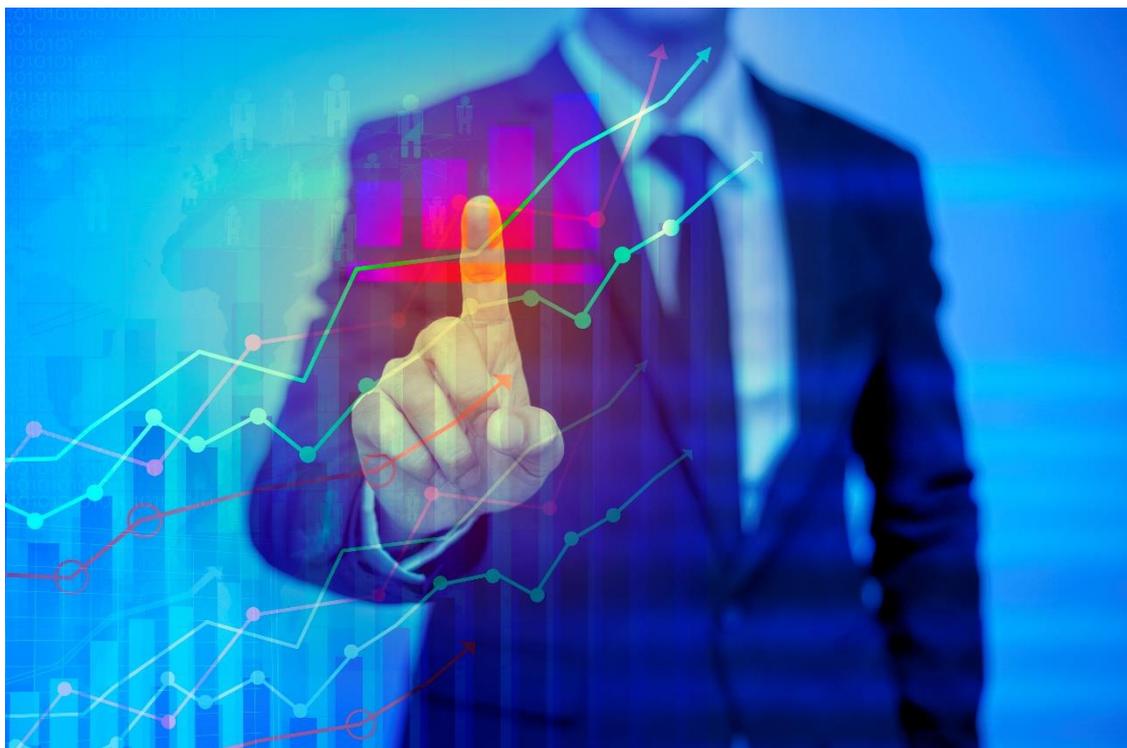


SWISS BIOTECH REVIEW 2019



Dear investor,

Another very important year for TOPADUR PHARMA AG ("TOPADUR") in our young and dynamic start-up is slowly coming to an end with the planned **entry into our first clinical trial** towards the end of 2019. This entrepreneurial milestone also allows us to address and absorb new investors in the first days of this fall 2019 by way of our exclusive "**Round C**" **capital increase**. Isn't an investment in health and thus in exciting groundbreaking new developments of the future also something for you?

This **Investor Information 2019** focuses on one central questions:

- What is the general situation in 2019 and onwards with the biotechnology sector in Switzerland?

The following comments focus in review on the biotechnology sector and the very positive signs and outlooks for the Swiss biotechnology industry in the years to come.

GENERAL FORECASTS FOR 2020 IN THE SWISS BIOTECHNOLOGY SECTOR



It goes without saying that a private equity investment almost always depends on the **GENERAL MARKET ENVIRONMENT** and the **ECONOMIC PROGNoses** for the next 3-5 years as they are going to automatically and additionally stimulate the rapid development in the **BIOTECHNOLOGY SECTOR** also beyond 2020 in the next years. Therefore, we focus in this issue primarily on the biotech industry in Switzerland.

Among investors, biotechnology is regarded as dynamic and innovative. After some very promising highs in 2017 and 2018 it often seems to outsiders that the promised market launch dates are always postponed as proven by many examples - and thus, of course, with this process the hoped-for price advances. However, the sector is still extremely promising. However, volatility is certainly not uncommon among listed companies. One fact remains: Biotech investments require the patience of investors. This in fact is in the nature of things, as there are clear investments in **research & development (R&D)** - a very dynamic and sometimes difficult to calculate industrial sector - with the inherent challenges, but also immense opportunities and outstanding profit growth options in the case of groundbreaking research results.



REVIEW 2017 / 2018 - SWISS BIOTECH SECTOR

Looking back in 2019, one can safely say that for many Swiss biotech companies the forecasts were simply far too optimistic. But the regulatory authorities are also increasingly putting a spoke in the wheel for the companies. Just think of **Cosmo**, for example. According to the *US Food and Drug Administration (FDA)*, deficiencies are preventing the continuation of discussions on labelling and sales requirements for the company's most important product. A few weeks ago, the European regulatory authority also whistled **Santhera** back. A treatment for MS showed no better effect than placebos. Both **Cosmo** and **Santhera** suffered severe price setbacks. This can and will happen again and again and is also part of such an investment, which an investor in biotechnology must know by entering our special investment niche.

Of course, a market launch of a drug is a delicate matter with a high risk of failure. However, confidence in the industry amongst all experts is still very high, as biotech stocks were indeed among the big price winners. The mood turned around somewhat in 2019 - partly because **Actelion**, the Swiss model biotechnology student, disappeared through a takeover and left a dent. The successor company **Idorsia** has a promising pipeline. However, as mentioned above, patience is required until a drug reaches market maturity. **Molecular Partners**, which went public early in order to secure funds for product development, also has a similar situation. **Newron** and **Basilea** also continue to demand patience from investors. **Polyphor**, which ventured to go public in 2018, was also exposed to this challenging environment. The Allschwil-based company near the city of Basel has several product candidates, but here too the patience of investors is put to the test, whether listed on the stock exchange or not, as will also be the case with **an investment in TOPADUR**.

Another statement: With the steadily increasing importance of biopharmaceuticals, the boundaries between the pharmaceutical and biotechnology industries are becoming blurred. In recent years, many large pharmaceutical groups have started to expand their traditional business with biotechnology - thanks to the corresponding liquidity cushion also through takeovers. This is also **an *opportunity plus*** for us, because **TOPADUR is a very interesting candidate not only for "big pharma"**.

OUR BIOTECHNOLOGY SECTOR IN NUMBERS



BiotechPark in Schlieren / Zurich – «Home of Topadur»

The biotechnology sector in Switzerland has experienced remarkable growth in recent years and has made an impressive comeback to investors: After the bursting of the tech bubble at the turn of the millennium, the days of niche existence are finally over. Today, biotechnology is an industry worth billion. Many companies have found their way into profitability and are now on the market with one or more products. Biotech companies had already generated sales of around USD 1.2 billion in 2015, which more than doubled in five years compared to 2010. In 2018, the Swiss biotech industry even continued the growth of recent years with extremely positive sales figures and successfully increased its sales to 4 billion Swiss francs. Not only did the number of companies themselves increase, but sales and expenditure on research and development also increased.

As *Jürg Zürcher*, biotech expert at **EY**, explained to journalists at the **Swiss Biotech Day** in May 2019, the industry was missing some of the very big transactions according to the Swiss Economic Newspaper *Finanz & Wirtschaft* in the past year of 2018, such as when **Actelion** went to **Johnson & Johnson** in 2017 and now trades under the name **Idorsia**, but one basic law still applies: the biotech industry is still delivering some extraordinary results. TOPADUR is trying to build on this Swiss tradition and is working hard to also score with research for the investor to achieve outstanding returns to pay back their trust in us.

In 2018, the biotech industry received a lot of attention from investors and other life science companies. The industry was clearly on the lookout for new, innovative medicines to meet the still unmet demand for certain diseases.

In his presentation, *Zürcher* also focused on the **IPOs last year**. With a total of 77 IPOs worldwide that generated more than USD 7.2 billion in new capital, new standards had also been set here. There were 58 IPOs in the USA and 19 in Europe.

Polyphor-IPO among the best

As mentioned, Swiss based **Polyphor** was also exposed to an overall challenging market environment but serves as a very good example for us in the industry, because the IPO of *Polyphor* was remarkable. With the CHF 155 million raised by the biotech company with its IPO, *Polyphor* was in fact one of the most successful IPOs in Europe last year.

Last year, the industry in Switzerland comprised a **total of 249 biotech companies and 63 suppliers**. In both cases a clear increase over the previous year. Fortunately, the number of employees also rose by 4% to **14,300**.

Together, these companies also exceeded the **CHF 4 billion mark in sales** for the first time in 2018. In 2017, the previous year's figure was **CHF 3.8 billion**. The continuing expenditure on *research and development (R&D)* that these companies will have to make in addition to this is also a promise for future growth for the industry.

Different inflows of funds

As many of these companies do not yet generate sales, they are dependent on financing. There has been a clear shift in 2018. Capital investments - in listed biotech companies in particular - experienced a real boom.

Listed companies raised a total of CHF 1.26 billion. In contrast, privately held biotech companies such as TOPADUR received CHF 357 million. The listed companies have collected almost 80% of the capital investments. In 2017, this ratio was even more balanced, with 60% for listed companies and 40% for privately owned companies.

However, it would be wrong to speak of a general restructuring. After all, a few companies such as **Crispr**, **Idorsia** or the aforementioned company **Polyphor** with their financing rounds or the IPO would have contributed a large part to this total sum. An investment in biotech is therefore **always** also **an investment in innovation, growth** and the **support of a prospering and promising Swiss industrial sector**, which - as the listed examples mentioned above do show - remains attractive internationally in 2020 and onwards.

Join us at TOPADUR for this future challenging ride and **become an exclusive TOPADUR Investor!**

Schlieren, July 2019