
Prepaid expenses, deferred costs and other long-term assets		767	1,605
Other payables and current liabilities		1,895	(4,304)
Accrued expenses and other long-term liabilities		(1,135)	(2,483)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		**(4,877)**	**(25,971)**
Net proceeds from disposal of intangible assets		—	5,691
Decrease in restricted cash	6	6,534	—
Payments for plant and equipment		(5)	(15)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**6,529**	**5,676**
Early repayment of JGB debt	6	(7,100)	—
Proceeds from issuance of shares	8	825	5,664
Proceeds from issuance of convertible debt	6	—	8,610
Proceeds from issuance of warrants		—	915
Issuance costs related to convertible debt and warrant		—	(1,696)
Debt extinguishment costs	6	(45)	—
Share issuance costs		(42)	(197)
Principal elements of lease payments		(241)	(348)
Interest paid		(113)	(1,921)
NET CASH FLOWS (USED IN) / FROM FINANCING ACTIVITIES		**(6,716)**	**11,027**
Net (decrease) increase in cash, cash equivalents		(5,064)	(9,268)
Cash and cash equivalents at January 1,		**8,424**	**54,734**
Effects of exchange rate changes on cash and cash equivalents		(20)	(340)
Cash and cash equivalents at June 30,		**3,340**	**45,126**
NON-CASH FINANCING ACTIVITIES			
Issuance of common stock (in connection with conversion of convertible debt)		—	**906**
Issuance of common stock (in connection with extinguishment of convertible debt)		**175**	—

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

Unaudited Condensed Consolidated Statement of Changes in Equity

(in USD '000)	Share capital	Treasury shares	Share premium	Reserves	Accumulated losses	Total
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)**
January 1, 2023	**13,413**	**(4,658)**	**441,709**	**34,871**	**(475,706)**	**9,629**
Loss for the period	—	—	—	—	(6,798)	(6,798)
Other comprehensive loss	—	—	—	—	(240)	(240)
Total comprehensive loss	—	—	—	—	**(7,038)**	**(7,038)**
Issuance of shares – Share Purchase Agreement	—	674	151	—	—	825
Issuance of shares - convertible notes	121	—	54	—	—	175
Share issuance costs	—	—	(37)	—	—	(37)
Reacquisition of equity conversion option	—	—	(769)	—	—	(769)
Share-based remuneration	—	—	—	321	—	321
June 30, 2023	**13,534**	**(3,984)**	**441,109**	**35,193**	**(482,744)**	**3,108**

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, as described in Note 2.

The Company is a biopharmaceutical company focused on the development of novel therapies to improve women's reproductive health. The Company is advancing a development program for nolasiban, an oral oxytocin receptor antagonist, focused on improving clinical pregnancy and live birth rates in women undergoing in-vitro fertilization. The Company has no currently marketed products.

In February 2023, our Board of Directors approved a reorganization plan, to, among other things, consolidate our operations in Switzerland, where our headquarters are located. Following the reorganization plan, we notified The Nasdaq Stock Market LLC ("Nasdaq") of our inability to comply with the Nasdaq minimum bid price. On March 14, 2023, Nasdaq notified us that our common shares were to be delisted from The Nasdaq Capital Market and suspended at the opening of business on March 23, 2023. On March 28, 2023, we filed a post-effective amendment to various outstanding registration statements on Form F-3, which amendment was declared effective by the United States Securities and Exchange Commission (the "SEC") on March 29, 2023, and a post-effective amendment to various outstanding registration statements on Form S-8, which amendment became effective immediately upon filing, each to remove and withdraw from registration the shares that were registered but remained unsold thereunder. On April 26, 2023, we filed with the SEC a Form 15 to deregister our common shares under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and to suspend our reporting obligations under Section 13 and Section 15(d) of the Exchange Act. Our shares are now exclusively traded on the SIX Swiss Exchange under the ticker symbol "OBSN."

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 Company's Board of Directors (the "Board of Directors") on September 26, 2023.

2. Accounting principles applied in preparation of the unaudited condensed consolidated financial statements

Basis of preparation and accounting principles

These unaudited 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").

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, 2023 and 2022.

Accounting policies

Accounting policies used in the preparation and presentation of these unaudited condensed consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended December 31, 2022 (the "annual financial statements"), which should be read in conjunction with these unaudited condensed consolidated financial statements as they provide an update of previously reported information.

Going concern

The Company has incurred recurring losses since inception, including net losses of USD 6.8 million for the six-month period ended June 30, 2023. As of June 30, 2023, the Company had accumulated losses of USD 482.7 million. The Company expects to continue to generate operating losses for the foreseeable future. As of June 30, 2023, the Company had cash and cash equivalents of USD 3.3 million. These unaudited 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 are only sufficient to fund its operating expenses into the fourth quarter of 2023 and this raises substantial 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 viability of the Company is dependent on its ability to raise additional debt and equity capital, or to receive milestone payments from licensors in the future to finance its operations. There can be no assurance that such funds will be available in sufficient amounts or on terms acceptable to the Company. 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. Future milestone payments from licensors may be dependent on achieving certain regulatory or commercial milestones that may never happen.

Management has undertaken several initiatives to obtain additional funding through collaborations with third parties related to the future potential development and/or commercialization of its product candidate. However, there is no assurance that the Company will be successful in raising funds, closing a collaboration agreement, or obtaining sufficient funding on terms acceptable to the Company. If the Company is unable to obtain the required funding to run its operations and to develop and commercialize its product candidate, the Company could be forced to delay or eliminate some or all of its research and development programs, product portfolio expansion or commercialization efforts, which could adversely affect its business prospects and strategy, or the Company may be unable to continue operations.

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 unaudited 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.

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.

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). As of December 31, 2022, restricted cash consisted of USD 6.5 million held in a restricted depository account. On February 24, 2023, the Company entered into the Payoff and Termination Agreement ("Payoff Agreement") with JGB. Under the terms of the Payoff Agreement, the Company and JGB agreed to apply USD 6.5 million previously held in the restricted depository account against the outstanding principal amount.

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated balance sheet.

(in USD '000)	June 30, 2023	December 31, 2022
Cash and cash equivalents	3,340	8,424
Restricted cash	—	6,534
Total cash, cash equivalents and restricted cash	**3,340**	**14,958**

5. Intangible assets

As of June 30, 2023, the Company holds a license for the nolasiban compound, the value of which was recorded at USD 4.5 million. The following table illustrates the intangible asset activity in the six-month period ended June 30, 2023 and 2022:

(in USD '000)	2023	2022
Net book value as of January 1,	**4,503**	**24,503**
Additions	—	—
Disposals	—	(600)
Impairment charge	—	(19,400)
Net book value as of June 30,	**4,503**	**4,503**

On February 10, 2022, the Company entered into the 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"). 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. The net gain on sale of USD 4.8 million is recorded in other operating income on the Company's unaudited condensed consolidated statement of comprehensive loss in the six-month period ending June 30, 2022.

During the six 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 unaudited condensed consolidated statements of comprehensive loss in the six-month period ending June 30, 2022.

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 was structured to provide up to USD 135 million in borrowing capacity, available in nine tranches (the "Notes"). In connection with the initial closing which included a borrowing amount of USD 31.5 million (offer issue discount of USD 1.5 million) for the first tranche (the "First Tranche Note"), the Company received gross proceeds of USD 30.0 million. On January 28, 2022, the Company entered into an amendment agreement (the "Amendment Agreement") with JGB regarding the second tranche of the Securities Purchase Agreement (the "Second Tranche Note", and together with the First Tranche Note, the "Notes",), which adjusted the principal balance payable at maturity for the Second Tranche Note to USD 10.5 million (USD 975 thousand of original issue discount). JGB was no longer obligated to fund any future mandatory or optional tranche closing under the Securities Purchase Agreement.

As of December 31, 2022, the Company held USD 6.5 million in outstanding remaining principal on the Notes. On February 24, 2023, the Company entered into the Payoff and Termination Agreement ("Payoff Agreement") with JGB. Under the terms of the Payoff Agreement, the Company and JGB agreed to apply USD 6.5 million previously held as collateral in a control account against the Notes on a pro rata basis, with JGB waiving a USD 1.1 million prepayment penalty in exchange for approximately USD 0.6 million in cash and USD 0.2 million in the form of approximately 1.5 million common shares.

The Company evaluated the extinguishment under the Payoff Agreement in accordance with IAS 32, "Financial Instruments". The Company allocated the total consideration paid, including transaction costs, of USD 7.4 million to the liability and equity components of the Notes as of the date of the transaction. The method used in allocating the consideration paid to the separate components was consistent with that used in the original allocation of proceeds. The fair value of the liability component of USD 6.6 million was determined using a market interest rate for a non-convertible note with freestanding warrants at the extinguishment date. The remaining consideration paid was allocated to the equity component at an amount of approximately USD 0.8 million.

The resulting gain or loss is calculated by comparing the consideration paid to extinguish the liability components of the Notes to the carrying amount as of the date of the transaction. The amount of the gain or loss relating to the liability component is recognized in profit or loss. The calculation is as follows:

(in USD '000)	**Liability component**
Carrying value prior to extinguishment	6,534
Allocation of consideration paid	6,551
Loss on debt extinguishment	**(17)**

Accordingly, the Company recorded the USD 17 thousand loss on debt extinguishment related to the liability component as a finance expense on the unaudited condensed consolidated statement of comprehensive loss for the six-months ended June 30, 2023. Additionally, the remaining amount of the consideration paid of USD 0.8 million to the equity component was recognized in equity on the unaudited condensed consolidated statement of changes in equity for the six-months ended June 30, 2023.

7. Other payables and current liabilities

As of June 30, 2023, the total of Other payables and current liabilities amounts to USD 3,539 million (2022 : USD 1,674 millions). A portion of this total, amounting to USD 1,756 million, pertains to a VAT payable to the Swiss tax authorities, in relationship with the Organon milestone achieved in July 2021.

8. Shareholders' equity

Share capital and share premium

As of June 30, 2023, the total outstanding share capital of USD 9.6 million, fully paid, consists of 117,177,287 common shares, excluding 29,741,950 treasury shares. 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. All shares have a nominal value of 1/13 of a Swiss franc, translated into USD using historical rates at the issuance date.

On February 28, 2023, the Company entered into a share purchase agreement with Ernest Loumaye, pursuant to which the Company sold 4,000,000 treasury shares, at a price of CHF 0.104, or approximately USD 0.11 per share, for an aggregate amount of CHF 0.4 million, or approximately USD 0.4 million. On April 6, 2023, the Company entered into a share purchase agreement with the Ernest Loumaye pursuant to which the Issuer sold 4,000,000 treasury shares, at a price of CHF 0.086, or approximately USD 0.095 per share, for an aggregate amount of CHF 0.4 million, or approximately USD 0.4 million.

Pursuant to the Payoff Agreement with JGB, the Company issued approximately 1.5 million common shares on February 24, 2023 at a price of USD 0.119, for an aggregate amount of approximately USD 0.2 million.

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.

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 0.9 million 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 0.2 million 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 0.7 million on March 1, 2022. The resulting change in fair values from January 28, 2022 to March 1, 2022 of USD 0.2 million is recorded as a period cost and is included in finance income on the unaudited condensed consolidated statement of comprehensive loss for the six-month period ending June 30, 2022.

9. Revenue and other operating income

The Group currently derives no revenue from sales of its biopharmaceutical product candidate.

The Company recognized USD 7 thousand and USD 4.8 million of other operating income in the six-month periods ending June 30, 2023 and 2022, respectively.

During the six months ended June 30, 2023, the Company recognized approximately USD 7 thousand in other operating income related to the gain on disposal of certain office furniture, fixtures, and equipment.

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 unaudited condensed consolidated statements of comprehensive loss.

As a result of the termination of the license agreement with Kissei Pharmaceutical Co., Ltd ("Kissei") for the development and commercialization of linzagolix (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.

10. 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.

Following the termination of the Kissei License Agreement, the Company terminated and assigned to Kissei a number of clinical, manufacturing, and scientific contracts related to the development of linzagolix, which resulted in a significant decrease in the Company's research and development expenses.

11. Income tax

The Company 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, cantonal and federal income tax rate of 14.0% 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. The State Council of the Canton of Geneva had previously granted the company an exemption of income and capital tax at municipal and cantonal levels for the period from 2013 until the end of 2022. However, this exemption ended at the conclusion of 2022. Due to the cumulative losses incurred since its inception, no income tax expense at the municipal, cantonal, or federal levels was recorded for the six-month periods ended June 30, 2023 and 2022. Moreover, due to the uncertainty regarding the utilization of its net loss carryforwards for tax purposes in the future, the Company has not recognized any deferred taxes on its balance sheet as of June 30, 2023 and December 31, 2022.

The Company's U.S. subsidiary has been a service organization for the Group until 2022, subject to a total U.S. federal and state tax rate of 27.3% on the revenues generated from its services charged based upon the U.S. subsidiary's cost-plus arrangement. In 2023, as a consequence of the Group corporate restructuring initiated on July 27, 2022, the cost-plus arrangement was terminated, and the U.S. subsidiary ceased all operating activities.

12. Loss per share

As of June 30, 2023 and 2022, the Company has one category of shares, which are common shares. Because the Company has reported net loss attributable to common shareholders for the six-month periods ended June 30, 2023 and 2022, basic and diluted net loss per share attributable to common shareholders are the same for both periods. 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:

	Six-month period ended June 30, 2023	**Six-month period ended June 30, 2022**
Net loss attributable to shareholders (in USD '000)	(6,798)	(44,599)
Weighted average number of common shares outstanding	113,305,010	82,916,093
Basic and diluted loss per share (in USD)	**(0.06)**	**(0.54)**

For the six-months ended June 30, 2023, 2,490,050 shares issuable upon the exercise of stock-options which would have an anti-dilutive impact on the calculation of the diluted earnings per share, were excluded from the calculation. For the six-months ended June 30, 2022, 12,364,148 shares issuable upon the exercise of stock-options and 18,071,414 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.

13. Post-employment benefits

In accordance with the mandatory Swiss pension fund law, all Swiss employees of the Company participate in a retirement defined benefit plan. As a result of the workforce reductions, the Company remeasured pension assets and benefit obligations as of June 30, 2023, which resulted in a reduction to its plan benefit obligations of USD 1.3 million. This remeasurement resulted in a curtailment gain of USD 0.4 million which is included in the total defined benefit cost.

The defined benefit cost is included in general and administrative expenses in the unaudited condensed consolidated statement of comprehensive loss. The components of defined benefit cost for the six-months ended June 30, 2023 was as follows:

in USD '000	**Six-months ended June 30, 2023**
Current service cost	114
Interest expense on defined benefit obligation	25
Interest income on plan assets	(23)
Employee contributions	(81)
Curtailment gain	(410)
Total defined benefit cost	**(375)**

The changes in projected benefit obligations for the six-months ended June 30, 2023 was as follows:

in USD '000	**June 30, 2023**
Defined benefit obligation at January 1,	**(3,497)**
Current service cost	(114)
Interest cost	(25)
Net benefits paid	(557)
Currency translation effects	(72)
Remeasurements:	
Curtailment	2,328
Effect of changes in financial assumptions	(89)
Effect in experience assumptions	(137)
Defined benefit obligation at June 30,	**(2,161)**

The following table presents the changes in the fair value of defined benefit pension plan assets for the six-months ended June 30, 2023:

in USD '000	**June 30, 2023**
Fair value of plan assets at January 1,	**2,983**
Interest income	23
Employer contributions	81
Employee contributions	81
Net benefits paid	557
Curtailment	(1,918)
Currency translation effects	61
Remeasurements: return on plan assets (excluding interest income)	(12)
Fair value of plan assets at June 30,	**1,854**

The funded status of the plan is as follows:

in USD '000	**As of June 30, 2023**
Defined benefit obligation	(2,161)
Fair value of plan assets	1,854
Net post-employment obligation	**(307)**

The change in the post-employment obligation is as follows:

in USD '000	**Six-months ended June 30, 2023**
Net defined benefit liability at January 1,	**(514)**
Defined benefit cost included in statement of comprehensive loss	375
Total remeasurements included in other comprehensive loss	(238)
Employer contributions	81
Currency translation effects	(10)
Net defined benefit liability at June 30,	**(307)**

Amounts recognized in other comprehensive loss related to the defined benefit pension plan is as follows:

in USD '000	**Six-months ended June 30, 2023**
Cumulative amount of remeasurements recognized in other comprehensive loss at January 1,	**(2,012)**
Effect of changes in financial assumptions	(89)
Effect in experience assumptions	(137)
Return on plan assets (excluding interest income)	(12)
Total remeasurements recognized as other comprehensive loss	**(238)**
Cumulative amount of remeasurements recognized in other comprehensive loss at June 30,	**(2,250)**

The significant assumptions used to determine the post-employment obligation and defined benefit cost for the six-months ended June 30, 2023 were as follows:

Discount rate	1.80%
Salary increase (including inflation)	1.00%
Rate of pension increases	0.50%
Post-employment mortality table	LPP 2020 G

14. Segment information

The Group operates in one segment, which is the research and development of novel therapies to improve women's reproductive health. 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, 2023	June 30, 2022
Switzerland	5,492	5,414
USA	6	93
Total non-current assets	**5,498**	**5,507**

The geographical analysis of operating expenses is as follows:

(in USD '000)	June 30, 2023	June 30, 2022
Switzerland	6,021	45,953
USA	640	910
Total operating expenses	**6,661**	**46,863**

15. Related parties

On February 28, 2023, the Company entered into a share purchase agreement with Ernest Loumaye, Founder and Board Member of the Company, pursuant to which the Company sold 4,000,000 common shares, at a price of approximately USD 0.11 per share, for an aggregate amount of approximately USD 0.4 million. The shares were issued from the Company's pool of treasury shares.

On April 6, 2023, the Company entered into a share purchase agreement with Ernest Loumaye, Founder and Board Member of the Company, pursuant to which the Company sold 4,000,000 common shares, at a price of approximately USD 0.086 per share, for an aggregate amount of approximately USD 0.4 million. The shares were issued from the Company's pool of treasury shares.

16. Events after the reporting period

In January 2020, ObsEva granted an exclusive sublicense to Yuyuan to utilize, develop, and commercialize nolasiban within the People's Republic of China, including Hong Kong and Macau. The agreement allowed ObsEva to terminate the contract should certain development milestones not be met within specified timelines. On July 12, 2023, ObsEva opted to terminate this agreement, as Yuyuan failed to achieve certain milestones, thus reverting the license rights on nolasiban back to ObsEva.

Contact

CEO Office Contact

Shauna Dillon

Shauna.Dillon@obseva.ch

+41 22 552 1550 Office

Investor Contact

IR@obseva.ch