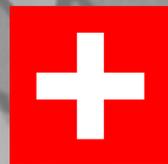




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DOING BUSINESS IN SWITZERLAND



COMPANY FORMATION IN SWITZERLAND

MAIN FORMS OF COMPANY/BUSINESS IN SWITZERLAND

Relevant types of companies for business include partnerships, sole proprietorships and corporate bodies.

Forms of corporate bodies include stock corporations, limited liability companies, cooperatives and associations. All of these have in common that the owners' liability is limited to a predetermined amount, if any. For commercial use both stock corporations and limited liability companies are suitable and popular.

Of 586,000 registered companies per 1 January 2015 a total of 206,000 were stock corporations, 160,000 were limited liability companies and 157,000 were sole proprietorships. Many more (minor) sole proprietorships are not registered as they are only obliged to register if revenues exceed CHF 100,000 p.a.

Partnerships are not widely used for business purposes. While general partnerships and limited partnerships require at least two partners, a single person can set up a business under sole proprietorship. All partnerships and the sole proprietorship have in common that at least one partner carries full personal liability for company obligations. The sole proprietorship is a very common form of company, especially for small businesses as it is simple to set up and run.

The predominance of corporate bodies can be explained both by liability and social security issues. All income from partnerships and sole proprietorships are treated as income from a gainful activity for social security purposes. Compulsory contributions amount to 9.7% (2015) plus administrative costs. This is a considerable disadvantage compared to corporate bodies, where withdrawals may be made either as salary or dividends and the social security impact can to some extent be controlled by that choice.

SPECIFIC TAX CONCERNS RELATED TO ESTABLISHING A COMPANY

As a general rule, partnerships are transparent for tax purposes. The individual partners are taxed on income and capital attributable to them together with all their other taxable income and assets. Only foreign partnerships may be treated as non-transparent and according to corporate body tax rules. Corporate bodies on the other hand are taxed for their profit and capital at the company level and owners are only taxed for dividends or any other form of distribution of profits. Only capital previously contributed by the shareholders may be distributed without a tax impact at the investor level.

Income, profit and capital tax are levied on all governmental levels. While the federal tax is standardized throughout Switzerland, cantonal and municipal taxes can vary significantly among different regions. Among other aspects tax issues are an important factor in choosing a business location. As an example standard corporate profit tax rates 2015 range from a total of 11% to 25% on pre-tax profit depending on the domicile of the company. Tax breaks for newly founded companies, holdings and mainly offshore-oriented businesses are available but also differ depending on local tax legislation. Profit tax rates can so be reduced to less than 5%. Some of these tax breaks are under heavy pressure both locally as also from other states and international organisations and may be abolished as soon as 2019.

Switzerland knows a high withholding tax on dividends. Profit distributions from corporate bodies to individual or institutional shareholders are generally subject to withholding at a rate of 35%. On principle this is refundable to Swiss shareholders and may be refundable or subject to tax-credit for foreign shareholders resident in states with applicable double taxation agreements. Only for stock corporations and limited liability companies as shareholders with participations of 10% or more in the paying company a notification procedure may apply,

where payment and refund of the withholding tax can be avoided. This applies both for Swiss domiciled beneficiaries as for foreign beneficiaries if so provided in any applicable double taxation agreements. Especially for offshore investors from jurisdictions without double taxation agreement this withholding tax can be a deal-breaker.

VAT (standard rate currently 8%) is independent of the legal form of the business. All businesses are liable to registration and taxation if their taxable revenues exceed CHF 100,000 p.a. Other businesses may opt for voluntary registration, an option worth verifying if input VAT exceeds turnover VAT.

LEGAL ISSUES RELATED TO ESTABLISHING A COMPANY

Generally, no permission or membership in a professional association is required to establish a business. Aliens with no permanent residence or work permit can take up business activities by fiduciary services from a resident person. All business sectors are open for foreign investments. Clearly, some activities may then be subject to approval, as for example in the weapons industry or healthcare sector.

Any commercial, industrial or other activity conducted according to business principles must be entered in the local commercial register. In the case of corporations this is a prerequisite for them to legally come into existence.

All corporations must at all times have at least one authorized representative with residence in Switzerland. This may be a member of the board or an employee with signatory power.

Stock corporations require a minimum share capital of CHF 100,000, of which CHF 50,000 must be paid in. Limited liability companies require a minimum capital of CHF 20,000 which must be paid in entirely.

The acquisition of Swiss real estate by foreigners is legally restricted. Companies controlled by foreigners will under certain circumstances require a permit and may only acquire properties serving their operational requirements. EU citizens residing in Switzerland and Swiss citizens as well as their controlled companies are exempt.

CULTURAL CONCERNS RELATED TO ESTABLISHING A COMPANY

In general, setting up a new business is met with appreciation, especially if new work places are created in the process. Depending on the line of business concerns may arise as in any other country.

It is important to understand that Switzerland is a multicultural country. An obvious characteristic is the variety of four national languages, of which three are used in dealings with administrative bodies of the government. So, depending on the region where a company shall be established, either French, Italian or German will be necessary to communicate with the relevant offices, even if English is widely spoken.

OTHER COUNTRY-SPECIFIC ISSUES RELATED TO ESTABLISHING A COMPANY

Switzerland is a federation of 26 cantons and half cantons. While for example foreign or security policy is managed at the federal level a lot of power remains with the individual cantons. For business purposes the basic rules are laid out in federal laws but the playing field may differ from canton to canton as many aspects may be treated differently based on the local laws and regulations.

PERMANENT ESTABLISHMENT IN SWITZERLAND: BRANCH OR SUBSIDIARY?

DEFINITION OF A PERMANENT ESTABLISHMENT

Art. 4 and 51 of the Swiss Federal Law on Direct Tax define a permanent establishment as being fixed places of business which are wholly or partially engaged in business activities of an enterprise or an independent profession. They include, in particular, branches, manufacturing plants, workshops, sales offices, permanent agencies, mines and other plants for the extraction of mineral resources and building or installation projects with a duration of at least 12 months.

The definition of a permanent establishment does, per leading opinion, not exclude preparatory or auxiliary activities. Also, a permanent establishment does not require the presence of human personnel. The Supreme Court has ruled, for instance, that vending machines, which distributed goods against payment at the place of location, must be characterized as permanent establishments. This case, however, was ruled for domestic circumstances and may have no impact in an international environment.

Switzerland's double taxation agreements generally follow the OECD Model Tax Convention regarding the definition of permanent establishments.

DEFINITION AND MAIN DIFFERENCES BETWEEN A BRANCH AND A SUBSIDIARY

A branch is an office or establishment through which a foreign company engages in business in Switzerland. The branch is dependent and generally does not have its own legal personality. The foreign company is therefore directly and fully liable for all undertakings of the Swiss branch.

A branch does not have the authority to act independently of its headquarters and its activities will therefore depend on the nature and strategy of the company. It will have to register with the commercial register and at least one of the branch managers must be resident in Switzerland. Registration of the branch will imply publication of certain data of the foreign company, see "Registration formalities".

A subsidiary is a corporate entity in its own right. It is formed under and governed by Swiss law. Its shareholder (parent company) has therefore no liability (other than providing the share capital) for the undertakings of the subsidiary. The subsidiary has its own corporate bodies, including a board of directors. Influence of the parent company is limited to its vote in the annual general assembly of shareholders, where it may also elect the members of the board. In effect the parent company will exercise management control, but there is a legal separation of the two entities.

A subsidiary is mainly advantageous considering liability issues, as for some aspects the members of the board are personally liable. Other than in a branch-situation, the members of the board have actual control or rather oversight over the local activities.

TAX AND ACCOUNTING OBLIGATIONS

A Swiss branch of a foreign company is tax liable as a permanent establishment. Tax liability is limited to locally attributable profit and capital. An annual tax declaration has to be completed and filed. Standard corporate tax rates apply. The international allocation of taxable profit and capital is usually performed directly and with

the help of local book-keeping and annual financial statements. Only as an exception taxable factors may be indirectly and proportionally split between the branch and its headquarters with auxiliary parameters, such as revenues or production factors.

A clear advantage of the branch is, that it is not considered a taxable entity for Swiss withholding tax. Therefore, profit can be repatriated to the headquarters without tax consequences.

A local subsidiary has the same accounting obligations as any Swiss corporation. It must perform proper accounting and provide annual financial statements including balance sheet, P&L statement and notes. Switzerland has no concept of group taxation for direct taxes. A legally independent subsidiary is tax liable for its own profit and capital. Tax liability extends to worldwide profit except for foreign branches and/or real estate. A tax declaration including the annual financial statement has to be prepared on a yearly basis, allowing the tax authorities to assess taxes.

Swiss VAT is independent of the legal form of a business. VAT-liability is given for any business with Swiss revenues exceeding CHF 100,000 p.a.

REGISTRATION FORMALITIES

To establish a branch it has to be entered into the commercial register. The following information and documents are required: name and statutory domicile of the headquarters, a certificate of incorporation or a certified extract from the commercial register for the headquarters, a certified copy of the articles of association, the amount of authorized and paid-in share capital and the minutes of the board meeting granting authority to establish a Swiss branch, designating its local managers.

All documents certified or notarized by foreign institutions require an apostille and a certified translation into the official language at the place of registration is required. Additionally the application must include the desired place of business and name for the branch (including name of headquarters, domicile of headquarters, the word "branch" and the place of business) as well as valid and notarized signatures by people authorized to sign either for the headquarter or the branch. All individuals to be nominated with signatory power for the branch must be identified by passport-copies.

A subsidiary is set up as an independent corporate body, either as a limited liability company or a stock corporation. For the formation to come into effect, they have to be entered into the local commercial register. The application must include the company name, its domicile and address and be accompanied by the notarized public deed of formation, the articles of association, a notice of acceptance for every elected member of the board, a waiver of audit (if applicable), minutes of the meeting of the board containing its establishment and the nomination of any signatories, a bank certificate for the deposit of the share capital and declarations under special law including the waiver of real estate acquisition by foreign-controlled corporations.

The application must be duly signed by at least one member of the board (if individual signatory power) and notarized. All documents certified or notarized by foreign institutions require an apostille and a certified translation into the official language at the place of registration is required. All individuals to be nominated with signatory power for the branch must be identified by passport-copies.

STANDARD LEGAL OBLIGATIONS AND FORMALITIES FOR A BRANCH

Once set up, a branch has very few standard legal obligations. First and foremost an annual tax declaration has to be filed and any down-payments or final taxes have to be paid within the applicable deadlines. If VAT-liable, either quarterly or semi-annual VAT declarations and payments have to be effected.

HOW TO HIRE MY FIRST EMPLOYEE IN SWITZERLAND

MAIN LEGAL STEPS TO FOLLOW TO HIRE A FIRST EMPLOYEE

1. Residence and work permits

1.1 EU/EFTA citizens

Since the establishment of the bilateral agreements between the European Union (EU) and Switzerland, EU citizens, residing in Switzerland for the purpose of gainful activities, generally have a legal claim to access the Swiss labor market as long as the respective legal conditions are met. The agreements also apply to the European Free Trade Association (EFTA). Each cantonal Office for Migration approves residence and work permit applications based on the submission of a signed working contract with a company in Switzerland.

For the new EU member states Bulgaria, Romania and Croatia the bilateral agreements apply, as well. Concerning the free movement of persons, a transition period is in place until no later than 2016. Further, Switzerland continues to provide priority to its domestic employees and applies a separate quota system.

1.2 Other citizens

Due to the bilateral agreements between Switzerland and the EU nationals of EU/EFTA countries are given priority over non-EU/EFTA nationals as far as immigration to Switzerland is concerned. The number of non-EU/EFTA immigrants is limited by a strict quota system.

Priority of domestic and EU/EFTA employees, high qualification, working conditions, job and salary levels are reviewed by the authorities.

2. Social Security

2.1 General

Social security in Switzerland is based on a 3-pillar principle covering old age, death and disability. The basic federal insurance (1st pillar) is supplemented by a compulsory occupational insurance (2nd pillar), and customized to individual needs by tax-privileged individual pension savings (3rd pillar).

2.2 Public insurance

Insurance services provided by the Swiss Federation include AHV (Old Age and Survivors Insurance), IV (Disability Insurance), EO (Income Compensation), ALV (Unemployment Insurance) and FAK (Family Equalization Fund). Contributions amount to roughly 14% of the gross salary and are for most insurances divided evenly between the employer and the employee. When hiring the first employee, the company has to register with the local social security office, where all the mentioned insurances are handled for all employees as a whole.

2.3 Company insurance

While also compulsory for most employment relationships, for BVG (Occupational Benefits Plan) and UVG (Accident Insurance) the company may choose an individual insurance company to set up the contracts. Contributions may range from 7% to 27%, of which the employer has to pay at least 50 percent. When hiring the first employee, the company has to find an insurance company to set up these contracts. The social security office will monitor compliance.

2.4 Private insurance

The 3rd pillar is completely up to the employee. The employer cannot participate in any tax breaks or benefits from this kind of insurance/savings.

DESIGN AND CONTENTS OF AN EMPLOYMENT CONTRACT

1. Individual employment contract

Switzerland has a employer friendly labor market and legislation. Generally employment contracts can be terminated more easily than in neighbouring states, which facilitates the recruitment process. There are no formal requirements for an employment contract to come into effect. It may be concluded verbally. Usually, however, employment contracts are concluded in writing for reasons of proof.

A standard employment contract contains provisions for the commencement, duration and probationary period, the capacity in which the employee will be active, his duties, and his regular place of work. Working hours, handling of overtime and how to maintain timesheets are included together with the employee's salary and possible incentives and/or bonus eligibility and definition. Other standard content includes vacation, absence from duties (e.g. illness), reimbursement for expenses, inclusion in the employer's occupational benefits plan and termination provisions.

The employer may also be interested to include other components, such as the terms under which an employee is allowed a secondary activity, terms including the expected loyalty, diligence, independence, secrecy and the obligation to return any work product upon termination of the contract. Non-competition clauses, clauses on copyrights, inventions and designs may also be included and may call for a clause on contractual penalties.

2. Collective working agreements and master agreements

Even though labor peace is very strong in Switzerland, and trade unions therefore are not very prominent, a series of nationwide working agreements and master agreements exist. Especially in construction and manufacturing as well as in services they are very common. These agreements are binding for all employments in Switzerland, including local employers of foreign businesses.

Collective working agreements and master agreements usually strengthen employee's rights and set higher minima than generally applicable laws on employment contracts. They may include provisions on minimal salaries, early retirement, maximum working hours and many more. It is imperative for an employer to check for applicability of any such agreements, as a violation of such can lead to heavy fines.

CAN SOMEBODY DO BUSINESS FOR ME AND NOT BE AN EMPLOYEE?

Switzerland knows a freedom of contract and local laws and regulations will generally allow a company to hire an agent or contractor rather than an employee. Such a contract is subject to other regulations than an employment contract and can generally be designed in a more flexible way and adapted to the principal's needs. The appeal of such a simplification of a contractual relationship is obvious and there are measures in place to prevent abuse.

If an individual shall do business for a company and not be considered an employee, the following criteria must be met. The individual must be active under his/her own name, for his/her own account, in an independent position and at his/her own commercial risk. As a rule the individual will have to present at least five different principals and will have to provide proof for as many of these aspects as possible: permanent establishment with usual installations and/or machines, significant maintenance or operating resources, invoices under own name and carrying of collection risk, employment of staff, investments under own name, market presence and business development, lack of reporting obligations to or directive authority by the principal as would be the case for an employment contract.

If these criteria are not met sufficiently, the individual will be classified as an employee and legal obligations for the principal will apply as if he were an employer (e.g. termination period, minimal salary, social security contributions).

HOW TO READ FINANCIAL STATEMENTS IN SWITZERLAND

The basic Swiss Financial Statements always consist of:

- Balance Sheet
- Profit and Loss Statement
- Notes to the Financial Statement

Below you will find a translation of a Balance Sheet and Profit and Loss Statement as well as a selection of possibly necessary Notes to the Financial Statement.



BALANCE SHEET FOR YEAR ENDING 20XX

Firmenbezeichnung Sitz	Name of the company Domicile	31.12.20x1 CHF	31.12.20x0 CHF
BILANZ	BALANCE SHEET		
AKTIVEN	ASSETS		
Kassen	Cash	0.00	0.00
Bankguthaben	Cash at bank	0.00	0.00
Kurzfristige Geldanlagen	Current investments	0.00	0.00
Kurzfristig gehaltene Wertschriften mit Börsenkurs	Current assets with a stock exchange price	0.00	0.00
Übrige kurzfristig gehaltene Aktiven	Other current assets	0.00	0.00
Flüssige Mittel und kurzfristig gehaltene Aktiven mit Börsenkurs	Cash and cash equivalents and current assets with a stock exchange price	0.00	0.00
Forderungen aus Lieferungen und Leistungen Gegenüber Dritten	Trade receivables from third parties	0.00	0.00
Gegenüber Beteiligten und Organen	from direct or indirect participants and management bodies	0.00	0.00
Gegenüber Beteiligungen	from undertakings	0.00	0.00
Wertberichtigung auf Forderungen aus Lieferungen und Leistungen	Impairment on trade receivables	0.00	0.00
Forderungen aus Lieferungen und Leistungen	Trade receivables	0.00	0.00
Geleistete Anzahlungen	Advance payments	0.00	0.00
Übrige kurzfristige Forderungen Gegenüber Dritten	Other current receivables from third parties	0.00	0.00
Gegenüber Beteiligten und Organen	from direct or indirect participants and management bodies	0.00	0.00
Gegenüber Beteiligungen	from undertakings	0.00	0.00
Wertberichtigung auf übrigen kurzfristigen Forderungen	Impairment on non-current receivables	0.00	0.00
Übrige kurzfristige Forderungen	Other non-current receivables	0.00	0.00
Vorräte	Inventories	0.00	0.00
Wertberichtigung Vorräte	Impairment on inventories	0.00	0.00
Nicht fakturierte Dienstleistungen	Non-invoiced services	0.00	0.00
Vorräte und nicht fakturierte Dienstleistungen	Inventories and non-invoiced services	0.00	0.00
Aktive Rechnungsabgrenzungen	Accrued income and prepaid expenses	0.00	0.00
Aktive Rechnungsabgrenzungen	Accrued income and prepaid expenses	0.00	0.00
UMLAUFVERMÖGEN	TOTAL CURRENT ASSETS	0.00	0.00
Wertschriften des Anlagevermögens	Securities	0.00	0.00
Langfristige Forderungen	Non-current receivables	0.00	0.00
Übrige Finanzanlagen	Other financial assets	0.00	0.00
Wertberichtigung auf Finanzanlagen	Impairment on financial assets	0.00	0.00
Finanzanlagen	Financial assets	0.00	0.00
Beteiligungen	Participations	0.00	0.00
Beteiligungen	Participations	0.00	0.00
Mobilien	Furniture and fixtures	0.00	0.00
Maschinen	Machinery and equipment	0.00	0.00
IT	IT accessories	0.00	0.00
Fahrzeuge	Vehicle fleet	0.00	0.00
Mobile Sachanlagen	Tangible fixed assets	0.00	0.00
Unbebaute Grundstücke	Undeveloped real estate	0.00	0.00
Liegenschaften	Real estates	0.00	0.00
Immobilie Sachanlagen	Real estates	0.00	0.00
Software	Software	0.00	0.00
Entwicklungen	Development	0.00	0.00
Goodwill	Goodwill	0.00	0.00
Übrige immaterielle Werte	Other intangible assets	0.00	0.00
Immaterielle Werte	Intangible assets	0.00	0.00
Nicht einbezahltes Aktienkapital	Share capital not paid in	0.00	0.00
Nicht einbezahltes Aktienkapital	Share capital not paid in	0.00	0.00
ANLAGEVERMÖGEN	TOTAL NON-CURRENT ASSETS	0.00	0.00
AKTIVEN	TOTAL ASSETS	0.00	0.00



Firmenbezeichnung Sitz	Name of the company Domicile	31.12.20x1	31.12.20x0
		CHF	CHF
BILANZ	BALANCE SHEET		
PASSIVEN	LIABILITIES AND EQUITY		
Verbindlichkeiten aus Lieferungen und Leistungen Gegenüber Dritten Gegenüber Beteiligten und Organen Gegenüber Beteiligungen	Trade liabilities to third parties to direct or indirect participants and management bodies to undertakings	0.00 0.00 0.00 0.00	0.00 0.00 0.00 0.00
Verbindlichkeiten aus Lieferungen und Leistungen	Trade liabilities	0.00	0.00
Kurzfristige Bankverbindlichkeiten Übrige kurzfristige verzinsliche Verbindlichkeiten Gegenüber Dritten Gegenüber Beteiligten und Organen Gegenüber Beteiligungen	Current interest-bearing liabilities to banks Other current interest-bearing liabilities to third parties to direct or indirect participants and management bodies to undertakings	0.00 0.00 0.00 0.00 0.00	0.00 0.00 0.00 0.00 0.00
Kurzfristige verzinsliche Verbindlichkeiten	Current interest-bearing liabilities	0.00	0.00
Erhaltene Anzahlungen Übrige kurzfristige Verbindlichkeiten Gegenüber Dritten Gegenüber Beteiligten und Organen Gegenüber Beteiligungen	Customer deposits and advances Other current liabilities to third parties to direct or indirect participants and management bodies to undertakings	0.00 0.00 0.00 0.00 0.00	0.00 0.00 0.00 0.00 0.00
Übrige kurzfristige Verbindlichkeiten	Other current liabilities	0.00	0.00
Passive Rechnungsabgrenzungen Kurzfristige Rückstellungen	Deferred income and accrued expenses Current provisions	0.00 0.00	0.00 0.00
Passive Rechnungsabgrenzungen und kurzfristige Rückstellungen	Deferred income and accrued expenses and current provisions	0.00	0.00
Kurzfristiges Fremdkapital	CURRENT LIABILITIES	0.00	0.00
Langfristige Bankverbindlichkeiten Übrige langfristige verzinsliche Verbindlichkeiten Gegenüber Dritten Gegenüber Beteiligten und Organen Gegenüber Beteiligungen	Non-current interest-bearing liabilities to banks Non-current interest-bearing liabilities to third parties to direct or indirect participants and management bodies to undertakings	0.00 0.00 0.00 0.00 0.00	0.00 0.00 0.00 0.00 0.00
Langfristige verzinsliche Verbindlichkeiten	Non-current interest-bearing liabilities	0.00	0.00
Übrige langfristige Verbindlichkeiten Gegenüber Dritten Gegenüber Beteiligten und Organen Gegenüber Beteiligungen	Other non-current liabilities to third parties to direct or indirect participants and management bodies to undertakings	0.00 0.00 0.00 0.00	0.00 0.00 0.00 0.00
Übrige langfristige Verbindlichkeiten	Other non-current liabilities	0.00	0.00
Rückstellungen Garantearbeiten Übrige langfristige Rückstellungen Rückstellungen	Provisions (and similar items required by law) Other non-current provisions Provisions (and similar items required by law)	0.00 0.00 0.00	0.00 0.00 0.00
Langfristiges Fremdkapital	NON-CURRENT LIABILITIES	0.00	0.00
FREMDKAPITAL	TOTAL LIABILITIES	0.00	0.00
Aktienkapital Aktienkapital	Share capital Share capital	0.00 0.00	0.00 0.00
Reserven aus Kapitaleinlagen Übrige Kapitalreserven	Statutory capital reserves Other capital reserves	0.00 0.00	0.00 0.00
Gesetzliche Kapitalreserve	Statutory capital reserves	0.00	0.00
Reserve für eigene Aktien Aufwertungsreserve Allgemeine gesetzliche Gewinnreserve	Reserve for treasury shares Revaluation reserve General reserve	0.00 0.00 0.00	0.00 0.00 0.00
Gesetzliche Gewinnreserve	Legal reserves	0.00	0.00
Gewinnvortrag Jahresgewinn / -verlust Bilanzgewinn	Profit / loss carryforward Net income / loss for the year Available earnings / Accumulated losses	0.00 0.00 0.00	0.00 0.00 0.00
Statutarische und beschlussmässige Gewinnreserven Freiwillige Gewinnreserven / kumulierte Verluste	Statutory and other voluntary reserves Statutory and other voluntary reserves	0.00 0.00	0.00 0.00
Eigene Aktien Eigene Aktien	Treasury shares Treasury shares	0.00 0.00	0.00 0.00
EIGENKAPITAL	TOTAL EQUITY	0.00	0.00
PASSIVEN	TOTAL LIABILITIES AND EQUITY	0.00	0.00

PROFIT AND LOSS STATEMENT FOR YEAR ENDING 20XX

Firmenbezeichnung Sitz	Name of the company Domicile		
ERFOLGSRECHNUNG	PROFIT AND LOSS STATEMENT	20x1 CHF	20x0 CHF
Produktionserlös	Income from production	0.00	0.00
Handelserlös	Income from trade	0.00	0.00
Dienstleistungsertrag	Income from services	0.00	0.00
Bestandesänderungen der angefangenen Arbeiten	Changes in finished goods and work in process	0.00	0.00
Dienstleistungserlöse	Income from services	0.00	0.00
Sonstige Erlöse	Other operating income	0.00	0.00
Übrige Erlöse aus Lieferungen und Leistungen	Other operating income	0.00	0.00
Bestandesänderungen an unfertigen und fertigen Erzeugnissen sowie an nicht fakturierten Dienstleistungen	Changes in finished goods and work in process as well as in non-invoiced services	0.00	0.00
Verluste aus Forderungen	Amortization, depreciation and impairment of non-current assets	0.00	0.00
Erlösminderungen Produktion	Income reduction from production	0.00	0.00
Erlösminderungen Handel	Income reduction from trade	0.00	0.00
Erlösminderungen Dienstleistungen	Income reduction from services	0.00	0.00
Übrige Erlösminderungen	Other income reduction	0.00	0.00
Erlösminderungen	Income reduction	0.00	0.00
NETTOERLÖSE AUS LIEFERUNGEN UND LEISTUNGEN	NET PROCEEDS FROM SALES OF GOODS AND SERVICES	0.00	0.00
Materialeinkauf	Material purchase	0.00	0.00
Fremdleistungen	Third-party services	0.00	0.00
Bestandesveränderung der Vorräte	Changes in inventories	0.00	0.00
Materialaufwand	Cost of materials	0.00	0.00
Handelswareneinkauf	Merchandise purchase	0.00	0.00
Bestandesveränderung der Vorräte	Changes of inventories	0.00	0.00
Handelswarenaufwand	Cost of goods sold	0.00	0.00
Dienstleistungsaufwand	Service expenses	0.00	0.00
Aufwand für bezogene Dienstleistungen	Expenses for services purchased	0.00	0.00
DIREKTER AUFWAND	DIRECT COSTS	0.00	0.00
BRUTTOGEWINN I	GROSS PROFIT I	0.00	0.00
Lohnaufwand	Salaries	0.00	0.00
Lohnrückvergütungen	Salary reimbursement	0.00	0.00
Sozialversicherungsaufwand	Social security expenses	0.00	0.00
Übriger Personalaufwand	Other personnel expenses	0.00	0.00
Leistungen Dritter	Third party services	0.00	0.00
Personalaufwand	Personnel expenses	0.00	0.00
BRUTTOGEWINN II	GROSS PROFIT II	0.00	0.00
Raumaufwand	Rent expense	0.00	0.00
Unterhalt, Reparaturen, Ersatz	Maintenance and repairs	0.00	0.00
Fahrzeugaufwand	Transportation expense	0.00	0.00
Sachversicherungen, Abgaben und Gebühren	Insurance and charges	0.00	0.00
Energie- und Entsorgungsaufwand	Energy and utility expense	0.00	0.00
Verwaltungs- und Informatikaufwand	Administrative and IT expense	0.00	0.00
Werbeaufwand	Advertising and representation	0.00	0.00
Sonstiger betrieblicher Aufwand	Miscellaneous operating expenses	0.00	0.00
Übriger betrieblicher Aufwand	Other operating expense	0.00	0.00
BETRIEBLICHES ERGEBNIS VOR ZINSEN, STEUERN UND ABSCHREIBUNGEN (EBITDA)	EARNINGS BEFORE INTERESTS, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)	0.00	0.00



Firmenbezeichnung Sitz	Name of company Domicile	20x1 CHF	20x0 CHF
ERFOLGSRECHNUNG	PROFIT AND LOSS STATEMENT		
BETRIEBLICHES ERGEBNIS VOR ZINSEN, STEUERN UND ABSCHREIBUNGEN (EBITDA)	EARNINGS BEFORE INTERESTS, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)	0.00	0.00
Abschreibungen auf Finanzanlagen	Depreciation/amortization of financial assets	0.00	0.00
Abschreibungen auf Beteiligungen	Depreciation/amortization of participations	0.00	0.00
Abschreibungen auf mobilen Sachanlagen	Depreciation/amortization of fixed assets	0.00	0.00
Abschreibungen auf immobilien Sachanlagen	Depreciation/amortization of real estates	0.00	0.00
Abschreibungen auf immateriellen Anlagen	Depreciation/amortization of intangible assets	0.00	0.00
Abschreibungen und Wertberichtigungen auf Positionen des Anlagevermögens	Depreciation and amortization of non-current assets	0.00	0.00
BETRIEBLICHES ERGEBNIS VOR ZINSEN UND STEUERN (EBIT)	EARNINGS BEFORE INTERESTS AND TAXES (EBIT)	0.00	0.00
Zinsaufwand	Interest expense	0.00	0.00
Übriger Finanzaufwand	Other financial expense	0.00	0.00
Finanzaufwand	Financial costs	0.00	0.00
Zinsertrag	Interest income	0.00	0.00
Übriger Finanzertrag	Other financial income	0.00	0.00
Finanzertrag	Financial income	0.00	0.00
BETRIEBLICHES ERGEBNIS VOR STEUERN	OPERATING RESULT BEFORE TAXES	0.00	0.00
Liegenschaftsaufwand	Property expense	0.00	0.00
Liegenschaftsertrag	Property income	0.00	0.00
Liegenschaftserfolg	Property profit/loss	0.00	0.00
Betriebsfremder Aufwand	Non-operating costs	0.00	0.00
Betriebsfremder Ertrag	Non-operating income	0.00	0.00
Betriebsfremder Erfolg	Non-operating profit/loss	0.00	0.00
BETRIEBSFREMDER ERFOLG	NON-OPERATING PROFIT/LOSS	0.00	0.00
Ausserordentlicher, einmaliger oder periodenfremder Aufwand	Extraordinary, non-recurring or prior-period costs	0.00	0.00
Ausserordentlicher, einmaliger oder periodenfremder Ertrag	Extraordinary, non-recurring or prior-period income	0.00	0.00
Ausserordentlicher, einmaliger oder periodenfremder Erfolg	Extraordinary, non-recurring or prior-period profit/loss	0.00	0.00
JAHRESGEWINN / -VERLUST VOR STEUERN (EBT)	EARNINGS BEFORE TAXES (EBT)	0.00	0.00
Kantons- und Gemeindesteuern	Cantonal and municipal taxes	0.00	0.00
Direkte Bundessteuern	Federal taxes	0.00	0.00
Direkte Steuern	Direct taxes	0.00	0.00
JAHRESGEWINN / -VERLUST	NET INCOME / LOSS FOR THE YEAR	0.00	0.00

NOTES TO THE FINANCIAL STATEMENT

Name of the company
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NOTES TO THE FINANCIAL STATEMENTS

1 Details of the principles applied in the annual account

These financial statements have been prepared in accordance with the provisions on commercial accounting according to articles 957-963b Swiss Code of Obligations (CO) (effective 1 January 2013).

The following principles were applied in the financial statements:

Cash and cash equivalents:

The position "Cash and cash equivalents" is measured at a fair value or at a lower market value at the balance sheet date. A fluctuation reserve has been set-up. For details please refer to paragraph 15 of the notes.

Inventories and non-invoiced services:

Inventories are measured at acquisition costs or manufacturing costs or lower net residual value. The acquisition costs or manufacturing costs of the inventories are determined using the FIFO (first in, first out) process.

If goods are delivered, earnings are realized when risks and rewards of the order are transferred to the buyer. The transfer of benefits and risks of the underlying transactions is based on the International Commercial Terms (Incoterms).

Financial assets:

Marketable securities held as fixed assets are valued at the closing rate at the balance sheet date. In order to take into account fluctuations in price development, a fluctuation reserve has been set-up. For details please refer to paragraph 15 of the notes.

Tangible and intangible assets:

The tangible and intangible assets are depreciated directly. Depreciation is calculated using the declining balance method. Any immediate depreciation allowed by tax legislation are made at the discretion of the Board of directors.

2 Information, breakdown and explanations relating to items on the balance sheet and in the profit and loss account

	<u>31.12.20x1</u>	<u>31.12.20x0</u>
	CHF	CHF
<i>Trade receivables:</i>		
from third parties	0.00	0.00
from direct or indirect participants and management bodies	0.00	0.00
from undertakings	0.00	0.00
Impairment	0.00	0.00
Total trade receivables	0.00	0.00
<i>Other current receivables:</i>		
from third parties	0.00	0.00
from direct or indirect participants and management bodies	0.00	0.00
from undertakings	0.00	0.00
Impairment	0.00	0.00
Total other current receivables	0.00	0.00
<i>Financial assets:</i>		
from third parties	0.00	0.00
from direct or indirect participants and management bodies	0.00	0.00
from undertakings	0.00	0.00
Impairment	0.00	0.00
Total financial assets	0.00	0.00
<i>Trade payables:</i>		
from third parties	0.00	0.00
from direct or indirect participants and management bodies	0.00	0.00
from undertakings	0.00	0.00
Total trade payables	0.00	0.00

Name of the company
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NOTES TO THE FINANCIAL STATEMENTS

	<u>31.12.20x1</u>	<u>31.12.20x0</u>
	CHF	CHF
<i>Current interest-bearing liabilities:</i>		
from third parties	0.00	0.00
from direct or indirect participants and management bodies	0.00	0.00
from undertakings	0.00	0.00
Total current interest-bearing liabilities	0.00	0.00
<i>Other current liabilities:</i>		
from third parties	0.00	0.00
from direct or indirect participants and management bodies	0.00	0.00
from undertakings	0.00	0.00
Total current liabilities	0.00	0.00
<i>Non-current interest-bearing liabilities:</i>		
from third parties	0.00	0.00
from direct or indirect participants and management bodies	0.00	0.00
from undertakings	0.00	0.00
Total non-current interest-bearing liabilities	0.00	0.00
<i>Other non-current liabilities:</i>		
from third parties	0.00	0.00
from direct or indirect participants and management bodies	0.00	0.00
from undertakings	0.00	0.00
Total other non-current liabilities	0.00	0.00
3 Net release of hidden reserves		
Significant net release of hidden reserves	0.00	0.00
4 Declaration of the number of full-time equivalents (FTEs):		
On annual average, the company had no more than 250 FTE (full-time equivalents).		
5 Participants		
	<u>31.12.20x1</u>	<u>31.12.20x0</u>
<i>Name of the company, legal form and domicile</i>	Share in capital (%)	Share in voting rights (%)
	Share in capital (%)	Share in voting rights (%)
Subsidiary 1, Ltd, Berne	0	0
Subsidiary 2, Ltd, Berne	0	0
Subsidiary 3, Ltd, Berne	0	0
6 Treasury shares		
	<u>20x1</u>	<u>20x0</u>
	Number	Value
	Number	Value
Treasury shares at the beginning of the fiscal year	0	0.00
Acquisition of treasury shares	0	0.00
Disposal of treasury shares	0	0.00
Treasury shares at the end of the fiscal year	0	0.00
7 Balance of the liabilities arising from the purchase agreements similar leases and other lease liabilities		
	<u>31.12.20x1</u>	<u>31.12.20x0</u>
	CHF	CHF
Purchase agreement related lease liabilities with a maturity of more than 12 months after the balance sheet date	0.00	0.00
Other lease liabilities (including rent) with a residual maturity of more than 12 months after the balance sheet date	0.00	0.00

Name of the company
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NOTES TO THE FINANCIAL STATEMENTS

	<u>31.12.20x1</u>	<u>31.12.20x0</u>
	CHF	CHF
8 Liabilities to pension fund		
Liabilities to pension fund	0.00	0.00
9 Total amount of collateral pledged for liabilities of third parties		
Guarantee in favour of XY Ltd, Berne	0.00	0.00
10 Total amount of assets used as collateral for own liabilities and assets subject to retention of title		
Total amount as security for own liabilities		
Real estate (book value)	0.00	0.00
uncompleted structures (book value)	0.00	0.00
Trade receivables (book value)	0.00	0.00
11 Contingent liabilities		
Liability arising from guarantee contract XY	0.00	0.00
<p>As part of the normal course of business, the Muster AG is involved in legal disputes. Although at the present time, the outcome of the lawsuits can not be predicted conclusively, the Muster AG assumes, that none of these disputes will have a material adverse effect on the business or the financial position. Accordingly, expected outgoing payments are postponed.</p>		
12 Participation rights and options for institutions and employees		
<i>0</i>	<u>31.12.20x1</u>	<u>31.12.20x0</u>
	Share in capital (%)	Share in voting rights (%)
	Share in capital (%)	Share in voting rights (%)
Equity securities of management and administrative organs	0	0.00
Participation rights of employees	0	0.00
Options of administrative and management bodies	0	0.00
Options by employees	0	0.00
<p>The equity securities are valued at the net asset value at balance sheet date.</p>		
13 Explanations of extraordinary, non-recurring or prior-period costs		
	<u>31.12.20x1</u>	<u>31.12.20x0</u>
	CHF	CHF
Creation of provisions for legal costs	0.00	0.00
Loss on disposal of fixed assets	0.00	0.00
Various minor items	0.00	0.00
Total extraordinary, non-recurring or prior-period costs	0.00	0.00
Reversal of provision for legal costs	0.00	0.00
Various minor items	0.00	0.00
Total extraordinary, non-recurring or prior-period income	0.00	0.00
Total extraordinary, non-recurring or prior-period profit/loss	0.00	0.00

Name of the company
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NOTES TO THE FINANCIAL STATEMENTS

14 Significant subsequent events

In February 20x1, an important supply contract of a major customer was terminated at the end of December 20x1. As the machine XY was purchased exclusively for this customer in 19x8, an additional write-down of approximately CHF 150k arises in 20x1.

In February 20x1, a shareholder granted a shareholder's loan of CHF 500k. As of February 20x1, CHF 300k of the granted loan were of a subordinated nature.

15 Valuation of assets to course / market values	31.12.20x1	31.12.20x0
	CHF	CHF
<i>Current assets with a stock exchange price:</i>		
Securities	0.00	0.00
Other assets with market values	0.00	0.00
Fluctuation reserve	0.00	0.00
<i>Non-current assets with a stock exchange price:</i>		
Securities	0.00	0.00
Other assets with market values	0.00	0.00
Fluctuation reserve	0.00	0.00
16 Maturity of long-term interest-bearing liabilities		
due within 1 and 5 years	0.00	0.00
due after 5 years	0.00	0.00
Total long-term interest-bearing liabilities	0.00	0.00
17 Fees charged by the auditors		
Fees for audit services	0.00	0.00
Fees for non-audit services	0.00	0.00

18 More information demanded by law

Art. 960b para. 2 CO	Information on Fluctuation
Art. 958a para. 3 CO	Derogation from the principle of the company going concern
Art. 958c para. 1 item 6 CO	Deviation from the consistency of presentation and evaluation
Art. 958c para. 1 item 7 CO	Deviation from the gross budget rule
Art. 959c para. 2 item 14 CO	In the event of the auditor's premature resignation (reasons)
Art. 958d para. 3 CO	For accounting in a different currency: Translation and explanations on the conversion rates used
Art. 959c para. 4 CO	For outstanding debentures: Indications on the amounts, interest rates, maturities and the other conditions
Art. 959b para. 4 CO	In the sales income statement: Personnel expenses and depreciation and impairment losses on fixed asset
Art. 959a para. 3 and Art. 959b para. 5 CO	Additional information where this is essential for the assessment of assets, financing and earnings position by a third party or is common due to the activity of the company.

There are no further disclosures required according to Art. 959c CO.