



Annual Report 2018





” Start Phase I

On November 12, 2018, the first patient was treated with Talidox at the Cantonal Hospital St. Gallen. Since then, SAKK has also been able to open the Cantonal Hospital Graubünden, the Ospedale Regionale di Bellinzona e Valli and the Inselspital Bern for the clinical trial.

Letter to Shareholders

InnoMedica reached a major milestone in 2018: the treatment of the first cancer patient with Talidox. The clinical trial application for Phase I was submitted in April 2018 following extensive preparatory work consisting of the preclinical studies, the study protocol for the treatment of patients in hospitals, and the Pharmaceutical Quality Dossier. In their initial assessment of the trial application, Swissmedic requested an increase in the starting dose in order to reach potential therapeutic doses more quickly. After a moderate adjustment of the starting dose, the clinical trial was approved by Swissmedic in August. InnoMedica then produced the first clinical batch of Talidox. On November 12, 2018, the first patient was finally treated with Talidox at the Cantonal Hospital St. Gallen. The doctors follow a precise medical protocol regulating patient selection, administration patterns, dosage and post-administration medical analyses for tumor growth, as well as distribution and metabolization of the drug in the body.

InnoMedica also made major progress with the development of its Parkinson's drug, Talineuren and started a cooperation with TRB Chemedica. By signing a Letter of Intent, InnoMedica implemented a sustainable supply chain for key liposomal raw materials in pharmaceutical quality and at acceptable prices. Unlike Talidox, Swissmedic regards Talineuren as a drug with a novel active ingredient. Hence, the toxicological testing and clinical trials required preliminary regulatory inquiries. Following InnoMedica's proposals, Swissmedic offers the prospect of simplified toxicological testing for Talineuren and, in a first Phase I clinical study, considers simultaneous use in patients with various indications (Parkinson's, Huntington's, ALS) as principally conceivable. This will allow a substantial reduction in study costs and opens up a particularly interesting perspective for the rare and to date untreatable Huntington's disease, in which Talineuren's active ingredient GM1 also has a promising effect according to two Canadian animal studies.

The progress in development prompted according investments in production. In fiscal year 2018, two storage rooms at the production site in Marly were expanded and put into operation in accordance with pharmaceutical standards. In order to create better conditions for the production of Talidox on an industrial scale, the comparatively improvised previous

laboratory for process development was completely renovated and put into operation by the engineering team. After the planning of the new cleanroom, Cleanroom II, was mostly completed in the third quarter, the preparatory work in the facility infrastructure was carried out in the fourth quarter and numerous outdated installations were removed. In cooperation with the Marly Innovation Center (MIC) and Groupe E, measures were taken to increase energy efficiency and the clean air supply technology was fundamentally renewed. The total investment volume for the new production plant in Cleanroom II, including machinery and equipment, amounts to approximately CHF 2 million for InnoMedica. In order to protect these investments and in the context of the strong existing cooperation, MIC has granted InnoMedica a lease agreement with a unilateral extension of the notice period to a total of 21 years. This clause was legally secured by an entry in the land register of the Canton of Fribourg. Now that the construction contract for the Cleanroom II has been granted at the end of the year, construction work is proceeding swiftly.

At the end of the year, the Board of Directors held a strategic discussions, which resulted in the resignation of Dr. Herbert Früh, former Chairman of the Board of Directors, and Manuel Frick, who joined the Board of Directors in summer 2017. The focal points were irreconcilable differences of opinion on leadership issues and corporate culture. The majority of the Board of Directors is of the opinion that InnoMedica has a highly qualified and stable management team that has been in place for several years, but that direct management by a key member of the Board of Directors is still reasonable. This facilitates the flow of information from day-to-day business to the Board of Directors while at the same time ensuring the quality of far-reaching decisions made by the young management, for example in contractual matters and in setting up various cooperative ventures. This solution is particularly preferred by the young management. The longstanding entrepreneurial experience of the Board of Directors is of great value, also at the operational level.

InnoMedica continued to maintain a service contract with its outsourcing partner IPAG Inter Personal AG (IPAG) during the financial year 2018. As an incubator, IPAG provided a functioning infrastructure and all

personnel for the Talidox project since its inception. IPAG thus made a significant contribution to the launch of the project in terms of operational resources. Based on InnoMedica's increasing financial strength, the incubation phase can now be completed with the takeover of the company in the first quarter of 2019. Following the renaming, IPAG will continue as InnoMedica (Schweiz) AG and a holding structure will be established for strategic reasons.

Risk assessment

InnoMedica regularly observes and assesses the main risks associated with its corporate projects as well as financial risks and evaluates ways of managing these risks. InnoMedica's various entrepreneurial risks saw differing patterns of development in 2018. The greatest progress was made in the operational realm. For the Talidox project, Swissmedic's approval of the Phase I clinical trial and the release of the first batches for use in patients were major milestones in reducing the operational risks. As a neutral expert, Swissmedic examined all aspects relevant to the first clinical trial: the preclinical studies, product design, production and study planning. The approval is proof that InnoMedica has a functioning quality assurance system. However, there are still substantial risks with regard to the effects and side effects of Talidox. An evaluation of initial data from the Phase I clinical trial and the corresponding reduction of these risks will probably be possible as of summer 2019.

For the Talineuren project, the cooperation with TRB Chemedica had significantly reduced supply chain risks. The patent application that had already been filed in 2017 was carefully drafted with a specialist law firm and is proving to be valuable, though still requiring official approval. The concept for the toxicology study and the planning of the Phase I study are starting to take shape. In the pipeline, further attractive products are emerging, some with a great innovative character and always with a high expected patient benefit. Overall, the achievement of these milestones has significantly reduced InnoMedica's risk exposure.

The financial risks remain substantial. InnoMedica was able to secure solid financing in the last capital increase raising CHF 10.25 million. Across all seven financing rounds, InnoMedica has received a total of over CHF 25 million in equity from its shareholders. Of this amount, CHF 11.8 million remain available as per 12/31/2018 and can be used for strategically important investments in infrastructure as well as pre-clinical and clinical testing. In order to finance InnoMedica's growth ambitions, the financial plan for 2018 stipulated financing of CHF 31.6 million. The

limited availability of financial resources may result in the postponement of developing the products further, particularly the parallel development of various projects. The continued development and market launch of Talidox remains InnoMedica's top priority. The reduced availability of financial resources compared with the budgeted figures was accordingly taken into account by consolidating growth. This also affected personnel growth, which on an annual average rose only moderately to 2,058 percentage points, with still 22 people employed as in the previous year. Based on its performance in 2018 and the successful start of the Phase I clinical trial, InnoMedica is again offering a capital increase to existing shareholders and new investors. InnoMedica is aiming for an equity injection of CHF 23.46 million through a placement of 103,516 shares at CHF 226.60, justifying the price increase of 10 percent compared to the share price in 2018 with the achieved milestones.

Outlook

InnoMedica eagerly awaits the results of the Phase I clinical trial of Talidox. The dose administered is being increased at a minimum interval of three weeks through the inclusion of one new patient into the study at a time. The clinical trial expects to reach doses relevant for therapeutic effects and side-effects from April/May 2019 onwards, a requirement for the subsequent verification of assumptions regarding tolerability and side effects based on the preclinical results. For an optimal study strategy, InnoMedica could apply for an extension of the number of patients in the Phase I study (e.g. from 30 to 60 patients) in order to better gather leads for different indications. Based on this evidence, a direct comparative study with the reference product Caelyx and/or other established chemotherapeutic agents will then be planned in a first indication (most likely breast or ovarian cancer). The prospective number of 100-200 patients, may lead to a longer study duration, which may however be shortened in the event of positive interim results.

Talineuren is also being pushed forward including the development for further indications in addition to Parkinson's disease. In the treatment of Parkinson's disease, the novel neuroprotective effect of the product is particularly valuable for the patient. Parkinson's disease is an indication with a very large number of patients and many treatment options available, but these are aimed exclusively at reducing symptoms and not at protecting or even regenerating affected nerve cells. Other potential applications include rare neurodegenerative diseases such as Huntington's disease or amyotrophic lateral sclerosis, both of which are being investigated in preclinical

studies with Talineuren. At the same time, the transfer of the Talineuren production from the development department to pharmaceutical production is being pursued, where the intended oral administration will pose new challenges.

InnoMedica plans to further expand its cooperation with TRB Chemedica, an independent privately owned Swiss pharmaceutical company. With its headquarters and production site in Switzerland, TRB is a valuable supplier of important raw materials for Talineuren. In addition, TRB has an international distribution network with locations in Europe, South America and Asia, which could be accessed by InnoMedica as part of the cooperation. Especially for the first expansion steps in Europe, this not only saves time and money, but also provides access to a functioning distribution channel.

In Marly, the construction work for Cleanroom II is due to be completed in April 2019, followed by the gradual commissioning of the new production plant, with numerous process improvements and various options for expanding capacity. Cleanroom I can thus increasingly be used for the production of Talineuren, while Cleanroom II remains reserved for work with cytostatics. Manufacturing, with a total of 11 employees in production, engineering and quality management, has been reinforced in terms of personnel and will be further adjusted to the objectives with two new hires in April and May 2019. The expansion of the team will allow an improved technical specialization and - in addition to batch production - the assignment of project tasks such as stability control, process development or validation. This increases internal competence and can reduce the number of orders placed with third parties or make them substantially more efficient through more precise stipulations.

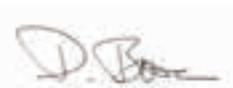
All InnoMedica employees have a university degree, often supplemented by research experience and a dissertation. This ensures a high degree of professional competence and spawns innovation, especially in biochemistry. InnoMedica also emphasizes practical relevance in its developments, not only through numerous preclinical studies, but also through cooperation with physicians and careful examination of the actual benefit of the drugs for the patient. The employees bear a great responsibility in various functions: for the flawless manufacture of the products, the assurance of quality, but also for the responsible use of resources, and reliable communication, to physicians, authorities as well as to shareholders.

The management culture must take this fact into account. It is important to continue to develop a sense of responsibility as a virtue and to ensure that competence and experience are available in the individual functions in order to perform the tasks required. The need for security and the courage to pursue innovations must be carefully weighed against each other. It is imperative to apply acquired knowledge consistently and to tread new paths based on it. Only then will the patient be able to experience noticeable progress and actually gain access to better therapies.

The Board of Directors of InnoMedica Holding AG



Dr. Peter Halbherr
Chairman and Delegate
of the Board



Dr. Denis Bron
Vice-Chairman
of the Board

Financial Overview

In fiscal year 2018, InnoMedica started the Phase I clinical trial with Talidox in Swiss hospitals and thus achieved a significant milestone. Furthermore, additional preclinical studies were conducted with the second pipeline product Talineuren, as previous preclinical studies indicate potential benefit of the product in Parkinson's disease as well as other neurodegenerative diseases such as Huntington's disease. The expansion of the infrastructure at the Marly production site was pursued further in order to assure future drug supply. InnoMedica was able to secure the financing of these steps as well as additional financial flexibility through the capital increase of CHF 10.25 million in May. The average number of employees in 2018 grew by around 44 percent compared to the previous year, thus following a moderate growth strategy.

InnoMedica recorded an annual loss of CHF 5,062,507 for the 2018 fiscal year. Personnel expenses represent the largest item of InnoMedica's expenses, accounting for approximately half of the annual result. As in the previous year, the cost of goods and services accounts for around a quarter of the annual loss. Development expenses increased as a result of preparations for the clinical trial now underway and the securing of production quantities of Talidox. The expenses for the Talineuren project also grew, in particular due to preclinical studies for the treatment of neurodegenerative diseases. Other operating expenses amount to around one fifth of the year's expenses. They include infrastructure costs (in particular rental expenses), administration and costs of the capital increase (incl. issue tax).

Key items from balance sheet in CHF

Position	2017	2018	Change
Cash and cash equivalents	6,960,178	11,798,219	+69.5%
Equity	7,710,797	12,898,644	+67.3%
Total assets	7,958,681	13,111,081	+64.7%
Annual result	-3,160,327	-5,062,507	+60.2%
Operating Cash Flow	-2,912,950	-4,846,415	+66.4%
Free Cash Flow	-3,259,284	-5,411,695	+66.0%

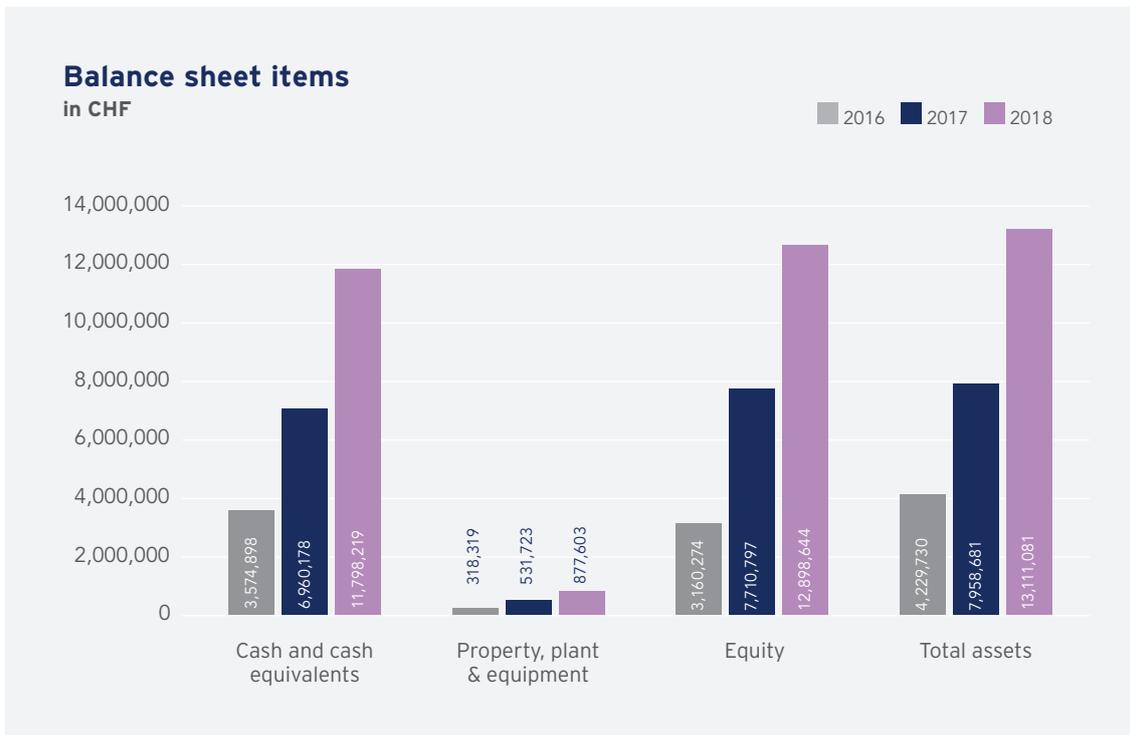
Cash and cash equivalents at the end of 2018 amounted to CHF 11,798,219. The increase in liquidity is the result of the successful capital increase in spring 2018. InnoMedica was able to raise a total of CHF 10,249,736 in equity as part of the authorized capital increase with public offer. With a minimum subscription of 75 shares as of May 31, 2018, a total of 49,756 shares were subscribed. Numerous existing shareholders were able to increase their stocks during the capital increase. In addition, the shareholder base was expanded by 174 new shareholders.

The funds from the 2018 capital increase cover the planned expenses in 2019 for the Talidox and Talineuren projects and other research activities, as well as general operating and administrative expenses. However, in order to ensure the continuity of the company, a further capital increase in 2019 is inevitable and has already been approved by the Board of Directors (01/25/2019).

List of previous and upcoming financing rounds

Financing round	Number of shares	Share price (CHF)	Total capital (CHF)	Total share capital (CHF)	Equity valuation (million CHF)
Capital increases 2013-2017	261,728	11.50-102.75	14,342,459.00	1,246,728	128.1
Capital increase 2018	49,756	206.00	10,249,736.00	1,296,484	267.1
Capital increase 2019 ¹	103,516	226.60	23,456,725.60	1,400,000	317.2
Preliminary round March 2019	Minimum of 500 shares, via subscription rights of the pool of shareholders				
Public offering May 2019	Minimum of 60 shares				

¹ Forecast values of the planned capital increase 2019 are shown in italics.



InnoMedica's accounting is compliant with the Swiss Code of Obligations. All essential disclosures and methods used in the 2017 financial statements are being retained in 2018. More details and explanations on the figures in the annual financial statements can be found in the appendix. InnoMedica continued its service contract with IPAG Inter Personal AG (IPAG) for the management of human resources, infrastructure in Bern and Zurich as well as IT. It is planned to end the outsourcing on 01/01/2019 and to continue to operate IPAG as InnoMedica (Schweiz) AG by means of a takeover.

Balance Sheet

Cash and cash equivalents at the balance sheet date totaled CHF 11,798,219, an increase of 69.5 percent compared with the previous year and more than double the free cash flow of CHF -5,411,695. Compared with the free cash flow, cash and cash equivalents in 2018 thus slightly increased and the risk of undercapitalization has been reduced for the time being. In order to avoid financial bottlenecks also in the future, the financial planning aims to maintain at least double the free cash flow of the previous year at the beginning of each year until the market launch of Talidox.

The **securities** portfolio remained largely unchanged at the end of 2018. In addition to separately reported dividend income of CHF 721, securities increased in value thanks to currency gains of CHF 393 despite a price loss of CHF -133. This gain is due

to changes in the exchange rate of the USD (in CHF). Overall, however, currency losses of CHF -832 were recorded due to changes in the exchange rate of the EUR (in CHF).

Property, plant and equipment increased by 65.0 percent to CHF 877,603 in the 2018 financial statements compared with the previous year. New assets worth CHF 565,280 were recorded in the balance sheet. Depreciation on property, plant and equipment totaled CHF 219,401. The increase in property, plant and equipment is mainly attributed to the expansion of production and quality control in Marly. Additional major production and analysis equipment was purchased during the financial year and investments were made in the new cleanroom II. The financial planning anticipates a further increase in investments in this area, particularly in 2019.

As in previous years, the 2018 expenses for the Talidox and Talineuren projects and other research projects, as well as expenses related to the capital increase, were not recorded in the balance sheet but in the income statement.

There were no **short-term interest-bearing liabilities and provisions** on the balance sheet date in the 2018 financial year.

In the 2018 capital increase, 49,756 new shares were issued. The nominal **share capital** thus increased by 4 percent to CHF 1,296,484. At the end of the year, the number of **treasury shares** totaled 1,625 with

a book value of CHF 2.50. In total, **shareholders' equity** increased by 67.3 percent to a total of CHF 12,898,644 as a result of the proceeds from the capital increase and the sale of treasury shares, minus the loss for the year of 2018.

Income Statement

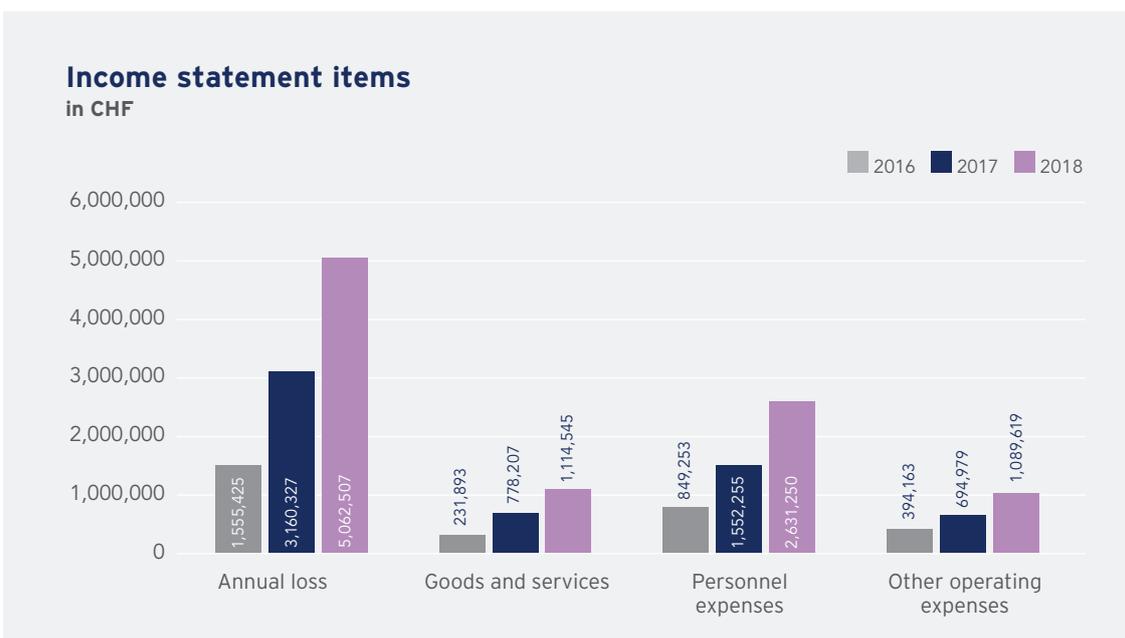
As in previous years, the 2018 financial year also recorded an **annual loss**. The loss increased by 60.2 percent over the previous year to CHF 5,062,507. Personnel expenses continue to be the key driver of InnoMedica's annual performance. In view of the further expenses for the clinical trial for Talidox and preclinical studies for Talineuren as well as the respective personnel expenses, a further increase in costs can be expected for 2019. **Operating income** will not be recorded until Talidox has been approved and launched into the market.

InnoMedica's intensive research and development activities are reflected in the **goods and services expenses**. In fiscal year 2018, these expenses increased by 43.2 percent to CHF 1,114,545. The increase is primarily driven by the start of the clinical trial and the required larger production volumes of Talidox. Expenses for preclinical studies and production have also been increased for Talineuren, the second drug in InnoMedica's pipeline. The increase was higher for Talineuren. While expenses for Talineuren were still comparatively low in the previous year at 3 percent of total goods and services expenses, the respective share was around 15 percent in 2018.

Personnel expenses continue to be the main driver of the annual loss and amounted to CHF 2,631,250 at the balance sheet date - a 69.5 year-to-year increase. As in 2017, 22 people were on InnoMedica's payroll with a total workload of 2,080 percent at the end of 2018. The average annual employment rate was 2,058 percent. The corresponding figure for the previous year was 1,454, which represents an year-to-year increase in the average employment rate of 42 percentage points.

The expansion of the Marly production site is reflected in rising **infrastructure expenditure**. The account increased year-to-year by 41.7 percent to CHF 263,409 and is primarily attributable to rents for additional facilities. In view of the market launch of Talidox, these infrastructure expansions are needed already now to ensure the production of the required Talidox volumes at competitive manufacturing costs upon market entry.

Administration expenditure increased by 66.7 percent compared to the previous year in line with the overall growth of the company and its staff. In addition to general office expenses, this item includes variable costs paid to IPAG Inter Personal AG (IPAG) under the service agreement, auditing costs, accounting costs of YAMAZAKI-DDS Co., Ltd. and costs of the Annual General Meeting. As announced at the Annual General Meeting in 2018, the incubation phase is to be completed for the coming year 2019 and IPAG will be integrated into InnoMedica Holding AG as part of the establishment of the planned holding structure. The reorganization will increase flexibility in



financial matters and personnel. With the separation of the holding entity from the operating entity, the management structure will be further developed and the management team will gradually take on more responsibilities.

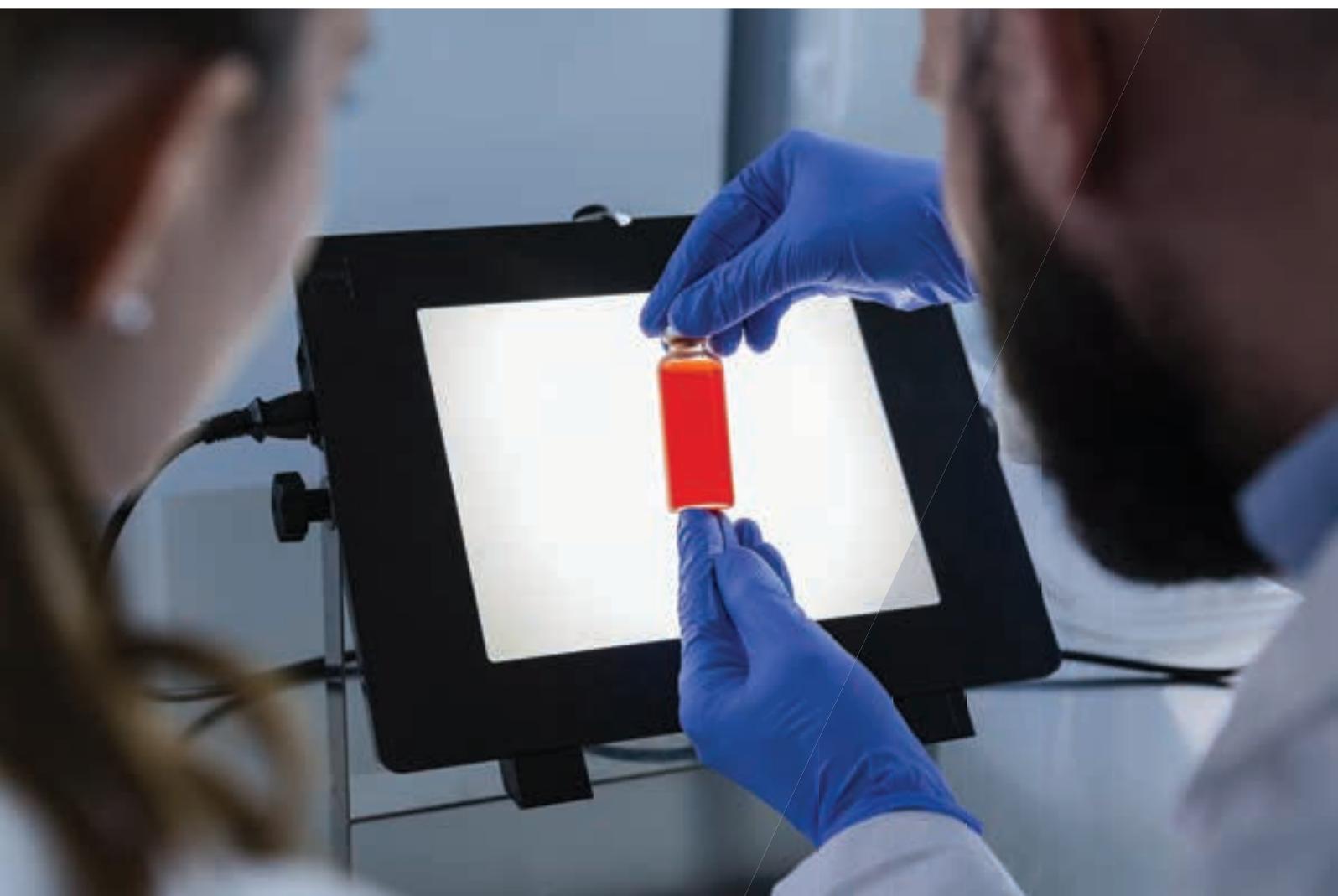
The expenses for the capital increase are reported separately and have increased due to the larger volume of the capital increase. **Capital increase expenses** in 2018 amounted to CHF 382,131, which includes all costs and fees as well as the issue tax of CHF 101,475. The costs for the capital increase thus in-

creased by 82.1 percent compared to 2017. For the planned capital increase in 2019, costs are again expected to depend on the volume.

IT expenses are very moderate at CHF 15,262, or 1.4 percent of other operating expenses. The low costs can be explained by the use of IPAG's IT infrastructure, which is covered by the outsourcing agreement and is reflected in administrative expenses. The decline in IT expenses compared with the previous year is partly explained by the lower acquisition costs for office IT due to a lower growth in personnel.

Statement of shareholders' equity in CHF

Year	2017	2018
Balance, January 1st	3,160,274	7,710,797
Common stock issued	75,000	49,756
Change in capital reserves	7,635,650	10,200,591
Change in treasury shares	200	8
Balance, December 31st (without net income)	10,871,124	17,961,151
Net income	-3,160,327	-5,062,507
Balance, December 31st	7,710,797	12,898,644



Financial Statements

Balance sheet

Year	12/31/2017	12/31/2018
Assets	CHF	CHF
Cash and cash equivalents	6,960,178	11,798,219
Securities	112,573	112,833
Accounts receivable	–	–
Other current receivables	122,869	118,933
Accrued income and prepaid expenses	31,338	3,492
Total current assets	7,226,958	12,033,478
Financial assets	–	–
Subsidiaries (YDDS)	200,000	200,000
Property, plant and equipment	531,723	877,603
Total non-current assets	731,723	1,077,603
Total assets, December 31st	7,958,681	13,111,081
Liabilities		
Accounts payable	185,378	81,705
Short-term interest-bearing liabilities	–	–
Accrued expenses and deferred income	62,506	130,733
Total short-term liabilities	247,884	212,437
Long-term liabilities	–	–
Share capital	1'246,728	1,296,484
Total legal reserves	14,992,982	25,193,573
Reserves from capital contribution	13,265,731	23,363,467
Other legal reserves	1,727,251	1,830,106
Loss carried forward	–5,364,516	–8,524,843
Loss of the year	–3,160,327	–5,062,507
Treasury shares	–4,070	–4,063
Total shareholders' equity	7,710,797	12,898,644
Total liabilities, December 31st	7,958,681	13,111,081

Income statement

Year	2017	2018
Operating income	CHF	CHF
Total operating income	-	-
Goods and services expenses		
Development expenses	-778,207	-1,114,545
Total goods and services expenses	-778,207	-1,114,545
Personnel expenses		
Total personnel expenses	-1,552,255	-2,631,250
Other operating expenses		
Infrastructure expenditure	-185,952	-263,409
Vehicle and transport costs	-6,805	-7,500
Property insurance and fees	-3,148	-4,585
Administration expenditure	-222,206	-370,386
Capital increase expenditure ²	-209,804	-382,131
IT expenditure	-30,476	-15,262
Advertising expenditure	-36,589	-46,346
Total other operating expenses	-694,979	-1,089,619
EBITDA	-3,025,441	-4,835,414
Depreciation	-132,931	-219,401
Allowance securities	11,802	-133
Translation differences	6,463	-823
EBIT	-3,140,107	-5,055,770
Financial expense	-3,052	-1,883
Interest expense (convertible bond)	-15,691	-
Financial income	632	915
EBT	-3,158,219	-5,056,738
Direct taxes	-2,108	-5,770
Loss for the year	-3,160,327	-5,062,507

² The income statement item **Capital increase expenses** includes the issue tax of CHF 76,291 for 2017 and CHF 101,475 for 2018.

Cash flow statement in CHF

Year	2017	2018
Net income	-3,160,327	-5,062,507
Depreciation	132,931	219,401
Non-cash expenses ³	20,289	618
Change in net current assets	-130,267	31,521
Change in accrued expenses and deferred income	224,424	-35,447
Cash Flow from operative activities	-2,912,950	-4,846,415
Investments in property, plant and equipment	-346,334	-565,280
Cash flow from investment activities	-346,334	-565,280
Interest (convertible bond)	-15,691	-
Equity contributions	6,660,255	10,249,736
Cash flow from financing activities	6,644,564	10,249,736
Increase in cash and cash equivalents	3,385,280	4,838,041
Cash and cash equivalents, January 1 st	3,574,898	6,960,178
Cash and cash equivalents, December 31 st	6,960,178	11,798,219
Change in cash and cash equivalents	3,385,280	4,838,041

³ Non-cash expenses include amounts from the sale of own shares

” Expansion

The construction work for cleanroom II in Marly is to be completed in April 2019, followed by the gradual commissioning of the new production plant - with numerous process optimization measures and possibilities for capacity expansion.



Notes to the Financial Statements 2018

The present financial statements have been prepared in accordance with the principles of the Swiss Code of Obligations (CO) as of April 1, 2017. The balance sheet and income statement correspond to the minimum breakdown required by the Swiss Code of Obligations (Art. 959a and Art. 959b of the Swiss Code of Obligations) and are based on going concern values (Art. 958a para. 1 of the Swiss Code of Obligations). The income statement was prepared using the total cost method and the cash flow from operating activities using the indirect method.

Valuation principles

Securities: Securities are valued at market value on the balance sheet date. Price gains or losses as well as currency differences are recognized as such in the income statement. These are shares and marketable securities available for sale in various currencies. The positions and valuation principles remained the same as in the previous year.

Participations: The direct investment in YAMAZAKI-DDS Co., Ltd. is recorded at cost. If indications of write-downs appear on the basis of market information or the development of business operations, corresponding value adjustments are made.

Treasury shares: At balance sheet date, 1,294,859 of 1,296,484 shares were placed and 1,625 shares were held by InnoMedica. The current stock of 1,625 treasury shares is valued at the effective purchase price of CHF 2.50 on the balance sheet date. Gains from the sale of these shares are recorded as other legal reserves. At the beginning of the reporting period, InnoMedica held 1,628 of its own shares. A total of three shares were offset against outstanding invoices in fiscal year 2018. No repurchases were made. In the previous year, 80 own shares were sold and also no repurchases were made.

Property, plant and equipment: Property, plant and equipment are carried at cost less accumulated depreciation. As in the previous year, property, plant and equipment are depreciated using the straight-line method at a rate of 20 percent. Property, plant and equipment includes machinery and equipment from

the laboratory, production and analytics as well as three vehicles and various office equipment.

Classifications and explanations

Accruals and deferred income: Accrued expenses and deferred income include operating income on the assets side as well as costs already incurred and accruals for share brokerage transactions not yet completed (see OTC share brokerage) on the liabilities side.

Subsidiaries (YDDS): YAMAZAKI-DDS Co., Ltd. holds patents in the field of liposomal drug delivery systems. The share capital of YAMAZAKI-DDS Co., Ltd. is 10,000,000 Japanese yen. As in the previous year, YAMAZAKI-DDS Co., Ltd. based in Ibaraki, Japan, is 100 percent directly owned by InnoMedica and will continue to be included in fixed assets at an acquisition cost of CHF 200,000.

OTC stock brokerage: In fiscal 2018, the Investor Relations department brought together interested parties for the purchase and sale of InnoMedica shares. InnoMedica acted as manager of the assets until the closing of the transaction. For this purpose, it demanded compensation for personnel expenses in the form of a transaction fee. Deferred income is recognized for transactions not completed as of the balance sheet date.

Reserves from capital contributions: Reserves from capital contributions have been recognized by the Swiss Federal Tax Administration (FTA) at this level until the 2017 financial year. Reserves from capital contributions in 2018 can only be declared after the annual accounts have been audited and are therefore provisional until they are recognized by the FTA.

Financial expenses and income: Financial expenses include bank interest and fees. Costs for the capital increase are shown separately. Financial income includes dividends and interest on bank balances.

Additional information

Annual average of full-time positions: As in previous years, employees are hired under an outsourcing agreement with IPAG Inter Personal AG (IPAG). InnoMedica does not have any other personnel hires. On an annual average, 22 persons with a work volume of 2,058 percentage points were permanently employed at IPAG. In the 2017 financial year, the annual average of job percentages was 1,454.

Trust shares: In addition to treasury shares, InnoMedica holds 188,853 InnoMedica shares in trust at the end of 2018. In the previous year, there were 166,946 shares.

Remuneration of Board members: The fee is paid by decision of the Board of Directors for the period between the annual General Meetings. A fee of CHF 10,000 per person and a total of CHF 40,000 for the period 2017/2018 was paid to the Board of Directors. For the period 2018/2019, deferred income at the same rate totaling CHF 25,000 was accrued. Under the IPAG service agreement, Dr. Peter Halbherr received a salary of CHF 154,892 as General Manager.

Significant shareholders: On the balance sheet date, Dr. Peter Halbherr held 290,859 (22.4% of 1,296,484) and Dr. Herbert Früh 111,466 shares (8.6%). No other shareholder held more than 5% of the shares on December 31, 2018.

Business transactions with related parties: Business transactions with related parties and companies are based on standard commercial forms of contract and are concluded at normal market conditions.

Events after the balance sheet date: There are no events after the balance sheet date that require consideration and have a significant impact on the financial statements. InnoMedica intends to terminate the service contract with the outsourcing partner IPAG Inter Personal AG (IPAG) in the financial year 2019 and to acquire IPAG as part of a corporate acquisition. After the renaming, IPAG will become InnoMedica (Schweiz) AG and a subsidiary of InnoMedica Holding AG (Zug).

Obligations under long-term contracts: InnoMedica has entered into a long-term lease agreement with the Marly Innovation Center (MIC). It is unilaterally terminable by InnoMedica with a notice period of 2 years and at the end of every quarter. As of December 31, 2018, this results in a rental obligation of CHF 11'685 rent for at least 27 months (total CHF 315'485).

Auditor's fee: In addition to auditing services, the auditors also provided other consulting services in relation to accounting and the capital increase. A flat rate of CHF 15,000 plus VAT was set for the auditor's fee.

Going concern: As of December 31, 2018, half of the share capital and the legal reserves are no longer covered (capital loss) in accordance with Art. 725 Para. 1 of the Swiss Code of Obligations. The continuity of the company will be ensured by the Board of Directors with an approved capital increase in 2019. The capital increase includes the issuance of a maximum of 103,516 shares at a share price of CHF 226.60. In case of a full subscription, a total of CHF 23,456,725.60 new equity can be raised. This measure will ensure the company's ability to continue as going concern.

Carrying forward of net loss

The loss of CHF 5,062,507 is added to the loss carried forward of CHF 8,524,843 and the balance is transferred to the new account.



Report of the statutory auditor to the General Meeting of InnoMedica Holding AG

Zug

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of InnoMedica Holding AG, which comprise the balance sheet, income statement, cash flow statement and notes (pages 10, 11, 12, 14, 15), for the year ended 31 December 2018.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.



Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

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

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

In addition, we emphasize that half of the share capital and legal reserves are no longer covered (art. 725 para. 1 SCO).

PricewaterhouseCoopers AG

Two handwritten signatures in blue ink are displayed side-by-side. The signature on the left is 'SB' and the signature on the right is 'A. Scheibli'.

Simon Bandi

Audit expert
Auditor in charge

Andreas Scheibli

Audit expert

Zürich, 26 February 2019

General Information

Business idea	InnoMedica Holding AG is developing a new generation of drugs based on an innovative liposomal transport system that has an influence on the distribution of active substances in the body and aims to improve the biodistribution of known active substances. In January 2013, InnoMedica Holding AG initiated the project Targeted Liposomal Doxorubicin (Talidox). This first application in oncology is intended to treat cancer much more effectively, while reducing the side effects for the patient. A second project (Talineuren) aims at the use of liposomes for the therapy of Parkinson's disease. In addition, the patented technology platform will also be used in other indications, such as arteriosclerosis or the treatment of bacterial toxins without the use of antibiotics, as well as in diagnostics.
Corporation	InnoMedica Holding AG is an incorporated limited company based in Zug. The company aims to hold, purchase, sell, and manage investments in (listed and unlisted) companies from the sectors of biotechnology and medicine and related sectors or industries. Change of purpose since 2012 AGM (additional): The company seeks in particular to establish and develop investments in the fields of biotechnology and medicine. Furthermore, the company offers management services and consultancy for companies in the sectors of biotechnology and medicine.
Investment of cash	InnoMedica Holding AG has evolved from a finance company to an operating company and invested in production and development of its own pharmaceutical products. Active management of liquidity is no longer considered a priority and is replaced by a passive investment strategy.
Board	Dr. Peter Halbherr (Chairman), Dr. Denis Bron (Vice-Chairman), Dr. Herbert Früh (resigned as of 01/14/2019), Dr. Noboru Yamazaki and Manuel C. Frick (resigned as of 01/13/2019)
Legal structure	Incorporated Limited Company
Established	June 05, 2000
Shares outstanding	1,296,484 bearer shares at nominal value of CHF 1
Capital increase	planned; until May 31, 2019 (103'516 shares)
Listing / Trade	OTC by investor relations, Ms. Andrea Zurkirchen
Security number	001108236
ISIN-Number	CH0011082366
Investor Relations	Andrea Zurkirchen, phone +41 (0)44 383 88 22
Headquarter	InnoMedica Holding AG, Baarerstrasse 34, CH-6300 Zug
Internet	www.innomedica.ch
E-Mail	info@innomedica.ch

This Annual Report includes certain forward-looking statements. These may be identified by terms such as „should“, „assume“, „expect“, „anticipate“, „intend“ or similar terms and expressions. Actual future results could differ substantially from those described in these forward-looking statements due to various factors, including legal and regulatory developments, currency exchange rate fluctuations, changes in market conditions and competitor activity, failure to launch or delays in launching new products for various reasons, risks related to new product development, production hold-ups, loss or non-granting of intellectual property rights, legal disputes and proceedings, adverse publicity and media coverage.



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Capital increase 2019

To finance the clinical trials with Talidox and the subsequent market launch, InnoMedica plans to sell a maximum of 103,516 shares at a total price of CHF 23.46 million in a public offering as part of the 2019 capital increase.

InnoMedica Holding AG

Zug - Switzerland

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The English version of InnoMedica's Annual Report 2018 was translated from the original German version which shall be binding in case of disparities.