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To the General Meeting of
Kinarus Therapeutics Holding AG, Basel

Basel, 16 April 2024

Report of the statutory auditor

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Kinarus Therapeutics Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2023, the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor's responsibilities for the audit of the consolidated financial statements” section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of matter

We draw attention to note 2 of the consolidated financial statements, which indicates that there are significant execution risks in connection with the foreseen transaction. As stated in note 2, this event or condition, along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

We have determined that there are no key audit matters to communicate in our report.

Other information

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements and the stand-alone financial statements and our auditor’s reports thereon. The annual report including the compensation report is expected to be made available to us after the date of this auditor’s report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Board of Directors’ responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse’s website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Fabian Meier
(Qualified Signature)

Licensed audit expert
(Auditor in charge)

Judith Galliker
(Qualified Signature)

Licensed audit expert

Enclosures

- Consolidated financial statements (consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and notes)

Kinarus Therapeutics Holding AG

Consolidated income statement (in TCHF)

TCHF	Notes	01.01.23 - 31.12.23	01.01.22 - 31.12.22
Other income	16	-	3’336
External research and development expenses		(716)	(1’507)
Payroll expenses	8	(875)	(516)
General and administrative expenses	9	(1’455)	(1’631)
Loss before financial result, taxes and depreciation and amortization		**(3’045)**	**(318)**
Depreciation of property, plant and equipment	13	(10)	(3)
Amortization of intangible assets	14	(479)	(1’519)
Impairment of intangible assets	14	(11’921)	(38’177)
Impairment of receivables related party		(816)	-
Loss from deconsolidation of Kinarus AG	5	(34’473)	-
Financial income	10	-	131
Financial expenses	10	(14)	(10)
Exchange differences	10	(3)	(3)
Loss before taxes		**(50’762)**	**(39’899)**
Income tax	21	1’382	5’156
Loss for the period		**(49’380)**	**(34’743)**
Loss attributable to:			
Owners of the Company		(49’380)	(34’732)
Minority interests		-	(11)
		(49’380)	**(34’743)**
Loss per share			
Basic and diluted loss profit per share (in CHF)	11	(0.03937)	(0.04947)

The consolidated income statement contains seven months of transactions of the subsidiary Kinarus AG in 2022 after acquisition of Kinarus AG in June 2022. Kinarus AG was deconsolidated at 30 September 2023. Therefore, the consolidated income statement 2023 contains nine months of transactions of Kinarus AG.

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

Kinarus Therapeutics Holding AG

Consolidated balance sheet (in TCHF)

TCHF	Notes	31 December 2023	31 December 2022
ASSETS			
Cash and cash equivalents		9	1’342
Other current assets	12	111	294
Current assets		**120**	**1’636**
Property, plant and equipment	13	-	10
Intangible assets	14	-	12’400
Non-current assets		**-**	**12’410**
Total assets		**120**	**14’046**
LIABILITIES AND EQUITY			
Trade account payables			152
Due to third parties	15	26	
Due to statutory auditors	15	15	
Other current liabilities due to third parties	17	258	1’695
Current liabilities		**299**	**1’847**
Non-current borrowings (subordinated)	18	-	3’000
FOPH accrual	16	-	1’064
Other non-current liabilities due to related parties (subordinated)	27.1	133	-
Deferred tax liabilities	21	-	1’382
Non-current liabilities		**133**	**5’446**
Total liabilities		**432**	**7’293**
Share capital	19	13’102	11’436
Reserves		73’127	32’478
Treasury shares	20	-	(1)
Accumulated losses		(86’541)	(37’160)
Total equity attributable to owners of the Company		**(312)**	**6’753**
Total equity		**(312)**	**6’753**
Total liabilities and equity		**120**	**14’046**

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

Kinarus Therapeutics Holding AG

Consolidated statement of changes in equity (in TCHF)

TCHF	Share capital	Reserves	Goodwill	Treasury shares	Accumulated losses	Attributable to owners of the Company	Minority interests	Total
Balance at 1 January 2022	**1’810**	**220**	**-**	**-**	**(2’430)**	**(400)**	**-**	**(400)**
Issuance of shares for acquisition of subsidiary (note 4)	8’885	70’889	(40’508)	(1)	-	39’265	1’936	41’201
Issuance of shares for acquisition of non-controlling interests (note 4)	438	1’487				1’925	(1’925)	-
Issuance of shares through conversion of loans	303	-	-	-	-	303	-	303
Disposal of treasury shares through conversion of loans	-	478	-	-	-	478	-	478
Transaction costs	-	(88)	-	-	-	(88)	-	(88)
Reclassification of fully impaired goodwill (note 33)	-	(40’508)	40’508	-	-	-	-	-
Loss for the period	-	-	-	-	(34’732)	(34’732)	(11)	(34’743)
Balance at 31 December 2022	**11’436**	**32’478**	**-**	**(1)**	**(37’160)**	**6’753**	**-**	**6’753**
Balance at 1 January 2023	**11’436**	**32’478**	**-**	**(1)**	**(37’160)**	**6’753**	**-**	**6’753**
Issuance of shares through conversion of loans and comittment fees (note 19)	1’666	183	-	-	-	1’848	-	1’848
Recyling of goodwill due to deconsolidation (note 5)	-	40’508	-	-	-	40’508	-	40’508
Reclassification of treasury shares	-	-	-	1	(1)	-	-	-
Transaction costs	-	(42)	-	-	-	(42)	-	(42)
Loss for the period	-	-	-	-	(49’380)	(49’380)		(49’380)
Balance at 31 December 2023	**13’102**	**73’127**	**-**	**-**	**(86’541)**	**(312)**	**-**	**(312)**

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

Kinarus Therapeutics Holding AG

Consolidated statement of cash flows (in TCHF)

TCHF	Notes	01.01.23 - 31.12.23	01.01.22 - 31.12.22
Loss for the period		(49'380)	(34'743)
Adjustments for non-monetary items:			
- Depreciation expenses	13	10	3
- Amortization expenses	14	479	1'519
- Loss from deconsolidation of Kinarus AG	5	34'473	-
- Impairment related party receivable		816	-
- Impairmant intangible asset	14	11'921	38'177
- Income from government grants	16	-	(3'336)
- Loan waiver income	10	-	(131)
- Discount on Yorkville convertible loans		20	
- Interest expense		13	10
- Foreign exchange differences		1	3
- Income tax	21	(1'382)	(5'156)
Change in working capital			
- (Increase)/decrease in other current assets		284	(149)
- Increase/(decrease) in trade accounts payables		(97)	(15)
- Increase/(decrease) in other current liabilities		956	(828)
Interest paid		-	(7)
Net cash used in operating activities		**(1'885)**	**(4'653)**
Payments for property, plant and equipment		-	(4)
Cash inflow from acquisition of Kinarus AG	4	-	5'483
Cash outflow from deconsolidation of Kinarus AG at 30.09.23	5	(6)	-
Net cash provided by investing activities		**(6)**	**5'479**
Transaction costs directly related to capital increase		(42)	(88)
Proceeds from borrowings		600	479
Net cash provided by financing activities		**558**	**392**
Net increase/(decrease) in cash and cash equivalents		(1'333)	1'218
Cash and cash equivalents at beginning of the period		1'342	124
Cash and cash equivalents at end of the period		**9**	**1'342**

The consolidated statement of cash flows contains seven months of transactions of the subsidiary Kinarus AG in 2022 after acquisition of Kinarus AG in June 2022. Kinarus AG was deconsolidated at 30 September 2023. Therefore, the consolidated statement of cash flows 2023 contains nine months of transactions of Kinarus AG.

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

Kinarus Therapeutics Holding AG

Notes to the consolidated financial statements

1 General information

Kinarus Therapeutics Holding AG formerly known as Perfect Holding SA ("the Company") was originally incorporated in Yverdon-les-Bains, Switzerland, as a company limited by shares on 8 April 1997 with the Register of Commerce of the Canton of Vaud.

On 2 June 2022, the Company completed the acquisition of Kinarus AG, Basel ("Kinarus"), resulting in a reverse takeover of the Company by the former Kinarus shareholders. The Company acquired Kinarus by way of a share for share exchange. In a first step Kinarus shareholders representing 95.3% of the Kinarus issued share capital tendered their shares in exchange for newly issued shares of the Company, and such new shares were admitted for listing and trading on the SIX Swiss Exchange as from 3 June 2022. On 17 August 2022 the Company acquired in a second step the remaining 4.7% outstanding Kinarus shares. These shares were also listed on the SIX Swiss Exchange.

On 13 June 2022 the name of the Company was changed from Perfect Holding SA to Kinarus Therapeutics Holding AG and the Company moved its domicile to Basel, Switzerland.

These consolidated financial statements for the year ended 31 December 2023 were authorized for issuance by the Group's Board of Directors on 16 April 2024.

2 Liquidity and going concern

As of 31 December 2023, Kinarus Therapeutics Holding AG and its subsidiaries ("**the Group**") reported an accumulated loss of TCHF 86'541, including a loss in 2023 of TCHF 49'380 and a carried forward loss of TCHF 37'160. Furthermore, the Group's liquidity was depleted, with cash and cash equivalents standing at TCHF 9, despite efforts during 2023 to maintain financing through convertible loans, bridge loans and an intended investment agreement with ChaoDian (Hangzhou) Investment Management Co., Ltd. that was ultimately unsuccessful.

The Company and its subsidiary, Kinarus AG, filed for bankruptcy on 22 September 2023. Consequently, the court of the canton Basel-Stadt declared bankruptcy for both entities and placed the Company and Kinarus AG, into liquidation on 24 October 2023.

On 28 January 2024, the Company signed a transaction agreement ("**Transaction Agreement**") for the acquisition of Curatis AG, Liestal ("**Curatis**") through a share exchange transaction ("**Transaction**"). As part of this share exchange transaction, the shareholders of Curatis will contribute all their shares of Curatis to the Company in exchange of newly issued shares (in an ordinary capital increase) of the Company. The value of Curatis has been determined to amount to CHF 50m. The Transaction will inject new operational activity and secure substantial financial resources, ensuring the continuity of the Group and Company. In addition, the transaction will result in a positive total equity of the Company.

The Transaction has been approved by Curatis and the shareholders of the Company however the Transaction is conditional upon various conditions defined in the Transaction Agreement.

Post year-end 2023, Curatis raised in cash, net of expected cost for the Transaction, TCHF 3'000 which will be used to expand the current business ("**Interim Financing**").

As outlined above, due to the Transaction, the equity of the Company is projected to be positive again. In addition, the courts of the Canton of Basel-Stadt have revoked the Company's bankruptcy on 5 February 2024.

However, should the conditions precedent defined in the Transaction Agreement and mentioned above, some of which, at time of approving those financial statements, are not yet fulfilled and/or waived, leading to the cancellation of/failure to close the Transaction and its associated Interim Financing, the Company's board of directors would have to reassess the Company's strategies and may have to reapply for bankruptcy to the competent courts.

These factors highlight a material uncertainty that presents significant doubts about the Company's ability to continue as a going concern. Despite these uncertainties, the board of directors maintains confidence that, given the recent signing of the Transaction Agreement with Curatis and the additional net financing available to Curatis of TCHF 3'000 under the Interim Financing, the Group will be capable of fulfilling its obligations as they come due for a minimum of the next twelve months. Accordingly, the financial statements have been prepared on a going concern basis.

3 Summary of significant accounting policies

3.1 Basis of preparation

The Group's consolidated financial statements provide a true and fair view of the Group's consolidated statement of financial position, statement of income, statement of changes in equity and the statement of cash flows and have been prepared in accordance with all of the existing guidelines of the accounting and reporting recommendations of Swiss GAAP FER. The financial statements of the Group are established in accordance with the standardised reporting and accounting policies. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements in conformity with Swiss GAAP FER requires the use of certain critical accounting estimates and judgements. Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are assumed to be reasonable under the given circumstances. Real results may differ from those estimates. Management continuously reviews and, if necessary, adapts the estimates and underlying assumptions. Any changes are recognised in the period in which the estimate is revised.

As Kinarus was acquired on 2 June 2022, the consolidated financial statements only include seven months of profit and loss of Kinarus in 2022.

As Kinarus was deconsolidated on 30 September 2023, the consolidated financial statements only include nine months of profit and loss of Kinarus in 2023.

All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand Swiss francs ("TCHF") unless otherwise stated.

3.2 Significant accounting policies

Consolidation

The Group's consolidated financial statements include the assets, liabilities, income and expenses and cash flows of the subsidiaries which the Company directly or indirectly controls (see note 7). In this respect, control is defined as the power to control the financial and operating activities of the respective entity, so as to obtain benefits from its operations. The control is normally evidenced by the holding of more than half of the voting rights on share capital of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Companies acquired over the course of the year are revalued and consolidated in accordance with Group principles upon the date of acquisition. The Group applies the acquisition method of accounting to account for business combinations. Goodwill from business combinations represents the amount of the acquisition costs which exceeds the proportional actual value of the revalued net identifiable assets of the acquired company at the time of purchase.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the country in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Swiss francs ("CHF" or "Swiss francs"), which is the Company's functional and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. All foreign exchange gains and losses are presented in the income statement within "Exchange differences".

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates; and

on consolidation, exchange difference arising from the translation of the net investment in foreign operations are taken to "Cumulative translation adjustment" without affecting the income statement. On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to the income statement as part of the gain or loss on sale.

Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical costs include expenditures that are directly attributable to the acquisition of the assets. Subsequent costs are capitalized if it is probable that future economic benefits will flow to the Group and the costs can be measured reliably. All other costs, e.g., for repairs and maintenance, are expensed as incurred. Gains and losses on disposals are determined as difference between proceeds and the carrying amount of the asset prior to disposal and are recognized in the income statement.

Depreciation of property, plant and equipment is calculated using the diminishing balance method to allocate costs to residual values over each asset's estimated useful life as follows:

- Furniture and fixtures: 25% of the residual carrying amount;
- Office equipment: 40% of the residual carrying amount.

Due to the loss of control over Kinarus the fixed assets of Kinarus have been fully written off (see note 13).

Goodwill

Kinarus Therapeutic Holding AG offsets the goodwill from the acquisition of Kinarus in June 2022 against equity its financial statements for the period ended 31 December 2022. Due to the deconsolidation of Kinarus AG at 30 September 2023 the former offset goodwill of TCHF 40'508 was recycled through the income statement.

Intangible assets

Acquired intangible assets are recognized as assets if they yield measurable economic benefits for the Group over several years.

Intangible assets generated internally can only be recognized as an asset if they meet all of the following conditions at the time of the initial recognition:

- The intangible assets generated internally are identifiable and are controlled by the Group;
- The intangible assets generated internally will yield a measurable future benefit for the Group over several years;
- The expenses which arise from the creation of the intangible assets generated internally can be recognized and measured reliably;
- It is likely that the resources needed for the Group to complete and sell or to use the intangible assets are available or will be made available.

Costs for identifiable intangible assets that cannot be capitalized are expensed as incurred. Costs for intangible assets generated internally that have been expensed as incurred cannot be capitalized subsequently. Currently, the Group does not capitalize any development costs for its development projects as based on the progress of the development projects the future benefit to the Group is still uncertain.

Intangible assets acquired from third parties are capitalized at acquisition cost.

Amortization of intangible assets is calculated on a straight-line basis over 20 years, which is the estimated useful life of the intangible asset which is based on the expected use of the extensive preclinical and clinical safety and efficacy data, which the Company can freely use for development purposes, and which are, in the Company's view, supportive documentary evidence to conduct clinical studies relating to Pamapimod.

Based on the impairment test at 31 December 2022 the intangible asset was impaired to the market capitalisation of the Company at 31 December 2022. Due to the loss of control over Kinarus the remaining amount of the intangible asset was fully impaired at 30 September 2023 (see note 14).

Impairment of non-financial assets

The carrying amounts of non-financial assets are assessed at least annually for impairment or whenever there is an indication for impairment. The Group recognizes an impairment if the carrying amount of the non-financial asset exceeds its recoverable amount in the amount of the excess of the carrying value above the recoverable amount, which is the higher of the net selling price and the value in use.

If, as a result of the impairment assessment, the useful life of a non-financial asset changes, the remaining carrying amount is amortized systematically over the newly estimated useful life.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at nominal value. Cash and cash equivalents include cash in hand, other short-term highly liquid investments with original maturities of three months or less. This position is readily convertible to known amounts of cash.

Trade account payables

Trade account payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business reduce the proceeds from the equity issue and are recognised directly in equity as a deduction, net of tax, from the proceeds.

Treasury shares

Treasury shares are recognised at acquisition cost and deducted from shareholders' equity at the time of acquisition, until they are cancelled. When such shares are subsequently sold, any consideration received is included in shareholders' equity.

Current and deferred income taxes

The tax expense for the period comprises current income taxes and deferred taxes. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case the tax is also recognised directly in equity (capital reserve).

Current income taxes

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities. The current income tax charge is calculated on the basis of the tax rates and tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Taxes on income are accrued in the same periods as the revenues and expenses to which they relate.

Deferred taxes

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

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

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Pension plans

Contributions related to the reporting period are presented as employee benefit expenses. The respective prepayment or accrued liability resulting from contractual, regulatory or legal bases are recognized as assets or liabilities on the balance sheet.

On an annual basis, the Group assesses for each individual pension plan whether an economic benefit or economic obligation from such pension plan exists. The basis for the assessment is contracts, financial statements of the pension institutions and other calculations presenting the financial situation, the existing surplus or deficit for each pension institution. Changes in the economic benefit or obligation are recognized in personnel expenses.

Economic benefits are recognized as long-term financial assets under “assets from pension institutions”. Economic obligations are recognized as long-term liabilities.

Employer contribution reserves or similar items are recognized as assets. If the Group has granted to pension institutions a conditional waiver of use, or intends to do so, the Group recognizes a corresponding provision on the asset from employer contribution reserves. To the extent a deficit is covered through a provision on the employer contribution reserves, the Group does not recognize an additional liability for such deficit.

Employer contribution reserves are recognized as long-term financial assets under “assets from employer contribution reserve”, with changes being recognized in personnel expenses.

As of 31 December 2023, as well as 31 December 2022, the Group does neither have assets from pension institutions nor employer contribution reserves.

Leases

The Group leases office space. The Group classifies these leases as operating leases as the risks and rewards incidental to ownership are not substantially transferred to the Group. Payments made under operating lease agreements are recognized in income on a straight-line basis over the lease term.

3.3 Critical judgements and accounting estimates

The preparation of the Group’s consolidated financial statements in conformity with Swiss GAAP FER requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Management continuously reviews and, if necessary, adapts the estimates and underlying assumptions. Revisions to accounting estimates are recognized in the period in which the estimates are revised. The judgements and accounting estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Intangible assets and goodwill

Assumptions used to determine the recoverable amount of intangible assets and goodwill can change due to new estimates and assumptions in relation to progress of clinical development or changes in the timing of forecasted cash flows. Such changes will have an impact on the value in use calculation and ultimately on the recoverable amount of such non-financial assets and could result in impairment in future financial years.

4. Acquisition of subsidiary

On 2 June 2022, the Company acquired 95.3% of Kinarus' share capital by way of a share for share exchange, acquiring Kinarus shares in exchange for newly issued shares of the Company (see note 1).

Consideration transferred

	TCHF
Non-cash (Kinarus Therapeutics Holding AG shares)	79'772
Total consideration transferred	**79'772**

The consideration transferred was based on the market value of the Company's listed shares on the acquisition date and was determined as follows: 886'356'387 (888'514'758 shares of the Company issued to acquire 95.3% of the total share capital of Kinarus, less 2'158'371 shares of the Company thereof issued to acquired Kinarus shares held in treasury by Kinarus at the acquisition date and therefore not part of the consideration) multiplied by the fair value (market price) of CHF 0.09 per share resulting in a total consideration of TCHF 79'772.

On 17 August 2022, the Company completed an authorized capital increase of TCHF 2'447. This capital increase relates to the contribution in kind of the remaining 286'159 shares in Kinarus (4.7% of the total share capital of Kinarus), which were not yet held by the Group. After completion of the capital increase, the Company held 100% of the Kinarus shares.

Assets acquired and liabilities assumed at the date of acquisition

The fair values of the assets acquired and the liabilities assumed of Kinarus as at the acquisition date (2 June 2022) are as follows:

	TCHF
Current assets	
Cash and cash equivalents	5'483
Other current assets	133
Non-current assets	
Property, plant and equipment	9
Intangible assets	52'097
Current liabilities	
Trade account payables	(80)
Current provisions	(1'140)
Other current liabilities	(1'363)
Non-current liabilities	
Non-current borrowings	(3'000)
Non-current prepayments	(4'400)
Deferred tax liabilities	(6'539)
Net assets acquired	**41'200**

Goodwill arising from the acquisition

Consideration transferred	79'772
+ Minority interests (valued based on the net assets acquired)	1'936
./. Net assets acquired	(41'200)
Goodwill	**40'508**

The purchase price allocation included the revaluation of the existing intangible asset by TCHF 50'297 (TCHF 52'097 fair value of existing intangible asset minus TCHF 1'800 carrying amount of existing intangible asset) and a related deferred tax liability of TCHF 6'539. As no other individually identifiable assets meeting the recognition criteria were identified, the residual amount of the consideration transferred in the amount of TCHF 40'508 was allocated to goodwill. The goodwill was attributable to Kinarus' established organization and progress of its clinical development. The goodwill was offset against equity at the date of acquisition.

As a result of the drop in share price of the Company since acquisition, the net selling price, dropped below the value in use calculation, which is explained in note 14. As the recoverable amount, being the higher of selling price and value in use, only covers the carrying amount of the intangible asset, the entire goodwill was impaired. As goodwill was offset directly against equity, the impairment loss of TCHF 40'508 was not recognized in the consolidated income statement.

Beside the goodwill the value of the intangible asset was impaired. The intangible asset acquired in the business combination and the impairment test at 31 December 2023 and 31 December 2022 is further described in note 14.

Net cash inflow from the acquisition

	TCHF
Cash and cash equivalent balance acquired	5'483
./. Consideration paid in cash and cash equivalents	-
Total net cash inflow	**5'483**

5 Deconsolidation of subsidiary

5.1 Description of transaction

On 30 September 2023, the Group deconsolidated its subsidiary Kinarus due to loss of control. The consolidated income statement 2023 and consolidated statement of cash flow 2023 contain nine months of Kinarus.

5.2 Analysis of deconsolidation of Kinarus

Deconsolidation of assets and liabilities

TCHF	30.09.2023
Current assets	
Cash and cash equivalents	6
Other current assets	7
Total assets	**13**
Current liabilities	
Other current liabilities	(1'884)
Non-current liabilities	
Non-current borrowings	(3'100)
Non-current prepayments	(1'064)
Total liabilites	**(6'048)**
Net liabilites deconsolidated	**(6'035)**
Recycling of goodwill	40'508
	40'508
Loss from deconsolidation	**34'473**

The effect from deconsolidation of net liabilities and the recycling of goodwill is recognised in the income statement 2023 as net amount of TCHF 34'473.

6 Segment information

Before the deconsolidation of Kinarus at 30 September 2023 the Group operated in one segment which primarily focused on the development of its drug product candidates. Since the Group has not yet achieved any revenues, no revenues by geography or product group can be disclosed yet.

After the deconsolidation of Kinarus at 30 September 2023 the Group does not have an operating business segment.

7 Subsidiaries

The following table lists the subsidiaries controlled by the Company at the end of the reporting period:

Name	Domicile	Currency	Share capital	Equity interest	
				31 December 2023	31 December 2022
Kinarus AG in Liquidation (i)	Basel, Switzerland	CHF	609'345	0.00%	100.00%
Perfect Aviation SA in Liquidation (ii)	Geneva, Switzerland	CHF	650'000	100.00%	100.00%

The equity interest percentage shown in the table also represents the share in voting rights in those entities.

(i) Kinarus is due to loss of control deconsolidated at 30 September 2023 and only nine months of transactions in 2023 is included in the consolidated financial statements.
(ii) Perfect Aviation SA is since 21 March 2023 (entry into the commercial trade register) in the liquidation process. Perfect Aviation SA in Liquidation is fully consolidated in 2023 since the Company still has control over this subsidiary.

8 Payroll expenses

TCHF	01.01.23-31.12.23	01.01.22-31.12.22
Salary expenses	744	434
Social contribution expenses	131	79
Other personnel expenses	-	3
Total	**875**	**516**

9 General and administrative expenses

TCHF	01.01.23 - 31.12.23	01.01.22 - 31.12.22
Professional services expenses (i)	1'086	956
VAT expenses (ii)	169	-
Commitment fees and other fees to Yorkville (iii)	1	449
Office and other administrative expenses	199	226
Total	**1'455**	**1'631**

(i) Professional services expenses in 2022 mainly due to legal and listing costs in relation to the acquisition of Kinarus, which is further described in note 4. In 2023 professional services expenses are mainly related to legal, advisory and audit costs. The following fees were charged for professional services rendered by Ernst & Young:

TCHF	01.01.23 - 31.12.23	01.01.22 - 31.12.22
Audit services	114	112
Audit related services	35	107
Total	**149**	**219**

Audit-related fees in 2022 have been incurred in connection with capital increases and related comfort letters and review procedures. Ernst & Young did not provide any other services in 2023 or 2022.

(ii) VAT expenses in 2023 relate to a claim of the Swiss VAT authorities regarding Kinarus filed to the courts of the canton Basel-Stadt in connection with the liquidation of Kinarus.
(iii) In relation with the Yorkville financing agreement, the Company had to pay Yorkville a commitment fee of TCHF 400 in cash or shares (at the option of the Company). TCHF 200 was paid in cash in August 2022 and TCHF 200 remain outstanding at 31 December 2022 as accrued liability and converted into Company shares in 2023. In addition, further fees of TCHF 49 were paid to Yorkville in 2022 in relation to the establishment of the Yorkville agreement and the conversion of the convertible loans in 2022.

10 Financial income/ (expenses)

TCHF	01.01.23 - 31.12.23	01.01.22 - 31.12.22
Loan waiver income (i)	-	131
Total financial income	**-**	**131**
Interest expenses on borrowing due to related parties	(13)	(6)
Bank charges	(1)	(4)
Total financial expenses	**(14)**	**(10)**
Foreign currency exchange gains	0	6
Foreign currency exchange losses	(3)	(9)
Exchange differences	**(3)**	**(3)**

(i) In March 2022, certain loan amounts and related accrued interests granted to the Group under a bridge facility were waived.

11 Loss per share

	01.01.23 - 31.12.23	01.01.22 - 31.12.22
Loss for the period attributable to owners of the Company (in TCHF)	(49'380)	(34'732)
Weighted average number of shares	1'254'292'081	702'105'120
Basic and diluted loss per share (in CHF)	**(0.03937)**	**(0.04947)**

Basic and diluted loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of shares outstanding during the period. In 2023, the weighted average number of shares outstanding varied as a result of capital increases (see note 19).

12 Other current assets

TCHF	31 December 2023	31 December 2022
Receivable from Yorkville (i)	-	110
Receivable related to capital increase (ii)	108	-
Other receivables	3	26
Prepaid social contributions	-	8
Other prepaid expenses	-	57
VAT receivables	-	93
Total	**111**	**294**

Other current assets are neither impaired in value nor do they include receivables which are overdue as of 31 December 2023 and 31 December 2022, respectively.

(i) The Company paid TCHF 110 at the end of 2022 in order to redeem the fourth tranche of the Yorkville convertible loan of TCHF 100 plus TCHF 10 for early redemption costs to Yorkville in cash, but Yorkville decided to convert the TCHF 100 of the convertible loan into Company shares after the cash transfer was made. As a result, Yorkville paid back TCHF 110 to the Company. As of 31 December 2022, this funds transfer was in process and the funds were credited to the Company on 9 January 2023.

(ii) The TCHF 200 Yorkville commitment fee liability was converted below the nominal value at a price of CHF 0.0065 per Company's share (nominal value per share is CHF 0.01) in September 2023 into 30'769'230 Company shares. This conversion resulted in an increase of the share capital of TCHF 308 but TCHF 108 need to be paid in to have fully paid-in 30'769'230 Company shares (see note 19). The outstanding payment for the full liberation of the shares of TCHF 108 was done in March 2024.

13 Property, plant and equipment

TCHF	2023	2022
Cost		
Balance at 1 January	**13**	**-**
Additions	-	3
Additions through acquisition of subsidiary	-	10
Balance at 31 December	**13**	**13**
Accumulated depreciation		
Balance at 1 January	**(3)**	**-**
Depreciation and impairment charges	(10)	(3)
Balance at 31 December	**(13)**	**(3)**
Carrying amount		
Balance at 1 January	10	-
Balance at 31 December	**-**	**10**

Property, plant and equipment mainly include IT equipment of the acquired subsidiary Kinarus as well as further IT equipment acquired by Kinarus. Due to the loss of control over Kinarus the fixed assets have been fully written off at 30 September 2023.

14 Intangible assets

TCHF	2023	2022
Cost		
Balance at 1 January	**52’097**	**-**
Addition through acquisition of subsidiary	-	52’097
Balance at 31 December	**52’097**	**52’097**
Accumulated depreciation		
Balance at 1 January	**(39’696)**	**-**
Amortization expense	(479)	(1’519)
Impairment expense	(11’921)	(38’177)
Balance at 31 December	**(52’097)**	**(39’696)**
Carrying amount		
Balance at 1 January	12’400	-
Balance at 31 December	**-**	**12’400**

The intangible asset represented an exclusive, worldwide license to patent families and a license (the "Roche License") from Hoffmann La Roche ("Roche") for the development and worldwide commercialization of products with the active substance Pamapimod, which is the active substance used in the Group's formerly acquired product candidate KIN001.

The value of the Roche License primarily related to extensive preclinical and clinical safety and efficacy data, which the Group was able to freely use until deconsolidation of Kinarus on 30 September 2023 for research and development purposes.

Impairment test 2023

Due to the loss of control over Kinarus the Company has no access to the patent families and Roche License and is not able to further develop its clinical programs. As a result, the intangible asset was fully impaired at 30 September 2023 (deconsolidation of Kinarus) by TCHF 11'921.

Impairment test December 2022

Since completion of the reverse takeover of Kinarus AG by the Company on 2 June 2022 and 31 December 2022 the share price of the Company went down from CHF 0.09 (closing price at 2 June 2022) to CHF 0.0114 at 31 December 2022.

During this period, the highest share price was CHF 0.09 on 2 June 2022 and lowest share price was CHF 0.0082 on (4 November 2022).

The lack of recovery of the share price can be attributed to the Company's termination of a clinical trial of its lead drug in hospitalized COVID-19 patients in September 2022 and also due to the Group's inability to find sufficient sources of capital to initiate its planned clinical trials in Wet AMD and IPF.

For intangible assets the recoverable amount is determined as the higher of the net selling price and value in use. In order to determine the recoverable amount of the intangible asset for impairment test purposes, the board of directors has explored various strategic options since October 2022 such as licensing and trade sale discussions with potential pharma partners. Those discussions have not been successful in generating any third-party offer validating the net selling price until 31 December 2022. The board of directors have also concluded that the value in use may be lower than the net selling price due to the diminished prospects of generating any meaningful revenues from the development of KIN001 due to the Group's termination of its clinical trial in COVID-19 hospitalized patients and its inability to initiate any further development of KIN001 in wet-AMD and IPF.

The board of directors has therefore deemed that the traded market value as at 31 December 2022 to be an appropriate benchmark for the net selling price and for establishing the fair value of the intangible asset.

Based on the closing share price of CHF 0.0114 at 31 December 2022 and based on the outstanding shares at 31 December 2022 and considering selling costs an impairment loss of TCHF 38'177 was calculated.

See table below for details:

	31 December 2022
Kinarus Therapeutics Holding shares	1'143'603'038
Less treasury shares of the Group	(10'557'244)
Outstanding Kinarus Therapeutics shares	**1'133'045'794**
Closing share price Kinarus Therapeutics Holding (CHF)	0.01140
Market value outstanding shares (TCHF)	**12'917**
Less selling costs 4% (TCHF)	(517)
Market value outstanding shares less selling costs (TCHF)	**12'400**
Intangible asset values 31 December 2022 after amortisation and before impairment (TCHF)	50'577
Impairment (TCHF)	(38'177)
Intangible asset value after impairment (TCHF)	**12'400**

15 Trade account payables

TCHF	31 December 2023	31 December 2022
Related to research and development expenses	-	51
Related to general and administrative expenses	41	101
Total	**41**	**152**

16 Other income / FOPH accrual

In December 2021, Kinarus was accepted in the Swiss Federal Funding Programme for COVID-19 Medicines which allowed Kinarus to receive prepayments for its lead COVID-19 drug candidate (KIN001) up to the total amount of TCHF 7'000 to finance two COVID-19 clinical trials. In December 2021, Kinarus received the first two tranches of the prepayment in the total amount of TCHF 4'400.

Due to contractual renegotiation between Kinarus and the Federal Office of Public Health (FOPH) in 2022 the prepayment of TCHF 4'400 was not further qualified as repayment but as grant. At 31 December 2022 the Company has made an internal assessment of the estimated amount of TCHF 1'064 may have to be paid back to FOPH.

In relation with the release of the prepayment of TCHF 4'400 an amount of TCHF 3'336 was booked as other income in 2022 which is the difference between the original prepayment of TCHF 4'400 from FOPH and the expected repayment of TCHF 1'064 at 31 December 2022.

Due to the deconsolidation of Kinarus AG in liquidation as of 30 September 2023 the liability is no longer recognized in these consolidated financial statement (see note 5).

17 Other current liabilities

TCHF	31 December 2023	31 December 2022
Payables in relation to social contribution	-	37
Accrued commitment fees due to Yorkville (i)	-	200
Accrued commitment fees due to GEM (ii)	-	1’140
Accrued research and development expenses	-	112
Accrued professional services expenses	207	155
Accrued holidays (incl. social costs)	-	22
Other current liabilities	51	29
Total	**258**	**1’695**

(i) On 21 August 2022, the Company executed a financing agreement with Yorkville to raise up to TCHF 20’000 over three years by issuance of convertible notes. The Company has to pay Yorkville a commitment fee of TCHF 400 in cash or shares (at the option of the Company). TCHF 200 was paid in cash in August 2022 and TCHF 200 remain outstanding at 31 December 2022 .

The Commitment Fee of TCHF 200 was settled in September 2023 by issuance of Company shares (see note 19).

(ii) On 6 September 2021, Kinarus signed an agreement with GEM Global Yield LLC SCS (“GEM”), a Luxembourg-based private, alternative investment group. Under the agreement, GEM commits to provide the Group after completion of the reverse takeover between Kinarus and Perfect Holding (now: Kinarus Therapeutics Holding) on 2 June 2022 a share subscription facility of up to TCHF 57’000 for a period of 36 months following the completion of the reverse takeover. The Company has to pay GEM a commitment fee of TCHF 1’140 in cash or shares (at the option of the Company).

The Commitment Fee of TCHF 1’140 was settled in April 2023 by issuance of Company shares (see note 19).

18 Non-current borrowings (subordinated)

TCHF	31 December 2023	31 December 2022
Due to third parties - subordinated	-	3’000
Total	**-**	**3’000**

In May 2021 Kinarus signed a subordinated loan in the amount of TCHF 3’000 with Basler Kantonalbank, of which 90% were guaranteed by the canton of Basel-Stadt and 10% by the Eckstein-Geigy-Stiftung. The loan was interest free until 31 December 2022 and the lender retains the right to charge an interest from 1 January 2023 until the loan matures on 1 June 2025.

As compensation for the surety and bank guarantee, Kinarus granted warrants to the guarantors mentioned above, which allow them to subscribe for 532’670 of Kinarus shares during the term of the subordinated loan.

The subordinated third party loan of TCHF 3’000 was deconsolidated on 30 September 2023. In the course of the liquidation process of Kinarus, Basler Kantonalbank set the subordinated loan of TCHF 3’000 to default and draw the guarantees from canton of Basel-Stadt and Eckstein-Geigy-Stiftung.

19 Share capital

	Number of shares		Nominal value of share capital (in TCHF)	
	01.01.23-31.12.23	01.01.22-31.12.22	01.01.23-31.12.23	01.01.22-31.12.22
Balance at 1 January	**1’143’603’038**	**181’018’281**	**11’436**	**1’810**
Issuance of shares through acquisition of Kinarus (1. closing)		888’514’758		8’885
Issuance of shares through acquisition of Kinarus (2. closing)		43’782’327		438
Issuance of shares through conversion of convertible loans		30’287’672		303
Issuance of shares Yorkville convertible loans	32’167’257		322	
Issuance of shares GEM commitment fee	103’636’364		1’036	
Issuance of shares Yorkville commitment fees	30’769’230		308	
Balance at 31 December	**1’310’175’889**	**1’143’603’038**	**13’102**	**11’436**

At 31 December 2023, the issued share capital amounts to TCHF 13’102, consisting of 1’310’175’889 fully paid shares with a nominal value of CHF 0.01 each, whereas TCHF 108 share capital need to be paid due to the TCHF 200 Yorkville conversion below nominal value (see below).

In 2023 the share capital increased as follows:

- Between January and March 2023, the Company issued in total TCHF 400 convertible loans from Yorkville. These TCHF 400 convertible loans (plus TCHF 1 interests) were converted into Company shares between January and March 2023, resulting in an increase of the share capital of TCHF 322 and a share premium of TCHF 79. The new shares were created from conditional capital.
- The conversion of the GEM commitment fee of TCHF 1’140 in April 2023 resulted in an increase of the share capital of TCHF 1’036 and a share premium of TCHF 104. The new shares were created from conditional capital.
- The conversion of the Yorkville commitment fee of TCHF 200 in September 2023 resulted in an increase of the share capital of TCHF 308. Due to the conversion of the shares under the nominal value no share premium resulted from this conversion. The TCHF 200 Yorkville commitment fee liability was converted below nominal value at a price of CHF 0.0065 per share (nominal value per share of the Company is CHF 0.01) in September 2023 into 30’769’230 Company shares. This conversion resulted in an increase of the share capital of TCHF 308 but TCHF 108 need to be paid in to have fully paid-in 30’769’230 shares. (see note 12).

As the capital increases in 2023 through the conversion of the Yorkville convertible loans (TCHF 400), the conversion of the GEM commitment fee (TCHF 1’140) and the conversion of the Yorkville commitment fees (TCHF 200) has not yet been registered at 31 December 2023 in the commercial trade register, the registered share capital in the commercial trade register amounts to TCHF 11’436, consisting of 1’143’603’038 fully paid shares.

In 2022 the share capital increased as follows:

- June 2022: Issuance of a total of 888’514’758 shares with a nominal value of CHF 0.01 at CHF 0.09 per share through contribution in kind of Kinarus shares, resulting in an increase of the share capital of TCHF 8’885 and share premium of TCHF 40’765 in connection with the 95.3%

acquisition of the Kinarus shares in June 2022 in the course of the completion of the reverse takeover. The new shares were created from authorised capital.

- August 2022: Issuance of a total of 43’782’327 shares with a nominal value of CHF 0.01 at CHF 0.09 per share through contribution in kind of the residual Kinarus shares, resulting in an increase of the share capital of TCHF 438 and share premium of TCHF 2’009 in connection with the remaining 4.7% acquisition of the Kinarus shares in August 2022. The new shares were created from authorised capital.
- Q4 2022: Issuance of a total of 30’287’672 shares with a nominal value of CHF 0.01 at CHF 0.01 per share through conversion of convertible notes received from Yorkville, resulting in an increase of the share capital of TCHF 303 and no share premium. The new shares were created from conditional capital.

20 Treasury shares

	31 December 2023		31 December 2022	
Number of registered shares	Acquisition cost CHF	Number of shares	Acquisition cost CHF	Number of shares
Owned by Kinarus Therapeutics Holding	-	8’398’873	-	8’398’873
Owned by Kinarus AG (i)	-	-	1’410	2’158’371
Total	**-**	**8’398’873**	**1’410**	**10’557’244**

At 31 December 2023, the Group held a total of 8’398’873 (31 December 2022: 10’557’244) treasury shares.

(i) On acquisition of Kinarus (see note 4), the 14’107 treasury shares held by Kinarus were exchanged against 2’158’371 shares of the Company. The treasury shares of Kinarus were valued at the historical purchase price of CHF 0.1 per share totalling to CHF 1’410. Since Kinarus was deconsolidated on 30 September 2023 the Kinarus treasury shares are no longer available to the Company (see consolidated statement of changes in equity).

21 Income tax / Deferred tax liabilities

TCHF	31 December 2023	31 December 2022
Taxable temporary differences		
Intangible assets	-	12’400
Less statutory value Intangible assets in Kinarus AG	-	(1’800)
Net deductible temporary difference	**-**	**10’600**
Tax rate	13.04%	13.04%
Deferred tax liabilites	**-**	**1’382**

TCHF	Opening balance 1.1.	Acquisition of subsidiary	Recognised in profit or loss (Income tax income)	Closing balance 31.12
2022				
Intangible assets	-	6’539	(5’156)	1’382
Total deferred tax liabilites	**-**	**6’539**	**(5’156)**	**1’382**
2023				
Intangible assets	1’382	-	(1’382)	0
Total deferred tax liabilites	**1’382**	**-**	**(1’382)**	**0**

Deferred income taxes on tax loss carryforwards are not capitalised. The utilisation of these tax loss carryforwards is recognised upon realisation. The expiry of these losses is as follows:

TCHF	31.12.23	31.12.22
Expiration in 1 to 3 years	7’340	5’456
Expiration in 4 to 7 years	54’783	43’615
	62’123	**49’071**

The unrecognised theoretical deferred tax asset for unused tax loss carryforwards is TCHF 8’101 at 31 December 2023 (31 December 2022: TCHF 6’399).

The tax loss carryforwards cannot be utilised in every case and are dependent on future profits of the Company.

22 Authorized share capital

At 31 December 2023, the authorized share capital amounts to TCHF 4’862, consisting of 486’179’687 shares with a nominal value of CHF 0.01 (31 December 2022: TCHF 4’862, consisting of 486’179’687 shares with a nominal value of CHF 0.01).

23 Conditional share capital

As the capital increases through the conversion of the convertible loans, GEM and Yorkville commitment fees have not yet been registered as at 31 December 2023 in the commercial trade register, at 31 December 2023, the conditional share capital amounts to TCHF 4’997, consisting of 499’674’342 shares with a nominal value of CHF 0.01 (31 December 2022: TCHF 4’997, consisting of 499’674’342 shares with a nominal value of CHF 0.01) to be used for future capital increases involving conversion and/or option rights.

24 GEM agreement

On 6 September 2021, Kinarus signed a financing agreement with GEM Global Yield LLC SCS (“GEM”), a Luxembourg-based private, alternative investment group. Under the agreement, GEM committed to provide Kinarus after completion of the reverse takeover between Kinarus and Perfect Holding on 2 June 2022 a share subscription facility of up to TCHF 57’000 for a period of 36 months following the completion of the reverse takeover. Drawdowns under the agreement are subject to certain pre-conditions and the volume of a possible drawdown depends on the liquidity of the Company shares.

In connection with this GEM agreement, Kinarus had to pay TCHF 1’140 in commitment fee in shares or cash (at the option of Kinarus), which was accrued in the balance sheet as at 31 December 2022, and issue 5-year warrants of the Company equal to 4.9% of the fully diluted outstanding share capital of the Company as of 2 June 2022 at an exercise price of CHF 0.071 per warrant.

On 10 April 2023 the Company, Kinarus, GEM and GEM Yield Bahamas Ltd. entered into an agreement whereas Kinarus assigned and the Company assumed the rights and obligations under the GEM agreements. As a result, the Company assumed the TCHF 1’140 commitment fees towards GEM.

The commitment fee of TCHF 1’140 and the issuance of warrants due to GEM were executed in April 2023. The Company issued 103’636’364 shares for the full settlement of the commitment fee of TCHF 1’140 (see note 19) and issued on 11 April 2023 54’405’351 5-year warrants to GEM at an exercise price of CHF 0.071 per warrant (see note 31.2).

On 25 January 2024 a confirmation and waiver letter was signed between the Company and GEM acknowledging the envisaged Transaction (see note 2). Further, the Company and GEM as parties to the warrant contract were released from all claims, rights, demands and liabilities, obligations and actions arising out of the warrant agreement (or other contractual obligations).

25 Yorkville agreement

On 21 August 2022, the Company executed a financing agreement with Yorkville Advisors Global LP respectively their fund YA II PN, LTD (together “Yorkville”) to raise up to TCHF 20’000 over three years by issuance of convertible notes. The unsecured convertible notes each have a term of 6 months and are convertible into the Company’s shares during the term by the holder of the convertible notes. The conversion price shall be determined as the lower of (i) 120% the volume-weighted 10-day trading price of the Company’s shares prior to Company’s decision to issue the convertible notes, or (ii) 92% of the lowest daily volume-weighted 10-day trading price of the Company’s shares prior to conversion. Interest is paid at an annual rate of 4% during the term of the notes. The Company issued until 31 December 2023 27’362’914 (31 December 2022: 8’928’571) 3-year warrants to acquire the Company’s common shares linked to the nominal value of the convertible notes at an exercise price of all outstanding warrants of CHF 0.01.

In September 2023 the TCHF 200 outstanding commitment fee was converted into 30’769’230 Company shares (see note 19).

On 24 January 2024, the financing agreement dated 21 August 2022 was mutually terminated with immediate effect except the warrants issued under several conversions of convertible loans totalling to 27’362’914 (see note 31.2) remain in full force and can be converted into Company shares.

26 ChaoDian (Hangzhou) Investment Management agreement

The Company signed on 8 May 2023 a subordinated convertible loan agreement for a TCHF 1’500 investment by ChaoDian (Hangzhou) Investment Management Co., Ltd., an investment company based in Hangzhou City, China (“CDIM”). Under the terms of the loan agreement, CDIM granted a subordinated loan in the amount of TCHF 1’500 to the Company for a fixed term of three years without any interest. During the term of the agreement, the outstanding loan amount can be converted at any time into Company shares with a nominal value of CHF 0.01 at a fixed conversion price of CHF 0.01 per Company share.

The Company sent an ultimate reminder dated 17 January 2024 regarding the subordinated convertible loan agreement to CDIM terminating the subordinated loan agreement if the payment of TCHF 1’500 is not done until 20 January 2024. The payment was neither done until 24 January 2024 nor thereafter.

27 Related parties

27.1 Related party balances

TCHF	31 December 2023	31 December 2022
Convertible loans (subordinated)	133	-
Total	**133**	**-**

On 25 July 2023 the Company received TCHF 120 subordinated convertible loans from existing shareholders to ensure liquidity is available to the Company during the period of time required for bridging the pending transfer of funds pursuant to a TCHF 1’500 convertible loan investment from CDIM into the Company. The interest rate is 18% per annum. The holders of the subordinated convertible loans have set-off their claims totalling to TCHF 133 against a new convertible loan agreement with Curatis in January 2024 in the context of the contemplated Transaction (see note 34.6).

27.2 Related party transactions

TCHF	01.01.23-31.12.23	01.01.22-31.12.22
Loan waiver income (i)	-	131
Interest expense on borrowings (ii)	13	-
License up-front payments (iii)	100	-
Total	**113**	**131**

(i) On 3 March 2021 and as amended by addendum on 22 February 2022, the Company secured a bridge loan facility from The Fighter Collection, an entity related to one of its shareholders for an amount of TCHF 600. The loan waiver income of TCHF 131 in the period 1 January 2022 until 31 December 2022 relates to the waiver of an amount of TCHF 125 of the bridge loan facility and TCHF 6 of interests by The Fighter Collection as agreed in the signed Transaction Agreement between the Company and Kinarus.

(ii) Accrued interests for the TCHF 120 subordinated convertible loans from existing shareholders (see note 27.1).

(iii) Up-front payments totalling to TCHF 100 from existing Company shareholders regarding a license agreement for the commercialisation of the KIN001 drug compound for the medical indication Idiophatic Pulmonary Fibrosis (rare lung diseases). The license agreement is between Kinarus and the shareholders.

28 Key management compensation

The compensation paid to the executive management is shown below:

TCHF	01.01.23-31.12.23	01.01.22-31.12.22
Employee benefit expenses (including social insurances) (i)	-	581
Employee benefit expenses (including social insurances) 1.1.23 - 31.8.23 (ii)	580	-
Employee benefit expenses (including social insurances) 1.9.23 - 31.12.23 (iii)	190	-
Total	**770**	**581**

(i) The compensation for the executive Management of TCHF 581 in 2022 comprises the period after RTO from June 2022 to December 2022.

(ii) Compensation paid for the period 1 January 2023 until 31 August 2023. Due to a lack of liquidity of Kinarus and the Group no further compensation was paid to executive management after 31 August 2023.

(iii) Compensation which is due from 1 September 2023 until 31 December 2023 for executive management but not paid out due to lack of liquidity and loss of control over Kinarus.

In 2023 (and 2022), no other compensation elements were granted to key management (neither share options, nor any other compensation).

29 Operating lease arrangements

The Company as lessee

Description of leasing arrangements

Operating leases relate to office leases. The Company does not have an option to purchase these leased assets at the end of the lease term.

Payments recognised as expense in the year

TCHF	2023	2022
Lease payments	19	10
Total leasing expense from operating leases	**19**	**10**

Non-cancellable future minimum operating lease payments

TCHF	31 December 2023	31 December 2022
Within one year	-	21
Later than one year and not later than five years	-	11
Total future minimum lease payments	**-**	**32**

30 Non-cash transactions

On 10 April 2023 the Company, Kinarus, GEM and GEM Yield Bahamas Ltd. entered into an agreement whereas Kinarus assigned and the Company assumed the rights and obligations under the GEM agreements. As a result, the Company assumed the TCHF 1’140 commitment fees towards GEM (see note 24).

Settlement of Yorkville commitment fee of TCHF 200 in September 2023 by issuance of Company shares (see note 25).

31 Warrants, commitments and contingent liabilities

31.1 VAT Group

From the VAT point of view (art. 22 LTVA), the Company and Perfect Aviation SA are considered as one and sole company. In case of insolvency of one of the companies, the other companies are jointly responsible for the VAT liabilities (art. 32e LTVA). The VAT Group was terminated on 30 September 2023 in connection with the liquidation of Perfect Aviation SA in Liquidation (see note 7).

31.2 Outstanding warrants

	31 December 2023		31 December 2022	
	Number of warrants	Exercise price per warrant (CHF)	Number of warrants	Exercise price per warrant (CHF)
GEM warrants (i)	54’405’351	0.071	-	-
Yorkville warrants (ii)	27’362’914	0.01	8’928’571	0.0336
Total	**81’768’265**		**8’928’571**	

(i) The Company issued in April 2023 54’405’351 5-year warrants to GEM for Company shares at an exercise price of CHF 0.071 per warrant.

(ii) Related to the Yorkville agreement the Company issued until 31 December 2023 27’362’914 3-year warrants to Yorkville at an exercise price of CHF 0.01 per warrant.

As a result, in the context of the reverse share split of the Company, the exercise price and number of these warrants shall be proportionally increased and reduced, respectively, in line with the reverse share split ratio of 4’480 to 1.

31.3 Other contingent liabilities

Ventac Partners Ltd (“Ventac”), an advisory firm, will receive, until the expiry of the GEM agreement on 3 June 2026 and expiry of the 54’405’351 warrants on 11 April 2028, 7% fees on any amount drawdown from the GEM facility and proceeds of the exercise of warrants (see note 24).

At 31 December 2023 and 31 December 2022, there were no other contingent liabilities.

32 Significant shareholders

in % of share capital	31 December 2023		31 December 2022	
Erik Penser Bank AB		7.91%		0%
Alexander Bausch		0%		10.68%
Adrian Gut		7.54%		8.64%
Concert party				
Haute Vison SA, Mauritius	3.96%		5.56%	
Grover Ventures Inc., British Virgin Islands	0.53%		0.96%	
Nicholas Grey	0.84%		0.85%	
The Fighter Collection, United Kingdom	0.58%		0.77%	
Stephen Grey	0.68%	6.58%	0.69%	8.84%
Messieurs Pictet & Cie, Switzerland		0%		5.26%
Silvia Hansel		4.14%		4.74%
Mr. and Mrs. Inderbitzin		3.41%		3.91%
Thomas Sander		< 3%		3.34%
SO Holding AG, Switzerland		< 3%		3.20%
Kinarus Therapeutics Holding AG (at 31.12.23: in Liquidation)		< 3%		< 3%

Haute Vision SA, Grover Ventures Inc, Nicholas Grey, The Fighter Collection and Stephen Grey, who are deemed to form a group based on their family and business relationships and voting, held in aggregate 86’245’122 shares which represent 6.58% of the outstanding shares at 31 December 2023 of 1’310’175’889 (31 December 2022: 8.84% of the then outstanding shares of 1’143’603’038).

Mr. Silvio Inderbitzin and his wife, Mrs. Gabriele Inderbitzin-Köhler form a related party. Together they held 44’684’874 Company shares at 31 December 2023 i.e., 3.41% of the then 1’310’175’889 outstanding shares. (31. December 2022: 3.91 % of the then outstanding shares of 1’143’603’038).

33 Treatment of goodwill

Goodwill is offset against equity when it is created. Such goodwill was created with the acquisition of Kinarus in June 2022 (see note 4), in the amount of TCHF 40’508. Due to the deconsolidation of Kinarus at 30 September 2023 the goodwill was recycled. The impact of theoretical goodwill capitalisation on shareholder’s equity and net income with subsequent depreciation of a useful life of 5 years as well as impairment is presented below.

Impact of the theoretical capitalisation of goodwill on the balance sheet:

TCHF	31 December 2023	31 December 2022
Reported equity	**(312)**	**6'753**
Net book value of goodwill		
As at the beginning of the financial period	-	-
Accumulated amortisation of goodwill	(40'508)	
Recycling of goodwill due to deconsolidation of Kinarus	40'508	
Additions		40'508
Impairment	-	(40'508)
As at the end of the financial period	-	-
Theoretical equity including net book value of goodwill	**(312)**	**6'753**

Impact of the theoretical capitalisation of goodwill on loss for the period:

TCHF	01.01.23 - 31.12.23	01.01.22 - 31.12.22
Loss for the period	**(49'380)**	**(34'732)**
Theoretical impairment for the period	-	(40'508)
Theoretical loss for the period after impairment of goodwill	**(49'380)**	**(75'240)**

34 Pensions

TCHF	Deficit / Surplus 31.12.2022	Change for the period recognised in income statement 31.12.2022	Contributions accrued for the period (benefit) / liability 2022	Pension expenses in personnel expenses 2022
Pension plans without surplus / deficit	-	-	**(8)**	**38**
Pension plans with surplus	-	-	-	-
Pension plans with deficit	-	-	**-**	**-**
Pension plans with deficit	-	-	-	-
Pension institutions with own assets	-	-	-	-
	-	**-**	**(8)**	**38**

TCHF	Deficit / Surplus 31.12.2023	Change for the period recognised in income statement 31.12.2023	Contributions accrued for the period (benefit) / liability 2023	Pension expenses in personnel expenses 2023
Pension plans without surplus / deficit	-	-	**20**	**47**
Pension plans with surplus	-	-	-	-
Pension plans with deficit	-	-	**-**	**-**
Pension plans with deficit	-	-	-	-
Pension institutions with own assets	-	-	-	-
	-	**-**	**20**	**47**

35 Subsequent events

35.1 GEM agreement

On 25 January 2024, a confirmation and waiver letter was signed between the Company and GEM (refer to note 24 for further information).

35.2 Yorkville agreement

On 24 January 2024, the financing agreement dated 21 August 2022 was mutually terminated (refer to note 25 for further information).

35.3 ChaoDian (Hangzhou) Investment Management agreement

On 17 January 2024, the Company sent an ultimate reminder to CDIM regarding terminating the subordinated convertible loan agreement (see note 26). The payment was neither done until 24 January 2024 nor thereafter and therefore, the subordinated convertible loan agreement with CDIM is deemed terminated.

35.4 Transaction agreement with Curatis

On 28 January 2024, the Company signed a transaction agreement with Curatis regarding the acquisition of Curatis by the Company by way of a share exchange transaction (“Transaction”).

The Transaction has been approved by Curatis and the shareholders of the Company however the Transaction is conditional upon various conditions defined in the Transaction Agreement.

35.5 Revocation of bankruptcy

The liquidation of the Company was revoked on 5 February 2024 by the courts of the canton Basel-Stadt.

35.6 Subordinated convertible loans from shareholders

Subject to the closing of the contemplated Transaction, Curatis assumed the debt of the subordinated convertible loans totalling to TCHF 133 (see note 27.1) by way of issuing new Curatis shares to the loan providers.

35.7 Extraordinary general meeting of the Company

An extraordinary general meeting took place on 1 March 2024 of the Company. The main proposed resolutions were as follows:

- Ordinary capital increase for the reverse share split
- Reverse share split
- Ordinary capital reduction
- Ordinary capital inc rease and amendment to the articles of association
- Capital band and amendment to the articles of association
- Conditional capital and amendment to the articles of association
- New name and amendment to the articles of association
- New domicile and amendment to the articles of association
- New corporate purpose and amendment to the articles of association
- Election of new members of the board of directors and election of the chairman of the board of directors
- Election of new members of the compensation committee
- Election of the statutory auditors

The above outlined resolutions have been approved by the shareholders of the Company.

There were no other relevant events after the reporting date.