ANNUAL REPORT

2021

PERFECT
HOLDING

CONTENT

REPORT BY THE BOARD OF DIRECTORS

Dear Shareholders,

The audited consolidated results of Perfect Holding SA ("Perfect Holding") for the year 2021 reflected a net loss of KCHF 143. The financial income related to the waiver of the bridge loan granted by a former potential investor (KCHF 280) only partially covered the general & administrative expenses relating to the work on the acquisition projects and the daily administration of the group (KCHF 410).

The financing of Perfect Holding's current running costs is covered by a bridge facility agreement with a related party. This facility (initially for a maximum amount of KCHF 510 and then increased to KCHF 600) is being used to fund the current general and administrative expenses of the Perfect Holding Group until the closing of the transaction described below.

As announced on March 30, 2022, Perfect Holding signed a Transaction Agreement with the clinical-stage biopharmaceutical company Kinarus AG ("Kinarus") regarding Perfect Holding's contemplated acquisition of Kinarus by way of a share exchange (so-called "reverse takeover"). Such transaction will be submitted to the approval of the shareholders of both Perfect Holding and Kinarus for a possible implementation within the next two months.

The implementation of this transaction would enable the Perfect Holding Group to enter the biopharmaceutical sector, which offers much more growth potential than the prior business activities of the Group (although it also presents certain risks, which are mainly related to the outcome of the ongoing Covid-19 phase 2 clinical trials conducted by Kinarus and to the funding required to complete the ongoing and future clinical trials).

Although it is aware of the execution risk inherent in any transaction of this kind, the Board of directors of Perfect Holding is looking forward to presenting this potentially very interesting project for approval to its shareholders at the coming annual shareholders' meeting, the date of which has been advanced to May 2, 2022.

We wish to take this opportunity to thank our shareholders for their continuing support.

Stephen Grey
PERFECT HOLDING SA

Anouck Ansermoz
PERFECT HOLDING SA

CORPORATE GOVERNANCE

The following section has been prepared in accordance with the Swiss Code of Obligations and the Directive on Information Relating to Corporate Governance issued by the SIX Exchange Regulation. Additional disclosures required by the Directive on Information Relating to Corporate Governance for issuers subject to the Ordinance against Excessive Compensation at Listed Companies (OaEC) can be found in the separate section Remuneration Report or in Perfect Holding SA's Articles of Association (http://www.perfect.aero/en/investor-relations/adhoc-publicity-and-shareholders-information).

■ 1. GROUP STRUCTURE AND SHAREHOLDERS

GROUP STRUCTURE

Perfect Holding SA (Perfect Holding or the Company) was incorporated in Yverdon-les-Bains (Switzerland) as a Swiss limited company on April 8, 1997 with the Register of Commerce of the Canton of Vaud. The Company has its corporate legal headquarter at 3, Avenue de Florimont, 1006 Lausanne, Switzerland. Its duration is undetermined. The corporate purpose of the Company, according to Article 2 of its Articles of Association, is the acquisition and the management of participations in other companies, notably in the aviation sector, as well as any directly or indirectly related purposes.

Perfect Holding is listed on the SIX Swiss Exchange, SIX Swiss Reporting Standard. The Company is listed under the symbol "PRFN". The valor number is 911512 and the ISIN code is CH0009115129. The market capitalisation as at December 31, 2021 amounts to CHF 13.94 million (December 31, 2020: CHF 14.66 million).

On April 9, 2020, the Board of Directors of Perfect Holding SA signed a share purchase agreement for the sale of its former UK subsidiary Oxygen Aviation Ltd which was completed on April 24, 2020. Since then, the activities of the Company have mainly consisted in the analysis, valuation and negotiation of several potential acquisitions.

MAIN SHAREHOLDERS

As at December 31, 2021, the main shareholders of the Company are as follows:

	Ownership Interest
Haute Vision SA, Mauritius	35,15%
Perfect Holding SA, Lausanne (see below "Treasury shares")	9,53%
Grover Ventures Inc, British Virgin Islands	6,85%
Nicholas Grey	5,39%
Stephen Grey	4,39%

Mr. Stephen Grey, Mr. Nicholas Grey, Haute Vision SA and Grover Ventures Inc, who are deemed to form a group based on their family and business relationships and voting agreement (as disclosed in the Swiss Official Gazette of Commerce of August 6, 2008), hold in aggregate 93'741'973 shares, i.e. 51.79% of the current share capital of CHF 1'810'182.81 (divided into 181'018'281 shares with a nominal value of CHF 0.01 each).

CROSS SHAREHOLDINGS

There are no cross shareholdings between the Company and any other company, and no subsidiary of Perfect Holding holds any shares of the Company.

Perfect Holding's only remaining subsidiary as at December 31, 2021 is:

	Registered office	Country	Currency	Share capital	Ownership Interest
Perfect Aviation SA	Lausanne	Switzerland	CHF	650'000	100%

2. CAPITAL STRUCTURE

SHARE CAPITAL

As at December 31, 2021, the share capital amounts to CHF 1’810’182.81, consisting of 181’018’281 issued and fully paid-in registered shares with a nominal value of CHF 0.01 each.

At the shareholders’ meeting held on May 24, 2019, the shareholders accepted the Board’s proposal to reduce the share capital of the Company from CHF 7’240’731.24 to CHF 1’810’182.81, through a reduction of the nominal value from CHF 0.04 to CHF 0.01 per share. The number of shares remained unchanged at 181’018’281 shares. This transaction reduced the accumulated losses by CHF 5’430’548.43.

TREASURY SHARES

As at December 31, 2021, Perfect Holding SA owns 17’250’001 of its own shares. Further information can be found in Note 9 of the consolidated financial statements.

In the context of the sale of Oxygen Aviation Ltd (see Note 1), the buyers handed over to Perfect Holding all the shares they held in the Company, i.e. 17’250’001 shares, resulting in a treasury share position representing approximately 9.5% of the share capital of Perfect Holding.

CONDITIONAL SHARE CAPITAL (FOR CONVERTIBLE LOANS)

At the shareholders’ meeting of May 27, 2016, a conditional capital of maximum CHF 3’620’000 (divided into a maximum of 90’500’000 registered shares of a nominal value of CHF 0.04 each, to be fully paid up) had been created in order to secure the exercise of conversion rights that may be issued under future convertible loans of the Company. The new shares may be acquired by creditors of future convertible loans of the Company. The preferential subscription right of shareholders is suppressed for these new shares. The Board of Directors may decide to restrict the preferential right of shareholders to subscribe to such convertible loans by setting minimum individual loan tranches of CHF 50’000. The conversion right can only be exercised for up to 3 years from the date of issuance of the convertible loan. The issuance of the new shares is subject to the applicable conditions of conversion, whereby the conversion price must correspond to the nominal value of the shares.

At the shareholders’ meeting held on May 24, 2019, further to the reduction of the nominal value of each share from CHF 0.04 to CHF 0.01 per share, the conditional capital was adjusted to a reduced maximum amount of CHF 905’000 (divided into a maximum of 90’500’000 registered shares of CHF 0.01 nominal value each).

SHARES

All shares of the Company are registered shares with a nominal value of CHF 0.01 each. The Company has one single class of shares. Each registered share carries one vote at the shareholders’ meeting. Each shareholder recorded in the share register with voting rights may be represented at the shareholders’ meeting by the independent representative or a third party. Shareholders have the right to receive dividends decided by the shareholders’ meeting and have all other rights provided for by the Swiss Code of Obligations.

The Company has not issued any preferred voting shares or non-voting equity securities, such as participation certificates or profit sharing certificates.

TRANSFER OF SHARES & RESTRICTION TO TRANSFERABILITY

The transfer of shares registered in the share register of the Company (for as long as they are book-entry shares and not issued in a certificated form) is effected by means of a corresponding entry in the books of a bank or depository institution following transfer instructions by the transferor shareholder and the corresponding notification of the transfer to the Company.

The Articles of Association do not provide for any particular restrictions to transferability of the shares or for any nominee registrations.

CONVERTIBLE BONDS

Neither the Company nor any of its subsidiaries have issued convertible bonds or other securities giving a right to acquire shares of the Company.

OPTION RIGHTS

There is currently no option plan in place in the Company.

3. BOARD OF DIRECTORS

MEMBERS OF THE BOARD OF DIRECTORS

Currently, the members of the Board of Directors of the Company are as follows:

		First election date	Last election date	Next re-election date
Anouck Ansermoz	Chairperson	May 2009	May 2021	May 2022
Stephen Grey	Member	May 2002	May 2021	May 2022

As a result of the sudden passing of the former Chairman of the Board of Directors of Perfect Holding, Mr. Jean-Claude Roch, on May 23, 2020, the Board of Directors decided that Mr. Roch's functions as CFO of the Company would be taken over ad interim by Mrs. Anouck Ansermoz, member of the Board of Directors, while the CEO position (also held by Mr. Roch) would initially remain vacant. The Board of Directors also decided to propose to the shareholders of the Company to appoint Mrs. Anouck Ansermoz as new chairperson of the Board at the shareholders' meeting of June 26, 2020, and this election was approved.

Anouck Ansermoz, Swiss, holds a master in economics and management from HEC in Lausanne and became a Swiss Certified Public Accountant in 2001. She has worked in the fields of audit and consolidation with STG-Coopers & Lybrand, Sicpa SA and Tetra Laval Finance, prior to joining the Perfect Holding Group in 2002. Since 2012, she is working as a partner at CapFinance, a finance and management consulting company. Previously acting as Chief Financial Officer of the Perfect Holding Group, she had, since June 2012, been acting as a non-executive member of the Board of Directors and as an external consultant to the Company. Since June 2020, she has taken over the functions of the CFO of the Company - as an external consultant - and she was also appointed as new chairperson of the Board of Directors at the shareholders' meeting of June 26, 2020.

Stephen Grey, Swiss, after an education in architecture, has extensive experience in Switzerland and abroad in the areas of manufacture and distribution of capital goods and in the financial and service sectors. Mr. Grey has also been particularly active as a turnaround manager of companies and groups in difficult financial and/or business situations in multiple industries. Mr. Stephen Grey was previously acting as Chief Executive Officer of the Perfect Holding Group and is now acting as a non-executive member of the Board of Directors.

ELECTION TO THE BOARD OF DIRECTORS AND DURATION OF MANDATE

Further to a change in the Articles of Association decided at the shareholders' meeting of June 26, 2020, the Board of Directors must consist of at least two members (before the change, at least three members). The Chairman of the Board of Directors and the members of the Board of Directors shall be elected individually by the shareholders' meeting for a term of office until the next annual shareholders' meeting. Members of the Board of Directors whose term of office has expired shall be immediately eligible for re-election, without limitation.

ORGANISATION OF THE BOARD OF DIRECTORS

The Board of Directors has delegated the management of the operations of Perfect Holding and of the subsidiaries of the Perfect Holding Group to the Executive Management. The Board of Directors is therefore primarily responsible for the definition of the strategy of the Perfect Holding Group and the giving of instructions and supervision of the actions of the Executive Management. The coordination between the Board of Directors and the Executive Management is very close and efficient, especially as one member of the Board of Directors has executive functions for the Perfect Holding Group.

The Board of Directors deals with all matters falling within its competencies in its plenary meetings, without any allocation of specific tasks to individual members and/or committees. The Board of Directors meets for regular meetings between four and six times per year, and in any event before the publication of financial statements or of any other important press releases. Meetings are organised face-to-face, by conference call or video conferencing. These meetings generally last approximately half a day, with the presence of all members and the occasional attendance of external persons. Extraordinary meetings can be organised on an ad hoc basis. In 2021, the Board of Directors held 4 regular meetings.

COMMITTEES OF THE BOARD OF DIRECTORS / REMUNERATION COMMITTEE

In view of the corporate structure and organisation of the Perfect Holding Group and of the limited size of the Board of Directors, the Board had not set up any committees until the end of the year 2013. As from the shareholders' meeting held in May 2014, a Remuneration Committee consisting of at least 2 members of the Board of Directors has been put in place. The members of such Remuneration Committee are elected individually by the shareholders' meeting for a term of office running until the next annual shareholders' meeting.

The Remuneration Committee assists the Board of Directors in establishing and periodically reviewing the Company's compensation strategy and guidelines as well as in preparing the proposals to the shareholders' meeting regarding the compensation of the members of the Board of Directors and of the Executive Management. It may submit proposals and recommendations to the Board of Directors regarding other compensation-related issues. The Board of Directors may promulgate regulations to determine for which positions of the Board of Directors and of the Executive Management the Compensation Committee, together with the Chairman of the Board of Directors or on its own, shall submit proposals for the compensation, and for which positions it shall determine the compensation in accordance with the Articles of Association and the compensation guidelines established by the Board of Directors. The Board of Directors may delegate further tasks and powers to the Remuneration Committee.

The Company's Board of Directors decides upon the Executives' and Directors' remunerations, including any entitlements under participation and/or share option plans, within the limits of the maximum amounts fixed by the shareholders' meeting. Executives and Directors are remunerated in relation to their qualifications and responsibilities. The remuneration currently paid to the members of the Board of Directors and Executive Management consists exclusively of a fixed remuneration, subject to the possibility (not used in 2021) for the Board of Directors to grant a variable remuneration element.

OTHER MANDATES OF THE MEMBERS OF THE BOARD OF DIRECTORS

No member of the Board of Directors can hold more than 4 additional mandates (i.e. positions in the highest body of a legal entity registered with a register of commerce or similar register) in public companies and more than 15 additional mandates in non-public companies, whereby the following mandates do not fall within the scope of this limitation: mandates in companies controlled by the Company, mandates held at the request of the Company (subject to a maximum limit of 10 such mandates) and mandates in associations, foundations, trusts, welfare organisations (subject to a maximum limit of 10 such mandates).

4. EXECUTIVE MANAGEMENT

Currently, the executive management team (the "Executive Management") is composed as follows:

Anouck Ansermoz	Chief Financial Officer of Perfect Holding

Please refer to section "Board of Directors" for the biographical description of Mrs. Anouck Ansermoz.

No member of the Executive Management can hold more than 2 additional mandates in public companies and more than 10 additional mandates in non-public companies. The definition of the concept of "mandate" as well as the exceptions to these limitations are the same as those applicable to the members of the Board of Directors. In addition, the acceptance of any such external mandate by a member of the Executive Management is subject to the approval of the Board of Directors.

5. COMPENSATION, SHAREHOLDINGS AND LOANS

COMPENSATION POLICIES

Compensation of the non-executive members of the Board of Directors comprises a fixed compensation, as well as a possible variable remuneration element. Compensation of the members of the Executive Management may comprise fixed and variable compensation elements. Fixed compensation comprises the base salary and may comprise other compensation elements and benefits. Variable compensation may comprise short-term and long-term compensation elements.

The Board of Directors submits proposals to the shareholders' meeting regarding the maximum amounts of the fixed compensation (for the following business year) and variable compensation (for the past business year). Within such limits, the Board of Directors, upon a proposal of the Remuneration Committee, decides upon the fixed and variable compensation elements, their components and the possible performance metrics for the variable compensation. Compensation may be paid or granted in the form of cash, shares, other benefits or in kind; compensation to members of the Board of Directors and of the Executive Management may also be paid or granted in the form of financial instruments or similar products. The Board of Directors, upon proposal of the Remuneration Committee, determines grant, vesting, blocking, exercise and forfeiture conditions; it may provide for continuation, acceleration or removal of vesting and exercise conditions, for payment or grant of compensation assuming target achievement or for forfeiture, for example in case of pre-determined events such as a termination of an employment or mandate agreement. Compensation may be paid by the Company or any company controlled by it. The Board of Directors evaluates compensation according to the principles that apply to the remuneration report.

The Chairman of the Board of Directors receives an annual fixed remuneration, subject to the possibility (not used in 2021) for the Board of Directors to grant a variable remuneration element. He/She is compensated in cash for the performance of his/her duties, including ordinary and extraordinary meetings, committee activities and other extraordinary activities. There is no remuneration for the other members of the Board of Directors. Out-of-pocket expenses are reimbursed to all members of the Board of Directors.

Any loans to members of the Board of Directors and/or the Executive Management can only be granted at market conditions and may not exceed, at the time of grant, the annual compensation of the relevant member during the previous business year.

COMPENSATION DISCLOSURES

Compensation

Further information can be found in the separate section Remuneration Report.

SHAREHOLDINGS, LOANS

Loans and credits

Further information can be found in the separate section Remuneration Report.

Participations

Further information can be found in the separate section Remuneration Report.

6. VOTING RIGHTS AND PARTICIPATION AT SHAREHOLDERS' MEETINGS

Each share carries one vote at the shareholders' meetings of the Company. Voting rights may be exercised only after a shareholder has been registered in the Company's share register as a shareholder with voting rights. The deadline for registration in the Company's share register before a shareholders' meeting is in principle 15 working days prior to the meeting.

Subject to the registration of the shares in the share register, the Articles of Association do not impose any restrictions on the voting rights of shareholders. Specifically, there is no limitation on the number of voting rights per shareholder.

The other aspects relating to voting rights as well as the procedure for the exercise of such rights, including the rules governing the rights for a shareholder to ask for the calling of a shareholders' meeting and/or to ask that an item be added to the agenda of a shareholders' meeting, are governed by the Articles of Association in accordance with the applicable provisions of the Swiss Code of Obligations. The Articles of Association do not contain any special rules in relation to quorums, qualified majorities, calling of shareholders' meetings, participation in shareholders' meetings and/or the adding of an item to the agenda of shareholders' meetings that derogate from the provisions of the Swiss Code of Obligations.

Each shareholder recorded in the share register with voting rights may be represented at the shareholders' meeting by the independent representative or a third party.

7. TAKEOVER AND DEFENSIVE MEANS

OPTING-OUT

Previously, in accordance with the then applicable provisions of the Swiss Stock Exchanges and Securities Trading Act (Stock Exchange Act) and the Articles of Association, whoever acquired shares of the Company, whether directly, indirectly or acting in concert with third parties, which, when added to the shares already held, exceeded the threshold of 49% of the voting rights (whether exercisable or not) of the Company was under an obligation to make an offer to acquire all listed shares of the Company.

However, at the shareholders' meeting held on April 27, 2007, the shareholders of the Company decided, in accordance with article 22 para. 3 of the then applicable Stock Exchange Act, to "opt out" from the statutory provisions dealing with the duty to submit takeover offers by adopting the following new wording of article 9 of the Articles of Association: "The obligation to submit a takeover offer within the meaning of article 32 of the Stock Exchanges and Securities Trading Act does not apply to the owners and acquirers of shares of the Company in accordance with article 22 para. 3 of such Act." (such clause being referred to as an "Opting-out"). The validity of this "Opting-out" clause was confirmed by the shareholders at the shareholders' meeting held on May 24, 2013 on the basis of a proposal to that effect made by the group of shareholders referred to as a group under "Main Shareholders" above following a decision of the Swiss Takeover Board of April 26, 2013. As a result, the Articles of Association no longer provide for a duty of any owner or acquirer of shares of the Company to make an offer to all other shareholders upon reaching any level of shareholding, regardless of the level of his/her/its participation.

There are no provisions dealing with possible takeovers in the agreements with, and/or any incentive schemes for, the members of the Board of Directors and/or Executive Management.

8. AUDITORS

DURATION OF CURRENT AUDIT MANDATE AND OF AUDIT RESPONSIBLE FUNCTION

PricewaterhouseCoopers SA has been appointed as the statutory auditor of Perfect Holding and of the Perfect Holding Group since 1997. Since 2017, the lead auditor is Mr. Yves Cerutti, Swiss Audit Expert, partner (except for 2019, when the lead auditor was Mrs Corinne Pointet, Swiss Audit Expert, partner). As required by law, the lead auditor has to be changed every 7 years. By declaration of December 7, 2020, the Board of Directors has decided to renounce to a specific audit of the financials of the Company's subsidiary Perfect Aviation SA in view of the currently very limited activity of such company.

AUDIT FEES

The fees for professional services related to the audit of the Perfect Holding Group's annual accounts (including consolidated financial statements) for the FY 2021 amounted to KCHF 60.

AUDIT RELATED FEES

No further audit related services were rendered by PricewaterhouseCoopers SA in 2021.

OTHER FEES

No other services were rendered by PricewaterhouseCoopers SA in 2021.

ASSESSMENT OF EXTERNAL AUDIT

The assessment of the external auditors and supervision of their audit work is done by the Board of Directors. PricewaterhouseCoopers SA has been kept informed of the Board of Directors' feedback through the minutes of the Board of Directors and through some meetings with one or several members of the Board of Directors. PricewaterhouseCoopers has informed the Board of Directors about the audit work and conclusions by means of a "Detailed Report to the Board of Directors", remitted to the members of the Board of Directors during an audit closing meeting. During such audit closing meeting, the Board of Directors and the auditors reviewed together the consolidated financial statements of the Perfect Holding Group and the financial statements of Perfect Holding. Two audit closing meetings are normally held per year, one for interim financial statements and one for annual financial statements.

■ 9. FURTHER INFORMATION

The following source of information is available:
http://www.perfect.aero/en/investor-relations.

Interim reporting as well as annual reports are regularly published on:
http://www.perfect.aero/en/investor-relations/annual-and-interim-reports.

Ad Hoc Publicity and any press releases can be found on:
http://www.perfect.aero/en/investor-relations/adhoc-publicity-and-shareholders-information.

Calendar can be accessed on:
http://www.perfect.aero/en/investor-relations/calendar.

INVESTOR RELATIONS

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REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF PERFECT HOLDING SA, LAUSANNE

Report of the statutory auditor

to the General Meeting of Perfect Holding SA

Lausanne

We have audited the remuneration report (pages 14 to 16) of Perfect Holding SA for the year ended December 31, 2021.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

Opinion

In our opinion, the remuneration report of Perfect Holding SA for the year ended 31 December 2021 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers SA

Yves Cerutti	Patrick Wagner
Audit expert Auditor in charge	Audit expert

Lausanne, March 31, 2022

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REMUNERATION REPORT

The remuneration report contains information about the principles of remuneration, procedures for determining remuneration and components of compensation for the Board of Directors and Executive Management of Perfect Holding SA. It is based on the provisions of the Articles of Association, the transparency requirements set out in Article 663b bis and Article 663c of the Swiss Code of Obligations, Articles 13-16 and Article 20 of the Swiss Ordinance against Excessive Remuneration at Listed Companies (OaEC), the SIX Swiss Exchange Directive on Information relating to Corporate Governance and the Swiss Code of Best Practice for Corporate Governance drawn up by Economiesuisse.

1. REMUNERATION SYSTEM

PRINCIPLES

At the Annual General Meeting of May 29, 2015, the shareholders approved revised Articles of Association designed to implement the requirements of the OaEC. Amongst other things, the amended Articles of Association include the general principles regarding the elements of remuneration paid to Members of the Board of Directors and of the Executive Management. The amendments to the Articles of Association also set out the competencies of the Remuneration Committee, clarify the role of the independent representative and the possibility of electronic voting, as well as the duration of the employment contracts of the Board members and the Executive Management.

ORGANISATION AND COMPETENCIES

As from the Annual General Meeting held on May 23, 2014, a Remuneration Committee consisting of at least 2 members of the Board of Directors has been put in place. The members of such Remuneration Committee are elected individually by the shareholders' meeting for a term of office running until completion of the following annual shareholders' meeting. At the Annual General Meeting of May 28, 2021, Mrs. Anouck Ansermoz (Chairperson of the Board of Directors) and Mr. Stephen Grey (Board member) were elected as the members of such Commitee.

The Remuneration Committee assists the Board of Directors in establishing and periodically reviewing the Company's compensation strategy and guidelines as well as in preparing the proposals to the General Meeting regarding the compensation of the members of the Board of Directors and of the Executive Management. It may submit proposals and recommendations to the Board of Directors regarding other compensation-related issues. The Board of Directors may promulgate regulations to determine for which positions of the Board of Directors and of the Executive Management the Compensation Committee, together with the Chairman of the Board of Directors or on its own, shall submit proposals for the compensation, and for which positions it shall determine the compensation in accordance with the Articles of Association and the compensation guidelines established by the Board of Directors. The Board of Directors may delegate further tasks and powers to the Remuneration Committee.

The Company's Board of Directors decides upon the Executives' and Directors' remunerations, including any entitlements under participation and/or share option plans, within the limits of the maximum amounts fixed by the General Meeting. Executives and Directors are remunerated in relation to their qualifications and responsibilities. The remuneration currently paid to the members of the Board of Directors and Executive Management consists exclusively of a fixed remuneration, subject to the possibility (not used in 2021) for the Board of Directors to grant variable remuneration components.

GENERAL COMPENSATION PRINCIPLES

Compensation of the non-executive members of the Board of Directors comprises a fixed compensation as well as a possible variable remuneration element. Compensation of the members of the Executive Management may comprise fixed and variable compensation elements. Fixed compensation comprises the base salary and may comprise other compensation elements and benefits. Variable compensation may comprise short-term and long-term compensation elements.

The Board of Directors submits proposals to the General Assembly regarding the maximum amounts of the fixed compensation (for the following business year) and variable compensation (for the past business year). Within such limits, the Board of Directors, upon a proposal of the Remuneration Committee, decides upon the fixed and variable compensation elements, their components and the possible performance metrics for the variable compensation. Compensation may be paid or granted in the form of cash, shares, other benefits or in kind; compensation to members of the Board of Directors and of the Executive Management may also be paid or granted in the form of financial instruments or similar products. The Board of Directors, upon proposal of the Remuneration Committee, determines grant, vesting, blocking, exercise and forfeiture conditions; it may provide for continuation, acceleration or removal of vesting and exercise conditions, for payment or grant of compensation assuming target achievement or for forfeiture, for example in case of pre-determined events such as a termination of an employment or mandate agreement. Compensation may be paid by the Company or any company controlled by it. The Board of Directors evaluates compensation according to the principles that apply to the remuneration report.

REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

Currently, the members of the Board of Directors of the Company are as follows:

Anouck Ansermoz	Chairperson
Stephen Grey	Member

The former Chairman of the Board of Directors of Perfect Holding SA, Mr. Jean-Claude Roch, passed away suddenly on May 23, 2020. The Board of Directors decided that Mr. Roch's functions as CFO of the Company would be taken over ad interim by Mrs. Anouck Ansermoz, member of the Board of Directors, while the CEO position (also held by Mr. Roch) would initially remain vacant. The Board of Directors also decided to propose to the shareholders of the Company to appoint Mrs. Anouck Ansermoz as new chairperson of the Board at the shareholders' meeting of June 26, 2020, and this election was approved and then renewed at the shareholders' meeting of May 28, 2021.

While the former Chairman of the Board of Directors, Mr. Jean-Claude Roch, received a fixed remuneration (but no variable remuneration) until his sudden passing away on May 23, 2020, no remuneration was paid to the newly elected chairperson or to other members of the Board of Directors in 2021 and 2020. Out-of-pocket expenses are reimbursed to all members of the Board of Directors.

Statutory and regulatory social security contributions due on the remuneration paid to the former Chairman of the Board of Directors were paid by Perfect Holding SA.

REMUNERATION OF THE EXECUTIVE MANAGEMENT

Currently, the executive management team (the "Executive Management") is composed as follows:

Anouck Ansermoz	Chief Financial Officer of Perfect Holding

Messrs. Steven A Jack and Roderick Glassford, directors of the aircraft charter business of Oxygen Aviation Ltd, were part of the Executive Management until the end of March 2020, when the shares of Oxygen Aviation Ltd were sold by the Company.

Mr. Jean-Claude Roch's former remuneration as CEO and CFO until May 2020 is included in his above-described remuneration as former Chairman of the Board of Directors.

Since June 2020, Mrs. Anouck Ansermoz receives fixed monthly fees of CHF 10'000 as remuneration for her activities as CFO. Until the end of May 2020, she used to receive the same fixed monthly fees for specific tasks related mainly to consolidation and corporate finance matters, in addition to (and separate from) her duties as member of the Board of Directors.

The compensation of the other members of the Executive Management, until the end of March 2020, was a fixed remuneration in cash, taking into account their qualifications, experience and area of responsibility, at prevailing market conditions. Remuneration borne by the Perfect Holding Group comprised also the employer's contribution to social insurance, as well as a participation to an individual pension plan.

EMPLOYMENT CONTRACTS

Mrs. Anouck Ansermoz has a written external consulting agreement that can be terminated on 3 months' notice.

There is no contractual provision regarding a severance pay for members of the Board of Directors or of the Executive Management.

■ 2. COMPENSATION DISCLOSURES

COMPENSATION

The following compensations have been paid to the members of the Executive Management:

(in CHF '000)	2021	2020
Mr. Jean-Claude Roch, Chairman of the Board of Directors, CFO and CEO of Perfect Holding SA **, until May 2020	-	56
Mrs. Anouck Ansermoz, CFO Perfect Holding SA ***, since June 2020	120	70
Mr. Roderick Glassford, Director of the aircraft charter business of Oxygen Aviation *, until March 2020	-	46
Mr. Steven A Jack, Director of the aircraft charter business of Oxygen Aviation *, until March 2020	-	46
	120	**218**

* *Salaries and social charges*
** *Board membership remuneration*
*** *Monthly fixed fees*

Mrs. Anouck Ansermoz, as an external consultant to Perfect Holding SA, received fixed monthly fees of CHF 10'000 during the first 5 months of 2020 for specific tasks relating mainly to consolidation and corporate finance matters, in addition to (and separate from) her duties as member of the Board of Directors. Since June 2020, Mrs Ansermoz received the same monthly fixed fees as remuneration for her activities as CFO.

REMUNERATION REPORT

Mrs. Anouck Ansermoz and Mr. Stephen Grey did not receive any remuneration for their tasks as chairperson or member, respectively, of the Board of Directors in 2021 or 2020.

COMPARISON BETWEEN ACTUAL FIGURES AND FIGURES APPROVED BY THE ANNUAL GENERAL MEETING (PROSPECTIVE VOTE)

(in CHF '000)	Actual figures 2021	Figures approved by the AGM for 2021
Fixed remuneration of the members of the Board of Directors	-	-
Fixed remuneration of the members of the Executive Management	120	150
	120	150

3. SHAREHOLDINGS, LOANS

LOANS AND CREDITS

At December 31, 2021 and at December 31, 2020, there were no loans and/or credits granted by any company of the Perfect Holding Group to any current or former member of the Board of Directors or Executive Management.

PARTICIPATIONS

At December 31, 2021 and at December 31, 2020, the participations held by members of the Board of Directors and Executive Management were as follows:

	Dec. 31, 2021		Dec. 31, 2020	
(in nb of shares)	Shares	Option rights	Shares	Option rights
Mr. Stephen Grey, member of the Board of Directors	7'940'361	-	7'940'361	-
	7'940'361	-	7'940'361	-

Apart from the shares held by Mr. Stephen Grey, no member of the Board of Directors and/or Executive Management holds any shares in the Company. No options have currently been issued to any member of the Board of Directors and/or Executive Management under any stock option plan.

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF PERFECT HOLDING SA, LAUSANNE

Report of the statutory auditor

to the General Meeting of Perfect Holding SA

Lausanne

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Perfect Holding SA and its subsidiary (the Group), which comprise the consolidated income statement for the year ended December 31, 2021, consolidated balance sheet as at December 31, 2021, consolidated statement of changes in equity and 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 consolidated financial statements (pages 22 to 34) give a true and fair view of the consolidated financial position of the Group as at December 31, 2021 and 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 Auditing Standards. 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.

Material uncertainty related to going concern

We draw your attention to note 2.1 to these consolidated financial statements, which states that the Group is aware of the significant execution risks in connection with a foreseen transaction. This, along with other matters as described in note 2.1, indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. If it is not possible for the Group to continue as a going concern, the consolidated financial statements will need to be prepared on the basis of liquidation values. Our opinion is not modified in respect to this matter.

Our audit approach

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

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Overall Group materiality	CHF 4'000
Benchmark applied	Total expenses
Rationale for the materiality benchmark applied	We chose total expenses as the benchmark because, in our view, it is the most appropriate benchmark for this company which has limited operating activities and no income.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group financial statements are based on the consolidation of two components, representing two reporting units.

Following our assessment of the risk of material misstatements of the Group financial statements, we selected all two components in determining our Group audit scope. One of these components was subject to a full audit and one was subject to specified audit procedures. The specified audit procedures were based on our assessment of the risks of material misstatement and the materiality of the location's business operations relative to the Group.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Except for the matter described in the "Material uncertainty related to going concern" section, we have determined that there are no key audit matters to communicate in our report.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that 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 Swiss Auditing Standards 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.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers SA

Yves Cerutti	Patrick Wagner
Audit expert Auditor in charge	Audit expert

Lausanne, March 31, 2022

CONSOLIDATED INCOME STATEMENTS

(in CHF '000)	Notes	Year ended Dec. 31, 2021	Year ended Dec. 31, 2020
Revenue	12	**-**	**4'109**
Purchase of charter flights		-	−3'588
Employee benefit expenses		-	−388
Marketing & sales expenses		-	−76
General & administrative expenses		−410	−610
Loss on disposal of subsidiary	4	-	−561
Other operating income / (expenses)		-	15
Loss before interest, taxes and depreciation		**−410**	**−1'099**
Depreciation		-	−6
Financial income	5	280	1'084
Financial expenses	5	−13	−9
Exchange differences		-	23
Profit / (loss) before taxes		**−143**	**−7**
Income tax income / (expenses)		-	-
Net profit / (loss) for the period		**−143**	**−7**
Earnings / (loss) per share			
Basic and diluted profit / (loss) per share (in CHF)	6	−0,00087	−0,00004

The notes on pages 26 to 34 form an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEETS

(in CHF '000)	Notes	Dec. 31, 2021	Dec. 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		124	63
Other current assets		12	64
Total current assets		**136**	**127**
Non-current assets			
Total non-current assets		-	-
Total assets		**136**	**127**
LIABILITIES AND EQUITY			
Current liabilities			
Trade account payables		86	31
Other current liabilities		21	73
Total current liabilities		**107**	**104**
Non-current liabilities			
Long-term debt	8	429	280
Total non-current liabilities		**429**	**280**
Total liabilities		**536**	**384**
Equity attributable to owners of the parent			
Share capital	9	1'810	1'810
Share premium	9	220	220
Treasury shares	9	-	-
Accumulated losses		−2'430	−2'287
Total equity		**−400**	**−257**
Total liabilities and equity		**136**	**127**

The notes on pages 26 to 34 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent					
(in CHF '000)	Share capital	Share premium	Treasury shares	Cumulative translation adjustment	Accumulated losses	Total
January 1, 2020	1'810	220	-	–302	–2'280	–552
Net profit / (loss) for the period	-	-	-	-	–7	–7
Currency translation differences	-	-	-	–30	-	–30
Cumulative translation adjustment of disposed subsidiary recycled to income statement	-	-	-	332	-	332
December 31, 2020	1'810	220	-	-	–2'287	–257
Net profit / (loss) for the period	-	-	-	-	–143	–143
December 31, 2021	1'810	220	-	-	–2'430	–400

The notes on pages 26 to 34 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in CHF '000)	Notes	Year ended Dec. 31, 2021	Year ended Dec. 31, 2020
Operating activities			
Net loss for the year		–143	–7
Adjustments for non-monetary items:			
▪ Allocation to provision for receivables impairment		-	122
▪ Depreciation of property, plant and equipment		-	6
▪ Loan waiver income	5	–280	–1'082
▪ Loss on disposal of subsidiary		-	561
▪ Interest expense		9	9
▪ Interest income		-	–2
▪ Income taxes		-	-
(Increase) / decrease in trade account receivables		-	196
(Increase) / decrease in other current assets		52	570
(Decrease) / increase in trade account payables		55	33
(Decrease) / increase in other current liabilities		–52	–778
Interest and taxes, paid		-	–6
Net cash generated from / (used in) operating activities		**–359**	**–378**
Investing activities			
Disposal of subsidiary, net of cash disposed of		-	–899
Net cash from / (used in) investing activities		**-**	**–899**
Financing activities			
Proceeds from borrowings	8	420	530
Reimbursement of borrowings		-	–6
Interest paid on borrowings		-	–1
Net cash from / (used in) financing activities		**420**	**523**
Net increase / (decrease) in cash and cash equivalents		**61**	**–754**
Exchange gains / (losses) on cash and cash equivalents		-	–63
Cash and cash equivalents at beginning of year		63	880
Cash and cash equivalents at end of year		**124**	**63**

The notes on pages 26 to 34 form an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACTIVITY AND GROUP STRUCTURE

Perfect Holding SA (Perfect Holding or the Company) was incorporated in Yverdon-les-Bains (Switzerland) as a Swiss limited company on April 8, 1997 with the Register of Commerce of the Canton of Vaud. The Company has its corporate legal headquarter at 3, Avenue de Florimont, 1006 Lausanne, Switzerland. Its duration is undetermined. The corporate purpose of the Company, according to Article 2 of its Articles of Association, is the acquisition and the management of participations in other companies, notably in the aviation sector, as well as any directly or indirectly related purposes.

Perfect Holding, the ultimate parent company, is listed on the SIX Swiss Exchange, SIX Swiss Reporting Standard. The Company is listed under the symbol "PRFN".

On April 9, 2020, the Board of Directors of Perfect Holding SA signed a Share Purchase Agreement for the sale of its UK subsidiary Oxygen Aviation Ltd which was completed on April 24, 2020. Since then, the activities of the Company have mainly consisted in the analysis, valuation and negotiation of several potential acquisitions.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

These group consolidated financial statements were authorised for issue by the Board of Directors on March 31, 2022, and they are subject to approval of the shareholders' general meeting.

As at December 31, 2021, Perfect Holding has one subsidiary:

	Registered office	Country	Currency	Share capital	Ownership Interest
Perfect Aviation SA	Lausanne	Switzerland	CHF	650 000	100%

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

The Perfect Group consolidated financial statements provide a true and fair view of the group's assets, financial position and earnings, 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 based upon the financial statements of the Perfect Group's companies at December 31 and 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.

Going concern

On February 22, 2022, an addendum to the existing bridge facility agreement was signed between Perfect Holding and a related party, in order to increase the total available amount up to CHF 600'000. This additional financing shall cover the current expenses of Perfect Holding until the implementation of the envisaged transaction (see Notes 8 and 13).

On March 29, 2022, Perfect Holding signed a transaction agreement with the company Kinarus AG regarding the acquisition of Kinarus AG by Perfect Holding by way of a share exchange. The implementation of the acquisition is subject to several conditions, including the approval of the transaction by the shareholders of both companies and the listing on the SIX Swiss Exchange of the new shares of Perfect Holding to be issued in exchange for the shares of Kinarus.

Should the conditions be met and the transaction be implemented, the ability of the future combined group ("the Kinarus Group") to meet its financial obligations would be dependent on its capacity to raise sufficient additional funds. According to the management and Board of Directors of Kinarus, the current funding of Kinarus AG, together with expected further Covid-19 related prepayments from the Swiss government (dependent on reaching further milestones), should be sufficient to fund its clinical trials and operations until the end of the first quarter of 2023. However, the Kinarus Group's operational plans could be impacted by the progress and results of the planned clinical trials and a multitude of other factors. As a result, the Kinarus Group may require additional liquidity. There can be no assurance that these additional funds will be available and in an amount sufficient to enable the Kinarus Group to fully complete its development activities or sustain operations. If the Kinarus Group is unable to raise sufficient additional funds, it will have to develop and implement a plan to further extend payables and indebtedness, reduce overhead, or scale back its current business plan until sufficient additional liquidity is raised to support further operations or force the Kinarus Group to grant rights to develop and commercialize any of its product candidates that it would otherwise prefer to develop and commercialize on its own. There can be no assurance that such a plan will be successful. The availability of sufficient additional financing, in particular in the form of equity or subordinated debt to comply with Swiss minimum equity requirements, and the success of the clinical trials are therefore of crucial importance for the continuation of the Kinarus Group as a going concern.

On the other hand, should the conditions set forth in the transaction agreement not be met and the transaction be cancelled, the Board of Directors of Perfect Holding will need to reconsider the Company's options and may well need to submit to its shareholders a proposal for a voluntary liquidation.

These elements indicate the existence of a material uncertainty that may cast significant doubts as to whether Perfect Holding can remain a going concern. The Board of Directors is however confident that, based on the recent signature of the transaction agreement with Kinarus AG and taking into account the encouraging outlook as well as the expected positive impact of this acquisition, the group will be able to meet all its obligations as they fall due for at least the next twelve months, and the consolidated financial statements have therefore been prepared on a going concern basis.

2.2 CONSOLIDATION

The annual closing date of the individual financial statements is December 31.

Subsidiaries

Subsidiaries are all entities that are directly or indirectly controlled by the Perfect Group. 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 in assets 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.

Disposal of subsidiaries

In the event that shares of group companies are sold, the difference between the proceeds from the sale and the book value of the net assets, including the carrying amount of the goodwill, is recognised as a gain or loss in the income statement.

2.3 FOREIGN CURRENCY TRANSLATION

National 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 national currency"). The consolidated financial statements are presented in Swiss francs ("CHF" or "Swiss francs"), which is the Company's national 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
- (iii) all resulting exchange differences are recognised in equity, under "Cumulative translation adjustment".

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.

2.4 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. Restricted cash (which comprises customers security deposits) is included in "Cash and cash equivalents".

2.5 TRADE ACCOUNT PAYABLES

Trade 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.

2.6 SHARE CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. 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.

2.7 TREASURY SHARES

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

2.8 BORROWINGS

Borrowings are recognised at nominal values.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.9 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable for the sale of services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, rebates and discounts and after eliminating sales within the group.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below.

Sale of services

The group sells services to the business aircraft market: world wide charter, brokerage of aircraft acquisition and sales.

For sales of services, revenue is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Charters

Revenue from charters is recognised when the group entity has delivered its services to its customers, i.e. when the concerned flight has occurred. In addition, revenue from charter business is recognised in applying the proper "principal VS agent" rule. When a third party is involved in providing services to a customer, the seller is required to determine whether the nature of its obligation is to (a) provide the specified goods or services itself (principal) and recognises revenue at the gross amount, or (b) arrange for a third party to provide those goods or services (agent) and recognises revenue as the amount of commission. Determining whether an entity is acting as a principal or as an agent requires judgement and consideration of all relevant facts and circumstances.

An entity is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. Features that indicate that an entity is acting as a principal include:
(a) the entity has the primary responsibility for providing the goods or services to the customer or for fulfilling the order, for example by being responsible for the acceptability of the products or services ordered or purchased by the customer;
(b) the entity has inventory risk before or after the customer order, during shipping or on return;
(c) the entity has latitude in establishing prices, either directly or indirectly, for example by providing additional goods or services; and
(d) the entity bears the customer's credit risk for the amount receivable from the customer.

An entity is acting as an agent when it does not have exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. One feature indicating that an entity is acting as an agent is that the amount the entity earns is predetermined, being either a fixed fee per transaction or a stated percentage of the amount billed to the customer.

The group is acting almost exclusively as a principal in this charter business, as it has the exposure to the significant risks and rewards associated with the rendering of those services. Accordingly, the amount invoiced to the final customer is recognised in the income statement in "Revenue"; the amount for the purchase of the flight from an external operator ('subcharter') is recognised in "Purchase of charter flights".

The only case when the group is acting as an agent is when the group acts as an intermediate and recommends an operator to a customer and vice versa. In such situation, the group will get a commission, which is recognised in "Revenue" in the income statement, when the concerned flight has occurred.

2.10 CURRENT AND DEFERRED INCOME TAX

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.

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.

2.11 ROUNDING OF AMOUNTS

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

3. EMPLOYEE BENEFIT EXPENSES

(in CHF '000)	Year ended Dec. 31, 2021	Year ended Dec. 31, 2020
Wages, salaries and other costs	-	343
Social security costs	-	36
Pension costs	-	9
Employee benefit expenses	**-**	**388**

4. LOSS ON DISPOSAL OF SUBSIDIARY

On April 9, 2020, in view of the need to act promptly because of the rapid deterioration of the situation in the aviation sector due to the Covid-19 coronavirus pandemic, the Board of directors of Perfect Holding SA had signed a Share Purchase Agreement for the sale of its subsidiary Oxygen Aviation Ltd to Messrs. Roderick Glassford and Steven A Jack, directors of this UK entity. The sale was completed on April 24, 2020 at a consideration price of CHF 100'000, and the buyers also handed over to Perfect Holding SA in this context all the shares that they held in the Company, resulting in a treasury share position representing approximately 9.5% of the share capital of Perfect Holding.

According to the group accounting principles, subsidiaries are de-consolidated from the date that control ceases.

Details of the sale were as follows:

(in CHF '000)	
Sales consideration:	
- consideration received in cash	100
Fair value of net assets disposed of	−329
Cumulative translation adjustment of disposed subsidiary recycled to income statement	−332
Loss on disposal of subsidiary	**−561**
Consideration received in cash	100
Cash and cash equivalents disposed of	−999
Total cash inflow, net of cash disposed of	**−899**

The fair values of the assets and liabilities sold were as follows:

(in CHF '000)	
Cash and cash equivalents	999
Trade account receivables	31
Other current assets	23
Property, plant and equipment	229
Trade account payables	−637
Other current liabilities	−114
Deferred tax liabilities	−42
Current portion of long-term debt	−22
Long-term debt	−138
Net value of assets and liabilities	**329**

5. FINANCIAL INCOME AND EXPENSES

(in CHF '000)	Notes	Year ended Dec. 31, 2021	Year ended Dec. 31, 2020
Loan waiver income	8	280	1'082
Other financial income		-	2
Financial income		**280**	**1'084**
Interest on loan from related parties	8	−9	-
Interest and financial expenses		−4	−9
Financial expenses		**−13**	**−9**
Financial income / (expenses), net		**267**	**1'075**

6. EARNINGS PER SHARE

(in CHF '000)	Year ended Dec. 31, 2021	Year ended Dec. 31, 2020
Net profit / (loss) attributable to shareholders (in CHF '000)	–143	–7
Weighted average number of ordinary shares in issue	163'768'280	168'434'264
Basic and diluted profit / (loss) per share (in CHF)	**–0,00087**	**–0,00004**

Basic profit per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares owned by the Company and held as treasury shares.

The diluted profit per share is equivalent to the basic profit per share, as there are no dilutive elements to be taken into consideration at December 31, 2021 and 2020.

7. DEFERRED INCOME TAXES

Deferred income tax assets can be recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits was probable. Due to the uncertainty regarding going concern as explained in note 2.1 and hence the capacity to realise sufficient taxable profits, no deferred income tax assets have been recognised at December 31, 2021.

Tax losses to be carried-forward (in CHF '000):

	Not recognised	
Years of expiry	Dec. 31, 2021	Dec. 31, 2020
2022	3'164	3'164
2023	1'785	1'785
2024	92	92
2025	4'401	4'401
2026	2'947	3'556
2027	21	21
2028	143	-
	12'553	13'019

Out of these CHF 12.6 million, CHF 10.8 million relate to Perfect Holding SA. The decrease in tax losses expiring in 2026 is due to an expense considered as non-deductible by the tax authorities in the 2019 final taxation.

In 2021, no unused tax losses have expired (2020: KCHF 545).

8. BORROWINGS

(in CHF '000)	Dec. 31, 2021	Dec. 31, 2020
Long-term debt (and accrued interest) - due to related parties - subordinated	429	280
Long-term debt	**429**	**280**

In 2020, negotiations with the Company's main creditors and partners have resulted in particular in several agreements under which the lenders (a related party and a shareholder) of bridge loans granted in September 2018, February 2019 and October 2019, had agreed to waive their rights to the repayment of the relevant loans in total principal amounts of CHF 200'000, CHF 600'000 and CHF 250'000, plus interest. The total amount waived by the parties was of CHF 1'081'899 and was shown under "Financial income".

On May 24, 2020, in the context of the negotiations relating to a previous potential acquisition project (by way of share exchange) with a third party investor (considered as a "related party" as per Swiss GAAP FER 15), Perfect Holding SA had signed a bridge facility agreement with the potential investor in order to fund the group's continued operations until the possible implementation of the contemplated transaction within the following months. The interruption of the negotiations led to a termination of the drawdown possibilities and to a waiver of all instalments already paid. The total amount waived by such lender is CHF 280'000 and is shown under "Financial income".

On March 3, 2021, Perfect Holding SA signed a bridge facility agreement with a related party for a total amount of up to CHF 510'000. The maximum facility amount shall be advanced in monthly disbursements to cover the average estimated financial needs of the group for the relevant months. As at December 31, 2021, the principal amount drawn under the facility is CHF 420'000. This borrowing, unsecured, bears interest at 5% (subject to an agreement of the lender to waive such interest in case of implementation of the contemplated transaction with Kinarus AG). According to the contract, this borrowing is subordinated and is therefore considered as long-term. In case the discussions and negotiations concerning the contemplated transaction are interrupted, the lender shall be released from the obligation to advance the amount of any further disbursement. In case of such interruption, the then outstanding principal amount of the bridge loan facility shall be automatically and irrevocably waived by the lender. The amount of interests as of December 31, 2021, is CHF 9'468 and is shown under "Financial expenses".

An addendum to this bridge facility agreement was signed on February 22, 2022 in order to increase the total amount up to CHF 600'000.

9. SHARE CAPITAL

As at December 31, 2021 and 2020, the share capital amounts to CHF 1'810'182.81, consisting of 181'018'281 issued and fully paid-in registered shares with a nominal value of CHF 0.01 each.

Each share carries one vote at the shareholders' meetings. Voting rights may be exercised only after a shareholder has been registered in the Company's share register as a shareholder with voting rights.

Treasury shares

In the context of the sale of Oxygen Aviation Ltd (see Note 4), the buyers transferred to Perfect Holding SA all the shares they held in the Company, i.e. 17'250'001 shares, resulting in a treasury share position representing approximately 9.5% of the share capital of Perfect Holding SA.

At the time of the Share Purchase Agreement signature, the Company was trying to find solutions to overcome the threatening over-indebtedness situation and therefore the market value of these treasury shares transferred to Perfect Holding SA was considered as being nil.

Movements on the treasury shares position are as follows:

	2021		2020	
Number of registered shares	Acquisition cost CHF	Number of shares	Acquisition cost CHF	Number of shares
Owned by Perfect Holding SA as at January 1	-	17'250'001	-	-
Transferred by the buyers of Oxygen Aviation Ltd	-	-	-	17'250'001
Owned by Perfect Holding SA as at December 31	**-**	**17'250'001**	**-**	**17'250'001**

Conditional share capital

Conditional capital reserved for convertible loans

At the shareholders' general meeting of May 27, 2016, a conditional capital of maximum CHF 3'620'000 (divided into a maximum of 90'500'000 registered shares of a nominal value of CHF 0.04 each, to be fully paid up) had been created in order to secure the exercise of conversion rights that may be issued under future convertible loans of the Company. The new shares may be acquired by creditors of future convertible loans of the Company. The preferential subscription right of shareholders is suppressed for these new shares. The Board of Directors may decide to restrict the preferential right of shareholders to subscribe to such convertible loans by setting minimum individual loan tranches of CHF 50'000. The conversion right can only be exercised for up to 3 years from the date of issuance of the convertible loan. The issuance of the new shares is subject to the applicable conditions of conversion, whereby the conversion price must correspond to the nominal value of the shares.

At the shareholders' general meeting held on May 24, 2019, further to the reduction of the nominal value of each share from CHF 0.04 to CHF 0.01 per share, the conditional capital was adjusted to a reduced maximum amount of CHF 905'000 (divided into a maximum of 90'500'000 registered shares of CHF 0.01 nominal value each).

Significant shareholders

The main shareholders of the Company are as follows:

	Dec. 31, 2021	Dec. 31, 2020
Haute Vision SA, Mauritius	35,15%	37,90%
Perfect Holding SA (see above "Treasury shares")	9,53%	9,53%
Grover Ventures Inc, British Virgin Islands	6,85%	6,85%
Nicholas Grey	5,39%	5,39%
Stephen Grey	4,39%	4,39%

Mr. Stephen Grey, Mr. Nicholas Grey, Haute Vision SA and Grover Ventures Inc, who are deemed to form a group based on their family and business relationships and voting agreement (as disclosed in the Swiss Official Gazette of Commerce of August 6, 2008), hold in aggregate 93'741'973 shares (2020: 98'704'873 shares), i.e. 51.79% (2020: 54.53%) of the current share capital of CHF 1'810'182.81 (divided into 181'018'281 shares with a nominal value of CHF 0.01 each).

Dividend

At the Annual General Meeting, the Board of Directors will not propose any dividend in respect of fiscal year 2021 (2020: nil).

10. ASSETS PLEDGED

As at December 31, 2021 and 2020, no asset is pledged.

11. RELATED PARTIES

The following transactions were carried out with related parties.

Key management compensation:
The compensation paid to key management (please refer to section Remuneration Report) is shown below:

(in CHF '000)	Year ended Dec. 31, 2021	Year ended Dec. 31, 2020
Employee benefit expenses	-	148
General & administrative expenses	120	70
	120	**218**

In 2021 (and in 2020), no other compensation elements were granted to key management (neither share options, nor any other compensation).

Transactions:

(in CHF '000)	Notes	Year ended Dec. 31, 2021	Year ended Dec. 31, 2020
General & administrative expenses with related parties		–24	–66
Interest on loan from related parties	8	–9	-
Loan waiver income (Financial income)	8	280	1'082

Year-end balances:

(in CHF '000)	Notes	Dec. 31, 2021	Dec. 31, 2020
Long-term debt (and accrued interest) - due to related parties - subordinated	8	429	280

12. SEGMENT INFORMATION

Management has determined the operating segments based on the information reviewed by the Board of Directors for the purpose of allocating resources and assessing performance.

Management assesses the performance of only one segment: charters. The Board of Directors assesses the performance of the operating segments based on a measure of sales revenue.

Geographic information
The segment information provided to the Board of Directors is as follows:

(in CHF '000)	Charters - sales revenue
2020	
• European countries	2'106
• Russia	512
• Middle East	738
• Central Asia	62
• Switzerland	122
• Americas	435
• Others	134
Revenue external	**4'109**
2021	
• European countries	-
• Russia	-
• Middle East	-
• Central Asia	-
• Switzerland	-
• Americas	-
• Others	-
Revenue external	-

The 2020 figures correspond to Oxygen Aviation's revenue before the sale of the subsidiary, as detailed in Note 4. The revenue from external customers is measured in a manner consistent with that presented in the income statement. Revenues are allocated to countries on the basis of the customer's location.

13. EVENTS AFTER THE REPORTING DATE

On February 22, 2022, an addendum to the existing bridge facility agreement was signed between Perfect Holding and a related party, in order to in increase the total available amount up to CHF 600’000.

On March 29, 2022, Perfect Holding SA signed a transaction agreement with the clinical-stage pharmaceutical company Kinarus AG regarding Perfect Holding’s contemplated acquisition of Kinarus by way of a share exchange. The implementation of the acquisition is subject to several conditions, including the approval of the transaction by the shareholders of both companies and the listing on the SIX Swiss Exchange of the new shares of Perfect Holding SA to be issued in exchange for the shares of Kinarus AG.

There were no other relevant events after the reporting date.

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF PERFECT HOLDING SA, LAUSANNE

Report of the statutory auditor

to the General Meeting of Perfect Holding SA

Lausanne

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Perfect Holding SA, which comprise the income statement for the year ended December 31, 2021, balance sheet as at December 31, 2021 and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 39 to 44) as at December 31, 2021 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity 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.

Material uncertainty related to going concern

We draw your attention to note 1.2 to these financial statements, which states that the Company is aware of the significant execution risks in connection with a foreseen transaction. This, along with other matters as described in note 1.2, indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern. If it is not possible for the Company to continue as a going concern, the financial statements will need to be prepared on the basis of liquidation values. Our opinion is not modified in respect of this matter.

Our audit approach

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

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Overall materiality	CHF 4'000
Benchmark applied	Total expenses
Rationale for the materiality benchmark applied	We chose total expenses as the benchmark because, in our view, it is the most appropriate benchmark for this company which has limited operating activities and no income.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Except for the matter described in the "Material uncertainty related to going concern" section, we have determined that there are no key audit matters to communicate in our report.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity'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 entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 Swiss Auditing Standards 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 financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

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

Furthermore, we draw attention to the fact that the financial statements of Perfect Holding SA disclose an excess of liabilities over assets in accordance with article 725 para. 2 CO. Due to the fact that the company's creditors subordinated their claims in the amount of CHF 429'468, the Board of Directors has refrained from notifying the court.

PricewaterhouseCoopers SA

Yves Cerutti	Patrick Wagner
Audit expert Auditor in charge	Audit expert

Lausanne, March 31, 2022

INCOME STATEMENTS

(in CHF '000)	Notes	2021	2020
INCOME			
Dividend income		-	-
		-	-
EXPENSES			
Personnel expenses		-	−56
General and administrative expenses		−396	−389
Financial expenses		−14	−3
Extraordinary loss	2.2	−9	−10
Extraordinary income	2.2	280	1 082
		−139	624
Profit / (loss) before taxes		−139	624
Income tax		-	-
Profit / (loss) for the year		−139	624

BALANCE SHEETS

(in CHF '000)	Notes	December 31, 2021	December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		119	50
Other current receivables			
Due from third parties		10	10
Accrued income and prepaid expenses		-	54
Total current assets		**129**	**114**
Non-current assets			
Investments	2.1	-	-
Loans to subsidiaries	2.2	-	-
Total non-current assets		**-**	**-**
Total assets		**129**	**114**
LIABILITIES			
Current liabilities			
Trade accounts payable			
Due to third parties		29	12
Due to statutory auditors		54	16
Accrued expenses and deferred income		21	71
Total current liabilities		**104**	**99**
Non-current liabilities			
Long-term liabilities			
Due to related parties, subordinated	2.2	429	280
Total non-current liabilities		**429**	**280**
Total liabilities		**533**	**379**
Shareholders' equity			
Share capital	2.3	1'810	1'810
Treasury shares	2.4	-	-
Legal reserves from capital contributions		219	219
Loss brought forward		–2'294	–2'918
Profit / (loss) for the year		–139	624
Total shareholders' equity		**–404**	**–265**
Total liabilities and shareholders' equity		**129**	**114**

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPLES

1.1 GENERAL ASPECTS

These financial statements were prepared according to the provisions of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles are described below.

1.2 GOING CONCERN

On February 22, 2022, an addendum to the existing bridge facility agreement was signed between Perfect Holding SA ("the Company") and a related party, in order to increase the total available amount up to CHF 600'000. This additional financing shall cover the current expenses of Perfect Holding until the implementation of the envisaged transaction (see Notes 2.2 and 3.8).

On March 29, 2022, Perfect Holding signed a transaction agreement with the company Kinarus AG regarding the acquisition of Kinarus AG by Perfect Holding by way of a share exchange. The implementation of the acquisition is subject to several conditions, including the approval of the transaction by the shareholders of both companies and the listing on the SIX Swiss Exchange of the new shares of Perfect Holding to be issued in exchange for the shares of Kinarus.

Should the conditions be met and the transaction be implemented, the ability of the future combined group ("the Kinarus Group") to meet its financial obligations would be dependent on its capacity to raise sufficient additional funds. According to the management and Board of Directors of Kinarus, the current funding of Kinarus AG, together with expected further Covid-19 related prepayments from the Swiss government (dependent on reaching further milestones), should be sufficient to fund its clinical trials and operations until the end of the first quarter of 2023. However, the Kinarus Group's operational plans could be impacted by the progress and results of the planned clinical trials and a multitude of other factors. As a result, the Kinarus Group may require additional liquidity. There can be no assurance that these additional funds will be available and in an amount sufficient to enable the Kinarus Group to fully complete its development activities or sustain operations. If the Kinarus Group is unable to raise sufficient additional funds, it will have to develop and implement a plan to further extend payables and indebtedness, reduce overhead, or scale back its current business plan until sufficient additional liquidity is raised to support further operations or force the Kinarus Group to grant rights to develop and commercialize any of its product candidates that it would otherwise prefer to develop and commercialize on its own. There can be no assurance that such a plan will be successful. The availability of sufficient additional financing, in particular in the form of equity or subordinated debt to comply with Swiss minimum equity requirements, and the success of the clinical trials are therefore of crucial importance for the continuation of the Kinarus Group as a going concern.

On the other hand, should the conditions set forth in the transaction agreement not be met and the transaction be cancelled, the Board of Directors of Perfect Holding will need to reconsider the Company's options and may well need to submit to its shareholders a proposal for a voluntary liquidation.

These elements indicate the existence of a material uncertainty that may cast significant doubts as to whether Perfect Holding can remain a going concern. The Board of Directors is however confident that, based on the recent signature of the transaction agreement with Kinarus AG and taking into account the encouraging outlook as well as the expected positive impact of this acquisition, the Company will be able to meet all its obligations as they fall due for at least the next twelve months, and the financial statements have therefore been prepared on a going concern basis.

1.3 INVESTMENTS

Investments are valued at cost less necessary depreciation.

1.4 TREASURY SHARES

Treasury shares are recognized at acquisition cost and deducted from shareholders' equity at the time of acquisition. In case of a resale, the gain or loss is recognized through the income statement as financial income or financial expenses.

1.5 LONG-TERM LIABILITIES

Long-term liabilities are recognized in the balance sheet at nominal value.

1.6 FOREGOING A CASH FLOW STATEMENT AND ADDITIONAL DISCLOSURES IN THE NOTES

As Perfect Holding SA has prepared its consolidated financial statements in accordance with a recognized accounting standard, it has decided to forego presenting additional information on audit fees in the notes as well as a cash flow statement in accordance with the law.

1.7 COMPARATIVES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

2. INFORMATION ON BALANCE SHEET AND INCOME STATEMENT ITEMS

2.1 INVESTMENTS

(in CHF '000)	Share capital	Dec. 31, 2021	Dec. 31, 2020
Perfect Aviation SA, Lausanne, Switzerland (100%/100% share capital and voting rights):	CHF 650'000		
Gross book value		7'774	7'774
Accumulated provision		–7 774	–7'774
Net book value		-	-

As at December 31, 2021, Perfect Holding SA has one subsidiary: Perfect Aviation SA.
On April 9, 2020, in view of the need to act promptly because of the rapid deterioration of the situation in the aviation sector due to the Covid-19 coronavirus pandemic, the Board of Directors of Perfect Holding SA signed a Share Purchase Agreement for the sale of its subsidiary Oxygen Aviation Ltd to Messrs. Roderick Glassford and Steven A Jack, directors of this UK entity. The sale was completed at a consideration price of CHF 100'000, and the buyers also handed over to Perfect Holding SA in this context all the shares that they held in the Company, resulting in a treasury share position representing approximately 9.5% of the share capital of Perfect Holding. No gain or loss was recorded on this transaction. Since then, the activities of the Company consisted in the analysis, valuation and negotiation of several potential acquisitions.

2.2 BORROWINGS

(in CHF '000)	Dec. 31, 2021	Dec. 31, 2020
Long-term liabilities - due to related parties (subordinated)	429	280
	429	**280**

In 2020, negotiations with the Company's main creditors and partners have resulted in particular in several agreements under which the lenders (a related party and a shareholder) of bridge loans granted in September 2018, February 2019 and October 2019, had agreed to waive their rights to the repayment of the relevant loans in total principal amounts of CHF 200'000, CHF 600'000 and CHF 250'000, plus interest. The total amount waived by the parties was of CHF 1'081'899 and was shown under "Extraordinary income".

On May 24, 2020, in the context of the negotiations relating to a previous potential acquisition project (by way of share exchange) with a third party investor (considered as a "related party" as per Swiss GAAP FER 15), Perfect Holding SA had signed a bridge facility agreement with the potential investor in order to fund the group's continued operations until the possible implementation of the contemplated transaction within the following months. The interruption of the negotiations at the beginning of 2021 led to a termination of the drawdown possibilities and to a waiver of all instalments already paid. The total amount waived by such lender is CHF 280'000 and is shown under "Extraordinary income".

On March 3, 2021, Perfect Holding SA signed a bridge facility agreement with a related party for a total amount of up to CHF 510'000. The maximum facility amount shall be advanced in monthly disbursements to cover the average estimated financial needs of the group for the relevant months. As at December 31, 2021, the principal amount drawn under the facility is CHF 420'000. This borrowing, unsecured, bears interest at 5% (subject to an agreement of the lender to waive such interest in case of implementation of the contemplated transaction with Kinarus AG). According to the contract, this borrowing is subordinated and is therefore considered as long-term. In case the discussions and negotiations concerning the contemplated transaction are interrupted, the lender shall be released from the obligation to advance the amount of any further disbursement. In case of such interruption, the then outstanding principal amount of the bridge loan facility shall be automatically and irrevocably waived by the lender. The amount of interests as of December 31, 2021, is CHF 9'468 and is shown under "Financial expenses".

An addendum to this bridge facility agreement was signed on February 22, 2022 in order to increase the total amount up to CHF 600'000.

In addition, in 2021, an amount of CHF 8'830, long-term loan due from the subsidiary Perfect Aviation SA, Lausanne was waived by Perfect Holding SA in favour of Perfect Aviation SA, generating an "Extraordinary loss" in the income statement. It did not bear any interest. In 2020, an amount of CHF 10'318, long-term loan due from the subsidiary Perfect Aviation SA, Lausanne was waived by Perfect Holding SA in favour of Perfect Aviation SA, generating an "Extraordinary loss" in the income statement. It did not bear any interest.

2.3 SHARE CAPITAL

As at December 31, 2021 and 2020, the share capital amounts to CHF 1'810'182.81, consisting of 181'018'281 issued and fully paid-in registered shares with a nominal value of CHF 0.01 each.

2.4 TREASURY SHARES

Number of registered shares	2021 Acquisition cost CHF	2021 Number of shares	2020 Acquisition cost CHF	2020 Number of shares
Owned by Perfect Holding SA as at January 1	-	17'250'001	-	-
Transferred by the buyers of Oxygen Aviation Ltd	-	-	-	17'250'001
Owned by Perfect Holding SA as at December 31	**-**	**17'250'001**	**-**	**17'250 001**

In the context of the sale of Oxygen Aviation Ltd (see Note 2.1), the buyers transferred to Perfect Holding SA all the shares they held in the Company, i.e. 17'250'001 shares, resulting in a treasury share position representing approximately 9.5% of the share capital of Perfect Holding SA.

At the time of the share purchase agreement signature, the Company was trying to find solutions to overcome the threatening over-indebtedness situation and therefore the market value of these treasury shares transferred to Perfect Holding SA was considered as being nil.

3. OTHER INFORMATION

3.1 FULL-TIME EQUIVALENTS

In 2021 and 2020, Perfect Holding SA employed no more than ten full-time equivalents on an annual average basis.

3.2 CONDITIONAL SHARE CAPITAL

Conditional capital reserved for convertible loans

At the shareholders' general meeting of May 27, 2016, a conditional capital of maximum CHF 3'620'000 (divided into a maximum of 90'500'000 registered shares of a nominal value of CHF 0.04 each, to be fully paid up) had been created in order to secure the exercise of conversion rights that may be issued under future convertible loans of the Company. The new shares may be acquired by creditors of future convertible loans of the Company. The preferential subscription right of shareholders is suppressed for these new shares. The Board of Directors may decide to restrict the preferential right of shareholders to subscribe to such convertible loans by setting minimum individual loan tranches of CHF 50'000. The conversion right can only be exercised for up to 3 years from the date of issuance of the convertible loan. The issuance of the new shares is subject to the applicable conditions of conversion, whereby the conversion price must correspond to the nominal value of the shares.

At the shareholders' general meeting held on May 24, 2019, further to the reduction of the nominal value of each share from CHF 0.04 to CHF 0.01 per share, the conditional capital was adjusted to a reduced maximum amount of CHF 905'000 (divided into a maximum of 90'500'000 registered shares of CHF 0.01 nominal value each).

3.3 SIGNIFICANT SHAREHOLDERS

The following shareholders are considered as significant:

(in % of share capital)	Dec. 31, 2021	Dec. 31, 2020
Haute Vision SA, Mauritius	35,15%	37,90%
Perfect Holding SA (see Note 2.4 "Treasury shares")	9,53%	9,53%
Grover Ventures Inc, British Virgin Islands	6,85%	6,85%
Nicholas Grey	5,39%	5,39%
Stephen Grey	4,39%	4,39%

Mr. Stephen Grey, Mr. Nicholas Grey, Haute Vision SA and Grover Ventures Inc, who are deemed to form a group based on their family and business relationships and voting agreement (as disclosed in the Swiss Official Gazette of Commerce of August 6, 2008), hold in aggregate 93'741'973 shares (2020: 98'704'873), i.e. 51.79% (2020: 54.53%) of the current share capital of CHF 1'810'182.81.

3.4 SHARES AND OPTIONS HELD BY THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

At December 31, 2021 and at December 31, 2020, the shares held by members of the Board of Directors and the Executive Management (including persons closely related to these members) were as follows:

(in thousands)	Dec. 31, 2021 Shares	Dec. 31, 2021 Option rights	Dec. 31, 2020 Shares	Dec. 31, 2020 Option rights
Mr. Stephen Grey, member of BoD	7'940	-	7'940	-
	7'940	**-**	**7'940**	**-**

3.5 COMPENSATION TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The following compensations have been paid to the Executive management:

(in CHF '000)	Dec. 31, 2021	Dec. 31, 2020
Mr. Jean-Claude Roch, Chairman of BoD, CFO and CEO of Perfect Holding SA **, until May 2020	-	56
Mrs Anouck Ansermoz, CFO of Perfect Holding SA ***, since June 2020	120	70
Mr. Roderick Glassford, Director of the aircraft charter business of Oxygen Aviation *, until March 2020	-	46
Mr. Steven A Jack, Director of the aircraft charter business of Oxygen Aviation *, until March 2020	-	46
	120	218

* *Salaries and social charges*
** *Board member remuneration*
*** *Monthly fixed fees*

Mrs. Anouck Ansermoz, as an external consultant to Perfect Holding SA, received fixed monthly fees of CHF 10'000 as remuneration for her activities as CFO since June 2020. Mrs. Anouck Ansermoz and Mr. Stephen Grey did not receive any remuneration for their tasks as chairperson or member, respectively, of the Board of Directors in 2021 or 2020.

3.6 LOANS AND CREDITS GRANTED TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

At December 31, 2021, there were no loans and/or credits granted by any company of the Perfect Group to any current or former members of the Board of Directors or Executive management (at December 31, 2020: none).

3.7 CONTINGENT LIABILITIES DUE TO VAT GROUP

From the VAT point of view (art. 22 LTVA), the Swiss companies of Perfect Group are considered as one and sole company. In case of insolvency of a group company, the other group companies are jointly responsible for the VAT liabilities (art. 32e LTVA).

3.8 EVENTS AFTER THE REPORTING DATE

As of December 31, 2021, the Company discloses a negative equity of CHF 404'679. This negative equity situation is, however, covered by the subordination of the full amount of CHF 429'468 outstanding under the bridge facility agreement signed in March 2021 with a related party, as the monthly instalments to be advanced under such bridge financing agreement are automatically subordinated to the settlement of the claims of all other creditors.

On February 22, 2022, an addendum to the existing bridge facility agreement was signed between Perfect Holding SA and a related party, in order to increase the total available amount up to CHF 600'000.

On March 29, 2022, Perfect Holding SA signed a transaction agreement with the clinical-stage pharmaceutical company Kinarus AG regarding Perfect Holding's contemplated acquisition of Kinarus by way of a share exchange. The implementation of the acquisition is subject to several conditions, including the approval of the transaction by the shareholders of both companies and the listing on the SIX Swiss Exchange of the new shares of Perfect Holding SA to be issued in exchange for the shares of Kinarus AG.

There were no other relevant events after the reporting date.

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