



# Letter to shareholders

InnoMedica<sup>1</sup> achieved significant milestones in the financial year 2021. For the oncology product Talidox, the dossier for marketing authorization was submitted to Swissmedic. For the neurology product Talineuren, the submitted study application for the indication Parkinson's disease was approved and the first patient started treatment. At the same time, expanded space and production capacities were put into operation at the nanofactory in Marly (Fribourg). InnoMedica has thus further expanded and strengthened its position in both oncology and neurology with innovative products and access to a growing number of patients.

The dossier for marketing authorization of Talidox submitted in November 2021 is based on the data of the interim report of the Swiss Group for Clinical Cancer Research (SAKK) on the first clinical trial, which show a positive picture of the therapy with Talidox for InnoMedica. In addition to numerous benefits regarding side effects, the study also provides evidence for the efficacy of Talidox. In several patients, and especially for the indication breast cancer, reduced tumor growth and metastasis was found after treatment with Talidox. In one case, a complete elimination of the metastatic tumor was observed.

The study was extended by 14 patients in August 2021 (SMARTER study). This SMARTER study compares Talidox with Caelyx, a nanoparticle competitor product containing doxorubicin. The study aims to provide information on how the organism interacts with the active substance. Based on the initial clinical data, it is expected that Talidox circulates longer in the blood and consequently has a better chance of accumulating in tumor tissue. Likewise, the longer half-life leaves the body more time to metabolize the drug, which is reflected in an improved side effect profile. Due to the encapsulation of the active ingredient in the liposomal nanocarrier and the longer residence time in the blood, the body is less burdened toxicologically and the body's immune defense to fight the cancer cells remains largely intact.

In parallel to the SMARTER study, in 2021 InnoMedica has started planning a larger and international study, the TRACTION study. The study will enable a direct therapeutic comparison of Talidox with standard chemotherapy. The study will be realized within the framework of the newly signed Consultant Agree-

ment between InnoMedica and SAKK. Same as the study with Talineuren against Parkinson's disease (NEON study), which was initiated in the fall of 2021, InnoMedica itself will assume the role of study sponsor and will thus have more control over the course of the study. In addition to its own production, InnoMedica's own study planning is an important element in building a fully integrated pharmaceutical company that controls all processes itself, from research and development of a new product to sales.

In 2021, collaboration with the medical profession in the field of oncology was further intensified. In addition to representatives of InnoMedica, the newly established Scientific Advisory Board Oncology is prominently staffed with Prof. Dr. Beat Thürlimann, MD, Matti Aapro, MD, and Jacques Bernier, MD, as well-known opinion leaders. These collaborations with leading physicians and medical institutions are of great importance for the implementation of further clinical studies and the market launch.

With the approval and start of the NEON study in Parkinson's disease, the first clinical study with the neurology product Talineuren, InnoMedica was able to reach another milestone at the end of 2021. The first of 12 Parkinson's patients was treated by the lead study physician PD Dr. med. Michael Schüpbach on December 14, 2021. The study will provide initial results on the tolerability of intravenous administration of Talineuren and determine the maximum therapy dose for the treatment of Parkinson's disease, while also documenting the patients' disease progression in parallel.

In the indication amyotrophic lateral sclerosis (ALS), InnoMedica has been granted orphan drug designation by the European Medicines Agency (EMA), Swissmedic and the U.S. Food and Drug Administration (FDA) for the active substance GM1 used for Talineuren. This status offers numerous advantages for the development of drugs for the treatment of rare diseases, in particular fee waivers and advisory services on clinical trial designs as well as market exclusivities.

ALS is a usually rapidly progressive disease that primarily affects the motor nervous system and for which there hardly exist any therapeutic options.

The preclinical data show that Talineuren could be a suitable treatment in this indication. The first clinical trial with Talineuren in ALS patients is already being planned and will start in spring 2022, as soon as the results regarding dosage and tolerability from the NEON study (application in Parkinson's disease patients) are available. This will allow the direct administration of therapeutic doses without re-dose escalation in a study with ALS patients.

By means of extemporaneous preparation (Formula Magistralis), InnoMedica has already provided ALS patients with access to liposomal GM1 in 2021. Formula Magistralis involves the production of drugs for an individual person or a specific group of people. The prerequisite for this is a prescription by the attending physician and dispensing by a public pharmacy. As early as the fall of 2021, the first patients with ALS were able to obtain the liposomal GM1 formulation (L-GM1) manufactured by InnoMedica. Administration was initially oral, but an intravenous formulation with L-GM1 is planned. In order to meet the high demand, InnoMedica is working at full speed to expand production volumes of L-GM1.

The TaliCoVax19 vaccination project could not be pursued despite the successful virus neutralization test at the Institute of Virology and Immunology (IVI) due to lack of supporting funding. In addition to significant costs for the production of the GMP prototypes, extensive clinical studies would have been necessary. Instead, InnoMedica focused on its existing products Talidox and Talineuren. However, with the vaccination project, InnoMedica was once again able to demonstrate the possibilities offered by the nanotechnology platform and has applied for corresponding patents. Valuable expertise in the field of immunology and with regard to vaccine development is available and can prove beneficial in the future.

The expansion of clinical trials with Talidox and Talineuren as well as the production of L-GM1 require a scale-up of volumes in production. The new Clean Room II at the nanofactory in Marly was inspected at the beginning of October 2021 and the expansion of the production facility was approved by Swissmedic. At the same time, compliance with Good Manufacturing Practice (GMP) guidelines in the manufacturing and control process of Talineuren was also confirmed. At the end of the year, the first clinical production according to GMP standards took place in the new Clean Room II. The InnoMedica team has also made great efforts to scale up in order to be able to manufacture larger quantities in the new Clean Room II at the beginning of 2022. For example, so-called batch pooling (combining two production runs, thus doubling the volume) and technical trials for production with

increased concentrations of active ingredient and liposomes have already been successfully carried out. Last but not least, progress has been made in automating the filling process. For these scaling steps in production, further significant investments in infrastructure and equipment were necessary.

The establishment of an independent sales department is a priority for InnoMedica. Together with the medical affairs team, the sales department is responsible for managing contacts with the medical profession and pharmacies. It takes into account regulatory requirements and organizes the marketing and distribution of the products. Personal contacts with physicians are the current focus. Hospitals are being developed as potential business partners. In addition, InnoMedica is examining initial steps in the EU market, whereby cooperation with distribution partners is also being considered as an attractive option.

InnoMedica's team continued to grow in the past fiscal year and consisted of a total of 51 highly qualified employees at the end of the year. The expansion of the workforce took place primarily in the area of manufacturing (production, process engineering, quality control and quality assurance). Since InnoMedica is now acting as sponsor of its own clinical trials for the first time and thus bears overall responsibility for their organization and implementation itself, the personnel focus in 2021 was not only on manufacturing but also on building up the medical affairs team. Despite being kept lean, administration reached a high-performance level with IFRS financial statements in finance and ERP-based logistics in IT. InnoMedica continues to have a stable cadre at middle management, executive management and Board of Directors' levels. The average age of employees at InnoMedica remains comparatively low at around 35 years. The young team brings a lot of energy and unfolds its great development potential.

In May 2021, InnoMedica again carried out a capital increase, which resulted in an increase of equity by CHF 15.4 million and broadened the shareholder base to over 1,300 shareholders. With cash and cash equivalents of CHF 20.3 million as of December 31, 2021, InnoMedica is well financed for the time being. As part of the capital increase, 677,174 shares were also newly placed by existing shareholders who had already invested more than 15 years ago. This was made possible by combining the subscription of new shares with a free option on existing shares. The moderate price offered by the existing shareholders resulted in an attractive offer and high acceptance among the newly subscribing shareholders.

In this context, InnoMedica is planning a similarly structured project in spring 2022, for which commitments have already been received from existing shareholders, again with attractive conditions. Through such transactions, InnoMedica enables a certain renewal of the shareholder base via at least one annually organized trade. This is valuable in the context of the long development time for pharmaceutical products and the complex regulatory processes. InnoMedica is also ready for a stock exchange listing, but would like to wait until first sales are available.

### Risk assessment

InnoMedica made considerable operational progress in development, sales and production last year. The risk profile has continuously improved in line with the increasingly advanced market maturity of Talidox and Talineuren. Certain risks remain with regard to the market approval and reimbursement of the drugs, their timing and the associated realization of sales. High regulatory hurdles, in particular lengthy approval procedures by the authorities, and large administrative expenses, combined with extensive clinical trials, may lead to further substantial costs.

In addition to the regular approval route, InnoMedica has developed alternative possibilities with the Formula Magistralis and plans to expand pharmaceutical in-house production to other countries. This diversification in the marketing strategy brings the prospect of initial revenues and can help to shorten the long start-up period. It is also in the interest of certain patient groups who cannot wait and who, together with their physician, are seeking experimental therapies.

InnoMedica's business model is based on the use of the latest nanotechnology in combination with known and well-tested active substances. As the examples of Talidox and Talineuren impressively show, this can generate great added value for patients. InnoMedica has developed the necessary expertise and technology in this field and has set up a corresponding industrial environment in its nanofactory. By clinically validating the nanocarrier systems with Talidox and Talineuren, InnoMedica lowers the development risk for other drugs using the same carrier system but a different active ingredient. Overall, the benefits of the nanomedicine drugs are therefore comparatively high and the development risk rather low.

### Outlook

In 2022, InnoMedica's main goal remains to provide patients with access to all products as soon as possible. To this end, collaboration with physicians and pharmacies will be further intensified. In addition, the

study activities in oncology as well as in neurology are to be further expanded and internationalized. In the marketing authorization process for Talidox, Swissmedic will draw up a list of questions by April 2022. After InnoMedica has answered them, a further review phase will follow. A regular approval of Talidox is possible in 2023 at the earliest, whereby in this context, in particular, the reimbursement with the Federal Office of Public Health (BAG) must also be regulated. If successful, the results of the larger TRACTION study with Talidox will provide a good basis for inclusion in the list of specialties.

In parallel, InnoMedica is focusing on the extemporaneous preparation (Formula Magistralis) to enable patients to be treated with Talidox and Talineuren. To this end, InnoMedica's nanofactory in Marly will be further expanded in the next financial year. A massive increase in the size of the teams involved is unavoidable. InnoMedica is already well on the way to digitalization with its own ERP system. This frees up resources for additional investments in automation, which will enable a significant increase in productivity. In this context, the Marly site, with its possibilities for a steady expansion of the infrastructure and its increasingly attractive working environment, is proving to be a very good solution.

InnoMedica's experience has shown that cooperation with innovative physicians is the key to successful company development. The experience of these physicians is a crucial element in managing the projects. They know best where new medical solutions are needed and where the feasibility is also given. With Talidox and the planned larger study, InnoMedica is already well advanced on this path. The positive study results achieved so far are now to be confirmed in a larger number of patients. Evidence suggests that Talineuren can also develop very well alongside Talidox, as the orphan drug status indicates. In addition, there is an attractive pipeline in the longer term with products such as Talitaxel as an alternative chemotherapy with the active substance docetaxel or Talitrace for the visualization of tumor tissue during surgery.

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



## Orphan drug status granted for ALS

EMA, Swissmedic and FDA recognize the potential of Talineuren's active ingredient GM1. By means of extemporaneous administration (Formula magistralis), the first ALS patients were treated with InnoMedica's oral formulation (L-GM1) as early as 2021.

# Financial overview

InnoMedica's financial performance in 2021 reflects the Group's successful operational progress – the submission of the marketing authorization dossier for Talidox, the first treatments of patients with Talineuren in a clinical trial, and the launch of clean room capacity scale-up at the nanofactory in Marly. The achievement of these milestones required an expansion of human resources in almost all operational areas of the company. In response to this need, InnoMedica reached a total of 51 highly qualified employees at the end of 2021. The corresponding increase in personnel expenses by 52% to CHF 6,298,170 essentially explains the overall moderate increase in the annual loss from CHF 8,088,146 in 2020 to CHF 10,371,890 in 2021.

The successful capital increase in spring 2021 continues to provide InnoMedica with a solid financing situation. As part of an innovative structuring of the capital increase with the participation of existing shareholders, who contributed existing shares at a low price to the offer for subscribing shareholders, InnoMedica was able to finance itself with additional funds of CHF 15.4 million and expand its shareholder base by around 300 additional new shareholders. As a result, InnoMedica has increased liquidity in the amount of CHF 20,281,234 at the end of the year and is thus well positioned to maintain the operational momentum of 2021.

Research and development expenses are primarily incurred for clinical trials and in production and are slightly lower in 2021 at CHF 2,214,766 compared to the previous year. InnoMedica has continued to make steady efforts to expand the pipeline of therapies in oncology and neurology. However, the expansion of personnel and production capacities and clinical trials are not yet reflected in the 2021 financial statements. They are expected to be increasingly reflected in the respective expenses in 2022. In addition, InnoMedica has terminated the 2020 initiative regarding the Covid-19 vaccine, so expenses for this project were eliminated.

Following completion of the new Clean Room II in Marly, investments in operational infrastructure in the reporting year 2021 mainly relate to additional equipment in the clean rooms. InnoMedica pursued very cost-conscious strategies with innovative projects for automating production and filling compared to alternative procurement solutions. Accordingly, only CHF 538,071 was invested in additional property, plant and equipment compared to CHF 866,233 in the previous year. Depreciation on these assets decreased by 35% to a value of CHF 292,663 in 2021. This low amount is

due to a change from degressive to linear depreciation methodology and its accumulative effect.

Other operating expenses in the financial year amounted to CHF 1,494,599, whereby the increase compared to the previous year is mainly explained by higher capital increase expenses including issue tax of the Swiss Confederation. In the administrative area, InnoMedica continued to support operational development with lean and efficient structures, particularly in IT. A moderate expansion of personnel capacities, which is reflected in personnel expenses, has accompanied the company's growth in this respect. Furthermore, with the publication of the first annual financial statements for 2019 and 2020 in accordance with International Financial Reporting Standards (IFRS), the finance department has created an important prerequisite for the intended IPO.

## Key items of the financial statements in CHF

Position	2020	2021	Change
<b>Cash and cash equivalents (as of Dec. 31)</b>	16,002,456	20,281,234	27%
<b>Equity (as of Dec. 31)</b>	17,554,676	22,577,285	29%
<b>Total assets (as of Dec. 31)</b>	18,820,782	23,465,765	25%
<b>Annual loss</b>	-8,200,556	-10,371,890	26%
<b>Operating cash flow</b>	-7,221,932	-10,337,649	43%
<b>Free cash flow</b>	-8,088,164	-10,875,721	34%

Cash and cash equivalents at the end of the year 2021 in the amount of CHF 20,281,234 are 27% higher than in the reporting year 2020 with CHF 16,002,456. The increase results from the inflows of the capital increase minus operating expenses and investments (free cash flow). From the capital increase, InnoMedica received liquid funds in the amount of CHF 15,394,498.50 through the issuance of 454,115 new shares at a price of CHF 33.90 each. The share capital after the capital increase of InnoMedica Holding AG amounts to CHF 1,417,098.70, divided into 14,170,987 shares with a nominal value of CHF 0.10 each. In addition to the new shares, shares of existing shareholders were also sold in the capital increase at a reduced price of CHF 8.48 each. Thus, the subscribers of one new share each received the option to subscribe for 1.5 shares of the

## Listing of previous financing rounds

Financing round	Number of shares	Share price (CHF)	Total capital (CHF)	Total share capital (CHF)	Equity valuation (CHF million)
<b>Capital increases 2013-2020<sup>2</sup></b>	3,720,687	1.15-27.10	43,280,931.40	1,371,687.20	371.7
<b>Capital increase 2021</b>	454,115	33.90	15,394,498.50	45,411.50	465.0

<sup>2</sup> Historical share prices are shown split-adjusted with adjustment to the current par value of CHF 0.10.

existing shares - an overall attractively priced offer. After completion of the capital increase, the existing shareholders remain affiliated with the company and continue to hold shares.

InnoMedica continues to focus on the early market approval of Talidox and Talineuren with regard to the use of available liquidity and is investing in the necessary clinical studies, regulatory requirements and the expansion of production capacities. In parallel, initiatives are being pursued to make the therapies available to patients via alternative routes to market, for example Formula Magistralis. To further finance these investments and to provide InnoMedica with the necessary flexibility in planning the targeted IPO, the Board of Directors intends to conduct a further capital increase in the first half of 2022. The terms and conditions of this offering will be communicated following the necessary resolutions of the Board of Directors.

The financial statements of InnoMedica Holding AG and InnoMedica Schweiz AG as well as the consolidated financial statements are prepared in accordance with the Swiss Code of Obligations (OR). The presentations and methods used in the 2020 financial statements are maintained in 2021 with the exception of the methodology for the depreciation of property, plant and equipment. Depreciation expenses of property, plant and equipment are calculated for the first time in 2021 on a linear basis to the acquisition cost, which will be carried forward individually according to the useful life of the assets. In previous years, the accumulated balance of property, plant and equipment was depreciated using a declining-balance rate. This results in a one-time reduction of expenses from accumulated differences between depreciation methods in the amount of CHF 205,144 at the beginning of the fiscal year 2021. Further details and explanations of the figures in the consolidated financial statements can be found in the notes. This annual report includes the audited consolidated financial statements and the audited

separate financial statements of InnoMedica Holding AG. The audited separate financial statements of InnoMedica Schweiz AG can be provided upon request.

### Balance sheet

**Cash and cash equivalents** as of December 31, 2021 amounts to CHF 20,281,234. As in previous years, the proceeds of the capital increase in 2021 amounting to CHF 15,394,498.50 exceeded the operating and investment-related cash flows (free cash flow) of CHF -10,875,721. Thus, cash and cash equivalents increased by 27% compared to the previous year and InnoMedica continues to have a solid liquidity situation. The **securities** portfolio remains unchanged at the end of the year 2021. Price losses of CHF 7,046 are offset by currency gains of CHF 1,496.

**Property, plant and equipment** after depreciation amounted to CHF 2,515,070 at the end of the year 2021. The book value of property, plant and equipment is thus 11% higher than the previous year's book value of CHF 2,269,662. The book value results from investments in the amount of CHF 538,071 and depreciation under the linear method in the amount of CHF 497,807 before taking into account the one-time reduction due to the change of the depreciation method. Following the successful completion of the construction of Clean Room II in Marly, the investments in property, plant and equipment in 2021 mainly relate to additional equipment for the clean rooms and investments to increase production volumes.

As in previous years, development expenses and the costs of the capital increase are not capitalized in the financial year 2021, but are recognized in profit or loss. Development expenses include costs of clinical and preclinical studies as well as production and further development of the drugs. In 2021, these costs are at a comparable level to the previous year, as the existing study with Talidox, the newly initiated study with

## Balance sheet items

in CHF, as of Dec. 31

■ 2019 ■ 2020 ■ 2021



Talineuren, and additional planned studies with both drugs have not yet led to an increase in expenses, which is, however, expected in the future.

As of the end of financial year 2021, InnoMedica has no **current interest-bearing liabilities** and provisions. The **other current receivables and liabilities** relate to the VAT receivables and liabilities of the InnoMedica Group companies for the fourth quarter of 2021. **Pre-paid expenses and accrued liabilities** mainly result from advance payments on investments or from obligations to creditors which have been rendered but not yet invoiced at the end of the financial year. Accounts payable relate to invoice amounts that have already been invoiced to InnoMedica.

454,115 shares were issued as part of the 2021 capital increase. As a result, the nominal **share capital** increased to CHF 1,417,098.70. The year-end balance of **treasury shares** remains unchanged at 16,217 shares at a book value of CHF 0.25. Overall, the inflow of funds from the capital increase minus the loss of the year 2021 increased **equity** by a total of 29% to a total amount of CHF 22,577,285.

## Income statement

InnoMedica recorded a **loss** of CHF 10,371,890 for the year 2021. Compared to the previous year's loss of CHF 8,200,556, this represents an increase of 26%, which is mainly due to additional personnel resources. The additional staff has enabled InnoMedica to meet its targets in several areas, in particular with regard to the regulatory filing for Talidox and the start of the Talineuren clinical trial for Parkinson's disease. Net sales can still only be expected after market approval and launch of Talidox or Talineuren, prior licensing of

a product with an external partner or upon billing of patients of Formula Magistralis.

With the approval and commissioning of the Clean Room II in the nanofactory in Marly, InnoMedica has created the conditions for significantly increasing production volumes for clinical trials and a possible market entry. The costs of increased production volumes as well as the expected study costs are not yet fully reflected in the research and development expenses for 2021. Accordingly, the **cost of materials and services** of CHF 2,214,766 for year 2021 is 13% lower than the previous year's figure of CHF 2,554,390.

In line with the increase in personnel resources, **personnel expenses** rose by 52% to CHF 6,298,170 compared with the previous year's figure of CHF 4,151,962. Personnel expenses thus continue to be the largest component of total expenses. At the end of the year 2021, InnoMedica employed 51 people compared to 39 in the previous year. This corresponds to a workforce of 4,373 job percent, an increase of 40% compared to the previous year's 3,118 job percent.

**Other operating expenses** mainly comprised infrastructure, administration and capital increase costs. These expenses were kept largely constant or even reduced. The increase in **other operating expenses** results from administrative expenses in connection with the first-time adoption of International Financial Reporting Standards (IFRS) as well as from additional capital increase expenses including higher issue tax of the Swiss Confederation.

**Administrative expenses** in the amount of CHF 386,923 include, among others, auditing and consulting costs, patent costs as well as accounting costs of the subsidiary YAMAZAKI-DDS Co., Ltd.



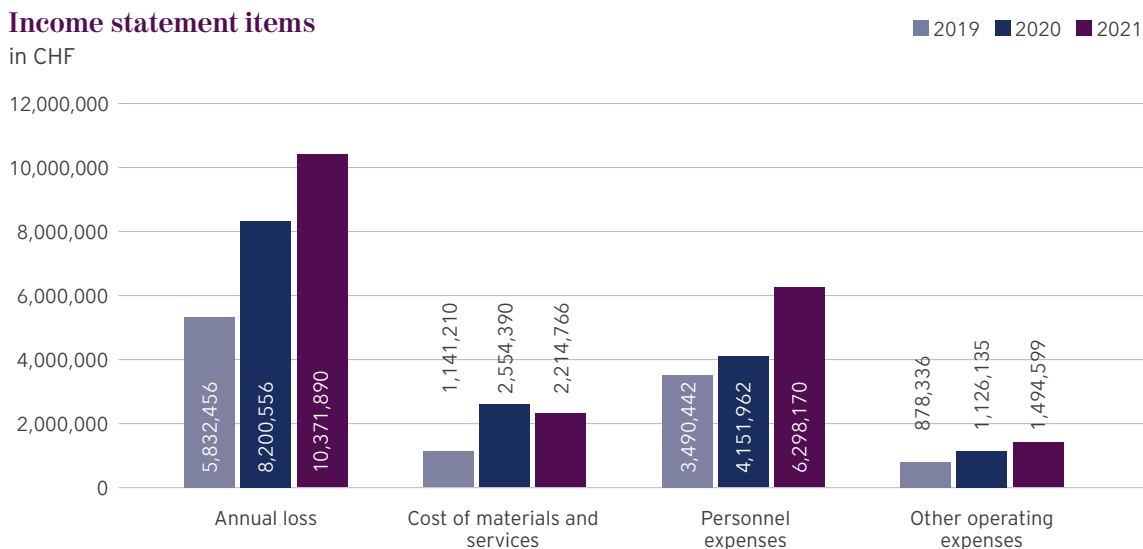
**Capital increase expenses** amounted to CHF 506,938, which includes all costs and fees of the capital increase.

**Infrastructure expenses** in the amount of CHF 436,560 include the rental costs of the premises in Marly, Bern and Zurich as well as the energy costs in connection with the clean room production.

**IT expenses** remained low, with an amount of CHF 108,966 in year 2021 which is slightly lower than in the previous year. Cost-effective IT was essentially ensured by the license of the operational software sqlFinance provided free of charge by Dr. Peter Halbherr.

### Income statement items

in CHF



### Statement of shareholders' equity in CHF

Year	2020	2021
<b>Equity as of Jan. 01</b>	<b>15,698,303</b>	<b>17,554,676</b>
Capital increases	37,111	45,412
Change in legal reserves	10,019,815	15,349,087
Change in treasury shares	3	0
<b>Shareholders' equity as of Dec. 31 excluding net income</b>	<b>25,755,233</b>	<b>32,949,175</b>
Net income	-8,200,557	-10,371,890
<b>Equity as of Dec. 31</b>	<b>17,554,676</b>	<b>22,577,285</b>

# Consolidated financial statements

## InnoMedica Holding AG

### Balance sheet

Year	December 31, 2020	December 31, 2021
<b>Assets</b>	<b>CHF</b>	<b>CHF</b>
Cash and cash equivalents	16,002,456	20,281,234
Securities	144,325	138,775
Other current receivables	194,876	242,581
Prepaid expenses and accrued income	9,463	88,105
<b>Total current assets</b>	<b>16,351,120</b>	<b>20,750,695</b>
Property, plant and equipment	2,269,662	2,515,070
Intangible assets	200,000	200,000
<b>Total fixed assets</b>	<b>2,469,662</b>	<b>2,715,070</b>
<b>Total assets</b>	<b>18,820,782</b>	<b>23,465,765</b>
<b>Liabilities and shareholders' equity</b>	<b>CHF</b>	<b>CHF</b>
Accounts payable	178,278	60,452
Liabilities to shareholders	240,000	-
Other current liabilities	127,934	179,248
Accrued expenses and deferred income	719,893	648,781
<b>Total current liabilities</b>	<b>1,266,105</b>	<b>888,481</b>
<b>Total long-term liabilities</b>	<b>-</b>	<b>-</b>
Share capital	1,371,687	1,417,099
Total legal reserves	43,718,733	59,067,820
Reserves from capital contributions	41,700,697	57,049,784
Other legal reserves	2,018,035	2,018,035
Loss carried forward	-19,331,133	-27,531,689
Annual loss	-8,200,556	-10,371,890
Treasury shares	-4,054	-4,054
<b>Total shareholders' equity</b>	<b>17,554,676</b>	<b>22,577,285</b>
<b>Total liabilities and shareholders' equity</b>	<b>18,820,782</b>	<b>23,465,765</b>

## Income statement

Year	2020	2021
<b>Net sales</b>	<b>CHF</b>	<b>CHF</b>
<b>Total net sales</b>	-	-
<b>Cost of materials and services</b>		
Development expenses	-2,554,390	-2,214,766
<b>Total cost of materials and services</b>	<b>-2,554,390</b>	<b>-2,214,766</b>
<b>Personnel expenses</b>		
Wages and salaries	-3,354,871	-4,860,641
Social security expenses	-465,964	-699,207
Other personnel expenses	-331,127	-738,323
<b>Total personnel expenses</b>	<b>-4,151,962</b>	<b>-6,298,170</b>
<b>Other operating expenses</b>		
Infrastructure expenses	-516,363	-436,560
Vehicle and transport expenses	-20,720	-18,596
Property insurance and fees	-12,312	-11,086
Administrative expenses	-239,843	-386,923
Capital increase expenses	-211,513	-506,938
IT expenses	-113,953	-108,966
Advertising expenses	-11,431	-25,531
<b>Total other operating expenses</b>	<b>-1,126,135</b>	<b>-1,494,599</b>
<b>EBITDA</b>	<b>-7,832,487</b>	<b>-10,007,535</b>
Depreciation	-452,741	-292,663
<b>EBIT</b>	<b>-8,285,228</b>	<b>-10,300,198</b>
Financial expenses	-17,836	-45,422
Financial income	841	913
Value adjustment on securities	16,396	-7,046
Currency differences	-29,663	-1,039
Non-operating result	122,516	-
<b>EBT</b>	<b>-8,192,974</b>	<b>-10,352,792</b>
Direct taxes	-7,582	-19,098
<b>Net income</b>	<b>-8,200,556</b>	<b>-10,371,890</b>



## Parkinson's disease study with Talineuren started

In December 2021, the first Parkinson's patient was treated with Talineuren. The NEON study is investigating the tolerability of intravenous use and determining the maximum therapeutic dose.

## Cash flow statement in CHF

Year	2020	2021
Net income	-8,200,556	-10,371,890
Depreciation	452,741	292,663
Non-cash expenses	3	-
Change in current assets	39,389	-120,798
Change in current liabilities	115,988	-66,512
Change in accrued expenses and deferred income		-71,112
<b>Cash flow from operating activities</b>	<b>-7,221,932</b>	<b>-10,337,649</b>
Investments in property, plant and equipment	-866,233	-538,071
<b>Cash flow from investing activities</b>	<b>-866,233</b>	<b>-538,071</b>
Issuance and repayments of debt	240,000	-240,000
Equity contributions	10,056,926	15,394,499
<b>Cash flow from financing activities</b>	<b>10,296,926</b>	<b>15,154,499</b>
<b>Change in cash and cash equivalents</b>	<b>2,208,762</b>	<b>4,278,778</b>
Cash and cash equivalents as of Jan. 01	13,793,694	16,002,456
Cash and cash equivalents as of Dec. 31	16,002,456	20,281,234
<b>Change in cash and cash equivalents</b>	<b>2,208,762</b>	<b>4,278,778</b>

# Notes to the consolidated financial statements

## InnoMedica Holding AG 2021

The 2021 consolidated financial statements include the companies of the InnoMedica Group. The scope of consolidation includes the individual companies InnoMedica Holding AG (domiciled in Zug), InnoMedica Schweiz AG (domiciled in Bern) and YAMAZAKI-DDS Co., Ltd. (domiciled in Ibaraki, Japan). InnoMedica Schweiz AG and YAMAZAKI-DDS Co., Ltd. are wholly owned directly by InnoMedica Holding AG. InnoMedica Schweiz AG bundles the operational business of the InnoMedica Group and is linked to InnoMedica Holding AG via a research and development contract. InnoMedica Holding AG is responsible for the strategic management and holds the intellectual property rights as well as the financial resources of the company. The purpose of YAMAZAKI-DDS Co., Ltd. is to hold patents in the field of liposomal drug delivery system. The share capital of YAMAZAKI-DDS Co., Ltd. is 10,000,000 Japanese yen.

The consolidated financial statements have been prepared in accordance with the provisions of the Swiss Code of Obligations (OR) on commercial accounting and financial reporting. The income statement has been prepared using the nature of expense method and the cash flow from operating activities has been prepared using the indirect method.

### Valuation principles

**Securities:** Securities are valued at market value at the balance sheet date. Price gains or losses and currency differences are recognized as such in the income statement. These are shares and securities available for sale in the short term and denominated in various currencies. The positions and valuation principles remained unchanged compared to the previous year.

**Property, plant and equipment:** Property, plant and equipment are recorded at acquisition cost minus depreciation. For the first time, property, plant and equipment are valued in the annual financial statements using linear depreciation based on the useful life of the individual assets. In previous financial years, property, plant and equipment were depreciated using the declining balance method at a rate of 20% based on the value of the respective previous year. The change in the depreciation method results in a one-time cumulative effect from the book value adjustment on expenses of CHF 205,144 at the beginning of the financial year 2021. The depreciation of the

financial year 2021 when applying linear depreciation without taking this effect into account amounts to CHF 497,807. The property, plant and equipment are machines and equipment from laboratory, production and analytical departments, as well as three vehicles and various office equipment.

### Classifications and explanations

**Accruals and deferrals:** Accruals and deferrals for fiscal years 2020 and 2021 include operating credits on the assets side. On the liabilities side, costs already incurred and accruals for services received but not yet invoiced are recorded.

**OTC stock brokerage:** InnoMedica brings together interested parties for the purchase and sale of InnoMedica shares. InnoMedica makes itself available as administrator of the assets until the transaction is completed. In return, it charges an expense allowance for personnel expenses in the form of a transaction fee.

**Reserves from capital contributions:** The reserves from capital contributions as of December 31, 2019 (in the amount of CHF 31,870,570 according to the individual financial statements of InnoMedica Holding AG) have been recognized by the Swiss Federal Tax Administration (FTA) in this amount. Additional reserves from capital contributions 2020 have been declared for recognition in the amount of CHF 9,918,801. The capital contributions 2021 can only be declared after the audit of the annual financial statements and are therefore of a provisional nature, as are the declared capital contributions 2020, until they are recognized by the FTA.

**Treasury shares:** At the balance sheet date of 2021, 14,170,987 shares were placed compared to 13,716,872 shares in the previous year. There are unchanged 16,217 shares in the possession of InnoMedica. The treasury shares are valued at the effectively paid purchase price of CHF 0.25 as of the balance sheet date. Gains from the sale of treasury shares are recognized as other legal reserves. The other legal reserves have not changed compared to the previous year.

**Options on shares held by management and board members:** Liabilities in the amount of CHF 240,000 were disclosed in the financial statements for fiscal year 2020. To pre-finance the project for the develop-

ment of a vaccine against Covid-19, four shareholders of InnoMedica have provided short-term financing of CHF 60,000 each (interest: 3% p.a.) as of March 30, 2020 (balance sheet item: liabilities to shareholders). Two of the shareholders, Dr. Peter Halbherr and Prof. Dr. Urs Wälchli, are members of the Board of Directors of InnoMedica. The shareholders were granted a call option in return for the provision of the loans. The call option entitled the shareholders to convert the loan amount into shares of InnoMedica Holding AG on December 31, 2020 at a price of CHF 27.10 per share. None of the shareholders exercised this option as of December 31, 2020. The loan was fully repaid by InnoMedica to the providing shareholders in the financial year 2021. Two of the lenders, including Dr. Peter Halbherr, directly reinvested the repayment from the loan into the company as part of the capital increase in 2021.

**Financial expense and income:** Financial expense for fiscal year 2020 and 2021 include bank interest and charges. Costs for the capital increase are reported separately. Financial income includes dividends and interest on bank balances.

**Capital increase expenses:** The position is shown including issue tax of CHF 99,559 for 2020 and CHF 152,401 for 2021.

**Non-operating result:** For the financial year 2020, this item included income from a support payment from the Covid-19 immediate action program of the Canton of Bern in the amount of CHF 116,400 and income from a management service in favor of a third party in the amount of CHF 7,089. There is no non-operating result in the financial year 2021.

### Additional information

**Annual average of job percent:** On an annual average, 48 people were employed by InnoMedica in 2021. The work volume amounted to an annual average of 4,373 job percent (comparison 2020: 35 employees with an annual average of 3,118 job percent). With the exception of four members of the management of InnoMedica Holding AG, employees are employed by InnoMedica Schweiz AG.

**Trust shares:** In addition to treasury shares, InnoMedica holds 3,595,979 shares of InnoMedica Holding AG in trust as of the end of 2021. In the previous year, there were 4,174,241 shares.

**Remuneration of board members:** The remuneration of CHF 10,000 per year for members of the Board of Directors is paid by resolution of the Board of Directors for the period between the annual general meetings. For the period 2021/2022, an honorarium in the amount of CHF 5,000 per person and a total of

CHF 20,000 was accrued in favor of the Board of Directors. This corresponds to the previous year's practice.

**Significant shareholders:** On the balance sheet date of 2021, Dr. Peter Halbherr held 2,652,335 shares (18.7% of 14,170,987 shares) and Dr. Herbert Früh held 706,842 shares (5.0% of 14,170,987 shares). No other shareholder held more than 5% of the shares on December 31, 2021. In the previous financial year, Dr. Peter Halbherr held 2,742,325 (20.0% of 13,716,872 shares) and Dr. Herbert Früh held 1,050,467 shares (7.7%). No other shareholder held more than 5% of the shares on December 31, 2020.

**Business transactions with related parties:** Business transactions with related parties are based on standard contractual forms and are concluded at market conditions.

**Events after the balance sheet date:** There are no events after the balance sheet date that require recognition and have a material impact on the annual financial statements.

**Obligations from long-term contracts:** InnoMedica Holding AG has entered into a long-term lease agreement with the Marly Innovation Center (MIC). This can be terminated unilaterally by InnoMedica with a notice period of 2 years and at the end of a quarter. This results in a rental obligation of maximum 27 monthly rents at CHF 18,368 each (total CHF 495,945). As of December 31, 2020, the rental obligation of maximum 27 monthly rents amounted to CHF 14,141 each (total CHF 381,807).

**Auditor's fee:** The auditor's fee amounts to CHF 60,000 plus VAT for the audit of the annual reporting of the Group and the individual companies InnoMedica Holding AG and InnoMedica Schweiz AG according to the Swiss Code of Obligations (OR) and International Financial Reporting Standards (IFRS). In the previous year, the fee was CHF 20,000 plus VAT. (without IFRS financial statements).

# Report of the statutory auditor

to the General Meeting of InnoMedica Holding AG, Zug

## Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of InnoMedica Holding AG, which comprise the balance sheet, income statement, cash flow statement and notes (pages 10, 11, 13 to 15), for the year ended 31 December 2021.

### Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with the requirements of Swiss law and the consolidation and valuation principles described in the notes. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements for the year ended 31 December 2021 comply with Swiss law as well as with the consolidation and valuation principles described in the notes.

## 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 consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers AG

Hanspeter Gerber  
Audit expert  
Auditor in charge

Andreas Scheibli  
Audit expert

Zürich, 2 February 2022

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, 8050 Zürich  
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, [www.pwc.ch](http://www.pwc.ch)





## Marketing authorization application submitted for Talidox

In December 2021, Swissmedic reported compliance with the formal requirements of the submitted dossier. InnoMedica now expects to receive a list of questions by April 2022. This will be followed by a review phase of the answers before an ordinary marketing authorization can be granted.

# Annual financial statements

## InnoMedica Holding AG

### Balance sheet

Year	December 31, 2020	December 31, 2021
<b>Assets</b>	<b>CHF</b>	<b>CHF</b>
Cash and cash equivalents	11,544,171	14,339,769
Securities	144,325	138,775
Other current receivables	190,090	237,795
Prepaid expenses and accrued income	1,980	-
<b>Total current assets</b>	<b>11,880,565</b>	<b>14,716,339</b>
Loans to Group companies	4,000,000	4,000,000
Subsidiaries <sup>3</sup>	2,269,768	2,269,768
<b>Total fixed assets</b>	<b>6,269,768</b>	<b>6,269,768</b>
<b>Total assets</b>	<b>18,150,334</b>	<b>20,986,108</b>
<b>Liabilities and shareholders' equity</b>	<b>CHF</b>	<b>CHF</b>
Accounts payable	14,579	17,720
Liabilities to Group companies	1,707,741	1,391,734
Liabilities to shareholders	240,000	-
Accrued expenses and deferred income	62,004	96,100
<b>Total current liabilities</b>	<b>2,024,323</b>	<b>1,505,554</b>
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>
Share capital	1,371,687	1,417,099
Total legal reserves	43,807,406	59,156,493
Reserves from capital contributions	41,789,371	57,138,458
Other legal reserves	2,018,035	2,018,035
Loss carried forward	-20,131,419	-29,049,029
Annual loss	-8,917,609	-12,039,956
Treasury shares	-4,054	-4,054
<b>Total shareholders' equity</b>	<b>16,126,010</b>	<b>19,480,553</b>
<b>Total liabilities and shareholders' equity</b>	<b>18,150,334</b>	<b>20,986,108</b>

<sup>3</sup> See notes in Appendix P 21.

## Income statement

Year	2020	2021
<b>Net sales</b>	<b>CHF</b>	<b>CHF</b>
<b>Total net sales</b>	-	-
<b>Cost of materials and services</b>		
Development expenses	-7,804,270	-10,385,083
<b>Total cost of materials and services</b>	<b>-7,804,270</b>	<b>-10,385,083</b>
<b>Personnel expenses</b>		
Wages and salaries	-719,458	-807,925
Social security expenses	-100,277	-96,589
Other personnel expenses	-24,189	-57,984
<b>Total personnel expenses</b>	<b>-843,924</b>	<b>-962,498</b>
<b>Other operating expenses</b>		
Administrative expenses	-76,939	-223,396
Capital increase expenses	-211,513	-506,938
Advertising expenses	-	-10,656
<b>Total other operating expenses</b>	<b>-288,452</b>	<b>-740,989</b>
<b>EBITDA / EBIT</b>	<b>-8,936,646</b>	<b>-12,088,571</b>
Financial expenses	-16,617	-43,906
Financial income	42,508	100,913
Value adjustment on securities	16,396	-7,046
Currency differences	-17,906	3,040
<b>EBT</b>	<b>-8,912,266</b>	<b>-12,035,571</b>
Capital taxes	-5,344	-4,385
<b>Net income</b>	<b>-8,917,609</b>	<b>-12,039,956</b>

## Cash flow statement in CHF

Year	2020	2021
Net income	-8,917,609	-12,039,956
Non-cash expenses	3	-
Change in current assets	-78,502	-40,175
Change in current liabilities	601,477	-312,865
Change in accrued expenses and deferred income	17,398	34,096
<b>Cash flow from operating activities</b>	<b>-8,377,234</b>	<b>-12,358,900</b>
<b>Cash flow from investing activities</b>	<b>-</b>	<b>-</b>
Loan to Group company	-4,000,000	-
Issuance and repayments of debt	240,000	-240,000
Equity contributions	10,056,926	15,394,499
<b>Cash flow from financing activities</b>	<b>6,296,926</b>	<b>15,154,499</b>
<b>Change in cash and cash equivalents</b>	<b>-2,080,308</b>	<b>2,795,599</b>
Cash and cash equivalents as of Jan. 01	13,624,478	11,544,171
Cash and cash equivalents as of Dec. 31	11,544,171	14,339,769
<b>Change in cash and cash equivalents</b>	<b>-2,080,308</b>	<b>2,795,599</b>



# Notes to the financial statements InnoMedica Holding AG 2021

The 2021 financial statements of InnoMedica Holding AG comprise the separate financial statements of InnoMedica's parent company. InnoMedica Holding AG is a 100% shareholder of InnoMedica Schweiz AG and YAMAZAKI-DDS Co., Ltd. InnoMedica Schweiz AG bundles the operating business of the InnoMedica Group and is linked to InnoMedica Holding AG via a research and development contract. The purpose of YAMAZAKI-DDS Co., Ltd. is to hold patents in the field of liposomal drug delivery system. The share capital of YAMAZAKI-DDS Co., Ltd. is 10,000,000 Japanese yen.

The financial statements have been prepared in accordance with the provisions of the Swiss Code of Obligations (OR) on commercial accounting and financial reporting. The income statement is prepared using the nature of expense method and the cash flow from operating activities is prepared using the indirect method. Further notes to the financial statements of InnoMedica Holding AG (valuation principles, classifications and explanations as well as additional information) can be found in the notes to the consolidated financial statements of InnoMedica Holding AG (see P14/P15).

## Classifications and explanations

**Subsidiaries:** The subsidiaries include YAMAZAKI-DDS Co., Ltd. (domiciled in Ibaraki, Japan) and InnoMedica Schweiz AG (domiciled in Bern). The investment in YAMAZAKI-DDS Co., Ltd. continues to be valued at CHF 200,000 and comprises intellectual property assets (patents) in the nanomedicine field. The investment in InnoMedica Schweiz AG is valued at the amortized cost of CHF 188,673 plus the value of the transferred assets of CHF 1,881,095. With an asset transfer agreement, InnoMedica Holding AG transferred property, plant and equipment in the amount of CHF 877,603, cash and cash equivalents in the amount of CHF 1,000,000 and prepaid expenses in the amount of CHF 3,492 to InnoMedica Schweiz AG as of January 1, 2019.

## Carrying forward of net loss

The loss of CHF 12,039,956 is added to the loss carried forward of CHF 29,049,029 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 accompanying financial statements of InnoMedica Holding AG, which comprise the balance sheet, income statement, cash flow statement and notes (page 18 to 21), for the year ended 31 December 2021.

#### 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 2021 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.

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

PricewaterhouseCoopers AG

Hanspeter Gerber

Audit expert  
Auditor in charge

Andreas Scheibli

Audit expert

Zürich, 2 February 2022

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, 8050 Zürich  
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, [www.pwc.ch](http://www.pwc.ch)

# General information

**Business idea** InnoMedica is developing a new generation of drugs based on an innovative liposomal transport system that influences the distribution of active ingredients in the body and aims to improve the biodistribution of known active ingredients. 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 patients. A second project (Talineuren) aims to use liposomes to treat neurodegenerative diseases such as Parkinson's disease, ALS and Huntington's disease. In addition, the patented technology platform is also to be used in other indications, such as arteriosclerosis or in the treatment of bacterial toxins without the use of antibiotics, as well as in diagnostics and infectiology. .

**Corporation** InnoMedica comprises the companies InnoMedica Holding AG (parent company), InnoMedica Schweiz AG and YAMAZAKI-DDS Co., Ltd. (domiciled in Ibaraki, Japan).

**Board of Directors** Dr. Peter Halbherr (Chairman), Dr. Denis Bron (Vice Chairman), Dr. Noboru Yamazaki, Prof. Dr. Urs Wälchli.

## More information on InnoMedica Holding AG:

**Legal structure** Public limited company

**Founded** June 05, 2000

**Shares outstanding** 14,170,987 registered shares at CHF 0.10 par value

**Listing/Trading** OTC via Investor Relations, Mrs. Andrea Zurkirchen

**Security number** 55.897.390

**ISIN number** CH0558973902

**Investor Relations** Mrs. Andrea Zurkirchen, phone +41 (0)44 383 88 22

**Headquarter** InnoMedica Holding AG, Baarerstrasse 34, CH-6300 Zug

**Website** [www.innomedica.com](http://www.innomedica.com)

**E-mail** [info@innomedica.com](mailto:info@innomedica.com)

This annual report contains certain forward-looking statements. These may be identified by statements containing the words "should", "assume", "expect", "anticipate", "intend" or similar expressions and phrases. Actual future results could differ substantially from those contained in forward-looking statements due to various factors, including legal and regulatory developments, foreign exchange rate fluctuations, changes in market conditions and in the activities of competitors, failure to launch or delay in launching new products for various reasons, risks related to new product development, production hold-ups, loss of or inability to obtain intellectual property rights, legal disputes and proceedings, adverse publicity and media coverage.

# InnoMedica Holding AG

Zug - Switzerland

InnoMedica Schweiz AG  
Gesellschaftsstrasse 16  
CH-3012 Bern

Contact  
+41 (0)44 383 88 22  
info@innomedica.com  
www.innomedica.com

The English version of InnoMedica,s Annual Report  
2021 was translated from the original German  
version which shall be binding in case of disparities.