Smartemis AG

Luzern

financial statement
for year ended

December 31, 2023

Balance sheet

	Notes	Swiss Francs 31.12.2023	Swiss Francs 31.12.2022
Assets			
Current assets			
Cash and cash equivalents		3'603'506	1'194'485
Other current receivables		148'598	523'875
due from third parties		6'406	6'181
due from shareholders		0	3'119
due from subsidiaries		142'192	514'575
Short-term loans		581'072	1'825'722
due from subsidiaries		581'072	1'825'722
Accrued income and prepaid expenses		9'281	2'272
Total current assets		**4'342'457**	**3'546'354**
Non-current assets			
Investments	2.1	2'490'944	63'042
Total non-current assets		**2'490'944**	**63'042**
Total assets		**6'833'401**	**3'609'396**

Balance sheet

	Notes	Swiss Francs **31.12.2023**	Swiss Francs **31.12.2022**
Liabilities and shareholders' equity			
Short-term liabilities			
Trade accounts payable		51'430	69'941
due to third parties		51'430	69'941
Other trade payables		68'071	6'393
due to third parties		68'071	6'393
Accrued expenses and deferred income		398'665	373'405
Total short-term liabilities		**518'166**	**449'739**
Shareholders' equity			
Share capital	2.2	275'413	210'920
Legal capital reserves		10'341'736	5'740'460
Reserves from capital contribution	2.3	10'341'736	5'740'460
Loss carried forward		-2'791'723	-1'205'671
Loss for the year		-1'510'191	-1'586'052
Total shareholders' equity		**6'315'235**	**3'159'657**
Total liabilities and shareholders' equity		**6'833'401**	**3'609'396**

Profit and loss statement

	Notes	Swiss Francs 2023	Swiss Francs 2022
Operating income		0	276'088
Personnel expenses	3.1	-226'711	-270'962
Gross result after personnel expenses		**-226'711**	**5'126**
Other operating expenses		-383'215	-513'933
Legal and professional expenses		-307'775	-452'910
Accounting expenses		-21'284	-29'938
Travel and representation expenses		-37'358	-17'929
IT expense		-3'011	-2'475
Other administration expenses		-13'787	-10'681
EBITDA		**-609'926**	**-508'807**
Depreciation on investments	3.2	-779'265	-856'464
Net foreign currency revaluation		-225'169	-185'165
Earnings before interest and taxes (EBIT)		**-1'614'360**	**-1'550'436**
Financial income	3.3	158'112	10'854
Financial expenses		-51'656	-40'470
Loss for the year before taxes		**-1'507'904**	**-1'580'052**
Direct taxes		-2'287	-6'000
Loss for the year		**-1'510'191**	**-1'586'052**

Notes

1. Principles

1.1 General

These financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (Art. 957et seq.). Where not prescribed by law, the significant accounting and valuation principles applied are described below. It should be noted that to ensure the Company's going concern, the Company's financial statements may be influenced by the creation and release of hidden reserves. In addition, tax principles for the valuation of positions are used wherever possible. For comparison reasons, certain prior year figures have been reclassified.

1.2 Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash in banks, money at call, fixed deposits with maturity less than three months. Cash and cash equivalents are recognized at nominal value.

1.3 Other current receivables and short term loans

Other current receivables and short term loans are carried at their nominal value. Impairment charges are calculated for these assets on an individual basis.

1.4 Accrued income and prepaid expenses

Accrued income and prepaid expenses represent an estimated income that can relate to trade- or non-trade related activities that have not yet been billed but the income has been incurred.

1.5 Investments

Investments (non-current) are recognized at the lower of cost or market value. The management is carrying out periodically impairment tests for all investments.

1.6 Liabilities

Liabilities are recognized in the balance sheet at nominal value. They are included in short-term liabilities unless maturities are above 12 months.

1.7 Accrued expenses and deferred income

Accrued expenses and deferred income represent an estimated cost that can relate to investments or other activities that have not yet been billed but the expense has been incurred.

1.8 Recognition of income from rendered services

Revenue is recognised when all the contractual risks and rewards of ownership have passed to the buyer. Proceeds are recognised at the fair value of the consideration received or receivable.

1.9 Taxes

The Company is subject to income taxes. The position includes the amount of income taxes payable on the profit of the current financial year as well as differences due to adjustments to estimate of prior years.

Notes

1.10 Functional currency and foreign currency translation

The Company's accounting is carried out in the national currency CHF.

Foreign currency transactions are translated into the functional currency using the average rates published by the Swiss Tax Department in the corresponding month. Foreign exchange gains and losses resulting from the settlement of such transactions and from translations at year-end exchange rates of current assets and liabilities denominated in foreign currencies are recognized in the income statement. However, foreign exchange gains resulting from year-end translation of non-current assets or long-term liabilities are deferred.

		Swiss Francs **2023**	Swiss Francs **2022**
USD / CHF	Closing rate	0.841624	0.925228
EUR / CHF	Closing rate	0.929700	0.987450

2. Information on balance sheet and income statement items

2.1 Investments

		31.12.2023	**31.12.2022**
Smartemis Services France SAS	Nominal capital EUR	25'000	25'000
Lyon, France	Participation and voting rights	100%	100%
Smartemis France SAS	Nominal capital EUR	10'000	10'000
Lyon, France	Participation and voting rights	100%	100%
Smartemis Deutschland GmbH	Nominal capital EUR	25'000	25'000
Hannover, Deutschland	Participation and voting rights	100%	100%
Smartemis Partnerschaft Beteiligung GmbH **)	Nominal capital EUR	25'000	25'000
Hannover, Deutschland	Participation and voting rights	100%	100%

**) indirectly held

On 21 December 2023, the share capital of Smartemis Services France SAS was increased by EUR 826'269 by offsetting a loan of the same amount, raising the share caital to EUR 851'269. It was then immediately reduced again to its original amount of EUR 25'000 (see note 3.2).
Previously, on 31 October 2022, the share capital of Smartemis Services France SAS had been increased by EUR 313'000 by offsetting a loan of the same amount, raising the total share capital to EUR 813'000, and then immediately reduced to EUR 2. On the same date, the share capital was increased by EUR 24'988 to EUR 25'000.

In the reporting period, a loan in the amount of EUR 2'502'647 (CHF 2'429'069) to Smartemis Services Deutschland GmbH was converted into equity and allocated to the capital reserve. This amount was added at the acquisition cost.

Notes

2.2 Share capital

Share capital	nominal value	No. of shares 31.12.2023	Swiss Francs 31.12.2023
Registered ordinary shares	CHF 0.01	10'000'000	100'000
Registered preferred shares	CHF 0.01	17'541'323	175'413
Total			**275'413**

Share capital	nominal value	No. of shares 31.12.2022	Swiss Francs 31.12.2022
Registered ordinary shares	CHF 0.01	10'000'000	100'000
Registered preferred shares	CHF 0.01	11'092'000	110'920
Total			**210'920**

On 03 March 2023, the Company has executed a capital increase within the capital band in the amount of CHF 64'492.23 to CHF 275'413.23 by issuing 6'449'323 new preference shares of CHF 0.01 nominal each. The issue price for the new preferences shares was EUR 0.75 (equivalent CHF 0.72345) of which CHF 0.01 was allocated to the share capital and the difference was allocated to the reserve from capital contribution.

If the shareholders' meeting resolves to declare a dividend with regard to a certain business year, all dividends shall be distributed among the owners of preferred shares and ordinary shares in proportion to the nominal value of the corresponding shares.
In case of a voluntary or non-voluntary liquidation, the preferred shares confer the right to an advance distribution per preference share equal to the effective issue price of the respective preference share plus 8.5 percent per annum from such liquidation proceeds. The interest shall be added to the principal amount annually. Should the liquidation proceeds not be sufficient to fully satisfy such right for an advance distribution, the distribution to the preference shares shall be made pro rata in relation to the issue prices of the relevant preferred shares.

2.3 Reserve from capital contribution

Reserve from capital contribution in the amount of CHF 2'421'742 has been approved by SFTA, and an amount of CHF 7'903'449 is subject to approval from the SFTA (Swiss Federal tax authorities). The Swiss Federal Tax Authorities ("SFTA", Eidgenössische Steuerverwaltung) did not approve an amount of CHF16'545 as they consider these amounts as «costs that arose in connection with the capital increases». Contrary to the SFTA, the Company is of the opinion that these amounts qualify as reserves from capital contributions. Should distributions be made out of the reserves from capital contributions, the Company will deduct such distributions first from the approved amount.

2.4 Own shares, share based compensations, options

Registered ordinary shares	No. of shares 31.12.2023	No. of shares 31.12.2022
Number of shares 01.01.2023	0	0
Purchases	900'000	0
Allotment of shares to consultants	-850'000	0
Allotment of shares to Board of Directors	-50'000	0
Total	**0**	**0**

Notes

Purchase of own shares

During 2023, the Company bought 900'000 registered ordinary shares at nominal value of CHF 0.01 for a total amount of CHF 9'000.

Allotment of registered ordinary shares to consultants

Certain consultants have the opportunity to be compensated in form of registered ordinary shares. The last price paid for a Smartemis AG share in a financing round shall be the basis for the compensation. However, if this price was paid more than six months ago, the shareholders equity shall be used.

Allotment of registered ordinary shares to consultants	**2023**	**2022**
Number of allotted shares	850'000	0
Average price of allotted shares in CHF	0.154	0

The Company sold 850’000 of its own shares to its consultants at a price of CHF 0.154, resulting in a total amount of CHF 130’698. The acquisition cost was CHF 8’500. The profit of CHF 122’197 has been recognized in the profit and loss statement as financial income (2022: CHF 0), see note 3.3.

Allotment of registered ordinary shares to Board of Directors

Board of Directors have the opportunity to receive their directors' fees or parts thereof in form of registered ordinary shares in Smartemis AG. The last price paid for a Smartemis AG share in a financing round shall be decisive for the distribution to the relevant Board of Directors. However, if this price was paid more than six months ago, the shareholders equity shall be used instead.

Allotment of registered ordinary shares to Board of Directors	**2023**	**2022**
Number of allotted shares	50'000	0
Average price of allotted shares in CHF	0.140	0

The Company sold 50’000 of its own shares to Board of Directors at a price of CHF 0.14, resulting in a total amount of CHF 7'000. The acquisition cost was CHF 500. The profit of CHF 6'500 has been recognized in the profit and loss statement as financial income (2022: CHF 0), see note 3.3.

Option plan

The Company provides to certain employees, directors and advisors of the Company or of its affiliates (Group Entities) the oportunity, to obtain options to acquire shares of the Company under an incentive plan.

Notes

3. Other information

3.1 Full-time equivalents

The annual average number of full-time equivalents did not exceed 10 for the reporting year, as well as the previous year.

3.2 Depreciation on investments

Depreciation on investments consists of the result of the capital decrease in Smartemis Services France SAS in the amount of CHF 779'265 (2022: 856'464). See note 2.1.

3.3 Financial income

	Swiss Francs **31.12.2023**	Swiss Francs **31.12.2022**
Income from sale of shares to consultants	122'197	0
Income from sale of shares to Board of Directors	6'500	0
Interest income	29'415	10'854
Total	**158'112**	**10'854**

3.4 Liability to the pension scheme

	Swiss Francs **31.12.2023**	Swiss Francs **31.12.2022**
Liability to pension scheme	0	18'698
Total	**0**	**18'698**

Appropriation of earnings

Loss carried forward

	Swiss Francs **31.12.2023**	Swiss Francs **31.12.2022**
Loss carried forward at the beginning of the period	-2'791'723	-1'205'671
Loss for the year	-1'510'191	-1'586'052
Loss carried forward available to the general meeting	**-4'301'914**	**-2'791'723**

Motion of the board of directors on the allocation of loss carried forward

	Motion of the board of directors **31.12.2023**	Resolution of the general meeting **31.12.2022**
Loss carried forward available to the general meeting	-4'301'914	-2'791'723
Allocation to general legal retained earnings	0	0
Proposed dividend distribution	0	0
Loss carried forward to new financial year	**-4'301'914**	**-2'791'723**