



**ANNUAL REPORT  
2016**





“ The start of the clinical trial with SAKK is decided: The treatment of the first cancer patients in the Swiss hospitals with Talidox is planned for autumn 2017.

# LETTER TO SHAREHOLDERS

In light of the still unmet medical needs of cancer patients in hospitals today and the strong results in multiple important preclinical studies, in late 2016 InnoMedica decided to bring the new cancer medication Talidox into clinics. In the financial year 2016, numerous studies were carried out to assess the behavior of Talidox in the body. Results regarding toxicity, stability, sterility, dosage, and effectiveness have not only strengthened InnoMedica's conviction that Talidox will offer real improvements to patients in comparison to established drugs for cancer treatment, but has also convinced the oncologists of the Swiss Group for Clinical Cancer Research (SAKK). In January 2017, InnoMedica and SAKK jointly agreed to carry out clinical trials and began preparations to treat the first cancer patients in Swiss hospitals. After submission of the regulatory documents by the SAKK, and the subsequent review by the ethics committee, the formal approval from Swissmedic should be available by autumn 2017 at the latest, after which clinical trials will be launched in Swiss hospitals.

In order to reach this milestone a long series of liposomal research studies and improvements to the liposomal development process had been implemented. InnoMedica has substantially increased its know-how in this field and opportunities have opened and enriched our drug pipeline with additional promising applications for the liposomal targeting technology. A notable research project underway is the suitability of liposomal treatments for neurodegenerative diseases such as Alzheimer's and Parkinson's. InnoMedica's production now meets the high quality requirements for the use of Talidox in clinical trials. In achieving the requirements, the available resources were always used in a prudent way. On one hand, we expanded our quality management system, on the other hand, the in-house accounting software was modified to support production planning and traceability of raw materials. InnoMedica's fulfilling of the quality standards of pharmaceutical production was confirmed in January 2017 by a production authorization renewal after a Swissmedic inspection.

The production capacities were increased by adjustments in the production process as well as the expansion of production. InnoMedica successfully scaled up the production volume and drug concentration tenfold per batch without affecting the drug properties. The time required for specific production steps could in some cases be shortened by a factor of twenty. With the improved production capacities from the financial year 2016 InnoMedica is able to provide the quantities of Talidox required for the clinical trials. In

addition, a further tenfold increase in production volume is in planning. This capacity could already cover the short-term forecasted demand for the Swiss market.

The forecasted market price and profit margins remain feasible after positive recent negotiations with suppliers for delivery of larger quantities of raw materials. For InnoMedica, this will present a situation in which it is possible to generate sufficient funds for the future development of the liposomal targeting technology based on the sales of the first product Talidox. As noted in previous letters, the prices for Talidox enable a large number of cancer patients to afford treatment, and offer an attractive prospect for international sales.

## RISK ASSESSMENT

Due to the progress made in the development of Talidox, its readiness for the clinical trials, as well as the new possible fields of application for the targeting technology, InnoMedica has successfully managed to reduce its entrepreneurial risks. While considerable challenges remain until market entry, the chances of success have increased significantly with the finalization of the first cancer drug Talidox in 2016. Important first steps toward clinical application have been taken with the completed preclinical development of Talidox and the decision of SAKK to launch clinical trials. InnoMedica anticipates approval from the ethics committee and Swissmedic. The translation of the pre-clinical results into clinical results should not lead to any major surprises, since the properties of the active substance doxorubicin and its behavior in the human body are already well known.

Last year, lack of liquidity was noted as the most important financial risk. With the successful capital increase in May 2016, InnoMedica received new equity of more than CHF 3.3 million. To finance the clinical trial phase I study (toxicity and dose finding of Talidox), a further CHF 1.05 million was obtained through the sale of convertible bonds in December 2016. These convertible bonds can be offset with shares of the capital increase 2017. Due to InnoMedica's economical use of funds, financial reserves were available at the end of 2016 for the first time. During the clinical trial phase I, InnoMedica plans to raise equity of CHF 7.7 million (inclusive of the CHF 1.05 million of the convertible bond) to finance the clinical trial phase II (effectiveness of Talidox). The public offering of the capital increase 2017 is open until May 31 and will ensure the continuation of the company for another two years.

InnoMedica strengthened the existing team in the fiscal year, growing to a company size of 11 employees. Additionally, two further scientists for biochemical and medical development have already been successfully recruited for the fiscal year 2017. The Management Buy-In Program provided by the main shareholders allows the employees to also become shareholders. The tried and tested program is a major motivation factor and will be continued in order to reduce cash outlays for personnel costs and reduce the risk of staff turnover.

Despite the overall reduction of risks major challenges in the project Talidox remain. The clinical trial phases I and II need to be successfully completed, and the planned expansion of production capacities needs to be implemented together with the expansion of general office infrastructure. The Marly location is very well suited for all of these purposes.

## OUTLOOK


Preparations for the translation to the hospitals are going full speed. The detailed planning of the clinical trial phase I / IIa in the hospitals was prepared in collaboration with Dr. med. Markus Jörger, President of the New Anticancer Treatment Group at SAKK. According to this plan in 2017 - after authorization by Swissmedic - Talidox will be administered to a cancer patient for the first time. As previously assured by Swissmedic, gaining market approval for Talidox will be a simplified procedure. For the upcoming introduction of Talidox on the market, strategic measures will be taken in the areas manufacturing, marketing, distribution, finance and law in the coming years.

The research and development pipeline provides several new possible drugs with oncological and other indications. In order to strengthen InnoMedica's core competency in liposomal targeting, a synthesis laboratory was set up last year to investigate the effects of different surface coatings with glycans and other substances on the liposome. InnoMedica intends to expand the targeting know-how to be able to target various locations in the human body even more precisely.

In addition to the further development of Talidox and glycan targeting, the potential of new products from the drug pipeline will be examined in the coming year. In 2016, first

promising preclinical studies were conducted in the field of neurodegenerative diseases and corresponding international research agreements were initiated with universities and private research institutions. The results from these pre-clinical studies and research partnerships indicate that InnoMedica's liposomal targeting technology can significantly improve today's therapy for patients also with other severe diseases, bringing them similar improvements as observed with Talidox in the field of oncology.

The Board of Directors of InnoMedica Holding AG



Dr. Herbert Früh  
Chairman of the Board



Dr. Peter Halbherr  
Delegate of the Board

# FINANCIAL OVERVIEW

InnoMedica Holding AG (InnoMedica) was able to achieve its strategic targets in the financial year 2016. Compared to the previous year, the costs rose only moderately. The resulting loss for the year of CHF 1,555,425 is just 21.0 percent higher than for the previous year.

## NOTABLE ITEMS FROM BALANCE SHEET

POSITION	2015	2016	CHANGES
CASH AND CASH EQUIVALENTS	808,525	3,574,898	+342.2%
EQUITY	1,347,152	3,160,274	+134.6%
TOTAL ASSETS	1,366,660	4,229,730	+209.5%
ANNUAL LOSSES	-1,285,339	-1,555,425	+21.0%
OPERATING CASH FLOW	-1,177,378	-1,478,286	+25.6%
FREE CASH FLOW	-1,246,572	-1,648,169	+32.2%

While the expenses for goods and services related to the development of Talidox declined slightly year-on-year, the expenditures for personnel, infrastructure and administration increased. In 2016, InnoMedica hired two chemists to strengthen the scientific team and expanded the laboratory and office facilities at Marly.

Cash amounted to CHF 3,574,898 at the end of 2016. The significant increase in liquidity compared to the previous year is the result of the two financing rounds in the financial year 2016:

### CAPITAL INCREASE WITH NEWLY ACQUIRED FINANCIAL RESOURCES OF CHF 3.3 MILLION IN MAY 2016:

In the authorized capital increase with public offering, InnoMedica was able to raise more capital within one campaign than in the previous three years together. The financial targets were thus achieved and the operating costs were covered. In addition to numerous existing shareholders who further expanded their commitment by increasing their investments, InnoMedica was able to expand the shareholder base with 65 new shareholders through the public offering.

### PURPOSE-LINKED CONVERTIBLE BOND AS PART OF THE CAPITAL INCREASE 2017 OF CHF 1 MILLION IN DECEMBER 2016:

The capital necessary for conducting the clinical trial phase I was obtained through loans from investors. This convertible bond with call and put option can be offset with shares of the capital increase 2017 at a share price of CHF 102.75. Subscription rights of the pool shareholders were granted to these investors, thus not limiting the subscription rights of existing shareholders.

## LIST OF PREVIOUS AND UPCOMING FINANCING ROUNDS

FINANCING ROUND	QUANTITY OF SHARES	SHARE PRICE (CHF)	TOTAL CAPITAL (CHF)	TOTAL SHARE CAPITAL (CHF)	EQUITY VALUATION (MIO. CHF)
CAPITAL INCREASES <sup>1</sup> 2013 - 2015	138,169	11.50 - 57.50	3,309,917	1,123,169	64.6
CAPITAL INCREASE 2016	48,559	68.50	3,326,292	1,171,728	80.3
CAPITAL INCREASE <sup>2</sup> 2017	75,000	102.75	7,706,250	1,246,728	128.1
Convertible Bond «Phase I Study» December 2016	10,180	102.75	1,045,995	Expiration June 2017	
Preliminary Round March 2017	Minimum of 1'000 shares, via subscription rights of the pool of shareholders				
Public Offering May 2017	Minimum of 150 shares				

<sup>1</sup> The business plan contains more detailed information.

<sup>2</sup> The capital increase 2017 consists of a convertible bond for the clinical trial phase I, a preliminary round and the public offering. Forecast values are shown in italics.

The available financial resources made it possible to cover costs in 2016, as well as to ensure expenditures in 2017 for:

- Clinical Study Phase I
- Infrastructure Investments
- Recruitment of Persons for Key Positions
- Preparations for Market Entry
- Additional Operational Costs

The implementation and presentation of the accounting was carried out essentially unchanged from the previous year, in accordance with the provisions of the Swiss Code

of Obligations. The capital increase costs were separately disclosed in the income statement. This practice was applied retrospectively to fiscal year 2015 in this annual report. Individual deviations and other more detailed information are explained in the appendix. InnoMedica has also continued its service contract with IPAG Inter Personal AG (IPAG), which is responsible for the organization of the staff, infrastructure, and Information Technology in Bern and Zurich.

## BALANCE SHEET

Compared to the previous year, **cash increased** by 342.2 percent to an amount of CHF 3,574,898. This increase is the result of a strictly controlled spending policy and two successful financing rounds in the financial year 2016. These measures have reduced the risk of undercapitalization. The financial plan is to maintain liquid collateral at the current level until Talidox enters the market, in order to avoid financial shortages until break-even and safeguard the completion of the clinical trials. The financial resources currently cover double the free cash flow of CHF -1,648,169 for the fiscal year 2016

The positions of the **securities** in the assets remained unchanged. In addition to dividends and small foreign exchange income, a slight gain in profit of CHF 433 in total was recorded.

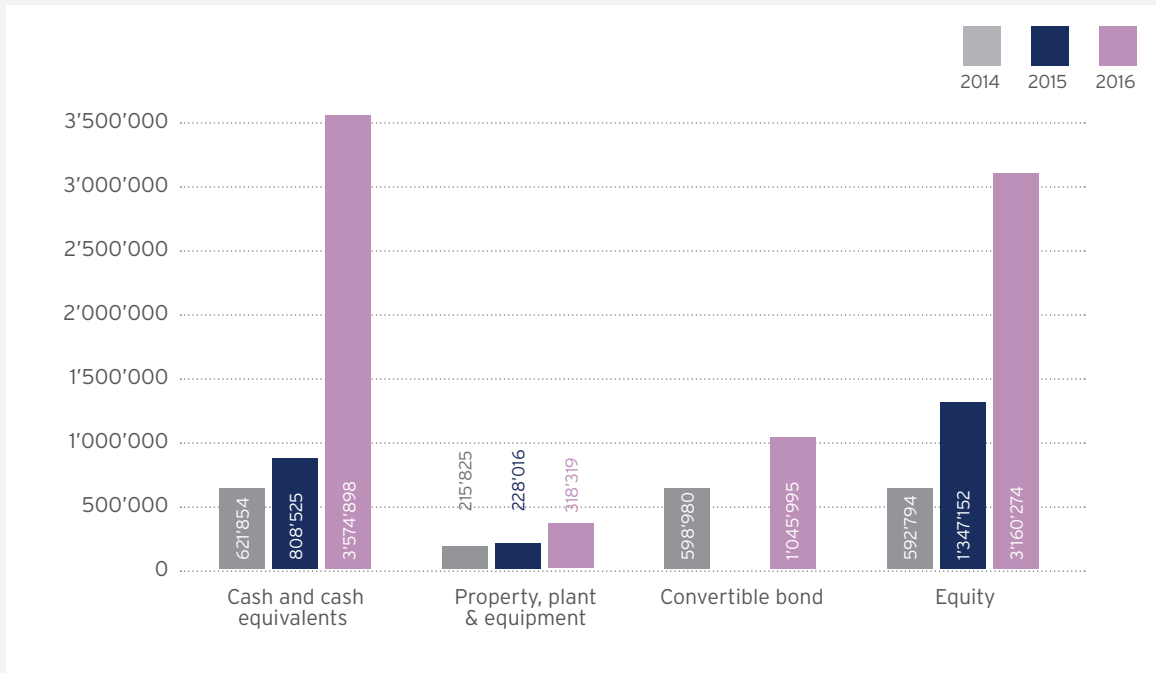
As part of the expansion of analytics and production capacities at the Marly location, **assets in the amount** of CHF 169,884 were capitalized in the financial year 2016. Depreciation on property, plant and equipment amounted to CHF 79,580. Overall, this corresponds to a rise in property, plant and equipment by 39.6 percent compared to the previous year. In order to ensure the efficient production of Talidox for clinical trials and later on for the market, further large acquisitions are planned for the coming year. Additional investments in analytical instruments for in-house quality control will lead to a further increase in property, plant and equipment in the coming financial year.

Items such as the Talidox project expenses or the capital increase expenses are not capitalized for the current fiscal year. The capitalization of further items has been dispensed due to unsecured and also not attempted disposability.

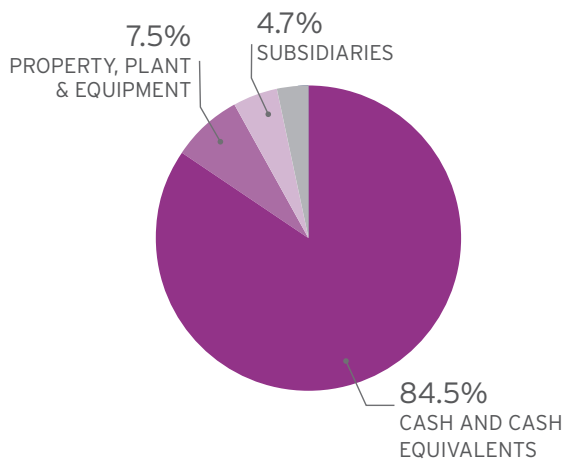
As with the interim financing done in 2014, a convertible bond with strategically important investors was implemented in December 2016. This is stated in the balance sheet as a **short-term interest-bearing liability** of CHF 1,045,995 on the balance sheet date. The convertible bond is the first of three stages of the capital increase 2017 and can be converted into equity using a call or put option.

Within the scope of the authorized capital increase with a public offer, 48,559 shares were newly issued in fiscal year 2016, which led to an increase in **share capital** by 4.3 percent. In addition, 683 treasury shares were sold for operating activities at fair value. The final year's stock of **treasury shares amounts** to 1,708 shares. Overall, **equity** increased by 134.6 percent to CHF 3,160,274 as a result of the inflow of capital and the disposal of treasury shares, net of the annual loss of 2016.

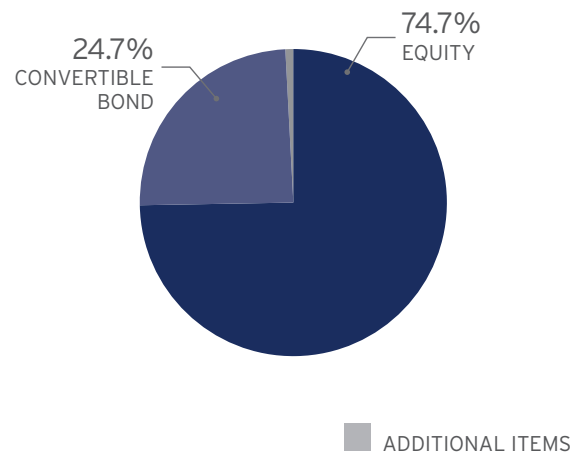
## BALANCE SHEET ITEMS



### ASSETS (100%)



### LIABILITIES (100%)



## INCOME STATEMENT

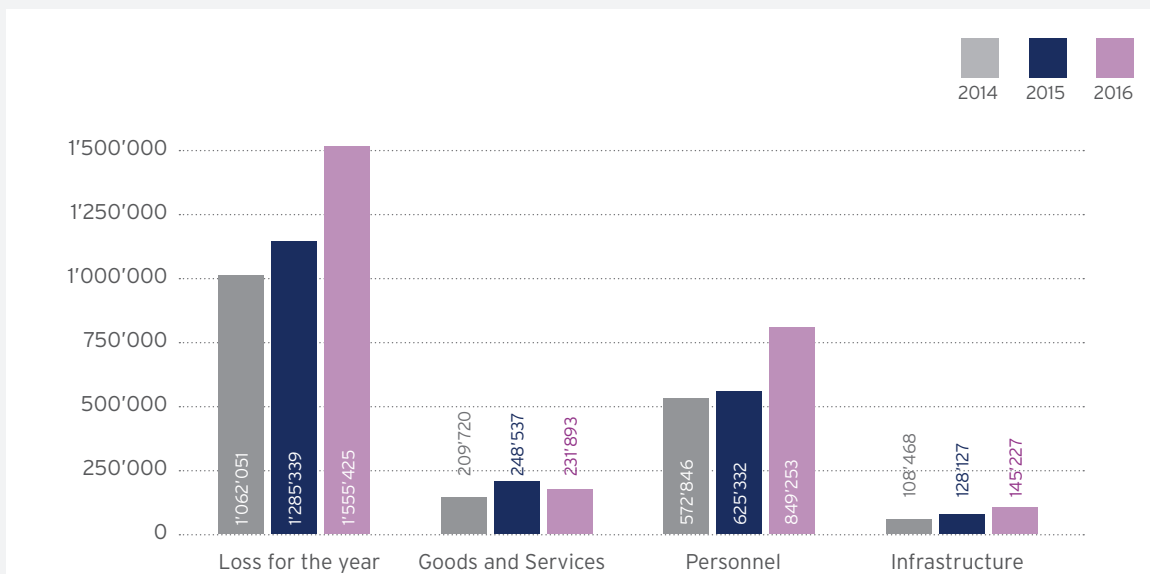
The cost items have moderately increased compared to the previous year. In 2016, the **loss for the year** of CHF 1,555,425 was 21.0 percent higher. With regard to previous years, this corresponds to a steady linear increase in expenditure. However, with regard to the launch of clinical trials, an increase in cost growth has already been budgeted for 2017. An **operating income** is expected after the market entry and launch of Talidox in 2019 (see business plan).

Compared to the previous year, the **goods and services expenses** were reduced by 6.7 percent to CHF 231,893. Research and development activities were expanded with new employees and external partners. The cost reduction achieved is due to lower raw material costs and adjustments to scale-up of the production process for larger production volumes obtained through decreasing marginal costs of raw materials. With regard to larger

orders for the clinical trial and market entry, new prices were negotiated with raw materials suppliers. Due to higher production volumes, it is necessary to expand the analytics and other operations, with an increase in this cost sector expected in 2017.

As of the balance sheet date, eleven people with a full-time equivalent volume of 1,080 percentage were employed by IPAG's personnel outsourcing. At the beginning of the financial year, the total work force amounted to 790 percent. In addition, in fiscal 2016, board of directors' fees were paid in the amount of CHF 12,000. Overall, **personnel expenses** rose by 35.8 percent to CHF 849,253. For the coming year 2017, two new employment contracts will go into effect which were signed in 2016. Further appointments in key positions as well as slight adjustments in the direction of market wages are also planned and thus personnel costs will continue to rise.

### SELECTED ITEMS OF INCOME STATEMENT





The expansion of the office space as a result of personnel growth and the expansion of GMP production at the Marly site resulted in an increase in **infrastructure expenditure** of 13.3 percent to CHF 145,227. Budget planning also forecasts a comparable cost increase in infrastructure for the next year.

**Administration expenditure** rose by 16.0 percent compared to the previous year to CHF 135,959. Administrative expenses include, in addition to general office expenses, variable employee costs, which are paid to IPAG, audit fees, accounting costs of YAMAZAKI-DDS Co., Ltd. as well as costs of the General Meeting.

The **capital increase expenditure** of CHF 101,114 was newly separately disclosed, with no capitalization being made. This includes all costs and charges related to the capital increase in 2016. The convertible bond as part

of the capital increase 2017 did not create any definable costs for InnoMedica and is therefore not included in this expense account. For the comparability of the two financial years, the costs of the capital increase for the financial year 2015 were also disclosed separately. The administration expenditure, general operating expenditure and financial expense for the previous year were recalculated and adjusted to current accounting practice.

**General operating expenditure** includes fees, property insurance, vehicle and advertising expenses.

The **interest expense convertible** bond is an accrued interest for the convertible bond created in December 2016.

## STATEMENT OF SHAREHOLDERS' EQUITY

YEAR	2015 CHF	2016 CHF
<b>BALANCE, JANUARY 1<sup>ST</sup></b>	<b>592'794</b>	<b>1'347'152</b>
Common stock issued	23,169	48,559
Change in capital reserves	1,977,755	3,318,281
Change in treasury shares	38,773	1,708
<b>BALANCE, DECEMBER 31<sup>ST</sup> (WITHOUT NET INCOME)</b>	<b>2'632'491</b>	<b>4'715'699</b>
Net Income	-1,285,339	-1,555,425
<b>BALANCE, DECEMBER 31<sup>ST</sup></b>	<b>1'347'152</b>	<b>3'160,274</b>

“ In the capital increase 2016, InnoMedica was able to procure CHF 3.3 million in the public - more capital than in the four campaigns of the last 3 years together.



# FINANCIAL STATEMENTS

## BALANCE SHEET

YEAR	2015	2016
<b>ASSETS</b>	CHF	CHF
Cash	808,525	3,574,898
Securities	101,064	101,995
Receivables	-	-
Other current receivables	29,055	30,245
Deferred charges	-	4,272
<b>Total current assets</b>	<b>938,644</b>	<b>3,711,411</b>
Financial assets	-	-
Subsidiaries (YDDS)	200,000	200,000
Property, plant and equipment	228,016	318,319
<b>Total non-current assets</b>	<b>428,016</b>	<b>518,319</b>
<b>TOTAL ASSETS, DECEMBER 31<sup>ST</sup></b>	<b>1'366'660</b>	<b>4'229,730</b>
<b>LIABILITIES</b>		
Payables	-	-
Short-term interest-bearing liabilities (convertible bond)	-	1,045,995
Accruals	19,508	23,461
<b>Total short-term liabilities</b>	<b>19,508</b>	<b>1,069,456</b>
<b>Long-term liabilities</b>	<b>-</b>	<b>-</b>
Share capital	1,123,169	1,171,728
Total legal reserves	4,039,051	7,357,332
Reserves from capital contribution	2,468,219	5,711,666
Other legal reserves	1,570,832	1,645,666
Loss brought forward	-2,523,752	-3,809,091
Loss of the year	-1,285,339	-1,555,425
Treasury shares	-5,978	-4,270
<b>Total shareholders' equity</b>	<b>1,347,152</b>	<b>3,160,274</b>
<b>TOTAL LIABILITIES, DECEMBER 31<sup>ST</sup></b>	<b>1'366'660</b>	<b>4'229,730</b>

## INCOME STATEMENT (GKV)

YEAR	2015 <sup>3</sup>	2016
<b>OPERATING INCOME</b>	CHF	CHF
Total operating income	-	-
<b>GOODS AND SERVICES EXPENSES</b>		
Development expenses	-248,537	-231,893
<b>Total goods and services expenses</b>	<b>-248,537</b>	<b>-231,893</b>
<b>PERSONNEL EXPENSES</b>		
<b>Total personnel expenses</b>	<b>-625,332</b>	<b>-849,253</b>
<b>OTHER OPERATING EXPENSES</b>		
Infrastructure expenditure	-128,127	-145,227
Administration expenditure	-117,209	-135,959
General operating expenditure	-42,654	-11,864
Capital increase expenditure	-43,093	-101,114
<b>Total other operating expenses</b>	<b>-331,083</b>	<b>-394,163</b>
<b>EBITDA</b>	<b>-1,204,953</b>	<b>-1'475'310</b>
Depreciation	-57,004	-79,580
Allowance securities	-10,796	433
Translation differences	-2,749	1,848
<b>EBIT</b>	<b>-1'275,502</b>	<b>-1'552,608</b>
Financial expense	-1,705	-1,191
Interest expense convertible bond	-7,474	-959
Financial income	612	603
<b>EBT</b>	<b>-1'284,068</b>	<b>-1'554'155</b>
Direct taxes	-1,271	-1,270
<b>LOSS FOR THE YEAR</b>	<b>-1'285,339</b>	<b>-1'555,425</b>

<sup>3</sup> In the Annual Report 2015, the income statement position **capital increase** (CHF 0) has not yet been reported. The position is also introduced in the previous year for the comparability of key figures. This does not affect the original operating result of the previous year, but affects the following profit and loss items: **administration expenditure** (CHF -146,421), **general operating expenditure** (CHF -48,903) and **financial expense** (CHF -9,337) and related interim **EBITDA** (CHF -1,197,321) and **EBIT** (-1,267,870). The original figures for the annual report 2015 are shown in brackets in this note.

## CASH FLOW STATEMENT

YEAR	2015 CHF	2016 CHF
Net Income	-1'285'339	-1'555'425
+ Depreciation	57'004	79'580
+ Non-cash expenses	7'474	959
+/- Change in current assets	32'123	-6'394
+ Change in accrued expenses and deferred income	11'361	2'994
<b>CASH FLOW FROM OPERATIVE ACTIVITIES</b>	<b>-1'177'378</b>	<b>-1'478'286</b>
- Investments in property, plant & equipment	-69'194	-169'884
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>-69'194</b>	<b>-169'884</b>
-/+ Repayment and uptake of convertible bond	-596'000	1'045'995
- Interest expense convertible bond	-10'454	-
+ equity contributions	2'000'924	3'366'840
+ Disposing of treasury shares	38'773	1'708
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>1'433'243</b>	<b>4'414'543</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>186'671</b>	<b>2'766'373</b>
Cash and cash equivalents, January 1 <sup>st</sup>	621'854	808'525
Cash and cash equivalents, December 31 <sup>st</sup>	808'525	3'574'898
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>186'671</b>	<b>2'766'373</b>

# NOTES TO THE FINANCIAL STATEMENTS 2016

The present financial statements have been prepared in accordance with the provisions of the Swiss Code of Obligations on commercial accounting and with the new accounting law, which entered into force on January 1, 2013 as a partial revision of the Swiss Code of Obligations. The balance sheet and income statement correspond to the minimum breakdown (Article 959a and Article 959b OR) prescribed by the Swiss Code of Obligations and are based on the value of continuation (Article 958a para 1 OR). The income statement was compiled using the total cost method and the cash flow statement using the indirect method.

## VALUATION PRINCIPLES

### SECURITIES

Securities are valued at observable market values on the balance sheet date. Exchange rate gains and losses as well as currency differences are recorded as such in the income statement. These are short-term disposable shares and securities in different currencies. The positions and valuation principles remained the same as in the previous year.

### SHAREHOLDINGS

Positions such as direct shareholding in YAMAZAKI-DDS Co., Ltd. and property, plant and equipment are recognized at cost, less depreciation and amortization. If there are indications of impairment on the basis of market information or the development of the operating business, appropriate value adjustments are made.

### TREASURY SHARES

At the balance sheet date, 1,170,020 of 1,171,728 shares were placed and 1,708 shares were held by InnoMedica. At the beginning of the period under review, InnoMedica still owned 2,391 treasury shares. The current stock of 1'708 own shares is valued as of the balance sheet date with the effective purchase price of CHF 2.50. In fiscal year 2016, 683 treasury shares were sold at an average purchase price of CHF 61.87. No buybacks were made. Gains from the disposal of treasury shares are recognized as other legal reserves. In the previous year, 15'409 treasury shares were sold and no buybacks were made either. The average purchase price then amounted to CHF 45.85.

### SHORT-TERM INTEREST-BEARING LIABILITIES

The convertible bond is priced at nominal value.

### PROPERTY, PLANT, AND EQUIPMENT

Tangible assets are depreciated using a declining balance method with at a maximum rate of 20 percent, a rate unchanged from the previous year. InnoMedica's machines and equipment from the laboratory, production and analytics in Marly, as well as a vehicle for staff transport, constitute this category.

## CLASSIFICATIONS AND EXPLANATIONS

### ACCRUAL AND DEFERRAL

On the assets side, the accrual / deferral accounts contain operational credits as well as costs already incurred on the liabilities side. In addition, the accrued interest rate of the convertible bond of CHF 959 was reported in the deferred income statement.

### SUBSIDIARIES (YDDS)

YAMAZAKI-DDS Co., Ltd. has the purpose of maintaining patents in the field of the liposomal drug delivery system. The share capital of YAMAZAKI-DDS Co., Ltd. is 10,000,000 Japanese yen. YAMAZAKI-DDS Co., Ltd. based in Ibaraki, Japan is 100% directly owned by InnoMedica and is still listed at an acquisition cost of CHF 200,000 in fixed assets.

### RESERVES FROM CAPITAL CONTRIBUTIONS

The capital contribution reserves have been approved by the Federal Tax Administration (FTA) up to the financial year 2015. The reserves from capital contributions 2016 can only be declared after the annual statement has been compiled and therefore have a provisional character until recognition by the FTA.

### FINANCIAL EXPENSES AND INCOMES

Financial expenses include bank charges and expenses. March interest rates for the convertible bond and costs for the capital increase are disclosed separately. The financial income includes dividends as well as interest from bank balances.

## ADDITIONAL INFORMATION

### ANNUAL AVERAGE OF FULL-TIME POSITIONS

As in previous years, the employees are recruited via an outsourcing agreement with IPAG Inter Personal AG (IPAG). InnoMedica has no other personnel contacts. As of the balance sheet date, eleven persons with a workforce of 1,080 percent full-time equivalent positions were employed at IPAG. The annual average was less than 10 full-time equivalent positions. As of the balance sheet date of 2015, 790 percent of full-time contracts were active at IPAG.

### TALIDOX PROJECT COSTS

The cumulative project expenditure since 2012 has been recorded to document the investments made so far for the Talidox project. All expenses related to the project are counted for the project. This includes costs for personnel and infrastructure used, depreciation of equipment used, but not expenses for administration, finances, capital increases, taxes and various operating expenses. An activation of the project effort in the balance sheet can be considered if the drug Talidox has proven itself in the use in the patient and the registration as a cashable drug is present. The cumulative project costs amounted to CHF 2,636,024 at the end of 2015 and rose to CHF 4,029,999 at the end of 2016.

### TRUST SHARES

In addition to treasury shares, InnoMedica manages 167,106 shares belonging to shareholders by the end of 2016.

### REMUNERATION OF BOARD MEMBERS

A total of CHF 12,000 was paid to the Board of Directors as reward for faithful execution of their duties. As part of the IPAG service agreement, Dr. Peter Halbherr received a salary of CHF 91,867 in accordance with his execution of the duties as general manager.

### SIGNIFICANT SHAREHOLDERS

On the reporting date, Dr. Peter Halbherr had 318,151 (27% of 1,171,728), Dr. Herbert Früh 122,002 (10%) and Dr. Noboru Yamazaki 60,752 shares (5%). No other shareholder had more than 5% of the shares on December 31, 2016.

### BUSINESS TRANSACTIONS WITH RELATED PARTIES

Transactions with related persons and companies are based on standard forms of business and are concluded at normal market conditions.

### AUDITOR'S FEE

In addition to auditor services, the auditor also provided additional consultancy services relating to the accounting and the capital increase. As in the previous year, a flat-rate of CHF 10,000 (without VAT) was set for the auditor's fee.

### EVENTS AFTER THE BALANCE SHEET DATE

There are no events that have to be taken into account after the balance sheet date, which have a significant influence on the financial statements.

### GOING CONCERN

Half of the share capital and legal reserves as of December 31, 2016 are no longer covered—pursuant to Art. 725 Paragraph 1. Ensuring the financial health of the company is the duty of the Board of Directors, whom have authorized a capital increase for the 2017 fiscal year. The capital increase includes the issuance of a total of 75,000 shares at a stock price of CHF 102.75. If the stock issuance is fully purchased, a total of CHF 7,706,250 new equity will be obtained. Excluding the convertible bond of CHF 1,045,995, this would amount to CHF 6,660,255 new financial resources available to InnoMedica for use in the coming year. Due to this measure, the company has the ability to continue as going concern.

### CARRYING FORWARD OF NET LOSS

The loss of CHF 1,555,425 is added to the loss carried forward of CHF 3,809,091 and the balance 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 11 to 15), for the year ended 31 December 2016.

### ***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 2016 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.

Further, we draw attention to the fact that half of the share capital and the legal reserves is no longer covered (article 725 para. 1 CO).

PricewaterhouseCoopers AG

A handwritten signature in blue ink, appearing to be 'SB', written in a cursive style.

Simon Bandi  
Audit expert  
Auditor in charge

A handwritten signature in blue ink, appearing to be 'A. Scheibli', written in a cursive style.

Andreas Scheibli  
Audit expert

Zürich, 7 March 2017



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In 2017, a capital increase of CHF 7.7 million is planned. To finance the clinical trial phase I study, InnoMedica acquired CHF 1 million as a convertible bond in December 2016, which can be offset with new shares of the capital increase 2017.

# GENERAL INFORMATION

<b>BUSINESS IDEA</b>	InnoMedica Holding AG has developed a new generation of cancer treatment, based on an innovative transport system for drugs. Cancer can be treated much more effectively, while reducing the side effects for the patient. In January 2013, InnoMedica Holding AG initiated the project Targeted Liposomal Doxorubicin (Tali-dox) with a strategy to develop novel therapeutics for the treatment of tumor diseases and commercialize it. This is a new generation of chemotherapeutic drugs based on well-known cytostatic agent, formulated in a new pharmaceutical form for use in cancer therapy.
<b>THE CORPORATION</b>	<p>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 that are in any way related to these.</p> <p>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.</p>
<b>INVESTMENT OF CASH</b>	InnoMedica Holding AG has evolved from a finance company to an operating company and invested in production and development of its own pharmaceutical products. An active management of liquidity is no longer seen as a priority and replaced by a passive investment strategy.
<b>BOARD</b>	Dr. Herbert Früh (Chairman) Dr. Peter Halbherr (Delegate) Dr. Noboru Yamazaki
<b>LEGAL STRUCTURE</b>	Incorporated limited Company
<b>ESTABLISHED</b>	July 05, 2000
<b>SHARES OUTSTANDING</b>	1,171,728 stock at face value of CHF 1
<b>CAPITAL INCREASE</b>	Planned; until May 31, 2016 (75,000 shares)
<b>LISTING / TRADE</b>	OTC by the Head of Finance, Dr. Jonas Zeller
<b>SECURITY NUMBER</b>	001108236
<b>ISIN-NUMBER</b>	CH0011082366
<b>INVESTOR RELATIONS</b>	Andrea Zurkirchen (Phone +41 (0)44 383 88 22)
<b>HEADQUARTER</b>	InnoMedica Holding AG, Baarerstrasse 34, CH-6300 Zug
<b>INTERNET</b>	<a href="http://www.innomedica.ch">www.innomedica.ch</a>
<b>E-MAIL</b>	<a href="mailto:info@innomedica.ch">info@innomedica.ch</a>

This information is not an offer to purchase or subscribe for shares of InnoMedica Holding AG and may not be distributed in any jurisdiction where it violates any applicable law or regulations, including, without limitation, the United States of America. The information we consider reliable, but InnoMedica Holding AG does not guarantee its completeness or accuracy. Changes of opinions and assessments may be made without notice. Past performance is not indicative of future performance.

## **INNOMEDICA HOLDING AG**

Zug - Switzerland

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The English version of the  
INNOMEDICA ANNUAL REPORT  
2016 was translated from the  
original German version which  
shall be binding in case of  
disparities.