SPEXIS

Annual Report 2022

Annual Report 2022

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Spexis at a glance

Spexis is a clinical-stage biopharmaceutical company headquartered in Allschwil, Switzerland and focused on discovering, developing, in-licensing and acquiring first-in-class molecules for rare diseases and cancer. Our initial rare disease focus is on rare, chronic pulmonary indications, an area of significant unmet medical need and which we estimate represents a USD 15 billion global market. On the oncology front, we are initially focused on CXCR4/CXCR7 active molecules discovered and developed applying our leading macrocyclic peptide technology platform, which is the result of over 25 years and USD 400 million of cumulative research and investment. With our pipeline of potentially transformative molecules - and as our name implies ("hope", from the Latin spes) - we aim to deliver substantial benefits to patients and meaningful value to our stakeholders and society.

Highlights and Key Figures 2022

Positive Clinical Trial Results

- Sep 22, 2022: Spexis announces positive P1 renal impairment clinical trial results with balixafortide
- Jan 9, 2023: Spexis reports solid P1 safety & pharmacokinetics results from first-in-human study with inhaled murepavadin, a novel macrocycle compound

Positive Pre-Clinical Study Results

- July 7, 2022: Spexis' CXCR4 inhibitor balixafortide demonstrates synergistic efficacy in combination with docetaxel in a metastatic prostate cancer preclinical model
- Dec 13, 2022: Spexis announces promising pre-clinical data with balixafortide in combination with various therapies on the market for treating B-cell lymphomas

CARBX funding agreement to continue preclinical studies of our Thanitin antibiotics program extended through 2023

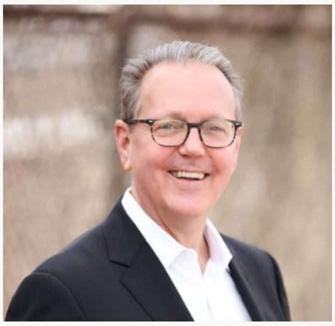
Key figures[1]
CHF million

Income Statement	**2022**	**2021**	**Variance in %**
Total revenue	0.0	0.0	-
Research and development expenses	-12.7	-0.9	1346
Other operating expenses	-6.0	-3.4	78
Net loss for the period	-18.6	-11.9	56
Balance Sheet			
Cash on hand	1.8	14.4	-87
Total assets	30.0	49.9	-40
Total equity	19.4	30.2	-36
Average net cash burn[2]	-1.0	0.2	421
Number of FTE	28	28	-
Equity ratio in %	65	61	

[1] Based on the consolidated IFRS financial statements

[2] Represents the average monthly cash used in operating and investing activities

Chairman and Chief Executive Officer's Letter



Jeffrey D. Wager, M.D.
Chairman & CEO

Dear Shareholders,

As you all know, 2022 was a challenging year for the financial markets broadly and the life science markets in particular, representing perhaps the worst global economic climate since the financial crisis of 2008 and severely impacting the life science sector.

Indeed, over the course of 2022, these external factors resulted in a plunge in new financings in both the public and private markets, and a resulting share price decrease for our Company of some ~65% - and despite the encouraging progress which we nonetheless managed to achieve as further described below. It is notable to mention in this context that while some 20% or more of publicly traded life science firms were trading at market capitalizations below the value of their cash-on-hand, we consistently managed to trade significantly above this dire threshold.

These macroeconomic stresses on us were further exacerbated with the expiration of the exclusive negotiation agreement with PMI/Vectua Fertin Pharma ("VFP") announced in last year's annual report without a corporate deal or further investment from VFP as anticipated. This was due to a significant change in corporate strategy undergone by VFP as 2022 unfolded.

Despite these extraordinary challenges, I still remain very excited about the prospects for our Company and remain convinced Spexis represents a unique near-to-medium-term investment opportunity for shareholders.

Here's why:

Chairman and Chief Executive Officer's Letter

Key Strategic Pillars

At Spexis, we are pursuing a unique strategy as a rare disease and oncology company with an initial rare disease focus on chronic respiratory diseases, a field where new treatment options are urgently needed. Two clinical programs are already underway – both focused on products for CF and one which is already approved in Europe – which we regard as validating our commitment to rare, chronic respiratory diseases. Significant progress was made during 2022 with both of these programs.

Furthermore, we possess a particular strength and expertise in marocycles - a unique drug class increasingly recognized as representing under-exploited potential as a therapeutic alternative to either small molecules or biologics. As validation of this strength, we have some of the largest and most diverse macrocycle compound libraries in the world which has generated all of our pipeline to date except for ColiFin®, our lead asset. This pipeline has been validated in 17 clinical trials conducted on our product portfolio to date, significantly informing and de-risking forward development.

This macrocycle potential is particularly attractive as alternatives to antibody drug conjugates and in the field of molecular glues and protein degraders – both fields in which we plan to pursue unique opportunities in 2023.

More tactically, our plan is to advance our portfolio of clinical-stage product candidates both via internal resources as well as with external partnerships. In addition, we will continue to build and advance our innovative R & D pipeline through further clinical trials, in-house pre-clinical programs, strategic alliances and additional corporate acquisitions where appropriate.

Key goals for 2023

We are currently focused on rare, chronic respiratory diseases and, in particular, are poised to continue as an important player in the market for chronic lung infections in cystic fibrosis ("CF"). This is important because although CFTR modulators introduced for the treatment of CF over the last few years have resulted in significant improvement in the lung health of CF patients, the number of CF patients with moderate-to-severe lung dysfunction is projected to actually increase over the next 20-30 years as a result. These patients are precisely those who would benefit most from ColiFin® and inhaled murepavidin ("iMPV").

ColiFin®, is an inhaled colistimethate sodium product in-licensed from PARI Pharma GmbH (a global leader in nebulized therapies) for worldwide rights ex-Europe. Approved in Europe since 2010 as a front-line therapy for chronic lung infections in CF, ColiFin® has a proven safety, efficacy, and commercial track record which Spexis aims to leverage towards the U.S. and global markets - and both within and potentially outside the field of CF. Spexis has secured Orphan Drug, Qualified Infectious Disease Product ("QIDP") designation in the U.S. for ColiFin®, which provides it 12 years of market exclusivity. In

Chairman and Chief Executive Officer's Letter

addition, we have received a "Study may Proceed" letter from the FDA to initiate Phase 3 studies of ColiFin® in adult and adolescent subjects with CF that will support a future US New Drug Application ("NDA") submission. The company is currently planning to initiate its Phase 3 program with the start of its COPILOT study in Q3 2023, the launch of which was delayed due to the market challenges described above.

Inhaled murepavadin ("iMPV"), a novel inhaled product specifically targeting Pseudomonas aeruginosa ("PA") as discovered from our macrocycle technology platform. By design, iMPV is pathogen-specific and highly potent against PA. Our Phase 1 iMPV study used an eFlow® technology nebulizer (again, from our partner PARI Pharma GmbH) and completed successful P1safety and tolerability studies in healthy volunteers which was announced in late 2022, and are now poised to begin Phase 1b/2 studies in CF patients in 2023. In addition, there is significant potential to develop iMPV for moderate to severe non-CF bronchiectasis ("nCFBE"), which is also characterized by chronic PA infections and represents a market far larger than the CF market.

Given the above, we are convinced pursuing both ColiFin® and iMPV provides us a very attractive opportunity to become a major player in the CF and nCFBE space.

Balixafortide is a potent, specific and highly selective antagonist of the chemokine receptor CXCR4, a G-protein coupled receptor that regulates the trafficking and homing of both cancer and immune system cells. CXCR4 is a promising therapeutic target for both solid and hematologic tumors, as well as for other non-oncology indications. The evaluation of forward clinical development options described in our 2021 annual report continues, in part informed and encouraged by the promising pre-clinical study results we announced in 2022. This strategic option anlaysis continues both alone and in collaboration with our partner Fosun Pharma, who has maintained its license for certain balixafortide rights from Spexis for the Chinese market.

Thanatin-derivatives discovered by Spexis and the University of Zurich are part of our Outer Membrane Protein Targeting Antibiotic (OMPTA) class of antibiotics that target the lipopolysaccharide (LPS) transport protein A (LptA), a novel essential target in the LPS transport mechanism of Gram-negative bacteria. During 2022, we made considerable preclinical development progress of our thanitin program, resulting in us securing additional funding through 2023 from CARB-X (Combating Antibiotic-Resistant Bacteria Biopharmaceutical Accelerator), a global partnership led by Boston University dedicated to supporting the development of antibacterial products that diagnose, prevent and treat drug-resistant infections. The thanatin program targets carbapenem resistant Enterobacteriaceae, one of the most common family of life-threatening Gram-negative pathogens (including extremely drug resistant strains), which are among the World Health Organization's list of priority-1 pathogens.

Chairman and Chief Executive Officer's Letter

Financial results

In the full year of 2022, Spexis' total loss was CHF 18.6 million, primarily driven by research and development (R&D) expenditures of CHF 12.7 million. R&D expenditures are expected to increase in 2023 as the company launches the Phase 3 trial for ColiFin®, beginning with the COPILOT study in Q3 2023. Spexis' cash position as of December 31, 2022 was CHF 1.8 million (cash and cash equivalents).

Delivering on 2023 priorities

Given the above, we have clear goals for 2023 and beyond, which are summarized as follows:

Research & Development

- Launch the ColiFin® P3 COPILOT study
- Prepare iMPV for P1b/2a launch
- Announce next clinical trial indications for balixafortide and continue next-generation R & D on balixafortide and its derivatives
- Generate additional thanatin program progress in partnership with CARB-X
- Generate new therapeutic applications of the macrocycle platform, which are already planned and will be announced during 2023

Business Development

- Seek additional strategic alliances, both with our current partners and with new ones
- Seek additional product and corporate acquisitions to further build our pipeline
- Financing: raise additional funds via partnerships and access to capital markets in order to complete our ColiFin® P3 study and advance our other programs

Chairman and Chief Executive Officer's Letter

Finally, and as always, I would like to take the opportunity to thank our employees for their steadfast commitment and unwavering focus during what turned out to be a very challenging 2022. We are lucky to have them.

In conclusion, I wish to thank each of you for your confidence in Spexis and for supporting the direction we are on. We are committed to generating significant value in 2023, and look forward to your input, feedback and guidance to optimally do so along the way.

Upwards and Onwards...

Sincerely,

Jeffrey D. Wager, M.D.
Chairman & CEO

Portfolio and Pipeline

Portfolio and Pipeline – Overview

Spexis is a clinical-stage biopharmaceutical company headquartered in Allschwil, Switzerland and focused on discovering, developing, in-licensing and acquiring first-in-class molecules for rare diseases and cancer. Our initial rare disease focus is on rare, chronic pulmonary indications, an area of significant unmet medical need and which we estimate represents a USD 15 billion global market. On the oncology front, we are initially focused on CXCR4/CXCR7 active molecules discovered and developed applying our leading macrocyclic peptide technology platform, which is the result of over 25 years and USD 400 million of cumulative research and investment. With our pipeline of potentially transformative molecules - and as our name implies ("hope", from the Latin spes) - we aim to deliver substantial benefits to patients and meaningful value to our stakeholders and society.

In the subsequent sections, we will take you the reader through each aspect of our pipeline shown below and some of our technology platforms as well.

Portfolio and Pipeline

	Program	Research	Preclinical	Phase 1	Phase 2	Phase 3	Partnership / Funding
Cystic Fibrosis	ColiFin®	Chronic CF infections					CYSTIC FIBROSIS FOUNDATION
Cystic Fibrosis	Inhaled Murepavadin	Chronic CF infections					CYSTIC FIBROSIS FOUNDATION; imi innovative medicines initiative
		Non-CF bronchiectasis					
Oncology/ Rare Disease	Balixafortide	Future indications under evaluation					FOSUN PHARMA
Neutrophil Elastase Inhibition	Lonodelestat	CF, AATD, PCD					Product out-licensed to santhera
Macrocycle platform	Broad therapeutic potential: respiratory, heme-onc/oncology, rare disease; molecular glues & protein degraders						CARB-X Combating Antibiotic-Resistant Bacteria (OMPTA)

Pipeline Today   Readiness if/when initiated

CF – cystic fibrosis; AATD – alpha-1 antitrypsin deficiency; PCD – primary ciliary dyskinesia

Portfolio and Pipeline

ColiFin® (inhaled colistimethate sodium)

ColiFin®, is an inhaled colistimethate sodium product in-licensed from PARI Pharma GmbH (a global leader in nebulized therapies) for worldwide rights ex-Europe. Approved in Europe since 2010 as a front-line therapy for chronic lung infections in CF, ColiFin® has a proven safety, efficacy, and commercial track record which Spexis aims to leverage towards the U.S. and global markets - and both within and potentially outside the field of CF. Spexis has secured Orphan Drug and Qualified Infectious Dis- ease Product ("QIDP") designation in the U.S. for ColiFin®, which provides it 12 years of market exclusivity. Comparators' peak sales for this CF opportunity are in the USD 200-400 million range.

We have received a "Study May Proceed" letter from the FDA to initiate Phase 3 studies of ColiFin® in adult and adolescent subjects with CF and chronic Pseudomonas aeruginosa ("PA") lung infections that will support a future US New Drug Application ("NDA") submission. We have finalized plans for initiating this Phase 3 program in Q3 2023 with the start of COPILOT.

Inhaled Murepavadin

Inhaled murepavadin ("iMPV"), a novel inhaled product specifically targeting Pseudomonas aeruginosa ("PA") as discovered from our macrocycle technology platform. By design, iMPV is pathogen-specific and highly potent against PA. Our Phase 1 iMPV study used an eFlow® technology nebulizer (again, from our partner PARI Pharma GmbH) and completed successful P1safety and tolerability studies in healthy volunteers which was announced in late 2022, and are now poised to begin Phase 1b/2 studies in CF patients in 2023. In addition, there is significant potential to develop iMPV for moderate to severe non-CF bronchiectasis ("nCFBE"), which is also characterized by chronic PA infections and represents a market far larger than the CF market.

The development of iMPV leverages the iABC (inhaled Antibiotics in Bronchiectasis and Cystic Fibro- sis) project comprised of a consortium of leading lung specialists in 18 hospitals and research institutions from eight European countries. These institutions will receive up to EUR 5 million from the Innovative Medicines Initiative (IMI) for their support of iMPV development up until initial proof of concept in patients, representing up to 50% of the anticipated costs to this stage.

In addition, the funding agreement of up to $3.3M with the Cystic Fibrosis Foundation finalized in Nov 2020 to support a Phase 1b/2a clinical trial of inhaled murepavadin continues in full force and effect, further extending the potential funding for this program. Comparators' peak sales for this orphan market opportunity are in the USD 200-400 million range, and it may be possible to expand iMPV indication potential from CF to nCFBE and COPD as well.

Given the above, we are convinced pursuing both ColiFin® and iMPV provides us a very attractive opportunity to become a major player in the CF and nCFBE space.

Portfolio and Pipeline

Balixafortide

Overview

Balixafortide is a potent, specific and highly selective antagonist of the chemokine receptor CXCR4, a G-protein coupled receptor that regulates the trafficking and homing of both cancer and immune system cells. CXCR4 is a promising therapeutic target for both solid and hematologic tumors, as well as for other non-oncology indications. The evaluation of forward clinical development options described in our 2021 annual report continues, in part informed and encouraged by the promising pre-clinical study results we announced in 2022. This strategic option analysis continues both alone and in collaboration with our partner Fosun Pharma, who has maintained its license for certain balixafortide rights from Spexis for the Chinese market.

CXCR4 plays a critical role in tumor growth and survival, angiogenesis and metastasis. It allows tu- mor cells to proliferate and migrate to sites where its natural ligand, the chemokine CXCL12, (also known as SDF 1, stromal derived factor 1) is expressed and acts as a chemoattractant, for example in the bone marrow of breast cancer patients (Source: Mukherjee and Zhao, 2013). CXCR4 overexpression has been detected in more than 23 different human cancer types and correlates with a poor prognosis (Source: Chatterjee et al., 2014). Importantly, studies have provided increasing evidence that activation of the chemokine CXCL12 pathway by binding to CXCR4 is a potential mechanism of tumor resistance to both conventional therapies and biological agents via multiple complementary actions.

Additional publications also point towards a potential role of CXCR4 in the field of immuno-oncology. CXCR4 antagonism decreases infiltration of immunosuppressive regulatory T cells (Treg) and myeloid derived suppressor (MDSC) cells into the tumor. In contrast, CXCR4 antagonism increases the number of tumour eliminating CD8+ and CD4+ T cells in the tumour microenvironment which can be further activated in combination with checkpoint inhibitors (Abraham et al., 2017).

Balixafortide is a macrocyclic peptide consisting of 16 amino acids and is a potent, reversible CXCR4 antagonist. Reversible CXCR4 blockade by balixafortide blocks the CXCL12 induced signaling pathway described above, and is believed to play a key role in the interplay between cancer cells and their tumour microenvironment, which may render tumor cells more susceptible to chemotherapeutic agents and cancer immunotherapy.

Portfolio and Pipeline

As a result of extensive pre-clinical and clinical studies, balixafortide's key attributes are:

- Potent and highly selective CXCR4 inhibitor with anti-cancer response on multiple levels.
- Not cytotoxic at clinically relevant doses, making it ideal for drug combinations.
- Resulted from a stringent selection process within Spexis to obtain favorable physicochemical properties without any CYP or HERG inhibition up to maximum tested concentrations.
- Potentially best-in-class relative drug exposure, compared to other CXCR4 antagonists in development.

Clinical studies (Advanced Breast Cancer)

Balixafortide has been investigated in eight clinical trials with a total of 501 subjects either as a single agent or in combination with other drugs.

Balixafortide was investigated for advanced breast cancers in combination with eribu- lin. Clinical proof of concept was achieved in a Phase 1b study in combination with eribulin in patients with advanced metastatic breast cancer [https://www.thelancet.com/journals/lanonc/ article/ PIIS1470-2045(18)30147-5/fulltext], and the FDA granted Fast Track designation. The pivotal FOR- TRESS Phase 3 study was started in mid-2019 and the first patient was dosed in June 2019. The piv- otal FORTRESS Phase 3 study was started in mid-2019 and the first patient was dosed in June 2019.

FORTRESS was an international, multicenter, randomized active-controlled, open-label Phase 3 trial which investigated the efficacy, safety and tolerability of intravenous balixafortide given with eribulin versus eribulin alone in the treatment of HER2 negative, locally recurrent or metastatic breast cancer ("MBC"). The study was designed for a total of 432 patients with HER2 negative MBC, with 348 pa- tients receiving third or subsequent line and 84 patients receiving second line chemotherapy. On June 28, 2021 we announced that the combination of balixafortide and eribulin did not significantly improve objective response rate ("ORR") over eribulin alone in the treatment of patients with HER2-negative, locally recurrent or metastatic breast cancer, missing the co-primary end point of the FORTRESS study. Based on an analysis we announced on August 3, 2021, the primary endpoint of progression free survival ("PFS") was also not met. Pre-specified interim analyses of overall survival ("OS") also showed no statistically significant differences between study groups.

Based on these results, the FORTRESS study was closed and the pre-specified secondary efficacy analysis of OS after reaching 284 events in the overall population was not performed.

The Company also conducted preclinical studies to establish the potential for balixafortide in combi- nation with other drugs (e.g. chemotherapy and immunotherapies) in MBC and in other oncology indications. Most notably, an investigator-initiated Phase 1b/2a study was planned in first-line metastatic breast cancer in combination with nab-paclitaxel after positive preclinical findings studying this com- bination. Based on these results, we are evaluating the potential to conduct this study in the near future.

Other Clinical studies

Importantly, apart from breast cancer, balixafortide has also been studied in five other completed clinical trials exploring the safety, tolerability, pharmacokinetics. pharmacodynamics and efficacy in multiple myeloma, stem cell mobilisation and tissue repair. These are:

- a single intravenous dose study assessing safety, tolerability, pharmacokinetics and pharmacody- namics in healthy subjects;
- a Phase 2 proof-of-concept study to determine the mobilisation of haemopoetic stem cells (HSC) by balixafortide in multiple myeloma patients for autologous transplantation;
- a Phase 1 pharmacokinetics and pharmacodynamics study in healthy volunteers as potential HSC donors; a Phase 1/2 study evaluating the safety and efficacy of balixafortide for the mobilisation of HSCs in HLA matched sibling donors and transplantation in patients with advanced hematological malignancies, which was stopped early for administrative reasons after an analysis of other studies concluded that higher doses for this product should be investigated; and
- a Phase 2 study for tissue repair in patients with acute myocardial infarction which was also stopped early as an analysis led to the conclusion that the criterion for futility were fulfilled.

In these studies, we established a median half-life for balixafortide of 8.6 hours and demonstrated proof-of-mechanism as HSC were mobilised.

Clinical safety

The safety of balixafortide was investigated in all eight clinical studies. 501 subjects received at least one dose of balixafortide. Overall data generated to date support an acceptable safety and tolerability profile of balixafortide. In upcoming clinical trials, the potential risks related to localized histamine related events/infusion related reactions will continue to be monitored and mitigated. Data shows that these reactions are mainly mild, transient, related to first dose and manageable with anti-histamines and slower infusion rates.

Further development strategy

Throughout 2022, we evaluated the FORTRESS Phase 3 study results in advanced breast cancer and the considerable other clinical and pre-clinical data supporting a variety of additional oncology and non-oncology indications with a variety of key opinion leaders,

Portfolio and Pipeline

evaluating how we can further develop balixafortide. The net result of these analyses thus far – while not yet announced – have given us significant encouragement that there remains significant therapeutic potential for balixafortide. Furthermore, we announced two significant pre-clinical studies – one in prostate cancer and another in lymphoma models – both of which were very encouraging. In addition, we also announced positive results of a P1 study of balixafortide in patients with varying degrees of renal impairment, which indicated that a maximum tolerated dose has not yet been identified and which also indicated that significantly incremental increases in stem cell mobilization might be achievable with higher doses than previously studied. Based on these and other, as yet undisclosed results, we expect to make announcements on next clinical and preclinical studies we plan to undertake in 2023.

Proprietary macrocycle-based discovery platform

Spexis possesses a cutting-edge macrocycle technology drug discovery platform that is the result of over 25 years of research, a number of historical, drug discovery service-type of partnerships and more than USD 400 million in investment. Indeed, both the iMPV, balixafortide and a variety of other undisclosed drug development candidates in our portfolio have been derived directly as output of this platform. As such, Spexis is keen to further leverage and also evolve this platform in new directions.

Macrocycles are medium-sized cyclic molecules that complement the chemical space between small molecules and large biologics, and are designed to target and affect address complex and challenging extra- and intracellular biological targets while retaining the advantages of small molecules. Compared to traditional peptides used in the pharmaceutical industry, macrocyclic engineered pep- tides have the advantage of being more stable towards degrading enzymes and more selective and potent towards protein targets with therapeutic value.

In collaboration with the University of Zurich, Spexis Polyphor has established a proprietary macro- cycle- based drug discovery platform based on two complementary technologies: PEMfinder® and MacroFinder®.

- Protein Epitope Mimetics (PEM) are conformationally constrained cyclopeptides mimicking the most biologically most relevant protein surface epitopes such as the β-hairpin and α-helix motifs. PEM- finder® is a highly diverse library derived from sequences of many bioactive peptides including pep- tide hormones, ligands of G-protein coupled receptors and ion channels, and host defense peptides.
- The MacroFinder® concept is based on non-peptidic, cell-permeable and orally bioavailable macro- cycles which can address complex and challenging intracellular targets.

As described in our opening sections, there is considerable renewed interest on the part of the pharmaceutical industry in macrocycles based on their properties described above, both as a new class of targeted therapeutics and as molecular glues/protein degraders.

Portfolio and Pipeline

Given our historical focus and leadership position in macrocycle chemistry and drug development, we are confident there is significant R & D and corporate opportunities to pursue with our macrocycle platform.

OMPTA (Outer Membrane Targeting Antibiotics) BamA Programs

One PEM application of the macrocycle platform vigorously pursued by Spexis's predecessor was the OMPTA platform. Indeed iMPV is an OMPTA product discovered and developed entirely in-house as a result of applying this technology. Two other programs targeting OMPTA – Bam-A and thanatin – have been pursued in-house and in collaboration with a variety of funding agencies. OMP- TA class compounds combine high-affinity binding to both Lipopolysaccharide (LPS) and outer membrane proteins, resulting in high specificity towards Gram-negative bacteria and effective bactericidal activity.

In 2021, Spexis decided to particularly focus on the thanatin program moving forward, with further details provided below.

Thanatin Derivatives

In May 2019 we received an award from Innosuisse to accelerate the development of a new class of antibiotics derived from the antimicrobial natural peptide thanatin. The new antibiotic, which is being developed in collaboration with the University of Zurich, is used for the treatment of serious infections caused by carbapenem-resistant Enterobacteriaceae by inhibiting the lipopolysaccharide (LPS) transport pathway. Thanatin derivatives may lead to another family of compounds inhibiting the outer membrane assembly of Gram-negative pathogens through a different mechanism than other OMPTAs developed so far. We initiated a program targeting specifically Enterobacteriaceae including multidrug resistant strains, one of the most common and resistant strains. It has the potential to be the gold standard in treating suspected and/or confirmed XDR Enterobacteriaceae in patients with limited treatment options. The thanatin project is currently in the hit-to-lead stage.

In October 2020, we announced that we received a new and second non-dilutive funding award from CARB-X to support the development of this program. CARB-X will provide us with initial funding of up to USD 2.62 million to complete the hit-to-lead stage and up to USD 15.82 million if certain project mile- stones are met. This funding was further extended in 2022 through 2023 to essentially complete the identification of a clinical lead to take into IND-enabling pharmacology and toxicology studies.

Corporate Governance

This corporate governance section of the annual report of Spexis Ltd (the "Company") follows the structure and numbering of the SIX Swiss Exchange Directive on Information relating to Corporate Governance and takes into account the Swiss Code of Best Practice for Corporate Governance issued by economiesuisse. The board of directors of the Company (the "Board of Directors" or "Board") believes that good corporate governance is important to ensure that our company is managed for the long-term benefit of shareholders.

Complete copies of our organizational rules (the "Organizational Rules"), corporate governance guidelines committee charters for each of our Compensation and Nomination Committee ("CNC") as well as our Audit and Finance Committee ("AFC") and code of conduct ("Code of Conduct") are available on the "Investor Relations – Corporate Governance" section of our website, which is located at www.spexisbio.com. Alternatively, you can request a copy of any of these documents by writing us at Spexis Ltd, Hegenheimermattweg 125, CH-4123 Allschwil, Attention: Investor Relations or by e-mail at info@spexisbio.com.

1 Group structure and shareholders

1.1 Group structure

Spexis Ltd is based in Allschwil, Switzerland, near Basel (Registered Number CHE-108.535.251). It is listed on the SIX Swiss Exchange (Valor: 10621379, ISIN: CH0106213793, SIX: SPEX). Market capitalization as of December 31, 2022 was CHF 20.0 million. As of December 31, 2022, there were no other listed companies belonging to the Company.

The Company has five unlisted subsidiaries, two of which were set up for the purpose of acting as agents for the registration of its clinical trials in the European Union, the United Kingdom and the US. The other subsidiaries were acquired as part of the merger with Enbiotix Inc. Spexis Ltd holds 100% equity interest in all direct subsidiaries.

- Polyphor UK Ltd. is based in London, UK (Registered Number 08045435) and was founded in 2012. The nominal share capital as of December 31, 2022 was GBP 1'000.
- Polyphor Deutschland GmbH, is based in Lörrach, Germany was incorporated in 2019. The nominal share capital as of December 31, 2022 was EUR 25'000.
- EnBiotix Inc. is based in Boston Massachusetts, USA and was founded in 2010. The nominal share capital as of December 31, 2022 was USD 15'044. EnBiotix Inc has two subsidiaries:
  - EnBiotix GmbH is based in Leipzig, Germany and was founded in 2015. The nominal share capital as of December 31, 2022 was EUR 25'000
  - EnBiotix GmbH is based in Switzerland and was founded in 2021. The nominal share capital as of December 31, 2022 was CHF 20'000.

1.2 Significant shareholders

Shareholders with shares amounting to 3% or more of Company's issued ordinary share capital as of December 31, 2022 are shown in the financial statements of the Company on page 56.

Between December 31, 2022 and the publication of this Report, there has been a significant change in the principal shareholdings as notified to SIX Exchange Regulation. In particular, Sprim Global Investment Pte. Ltd. with a position covering 13.52% of the Company's issued ordinary share capital was reported in April 2023. All information on disclosure notifications concerning the significant shareholders may be found on the SIX Exchange Regulation website at https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/

1.3 Cross-shareholdings

As of the date of this Report, there are no cross-shareholdings of the Company that exceed 5% of the holdings of capital rights on both sides.

2 Capital structure

2.1 Capital

As per December 31, 2022, the share capital registered in the commercial register amounted to CHF 954'241, divided into 47'712'037 shares. As per December 31, 2022, 1'073'426 registered shares with a nominal value of CHF 0.02 per share have been issued from the Company's conditional share capital in connection with the exercise convertible bonds and have not been registered in the commercial register as per December 31, 2022. The registration of these 1'073'426 registered shares in the commercial register is expected to occur in May, 2023. Taking into account the issuance of these 1'073'426 registered shares, on December 31, 2022 the Company's share capital amounted to CHF 975'709, divided into 48'785'463 registered shares with a nominal value of CHF 0.02 per share.

2.2 Authorized and conditional capital

Authorized Share Capital (article 3a):

The Board of Directors is authorized to increase the share capital, at any time until April 25, 2024, by a maximum amount of CHF 477'120 by issuing a maximum of 23'856'018 registered shares with a par value of CHF 0.02 each, to be fully paid up. An increase of the share capital (i) by means of an underwriting (ii) by a subsidiary in view of and related to any of the below mentioned transactions allowing an exclusion of the pre-emptive rights and (iii) in partial amounts shall be permissible.

The Board of Directors shall determine the time of the issuance, the issue price, the manner in which the new registered shares have to be paid up, the date from which the registered shares carry the right to dividends, the conditions for the exercise of the pre-emptive rights and the allotment of pre-emptive rights that have not been exercised. The Board of Directors may allow the pre-emptive rights that have not been exercised to expire, or it may place with third parties such rights or registered shares, the pre-emptive rights of which have not been exercised, at market conditions or use them otherwise in the interest of the Company.

The Board of Directors is authorized to withdraw or limit the pre-emptive rights of the shareholders and to allot them to third parties: (a) if the issue price of the new registered shares is determined by reference to the market price; or (b) for the acquisition of an enterprise, part of an enterprise or participations, or for the financing or refinancing of any of such acquisition; or (c) for purposes of broadening the shareholder constituency of the Company in certain financial or investor markets, for purposes of the participation of strategic partners, or in connection with the listing of new registered shares on domestic or foreign stock exchanges; or (d) for purposes of granting an over-allotment option (Green shoe) of up to 15% of the number of registered shares offered in a base-tranche in a placement or sale of registered shares to the respective initial purchaser(s) or underwriter(s); or (e) for raising of capital (including private placements) in a fast and flexible manner which probably could not be reached without the exclusion of the statutory pre-emptive right of the existing shareholders.

Conditional Share Capital for Employee Benefit Plans (article 3c):

The share capital of the Company shall be increased by an amount not exceeding CHF 16’804 through the issue of a maximum of 840’227 registered shares, payable in full, each with a nominal value of CHF 0.02, in connection with the exercise of option rights granted to any employee of the Company or a subsidiary, and any consultant, members of the Board of Directors, or other person providing services to the Company or a subsidiary.

Shareholders’ subscription rights shall be excluded with regard to these shares. These new registered shares may be issued at a price below the current market price. The Board of Directors shall specify the precise conditions of issue including the issue price of the shares.

Conditional Share Capital for Employee Benefit Plans (article 3d):

The share capital of the Company shall be increased by an amount not exceeding CHF 68’060 through the issue of a maximum of 3’403’001 registered shares, payable in full, each with a nominal value of CHF 0.02, in connection with the exercise of option rights granted to any employee of the Company or a subsidiary, and any consultant, members of the Board of Directors, or other person providing services to the Company or a subsidiary.

Shareholders' subscription rights shall be excluded with regard to these shares. These new registered shares may be issued at a price below the current market price. The Board of Directors shall specify the precise conditions of issue including the issue price of the shares.

Conditional Capital for Bonds and Similar Debt Instruments (article 3b):

The share capital of the Company shall be increased by a maximum amount of CHF 392'256 through the issuance of a maximum of 19'612'79 registered shares, payable in full, each with a nominal value of CHF 0.02 through the exercise of conversion and/or option rights granted in connection with bonds or similar instruments, issued or to be issued by the Company or by subsidiaries of the Company, including convertible debt instruments.

Taking into account option exercises as per December 31, 2022, the conditional share capital as per article 3b of the articles of association amounted to CHF 370'787 divided into 18'539'364 shares.

Shareholders' subscription rights are excluded. Shareholders' advance subscription rights with regard to the new bonds or similar instruments may be restricted or excluded by decision of the Board of Directors in order to finance or refinance the acquisition of companies, parts of companies or holdings, or new investments planned by the Company, or in order to issue convertible bonds or similar instruments on the international capital markets or through private placement. If advance subscription rights are excluded, then (1) the instruments are to be placed at market conditions, (2) the exercise period is not to exceed ten years from the date of issue of option rights and twenty years for conversion rights and (3) the conversion or exercise price for the new shares is to be set at least in line with the market conditions prevailing at the date on which the instruments are issued.

2.3 Changes in capital

The following table shows the changes in share capital of the Company from January 1, 2020 until December 31, 2022:

Date of Share Issuance Registration	New Nominal Share Capital in Swiss Francs	Number of Shares issued
April 6, 2020(1)	22'126'414	11'063'207 Shares at CHF 2 each
May 6, 2021(1)	22'449'632	11'224'816 Shares at CHF 2 each
June 14, 2021(2)	224'496.32	11'224'816 Shares at CHF 0.02 each
December 29, 2021(3)	927'515.54	46'375'777 Shares at CHF 0.02 each
March 30, 2022(3)	951'101.16	47'555'058 Shares at CHF 0.02 each
April 26, 2022(1)	954'240.74	47'712'037 Shares at CHF 0.02 each

(1) Capital increase from conditional capital (exercise of options).

(2) Reduction of nominal value of the shares from CHF 2 to CHF 0.02 each, as resolved by the annual general meeting on April 6, 2021.

(3) Capital increase in connection with the merger with EnBiotix Inc.

2.4 Shares

As of December 31, 2022, the registered share capital of the Company, as recorded in the commercial register, amounts to CHF 954'241 and is divided into 47'712'037 registered shares, with a nominal value of CHF 0.02 per share. The share capital is fully paid in and non-assessable. Each Share carries one vote. The Company does not have any preference shares (Vorzugsaktien).

2.5 Dividend-right certificates and participation certificates

As of December 31, 2022, the Company has not issued any non-voting equity securities, such as participation certificates (Partizipationsscheine) or profit sharing certificates (Genussscheine).

2.6 Limitations on transferability and nominee registrations

According to article 4 of the articles of association, acquirers of shares will be registered in the share register without limitation as shareholders upon request, if they expressly certify that they acquired the shares in their own name and for their own account. The Board of Directors may register nominees as shareholders with voting rights up to a maximum of 2% of the currently issued share capital. Beyond that limit, registered shares of nominees shall only be entered as voting if the nominees in question disclose in writing the names, addresses and shareholdings of the persons on whose account they hold 2% percent or more of the currently issued share capital. Nominees are persons who do not expressly declare in the registration application that they are holding the shares on their own account. After hearing the registered shareholder or nominee, the Board of Directors may remove entries in the share register with retroactive effect as per the date of entry, if such entry was based on false information. The party affected must be informed of such removal immediately. The restrictions on registration also apply to shares that are subscribed or acquired by exercising a subscription, option or conversion right.

The Company has not put in place formal rules for the granting of exceptions from this provision and has not granted any exceptions during the year 2022.

2.7 Convertible bonds and options

Conditional Share Capital for Employee Benefit Plans:

For the amount of outstanding conditional capital available for employee benefit plans, see Section 2.2 above.

Details are shown in the notes to the consolidated financial statement, page 62.

Conditional Capital for Bonds and Similar Debt Instruments:

For the amount of outstanding conditional capital available for bonds and similar debt instruments, see Section 2.2 above. In July 2020 the Company entered into an equity-linked financing arrangement with the French company IRIS to raise a gross amount of up to CHF 19.3 million over the period of two years. The agreement was renewed in July of 2022 for a gross amount of up to CHF 15.0m through 2024. IRIS will receive Company shares to be created from the Company’s conditional capital based on this interest-free mandatory convertible bonds program. It remains at the sole discretion of the Company to suspend or terminate the staggered financing. IRIS is committed to buy on a monthly basis over a period of two years twenty-four tranches of CHF 625’000 of unsecured zero-coupon mandatorily convertible bonds. The program can be tailor-made in terms of period and tranche size, according to the Company’s financing needs. During the term of the financing, IRIS will convert each month the mandatory convertible bonds into shares at a discount to the applicable volume weighted average price (VWAP). These shares are expected to be sold on the market or in block trades.

Details are shown in the notes to the consolidated financial statement, page 62.

3 Board of Directors

The Board of Directors consists of 5 non-executive members and one executive member (Jeffrey Wager as CEO). None of the non-Executive members of the Board of Directors (i) has significant business connections with the Company or its subsidiaries or (ii) is or was a member of the Company's or its subsidiaries' management during 2022 or the three previous financial years. Jeffrey Wager is the Company's CEO and has a number of (unpaid) operational management roles at the Company's subsidiaries.

Corporate Governance

Board of Directors

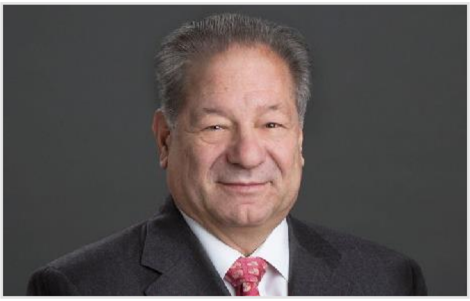
3.1/3.2 Members of the Board of Directors

Jeffrey D. Wager
M.D., American
CHAIRMAN

Between 2011-2017, Jeff Wager was co-creator and board observer to Grupo Biotoscana SL, a Latin American specialty pharma roll-up financed by Advent International and Essex Woodlands Healthcare Ventures, focused on cancer, infectious and rare diseases, leading to its USD 1 billion 2017 IPO on sales of ~$240M and 600 staff in 10 LatAm markets. From 2006 – 2010, he formed and led Artisan Pharma, Inc. as its founding CEO, raising $53M, building the entire team and implementing a 750 patient, 17 country Phase IIb/III study ultimately leading to Artisan's acquisition by Asahi Kasei Pharma Corporation (Japan) in 2011. In 2000, Jeff formed Apeiron Partners, a FINRA-registered life sciences investment bank focused on corporate spin-outs, M+A, corporate venture capital and principal investments. In the process, successfully completed six spin-outs, including Targacept, Inc. (NASD:TRGT), Artisan Pharma (from Asahi Kasei), Biocritica ($120M annual revenue Xigris® franchise from Eli Lilly) and KBI Bio- Pharma (acquired by JSR Corporation (Japan)). Between 2003 and 2006, advised on the establishment and investment of Z-Cube s.r.l., the €60M corporate venture fund of the Zambon Group, a privately held Italian pharmaceutical company. Between 1995-2000, Jeff was with Medical Science Partners, a Harvard-founded VC fund focused on forming spin-outs from the Harvard medical system, including deCODE, ICAgen, Inspire, Oravax (subsequently Acam- bis), ZYCOS, Inc. and Diatide, amongst others.

Jeff Wager began his career with a life sciences unit of the Bank of Tokyo, where he led business development, responsible for helping Japanese pharmaceutical clients establish overseas affiliates, design and conduct overseas clinical development and structure strategic alliances. Jeff is also a co-founder and Chairman of Proterris, Inc., a phase II/III clinical-stage firm focused on therapeutic uses of low-dose gaseous and small molecule carbon monoxide for transplant, fibrosis, and oncology indications. Jeff Wager earned his MD from Rush Medical College and his MBA from the University of Chicago.

Corporate Governance



Dennis Ausiello
M.D., American
VICE-CHAIRMAN

Dennis A. Ausiello is the Jackson Distinguished Professor of Clinical Medicine at Harvard Medical School. He is concurrently the Director, Emeritus of the Harvard Medical School's M.D./ Ph.D. Program. He is also Chair of Medicine, Emeritus, and Director of the Center for Assessment Technology and Continuous Health (CATCH) at Massachusetts General Hospital. Dennis was the former Lead Director of the board of directors at Pfizer, Inc. Previously, and served as an editor of Cecil's Textbook of Medicine. Dennis Ausiello serves on the board of directors of Alnylam Pharmaceuticals and Seres Therapeutics, Inc. and previously served on the board of directors of Pfizer, where he currently serves on the advisory board. Dennis received his B.S. from Harvard College and his M.D. from the University of Pennsylvania School of Medicine. Throughout his career, Dennis Ausiello has made substantial contributions to the study of epithelial biology in the areas of membrane protein trafficking, ion channel regulation and signal transduction, and has published numerous articles, book chapters and textbooks.

Bernard Bollag
MBA, Swiss
BOARD MEMBER

Bernard Bollag, MBA, has more than 20 years' senior finance leadership experience across publicly listed and privately held companies. As Group Treasurer at Syngenta during 2000-2005, he played an important role in establishing financial governance by developing the funding and risk structures for the Group in its initial years. At Unisys before, Bernard held several senior finance roles in corporate and operations, leading and participating in key performance improvement programs. Bernard was CFO of UK's HomeSun Ltd., helping to steer the company to a successful exit. Prior to that as CFO of the Aktiva Group, he led a Family Office held group of companies and investments, to pre- serve value across the financial crisis. Bernard is the founder and Managing Director of Beaufort Capital, a boutique assisting owners of private equity assets in creating value for their investments. Bernard brings to the Board a keen expertise in funding and investment markets, as well as a track record of leading and supporting organizations to deliver on their strategic goals. Bernard Bollag received his MBA in Finance from the Columbia Business School in New York and holds a BA in Economics from the Bar Ilan University of Tel-Aviv.

Corporate Governance

Kuno Sommer
Ph.D., Swiss
BOARD MEMBER

Kuno Sommer, Ph.D., today focuses on active board memberships in the life sciences sector as non-executive member. He is Chairman of the Board of The Bachem Group; the Sunstar group; TargImmune and Kenta Biotech AG. In his last operational role he headed the contract research division of Harlan Laboratories Ltd. From 2000 until 2006 he was CEO of Berna Biotech Ltd, which was sold to Crucell N.V. in 2006 (today Johnson & Johnson). Starting in 1986 at F. Hoffmann-La Roche Ltd he worked in various functions until 1999 and spent 4 years in the US. In his last position at Roche he became a member of the Executive Committee, responsible for the Flavours and Fragrances division (today Givaudan Ltd).

Dr. Sommer holds a Ph.D. in Business Administration from the University of Basel as well as an MBA.

Robert Clarke
Ph.D., American
BOARD MEMBER

Robert Clarke, has served as Chief Executive Officer / Board Member / Co-founder of Kinaset Therapeutics since 2020. He was previously Chief Executive Officer at Pulmatrix Inc. (NASDAQ:PULM), a clinical-stage respiratory drug delivery company, from 2012 to 2019 and successfully brought the company public in 2015. He joined Pulmatrix in 2004 as the first Ph.D.-level scientist and was appointed Chief Scientific Officer in 2010. In that role he was focused on developing the Pulmatrix technologies for the treatment of respiratory diseases. During his tenure as Chief Executive Officer, Pulmatrix raised more than $50 million in public equity, $80 million in venture capital funding and more than $10 million in non-dilutive funding to support the company's development programs. Prior to his tenure at Pulmatrix, Robert was Associate Director, Life Sciences at Alkermes. He holds Board seats at several institutions including Johns Hopkins University and Boston University College of Engineering. Robert Clarke holds a Ph.D. in physiology from Johns Hopkins University and completed his post-doctoral training in respiratory biology at Brigham and Women's Hospital and Harvard University.

Corporate Governance

Dan Hartman
M.D., American
BOARD MEMBER

Dan Hartman is currently Director, Integrated Development for the Gates Foundation, leading a team that provides technical expertise in product development to other foundation teams and their partners. He joined the foundation in 2012 in his current role and served simultaneously as interim director of the Malaria team from 2016 to 2018. Dan has extensive management and pharmaceutical experience. Before joining the foundation, he served for four years as president and CEO of Great Lakes Drug Development, a consulting company providing strategic and operational support for early drug development projects. Previously, he served as senior vice president of product development at deCODE genetics, executive director of Pfizer Global Research and Development, and vice president of global clinical development at Esperion Therapeutics, and he held clinical research positions at Eli Lilly & Company. He has also provided consultation to the biopharmaceutical venture capital community and serves as a member/ advisor on several nonprofit boards. Dan served as a member of the National Institutes of Health's National Center for Advancing Translational Sciences and Cures Acceleration Network advisory board from 2016 to 2019 and was president of the American Society for Clinical Pharmacology & Therapeutics. Dan Hartman has received numerous awards, including Inventor of the Year from the Intellectual Property Owners Association. He received his bachelor's degree from Calvin College and his medical degree from Wayne State University. Dan was trained in internal medicine and completed a fellowship in pulmonary medicine at Indiana University, where he also served as chief medical resident.

3.3 Permitted Activities pursuant to Article 734e CO

According to article 34 of the Company's articles of association, the members of the Board of Directors can have not more than the following number of mandates outside of the Company, either as members of the Board of Directors, the senior management or an administrative body of a legal entity which is obliged to be registered in the Swiss commercial register or an equivalent foreign register: a) seven mandates for publicly traded companies pursuant to Article 727 para. 1 number 1 CO; b) eight mandates for companies pursuant to Article 727 para. 1 number 2 CO; and c) five mandates for companies which do not fulfil the criteria under a) and b) hereunder. Mandates held in several legal entities each operating under the same management or same beneficial owner (Group) are deemed to be a single mandate. If a legal entity fulfills several of the above mentioned criteria, it can be freely counted towards any category. Mandates in legal entities which are controlled by the Company or which control the Company and honorary mandates in charitable legal entities are exempt from the above restrictions.

3.4 Elections and terms of office

The members of the Board of Directors (including the chairperson) are individually elected by the meeting of shareholders for a term of one year until the end of the next Annual General Meeting (AGM), provided that such member does not resign or is not replaced during his term. The members of the Board of Directors may be re-elected without limitation.

Name	Function	Committee memberships	First elected	End of current period	Year of birth
Jeff Wager	Chairman		2021	2023	1962
Dennis Ausiello	Vice-Chairman	AFC CNC	2021	2023	1945
Kuno Sommer	Member	CNC	2012	2023	1956
Bernard Bollag	Member	AFC (Chair)	2013	2023	1961
Robert Clarke	Member	CNC (Chair)	2021	2023	1968
Dan Hartman	Member		2021	2023	1962

3.5 Internal organizational structure

The Board of Directors has adopted Organizational Rules (including Charters for the Compensation and Nomination Committee and the Audit and Finance Committee), which define the essential roles and responsibilities of the Board of Directors, the committees of the Board, the Chairman of the Board, the CEO and the executive management (the "Executive Committee").

In accordance with good corporate governance standards, the Board of Directors has established two sub-committees, with membership determined according to expertise.

Corporate Governance

Compensation and Nomination Committee:

The Compensation and Nomination Committee ("CNC") consists of Robert Clarke (Chair), Kuno Sommer and Dennis Ausiello. The CNC held 2 meetings during 2022. In case of vacancies on the CNC, the Board shall appoint from among its members substitutes for a term of office extending until completion of the following Annual General Meeting (AGM).

The CNC is established as a permanent committee of the Board of Directors. The CNC shall assist the Board in establishing the compensation of the members of the Board, the CEO and the Executive Committee (Geschäftsleitung), and the guidelines for nomination and election of the members of the Board, its committees and the CEO.

The CNC shall have the following responsibilities:

- to draw up principles for compensation of members of the Board of Directors and the Executive Committee and to submit them to the Board of Directors for approval;
- to propose to the Board of Directors the resolution to be submitted to the AGM for the maximum total compensation of the Board of Directors and Executive Committee;
- subject to and within the bounds of the maximum compensation approved by the AGM, to request approval by the Board of Directors of the individual remuneration packages to be paid to members of the Board of Directors and members of the Executive Committee;
- to request approval by the Board of Directors regarding the determination of the compensation-related targets for the Executive Committee;
- to request approval by the Board of Directors regarding the adjustments to the articles of association relating to remuneration;
- to prepare the Compensation Report and submit it to the Board of Directors;
- to propose to the Board the contractual terms (if any) and compensation of the members of the Board (incl. the Chairman of the Board) and the CEO.
- to determine, upon proposal by the CEO, the terms of employment, promotion or termination of the other members of the Executive Committee (except for the CEO).
- to determine, upon proposal by the CEO, the grants and awards under incentive-based compensation plans and equity-based plans, in each case consistent with the terms of such plans, provided that such grants and awards shall be within the bounds of the maximum compensation approved by the AGM;
- to evaluate the Executive Committee's performance in light of the goals and objectives; and
- to oversee annual evaluation of the Board and the Executive Committee for the prior year.

Audit and Finance Committee:

The Audit and Finance Committee ("AFC") consists of Bernard Bollag (Chair) and Dennis Ausiello. The term of office of the members of the AFC is until the next AGM. Re-election is possible. The Board of Directors appoints the chairperson.

The AFC is established as a permanent committee of the Board of Directors. The Board of Directors is ultimately responsible for the general policies and management of the Company, amongst others for the accounting, financial controls, and financial planning. The Audit and Finance Committee prepares recommendations to the Board of Directors that may be approved by the Board of Directors.

The Audit and Finance Committee shall make an independent assessment of the quality of external auditors, the financial statements and the internal controls and assists the Board in fulfilling its duties to supervise management.

In particular, the AFC has the following duties and responsibilities:

- assess the effectiveness and independence of the external auditors (the statutory auditors and group auditors) and the internal controls;
- make a quality assessment of the financial risk management framework and monitor its implementation within the Company;
- decide upon audit work outside the regular audit of the yearly accounts, including operational audits and system audits;
- review the individual and consolidated financial statements and discuss these with the CFO and, separately with the responsible person(s) of the external auditors;
- decide whether the statutory and consolidated financial statements are to be recommended to the Board for presentation to the AGM;
- assess the performance and the fees charged by the external auditors and ascertain their independence;
- review the scope of the prospective external audit and the estimated audit fees;
- take notice of all comments including on critical accounting policies and practices from the external auditors;
- support the Board of Directors in preparing the decision on appointment and/or removal of the external auditors;
- discuss with the CFO any legal matters (including the status of purchase, financial and business development agreements) that may have a material impact on the Company's financial statements or which could materially impact the Company's balance sheet;
- evaluate the CFO's principles and proposals for, and formulate recommendations to the Board of Directors in regards to financial planning; and
- review finance policy and operations in treasury, controlling, insurance, taxes and investment and acquisitions.

3.6 Definition of areas of responsibility

The Board's non-transferable and inalienable duties include: (i) the ultimate management of the Company and the giving of the necessary directives in this regard; (ii) the determination of the organization of the Company; (iii) the structuring of the accounting system, financial controls and financial planning; (iv) the appointment and removal of the persons entrusted with the management and representation of the Company; (v) the ultimate supervision of the persons entrusted with the management of the Company, in particular with respect to their compliance with applicable law, the articles of association, regulations and directives; (vi) the preparation of the annual report as well as the preparation of shareholders' meetings and the implementation of their resolutions; (vii) notification of the judge in case of over-indebtedness; (viii) the adoption of resolutions concerning increases in share capital to the extent that such power is vested in the Board, including resolutions concerning the confirmation of capital increases and respective amendments to the articles of association, and (ix) the non-transferable and inalienable duties and powers of the Board pursuant to the Swiss Federal Merger Act (Fusionsgesetz) and any other applicable law.

In accordance with Swiss law, the articles of association and the Organizational Rules and subject to those matters that lie within the responsibility of the Board by law, the articles of association and the Organizational Rules, the Board of Directors has delegated the Company's management to the CEO, who leads the top tier of the Company's Executive Committee.

3.7 Information and control instruments vis-à-vis the executive committee

The Board of Directors receives regular reports regarding the financial and business situation of the Company and semi-annual reports presented by the CEO. In general, the Executive Committee informs the Board of Directors at each meeting about the current course of business and important transactions. Furthermore, the Board of Directors is informed about the most important key figures. Under Spexis' Management Information System (MIS) a monthly report with balance sheet, income statement and other operating key figures as well as comments is prepared. The balance sheet, income statement, cash flow statement and various key figures are prepared and consolidated on a monthly basis. These figures are compared with the budget. At the meetings of the Board of Directors, the financial reports are discussed with the Executive Committee. Extraordinary events and important decisions are brought to the attention of all members of the Board of Directors immediately. The Company also has an internal control system (ICS) and a risk management system, which are described under the heading Risk assessment on page 94. Spexis does not have an internal audit department.

4 Executive Committee

In the following section the Executive Committee composition is shown as per December 31, 2022. The Executive Committee consists of 4 members, several of which have a number of (unpaid) operational management roles at the Company's subsidiaries.

Corporate Governance

Executive Committee

4.1/4.2 Members of the Executive Committee

Jeffrey D. Wager
M.D., American
CHAIRMAN

Between 2011-2017, Jeff Wager was co-creator and board observer to Grupo Biotoscana SL, a Latin American specialty pharma roll-up financed by Advent International and Essex Woodlands Healthcare Ventures, focused on cancer, infectious and rare diseases, leading to its USD 1 billion 2017 IPO on sales of ~$240M and 600 staff in 10 LatAm markets. From 2006 – 2010, he formed and led Artisan Pharma, Inc. as its founding CEO, raising $53M, building the entire team and implementing a 750 patient, 17 country Phase IIb/III study ultimately leading to Artisan's acquisition by Asahi Kasei Pharma Corporation (Japan) in 2011. In 2000, Jeff formed Apeiron Partners, a FINRA-registered life sciences investment bank focused on corporate spin-outs, M+A, corporate venture capital and principal investments. In the process, successfully completed six spin-outs, including Targacept, Inc. (NASD:TRGT), Artisan Pharma (from Asahi Kasei), Biocritica ($120M annual rev- enue Xigris® franchise from Eli Lilly) and KBI Bio- Pharma (acquired by JSR Corporation (Japan)). Between 2003 and 2006, advised on the establishment and investment of Z-Cube s.r.l., the €60M corporate venture fund of the Zambon Group, a privately held Italian pharmaceutical company. Between 1995-2000, Jeff was with Medical Science Partners, a Harvard-founded VC fund focused on forming spin-outs from the Harvard medical system, including deCODE, ICAgen, Inspire, Oravax (subsequently Acam- bis), ZYCOS, Inc. and Diatide, amongst others.

Jeff Wager began his career with a life sciences unit of the Bank of Tokyo, where he led business development, responsible for helping Japanese pharmaceutical clients establish overseas affiliates, design and conduct overseas clinical develop- ment and structure strategic alliances. Jeff is also a co-founder and Chairman of Proterris, Inc., a phase II/III clinical-stage firm focused on therapeutic uses of low-dose gaseous and small molecule carbon monoxide for transplant, fibro- sis, and oncology indications. Jeff Wager earned his MD from Rush Medical College and his MBA from the University of Chicago.

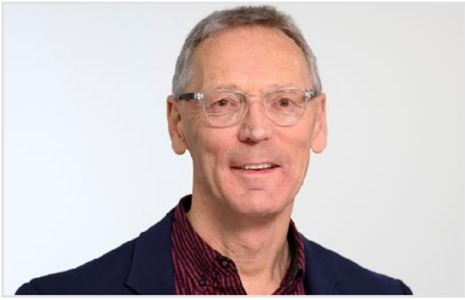
Corporate Governance

Stephan Wehselau
German
CHIEF OPERATING OFFICER

Stephan Wehselau is a serial entrepreneur with over 20 years C-level experience as CFO, COO and CEO, having raised over $380 million in venture capital and private equity from high-profile international funds in the US, Europe and Asia in the life sciences & IT industries and have closed several corporate transactions including M&A. Stephan was CFO and member of the Advisory Board of EnBiotix Inc. until the reverse merger with between EnBiotix Inc. and Polyphor Ltd which was renamed into Spexis Ltd on December 29 ,2021. Since January 2020 he is acting CFO and Advisory Board Member of a US bio- tech company called Proterris Inc. He also is Advisory Board Member of a German based biotech company T-Balance Therapeutics GmbH since December 2021.

During the last 23 years Stephan has been involved in the foundation of 5 Life Science companies (BioPharma, Medical Devices and Diagnostic) Xantos Biomedicine AG, JenaValve Technology Inc., Spherotec GmbH, Tube Pharmaceuticals GmbH and Granite Bio AG where he holds different executive and non-executive positions. He was a member of the Board of Directors of Nasca Cell AG a public listed company in Germany for 4 years. Before Stephan entered into the Start-Up and VC / PE Industry he started his career in the pharma industry and worked first for Boehringer Mannheim and later on for Roche. Since 2015 he entered also into the ICT and Tech industry. From 2020 2021 he was CFO & COO of Advertima AG a deep tech AI / computer vision and machine learning company. Before that Stephan was from 2015 2018 CFO of censhare AG, an agile software company of the next generation marketing cloud, integrating different applications and functions. Stephan Wehselau studied economics and holds a masters degree (M.Sc.) in economics from the University of Bremen, Germany.

Corporate Governance



Juergen Froehlich M.D., American

CHIEF MEDICAL & DEVELOPMENT OFFICER

Juergen Froehlich's career in biotechnology spans three decades and covers a broad range of drug development projects and approvals across therapeutic areas such as cerebrovascular, cardiovascular, pulmonary, metabolic, oncologic, genetic and infectious disorders. He has worked with biologics, peptides, small molecules, and RNA therapeutics at companies including Boehringer Ingelheim, Genentech, Quintiles, Bristol-Myers-Squibb, Ipsen, Vertex, Aradigm and Genevant. Since 2005, he has mainly been involved with rare diseases including bronchiectasis, cystic fibrosis, non-tuberculous mycobacteria infection, acromegaly, neuroendocrine tumors, urea cycle disorders cervical dystonia and hemophilia. Juergen was instrumental in obtaining successful marketing authorizations in the US, EMA and other countries for ODD designated products in cystic fibrosis, acromegaly and cervical dystonia. As Chief Medical Officer and Head of Regulatory Affairs of Aradigm Corporation, he implemented a Phase 3 trial program with inhaled liposomal ciprofloxacin in patients with bronchiectasis and chronic Pseudomonas aeruginosa lung infection and was an invited panel member at a U.S. Food and Drug Administration (FDA) workshop in 2018 for inhaled antibiotics in cystic fibrosis and bronchiectasis. Juergen Froehlich is also serving as a Board member of Appili Therapeutics, a publicly traded infectious disease company in Canada. He received his MD from the Medical School at Wuerzburg University, Germany, is a Diplomate of the American Board of Clinical Pharmacology and holds an executive MBA degree from the Graduate School of Business Administration in Zurich, Switzerland.

Corporate Governance

Hernan Levett
Argentinian
CHIEF FINANCIAL OFFICER

Hernan Levett joined Spexis in October 2019 from NASDAQ listed company Auris Medical where he served as CFO. He started his international Pharma career at Novartis where he held roles of increasing responsibility in various countries and regional functions and as CFO for one its affiliates. Following a 10 year tenure at Novartis, Mr. Levett continued to build his experience in biotech joining InterMune where he served as VP of Finance. Mr. Levett brings over 25 years of finance and pharma / biotech experience at leading companies and holds a CPA degree from the University of Buenos Aires, Faculty of Economics.

Name	Function	Year of joining Spexis	Year of birth
Jeffrey D. Wager	Chief Executive Officer	2021	1962
Stephan Wehselau	Chief Operating Officer	2021	1968
Juergen Froehlich	Chief Medical and Development Officer	2021	1956
Hernan Levett	Chief Financial Officer	2019	1975

4.3 Rules on the number of permitted activities

According to article 35 of the Company's articles of association, each member of the Executive Committee may, with approval of the CNC, cumulatively assume not more than the following number of mandates in the Board of Directors, the senior management or an administrative body of a legal entity which is obliged to be registered in the Swiss commercial register or an equivalent foreign register: a) two mandates for publicly traded companies pursuant to Article 727 para. 1 number 1 CO; (b) one mandate for companies pursuant to Article 727 para. 1 number 2 CO; and c) two mandates for companies which do not fulfil the criteria under litera a) and b) hereunder.

Mandates held in several legal entities each operating under the same management or same beneficial owner (group) are deemed to be a single mandate. If a legal entity fulfills several of the above mentioned criteria, it can be freely counted towards any category. The following mandates are exempt from these restrictions: a) mandates in legal entities which are controlled by the Company or which control the Company and b) honorary mandates in charitable legal entities.

4.4 Management contracts

There are no management or service contracts with third parties.

5 Compensation, shareholdings and loans

For details on the compensation of the members of the Board of Directors and the Executive Committee as well as the employee stock ownership plans of the Company, please refer to the compensation report starting on page 42 of this annual report.

Details on shares and options held by the Board of Directors and the Executive Committee and the rules in the articles of association regarding compensation and loans to members of the Board of Directors and the Executive Committee can be found in the compensation report starting on page 41 of this annual report.

6 Shareholder’s participation rights

6.1 Voting rights restrictions and representation

Shareholders who are entered in the share register of the Company are entitled to vote at general meetings of shareholders. The deadline for being entered in the share register is set approximately 14 days prior to the general meeting of shareholders. The exact date is made public with the press release following the presentation of the financial results to the public for the full year ending on 31 December. For limitations on transferability and nominee registrations see Section 2.6.

6.2 Quorums required by the articles of association

Shareholders’ resolutions generally require the approval of an absolute majority of the votes represented at the general meeting of shareholders (with abstentions, blank or invalid ballots being counted towards the total number of votes whose majority is to be reached) unless otherwise required by Swiss law or the articles of association. The resolutions requiring the approval of an absolute majority of the votes represented include, inter alia, amendments to the articles of association (subject to exceptions), the election and removal of the Chairman and the members of the Board, the independent voting rights representative and the auditors, approval of the annual report and the financial statements, approval of dividends (if any), approval of the aggregate amounts of compensation of the members of the Board and the Executive Committee, releasing the members of the Board and the Executive Committee from liability for matters disclosed to the general meeting of shareholders, and ordering an independent investigation into specific matters proposed to the general meeting (Sonderprüfung).

A resolution passe d at a general meeting of shareholders with a qualified majority of at least two- thirds of the votes represented and the absolute majority of the nominal share capital represented at such meeting (a “Qualified Majority”) is required by law and/or the articles of association for, among others:

(i) modifications of the Company’s purpose;
(ii) the creation of shares with preferential voting rights;
(iii) restrictions of the transferability of registered shares and the easing or lifting of such restrictions;
(iv) an authorised or conditional share capital increase;
(v) a share capital increase by conversion of equity surplus, against contributions in kind or for purposes of an acquisition of assets, or the granting of special benefits;
(vi) the limitation or exclusion of pre-emptive rights of shareholders;
(vii) the relocation of the registered office of the Company; and
(viii) the dissolution of the Company. The Qualified Majority requirement and, in some instances, other qualified majority requirements, apply by law to a merger (Fusion), demerger (Spaltung) or conversion (Umwandlung) of the Company. The introduction or abolition of any provision of the articles of association providing for

a higher majority requirement than is prescribed by law must be adopted by such majority.

Shareholders of the Company may elect to be represented by proxy at general meetings of shareholders, by the independent voting rights representative, by their legal representative(s), or, by means of a written proxy or by any other proxy who need not be a shareholder.

6.3 Convocation of the general meeting of shareholders

General meetings of shareholders are convened by the Board of Directors. The Annual General Meeting (AGM) shall be called by the Board of Directors, or, if necessary, by the Auditors. It may also be called by the Liquidator.

6.4 Inclusion of items on the agenda

Shareholders holding shares with a nominal value of at least 5% of the share capital may at least 45 days prior to the meeting of shareholders demand that an item be included in the agenda; and, in the case of elections, the names of the proposed candidates shall be given. No resolution shall be passed on items for which no proper notice has been given, excluding the provisions regarding meetings of all shareholders; this prohibition does not apply to proposals to call an extraordinary meeting of shareholders or to initiate a special audit. No prior notice is required for proposals concerning items included in the agenda and discussions that do not result in the adoption of resolutions. A meeting of shareholders must be also held for reasons stated by law.

6.5 Entries in the share register

The relevant date determining the right of shareholders to participate in the meeting of shareholders on the basis of entries in the share register is set by the Board of Directors in the invitation to the meeting of shareholders.

7 Changes of control and defense measures

7.1 Duty to make an offer

There is no provision on opting-out or opting-up in the articles of association of the Company. The threshold of 33 1/3% of the voting rights of an offeree company specified in Article 135 of the Financial Market Infrastructure Act (FMIA) is thus applicable.

7.2 Clauses on changes of control

There is no contractual agreement for members of the Board of Directors or members of the Executive Committee in the event of change in control. However, the Company's ESOP2013 and ESOP2019 provide for an acceleration of vesting in the event of a change of control.

8 Auditors

8.1 Duration of the mandate and term office of lead auditor

Since 2005, the Company's statutory auditors have been Ernst & Young AG, Aeschengraben 27, 4051, Basel ("EY"). By resolution of the shareholders on April 6, 2021 EY was re-elected for the financial year 2022.

Ms. Elisa Alfieri has been lead auditor since 2016. The term of office of the lead auditor is seven years.

8.2 Auditing fees

The total auditing fees in connection with auditing the statutory financial statements of Spexis Ltd, as well as the consolidated financial statements (including half year review) charged by EY in the year under review was CHF 188'842.

8.3 Additional fees

During the year ending December 31, 2022, additional fees amounting to CHF 97'808 were billed by EY for audit related work in connection with providing audit opinions for capital reduction, capital increase and other general audit related services.

8.4 Information instruments pertaining to the external audit

The Board of Directors is responsible for the evaluation of the external audit and decides on an annual basis on the scope of the external audit and its audit plan. The auditor prepares an annual report for the Board of Directors. There is at least one meeting between the external auditors and the Board of Directors.

The external auditors meet with the AFC to present their plan, scope, audit approach, budget and audit results. The AFC reviews these and evaluates the independence of the external auditors from a risk analysis perspective. In addition to that, the auditors present their opinions resulting from an integrated audit, along with an annual management letter.

9 Information Policy

The most important information tools of the Company are the annual and semi-annual reports, the website, the presentation of financial statements, media releases and the Annual General Meeting (AGM). The corporate website of the Company can be accessed at www.spexisbio.com.

Spexis is a listed company. The Listing Rules of the SIX Swiss Exchange can be found at: https://www. ser-ag.com/dam/downloads/regulation/listing/listing-rules/LR-en.pdf

The Investor Relations department is available to respond to your questions on Corporate Governance matters. You can contact us by phone (+41 61 567 16 00) or by writing to us at Spexis Ltd, Hegenheimermattweg 125, CH-4123 Allschwil, Attention: Investor Relations or by e-mail at info@ spexisbio.com.

10 Quiet Periods

According to the Company's insider trading policy, trading securities of the Company is prohibited for insiders during the periods commencing at the close of business on the date that is two weeks before the end of any financial close of the Company and ends twenty-four (24) hours following the public release of earnings data for such period. In addition, the Company's compliance officer may declare a closed period if, in the judgment of the compliance officer, insider information is available within the Company that would make transactions by insiders inappropriate.

Compensation Report

1 Introduction

The compensation report describes our compensation philosophy and principles, as well as the governance framework related to the compensation of the Board of Directors (Board) and the Executive Committee (EC) of Spexis AG. The report also provides details of the compensation made to the Board and to the EC for the respective reporting year and their shareholding in the Company. This report is based on Section 5 of the annex to the Corporate Governance Directive issued by SIX Swiss Exchange and article 734 to 734f of the Swiss Code of Obligations (CO). The compensation report aims to create transparency regarding the compensation provided by the Company.

2 Compensation Policy

The objectives of the compensation policy include attracting, retaining, and motivating employees to achieve results. The compensation policy is designed to support a performance culture. The compensation policy balances short- and long-term incentive components to reflect the responsibility of the employees' roles and we believe that we align the interests of the Board, management, and employees with the interests of the Company and its shareholders.

3 Compensation Periods and Approval by Shareholders

Our Annual General Shareholders' Meeting (AGM or General Meeting) must vote each year on the approval of motions from the Board concerning the aggregate maximum amount of compensation for the Board and separately for the EC until the following AGM. For the Board, the compensation period starts after the AGM and ends on the day before the AGM of the subsequent year. Concerning the Board compensation, the approval of the shareholders for fixed compensation is prospective. For the compensation of the EC, the approval of the shareholders is prospective allowing the Board to set targets and reward achievements of corporate and individual goals for each member of the EC.

4 Responsibilities of the Compensation and Nomination Committee

4.1 Composition of the Compensation and Nomination Committee

Our members of the Compensation and Nomination Committee (CNC) are elected by the General Meeting for a one-year term. The General Meeting held on April 26, 2022, elected Dennis Ausiello, Robert Clarke and Kuno Sommer as the members.

4.2 Tasks/Competences of the CNC

The CNC reviews and validates the compensation policies, compensation models, and principles of compensation for the members of the Board, the EC, and the Company's total compensation costs. It assists the Board in determining the compensation system and the principles of compensation in the preparation of motions for the General Meeting to approve compensation. The CNC may submit proposals and recommendations to the Board on all matters pertaining to compensation. All final decisions are taken by the Board within the framework approved by the General Meeting.

On an ongoing basis, the CNC reviews and monitors the compensation policy in light of the Company's business strategy, corporate goals, and values. The CNC aims to safeguard the long-term interests of our shareholders while allowing Spexis AG to attract and retain employees with the required qualifications. The CNC reviews periodically the stock option ownership program regarding its suitability for incentivizing employees and aligning with corporate goals.

For more information about the CNC responsibilities, see note 3.5 in the Corporate Governance report.

5 Description of Benchmarks Used, Salary Comparisons, and Support from External Consultants

In 2020, we performed a benchmark study with an external consultancy firm (Kienbaum) to assess the market competitiveness of our compensation levels, to get a benchmarking against industry standards of compensation levels, and to better understand market trends. Due to the structural changes of the Company, benchmark topics were not addressed in 2022 as initially planned.

6 Rules in the Articles Regarding Compensation

Our Articles of Association include rules regarding (i) principles of compensation of the Board and the EC (Articles 30 to 32 and 37), (ii) rules on say-on-pay (Article 17), (iii) agreements regarding compensation of the Board and EC (Article 33), and (iv) loans and credits and pension benefits not based on occupational pension schemes (Article 36).

A Principles of Compensation

According to Articles 30 to 32 of our Articles of Association and subject to the approval by the General Meeting, the compensation payable to the members of the Board may include the following elements:

a) a fixed basic remuneration
b) a fixed committee fee for work in a committee of the Board
c) a possible additional compensation of the Board for the preceding business year and
d) an equity-based remuneration.

We may pay such compensation in cash, non-cash benefits, options, shares, or equity-based instruments in the Company. Subject to the approval by the General Meeting, the members of the Board may receive remuneration in cash at customary conditions for advisory services rendered outside their capacity as Board member for the benefit of the

Company or companies under its control. The General Meeting may approve an additional bonus for the members of the Board in exceptional cases.

Subject to the approval by the General Meeting, the compensation payable to our members of the EC may include the following elements:

a) a fixed remuneration payable in cash
b) a performance-related remuneration payable in cash (variable)
c) an equity-based remuneration.

The performance-related remuneration depends on our business success and the individual performance of the member of the EC based on the achievement of pre-determined targets during a business year. Our Board determines annually at the beginning of each business year the decisive targets of the Company and their weighting upon proposal by the Compensation Committee. Our Board also determines the amount of the performance-related cash remuneration for each member of the EC, which according to our Articles of Association may not exceed 100 percent of the respective individual fixed remuneration for the same year.

According to Article 32 of our Articles of Association, if new members of the EC are appointed for current or new positions of the EC after the General Meeting has approved the maximum total compensation for members of the EC for the year in question, we may pay the new members an additional amount. Such an additional amount payable to all new members of the EC may not exceed 50% of the respective total compensation (fixed, performance-related, and equity-based) already approved by the General Meeting. We may pay the additional compensation only if the total compensation amount already approved by the General Meeting for the compensation of the members of the EC is insufficient to compensate the newly appointed members.

According to Article 37 of our Articles of Association, compensation may be paid in the form of shares, options or other equity-related instruments. The Board of Directors shall determine grant, vesting, exercise, restriction and forfeiture conditions and periods. The lock-up or vesting period shall be at least three years whereby the Board may foresee a shorter period for valid reasons. The conditions may provide for continuation, acceleration or removal of vesting, exercise, restriction, and forfeiture conditions and periods, for payment or grant of compensation based upon assumed target achievement, or for forfeiture, in each case in the event of pre-determined events such as a change of control or termination of service.

Compensation Report

B Rules on Say-on-Pay at the General Meeting of Shareholders

The Compensation Ordinance requires a "say on pay" approval mechanism for the compensation of the Board and the EC pursuant to which the shareholders must vote separately on the compensation of the Board and the EC on an annual basis.

Pursuant to Article 17 of our Articles of Association, the General Meeting must approve each year separately the total maximum amounts for:

a) the compensation of the Board for the next term of office, whereby the cash-based and the equity-based compensation may be voted in two separate votes;
b) a possible additional compensation of the Board for the preceding business year; and
c) the compensation of the EC for the next business year after the General Meeting, whereby the cash-based and the equity-based compensation may be voted on in two separate votes.

If our General Meeting refuses to approve a respective motion by the Board, the Board may either submit a new motion at the same meeting or determine a maximum total remuneration or several maximum partial remunerations, subject to the relevant principles of the compensation, and submit them to the next General Meeting for approval.

C Compensation Agreements

According to Article 33 of our Articles of Association, agreements on compensation with members of the Board may not exceed the term of a maximum of one year. Employment agreements of the members of the EC are principally concluded for an indefinite period whereas a notice period may not exceed 12 months by the end of each month. If an employment agreement is concluded for a fixed term, such term may not exceed one year.

A post-contractual non-compete agreement shall be permitted, provided that the duration does not exceed twelve months and that the related compensation does not exceed the amount of individual compensation of the preceding twelve months.

We may pay fixed expenses up to the amount approved by the tax authorities. We may reimburse additional expenses not covered by such an arrangement following the presentation of the supporting receipts. Such fixed and itemized expenses are not subject to a vote by the General Meeting.

D Loans, Credits and Pension Benefits not based on Occupational Pension Schemes

According to Article 36 of our Articles of Association, we may not grant loans, credits or securities to the members of the Board and the EC, except advances in the maximum amount of CHF 200'000 per person for attorney's fees, court, and other similar costs required for the defense of third-party liability claims.

7 Voting procedures at the 2022 General Meeting

We proposed the following votes on compensation for shareholder approval:

1 Board of Directors

- The maximum total amount of the fixed compensation for the period between the 2022 General Meeting and the 2023 General Meeting.
- The maximum total amount for an allocation of stock options under the Employee Stock Options Plan (ESOP2019).

2 Executive Committee

- The maximum total amount of the fixed and variable compensation payable in the business year 2023.
- The maximum total amount for an allocation of employee stock options under the Employee Stock Options Plan (ESOP2019).

8 Board of Directors Compensation

A Overview

The members of the Board receive a fixed annual cash compensation, including Board membership and sub-committee memberships and a grant of options. Any stock options granted are non-transferable, except in the case of death. In case of death, only vested options are transferable. For the Board, the compensation period starts after the Annual General Meetings (AGM) and ends on the day before the AGM of the subsequent year. Stock options as of the ESOP2013 for the Board vest after the AGM until the day before the AGM of the subsequent year. Stock options as of the ESOP2019 for the Board vest 25% on the grant date, thereafter 25% vest on each of the three consecutive calendar quarters following the grant date.

When granting options, the Board may deviate from this vesting schedule in individual cases. During such vesting periods, employee stock options may lapse subject to certain conditions as defined by the ESOPs. The term of the employee stock options granted is 10 years for the ESOP2013 and 7 years for the ESOP2019. For more information about the underlying Plan, see note 20 “Share-based payment arrangements” in the consolidated financial statements.

Compensation Report

Both components, cash fees and stock option allocation, do not depend on the achievement of corporate goals or the individual performance of a Board member. Additionally, we assume the payment of the employer's social security contributions due on these amounts wherever such is applicable. Board members do not receive any variable compensation.

B Cash compensation approved at the 2022 AGM for the period between AGM 2022 and AGM 2023

At our 2022 General Meeting, the shareholders approved for the period between the 2022 and the 2023 General Meeting a total cash compensation for the entire Board of a maximum of **CHF 278'300** (2021: CHF 265'263), including social security contributions and including a maximum of **CHF 20'000** for additional consultancy services by Board members.

C Equity-based compensation approved at the 2022 AGM for the period between AGM 2022 and AGM 2023

At our 2022 General Meeting, the shareholders approved for the entire Board a total maximum amount of **CHF 251'744** plus related social security contributions (2021: CHF 266'352) to be granted in a maximum of **250'000 options** (2021: 35'500) for the period until the 2023 General Meeting.

D Disclosure of total compensation of members of the Board – 2022 AGM to 2023 AGM (audited)

AGM 2022-AGM 2023 in CHF	Annual Cash Fee	Consult-ancy Fee	Value of Stock Options[1]	Social Security[2]	Total Compens-ation	Number of stock options granted
Wager Jeffrey[3]	60'000	-	-	-	60'000	-
Ausiello Dennis	30'000	-	30'561	-	60'561	50'000
Sommer Kuno	30'000	-	30'561	705	61'266	50'000
Bollag Bernard	30'000	-	30'561	1'932	62'493	50'000
Hartman Dan	30'000	-	30'561	-	60'561	50'000
Clarke Robert	30'000	-	30'561	-	60'561	50'000
Total	**210'000**	**-**	**152'805**	**2'637**	**365'442**	**250'000**

[1] Reflects value of share-based payments in accordance with IFRS 2 at grant. Such stock option values are theoretical values and do not reflect income tax values and do also take into consideration certain vesting provisions.

[2] Covers all employer-paid statutory social security contributions.

[3] Jeffrey Wager, as Chairman and CEO has one consolidated number of stock options - listed under Article 9D

E Disclosure of total compensation of members of the Board – 2021 AGM to 2022 AGM (audited)

AGM 2021-AGM 2022 in CHF	Annual Cash Fee	Consult-ancy Fee	Value of Stock Options[1]	Social Security[2]	Total Compens-ation	Number of stock options granted
Wager Jeffrey	15'000	-	-	-	15'000	-
Ausiello Dennis	7'500	-	-	-	7'500	-
Sommer Kuno	60'000	-	11'590	3'497	75'087	9'000
Bollag Bernard	33'750	-	8'441	2'255	44'446	6'500
Hartman Dan	7'500	-	-	-	7'500	-
Clarke Robert	7'500	-	-	-	7'500	-
Inderbitzin Silvio	26'250	-	8'441	1'691	36'382	6'500
Wallnöfer Andreas	37'500	-	9'628	-	47'128	7'500
O'Dowd Hugh	26'250	-	7'120	-	33'370	6'000
Total	**221'250**	**-**	**45'220**	**7'443**	**273'913**	**35'500**

[1] Reflects value of share-based payments in accordance with IFRS 2 at grant. Such stock option values are theoretical values and do not reflect income tax values and do also take into consideration certain vesting provisions.

[2] Covers all employer-paid statutory social security contributions.

9 Executive Committee Compensation

A Overview

Our members of the EC receive a fixed annual base salary (including the base salary, social security contributions, and payments to the pension fund) which takes into consideration the scope and responsibilities of the role.

In addition, our EC members receive a performance-related annual bonus, expressed as a percentage of the annual base salary. Depending on their function, the target bonus ranges between 25% and 45% of the annual base salary for the members of the EC.

The payment of performance-based remuneration depends on the achievement by the EC member of pre-defined objectives and on the achievement of the corporate objectives.

The corporate objectives are adopted by the Board and reflect the short-, medium- and long-term goals of the Company. These relate to the financing and economics of the Company, as well as to the progress on the development of our products.

The individual objectives reflect the corporate goals, as well as the objectives within the area of responsibility of the EC member.

Compensation Report

In 2022 the model of equity-based compensation for members of the EC was changed substantially. Previously, members of the EC received yearly option grants based on performance, whereby the options had a strike price determined based on the share price prior to the grant. At the 2022 General Meeting, shareholders approved a new model whereby members of the EC receive a one-off grant for a fixed number of options with a strike price substantially above the market price at the time of grant. Further grants are to be made not on a yearly basis, but only at major value inflection points of the Company.

Our members of the EC receive a grant of stock options at the discretion of the CNC's evaluation, Board approval and based on the role and responsibility of the respective member of the EC. Any stock options granted are non-transferable, except in case of death. According to the ESOP2013 and ESOP2019, 25% of the stock options vest after a period of one year from the grant date, thereafter, each calendar quarter 6.25% of the total stock options vest for twelve calendar quarters. When granting options, the Board may deviate from this vesting schedule in individual cases. During such vesting periods, employee stock options may lapse or become forfeited subject to certain conditions as defined by the ESOP2013 and the ESOP2019. Such conditions relate to death, retirement, disability, and termination of, or resignation from, employment. In such cases, only the vested options, as well as options for certain pre-specified periods may be exercised, while the remaining options lapse. The term of the employee stock options granted is 10 years for the ESOP2013 and 7 years for the ESOP2019. For more information about the ESOP2013 and ESOP2019, see note 20 "Share-based payment arrangements" in the consolidated financial statements.

The Company pension fund insures the annual base salary of the EC. For further details please see note 18 "Employee benefits" of the consolidated financial statements.

Other benefits include one-off anniversary payments of CHF 1'500, CHF 3'000, CHF 4'500, CHF 6'000, and CHF 7'500 after 5, 10, 15, 20, and 25 years of service respectively. An expense regulation for flat rate charges ("Pauschalspesen") for Executive Committee members has been approved by the tax authority Basel-Landschaft.

Our employment agreements with EC members stipulate a notice period between one and three months at the end of each month. They do not contain any "golden parachutes" in case of a change of control, or any severance provisions in case of termination of employment.

B Cash compensation approved at the 2021 and 2022 AGMs

At our 2021 General Meeting, the shareholders approved a maximum total compensation for the EC payable in 2022 as follows: **CHF 1'800'000** (2021: CHF 1'750'000) for fixed (non-performance-related) compensation and **CHF 800'000** (2021: CHF 750'000) for the variable (performance related) compensation (relating to the performance in 2021 but generally payable only in the first quarter of 2022).

Compensation Report

At our 2022 General Meeting, the shareholders approved a maximum total compensation for the EC payable in 2023 as follows: **CHF 1’700’000** for fixed (non-performance-related) compensation and **CHF 900'000** for variable (performance related) compensation (relating to the performance in 2022 but generally payable only in the first quarter of 2023).

C Equity-based compensation approved at the 2021 and 2022 AGMs

At our 2021 General Meeting, the shareholders approved a total maximum grant of **145'000** options to the EC with a maximum value at time of grant of **CHF 1'100'000** plus related social security costs estimated at CHF 42'358. At the EGM held on October 28, 2021, the shareholders approved the grant of an additional **435'000** options to the EC with a maximum value at the time of grant of **CHF 507'950** plus related social security costs estimated at CHF 33'017.

At our 2022 General Meeting, the shareholders approved a total maximum grant of **2’400’000** options to the EC with a maximum value at the time of grant of **CHF 2’405’452** plus related social security costs estimated at CHF 146’812.

D Disclosure of compensation of members of the Executive Committee paid during the year 2022 (audited)

2022 in CHF	Annual Cash Fee	Cash bonus	Stock Options[1]	Social Security[2]	Total Compens -ation	Number of stock options granted
Wager Jeffrey	307’293	-	-	15’482	322’775	700’000
Other 3 members of the EC	960’340	104’104	-	112’685	1’177’129	1’700’000
Total existing EC members[3]	**1’267’633**	**104’104**	**-**	**128’167**	**1’499’904**	**2’400’000**
3 former EC members (leavers)[4]	110’215	187’702	-	37’377	335’294	-
Grand Total	**1’377’848**	**291’806**	**-**	**165’544**	**1’835’198**	**2’400’000**

[1] Reflects value of share-based payments in accordance with IFRS 2 at grant. Such stock option values are theoretical values and do not reflect income tax values and do also take into consideration certain vesting provisions.

[2] Covers all employer-paid statutory social security contributions (AHV/IV/ALV for Swiss-based parties) and employer pension contributions to Spexis's pension fund.

[3] Reflects all active members of the EC for the full year 2022.

[4] Leavers:

Gohkan Batur, former CEO - on payroll till end of March 2022 (CHF 78'279 + social charges of CHF 25'583) and payout of 2021 bonus (CHF 139'644)

Franziska Müller, former Head of HR- employed till end of March 2022 and 2021 Bonus

Daniel Obrecht, former CSO - 2021 Bonus payment in 2022 - retired end of December 2021

Compensation Report

E Disclosure of compensation of members of the Executive Committee paid during the year 2021 (audited)

2021 in CHF	Annual Cash Fee	Cash bonus	Stock Options[1]	Social Security[2]	Total Compensation	Number of stock options granted
Gökhan Batur	313'118	153'765	118'741	68'262	653'886	24'800
Other 3 members of the EC	583'813	191'066	132'657	119'789	1'027'325	42'435
Total existing EC members[3]	896'931	344'831	251'398	188'051	1'681'211	67'235
Former 1 member of the EC[4]	287'853	168'266	-	82'530	538'649	36'900
Grand Total	**1'184'784**	**513'097**	**251'398**	**270'581**	**2'219'860**	**104'135**

[1] Reflects value of share-based payments in accordance with IFRS 2 at grant. Such stock option values are theoretical values and do not reflect income tax values and do also take into consideration certain vesting provisions.

[2] Covers all employer-paid statutory social security contributions (AHV/IV/ALV for Swiss-based parties) and employer pension contributions to Spexis's pension fund.

[3] Reflects all active members of the EC for the full year 2021.

[4] Reflects the full year compensation of the one member who left the EC within the year 2021. Options have been granted but forfeited due to the departure of the employee in 2021.

10 Executive Agreements

The employment contracts with the EC members are compliant with the CO and the Company's Articles of Association. Any post-contractual non-compete clauses for the period after termination of an employment agreement shall not exceed one year with the maximum compensation for such a period not exceeding the last total annual compensation of the EC member in question and is limited by industry and geography.

11 Loans and Credits

No loans, credits, or securities have been granted to members of the Board and the EC, except the following loans granted by EnBiotix, Inc. in connection with the exercise of stock options before the merger with Spexis (at the time still named Polyphor AG):

Name	Loan Amount (USD)
Jeffrey D. Wager	4'838.33
NIK Beteiligungsgesellschaft (Stephan Wehselau)	31'925.00
Juergen Froehlich	11'800.00
Robert Clarke	29'500.00

12 Compensation of Former Members of the Board and Executive Committee

Regarding former Board members, Spexis AG made no payments in the period under review nor the previous period. The compensation of former members of the Executive Committee is disclosed in the table in section 9 D above.

13 Shareholdings of Members of the Board and Executive Committee

A Disclosure of shareholdings in the Company of Board members for the year 2022

Board December 31, 2022	Number of shares	Number of share options (vested)	Number of share options (unvested)
Wager Jeffrey[1]	9'048'383	-	700'000
Ausiello Dennis	488'379	50'000	-
Sommer Kuno	5'000	69'000	-
Bollag Bernard	5'240	64'250	-
Hartman Dan	105'554	50'000	-
Clarke Robert	87'211	50'000	-
Total	**9'739'767**	**283'250**	**700'000**

[1] Of total shares 7'184'301 held indirectly by Aperion Holdings Limited that is beneficially owned

B Disclosure of shareholdings in the Company of EC members for the year 2022

Executive Committee December 31, 2022	Number of shares	Number of share options (vested)	Number of share options (unvested)
Wager Jeffrey[1]	9'048'383	-	700'000
Juergen Froehlich	377'203	-	500'000
Hernan Levett	-	42'938	600'000
Stephan Wehselau[2]	357'563	-	600'000
Total	**9'783'149**	**42'938**	**2'400'000**

[1] Of total shares 7'184'301 held indirectly by Aperion Holdings Limited that is beneficially owned

[2] Shares held by NIK Beteiligungsgesellschaft that is beneficially owned by Stephan Wehselau

C Disclosure of shareholdings in the Company of Board members for the year 2021

Board December 31, 2021	Number of shares	Number of share options (vested)	Number of share options (unvested)
Wager Jeffrey[1]	9'159'576	-	-
Ausiello Dennis	488'379	-	-
Sommer Kuno	5'000	19'000	-
Bollag Bernard	5'240	14'250	-
Hartman Dan	105'554	-	-
Clarke Robert	87'211		-
Total	**9'850'960**	**33'250**	**-**

[1] Of total shares 7'295'493 held indirectly by Aperion Holdings Limited that is beneficially owned

D Disclosure of shareholdings in the Company of EC members for the year 2021

Executive Committee December 31, 2021	Number of shares	Number of share options (vested)	Number of share options (unvested)
Wager Jeffrey[1]	9'159'576	-	-
Juergen Froehlich	377'203	-	-
Hernan Levett	-	42'938	-
Stephan Wehselau[2]	357'563	-	-
Total	**9'894'342**	**42'938**	**-**

[1] Of total shares 7'295'493 held indirectly by Aperion Holdings Limited that is beneficially owned

[2] Shares held by NIK Beteiligungsgesellschaft that is beneficially owned by Stephan Wehselau

Building a better working world

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To the General Meeting of
Spexis Ltd, Allschwil

Basle, 26 May 2023

Report of the statutory auditor on the audit of the compensation report

Opinion

We have audited the compensation report of Spexis Ltd (the Company) for the year ended 31 December 2022. The audit was limited to the information on compensation, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) in the tables marked “audited” on pages 47 and 48 and pages 50 and 51 of the compensation report.

In our opinion, the information on compensation, loans and advances in the compensation report complies with Swiss law and Art. 14-16 VegüV.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the compensation report” section of our report. We are independent of the Company 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.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked ”audited” in the compensation report, the consolidated financial statements, the statutory financial statements and our auditor’s reports thereon.

Our opinion on the compensation report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the compensation report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the compensation report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the compensation report
The Board of Directors is responsible for the preparation of a compensation report 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 a compensation report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibilities for the audit of the compensation report
Our objectives are to obtain reasonable assurance about whether the information on compensation, loans and advances pursuant to Art. 14-16 VegüV is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this compensation report.

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

- Identify and assess the risks of material misstatement in the compensation report, 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

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 to 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.

Ernst & Young Ltd

Elisa Alfieri Licensed audit expert (Auditor in charge)	Martin Mattes Licensed audit expert

Financial Report 2022

Consolidated statement of financial position

in CHF	Notes	December 31, 2022	December 31, 2021	
Assets				
Current assets				
Cash and cash equivalents	7	1'804'586	14'368'240	
Other accounts receivable	8	1'057'911	1'652'262	
Prepaid expenses and accrued income	9	225'408	2'274'714	
Total current assets		**3'087'905**	**18'295'216**	
Non-current assets				
Property, plant and equipment	10	516'869	1'176'736	
Right-of-use assets	11	1'199'827	1'446'288	
Intangible assets (excl. goodwill)	12	10'045'747	10'495'604	
Goodwill	13	14'653'983	18'079'019	*
Financial assets	14	447'406	476'874	
Total non-current assets		**26'863'832**	**31'674'521**	
Total assets		**29'951'737**	**49'969'737**	
Liabilities and shareholders' equity				
Current liabilities				
Trade accounts payable	15	1'455'921	2'459'858	
Other accounts payable	15	74'713	117'017	
Current lease liability	11	846'055	851'692	
Current portion of debt	16	646'045	1'636'249	
Accrued expenses	17	2'979'872	4'853'523	*
Total current liabilities		**6'002'605**	**9'918'339**	
Non-current liabilities				
Pension liabilities	18	-	4'180'470	
Non-current lease liability	11	3'295'176	4'101'325	
Non-current portion of debt	16	1'251'977	1'545'862	
Total non-current liabilities		**4'547'152**	**9'827'657**	
Total liabilities		**10'549'758**	**19'745'996**	
Shareholders' equity				
Share capital	19	975'709	951'101	
Additional paid-in capital		51'192'811	50'110'685	*
Cumulative translation differences		1'000'098	702'435	
Accumulated deficit		-33'766'639	-21'646'939	*
Equity attributable to Spexis' shareholders		19'401'979	30'117'283	
Non-controlling interest		-	106'458	
Total shareholders' equity		**19'401'979**	**30'223'741**	
Total liabilities and shareholders' equity		**29'951'737**	**49'969'737**	

* Restated as a result of measurement period adjustments, refer to note 3, and correction of the presentation of Additional paid-in capital and Accumulated deficit, please refer to note 4

Consolidated Financial Statements – Spexis Ltd and its subsidiaries

Consolidated income statement for the year ended December 31

In CHF	Notes	2022	2021
Other income	6	1'475'132	331
Research and development		-12'661'822	-875'601
Marketing and sales		-1'122'846	-70'159
General and administrative		-6'356'875	-3'302'465
Net operating expenses		**-18'666'411**	**-4'247'894**
Operating loss		**-18'666'411**	**-4'247'894**
Financial income	22	13'397	-
Financial expenses	22	-163'520	-7'585'363
Net foreign exchange gain/(loss)		263'532	-28'336
Net loss for the period		**-18'553'002**	**-11'861'592**
- of which attributable to Spexis' shareholders		-18'553'002	-11'861'592
- of which attributable to non-controlling interest		-	-
Net loss per share (basic)	25	-0.38	-0.82
Net loss per share (diluted)	25	-0.38	-0.82

Consolidated statement of comprehensive income for the year ended December 31

in CHF	Notes	2022	2021
Net loss for the period		**-18'553'002**	**-11'861'592**
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods			
Cumulative translation differences		297'663	-443'693
Other comprehensive income that will not be reclassified to profit in subsequent periods			
Remeasurement of pension liabilities	18	4'278'960	-
Other comprehensive income/(loss)		**4'576'623**	**-443'693**
Total comprehensive loss		**-13'976'379**	**-12'305'285**
- of which attributable to Spexis' shareholders		-13'976'379	-12'305'285
- of which attributable to non-controlling interest		-	-

Consolidated statement of cash flows for the year ended December 31

in CHF	Notes	2022	2021
Net loss for the period		**-18'553'002**	**-11'861'592**
Adjustments for			
- Other non-cash items		75'963	-
- Depreciation and amortization		1'418'514	13'203
- Impairment of goodwill	13	3'425'036	
- Net finance costs	22	150'123	7'585'404
- Share-based compensation	20	2'154'340	2'489'035
- Net foreign exchange loss/(gain)		-263'532	28'340
Changes in			
- Other accounts receivable		596'055	-37'331
- Prepaid expenses and accrued income		2'074'137	-39'544
- Trade and other accounts payable		-1'160'821	460'963
- Accrued expenses and employee benefits		-1'885'590	220'539
- Interest received		13'397	13'915
Net cash from operating activities		**-11'955'381**	**-1'127'068**
Cash flow from investing activities			
Purchase of property, plant and equipment		-16'925	-
Proceeds from sale of financial assets		-	5'048
Acquisition of subsidiary, net of cash		-	3'420'443
Net cash from investing activities		**-16'925**	**3'425'491**
Cash flows from financing activities			
Proceeds from preferred shares		-	10'126'380
Transaction costs of capital increases		-33'020	-
Proceeds from convertible notes		-	1'905'601
Repayment of lease liabilities	11	-857'191	-13'203
Repayment of debt	16	-278'713	-162'811
Interest paid		-163'520	-22'546
Net cash from financing activities		**-1'332'444**	**11'833'421**
Net (decrease)/increase in cash equivalents		**-13'304'750**	**14'131'844**
Cash and cash equivalents at January 1st		**14'368'240**	**294'142**
Effect of movements in exchange rates on cash and cash equivalents		741'095	-57'746
Cash and cash equivalents as at end of period		**1'804'586**	**14'368'240**

Consolidated statement of changes in shareholders' equity for the year ended December 31

in CHF	Notes	Share capital	Additional paid-in	Cumulative Translation differences	Accumulated deficit	Equity attributable to Spexis' shareholders	Non-controllin g interest	Total equity
Balance as of January 1, 2021		**6'463**	**427'672**	**1'146'128**	**-12'849'066**	**-11'268'803**	**-**	**-11'268'803**
Net loss of the period					-11'861'592	-11'861'592		-11'861'592
Other comprehensive loss				-443'693		-443'693		-443'693
Total comprehensive loss		**-**	**-**	**-443'693**	**-11'861'592**	**-12'305'285**	**-**	**-12'305'285**
Share-based transactions		184			575'778	575'962		575'962
Share-based compensation		1'094			2'487'941	2'489'035		2'489'035
Capital increase to acquire Inhaled Murepavadin	12	2'394	9'203'406			9'205'800		9'205'800
Exchange with Series C preferred shares		-70	-221'924			-221'994		-221'994
Conversion of Series D preferred shares		3'372	10'123'008			10'126'380		10'126'380
Conversion of preferred shares		-	19'207'458			19'207'458		19'207'458
Capital increase to acquire Polyphor Ltd	3	937'665	20'099'903			21'037'568	106'458	21'144'026
Repurchase of EnBiotix shares held by Polyphor Ltd	3	-	-8'728'838			-8'728'838		-8'728'838
Balance as of December 31, 2021		**951'101**	**50'110'685**	**702'435**	**-21'646'939**	**30'117'283**	**106'458**	**30'223'741**
Balance as of January 1, 2022		**951'101**	**50'110'685**	**702'435**	**-21'646'939**	**30'117'283**	**106'458**	**30'223'741**
Net loss of the period					-18'553'002	-18'553'002		-18'553'002
Other comprehensive income				297'663	4'278'960	4'576'623		4'576'623
Total comprehensive loss		**-**	**-**	**297'663**	**-14'274'042**	**-13'976'379**	**-**	**-13'976'379**
Share-based compensation	20		186'945		2'154'340	2'341'285		2'341'285
Capital increase to acquire non-controlling interest	19	3'140	103'318			106'458	-106'458	-0
Capital increase from conversion of notes	16	21'469	983'908			1'005'376		1'005'376
Transaction costs of capital increases			-192'046			-192'046		-192'046
Balance as of December 31, 2022		**975'709**	**51'192'811**	**1'000'098**	**-33'766'639**	**19'401'979**	**-**	**19'401'979**

Notes to the Consolidated Financial Statements as of December 31, 2022

1 General information

Spexis Ltd ("Spexis" or the "Company", and together with its subsidiaries "the Group") is a clinical stage, Swiss specialty pharma company.

The legal domicile of the Company is: Spexis AG, Hegenheimermattweg 125, 4123 Allschwil, Switzerland.

The Company is listed on the SIX Swiss Exchange under securities no. 10621379 (ISIN CH0106213793, ticker symbol "SPEX").

The Company was originally incorporated under the name Polyphor Ltd and renamed to Spexis Ltd. as of December 29, 2021, following the legal acquisition of EnBiotix, Inc. in a share exchange transaction (see note 3). Due to the relative values of the companies and the agreed exchange ratio of 1.7442, the former EnBiotix, Inc. shareholders became the majority shareholders of Spexis Ltd. after the transaction. Moreover, the majority of the Members of the Board of Directors are former member of EnBiotix, Inc. Therefore, for accounting purposes, EnBiotix, Inc. (the legal acquiree) was deemed to be the acquirer in this reverse acquisition. Consequently, these consolidated financial statements represent the continuation of the consolidated financial statements of the former EnBiotix Group with the exception of the capital structure, which has been adjusted to reflect the capital structure of the Spexis Ltd at December 31, 2021. The comparative information and pre-combination results and cash flows up to December 29, 2021 relate entirely to EnBiotix Group.

Spexis is a research-driven clinical-stage biopharmaceutical company based in Allschwil, Switzerland with a strategic focus on rare diseases and oncology. As from completion of the acquisition, Polyphor and EnBiotix, focus on products for rare, chronic respiratory diseases.

2 Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies set forth below have been consistently applied for all years presented.

The consolidated financial statements have been prepared on a historical cost basis - except for items that are required to be accounted for at fair value - and are presented in Swiss Francs (CHF), rounded to the nearest Swiss Franc. Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount.

The consolidated financial statements of Spexis have been prepared under the going concern assumption. The Group's board and management assessed the ability of the Group to continue as a going concern and concluded that the financial statements should continue to be prepared on a going concern basis, considering that sufficient funding is available for the remaining portfolio for at least the next 12 months. The going concern assessment is further supported by additional capital increases after the balance sheet date which have further strengthened the capital situation of the Company – refer to our announcements made on February 8, 2023 and April 18, 2023 related to capital commitments from SPRIM Global Investments (SGI) totalling USD 5.0 million.

Notes to the Consolidated Financial Statements as of December 31, 2022

The consolidated financial statements were authorised for issue by the Company's Board of Directors on May 26, 2023 and are subject to approval of the annual general meeting of shareholders on June 26, 2023.

2.2 Functional and presentation currency

These consolidated financial statements are presented in Swiss Francs (CHF) which is Spexis' functional currency.

2.3 Consolidation

The consolidated financial statements include the Company and its subsidiaries. Control exists when the investor is exposed, or has rights, to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. Control is normally evidenced when the Company owns, either directly or indirectly, more than 50% of the voting rights or potential voting rights of a company's share capital that are currently exercisable. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are deconsolidated from the date control ceases.

All inter-company balances, transactions and unrealized gains on transactions have been eliminated in the consolidated financial statement. Unrealized losses are also eliminated unless the trans-action provides evidence of an impairment of the asset transferred.

Unchanged to prior year, the following entities are within the scope of consolidation.

Company	Registered	Currency	Nominal capital	Equity Interest
Spexis Ltd	Switzerland	CHF	975'709	
EnBiotix (Switzerland) GmbH	Switzerland	CHF	20'000	100.00%
EnBiotix, Inc.	USA	USD	15'044	100.00%
Polyphor UK Ltd	United Kingdom	GBP	1'000	100.00%
EnBiotix GmbH	Germany	EUR	25'000	100.00%
Polyphor Deutschland GmbH	Germany	EUR	25'000	100.00%

2.4 Business combinations

Business combinations are accounted for using the acquisition method. Consideration transferred comprises the acquisition date fair value of payments in cash, other assets and equity instruments transferred and liabilities assumed. Any contingent consideration is initially recognised at fair value and not remeasured for equity instruments. All other considerations are subsequently remeasured at fair value and any difference is recognised in the income statement. Transaction costs are recognised directly in the income statement.

2.5 Adoption of new accounting standards and changes in accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2021, except for the adoption of amendments in IFRS effective as of January 1, 2022 which do not have an impact on the consolidated financial statements of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. It is not expected that such standards will have a material impact on the consolidated financial statements of Spexis on adoption.

2.6 Use of judgement and estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the affected assets or liabilities in future periods.

Estimates and assumptions

The key assumptions at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to valuation of intangible assets not yet in use (note 12), valuation of goodwill (note 13) and valuation of defined benefit obligation (note 18).

Intangible assets not yet in use and goodwill are reviewed annually for impairment, or more frequently if there are indications of impairment. To assess whether any impairment exists, estimates of expected future cash flows are used. Actual outcomes could vary significantly from such estimates. Other estimates relate to factors such as changes in discount rates and market capitalization of Spexis.

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

2.7 Foreign currency translation

All companies in the Group use their functional currency and items in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are translated in the functional currency at the exchange rates pre-vailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, as well as from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Upon consolidation, assets and liabilities of the subsidiaries reporting in foreign currency are translated into Swiss Francs using the exchange rate at the reporting date. Their income statements are translated at the average yearly exchange rates of the reporting year.

The exchange rates of the foreign currencies are as follows:

	Income statement in CHF average rates per end of period		Statement of financial position in CHF year-end rates	
	2022	**2021**	**31.12.2022**	**31.12.2021**
1 USD	0.96501	0.9206	0.92341	0.9151
1 EUR	1.02095	1.0968	0.98587	1.0364
1 GBP	1.19972	1.2675	1.11355	1.2345

2.8 Financial assets

Financial assets are classified at initial recognition as subsequently measured at amortised cost or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables, if any, are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost, it needs to be held to collect contractual cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Spexis' financial assets at amortised cost comprise cash and cash equivalents, other accounts receivable, rent deposits and loans. Subsequent to initial recognition, these financial instruments are carried at amortised cost using the effective interest method and are subject to an impairment assessment applying the expected credit loss (ECL) model. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. For trade receivables the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead determines a loss allowance on lifetime ECLs at each reporting date.

Financial assets are derecognised when the rights to receive the cash flows from the financial assets have expired or been transferred and Spexis has transferred substantially all risks and rewards of ownership.

2.9 Property, plant and equipment

Property, plant and equipment is measured at historical cost less accumulated depreciation and impairment losses. The cost includes acquisition costs and any directly attributable costs of bringing the asset to its working condition and location for its intended use. If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

When assets are sold or disposed of, any gain or loss resulting from their disposal is included in the income statement.

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in the income statement.

The assets' useful life and residual values are reviewed and adjusted if appropriate at each reporting date.

The estimated useful lives are summarized as follows:

Office furniture	2-4 years
Laboratory equipment	1-8 years
IT equipment, office machines	1-3 years
Laboratory & building infrastructure "leasehold improvements"	1-10 years

2.10 Intangible assets

Intangible assets that have been acquired through a business combination are initially recorded at fair value. Intangible assets acquired separately are measured on initial recognition at cost where it is probable that the future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be reliably measured. Intangible assets with finite lives are measured at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated to write-off the cost of intangible assets less their estimated residual values us-ing the straight-line method over their estimated useful lives and is generally recognized in the in-come statement. The amortization period and amortization method are reviewed annually.

Technology Platforms have been acquired through the business combination with Polyphor and are initially recorded at fair value. They relate to PEMfinder® and MacroFinder® screening libraries. Future economic benefits from Technology Platforms are expected from selling these to industry partners engaged in drug discovery.

The Technology Platforms are amortised on a straight-line basis over the estimated remaining use-ful life of 2 years based on the use of the compounds by screening activities as well as dilution of purity over time.

Intangible assets not yet in use or with indefinite life are not amortized but tested for impairment annually. Murepavadin has entered into phase 1 and currently in development phase.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognized in the income statement as incurred.

The Group has no intangible assets with indefinite lives, except for goodwill.

2.11 Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed. Negative goodwill is immediately recognised as income. After initial recognition goodwill is recognised at cost less accumulated impairment.

The impairment test is performed at least annually in December or when an impairment indicator is identified. Goodwill is monitored at Group level and has thus been allocated to the cash generating unit Spexis Ltd, e.g. at Group level.

If part of a cash-generating unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal.

2.12 Leases

As a lessee

The Group only leases its offices and laboratory property. The Group recognises a right-of-use-asset and a lease liability for its leases. The right-of-use asset is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) and variable lease payments that depend on an index or a rate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

As a lessor

The Group has three sub-leases in place for its leased property in Allschwil. The sub-lease contracts are classified as operating lease due to the fact that the minimal sublease term is much shorter than the head lease.

2.13 Impairment of property, plant and equipment, intangible assets, goodwill, technology platforms and right-of-use assets

An impairment assessment is carried out when there is evidence that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's or cash-generating unit's recoverable amount. The recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or asset groups.

Goodwill and intangible assets not yet in use are tested for impairment annually, or more frequently if there are indications of impairment. The recoverable amount of the cash generating unit is assessed based on fair value less costs of disposal. The Group has identified one CGU, namely the operating segment focusing on the research and development and prospective commercialisation of respiratory therapeutics addressing high unmet medical need.

Impairment losses are recognized in the income statement. When an impairment loss arises, the useful life of the asset in question is reviewed and, if necessary, the future depreciation/amortization charge is accelerated.

An impairment loss for goodwill is not reversed.

2.14 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.15 Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, interest-bearing debt, derivatives and accrued expenses.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate amortisation process.

Derivatives embedded in financial liabilities which are not closely related to the host contract are bifurcated at the inception of the financing facility.

The preferred shares of EnBiotix Inc. that were outstanding until December 29, 2021 contained a conversion feature that met the definition of an equity instrument. The convertible element was bifurcated at inception, credited to equity and the loan was thereafter recorded at amortized cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

If the contractual cashflows of a modified debt instrument are not substantially different from the cashflows of the original debt instrument, the debt instrument is not derecognised. However, the amortised cost of the instrument is adjusted to the net present value of the revised cashflows discounted at the original effective interest rate with the difference recognized in the income statement.

2.16 Equity

The costs of an equity transaction are accounted for as a deduction from equity. Equity transaction costs are comprised of only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

Additional paid-in capital represents payments or contributions made by shareholders in addition to share capital.

Cumulative translation differences are the result of different foreign exchange rates used for translation of foreign equity and profit and loss into the presentation currency (CHF) of the group.

Accumulated deficit are accumulated losses the group has recorded since inception.

Non-controlling interests represented shares held by third parties in subsidiaries and reflect the non–controlling shareholders’ proportionate interest in the pre–combination carrying amounts of the legal subsidiary EnBiotix’ net assets.

2.17 Grants

Grants received from governmental and other organisations are recognised in the statement of financial position initially as accrued income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached to them. Grants that compensate the Group for expenses incurred are recognized as other income on a systematic basis in the same periods in which the expenses are incurred.

2.18 Research and development

Research and development (“R&D”) expenses are charged to the income statement when incurred. Spexis considers that the regulatory and other uncertainties inherent in the development of its product candidates preclude it from capitalizing development costs.

Costs of applying for patents for internally developed products, costs of defending existing patents and costs of challenging patents held by third parties where these are considered invalid, are considered part of development expense and expensed as incurred.

2.19 Employee benefit costs

Wages, salaries, social security contributions, paid annual leave, sick leave and other benefits are paid or accrued undiscounted in the year in which the associated services are rendered by employees of the Group. Legal or constructive obligations such as short-term bonuses are recognized for the amount expected to be paid in the year in which the services are provided and are presented under accrued expenses.

The Group operates two pension schemes in Switzerland; one for employees and one for members of the Executive Management.

The assets of the pension plans are held in separate trustee-administered funds. Contributions to these funds are made by both the employees and the Company in accordance with Swiss legal requirements and the plan rules. The plans qualify as defined benefit plans under IFRS and provide for an annuity or a lump sum payment on retirement. In addition, the plan covers disability and death-in service.

The Group's net obligation in respect of the defined benefit plans is calculated by estimating the amounts of future benefits that employees have earned in the current and prior periods, dis-counting that amount and deducting the fair value of any plan assets.

The defined benefit obligation is calculated annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the income statement.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the in-come statement. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

2.20 Share-based compensation

The Group's share-based compensation plans qualify as equity-settled plans and the fair value is determined at the grant date. The fair value of the employee services received in exchange for the grant of shares or share options is recognized as an expense over the relevant vesting period in line with the graded vesting patterns of the awards. At each reporting date, the Group revises its estimates of the number of options or other equity instruments that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity.

2.21 Taxation

Income tax expense comprises current and deferred tax. It is recognised in the income statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred income taxes

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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 relate to the same fiscal authority.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for the Group and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the ex-tent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

3 Finalisation of purchase price allocation

On August 31, 2021, EnBiotix, Inc. and Polyphor Ltd entered into a combination agreement and an asset purchase agreement.

Notes to the Consolidated Financial Statements as of December 31, 2022

An extraordinary shareholder's meeting of Polyphor on October 28, 2021 and a meeting of the Board of Directors of EnBiotix, Inc. on October 28, 2021, approved the merger between Polyphor Ltd and Enbiotix, Inc. and a capital increase of the Company, which took place on December 29, 2021.

On December 29, 2021, the closing of the merger was completed, 99.6% of EnBiotix's shares were exchanged for newly issued shares of Polyphor Ltd (which was renamed to Spexis Ltd at that date) and EnBotix, Inc. became the legal subsidiary of Spexis Ltd. IFRS 3 Business Combinations requires one of the combining entities to be identified as the acquirer, being the entity that obtains control of the acquiree. Based on the exchange ratio of 1.7442 agreed, the former EnBiotix, Inc. shareholders became the majority shareholders of Spexis Ltd holding 73.92% of common shares after the transaction. For accounting purposes, EnBiotix, Inc. (the legal acquiree) was therefore deemed to be the acquirer in this reverse acquisition and Spexis Ltd (legal acquirer) is treated as accounting acquiree. Accordingly, the acquisition was accounted for as if EnBiotix, Inc. had acquired Spexis Ltd.

Spexis Ltd (former Polyphor Ltd) issued 35'150'961 shares in exchange of for EnBiotix, Inc. shares (12'354'518 common shares, 2'225'607 series A preferred shares, 4'904'038 series B preferred shares and 668'768 series C preferred shares), resulting in an exchange ratio of 1.7442. Considering a fair value of CHF 1.67 of the Polyphor shares at the closing date, the consideration of the transactions incl. the market-based measure of vested Polyphor options of CHF 429'184 amounted to CHF 21'144'026 in total.

As a result of the former Polyphor Ltd issuing the shares stated above, EnBiotix' former shareholders owned 73.92% of the combined entity. If the business combination had taken the form of EnBiotix, Inc. issuing additional common shares to Polyphor's shareholders in exchange for their common shares in Polyphor Ltd, EnBiotix, Inc. would have had to issue 7'111'581 common shares to give the owners of the former Polyphor the same ratio of ownership interest in the combined entity.

During the year ended December 31, 2022 Spexis finalised the purchase accounting and the final values as at acquisition date December 29, 2021 are as follows:

Notes to the Consolidated Financial Statements as of December 31, 2022

in CHF			Shares	Ownership Interest%
Number of Polyphor shares as of December 29, 2021		(A)	12'404'097	26.08%
Number of EnBiotix shares as of December 29, 2021				
Common shares	12'354'518			
Series A preferred shares	2'225'607			
Series B preferred shares	4'904'038			
Series C preferred shares	668'768	(B)	20'152'931	
Exchange ratio into Polyphor shares		(C)	1.7442	
Number of EnBiotix common/preferred shares outstanding		(B)	20'152'931	73.92%
Deemed number of shares for consideration transferred		(E)	7'111'581	26.08%
Market price of Polyphor shares as of December 29, 2021		(F)	1.670	
Deemed market price of EnBiotix shares as of December 29, 2021		(G)	2.913	
Fair value of deemed EnBiotix shares issued		(H)=(E)x(G)	20'714'842	
Market-based measure of vested Polyphor options		(I)	429'184	
Total consideration transferred		**(J)=(H)+(I)**	**21'144'026**	
Proportional purchase price allocation of the Polyphor acquisition:				
Fair value at the date of acquisition				
Cash and cash equivalents	3'420'443			
Trade and other accounts receivable	1'708'690			
Prepaid expenses and accrued income	2'233'503			
Property, plant and equipment	1'176'736			
Right-of-use assets	1'419'290			
Other intangible assets	1'349'604			
Financial assets	447'381			
Trade and other accounts payable	-2'145'052			
Current lease liability	-824'693			
Current portion of debt	-278'722			
Current IRIS debt incl. derivative	-1'357'527			
Accrued expenses	-2'985'827	*		
Non-current portion of debt	-1'545'862			
Non-current lease liability	-4'101'325			
Pension liabilities	-4'180'470			
Fair value of net assets acquired	**-5'663'831**			
Repurchase of EnBiotix shares held by Polyphor Ltd.	8'728'838			
Goodwill arising on acquisition	18'079'019	*		
Total consideration transferred	**21'144'026**			

* In the reporting period, accrued expenses of Polyphor Ltd were reassessed and adjusted by CHF 72'535. Accordingly, the goodwill position and the accrued expenses increased by CHF 72'535.

The fair value of the right-of-use assets of CHF 1'419'290 was lower than the related lease liabilities as some of the leased office space was empty at the acquisition date.

The former Polyphor had received 2'599'655 EnBiotix common shares as compensation for the sale of Inhaled Murepavadin. The transaction effectively resulted in the repurchase of these shares and the fair value of the EnBiotix shares held by the former Polyphor had been determined by reference to the share price of Polyphor and the agreed exchange factor.

The reverse acquisition was accounted for using the acquisition method. Goodwill represented the difference of the purchase consideration over the fair value of the net assets acquired and represented the know-how of key employees, the benefits of the SIX listing and expected synergies from the combination. Goodwill was not expected to be tax deductible.

Goodwill is monitored at Group level and had thus been allocated to that cash-generating unit for impairment testing.

The transaction resulted in an inflow of cash of CHF 3'420'443 (cash held by the former Polyphor Ltd at the acquisition date) as no other cash was exchanged at the acquisition date.

Transaction costs had been expensed in 2021 and amounted to CHF 238'845.

Polyphor Ltd had share options outstanding that vested as a result of the reverse acquisition. In total, 515'282 options out of 26 different plans vested early at the acquisition date. The weighted remaining contractual life was 5.7 years (range from 2 to 7.5 years), the weighted strike price CHF 6.03 (range from CHF 5.00 to CHF 7.46) and the marked-based measure at acquisition date was determined based on the Black-Scholes-Merton model using the following input parameters: expected volatility 89%, risk-free rate 0%, expected dividend zero.

As the acquisition took place on December 29, 2021, the impact on the income statement until year-end had been insignificant and therefore were not considered. Had the acquisition been completed as of January 1, 2021, revenue would have had remained at zero and net loss would have had amounted to CHF 28.5 million.

4 Correction in the presentation of Additional paid-in capital and Accumulated deficit

During the first half of 2022 management became aware of the fact that the carrying amount of two components of consolidated equity were presented incorrectly in the statement of financial position as at December 31, 2021. Due to an error in a formula the amount of additional paid in capital was overstated and the amount of accumulated deficit understated by CHF 4'511'598. The prior year comparative information for these two line items has been restated as shown below. This restatement has no effect on total equity and the statement of changes in shareholders equity at December 31, 2021, the net loss or the cash flows for the year 2021, nor on basic and diluted net loss per share 2021.

Notes to the Consolidated Financial Statements as of December 31, 2022

Consolidated statement of financial position

	Reported CHF	Correction CHF	Restated CHF
Additional paid-in capital	54’622’283	-4’511’598	50’110’685
Accumulated deficit	-26’158’536	4’511’598	-21’646’393
Equity attributable to Spexis' shareholders	30’117’283		30’117’283
Total shareholders' equity	**30’223’741**	**-**	**30’223’741**

5 Segment information

The Group has one operating segment focusing on the research and development and prospective commercialisation of respiratory therapeutics addressing high unmet medical need.

The Group has not recorded any revenue in 2022 and 2021. Non-current assets excluding financial assets of the group amount to CHF 26’416’426 (2021: CHF 31’197’647 (restated)) and are almost entirely located in Switzerland.

6 Other income

	2022 CHF	2021 CHF
Grants	1’294’608	-
Subleases	144’688	-
Other	35’837	331
Total	**1’475’132**	**331**

Grant income relates to a cost reimbursement research sub award agreement between the former Polyphor and the Trusteees of Boston University to initiate and complete the pre-clinical development of Thanatin.

Based on several sub lease agreements relating to the sub-lease of laboratories and office space in the main building in Allschwil, Spexis recognised CHF 144’688 in other income.

7 Cash and cash equivalents

Cash and cash equivalents almost only contain cash held at banks. Cash is mainly held with banks in Switzerland and the United States.

Cash and cash equivalents restricted for credit card payments in the amount of CHF 100’000 and EUR 50’000 are pledged at December 31, 2022 (2021: CHF 150’000 and EUR 50’000).

8 Other accounts receivable

The other accounts receivable consist mostly of amounts due from grants, VAT reclaims and receivables against current and former employees originating from loans granted for exercised employee stock options. An expected credit loss (ECL) of CHF 40'376 was individually assessed of other accounts receivable in total of CHF 1'098'287. The total impairment loss recognized in respect of one account receivable for services rendered amounts to CHF 596'762 in the reporting period. Other accounts receivable are normally due within 30-180 days and bear no interest.

9 Prepaid expenses and accrued income

	December 31, 2022 CHF	December 31, 2021 CHF
Prepaid expenses	225'408	2'006'549
Accrued income	-	268'165
Total	**225'408**	**2'274'714**

Notes to the Consolidated Financial Statements as of December 31, 2022

10 Property, plant and equipment

Property, plant and equipment CHF	Leasehold Improvements	Office Equipment	Laboratory Equipment	IT Equipment	Others	Total
Cost at January 1, 2021	-	-	-	-	-	-
Acquisitions through business combination*	716'994	7'511	400'395	43'040	8'796	1'176'736
Cost at December 31, 2021	**716'994**	**7'511**	**400'395**	**43'040**	**8'796**	**1'176'736**
Depreciation at December 31, 2021	**-**	**-**	**-**	**-**	**-**	**-**
Net book value at December 31, 2021	**716'994**	**7'511**	**400'395**	**43'040**	**8'796**	**1'176'736**
Cost at January 1, 2022	716'994	7'511	400'395	43'040	8'796	1'176'736
Additions	-	-	-	-	16'925	16'925
Cost at December 31, 2022	**716'994**	**7'511**	**400'395**	**43'040**	**25'721**	**1'193'661**
Accumulated depreciation at January 1, 2022	-	-	-	-	-	-
Additions	437'275	3'980	188'954	38'881	7'702	676'792
Accumulated depreciation at December 31, 2022	**437'275**	**3'980**	**188'954**	**38'881**	**7'702**	**676'792**
Net book value at December 31, 2022	**279'719**	**3'531**	**211'441**	**4'159**	**18'019**	**516'869**

*Property, plant and equipment acquired through business combination with Polyphor as of December 29, 2021. As of transaction date management has estimated the remaining average useful lives between 1 and 2 years for property, plant and equipment acquired.

Notes to the Consolidated Financial Statements as of December 31, 2022

	2022 CHF	2021 CHF
Depreciation has been charged to:		
Research and development	362'910	-
Marketing and sales	30'747	-
General and administrative	283'135	-
Total	**676'792**	**-**

The gross carrying amount of fully depreciated property, plant and equipment that is still in use amounts to CHF 89'809 (2021: CHF 515).

11 Right-of-use asset / lease liability

Right-of-use asset	**2022 CHF**	**2021 CHF**
As at January 1	**1'446'288**	**-**
Acquisitions through business combination	-	1'419'290
Modifications and reassessments	43'933	40'362
Depreciation expenses	-291'866	-13'203
Currency translation effects	1'472	-161
As at December 31	**1'199'827**	**1'446'288**

Lease liability	**2022 CHF**	**2021 CHF**
As at January 1	**-4'953'017**	**-**
Acquisitions through business combination	-	-4'926'019
Modifications and reassessments	-43'933	-40'362
Interest expenses	-73'147	-606
Payments	930'339	13'809
Currency translation effects	-1'472	161
As at December 31	**-4'141'231**	**-4'953'017**

	2022 CHF	**2021 CHF**
Right-of-use asset	1'199'827	1'446'288
Lease liability	4'141'231	4'953'017
- thereof current	846'055	851'692
- thereof non-current	3'295'176	4'101'325
Depreciation expense	291'866	13'203
Cash-out flow current portion of lease liability	857'191	13'203
Interest expense on leases	73'147	606
Short-term lease expenses	-	-
Expenses low value asset	-	-
Income from sublease agreements	144'688	-

Notes to the Consolidated Financial Statements as of December 31, 2022

12 Intangible assets

Intangible assets (excl. goodwill) CHF	Technology Platform	Inhaled Murepavadin	Others	Total
Cost at January 1, 2021	-	-	-	-
Acquisitions through business combination	1'349'568	-	36	1'349'604
Additions	-	9'146'000	-	9'146'000
Cost at December 31, 2021	**1'349'568**	**9'146'000**	**36**	**10'495'604**
Accumulated amortization at December 31, 2021	**-**	**-**	**-**	**-**
Net book value at December 31, 2021	**1'349'568**	**9'146'000**	**36**	**10'495'604**
Cost at January 1, 2022	1'349'568	9'146'000	36	10'495'604
Cost at December 31, 2022	**1'349'568**	**9'146'000**	**36**	**10'495'604**
Amortization at January 1, 2022	-	-	-	-
Additions	449'857	-	-	449'857
Accumulated amortization at December 31, 2022	**449'857**	**-**	**-**	**449'857**
Net book value at December 31, 2022	**899'711**	**9'146'000**	**36**	**10'045'747**

Inhaled Murepavadin is an intangible which is not yet in use, and accordingly no amortization was recorded. The intangible asset under development was tested for impairment in the context of the annual goodwill impairment test. Refer to note 13 below.

Technology Platforms relate to PEMfinder® and MacroFinder® screening libraries. Polyphor had reached commercial proof of concept, as exemplified by the deal terms of the Novartis PEMfinder® and Boehringer Ingelheim MacroFinder® collaborations entered into in the past thus confirming that future revenues can be generated due to these proprietary and patent protected drug discovery tools.

Amortization has been charged to:	2022 CHF	2021 CHF
Research and development	241'223	-
Marketing and sales	20'437	-
General and administrative	188'197	-
Total	**449'857**	**-**

13 Goodwill

	Goodwill
Cost at January 1, 2021	-
Acquisitions through business combination*	18’079’019
Cost at December 31, 2021	**18’079’019**
Accumulated impairment at December 31, 2021	**-**
Net book value at December 31, 2021	**18’079’019**
Cost at January 1, 2022	18’079’019
Cost at December 31, 2022	**18’079’019**
Impairment at January 1, 2022	-
Additions	3’425’036
Accumulated impairment at December 31, 2022	**3’425’036**
Net book value at December 31, 2022	**14’653’983**

*Restated

Impairment has been charged to:	**2022 CHF**	**2021 CHF**
Research and development	1’836’578	-
Marketing and sales	155’599	-
General and administrative	1’432’859	-
Total	**3’425’036**	**-**

Goodwill of CHF 18'079'019 before impairment and of CHF 14’653’983 after (2021: CHF 18'079'019 re-stated) originates from the reverse acquisition of the former Polyphor by EnBiotix, Inc. in December 2021, refer to note 1 and 3.

Goodwill is monitored at Group level and has thus been allocated to the cash generating unit Spexis Ltd, e.g. at Group level. The impairment test is performed at least annually in December or when an impairment indicator is identified.

The Group performs the goodwill impairment test annually or when an impairment indicator is identified by determining the recoverable amount and covers as well the annual impairment test on the asset under development. At December 31, 2022, the recoverable amount of the cash generating unit was assessed based on fair value less costs of disposal using the Spexis share price (market capitalization - fair value level 1). The Group has identified one CGU, namely the operating segment focusing on the research and development and prospective commercialisation of respiratory therapeutics ad-dressing high unmet medical need.

Notes to the Consolidated Financial Statements as of December 31, 2022

In CHF	December 31, 2022	December 31, 2021
Shares outstanding	48'785'463	47'555'058
Share price in CHF	0.41	1.68
Market capitalisation / Fair value	**20'002'040**	**79'892'497**
Estimated cost of disposal (3%)	-600'061	-2'396'775
Fair value less cost of disposal	**19'401'979**	**77'495'723**
Carrying amount of equity before impairment	22'827'015	30'117'283
Headroom	-	47'378'440
Impairment charge	-3'425'036	-

Sensitivity Analysis		
In CHF		
Market capitalisation / Fair value	**20'002'040**	**79'892'497**
Estimated cost of disposal (3%)	-600'061	-2'396'775
Fair value less cost of disposal	**19'401'979**	**77'495'723**
Carrying amount of equity before impairment	22'827'015	30'117'283
Reduction of share price in CHF by 10%	**17'461'781**	**69'746'150**
Headroom	-	39'628'867
Impairment charge	-5'365'234	-
Increase of share price in CHF by 10%	**21'342'176**	**85'245'295**
Headroom	-	55'128'012
Impairment charge	-1'484'839	-
Break-even share price	0.47	0.63
Estimated cost of disposal 2%	**19'601'999**	**78'294'647**
Headroom	-	48'177'364
Impairment charge	-3'225'016	-
Estimated cost of disposal 5%	**19'001'938**	**75'897'873**
Headroom	-	45'780'590
Impairment charge	-3'825'077	-

14 Financial assets

Financial assets consist primarily of a rent deposit of CHF 447'406 (2021: CHF 447'381).

15 Trade and other accounts payable

Trade accounts payable are non-interest bearing and usually settled within 30 to 60 days. Other accounts payable comprise amounts due to social security institutions and tax at source.

16 Debt

	December 31, 2022 CHF	December 31, 2021 CHF
Current convertible notes (IRIS)	327'500	1'262'500
Derivative financial instrument (IRIS)	24'651	95'027
Current portion of infrastructure loan	293'895	278'722
Total current portion of debt	**646'045**	**1'636'249**
Non-current portion of infrastructure loan	1'251'977	1'545'862
Total non-current portion of debt	**1'251'977**	**1'545'862**

Equity linked financing facility with IRIS

In July 2020 the former Polyphor (now Spexis) entered into an equity-linked financing arrangement with the French company IRIS to raise a gross amount of up to CHF 19.32 million over a period of two years. At December 31, 2021 an amount of up to CHF 13.6 million was still available for draw down under the facility. IRIS was committed to buy twenty-four tranches of CHF 800'000 of unsecured zero-coupon mandatorily convertible notes on a monthly basis over a period of two years.

On July 27, 2022, Spexis announced that it had renewed the equity-linked financing arrangement with IRIS. The remaining CHF 13.6 million of the original agreement was replaced with a new equity-linked financing agreement to raise a gross amount of up to CHF 15.0 million over a period of two years. If amounts are drawn by Spexis, IRIS will receive Spexis shares to be created from the Company's conditional capital based on this interest-free mandatory convertible bonds program. It remains at the sole discretion of Spexis to suspend or terminate the staggered financing. If Spexis elects to draw down any amounts, IRIS is committed to buy on a monthly basis over a period of two years twenty-four tranches of CHF 625'000 of unsecured zero-coupon mandatory convertible bonds. The program can be tailor-made in terms of period and tranche size, according to Spexis's financing needs. During the term of the financing, for any financing amounts drawn by Spexis, IRIS will convert each month the mandatory convertible bonds into shares at a discount to the applicable volume weighted average price (VWAP).

The embedded derivates of the convertible notes are closely related to each other and are therefore accounted for as a single instrument (i.e. compound derivative). Due to the conversion based on the market share price the conversion right triggers a variable number of shares and the embedded derivative is classified as a financial liability and measured at fair value through profit and loss.

The convertible notes are classified as a hybrid contract containing a host that is a financial liability and embedded derivatives separated from the host and measured at fair value with all changes of fair value recognized in the income statement.

Notes to the Consolidated Financial Statements as of December 31, 2022

	Convertible notes CHF	Current derivative financial instruments CHF
December 31, 2020	**-**	**-**
Additions through business combination	1'262'500	95'027
December 31, 2021	**1'262'500**	**95'027**
Non-cash changes	**-**	**-**
Carrying amount of convertible notes converted into shares	-935'000	-
Derecognition of derivative financial instruments on conversion of notes	-	-70'376
December 31, 2022	**327'500**	**24'651**

Infrastructure loan

Spexis Ltd obtained a loan to finance the laboratory and building infrastructure in its research building which matures in September 2027. As of December 31, 2022, the carrying amount of the loan amounts to CHF 1'545'871 (2021: CHF 2'088'898).

Notes to the Consolidated Financial Statements as of December 31, 2022

Cash flow from financial liabilities

CHF	31.12.2021	inflows	outflows	FV change of derivative	Derecognition of derivative financial instruments	other changes	Business combination	31.12.2022
Current convertible notes (IRIS)	1'262'500	-	-	-	-	-935'000	-	327'500
Derivative financial instrument (IRIS)	95'027				-70'376			24'651
Infrastructure loan	1'824'584		-368'978			90'266		1'545'871
Total	**3'182'111**	**-**	**-368'978**	**-**	**-70'376**	**-844'734**	**-**	**1'898'022**

CHF	31.12.2020	inflows	outflows	FV change of derivative	Derecognition of derivative financial instruments	other changes	Business combination	31.12.2021
Debt	3'322'658	1'905'601	-162'811	6'142'922		-11'208'370	3'182'111	3'182'111
Preferred shares	6'039'100	10'126'380	-	-	-	3'382'630	-19'548'109	-
Total	**9'361'758**	**12'031'981**	**-162'811**	**6'142'922**	**-**	**-7'825'740**	**-16'365'998**	**3'182'111**

The CHF 935'000 of other changes in 2022 as well as the derecognition of the derivative of CHF 70´376 relate to the conversion of convertible notes into equity.

Notes to the Consolidated Financial Statements as of December 31, 2022

17 Accrued expenses

Accrued expenses relate primarily to employee benefits and other operating expenses. The employee expenses are non-financial liabilities. Other operating expenses (financial) include accruals for auditor fees, clinical costs and third-party contractors/advisors.

	December 31, 2022 CHF	December 31, 2021 CHF	
	CHF	CHF	
Accrued salary Jeffrey D. Wager (non-financial)	923'410	915'130	
Employee expenses (non-financial)	380'476	944'471	
Other operating expenses (financial)	1'675'985	2'993'922	*
Total	**2'979'871**	**4'853'523**	

*Restated

18 Employee benefits

In accordance with the Swiss pension fund law "Federal Act on Occupational Old Age, Survivors' and Invalidity Pension Provision" ("OPA"), Spexis Ltd, Allschwil is affiliated with a collective independent pension fund. The fund provides for retirement benefits, as well as risk benefits (death and disability). The company entered into an agreement with "Vita Sammelstiftungen" ("Vita") for occupational benefits. Vita is responsible for the governance of the plan; its board is composed of an equal number of representatives from the employers and employees chosen from all affiliated companies. Vita has set up investment guidelines, defining in particular the strategic allocation with margins. Vita has reinsured its risks (investment risk, mortality and disability risks) with Zurich Life Insurance Company Ltd Zurich Investment Foundation manages the savings capital/investments on behalf of Vita. The accumulated saving capital is allocated to each insured individual and consists of annual contributions, saving credits and interest credits. In certain situations, additional payments or increased periodic contributions by the employer may become due based on the pension plans' funded status as measured under Swiss pension rules (OPA). The assets cannot revert to the employer. Contributions to the plans are shared equally between the employer and the employees. Contributions are computed as percentage of the salary, depending on age.

The defined benefit obligations are estimated on a yearly basis. Plan assets are recognised at fair values. An independent actuary has calculated the net defined benefit liability.

Notes to the Consolidated Financial Statements as of December 31, 2022

Changes in the present value of the defined benefit obligations (DBO)	2022 CHF	2021 CHF
Present value of DBO at the beginning of the year	20’052’863	-
Additions through business combination	-	20’052’863
Current service cost	440’553	-
Contributions by the employees	244’990	-
Interest cost	58’812	-
Benefits (paid)/deposited	-260’051	-
Actuarial (gains)/losses:		
From changes in demographic assumptions	-	-
From changes in financial assumptions	-3’968’283	-
From experience adjustments	-43’253	-
Present value of DBO at the end of the year	**16’525’631**	**20’052’863**

Changes in the fair value of the plan assets	2022 CHF	2021 CHF
Fair value of the plan assets at the beginning of the year	15’872’393	-
Additions through business combination	-	15’872’393
Interest income on plan assets	46’270	-
Contributions by the employer	367’488	
Contributions by the employees	244’990	-
Benefits (paid)/deposited	-260’051	-
Administration cost of insurance company	-12’883	-
Return on plan assets excl. interest income	272’542	-
Fair value of the plan assets at the end of the year	**16’530’749**	**15’872’393**

Pension liability recognised in the statement of financial position	December 31, 2022 CHF	December 31, 2021 CHF
Present value of the defined benefit obligation	16’525’631	20’052’863
Fair value of the plan assets	-16’530’749	-15’872’393
Funded status	**-5’118**	**4’180’470**
Asset ceiling	5’118	-
Net defined benefit liabilities	**-**	**4’180’470**

Pension expense recognized in profit and loss	2022 CHF	2021 CHF
Current service cost	440’553	-
Administration cost of insurance company	12’883	-
Net interest cost	12’542	-
Pension expense recognized in profit and loss	**465’978**	**-**

Notes to the Consolidated Financial Statements as of December 31, 2022

Pension expense recognized in other comprehensive income (OCI)	**2022 CHF**	**2021 CHF**
Actuarial losses/(gains) of the current year	-4’011’536	-
Return on plan assets excl. interest income	-272’542	-
Pension (income)/expense recognized in OCI	**-4’284’078**	**-**

Reconciliation of net defined benefit liabilities	**2022 CHF**	**2021 CHF**
Net defined benefit liabilities at the beginning of the year	4’180’470	-
Additions through business combination	-	4’180’470
Expense recognized in profit and loss	465’978	-
(Income)/expense recognized in OCI	-4’284’078	-
Contributions by the employer	-367’488	-
Asset ceiling	5’118	
Net defined benefit liabilities at the end of the year	**-**	**4’180’470**

Asset allocation	**2022 CHF**	**2021 CHF**
Cash	446’330	31’745
Debt instruments	4’975’755	5’222’017
Equity instruments	4’628’610	4’729’973
Property	2’925’943	2’285’625
Mortgages	1’190’214	1’222’174
Others	2’363’897	2’380’859
Total	**16’530’749**	**15’872’393**

Principal actuarial assumptions at the end of the period	**2022**	**2021**
Discount rate	2.25%	0.30%
Expected rate of salary increase	2.00%	1.25%
Expected rate of pension increase	0.00%	0.00%
Mortality tables used	BVG 2020 GT	BVG 2020 GT

Sensitivity analysis, change in DBO	**2022 CHF**	**2021 CHF**
if the discount rate is changed by +0.5%	-972’468	-1’258’287
if the discount rate is changed by -0.5%	1’085’859	1’422’915
if the expected rate of salary increase is changed by +0.5%	68’023	101’171
if the expected rate of salary increase is changed by -0.5%	-64’734	-96’442
if the expected rate of pension increase is changed by +0.5%	835’992	1’012’913

The weighted average duration of the defined benefit obligation is 12.0 (2021: 13.2 years).

In 2023, the Company expects to contribute CHF 312’000 to its defined benefit pension plans.

The investment strategy of Vita is determined by the Foundation Board within the limits of OPA investment regulations. At Vita, the entire pension assets are held by Zurich. The pension assets are fully protected (capital guarantee) by Zurich, which also guarantees interest payments on pension assets at an annually defined interest rate (interest guarantee). Vita does not invest in direct investments, but rather "transfers" the capital to Zurich. It is supervised by FINMA and must ensure at least the statutory requirements at all times.

Pension assets are invested in secure long-term investments and in collective investment schemes. No investments in shares of Spexis Ltd have been disclosed.

19 Share capital

Ordinary share capital

Spexis Ltd share capital at December 31, 2022 consisted of 48’785’463 shares with a nominal value of CHF 0.02 each.

No dividends were declared or paid by the Company for the year under review (2021: zero).

Number of shares	Total Shares	Currency	Nominal value
Shares issued by Spexis Ltd. at January 1, 2021	**11’208’408**	**CHF**	**22’416’816**
Reduction of nominal value			-22’192’648
Capital increase from conditional capital	1’195’689		23’914
Capital Increase	35’150’961		703’019
Shares issued by Spexis Ltd. at December 31, 2021	**47’555’058**	**CHF**	**951’101**
Shares issued by Spexis Ltd. at January 1, 2022	**47’555’058**	**CHF**	**951’101**
Capital increase to acquire non-controlling interest	156’979		3’140
Capital increase from conversion of notes	1’073’426		21’469
Shares issued by Spexis Ltd. at December 31, 2022	**48’785’463**	**CHF**	**975’709**

On March 30, 2022, the Company issued 156'979 registered shares with a nominal value of CHF 0.02 each in exchange for 90'000 common shares in EnBiotix Inc.to acquire all non-controlling interest. During the period under review 1’073’426 shares were issued out of the conditional capital for convertible notes with a carrying amount of CHF 21’469.

Authorized share capital

The annual general meeting held on April 26, 2022, authorized the Board of Directors to increase the share capital at any time until April 25, 2024, by a maximum amount of CHF 477'120 by issuing a maximum of 23'856'018 registered shares.

Conditional share capital

The conditional share capital exclusively reserved for the participants of the employee stock option plan has been increased at the general meeting on April 26, 2022, by an additional amount of CHF 27’000 equivalent to a maximum of 1'350'000 registered shares. At the general meeting the condition-al share capital has been additionally increased by another amount of CHF 211'856 equivalent to a maximum of 10'592'815 registered shares reserved for convertible bonds or other similar financial instruments.

As of December 31, 2022, the Company had conditional share capital pursuant to which the share capital may be increased by a maximum amount of CHF 455'652 through the issue of a maximum of 22'782'592 registered shares. An amount of CHF 84'865 of the conditional share capital is exclusively reserved for the members of the employee stock option plan.

20 Share-based payment arrangements

ESOP 2019

The ESOP 2019 is a share option plan under which eligible persons like Members of the Executive Management and employees of the company obtain rights to acquire options. Under this plan, holders of vested options are entitled to purchase shares at a price which is equal to the Company's average share price of the last twenty trading days of the months of the grant.

Based on this plan, the Company granted 2'528'071 (2021: 169'727) stock options to employees in 2022. The fair value of the stock options has been determined at the grant date based on the closing share price on SIX Swiss Exchange using the Black-Scholes model. 25% of the stock options vest one year after grant start date and the balance (75%) vest in twelve quarterly equal instalments of 6.25% per calendar quarter. The maximum term for exercising the options is 7 years.

The table below shows the stock options, conditions and assumptions applied to value the share-based payment arrangements for 2022:

Nature of arrangement	
Grant date	01.01.2022/15.03.2022/31.03.2022
Number of options granted	2'400'000/69'597/58'474
Exercise price (CHF)	1.75/1.37/1.28
Share price at date of grant (CHF)	2.06/1.33/1.24
Vesting period (years)	4
Expected volatility (%)	93.74/91.66/91.22
Expected option life at grant date (years)	4
Risk-free interest rate p.a. (%)	-0.50/-0.08/0.14
Expected dividend	Zero
Estimated fair value of option at grant date (CHF)	1.39/0.84/0.79
Expiry date	31.12.2028/14.03.2029/30.03.2029

ESOP 2019 (Board)

Along with the ESOP2019 there is an additional share option plan exclusively for members of the board. This share option program is based exactly on the terms of the ESOP2019 but with 25% of the options vesting immediately at grant date and the remaining 75% vesting in three quarterly instalments.

Based on this plan the company granted 250'000 (2021: 35'500) stock options to members of the board in 2022.

Nature of arrangement	
Grant date	26.04.2022
Number of options granted	250'000
Exercise price (CHF)	1.75
Share price at date of grant (CHF)	1.11
Vesting period (years)	1
Expected volatility (%)	90.55
Expected option life at grant date (years)	4
Risk-free interest rate p.a. (%)	0.27
Expected dividend	Zero
Estimated fair value of option at grant date (CHF)	0.61
Expiry date	25.04.2029

Additionally, the Group offered employees who were still employed by July 1, 2022, to replace the outstanding options by a new grant with a lower strike price of CHF 1.75 (before CHF 5.00 to CHF 7.46). The outstanding options were originally granted by the acquired former Polyphor in the years 2016 till 2021. In total 143'958 of options were restriked which led to additional costs in 2022 of CHF 35'153.

The movements in the number of all stock options are as follows:

Stock option movements	**Options (number)**	**Weighted average exercise price (CHF)**	**Weighted average remaining contractual life (years)**	**Exercisable (number)**
Balance outstanding at December 31, 2020	**305'500**	**0.45**		
Granted	45'000	0.54		
Expired	-			
Forfeited	-10'000	0.54		
Exercised*	-340'500	0.47		
Additions through business combination*	515'282	6.03		
Balance outstanding at December 31, 2021*	**515'282**	**6.03**	**5.6**	**515'282**
Granted	2'922'029	1.73		
Expired	-			
Forfeited	-166'333	5.44		
Exercised	-			
Balance outstanding at December 31, 2022	**3'270'978**	**2.10**	**5.9**	**621'324**

*In the annual report 2021 340'500 options were disclosed as outstanding. The correct amount would have been 515'282 which are all options outstanding in former Polyphor and acquired through re-versed acquisition end of 2021. The amount of 340'050 represented options from Enbiotix Inc. but all of these were converted into shares in course of the business combination end of 2021.

Notes to the Consolidated Financial Statements as of December 31, 2022

The weighted average fair value of stock options granted for employees during the year was CHF 1.32.

The weighted average fair value of board stock options granted during the year was CHF 0.61.

31.12.2022		
Outstanding options (number)	**Exercise price (CHF)**	**Weighted average remaining contractual life (years)**
49'699	1.28	6.2
69'597	1.37	6.2
2'780'358	1.75	6.0
118'633	5.00	4.7
134'667	5.69	4.2
14'750	7.22	4.5
103'275	7.46	5.2
3'270'978		

31.12.2021		
Outstanding options (number)	**Exercise price (CHF)**	**Weighted average remaining contractual life (years)**
132'668	5.00	5.9
230'376	5.69	5.2
14'750	7.22	5.5
137'489	7.46	6.2
515'282		

The expenses for share-based compensation amounted for 2022 to CHF 2'341'285 (2021: 3'064'997).

Notes to the Consolidated Financial Statements as of December 31, 2022

21 Expenses by nature – additional details

	2022 CHF	2021 CHF
Other income	1'475'132	331
Cost of materials	-153'270	-
Cost of third party services	-3'142'173	-1'255'910
Employee expenses	-7'588'166	-2'117'993
Patent and trademark expenses	-561'670	-177'829
Other operating expenses	-3'852'715	-683'290
Impairment charges	-3'425'036	-
Depreciation and amortization	-1'418'514	-13'203
Total net operating expenses	**-18'666'411**	**-4'247'894**

Employee expenses have been charged to:		
Research and development	-4'068'938	-9'979
Marketing and sales	-344'730	-
General and administrative	-3'174'498	-2'108'014
Total	**-7'588'166**	**-2'117'993**

Depreciation, amortization and impairment has been charged to:		
Research and development	-2'893'482	-
Marketing and sales	-191'021	-
General and administrative	-1'759'047	-13'203
Total	**-4'843'550**	**-13'203**

22 Financial result

Financial expenses

The financial expenses recognized during the period under review comprise interest of the infrastructure loan, interest of the lease liability and bank charges.

	2022 CHF	2021 CHF
Interest expense on preferred shares	-	452'610
Other interest expense	90'265	218'783
Interest expense on leases	73'147	606
Fair value changes of derivatives	-	6'142'922
Other financial expense	108	770'442
Total	**163'520**	**7'585'363**

23 Income taxes and deferred taxes

As the Group companies do not generate profits, no current or deferred income taxes have been charged or credited to the Group.

he Group has the following temporary differences and potential benefits resulting from tax loss carry-forwards:

Deferred taxes	**2022 CHF**	**2021 CHF**
Deductible temporary differences incl. tax-loss carry forwards:		
Intangible assets	182'524	382'286
Preferred shares	-	343'437
Debt	3'919	1'676'906
Lease liability	599'737	851'781
Pension liabilities	-	752'485
Taxable temporary differences:		
Current assets	-32'611	-7'286
Right-of-use asset	-173'760	-277'687
Accrued expenses	-165'192	-
Debt	-12'465	-
Net deductible temporary differences	**402'152**	**3'721'922**
Deferred tax asset (not recognised)	-402'152	-3'721'922
Deferred tax asset recognised in the balance sheet	**-**	**-**

Unrecognized tax loss carry-forwards expire as follows:

Tax loss carry-forwards	**2022 CHF**	**2021 CHF**
up to 1 year	34'651'850	34'651'850
1-5 years	175'329'235	175'329'236
more than 5 years	81'716'199	72'338'603
Total	**291'697'284**	**282'319'689**

Unrecognised tax loss carry-forwards consist of tax losses in the US which begin to expire in 2030. Tax losses in Switzerland expire after 7 years. Tax losses in Germany do not expire.

The Group's expected tax rate is 19.82% (2021: 18.00%) for the period under review which is the weighted average of the tax rates in the tax jurisdictions in which the Group operates. In 2021, the statutory tax rate for Spexis Ltd was used.

Notes to the Consolidated Financial Statements as of December 31, 2022

The following table shows the reconciliation between expected and effective taxes:

Income tax reconciliation	**2022 CHF**	**2021 CHF**
Net loss before taxes	-18'553'002	-11'861'592
Tax income at applicable tax rate 19.82% (2021: 18.00%)	-3'677'256	-2'135'087
Tax effect of non-deductible expenses	387'781	1'088
Tax effect from differences between the tax rates	337'714	-1'295'447
Effect of unrecognised deferred taxes on tax loss carry-forwards	2'407'595	1'546'229
Effect of unrecognised deferred taxes on temporary differences	535'939	1'879'937
Other effects	8'227	3'280
Effective tax income/(expenses)	**-0**	**-0**
Effective tax rate	**0%**	**0%**

24 Commitments

The Group has not entered into any contracts resulting in capital commitments.

25 Earnings per share (EPS)

Basic and diluted earnings per share have been computed based upon the weighted average number of registered shares outstanding. Basic earnings per share excludes any dilutive effects of options, warrants, convertible notes and preferred shares. Outstanding employee shares options to purchase registered share, convertible notes and preferred shares are not included in the computation of the diluted earnings per share as the effect would have been anti-dilutive.

For the period ending Basic and diluted earnings	**2022 CHF**	**2021 CHF**
Net loss attributable to the ordinary shareholders	-18'553'002	-11'861'592

Weighted average number of shares	**Shares**	**Shares**
Weighted average number of ordinary shares (basic)	48'197'650	14'545'714
Weighted average number of ordinary shares (diluted)	48'197'650	14'545'714

Earnings per share	**2022 CHF**	**2021 CHF**
Basic earnings per share	-0.38	-0.82
Diluted earnings per share	-0.38	-0.82

26 Financial Risk Management Objectives and Policies

Spexis is a clinical stage biotech group with R&D activities in Switzerland, the US and Germany. The Group is exposed to limited financial risks, mainly foreign exchange rate, credit liquidity risk, and interest rate risk. Spexis's overall financial risk management program focuses on securing capital protection to ensure that the funds provided by its investors will be available for the primary purpose to ensure going concern.

As a consequence, it is Spexis's policy to reduce material exposures to foreign currencies, to invest liquidity in cash and other liquid instruments, and to limit its financial counterparties to highly rated financial institutions.

26.1 Foreign exchange risk

Spexis' primary exposure to foreign exchange risk arises from its balances in CHF, EUR and USD held by its Swiss and US entities. When unmatched, financial risk is produced by fluctuations between the functional and the foreign currency.

Spexis' policy is to match the risk exposure by holding a limited amount of its liquidity reserves in foreign currencies. This is typically done over a 12 month horizon. The ongoing management of foreign currencies is based on the budget for the forthcoming 12 months. Thereby the aim is to cover the net expenditures (expenditure less income) for each respective foreign currency by converting into the applicable foreign currency 100% of the budgeted net expenses for the forthcoming 6 months and 50% of the net expenses for the 6 months thereafter.

The impact on the pre-tax result of the Group of a reasonably possible change in exchange rates on the Group's net exposure would be as follows:

Foreign exchange rate (in CHF)

Foreign exchange rate (in CHF)			
2022	**EUR**	**USD**	**GBP**
+ 5%	-46'333	-786'017	452
- 5%	46'333	786'017	-452

Foreign exchange rate (in CHF)			
2021	**EUR**	**USD**	**GBP**
+ 5%	16'595	-7'105	20'422
- 5%	-16'595	+7'105	-20'422

26.2 Interest rate risk

Spexis is financed with different instruments that are all classified as liabilities under IFRS. Interest rates are all fixed until maturity and any changes in interest rates therefore do not have an impact on the group.

26.3 Credit and Counterparty risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty goes bankrupt or if a financial instrument fails to meet its contractual obligations. The Group has only minor credit and counterparty risks on receivables and other financial assets as of December 31, 2022. Credit risk is addressed through periodic risk analyses resulting in appropriate loss allowances. Cash is only held with banks, which are primarily distributed between banking institutions in the US (16% First Republic Bank) and Switzerland (84% mostly Zürcher Kantonalbank).

Spexis currently holds its cash deposits and handles its financial transactions solely with highly rated financial institutions.

26.4 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Currently the Group is financed primarily through equity. Spexis' treasury calculates on a rolling basis the needs for settling the current expenses against the need for optimized financial investments.

The maturity analysis of contractually agreed cash flows (principal and interest) of the Group's financial liabilities is as follows:

		Contractual cash flows			
CHF	**Carrying amount**	**1 to 3 months**	**4 to 12 months**	**2-5 months**	**more than 5 years**
Trade and other accounts payable	**1'412'272**	1'412'272	-	-	-
Accrued expenses	**1'675'985**	1'675'985	-	-	-
Infrastructure loan	**1'545'871**	92'245	276'734	1'383'668	-
Lease liabilities	**4'141'230**	226'438	679'314	3'396'571	-
Current derivative financial instruments (IRIS)	**24'651**	-	-	-	-
Current convertible notes (IRIS)	**327'500**	-	-	-	-
Total as per December 31, 2022	**9'127'509**	**3'406'940**	**956'048**	**4'780'239**	**-**
Trade accounts payable	**2'459'858**	2'459'858	-	-	-
Accrued expenses*	**2'993'922**	2'993'922	-	-	-
Infrastructure loan	**1'824'584**	92'245	276'734	1'475'912	276'734
Lease liabilities	**4'953'017**	224'256	672'768	3'588'098	627'786
Current derivative financial instruments (IRIS)	**95'027**	-	-	-	-
Current convertible notes (IRIS)	**1'262'500**	-	-	-	-
Total as per December 31, 2021	**13'588'908**	**5'770'281**	**949'502**	**5'064'010**	**904'520**

*Restated

27 Categories of financial instruments and fair value disclosures

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. The carrying amounts are a reasonable approximation of fair values.

For the period ended December 31, 2022 CHF	**Book value**	**Financial assets at amortized costs**	**Financial liability at FVTPL**	**Other liabilities at amortized costs**
Assets				
Cash and cash equivalents	1’804’586	1’804’586	-	-
Other accounts receivable	634’650	634’650	-	-
Financial assets	447’406	447’406	-	-
Total	**2’886’641**	**2’886’641**	**-**	**-**
Liabilities				
Trade accounts payable	1’409’096	-	-	1’409’096
Other accounts payable	3’176	-	-	3’176
Lease liabilities (current and non-current)	4’141’230	-	-	4’141’230
Debt (current and non-current)	1’898’022	-	24’651	1’873’371
Accrued expenses	1’675’985	-	-	1’675’985
Total	**9’127’509**	**-**	**24’651**	**9’102’859**

For the period ended December 31, 2021 CHF	**Book value**	**Financial assets at amortized costs**	**Financial liability at FVTPL**	**Other liabilities at amortized costs**
Assets				
Cash and cash equivalents	14’368’240	14’368’240	-	-
Other accounts receivable*	1’308’144	1’308’144	-	-
Financial assets	476’874	476’874	-	-
Total	**16’153’258**	**16’153’258**	**-**	**-**
Liabilities				
Trade accounts payable	2’459’858	-	-	2’459’858
Other accounts payable*	25’809	-	-	25’809
Lease liabilities (current and non-current)	4’953’017	-	-	4’953’017
Debt (current and non-current)	3’182’111	-	95’027	3’087’084
Accrued expenses*	2’993’922	-	-	2’993’922
Total	**13’614’717**	**-**	**95’027**	**13’519’690**

*Restated

The fair value measurements are categorized into different levels in the fair value hierarchy based on the input and techniques used. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The fair value measurement for the derivative is classified in level 2. The fair value of the derivative is calculated as the difference between the contribution paid and the liability at conversion date using a VWAP factor and a conversion price factor (contractual granted discount). The valuation technique and the input factors are periodically reviewed and adjusted if necessary.

28 Capital management

The capital of Spexis is managed and monitored at Group level. The objective of capital management at Spexis is to ensure the continuity of operations on a sustainable basis, provide the financial resources to enable investments in areas that deliver future benefits for patients and customers. Spexis defines the capital that it manages as invested interest-bearing liabilities and equity.

29 Transactions with related parties

Key management includes the Executive Management and the Board of Directors. It consists of 4 (2021: 2) member of Executive Management and 6 (2021: 4) members of the Board of Directors.

	2022 CHF	2021 CHF
Short-term employee benefits	2’047’835	263’998
Share-based compensation	2’107’522	1’364’789
Total	**4’155’357**	**1’628’788**

Balance sheet items against related parties	**December 31, 2022**	**December 31, 2021**
Accrued salary Jeffrey D. Wager (non-financial)	923’410	915’130

30 Significant events after the balance sheet date

In the first quarter of 2023, First Republic Bank ran into difficulties and was acquired by JPMorgan Chase on May 1, 2023. On this date, Spexis had no more money in the account than the guaranteed amount, which is why management has come to the conclusion that no significant negative impact is to be expected here.

On February 8, 2023 and April 18, 2023 Spexis made announcements related to capital commitments from SPRIM Global Investments (SGI) totalling USD 5.0 million, in the form of secured, interest-bearing debt with subordinated debt mandatorily converting into equity, both with partial warrant coverage.

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To the General Meeting of
Spexis Ltd, Allschwil

Basle, 26 May 2023

Report of the statutory auditor

Report on the audit of the consolidated financial statements

Opinion
We have audited the consolidated financial statements of Spexis Ltd and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in shareholder´s equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 57 to 98) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion
We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor's responsibilities for the audit of the consolidated financial statements” section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), 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.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor's responsibilities for the audit of the consolidated financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Impairment testing of goodwill and intangible asset under development

Risk	The Group has recognized significant goodwill in the amount of CHF 14´653´983 and an intangible asset under development in the amount of CHF 9´146´000, together representing 79.5% of total assets. Management performs an annual impairment test in December in order to identify potential impairments. During the year, management partially impaired goodwill by CHF 3´874´893. Management calculated the recoverable amount of the cash generating unit Spexis Group, to which the goodwill has been allocated, using the fair value less costs of disposal for the cash generating unit Spexis Group. Fair value consists of market capitalization. The assessment requires judgement in the determination of the costs of disposal. Please refer to Note 13 Goodwill.
Our audit response	Our procedures included assessing management´s process for impairment testing of goodwill and intangible asset under development. We inspected the determination of fair value less costs of disposal prepared by management and of the impairment charge recorded for goodwill. Furthermore, we verified the accuracy of the input parameters, such as the closing share price and the number of shares outstanding. We involved internal valuation specialists in the evaluation of the disposal costs with reference to relevant benchmarks. Our audit procedure did not lead to any reservation regarding the impairment testing of goodwill and of the intangible asset under development.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the compensation report and our auditor’s reports thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with IFRS 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, ISA and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

Report on other legal and regulatory requirements

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

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

Ernst & Young Ltd

Elisa Alfieri	Martin Mattes
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Balance Sheet as at December 31, 2022

	31.12.2022 CHF	31.12.2021 CHF
Assets		
Current assets		
Cash and cash equivalents	1'466'634	3'391'654
Other accounts receivable	864'533	1'976'297
Prepaid expenses	176'557	1'965'338
Total current assets	**2'507'725**	**7'333'289**
Non-current assets		
Financial assets (rent deposit)	447'406	447'381
Loan to related parties	33'434	37'066
Investment	53'662'663	70'682'916
Property, plant and equipment	516'869	1'176'736
Technology Platforms	899'712	1'349'568
Intangible assets	35	36
Total non-current assets	**55'560'119**	**73'693'703**
TOTAL ASSETS	**58'067'843**	**81'026'992**
Liabilities and shareholders' equity		
Liabilities		
Trade accounts payable to third parties	1'215'105	1'923'829
Other short-term liabilities to related parties	8'082'563	-
Current portion of debt	324'467	314'899
Other accounts payable	74'713	220'835
Current convertible notes (IRIS)	327'500	1'262'500
Accrued expenses	989'133	2'913'085
Current liabilities	**11'013'481**	**6'635'148**
Long-term portion of debt	1'307'132	1'631'589
Non-current liabilities	**1'307'132**	**1'631'589**
Total liabilities	**12'320'612**	**8'266'737**
Shareholders' equity		
Share capital	975'709	951'101
Legal capital reserves		
Reserves from capital contributions	396'624'778	395'492'464
Accumulated losses		
Loss carryforward	-323'683'311	-309'465'692
Loss for the year	-28'169'945	-14'217'617
Accumulated losses	-351'853'256	-323'683'310
Total shareholders' equity	**45'747'231**	**72'760'255**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**58'067'843**	**81'026'992**

Financial Statements – Spexis Ltd

Income statement for the year 2022

	2022 CHF	2021 CHF
Income		
Revenue from services and collaborations	-	9'146'000
Other income	1'475'003	2'266'771
Total income	**1'475'003**	**11'412'771**
Expenses		
Cost of materials	-153'270	-313'547
Research and development expenses	-2'285'851	-11'728'303
Employee expenses	-4'547'455	-8'799'976
Other operating expenses	-4'531'137	-4'350'941
Impairment of investment	-17'294'935	-
Depreciation and amortization	-1'126'648	-1'250'608
Total operating expenses	**-29'939'297**	**-26'443'375**
Operating loss before interest and taxes	**-28'464'294**	**-15'030'603**
Financial income	25	20'950
Financial expenses	-57'009	-148'773
Net foreign exchange gain	381'333	974'717
Net loss before taxes	**-28'139'945**	**-14'183'710**
Tax expenses	-30'000	-33'907
NET LOSS FOR THE YEAR	**-28'169'945**	**-14'217'617**

Notes to the Financial Statements as at December 31, 2022

1 Accounting 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 applied are described below.

Further these financial statements of Spexis have been prepared under the going concern assumption. The Group's board and management assessed the ability of the Group to continue as a going concern and concluded that the financial statements should continue to be prepared on a going concern basis, considering that sufficient funding is available for the remaining portfolio for at least the next 12 months. The going concern assessment is further supported by additional capital increases after the balance sheet date which have further strengthened the capital situation of the Company – refer to our announcements made on February 8, 2023 and April 18, 2023 related to capital commitments from SPRIM Global Investments (SGI) totalling USD 5.0 million.

1.2 Name Change and Acquisition of Enbiotix, Inc.

The Company was originally incorporated under the name Polyphor Ltd. and renamed to Spexis Ltd. as of December 29, 2021, following the legal acquisition of EnBiotix, Inc. in a share exchange transaction.

1.3 Revenue recognition

In 2021 EnBiotix, Inc. acquired Inhaled Murepavadin for a consideration of USD 10 million (CHF 9'146'000) and issued 2'599'655 own shares as compensation to the former Polyphor Ltd.

2 Information on Income Statement and Balance Sheet Items

2.1 Other operating expenses

Other operating expenses	**2022 CHF**	**2021 CHF**
Legal, consulting and audit expenses	-996'061	-1'190'787
Patent & trademark expenses	-503'898	-657'685
Rent expenses	-905'854	-928'017
Other expenses	-2'125'324	-1'574'451
Total other operating expenses	**-4'531'137**	**-4'350'941**

2.2 Debt

Debt	**31.12.2022 CHF**	**31.12.2021 CHF**
Fixed loan	324'467	314'899
Total short term portion of debt	**324'467**	**314'899**
Fixed loan	1'307'132	1'631'589
Total long term portion of debt	**1'307'132**	**1'631'589**

Notes to the Financial Statements as at December 31, 2022

2.3 Impairment

Investment of CHF 70'957'598 before impairment and of CHF 53'662'663 after (2021: CHF 70'682'916) originate from the legal acquisition of the former Enbiotix Inc by Polyphor, Inc. in December 2021, refer to note 1.2, representing mainly the acquired assets ColiFin and Inhaled Murepavadin.

Spexis Ltd performs an impairment test annually or when an impairment indicator is identified by determining the recoverable amount and covers as well as the annual impairment test on the assets under development. At December 31, 2022, given the decreased market capitalization of the group, the recoverable amount of the assets under development was assessed using the practical method, based on 1/3 of the NPV of the assets and on 2/3 of the group's consolidated equity.

2.4 Participations

	31.12.2022	31.12.2021
Polyphor UK Ltd., London, United Kingdom		
Paid-in capital (GBP)	1'000	1'000
Share in capital and voting rights in %	100	100
Polyphor Deutschland GmbH, Lörrach, Germany		
Paid-in capital (EUR)	25'000	25'000
Share in capital and voting rights in %	100	100
Enbiotix Inc., Delaware, USA		
Paid-in capital (USD)	15'044	15'044
Share in capital and voting rights in %	100	99.6

Additionally, to direct investments, the company holds 100% each of Enbiotix GmbH, Leipzig, Germany and Enbiotix (Switzerland) GmbH, Basel, Switzerland (2021: 99.6%).

2.5 Capital increases

Share capital and legal reserves	**31.12.2022 CHF**	**31.12.2021 CHF**
Share capital	975'709	951'101
Reserves from capital contributions	396'624'778	395'492'464
Share capital and legal reserves	**397'600'487**	**396'443'565**
Accumulated losses		
Loss carryforward	-323'683'311	-309'465'692
Loss for the year	-28'169'945	-14'217'617
Accumulated losses	**-351'853'256**	**-323'683'310**
Total shareholders' equity	**45'747'231**	**72'760'255**

At December 31, 2022 Spexis Ltd. share capital consisted of 48'785'463 shares with a nominal value of CHF 0.02 each (2021: 47'555'058/CHF 0.02).

Notes to the Financial Statements as at December 31, 2022

No dividends were declared or paid by the company for the year under review (2021: nil)

At the annual general meeting of April 26, 2022, the Board of Directors was authorized to increase the share capital by a maximum of CHF 477’120, split into 23’856’018 registered shares at a par value of CHF 0.02 each, by April 25, 2024 at the latest.

As of December 31, 2022, the Company had conditional share capital pursuant to which the share capital may be increased by a maximum amount of CHF 455’652 (2021: CHF 238’264) through the issue of a maximum of 22’782’592 (2021: 11’913’203) registered shares. An amount of CHF 84’865 (2021: CHF 57’865) of the conditional share capital is exclusively reserved for the members of the employee stock option plan. The other part is reserved for the conversion of convertible bonds or other similar financial instruments.

The reserves from capital contributions include the premium after the issue costs from prior capital increases as well as from capital increases in the year 2022. From a fiscal point of view, any distributions made from reserves from capital contributions are treated the same as a repayment of share capital, provided that the company distributes taxable dividends to the same extent from other reserves. The Swiss Federal Tax Administration (SFTA) has not finally confirmed that it will recognise the increases during the period under review in disclosed reserves from capital contributions as a captial contribution as per art. 5 para.1bis Witholding Tax Act.

3 Other information

3.1 Full-time equivalents

The annual average number of full-time equivalents for the reporting year, as well as the previous year, did not exceed 50.

3.2 Liabilities to pension fund

Neither at December 31, 2022 nor December 31, 2021 any liabilities to pension fund existed.

3.3 Restricted cash

At December 31, 2022 cash and cash equivalents in the amount of CHF 100’000 (2021: CHF 150’000) and EUR 50’000 (2021: EUR 50’000) are additionally restricted.

3.4 Significant shareholders

The following shareholders owed more than 5 percent of voting rights as at 31 December:

	31.12.2022	31.12.2021
Jeffrey D. Wager[1]	18.6%	19.3%
RLG Business Corporation	12.5%	12.8%
Vectura Group Limited	8.8%	9.0%

[1] indirect holding by Aperion Holdings Limited that is beneficially owned by Jeffrey D. Wager

Notes to the Financial Statements as at December 31, 2022

3.5 Share or options on shares for member of the board, employees

In 2022 the following options on shares were allocated to members of the board, to employees. The following information relates to the allocation in 2022 (valued at the average fair value of CHF 1.26 for each option):

	Options	
2022	**Quantity**	**Value (CHF)**
Allocated to Board of Directors / Management	2'650'000	3'494'959
Allocated to employees	272'029	172'872
Total	**2'922'029**	**3'667'831**

In 2021 the following options on shares were allocated to members of the board and to employees. The following information relates to the allocation in 2021 (valued at the average fair value of CHF 4.19 for each option):

	Options	
2021	**Quantity**	**Value (CHF)**
Allocated to Board of Directors / Management	139'635	584'372
Allocated to employees	65'592	274'503
Total	**205'227**	**858'875**

3.6 Equity owned by Management and the Board of Directors, including any related parties

As per December 31, 2022 the Board of Directors and the Management owned the following shares and options:

Board of Directors	Number of shares	Number of share options (vested)	Number of share options (unvested)
Kuno Sommer	5'000	69'000	-
Bernhard Bollag	5'240	64'250	-
Jeffrey D. Wager[1]	9'048'383	-	700'000
Dennis Ausiello	488'379	50'000	-
Robert Clarke	87'211	50'000	-
Dan Hartman	105'554	50'000	-
Total	**9'739'767**	**283'250**	**700'000**

[1] Of total shares 7'184'301 held indirectly by Aperion Holdings Limited that is beneficially owned by Jeffrey D. Wager

Notes to the Financial Statements as at December 31, 2022

Management	Number of shares	Number of share options (vested)	Number of share options (unvested)
Jeffrey D. Wager[1]	9’048’383	-	700’000
Juergen Froehlich	377’203	-	500’000
Hernan Levett	-	42’938	600’000
Stephan Wehselau[2]	357’563	-	600’000
Total	**9’783’149**	**42’938**	**2’400’000**

[1] Of total shares 7'184'301 held indirectly by Aperion Holdings Limited that is beneficially owned by Jeffrey D. Wager

[2] Shares held by NIK Beteiligungsgesellschaft that is beneficially owned by Stephan Wehselau

As per December 31, 2021 the Board of Directors and the Management owned the following shares and options:

Board of Directors	Number of shares	Number of share options (vested)	Number of share options (unvested)
Kuno Sommer	5’000	19’000	-
Bernhard Bollag	5’240	14’250	-
Jeffrey D. Wager[1]	9’159’576	-	-
Dennis Ausiello	488’379	-	-
Robert Clarke	87’211	-	-
Dan Hartman	105’554	-	-
Total	**9’850’960**	**33’250**	**-**

[1] Of total shares 7’295’493 held indirectly by Aperion Holdings Limited that is beneficially owned by Jeffrey D. Wager

Management	Number of shares	Number of share options (vested)	Number of share options (unvested)
Jeffrey D. Wager[1]	9’159’576	-	-
Juergen Froehlich	377’203	-	-
Hernan Levett	-	42’938	-
Stephan Wehselau[2]	357’563	-	-
Total	**9’894’342**	**42’938**	**-**

[1] Of total shares 7'295'493 held indirectly by Aperion Holdings Limited that is beneficially owned by Jeffrey D. Wager

[2] Shares held by NIK Beteiligungsgesellschaft that is beneficially owned by Stephan Wehselau

3.7 Current convertible notes (IRIS)

On July 27, 2022, Spexis announced that it has renewed the equity-linked financing arrangement with the French company IRIS. The remaining CHF 13.6 million of the original agreement was replaced with a new equity-linked financing agreement to raise a gross amount of up to CHF 15.0 million over a period of two years. If amounts are drawn by Spexis, IRIS will receive Spexis shares to be created from the Company's conditional capital based on this interest-free mandatory convertible bonds program. It remains at the sole discretion of Spexis to suspend or terminate the staggered financing. If Spexis elects to draw down any amounts, IRIS is committed to buy on a monthly basis over a period of two years twenty-four tranches of CHF 625'000 of unsecured zero-coupon mandatory convertible bonds. The program can be tailor-made in terms of period and tranche size, according to Spexis's financing needs. During the term of the financing, for any financing amounts drawn by Spexis, IRIS will convert each month the mandatory convertible bonds into shares at a discount to the applicable volume weighted average price (VWAP).

As of December 31, 2022, the carrying amount of the host for notes issued but not yet converted amounted to CHF 327'500 (2021: CHF 1'262'500) and is included in the balance sheet under current liabilities.

3.8 Residual amount of leasing obligations

The maturity of leasing obligations which have a residual term of more than twelve months or which cannot be canceled within the next twelve months is as follows:

	31.12.2022 CHF	31.12.2021 CHF
Up to 1 year	914'872	910'508
1–5 years	3'397'331	3'632'889
More than 5 years	-	679'314
Total	**4'312'204**	**5'222'712**

3.9 Significant events after the balance sheet date

On February 8, 2023 and April 18, 2023 Spexis made announcements related to capital commitments from SPRIM Global Investments (SGI) totalling USD 5.0 million, in the form of secured, interest-bearing debt with subordinated debt mandatorily converting into equity, both with partial warrant coverage.

Notes to the Financial Statements as at December 31, 2022

Proposal by the Board of Directors for the loss to be carried forward, subject to the approval of the Annual General Meeting:

	2022 CHF
Loss carryforward	-323'683'311
Loss for the year	-28'169'945
Balance to be carried forward	**-351'853'256**

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To the General Meeting of
Spexis Ltd, Allschwil

Basle, 26 May 2023

Report of the statutory auditor

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Spexis Ltd (the Company), which comprise the balance sheet as at 31 December 2022, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (pages 102 to 110).

In our opinion, the accompanying financial statements 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 Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Impairment of investment

Risk	As of 31 December 2022, Spexis Ltd holds all shares in EnBiotix (92.4% of total assets) and has recognized an impairment loss of CHF 17.3 million during 2022 as disclosed in note 2.3 to the financial statements. To assess this investment for impairment, management has made significant estimates and judgements related to key assumptions relating to future revenue that can be generated from the investment.
Our audit response	In order to audit the valuation of the investment, we tested the analysis prepared by management which consisted of comparing net assets balances and expected future net cash inflows with the carrying amount of the investment. Our audit procedures did not lead to any reservations regarding the impairment charge recorded in 2022 and the carrying amount of the investment as at 31 December 2022.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the compensation report and our auditor’s reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors’ responsibilities 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 Company’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 Company 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 SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on other legal and regulatory requirements

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

Furthermore, we confirm that the proposed carry forward of the accumulated losses complies with Swiss law and the Company’s articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Elisa Alfieri Licensed audit expert (Auditor in charge)	Martin Mattes Licensed audit expert

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Overall Responsibility

Spexis Ltd

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