

29 April 2011

Annual Report 2010

Table of content

Annual review 2010.....	2
Company profile	3
Letter to the shareholders	5
Operating and financial review	6
Corporate Governance.....	7
mondoBIOTECH holding AG – Consolidated financial statements 2010	18
Consolidated balance sheet (in CHF)	19
Consolidated income statement (in CHF)	20
Consolidated statement of comprehensive income (in CHF).....	21
Consolidated cash flow statement (in CHF)	22
Consolidated statement of changes in equity (in CHF)	23
Notes to the consolidated financial statements	24
Report of the statutory auditor on the consolidated financial statements	44
mondoBIOTECH holding AG – Financial statements 2010	47
Balance sheet (in CHF)	48
Income statement (in CHF)	49
Cash flow statement (in CHF)	50
Notes to the financial statements	51
Proposed appropriations and compensations	56
Report of the statutory auditor on the financial statements.....	57

Company profile

The fundamental concept underlying mondoBIOTECH's business is the belief that:

- The most effective and safest medicinal products can be obtained through redirecting known biological immuno-modulating substances by use of our Search & Match applications. Immuno-modulating substances regulate cell interaction, communication and behaviour within the human body, and their mechanisms of action are well researched, publicly available but widely distributed and in disordered form;
- There is no correlation between the high amount of resources invested in research and development and the resulting output obtained, at least not measurable in the numbers of new commercialized chemical entities. Therefore, the ability of bringing a new medicinal product to the market must necessarily be a process characterised by additional value drivers that we expect to be, among others, in-depth information exchange, interaction, versatility and flexibility. Based on this, mondoBIOTECH has built up and maintains a continuously growing community of biologists, biochemists, physicians, patients, patient advocacy organisations as well as other persons and organisations who are interested or wish to share their experience, know-how, expertise and skills and like mondoBIOTECH, are focused on having an appropriate medical treatment for rare and neglected diseases available for patients (the “**mondoBIOTECH Community**”);
- Today, it is estimated that there are more than 7'000 rare and neglected diseases without appropriate medical treatment in the world affecting about 27 to 36 million people in the European Union (EU) and 25 to 30 million people in the U.S.

mondoBIOTECH's business is:

To build a cash generating, profitable and sustainable business focused on the exploitation of the economic potential of medicinal product candidates (“**MPCs**”, each an “**MPC**”) by way of entering into business relationships with third parties (such as collaboration or licensing agreements) with the ultimate purpose of obtaining market authorisation for such MPCs for the treatment of patients suffering from rare and neglected diseases. This is based on:

- Discovering the most result-promising MPCs by analysing scientific data on already known biological immuno-modulating substances (in particular peptides) with our internally developed IT applications (“**Search & Match**” applications);
- Interacting and networking with the mondoBIOTECH Community to (i) scientifically validate and advance the development and (ii) find new sustainable ways to finance, promote and market MPCs.

mondoBIOTECH main areas of activity are:

- **Licensing.** We license out our MPCs to third parties which seek to perform further clinical development in order to obtain marketing authorisation and achieve commercialization. The first licensing out related to the use of the MPC called Interferon- γ for the treatment of idiopathic pulmonary fibrosis (IPF), on which in 2002 mondoBIOTECH signed an agreement with NASDAQ-listed InterMune, Inc. In 2006, mondoBIOTECH licensed its second MPC called Aviptadil for the treatment of pulmonary arterial hypertension (PAH) to Biogen. In 2007, mondoBIOTECH entered into an agreement with LungRX regarding the licensing of five MPCs at the option of LungRX. This agreement was at that time insofar important for mondoBIOTECH as it related to MPCs in very early stage (i.e., immediately after filing of the relevant intellectual property applications) and thus demonstrated the scientific fundament of mondoBIOTECH's informatics' analysis approach. The first choice was made by LungRX in December 2008 when it decided to start activities on the MPC called Secretin for the treatment of Methicillin-resistant Staphylococcus aureus infections in patients with cystic fibrosis. By an agreement entered into in 2010 with LungRX, mondoBIOTECH extended the licensing agreement signed in 2006 with Biogen to indications additional to PAH (including IPF, Sarcoidosis and acute respiratory distress syndrome -ARDS) with a potential enlargement of the targeted market. Biogen remains contractually involved with us with financial interests on Aviptadil in PAH only. To date, we discovered more than 300 MPCs enhanced by respective intellectual property applications ready for further clinical development;
- **Services.** We perform clinical development services for our Commercial Partners contributing to an efficient and further development of our MPCs. After having signed the license agreement in 2006, mondoBIOTECH entered in 2007 into a service agreement with Biogen for providing clinical development services mainly in the project management area and in the management of intellectual properties. During 2002 and 2003, we provided the same nature of services for InterMune to further develop new potential indications in using INF- γ . From 2004 onward, mondoBIOTECH entered into different collaborations with Bachem AG, a wholly owned subsidiary of SIX Swiss Exchange-listed Bachem Holding AG specialized in the process development and the manufacturing of peptides as active pharmaceutical ingredients (API), with the intent of providing ready-to-use peptides and final dosage forms for further clinical development to our existing and future commercial partners. What mondoBIOTECH experienced until today is the synergic effect on the overall licensing strategy of our service capacity. We expect therefore to improve this specific area of activity;
- **Genetics.** We contribute to increasing the knowledge of genetics and prepare the potential use of gene therapies in the future. Rare diseases are in 80% of their forms of genetic origin, but we do not expect genetics will generate such tangible advantages for patients – whether or not affected by rare and neglected diseases – within very short time. For this reasons and in order to improve the understanding of how genetics influence rare diseases, we entered on 2009 into an agreement with 23andMe, Inc., a private held company financed by, inter alia, Google Ventures (the venture capital arm of Google, Inc.), to advance research on genotyping of individuals affected by rare diseases. Furthermore, we are working on the basis of future uses of gene therapies as new therapeutic ways for rare and neglected diseases in anticipation of the expected progresses of the medical science in this field;

- Information technology (“IT”). IT is a core element of our business model and we consider IT one of the key factors for our success. The progressive use of IT applications within a community environment lead us to comprehend the potential economies of scale related to this distinctive feature of mondoBIOTECH. We are continuously improving and extending our IT for analyzing (Search & Match applications) and distributing (use of large scale, distributed, self-generating technology architecture) information within the mondoBIOTECH Community. mondoBIOTECH is in the process of protecting its search and match technology and applications with intellectual property rights.

mondoBIOTECH growth strategy is focused on:

- Expand our capacity on IT platforms and Search & Match technologies in order to: (i) improve the quality of information; (ii) achieve scale effects in the discovery of new MPCs; and (iii) increase the flow of information and interactions within the mondoBIOTECH Community;
- Find new sustainable ways to economically exploit our MPCs;
- Use our clinical development know-how in synergies with the economic exploitation of our MPCs;
- Working on the basis of future uses of gene therapies as new therapeutic ways for rare and neglected diseases in anticipation of the expected progresses of the medical science in this field;

In order to do so and until mondoBIOTECH is able to generate positive cash flows from operating activities, we plan to increase our share capital through the issuance of new shares or similar equity instruments on a continuing basis.

Letter to the shareholders

Dear Shareholders,

2010 has been the year where MondobioTECH started the demanding task of shifting from start-up to mature company. It is a difficult and lengthy but necessary path every company has to undertake to bring to maturity its business plan and achieve the objectives that the company and its investors have set.

We have faced and we are still facing many challenges in this delicate process, the most important of which can be summarized under some major themes : business model validation, Search&Match technology, execution and integration of new management.

For what concerns the business model validation, MondobioTECH reached its 10th anniversary since inception and the Company has proved that pure laboratory research is not the only method that allows the discovery of cures for diseases. In today's world of segmented know-how and distributed communities of scientists, physicians, patients and others involved in the field, the Search&Match approach that it is at the base of the MondobioTECH model is providing a fantastic tool for identifying cures and viable treatments for rare diseases. MondobioTECH's model today is largely based on interconnecting the know-how of dispersed and distributed communities and creating an engine of knowledge to be utilized on rare diseases and other fields.

In 2010 the company business model, now based on the Search&Match bio-mathematical methodology, generated the first 11 ready for licensing Medicinal Product Candidates (MPCs). These 11 MPCs, together with the 3 products already licensed, show that a sustainable new different business model can be created in the very regulated and arduous field of biotech and pharma.

Since September 2010 the company has undertaken an effort to formalize a bio-mathematical methodology for redirecting peptides in rare diseases and consequently strengthening the Search&Match technology. Based on the CEO's (Ruggero Gramatica) expertise in the field of Applied Mathematics, the technology team was able in only 6 months to structure and implement a technological platform designed to extract and analyze key information directly from scientific recognized publication in the field of biology and medicine. The platform can virtually deal with any kind of natural language expressed as text, which is then processed using a specific mathematical model whereby indirect relations among the identified concepts are weighted and ranked through several "ad hoc" mathematical algorithms and techniques.

The Search&Match technology will enter into the last validation process soon and soon thereafter will be made available to the scientific team in order to increment the number of compounds to be analyzed and matched with diseases for the next round of MPCs ready for licensing. Meanwhile further mathematical modeling is under analysis in order to keep on enhancing the discovery and matching algorithms.

With regard to execution, in the Biotech and Pharma industry a typical start-up phase is generally very long when compared to other business fields as it takes time to reach market profitability. Nonetheless in order to achieve company and business goals any firm should be able to set up in very short time healthy and efficient organizational dynamics. To accomplish such level of organization MondobioTECH must continue structuring itself by adopting and integrating business and industrial processes and attitudes that will raise its credibility towards external stakeholders and generally investors/media community and bringing more internal efficiency to help our staff to grow both professionally and personally.

Finally, new experienced people have entered the company at various management levels bringing different business philosophy and skills set. The integration has challenged everybody in the Company but has brought growth in almost every business area starting to execute the program on the way to mature phase.

2011 will be driven by a strong focus on a targeted partnering strategy and exploitation of the company's medicinal product candidates, on the continuous improvement of the Search&Match technology and on the achievement of efficient synergistic relationships in the services business area. We will continue to do our best to achieve the maximum possible results in the execution of this strategy.

The Chairman and the CEO of mondoBIOTECH holding AG

Operating and financial review

1 Global overview

The Group generated operating revenues of CHF 0.38 million in the year ended 31 December 2010 (2009: CHF 13.74), mainly from clinical development services related to our licensing agreements, against operating expenses of CHF 19.62 million (2009: CHF 25.84 million) for the same period, 75% of which was derived from research and development activities which in accordance with IFRS were not capitalized, 17% to sales and marketing and 8% to management and administration. The net loss for the year 2010 amount to CHF 19.39 million (2009: CHF 12.21 million), representing a basic and diluted loss per Common Share of CHF 3.046 (2009: CHF 1.868) and a basic and diluted loss per Voting Right Share of CHF 0.288 (2009: CHF 0.187). The Group raised net proceeds of CHF 14.95 million during 2010 from private and public placements of new shares and as of 31 December 2010 the Group held CHF 2.39 million of cash and cash equivalents.

On 13 April 2011, the Company closed a round of fundraising by issuing 165'042 new Common Shares from its authorized share capital for a gross contribution of about CHF 8.08 million. The Group has sufficient cash and cash equivalents necessary to finance its actual level of activities for at least twelve months. The operations during 2011 will continue to focus on the economic exploitation of the pipeline on medicinal product candidates and on strengthening the expected economic potentials of the Group's other business areas (mainly development services and a further improvement of the activities in the genetic field), the effects of which will be recognized, if any, only during the next coming years.

Nevertheless, the Group remains subject to various risks and uncertainties, including but not limited to the timing of achieving profitability, and to continue operations and its growth strategy, the Group depends on its ability to raise additional capital until revenues reach a level to sustain positive cash flows.

2 Results of operations 2010

Revenues

The revenues for the year ended 31 December 2010 were CHF 0.38 million, resulting from the performance of services in the segment 'Development Services'. In 2009, the revenues in this segment were CHF 13.13 million and the revenues from licensing activities (segment 'Projects') were CHF 0.61 million, amounting to total revenues for the year 2009 of CHF 13.74 million. The decrease in 2010 was caused by the reduction of activities due to the gradual completion of the clinical phase II trial services performed for a commercial partner during the first half of 2010.

Research and development

Research and development expenses decreased from CHF 20.14 million in 2009 to CHF 14.54 million in 2010. Compared to the previous period, the Company had a strong reduction of costs in the segment 'Development Services' from 11.05 million down to 2.14 million, which is fully in line with the reduction of activities in this segment, but on the other side there was a significant increase of costs in the segment 'Projects' of about CHF 3.19 million during 2010 in respect of the previous year, which mainly derives from the net effect of increased intellectual property costs (CHF 2.85 million, mainly driven by the entrance into the nationalization phase on the Company's intellectual properties in the first six months of 2010), employee benefit expenses (CHF 1.02 million, mainly due to the increase of the resources in the last part of the year), facilities cost (CHF 0.64 million, mainly driven by the de-recognition of the capitalized expenses incurred until 30 September 2010 related to the project of renovation of the Company's headquarter in Stans for globally CHF 0.94 million, of which CHF 0.61 million classified under 'Research and development', CHF 0.28 million under 'Sales and Marketing' and CHF 0.05 million under 'Management and Administration') and information technology and travel costs (CHF 0.34 million) against reduced third party services on the further development of projects (CHF 0.8 million) and a lower charge of impairments on assets classified by the group as held for sale and therefore evaluated at fair value (CHF 1.23 million).

Sale and Marketing

Sales and marketing expenses were not subject to material changes (small decrease from CHF 3.63 million during 2009 to CHF 3.40 million in 2010) mainly - except for the quote of derecognized capitalized expenses mentioned above - reflecting a stabilization of the activities of the Group in this function.

Management and administration

Management and administration expenses were CHF 2.07 million during 2009 and CHF 1.68 million in 2010. The decrease is the result of the further rationalization process in the function leading to an overall reduction of cost, in particular from general consulting services.

Corporate Governance

The Company's corporate governance principles are laid out in the articles of incorporation (the "Articles"), in the by-laws (the "By-laws"; *Organisationsreglement*) adopted by the Board of Directors (alternatively, the "Board") and in a set of other group directives, including a code of conduct and insider trading rules as well as an internal control system (the "ICS"). The Articles, the By-laws and the code of conduct can be viewed or downloaded on the Company's webpage at <http://www.mondobiotech.com/investor/corporate-governance/code-conduct>; <http://www.mondobiotech.com/investor/corporate-governance/articles-incorporation-eng>; <http://www.mondobiotech.com/investor/corporate-governance/bylaws>.

Further information disclosed below conforms to the Directive on Information relating to Corporate Governance issued by the SIX Swiss Exchange. In order to avoid redundancies, references are inserted to other parts of this Annual Report and links to mondoBIOTECH's website www.mondobiotech.com that could provide additional, more detailed information.

1 Group structure and shareholders

Listed company

Company Name	mondoBIOTECH holding AG
Domicile	Mürgstrasse 18, CH – 6370 Stans
Register number	CH-170.3.030.530-0
Listing ¹	SIX Swiss Exchange, symbol 'RARE'
ISIN of the listed Common Shares ¹	CH0101910732
Swiss security ID of the listed Common Shares	10191073
Market capitalization 31 December 2010 ¹	CHF 79 million
Duration of the company	Unlimited

¹ Only the Common Shares, but not the Voting Right Shares (as defined below in this Annual Report), are listed at the SIX Swiss Exchange. The market capitalization refers therefore exclusively to the capitalization of the listed Common Shares.

Unlisted companies

The following unlisted companies belong to the mondoBIOTECH holding AG scope of consolidation:

Company	Activities	Share capital
mondoBIOTECH Europe SA ¹ , Collina d'Oro	Clinical development	CHF 138'750
mondoBIOTECH AG, Stans	Licensing-out	CHF 338'364
mondoBIOTECH Laboratories AG, Vaduz	Economic and scientific conceiving of new approaches in the healthcare and the IT area, and their intellectual property coverage;	CHF 50'000
www.mondobiotech.com, Inc., Palo Alto	IT applications	USD 10
Fast Take-Off AG, Stans ²	Management of certain Group assets	CHF 100'000
TheraNostics GmbH, München ³	Currently, no operating activities	EUR 55'000
mondoBIOTECH US, Inc., New York ³	Currently, no operating activities	USD 200

¹ On 25 November 2010, Alps Air AG, Stans, and mondoGEN AG, Stans, were merged into Interferon Medical Use SA, Collina d'Oro, with effect as of 30 September 2010 and Interferon Medical Use SA changed its name to mondoBIOTECH Europe SA.

² Fast Take-Off AG manages an airplane which is the object of a sale signed on 21 February 2011 and expected to close before 1 May 2011.

³ The interests in TheraNostics GmbH are held indirectly through mondoBIOTECH Europe SA. TheraNostics GmbH and mondoBIOTECH US, Inc. were formed for regulatory authority purposes in the EU and U.S., respectively. With the formation of www.mondobiotech.com, Inc., Palo Alto, the Group started the liquidation process of mondoBIOTECH US, Inc., New York by merging it into www.mondobiotech.com, Inc.

Significant shareholders

The table below shows those shareholders or groups of shareholders who, according to information available to the Company, hold more than 3% of the share capital and voting rights (whether exercisable or not) as of 31 December 2010:

Shareholders	Type of shares	Purchase Positions:					
		Number of shares	Percentage ²	Voting rights conferred by shares/ equity securities ¹	Financial Instruments (Voting rights conferred by conversion rights, share purchase rights and granted share sale rights and others)	Resulting total percentage holding of voting rights at time of notification	Percentage ²
				Number of shares	Percentage ²	Number of shares	Percentage ²

Purchase Positions:

		Voting rights conferred by shares/ equity securities ¹		Financial Instruments (Voting rights conferred by conversion rights, share purchase rights and granted share sale rights and others)		Resulting total percentage holding of voting rights at time of notification	
Shareholders' group ³ consisting of (1) BIOPHARMAinvest AKTIENGESELLSCHAFT ⁴ as the direct holder of Shares in the Company, (2) Stiftung PMSERV ⁵ as controlling shareholder of the entity (1) and (3) Prinz Michael von und zu Liechtenstein ⁶ controlling the entities (1) and (2)	Voting Right Shares	39'626'675	72.93%	-	-	39'626'675	72.93%
Other shareholders	Voting Right Shares and Common Shares	14'711'445 ⁷	27.07%	-	-	14'711'445	27.07%
Total shares		54'338'120	100.00%	-	-	54'338'120	100.00%

¹ As of 31 December 2010, the Company's issued share capital consists of 52'901'560 registered shares with a nominal value of CHF 0.01 each (the Voting Right Shares as defined above) and 1'436'560 registered shares with a nominal value of CHF 0.10 each (the Common Shares as defined above).

² Calculated on the basis of the total number of Shares/voting rights of the Company as registered in the relevant commercial register.

³ BIOPHARMAinvest AKTIENGESELLSCHAFT is controlled by Stiftung PMSERV. Prinz Michael von und zu Liechtenstein through his board memberships in BIOPHARMAinvest AKTIENGESELLSCHAFT and Stiftung PMSERV, indirectly controls the group members. Representative of the shareholders' group (*Gruppenvertreter*) is Prinz Michael von und zu Liechtenstein, Vaduz, Liechtenstein.

⁴ c/o INDUSTRIE- UND FINANZKONTOR ETABLISSEMENT, Herrengasse 21, FL - 9490 Vaduz, Liechtenstein. All of the shares of BIOPHARMAinvest AKTIENGESELLSCHAFT are held by Stiftung PMSERV, except for 4.46% of the shares which are held by Fabio Cavalli, Beckenried, Vera Cavalli, Muzzano, and Patrick Pozzorini, Comano. As Fabio Cavalli, Vera Cavalli and Patrick Pozzorini only hold a minority stake of 4.46% in BIOPHARMAinvest AKTIENGESELLSCHAFT, all the Shares held by BIOPHARMAinvest AKTIENGESELLSCHAFT are for disclosure purposes attributed to the shareholder's group consisting of BIOPHARMAinvest AKTIENGESELLSCHAFT, Stiftung PMSERV and Prinz Michael von und zu Liechtenstein. See footnote 3.

⁵ c/o INDUSTRIE- UND FINANZKONTOR ETABLISSEMENT, Herrengasse 21, FL - 9490 Vaduz, Liechtenstein. Stiftung PMSERV, a foundation (*Stiftung*) organised under the laws of Liechtenstein, is the direct controlling shareholder of BIOPHARMAinvest AKTIENGESELLSCHAFT. See footnote 3. The principal beneficiary (*Begünstigter*) of Stiftung PMSERV is Stiftung Prinz Michael, Vaduz, Liechtenstein, whose current beneficiaries are the spouse and existing and future direct and indirect descendants of Prinz Michael von und zu Liechtenstein. Currently, none of the beneficiaries of Stiftung PMSERV and Stiftung Prinz Michael, respectively, is a member of the board (*Stiftungsrat*) of Stiftung PMSERV and Stiftung Prinz Michael, respectively, and none of them has a right to issue instructions to, or to compel a distribution from Stiftung PMSERV and Stiftung Prinz Michael, respectively. Currently, Prinz Michael von und zu Liechtenstein is a beneficiary neither of Stiftung PMSERV nor of Prinz Michael Stiftung.

⁶ Vaduz, Liechtenstein. See footnotes 3 and 5.

⁷ 13'274'885 Voting Right Shares and 1'436'560 Common Shares.

As of 31 December 2010, the Company is not aware of any other person or group of persons directly or indirectly holding, alone, together or in concert with third parties, 3% or more of the voting rights in the Company or has or have a sale position of more than 3% of the voting rights in the Company.

Details on changes subject to disclosure requirements during the 2010 financial year can be viewed on the SIX Swiss Exchange disclosure platform at http://www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html.

Cross-shareholding

There are no cross-shareholdings.

2 Capital structure

Share capital

As of 31 December 2010, the issued share capital of the Company amounted to CHF 672'671.60, consisting of 1'436'560 fully paid-in registered shares with a nominal value of CHF 0.10 (the "Common Shares") and 52'901'560 fully paid-in registered shares with a nominal value of CHF 0.01 (the "Voting Right Shares", and together with the Common Shares, the "Shares"). Only the Common Shares, but not the Voting Right Shares, are listed and traded at the SIX Swiss Exchange.

For changes occurring between 31 December 2010 and the date of this Annual Report, please see section “Changes in the share capital” starting on page 9 of this Annual Report.

Authorized and conditional share capital

As of 31 December 2010, the Company had an authorized but not yet issued nominal capital of CHF 308'152.40, consisting of 3'081'524 registered shares with a par value of CHF 0.10 each that the Board of Directors shall be authorised to issue at any time until 30 April 2012.

As of 31 December 2010, the Company had a conditional share capital of CHF 326'941.30, consisting of 3'269'413 registered shares with a par value of CHF 0.10 each, of which CHF 180'000 (consisting of 1'800'000 registered shares with a par value of CHF 0.10 each) is to be used for share options for employees and consultants and CHF 146'941.30 (consisting of 1'469'413 registered shares with a par value of CHF 0.10 each) is to be used for the exercise of conversion option rights granted in connection with bonds, notes or similar debt instruments issued by the Company.

To date, there is no share option plan in place for employees and consultants. As a part of the round of fundraising closed on 17 February 2010 (see ‘Changes in the share capital’ starting on page 9 of this Annual Report), holders of subscription rights who had exercised their rights were given the possibility to purchase a call option entitling to subscribe for an option share at a price of CHF 150.00 at any time during a 3-year exercise period ending on 22 February 2013. Holders of subscription rights purchased a total of 11'141 call options. None of the call options were exercised until 31 December 2010 and are still outstanding. If executed, the conditional share capital will be consequently reduced by CHF 1'114.10. The Company has neither convertible bonds nor secured or unsecured bonds outstanding.

For details with regard to terms and conditions of potential issues under the Company's authorized and conditional share capital, see section 3a and 3b of the Articles, which can be downloaded from <http://www.mondobiotech.com/investor/corporate-governance/articles-incorporation-eng>.

For changes occurring between 31 December 2010 and the date of this Annual Report, please see section “Changes in the share capital” starting on page 9 of this Annual Report.

Changes in the share capital

mondoBIOTECH holding AG was founded on 20 March 2007 to perform a business combination between the companies' mondoBIOTECH AG and mondoGEN AG. The initial share capital of CHF 600'000, composed of 12'000'000 bearer shares with a par value of CHF 0.05 each, was fully subscribed and paid in through contributions in kind of an equity interest of 80.08% in mondoBIOTECH AG, of an equity interest of 100% in mondoGEN AG and a contribution in cash of CHF 239'957.

The extraordinary shareholders' meetings of 18 September and 10 December 2007 decided to perform a share capital increase for an amount of CHF 42'666 exclusively reserved to residual holders of shares of mondoBIOTECH AG. The capital increase was performed on 28 December 2007 and the shares were fully subscribed and paid in through contribution in kind of an equity interest of 19.92% in mondoBIOTECH AG.

On 24 October 2008, the Company's share capital was increased from CHF 642'666.25 to CHF 653'882.70 through the issuance of 224'329 new bearer shares with a nominal value of CHF 0.05 each and at an issue price of CHF 66.91 each out of the Company's authorised share capital.

On 20 February 2009, an extraordinary shareholders' meeting resolved to convert the then-existing bearer shares into registered shares and, at the same time, to split each bearer share with a nominal value of CHF 0.05 each into five registered shares with a nominal value of CHF 0.01 each.

In May 2009, the shareholders of the Company were offered to exchange their existing registered shares with a par value of CHF 0.01 into registered shares with a par value of CHF 0.10 by way of a reverse split. Following this offer, the extraordinary shareholders' meeting of 10 June 2009 resolved on the reverse split of 12'486'710 registered shares with a nominal value of CHF 0.01 each into 1'248'671 registered shares with a nominal value of CHF 0.10 each. Thereby the registered shares with a nominal value of CHF 0.10 issued at that point of time became Common Shares and the registered shares with a nominal value of CHF 0.01 became the Voting Right Shares.

In February 2010, the Company's share capital was increased from CHF 653'822.70 to CHF 661'796.10 through the issuance of 79'134 new registered common shares with a nominal value of CHF 0.10 each at an issue price of CHF 110.00 each out of the Company's authorized share capital. The new shares were offered to existing shareholders by way of an issuance of subscription rights and were fully paid-in in cash. The capital increase was implemented and registered with the commercial register on 17 February 2010.

In August 2010, the Company's share capital was increased from CHF 661'796.10 to CHF 672'671.60 through the issuance of 108'755 new registered common shares with a nominal value of CHF 0.10 each at an issue price of CHF 68.00 each out of the Company's authorized share capital. The new shares were offered to existing shareholders by way of an issuance of subscription rights, and shares not taken up by existing shareholders were offered by the Company to selected investors. The new shares were fully paid-in in cash. The capital increase was implemented and registered with the commercial register on 11 August 2010.

On 13 April 2011, the Company closed a round of fundraising by issuing 165'042 new Common Shares out of its authorized share capital at an issue price of CHF 49.00 per share, for a gross contribution of about CHF 8.08 million. The Company's issued share capital was therefore increased by CHF 16'504.20 up to CHF 689'175.80 and the authorized share capital correspondingly reduced. For

additional information on this fundraising, see note 30 "Events after the balance sheet date" on the consolidated financial statements of the Company on page 43 of this Annual Report.

Shares, participation and profit sharing certificate

As of 31 December 2010, the Company had two classes of share issued: 1'436'560 Common Shares and 52'901'560 Voting Right Shares. Only the Common Shares, but not the Voting Right Shares, are listed and traded at the SIX Swiss Exchange. Each Share carries one vote and is entitled to dividends if the shareholders' meeting resolves in favor of a dividend payment. As a consequence of the reverse split performed on 10 June 2009, the Common Shares have a nominal value which is ten times larger than that of the Voting Right Shares. As each Share carries one vote regardless of its nominal value, the voting power of the Voting Right Shares is ten times larger than that of the Common Shares. Voting rights may be exercised only after a shareholder has been registered in the share register as a shareholder with voting rights.

The Shares are issued as uncertificated securities (*Wertrechte*) and registered as intermediated securities (*Bucheffekten*) in the main register (*Hauptregister*) with SIX SIS AG. The Company has reserved the right to withdraw shares issued as intermediated securities from the respective custodian system in its Articles. A shareholder has no right to request the printing and delivery of certificates or the conversion of the shares into another form. The Company may, however, at any time print and deliver certificates (individual share certificates, certificates or global certificates) or convert the shares into another form and cancel issued certificates (if any). Shareholders registered in the Company's share register may at any time request from the Company proof of his or her shareholding.

Dividend-right certificates

The Company has not issued any non-voting equity security, such as participation certificates (*Partizipationsscheine*) or profit sharing certificates (*Genussscheine*).

Limitations on transferability and nominee registrations

In principle, the Shares are freely transferable. There is no percentage limitation, and consequently, the Company does not grant any exception. Pursuant to the Articles, any transfer in Shares, including the granting of security interests, is subject to the Intermediated Securities Act. The transfer of Shares by assignment further requires the notification to the Company for its validity.

Every person recorded in the share register is regarded as a shareholder or beneficiary vis-à-vis the Company. Pursuant to the Articles, the purchaser of Shares is entered in the register of shares, if there is an express declaration that the purchaser is holding the Shares for himself. This also applies to the acquisition of Shares through the exercise of purchase, option or conversion rights. If the purchaser is not prepared to make such a declaration, the Board of Directors may refuse registration as a voting shareholder. The Board regulates the rules for the registration of persons who hold the Shares in the name and for the account of a third person, so called nominees. No applications in this regard were submitted in 2010.

Convertible bonds and options

As of 31 December 2010 the Company has 11'141 call options outstanding giving the holder the right to purchase one Common Share out of the conditional share capital within an option period ending 22 February 2013 at a strike price of CHF 150 per option. Should the call options be executed, the covered share capital concerned amounts to CHF 1'114.10 (consisting of 11'141 newly issued registered shares with a par value of CHF 0.10 each).

The Company does not have any convertible or exchangeable bonds or loans nor warrant outstanding.

3 Board of Directors

Membership and permanent committee membership

Since the annual general meeting of mondoBIOTECH holding AG held on 30 April 2010, the Board of Directors and its permanent committees has consisted of the following members (alternatively, the "Directors"):

Name	Joined Board of Directors in	Position	Board Committees		
			AFC	NCC	SC
Fabio Cavalli	2007	Chairman		X	
Prinz Michael von und zu Liechtenstein	2007	Vice Chairman	X	X	
Prof. Dr. Robert Huber	2008				X
Prof. Michael Alan Keller ¹	2009				X
Prof. Dr. Med. Thomas Cerny	2009				X
Prof. Roland Maclean du Bois	2010				X
Robert Edward Patterson ¹	2010		X		
Graf Francis von Seilern-Aspang	2010				
Prof. Dr. Geoffrey West ¹	2010				
Ruggero Gramatica	2010				
Vera Cavalli	2008				

¹ With public disclosure dated 4 April 2011, the Company communicated the resignation with immediate effect from the Board of Directors of Prof. Michael Alan Keller, Robert Edward Patterson and Prof. Dr. Geoffrey West. Consequently, Robert Edward Patterson resigned also from his position as

member of the AFC. Michael Alan Keller resigned also from his position as board member and part-time managing directors of www.mondobIOTECH.com, Inc.

Director's education and professional background

Fabio Cavalli is the Chairman of mondobIOTECH, one of the founders and serves as Chief Business Architect for the Group. He has founded several successful start-ups in IT, consumer services and sports goods fields, gaining thereby considerable marketing and sales experience. Fabio Cavalli is a Swiss citizen. He was born in 1955.

Prinz Michael von und zu Liechtenstein is the Vice Chairman and one of the founders of mondobIOTECH. Prinz Michael von und zu Liechtenstein holds a degree in social sciences and business economics from the University of Vienna. He further studied in Canada and Europe and worked with Nestlé in the fields of controlling, general management and marketing, both in Europe and Africa. Since 1987, he has been the chairman of INDUSTRIE- UND FINANZKONTOR ETABLISSEMENT, a leading financial services and trust company in Liechtenstein. Prinz Michael von und zu Liechtenstein is also chairman of BIOPHARMAinvest AKTIENGESELLSCHAFT which is the majority shareholder of the Company (see 'Significant shareholders' on page 7 of this Annual Report). Prinz Michael von und zu Liechtenstein is a citizen of Liechtenstein. He was born in 1951.

Prof. Dr. Robert Huber is a biochemist with a doctorate degree from the Technical University of Munich, and is Nobel Laureate in 1988 in chemistry along with Dr. Johann Deisenhofer and Dr. Hartmut Michael for the determination of the three-dimensional structure of a photosynthetic reaction centre. In 1972, he joined the Max-Planck-Institut für Biochemie in Martinsried, Germany, where he served as director until his retirement in 2005. He is a guest professor at the University Duisburg-Essen, at Cardiff University, at the Universidad Autonoma de Barcelona and the Universidad de Sevilla, and at the Korean German Institute of Technology, Seoul. He is member of the Scientific Advisory Board of Bayer CropScience Company, Monheim, and of the Hochschulrat der Universität Bayreuth. He co-founded two biotech companies, Proteros Biostructures GmbH and SuppreMol GmbH, both located in Martinsried, Germany. Robert Huber is a German citizen. He was born in 1937.

Prof. Michael Alan Keller earned a Bachelor of Arts in biology and music from Hamilton College and master degrees from the New York State University in musicology and library science. He is Stanford University's librarian, director of Academic Information Resources, founder and publisher of High Wire Press, publisher of Stanford University Press and has led libraries at Cornell, Berkeley and Yale. Michael Keller's board service includes Research Data and Information of the National Research Council of the National Academy of Sciences USA, Hamilton College, Long Now Foundation, Bibliotheca Alexandrina and National Institute for Informatics of Japan. He was senior lecturer in musicology at Cornell and at Stanford. He is a guest professor at the Chinese Academy of Sciences, Senior Presidential Fellow of the Council on Library and Information Resources, advisor and consultant to numerous colleges, universities, foundations, scientific and scholarly societies, for the city of Ferrara, Italy, Newsweek magazine, the National Library of China, the National Library of Israel, the British Library, and the King Abdullah University of Science and Technology. He was a founder and then president of the Digital Library Federation. Michael Keller is a Siemens Stiftung 2008 Lecturer, Distinguished Senior Presidential Fellow of the Council on Library and Information Resources and fellow of the American Association for the Advancement of Science. Michael Keller is a U.S. citizen. He was born in 1945. Prof. Keller currently serves on a part-time basis as managing director of www.mondobiotech.com, Inc.

Prof. Dr. med. Thomas Cerny graduated from the Medical School of the University in Berne, Switzerland, where he also became a professor for medical oncology. Since 1998, Thomas Cerny is Head of Medical Oncology-Hematology Department at the Kantonsspital of St. Gallen, St. Gallen, Switzerland. Currently, he is the President of the Swiss Cancer League and member of numerous international cancer associations, aiming to develop new diagnostics and medications for cancer patients. Thomas Cerny is a Swiss citizen. He was born in 1952.

Prof. Roland Maclean du Bois. Prof. du Bois is Professor of Medicine at National Jewish Health in Denver, Colorado and at Imperial College, London. He is also a member of the American Thoracic Society, American College of Chest Physicians, European Respiratory Society, and British Thoracic Society. His research areas are the genetics of chronic fibrosing lung disease, cellular and molecular biology, autoimmunity/rheumatology, environmental and occupational diseases, and interstitial lung diseases (ILD)/pulmonary fibrosis. In Denver, Prof. du Bois works on a variety of programmes including: the development of a rheumatological lung disease program to define the clinical and molecular phenotypes of lung disease that occur in rheumatological disease; a program of research into hypersensitivity pneumonitis across the divisions of Pulmonary Medicine and Occupational and Environmental Health Sciences; studies into the genetic background to fibrosing and granulomatous lung disease in the Center for Genes, Environment, and Health. In each of these endeavours, a common goal is to bridge basic and clinical science into a bonded multidisciplinary translational research program with the patient at the core. He is a UK citizen and was born in 1951.

Robert Edward Patterson earned a Bachelor of Arts degree in physics from the University of California at Los Angeles and a Juris Doctor at the Stanford University School of Law. In addition, Robert E. Patterson served as a Lieutenant Commander in the U.S. Navy, completing extensive training in nuclear physics as pertaining to pressurized water thermal neutron reactors, propulsion engineering, nuclear weapons, strategic submarine operations and military intelligence. He is an experienced and highly regarded venture capitalist based in Silicon Valley with 35 year fellow at Squire, Sanders & Dempsey, specialized in high technology venture investing and international business of all types. He was the Inaugural Fellow of the Center for Private Equity and Entrepreneurship at the Tuck School of Business at Dartmouth College and practiced. Robert E. Patterson served as a board member of numerous biotechnology and pharmaceutical corporations, including Sequenom (NASDAQ), Synzyme Technologies LLC, Procyte Corporation (NASDAQ), Medical Research Inc., MARC Analysis Research Corporation and InPro Biotechnology Inc. He was a founding partner of Peninsula Ventures, and President of its predecessor U.S. venture fund, Thompson Clive Inc., investing in biotechnology companies and other businesses. Current board directorships include, among others, Factor Technology Group, SynZyme Technologies LLC and Sumida Corporation (Tokyo Stock Exchange-Tier One). He is a U.S. citizen and was born in 1942.

Graf Francis von Seilern-Aspang is CEO of Industrie - und Finanzkontor Etablissement, a financial services institution based in the Principality of Liechtenstein. Born in 1954, his international professional career has included senior management positions in the fields of trust administration, insurance and asset management in Spain, Austria, Italy, Switzerland, Liechtenstein and the United Kingdom. He is a UK citizen.

Prof. Dr. Geoffrey West earned a Bachelor of Arts degree from Cambridge University and doctorate at the Stanford University, where he became a member of the faculty. Geoffrey West is Distinguished Professor and former President of the Santa Fe Institute (SFI). He is a visiting Professor at Imperial College in London and an associate Fellow at the Said Business School, Oxford University. Prior to joining the Santa Fe Institute as a Distinguished Professor in 2003, he was the leader and founder of the high energy physics group at Los Alamos National Laboratory, where he is one of only approximately ten Senior Fellows. He was named SFI President in July 2005. Geoffrey West is a theoretical physicist whose primary interests have been in fundamental questions in physics and biology, ranging from the elementary particles, their interactions and cosmological implications to universal scaling laws and a unifying quantitative framework of biology. His research areas include metabolic rate, growth, aging, sleep, cancer, and ecosystems. He has recently been working on extensions to an underlying theory of cities, companies and long-term sustainability; problems include rates of growth and innovation, and the accelerating pace of life. He is the author of several books and a Fellow of the American Physical Society. Among recent awards are the Mercer Prize, Ecological Society of America; the Weldon Memorial Prize for Mathematical Biology and the Glenn Award for Aging research. His work was selected as a breakthrough idea of 2007 by Harvard Business Review and he was selected for Time magazine's list of "100 Most Influential People in the World" in 2006. He is a U.S. citizen and was born in 1940.

Ruggero Gramatica is the CEO of mondoBIOTECH since July 2010. He holds an MBA from the University of Chicago Graduate Business School, an engineering degree from the Politecnico di Milano University, a certificate in Quantitative Finance and is currently pursuing a part time PhD in Applied Mathematics at King's College London. Ruggero Gramatica has extensive depth and breadth of experience in start-ups and company turnaround particularly in the services industry. Prior to joining mondoBIOTECH, he was founder and CEO of Chancery Business Consulting, an independent boutique advisory company specialized in the definition and execution of business development and corporate finance transactions. Prior to his work in Chancery BC, he was one of the founders and CEO of OnTelecoms SA, a Greek telecom operator. Prior to OnTelecoms, Ruggero Gramatica was founder and CEO of NextEdge Partners, an international consultancy firm providing consulting service to the major communication providers across Europe. Before establishing this consulting company, Ruggero Gramatica co-founded and acted in different positions in e.Biscom (the parent company of FastWeb). e.Biscom raised over 1.6 billion EUR in their IPO. Ruggero Gramatica is an Italian citizen. He was born in 1965. Ruggero Gramatica also serves as representative within the meaning of art. 709 CO for the holders of the Common Shares on the Board of Directors.

Vera Cavalli graduated in pharmacy at the University of Basel, serves as mondoBIOTECH's Chief Pharmaceutical Officer and is one of the founders of mondoBIOTECH. She gained five years of pharmacy business experience working in various pharmacies. From 1999 to 2000, she worked in the sales department for the Swiss market of the pharmaceutical company Searle SA (Monsanto group). Vera Cavalli is a Swiss citizen. She was born in 1968.

Except for Fabio Cavalli, Ruggero Gramatica and Vera Cavalli, who work for the Group on a full time basis, and Prof. Michael Alan Keller (serving during 2010 and until resignation on a part-time basis), none of the current members of the Board of Directors have ever been a member of the management of the Company or any of its subsidiaries.

Changes to the Board of Directors

Christoph Rentsch and Hans Rudolf Schnieper decided not to stand for re-election and Giovanni Cusmano were substituted by Ruggero Gramatica as representative for the holders of the Common Shares on the Board of Directors at the 2010 annual general meeting. With public disclosure dated 4 April 2011, the Company communicated the resignation with immediate effect from the Board of Directors of Prof. Michael Alan Keller, Robert Edward Patterson and Prof. Dr. Geoffrey West. Consequently, Robert Edward Patterson resigned also from his position as member of the AFC. Michael Alan Keller resigned also from his position as board member and part-time managing directors of www.mondoBIOTECH.com, Inc.

Other activities and vested interests

Other than described above, none of the Directors has any position in governing or supervisory bodies of any major organization, institution or foundation under private or public law, permanent management or consultancy function for major interest groups, official function or political mandate.

Elections and terms of office

The Articles provide for a Board consisting of at least three members. Directors are appointed and removed by shareholders' resolution. Their term of office is one year. Re-election is allowed. The chairman of the Board (the "**Chairman**") and the vice-chairman of the Board (the "**Vice-Chairman**") are appointed by the Board of Directors. The Directors are elected or re-elected individually. Each category of Shares has the right to be represented into the Board of Directors.

Internal organization

The Board of Directors is self-constituting and designates its own Chairman, Vice-chairman and secretary. The latter need not be a member of the Board. The Chairman (or, in his absence or incapacity, the Vice-Chairman) convenes the Board as often as the Company's affairs require and presides (or in his absence the Vice-Chairman or another Director specifically designated by the majority of the other Directors present at the meeting) over the Board meetings. Each Director is entitled to request to the Chairman, in writing, a meeting of the Board by indicating the grounds for such a request. The Chairman decides on agenda items and motions. Every

Director is entitled to request to the Chairman, in writing, the insertion of a specific agenda item by indicating the grounds for such a request.

To pass a valid resolution, the majority of the Directors have to attend the meeting. Meetings may also be held by telephone conference to which all the Directors are invited. No quorum is required for confirmatory resolutions (*Feststellungsbeschlüsse*) and adaptations of the Articles in connection with capital increases. The Board of Directors passes its resolutions by way of simple majority. The members of the Board may only vote in person, not in proxy. In the event of a tied vote, the vote of the Chairman (or the chairperson) shall count double. The Chairman shall have decision-making authority in urgent matters which fall within the purview of the Board, but which, because of time considerations, cannot await resolution by the Board. Minutes are kept of deliberations and resolutions, and are signed by the Chairman and the secretary.

The Board has established the following committees (the "**Board Committees**") to further strengthen the corporate governance structure of the Company. Committee memberships are set out in the membership and permanent committee membership resume table on page 10 of this Annual Report.

Audit and Finance Committee ("AFC") The AFC consists of the Vice Chairman, Prinz Michael von und zu Liechtenstein and Robert Edward Patterson, who resigned on 4 April 2011. The AFC advises the Board of Directors in the performance of its supervisory duties. In particular, the AFC reviews the financial reporting to shareholders and the general public as well as the relationship with the external auditors, satisfies itself that the Company's financial risk management and the Company's internal controls are of an appropriate standard, ensures that its activities are consistent and compliant with the organisational regulations, assesses the adherence to the relevant 'best practice' corporate governance provisions, to the extent such practice has effect on the activities and the functions of the AFC, satisfies itself that the Company's overall fraud prevention procedures are of an appropriate standard and ensures that appropriate procedures to enable employees to confidentially and anonymously submit their concerns regarding accounting, internal controls or auditing matters are in place.

Nomination and Compensation Committee ("NCC") The NCC currently consists of the Chairman Fabio Cavalli and Prinz Michael von und zu Liechtenstein. The NCC advises the Board of Directors in the performance of its supervisory duties related to nomination and remuneration matters. It is responsible for ensuring best possible leadership and management talent for the Company and for identifying board candidates with the necessary skills and expertise for submission to the shareholders' meeting, for determining the compensation policies, including share-based incentive programs and specific compensation packages for the management, if any, and for determining the emoluments of the directors.

Scientific Committee ("SC") The SC currently consists of Prof. Dr. Robert Huber, Prof. Dr. Thomas Cerny and Prof. Dr. Ron Dubois. Prof. Michael A. Keller, former member of the SC, resigned on 4 April 2011. The SC advises the Board of Directors in the performance of its supervisory duties with particular regard to the scientific issues deriving from the search and development fields in which the Group is performing its business. In particular, the SC evaluates the scientific perspectives of the Group's search and development strategy and reviews the Group's search and development portfolio.

Mode of operation of the Board of Directors and the Board Committees

As a rule, the Board meets two times per year. Additional meetings are held as often as the Company's affairs require. Ten meetings were held in 2010, two of which solely for the confirmatory resolution and adaptations of the Articles in connection with the two share capital increases performed on February 2010 and August 2010. The duration of the meetings depends highly from the agenda items under discussion. Three meetings where to resolve on capital increases out of authorized share capital (the fundraisings being performed on February 2010 and August 2010) and three additional meetings where to resolve on the 2010 annual general meeting, on constituting the Board itself and designating the roles and on approving the new financial plans 2011 respectively, and had a duration of some hours. Two meetings had a strategic character and had full day duration. The overall board attendance in 2010 was about 80%.

The AFC meets four times during 2010, two meetings being related to the discussion of the financial statements 2009 (presented to the 2010 annual general meeting held on 30 April 2010) and the interim financial information 30 June 2010 respectively, and two meetings being related to the discussion with the auditors for the audit program on the 2010 financials. The NCC meets one time during 2010 in order to advise the Board of Directors on identified board candidates for submission to the 2010 annual general meeting. Due to the concentration of the Company's activities on the exploitation of the existing pipeline and a certain reduced development activity, there were no formal meetings of the SC during 2010.

The members of the Executive Committee attend the meetings of the Board and the Board Committees as and when required. The Board of Directors engages external experts to address specific topics when required.

Areas of responsibility

The Board is entrusted with the ultimate direction of the Company and supervision of the Executive Committee. The Board's nontransferable and inalienable duties include the duty to: (i) ultimately manage the Company and issue any necessary directives; (ii) determine the organizational structure of the Company; (iii) organize the accounting system and the financial control and approve the financial plans; (iv) appoint, recall and supervise the persons entrusted with the management and representation of the Company; (v) prepare the annual report and the shareholders' meeting, carrying out shareholders' meeting resolutions; and (vi) notify to the judge in case of over indebtedness of the Company.

The Board of Directors has entrusted the execution of its defined strategies and the day-by-day management of the Company and the Group to the Chief Executive Officer (the "**CEO**") who, together with an executive management committee (the "**Executive Committee**") is responsible for overall management of the mondoBIOTECH Group, in accordance with the Articles and pursuant to the areas of responsibility as detailed into the By-laws (<http://www.mondobiotech.com/investor/corporate-governance/bylaws>).

Information and control instruments in respect of the Executive Committee

The mondoBIOTECH management information system consists of the financial reporting system. Each quarter, the financial statements and additional information derived therein for the individual companies are entered in the financial reporting system, consolidated and compared against the financial plans as amended by the Board of Directors. The Executive Committee discusses the results in detail and decides on actions to be taken. The Executive Committee informs and submits its report to the AFC and the Board of Directors on a half-year basis or in case of material deviations. Information is submitted immediately to the AFC and to the Board on topics such as legal issues, changes into the risk environment (risk management) and other issues with extraordinary character.

The CEO is in regular contact with the Chairman. Directors frequently also take the opportunity to talk to the members of the Executive Committee to overcome the Company's business and processes. Each Director is entitled to request and receive information on all matters of the Company and the Group and has access to all the Group's records. Directors do not participate to the meetings of the Executive committee.

Due to its size, mondoBIOTECH does not have an internal audit function.

4 Executive Committee

The Executive Committee currently comprises four officers. The Executive Committee, under the direction of the CEO and the control of the Board, conducts the operational management of the Group pursuant to the Company's organisational regulations. The CEO is in regular contact with the Chairman and reports on a regular basis.

During the Board and Board Committee meetings, the members of the Executive Committee reports whenever required. The members of the Executive Committee are appointed by the Board upon proposal by the NCC.

The Executive Committee is responsible for implementation of the decisions made by the Board and the Board Committees. It prepares the Business Plan for Board's decisions, approves material contracts and allocates financial, personnel and other resources within the Group as well as supervising senior management. The Executive Committee meets with weekly frequency or otherwise as often as required together with the senior management. The meetings usually cover the following topics: MRS, development programs, business development, resource allocation, competitive situation and trends in the economic environment, corporate affairs (including important contracts), public and investor relations, human resources and taxes, legality and compliance.

Members

Ruggero Gramatica is mondoBIOTECH's CEO. He holds an MBA from the University of Chicago Graduate Business School, an engineering degree from the Politecnico di Milano University, a certificate in Quantitative Finance and is currently pursuing a part time PhD in Applied Mathematics at King's College London. Ruggero Gramatica has extensive depth and breadth of experience in start-ups and company turnaround particularly in the services industry. Prior to joining mondoBIOTECH, he was founder and CEO of Chancery Business Consulting, an independent boutique advisory company specialized in the definition and execution of business development and corporate finance transactions. Prior to his work in Chancery BC, he was one of the founders and CEO of OnTelecoms SA, a Greek telecom operator. Prior to OnTelecoms, Ruggero Gramatica was founder and CEO of NextEdge Partners, an international consultancy firm providing consulting service to the major communication providers across Europe. Before establishing this consulting company, Ruggero Gramatica co-founded and acted in different positions in e.Biscom (the parent company of FastWeb). e.Biscom raised over 1.6 billion EUR in their IPO. Ruggero Gramatica is an Italian citizen. He was born in 1965.

Patrick Pozzorini is mondoBIOTECH's Chief Financial Officer and one of the founders of mondoBIOTECH. Patrick Pozzorini holds a degree in business economics from the University of Zurich. Prior to joining mondoBIOTECH, Patrick Pozzorini was Chief Financial Officer for a start-up company active in the field of the web based enterprise management. From 1995 to 2000, he worked for PricewaterhouseCoopers AG and from 1992 to 1995 for Fidiam Group. Patrick Pozzorini was born in 1967.

Dr. habil. Dorian Bevec is mondoBIOTECH's Chief Science Officer and a co-founder of mondoBIOTECH. Dorian Bevec holds a Ph.D. (Dr. rer. nat.) from the Ludwig-Maximilians-University of Munich and a habilitation (Venia Docendi) from the University of Vienna. Prior to joining mondoBIOTECH, Dorian Bevec had been working as Head of Molecular Biology and project team leader at the Sandoz Research Institute in Vienna for ten years and at Axxima AG in Martinsried, Germany, for two years. Dorian Bevec was born in 1957.

Vera Cavalli is mondoBIOTECH's Chief Pharmacy Officer and one of the founders of mondoBIOTECH. Vera Cavalli graduated in pharmacy at the University of Basel. Prior to joining mondoBIOTECH, she gained five years distribution experience working in various drugstores. From 1999 to 2000 she worked in the sales department for the Swiss market of the pharmaceutical company Searle SA (Monsanto group). Vera Cavalli was born in 1968.

Other activities and vested interests

None of the Executive Committee members has any position in governing or supervisory bodies of any major organization, institution or foundation under private or public law, permanent management or consultancy function for major interest groups, official function or political post.

Management contracts

All members of the Executive Committee have employment agreements with the Group. There are no other management contract on place between the Group and the members of the Executive Committee.

5 Compensation, Shareholdings and Loans

Content and method of determining compensation

The members of the Board of Directors receive a fix compensation set by the Board of Directors upon proposal by the NCC. In addition, the Chairman and certain other directors render additional services beyond the normal scope of their office based on separate arrangements. The compensation of the members of the Board of Directors is determined based on discretionary economic considerations.

Some directors of the Company serve or served on the board of directors of certain subsidiaries. The disclosure of the compensation takes in consideration also the compensation for serving on the board of directors of those entities, as well as the compensations of persons serving on the board of directors of subsidiaries but not serving on the Board of Directors of mondoBIOTECH, and includes all forms of consideration given by the Company or on behalf of the Company in exchange for services rendered by the directors.

The compensation of the members of the Executive Committee includes all forms of consideration given by the Company or on behalf of the Company in exchange for services rendered by the executives and is determined based on subjective economic considerations.

Compensation of the Board of Directors

	Serving in the board of directors of				Total	
	mondoBIOTEC holding AG		other subsidiaries		2010	2009
	2010	2009	2010	2009	2010	2009
Fabio Cavalli, Chairman ¹	-	-	672'749	-	672'749	-
Prinz Michael von Liechtenstein, Vice-Chairman	15'000	15'000	13'220	15'000	28'220	30'000
Prof. Dr. Robert Huber	24'155	27'195	-	-	24'155	27'195
Prof. Michael Alan Keller	10'000	8'585	78'225	68'416	88'225	77'001
Prof. Dr. Thomas Cerni	10'000	8'585	-	-	10'000	8'585
Prof. Roland Maclean du Bois ²	6'667	-	-	-	6'667	-
Robert Edward Patterson ²	6'667	-	-	-	6'667	-
Graf Francis Seilern-Aspang ²	10'000	-	-	-	10'000	-
Prof. Dr. Geoffrey West ²	6'667	-	-	-	6'667	-
Ruggero Gramatica ²	-	-	-	-	-	-
Vera Cavalli	-	-	-	-	-	-
Giovanni Cusmano ³	1'667	5'000	-	-	1'667	5'000
Christoph Rentsch ³	5'000	17'040	-	-	5'000	17'040
Hansrudolf Schnieper ³	800	4'000	-	4'000	800	8'000
Matteo Pagani ⁴	-	-	2'500	3'000	2'500	3'000
Total	96'623	85'405	766'694	90'416	863'317	175'821

¹ Fabio Cavalli was CEO until 2 July 2010 before becoming Chairman of the Board. The disclosed compensation includes his compensation for serving as Chairman and CEO. The figures of 2009 were not restated and therefore the compensation of Fabio Cavalli for serving as the CEO is disclosed under "Compensation of the Executive Committee" below. He continues to perform his activities for the Company pursuant to a consulting agreement. In case of termination of such consulting agreement as a consequence of a change of the Company's control, Fabio Cavalli is entitled to receive a one-time termination payment equal to his current annual compensation.

² Board members since 30 April 2010. Mr. Ruggero Gramatica became the CEO of the Company on 2 July 2010 and his compensation is therefore disclosed under "Compensation of the Executive Committee" below. Ruggero Gramatica does not receive any additional compensation for serving on the Board of Directors of the Company and its subsidiaries.

³ Board members until 30 April 2010.

⁴ Board member of subsidiary mondoBIOTECH AG until 28 October 2010

The Directors were awarded compensation totalling CHF 863'317 (2009: CHF 175'821).

Compensation of the Executive Committee

	2010	2009
Compensation of senior executives:		
- fees, salaries and other short-term employee benefits ¹	862'814	1'350'057
- post-employment benefits	35'163	31'847
Total	897'977	1'381'904
- highest compensated member of the executive committee ²	288'231	695'616
- other members of the executive committee	609'746	686'288
	897'977	1'381'904

¹ The 2009 figures include the compensation of Fabio Cavalli then serving as the CEO of the Group. As of 2 July 2010 Fabio Cavalli became Chairman of the Company and therefore, his compensation for 2010 is disclosed under "Compensation of the Board of Directors" above.

² The highest compensation disclosed for 2010 refers to Dorian Bevec. Ruggero Gramatica, who serves as CEO of the Company since 2 July 2010, is the member of the Executive Committee with the highest nominal compensation. His annual gross salary amounts to CHF 341'250 and also includes the compensation for serving as a board member of the Company and certain of its subsidiaries. Due to the fact that Ruggero Gramatica started his activity as CEO on 2 July 2010, his disclosed compensation does not exceed the one of Dorian Bevec.

The members of the Executive Committee were compensated in amounts totalling CHF 897'977 (2009: CHF 1'381'904). The compensation includes all forms of consideration given by the Company or on behalf of the Company in exchange for services rendered by the executives.

Transactions with Directors and members of the Executive Committee

Transactions with Directors, members of the Executive Committee or parties closely linked to them, if any, are made at arm's length. No loans, advances or credits were granted to any Director or member of the Executive Committee prior to 31 December 2010. For additional information on transactions with Directors and members of the Executive Committee or parties closely linked to them, see note 29 "Related parties" in the consolidated financial statements of the Company on page 43 of this Annual Report.

Share ownership

As of 31 December 2010, Prinz Michael von und zu Liechtenstein through BIOPHARMAinvest AKTIENGESELLSCHAFT and Stiftung PMSERV (the controlling shareholder of BIOPHARMAinvest AKTIENGESELLSCHAFT) controls in aggregate 39'626'675 Voting Right Shares (representing 73.18% of the Shares and voting rights of the Company). Prinz Michael von und zu Liechtenstein through Stiftung PMSERV hold 95.54% of the shares of BIOPHARMAinvest AKTIENGESELLSCHAFT while the remaining 4.46% of the shares of BIOPHARMAinvest AKTIENGESELLSCHAFT are held by Fabio Cavalli, Vera Cavalli and Patrick Pozzorini. As Fabio Cavalli, Vera Cavalli and Patrick Pozzorini have only a minority stake of 4.46% in BIOPHARMAinvest AKTIENGESELLSCHAFT, no Shares held by BIOPHARMAinvest AKTIENGESELLSCHAFT are for purposes of this section attributed to them. See also note 10 "Significant Shareholders" in the statutory financial statements of the Company on page 54 of this Annual Report. Ruggero Gramatica holds 7'943 Common Shares. Until his membership in the Board of Directors, Michael Alan Keller held 23 Common Shares.

No other member of the Board of Directors or the Executive Committee directly or indirectly owns any Shares or any option or conversion rights in Shares.

Employee participation programs

As of 31 December 2010, the Board of Directors has not yet adopted any participation program for Directors, employees and consultants. However, the Company is considering adopting a participation program for its directors, employees and consultants in the near future. The Articles provide for a conditional share capital in the amount of CHF 180'000 consisting of 1'800'000 Common Shares which may be used for future participation programs for Directors, employees and consultants.

Transparency of compensation for, shareholdings of and loans to issuers domiciled abroad

Not applicable, as the Company is domiciled in Switzerland.

6 Shareholders' Participation

Voting rights and representation restrictions

There are no voting rights restrictions, no statutory group clauses and hence no rules for making exceptions. Consequently, there is neither a procedure nor a condition for their cancellation. A shareholder may be represented by his legal representative, the corporate proxy, the independent proxy, by a depositary or by another shareholder.

Statutory quorum

There are no statutory quorums differing from the applicable legal provisions.

Convocation of the general meeting of Shareholders

There are no statutory rules on the convocation of the shareholders' meeting differing from the applicable legal provisions.

Agenda rules

The Board decides on the agenda of the shareholders' meeting. Shareholders with voting rights whose combined holdings represent Shares of at least 10% of the Company's share capital may, up to 45 days before the date of the meeting, demand that items be included in the agenda. Such requests must be in writing and must specify the items and the motions to be submitted.

Registrations in the share register

Shareholders entered in the share register as shareholders on a specific qualifying day designated by the Board (record date), which is usually fewer than five business days before the meeting, are entitled to attend the shareholders' meeting and to exercise their votes at such a meeting.

7 Changes of control and defense measures

Duty to make an offer

The Articles contain an “opting out” clause. Therefore, a public purchase offer for the remaining shares by a purchaser who acquires one third of mondoBIOTECH’s share capital is not required.

Clauses on changes of control

No change of control clauses have been agreed upon covenant with members of the Board of Directors except for the Chairman Fabio Cavalli as mentioned under “Compensation, Shareholdings and Loans” starting on page 15 of this Annual Report. The period of notice for senior management varies between one and six months. In certain cases a change of control can result in the employee concerned being granted the right to be released with continued payment of salary during the notice period or the right to a special payment up to the amount of one year’s salary.

8 Auditors

Duration of the mandate and term of office of the lead auditor

PricewaterhouseCoopers, Basel, assumed the auditing engagement since inception of the Company in 2007. The shareholders’ meeting elects the Company’s auditors for a term of office of one year. The auditor in charge is Mr. Thomas Brüderlin. He assumed his responsibility in 2007.

Auditing fees and additional fees

The fees charged for professional services rendered by PricewaterhouseCoopers for the twelve-month period ended 31 December 2010 were CHF 124’000 (2009: CHF 125’000).

Audit services are defined as the standard audit work that needs to be performed each year in order to issue an opinion on the consolidated financial statements of the Company and to issue reports on the local statutory financial statements where necessary, which includes also the audit of the ICS. There are no other additional fees charged.

Supervisory and control instruments pertaining to the audit

The Board performs its supervisory and control functions towards the external auditors through the AFC. In particular, the AFC meets with the auditors at the end of the audit to discuss in depth the audit procedure, any findings made and recommendations proposed. The management letter is also extensively discussed. The primary objective of the AFC is to support the Board in monitoring mondoBIOTECH’s ICS, accounting principles, financial reporting and auditing.

9 Information Policy

mondoBIOTECH reports to its shareholders, employees, business partners and other public stakeholders in an open, transparent and timely manner. Equal treatment of all stakeholders is the guiding principle behind its approach. In doing so, mondoBIOTECH is able to promote an understanding of its objectives, strategy and business activities, and to ensure and increase awareness therein. The Company has adopted a comprehensive disclosure policy to protect mondoBIOTECH’s interests and assets, to release material information in a timely and controlled manner, to observe the legal requirements and rules and in particular to distinguish competencies and responsibilities of corporate and strategic disclosure.

The most important informational tools are news releases, the Annual Reports, Interim Reports, the Swiss official gazette and the website www.mondobiotech.com as well as the meeting of shareholders.

Investors and other parties interested in subscribing to the Company’s news service may do so by registering themselves on <http://www.mondobiotech.com/investor/stayinformed>.

For contact details, see the last side of this Annual Report. Events are regularly updated on <http://www.mondobiotech.com/investor/shareholders-meeting> and <http://www.mondobiotech.com/investor/appointments/all>.

Consolidated balance sheet (in CHF)

	Note	31 December	
		2010	2009
ASSETS			
Property, plant and equipment	8	1'415'323	5'795'682
Intangible assets	9	47'507'051	50'521'056
Non current assets		48'922'374	56'316'738
Trade and other receivables	11	689'150	770'092
Other assets		-	130'421
Accrued income and prepaid expenses		196'080	319'070
Cash and cash equivalents	12	2'395'626	4'631'848
		3'280'856	5'851'431
Assets of disposal group classified as held for sale	13	6'100'000	3'050'000
Current assets		9'380'856	8'901'431
Total assets		58'303'230	65'218'169
EQUITY AND LIABILITIES			
Share capital	14	672'672	653'883
Reserves	15	106'521'867	91'500'231
Accumulated loss		(54'818'400)	(35'421'427)
Equity attributable to mondoBIOTECH's shareholders		52'376'139	56'732'687
Non-controlling interests		-	-
Total shareholders' equity		52'376'139	56'732'687
Long-term financial debts	16	269'551	167'367
Pension obligations	17	52'102	1'233
Accrued liabilities	18	311'332	-
Non current liabilities		632'985	168'600
Trade and other payables	19	1'666'587	2'027'511
Short-term financial debts	16	123'977	163'881
Accrued liabilities	18	632'733	3'110'394
		2'423'297	5'301'786
Liabilities of disposal group classified as held for sale	13	2'870'809	3'015'096
Current liabilities		5'294'106	8'316'882
Total equity and liabilities		58'303'230	65'218'169

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated income statement (in CHF)

	Note	Year ended 31 December	
		2010	2009
Revenues	20	386'382	13'740'340
Research & development	21	(14'547'783)	(20'145'723)
Sales & marketing	21	(3'403'315)	(3'631'686)
Management & administration	21	(1'683'376)	(2'070'829)
Operating result		(19'248'092)	(12'107'898)
Finance income	23	252'128	211'529
Finance costs	24	(401'009)	(325'519)
Result before income taxes		(19'396'973)	(12'221'888)
Income taxes	25	-	8'245
Result of the period		(19'396'973)	(12'213'643)
Attributable to:			
Equity holders of the Company		(19'396'973)	(12'213'643)
Non-controlling interests		-	-
		(19'396'973)	(12'213'643)
Basic and diluted loss per common share	26	(3.046)	(1.868)
Basic and diluted loss per voting right share	26	(0.288)	(0.187)

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income (in CHF)

	Note	Year ended 31 December	
		2010	2009
Result of the period		(19'396'973)	(12'213'643)
Other comprehensive income:			
Currency translation differences	15	87'292	9'847
Other comprehensive income for the period, net of tax		87'292	9'847
Total comprehensive income for the period		(19'309'681)	(12'203'796)
Attributable to:			
Equity holders of the Company		(19'309'681)	(12'203'796)
Non-controlling interests		-	-
		(19'309'681)	(12'203'796)

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated cash flow statement (in CHF)

	Note	Year ended 31 December	
		2010	2009
Cash used for operations	27	(16'443'609)	(2'886'425)
Income taxes paid		-	(429'651)
Cash flow from operating activities		(16'443'609)	(3'316'076)
Purchase of property, plant and equipment	8	(475'976)	(5'774'151)
Sales of property, plant and equipment		2'788	4'713
Interest received	23	3'636	10'457
Cash flow from investing activities		(469'552)	(5'758'981)
Proceeds from issuance of shares, net of transaction costs	14;15	14'547'858	-
Proceeds from issuance of call options, net of transaction costs	15	405'275	-
Repayment of borrowings		(292'554)	(279'560)
Interest paid	24	(74'411)	(101'004)
Cash flow from financing activities		14'586'168	(380'564)
Net effect of currency translation on cash and cash equivalents		90'771	2'140
Increase (decrease) in cash and cash equivalents		(2'236'222)	(9'453'481)
Cash and cash equivalents at beginning of period		4'631'848	14'085'329
Cash and cash equivalents at end of period		2'395'626	4'631'848

The accompanying notes form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity (in CHF)

	Note	Attributable to equity holders on the Company			Non-controlling interest	Total equity
		Share capital	Reserves	Retained earnings		
Balance at 1 January 2009		653'883	91'490'384	(23'207'784)	-	68'936'483
Comprehensive income:						
Result of the period		-	-	(12'213'643)	-	(12'213'643)
Other comprehensive income:						
Currency translation differences		-	9'847	-	-	9'847
<i>Total comprehensive income</i>		-	<i>9'847</i>	<i>(12'213'643)</i>	-	<i>(12'203'796)</i>
Balance at 31 December 2009		653'883	91'500'231	(35'421'427)	-	56'732'687
Balance at 1 January 2010		653'883	91'500'231	(35'421'427)	-	56'732'687
Comprehensive income:						
Result of the period		-	-	(19'396'973)	-	(19'396'973)
Other comprehensive income:						
Currency translation differences		-	87'292	-	-	87'292
<i>Total comprehensive income</i>		-	<i>87'292</i>	<i>(19'396'973)</i>	-	<i>(19'309'681)</i>
Transactions with owners:						
Capital increase, net of transaction costs	14; 15	18'789	14'529'069	-	-	14'547'858
Issuance of call options, net of transaction cost:	15	-	405'275	-	-	405'275
<i>Total transactions with owners</i>		<i>18'789</i>	<i>14'934'344</i>	-	-	<i>14'953'133</i>
Balance at 31 December 2010		672'672	106'521'867	(54'818'400)	-	52'376'139

The accompanying notes form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

1 General information

mondoBIOTECH perform bioinformatics' analysis focused on immuno-modulating substances that are naturally occurring in the human body in order to identify promising medicinal product candidates for the treatment of rare and neglected diseases and exploit their economic potential by way of multiple business relationships with third parties, with the ultimate purpose of having such medicinal product candidates authorized for patient use.

The Company is a Swiss stock corporation listed on the SIX Swiss Exchange whose registered office is Mürzgstrasse 18, CH-6370 Stans, Switzerland.

These Group consolidated financial statements were authorized for issue by the Board of Directors on 18 April 2011 and are subject to approval by the annual general meeting of shareholders.

2 Summary of significant accounting policies

Basis of preparation

The consolidated financial statements of mondoBIOTECH holding AG have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law. They have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and available-for-sale financial assets, and are presented in Swiss francs (CHF).

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. The actual outcome may differ from the assumptions and estimates made. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. The areas involving higher degrees of judgement or complexity or where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

Uncertainties and ability to continue operations

The Group remains subject to various risks and uncertainties, including but not limited to the timing of achieving profitability, the substantial uncertainty of the drug development process including uncertainty of the outcome of clinical trials and significant regulatory approval requirements. The Group's ability to continue operations as currently conducted depends on its ability to raise additional capital until revenues reach a level to sustain positive cash flows, which the Group expects not to be within the next three to four years. As a consequence, the uncertainties surrounding the availability of necessary additional funds also cast uncertainties about the Group's ability to continue as a going concern.

As at 31 December 2010, the Group disposes of CHF 2.4 million of cash and cash equivalents. The liquidity needs for 2011 were estimated by the management in CHF 4.8 million. This estimation is based on the assumption that the activities of the Group will be more and more focalised on:

- expand its capacity on its information technology platforms and in search and match technologies in order to: (i) improve the quality of information; (ii) achieve scale effects in the discovery of new medicinal product candidates, and (iii) increase the flow of information and interactions within its community environment;
- find new sustainable ways to economically exploit its medicinal product candidates;
- use its clinical development know-how in synergies with the economic exploitation of its medicinal product candidates;
- working on the basis of future uses of gene therapies as new therapeutic ways for rare and neglected diseases in anticipation of the expected progresses of the medical science in this field.

This focus will facilitate the Group by leading to an overall cost reduction. Additionally, the management expects to realize certain fixed assets (see notes 13) within the next twelve months.

On 13 April 2011, the Group closed a fundraising for gross CHF 8.08 million (see notes 14 and 30) that contributes in a substantial way to ensure Group's ability to continue operations and further develop its activities. Management, how far the Group's history has demonstrated, remains confident to complete sufficient capital increases within the next years in order to maintain the Group's liquidity at satisfactory levels and to continue its operations as currently conducted. For these reasons, management believes that it is appropriate to disclose these financial statements on a going concern basis.

Changes in accounting policies – New standards and interpretations

(a) Standards, amendments and interpretations mandatory for the first time for the financial year beginning 1 January 2010, with neutral impact on the Group's consolidated financial statements:

- IFRS 3 (revised), ‘Business combinations’, and consequential amendments to IAS27, ‘Consolidated and separate financial statements’, IAS 28, ‘Investments in associates’, and IAS 31, ‘Interests in joint ventures’, are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3 (for example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs are expensed);
- IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting treatment when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

(b) New standards, amendments and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the group (although they may affect the accounting for future transactions and events):

- IFRIC 17, ‘Distribution of non-cash assets to owners’ (effective on or after 1 July 2009); IFRIC 18, ‘Transfers of assets from customers’, effective for transfer of assets received on or after 1 July 2009; IFRIC 9, ‘Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement’, effective 1 July 2009; IFRIC 16, ‘Hedges of a net investment in a foreign operation’ effective 1 July 2009; IAS 38 (amendment), ‘Intangible assets’, effective 1 January 2010; IAS 1 (amendment), ‘Presentation of financial statements’; IAS 36 (amendment), ‘Impairment of assets’, effective 1 January 2010; IFRS 2 (amendments), ‘Group cash-settled share-based payment transactions’, effective form 1 January 2010; IFRS 5 (amendment), ‘Non-current assets held for sale and discontinued operations’

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010. The Group is currently assessing the potential impacts of these other new and revised standards and interpretations that will be effective from 1. January 2011 or later and which the Group has not early adopted:

- IFRS 7, ‘Financial Instruments’. Modifications for enhancement of the specifications by transfer of financial assets. The standard is effective for financial years beginning at or after 1 July, 2011;
- IFRS 9, ‘Financial instruments’. This standard is the first step in the process to replace IAS 39, ‘Financial instruments: recognition and measurement’. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the group’s accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early a doption;
- IAS 12, ‘Taxes on income’. Limited amendment related to the retrieval of the underlying financial assets. This standard is effective for financial years beginning at or after 1 January 2012;
- Revised IAS 24 (revised), ‘Related party disclosures’. It supersedes IAS 24, ‘Related party disclosures’, issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted;
- ‘Classification of rights issues’ (amendment to IAS 32). The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted;
- IFRIC 19, ‘Extinguishing financial liabilities with equity instruments’, effective 1 July 2010;
- ‘Prepayments of a minimum funding requirement’ (amendments to IFRIC 14), effective for annual periods beginning 1 January 2011. Earlier application is permitted.

Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights or potential voting rights. Subsidiaries are consolidated from the date on which control is transferred to the Group and deconsolidated from the date the control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred or assumed and the equity instruments issued by the Group at the date of exchange. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net asset.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognized as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in case of a bargain purchase, the difference is recognized directly in the comprehensive income.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized inter-company losses are also eliminated. The accounting policies of subsidiaries are consistent with the policies adopted by the Group.

(b) Transactions with and non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recognized in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also recognized in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying value amount for the purposes of subsequently accounting for the retained interests as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related asset or liability. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee.

The accounting policies used for segment reporting are the same as those used for the preparation of these financial statements. Sales between segments are carried out at arm's length. For the purposes of segment reporting, intercompany invoices are eliminated and replaced by the effective costs sustained by the company delivering the specific service.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Swiss francs, which is the presentation currency of the Company (the 'presentation currency').

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in other currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(c) Group companies

Assets and liabilities of Group entities using a functional currency different from the presentation currency are translated into the presentation currency using year-end rates of exchange. Income and expenses and cash flows are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case they are translated at the dates of the transactions). All resulting translation differences are recognized directly in other comprehensive income. On the divestment of a foreign entity, the identified cumulative currency translation difference relating to that foreign entity is recognized in income as part of the gain or loss on divestment.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical costs include expenditures that are directly attributable to the acquisition of the items. Costs may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Subsequent costs are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate costs to residual values over each asset's estimated useful lives as follows:

- Buildings: 25 years
- Leasehold improvements: 5 years
- Motor vehicles: 4 years
- Hardware and standard software: 3 years

- Other: 3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Leases

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lower of the fair value of the leased property or the present value of the minimum lease payments at inception. The rental obligations, net of finance charges, are included in long-term financial payables. Assets acquired under finance leases are depreciated in accordance with the Group's above policy on property, plant and equipment over the shorter of the lease term or their useful life. The interest element of the lease payment is charged against income over the lease term based on the interest rate implicit in the lease.

Leases under which substantially all of the risks and rewards of ownership are not transferred to the Group are classified as operating leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

Intangible assets

(a) Patents

Separately acquired intellectual property rights are shown at cost. Intellectual property rights acquired through a business combination are recognized at fair value at the acquisition date. Patents and trademarks have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the costs of patents over their estimated useful (at present, 15.5 years).

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Non-current assets (or disposal groups) classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and sale is considered highly probable. They are stated at the lower of its carrying amount and fair value less costs to sell.

Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: 'at fair value through profit or loss', 'loans and receivables' and 'available-for-sale'. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. A financial asset is classified as at fair value through profit or loss if acquired principally for the purpose of selling in the short-term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

(b) Recognition and measurement

Financial assets at fair value through profit or loss and available-for-sale financial assets are carried at fair value. Regular purchases and sales are recognized on settlement date, the date that an asset is delivered to or by an entity. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit and loss are recognized in the income statement in the period in which they arise. Changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income, except for translation differences on monetary securities denominated in a foreign currency, which are recognized in profit or loss. When they are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any

impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement are not reversed through the income statement. Impairment testing of trade receivables is described in the corresponding note.

Financial assets are derecognised when the contractual rights to the cash flows of the assets expire or when the Group sells or otherwise disposes of the contractual rights to the cash flows, including situations where the Group retains the contractual rights but assumes a contractual obligation to pay the cash flows to a third party.

Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. If collection is expected within one year or less, they are classified as current asset. If not, they are presented as non-current assets.

Supplies used in the development process

Supplies used in the development process are stated at cost and classified as 'other assets'. Cost is determined using the first-in, first-out method (FIFO). When supplies are used, the associated cost forms part of the research & development expense.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within financial debts in current liabilities on the balance sheet. This definition is also used for the purposes of the cash flow statement.

Financial debts

Financial debts are initially recorded at fair value, net of transaction costs. Financial debts are subsequently stated at amortized cost using the effective interest rate method. When convertible bonds are issued, the fair value of the liability portion is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in shareholders' equity, net of income tax effects. Financial debts are normally classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it release to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized costs using the effective interests' method. If payment is due within one year or less, they are classified as current liabilities. If not, they are represented as non-current liabilities.

Fair values

Fair value is the amount for which a financial asset, liability or instrument could be exchanged between knowledgeable and willing parties in an arm's length transaction. It is determined by reference to quoted market prices or by the use of established estimation techniques such as estimated discounted values of cash flows. The fair values of financial assets and liabilities at the balance sheet date are not materially different from their reported carrying values unless specifically mentioned in the Notes to the Consolidated Financial Statements.

Revenue recognition**(a) Royalty income**

Revenue arising from royalties is recognized on an accrual basis according to the relevant agreements when it is probable that the economic benefits will flow to the Group and the amount of the revenue can be measured reliably.

(b) Revenues arising from upfront and milestone payments

Recognition of revenues from upfront payments depends on whether a service has to be provided in relation of the upfront payment. When the Group has to provide services in relation to the upfront payment, revenues are deferred and recognized by reference to the stage of completion of the activities to be performed. Receipts for achievement of milestones are generally recognized as revenue when the milestone is achieved.

(c) Revenues arising from clinical development services

Revenues arising from clinical development services are recognized in the accounting period in which the services are performed.

Research and development costs

Research and development costs consist primarily of remuneration and other expenses related to research and development personnel, costs associated with preclinical testing and clinical trials of product candidates, expenses for research and development services under collaboration agreements and outsourced research and development expenses. Furthermore the Group may acquire in-process research and development assets, either through business combinations or through purchases of specific assets.

Internal development costs are capitalised as intangible assets only when there is an identifiable asset that can be completed and that will generate probable future economic benefits and when the cost of such an asset can be measured reliably. The Group does not currently have any such internal development costs that qualify for capitalisation as intangible assets. Internal development costs are therefore charged against income as incurred since the criteria for their capitalisation are not met. In-process research and development assets acquired either through business combinations or separate purchases are capitalized as intangible assets and reviewed for impairment at each reporting date. Once available for use, such intangible assets are amortized on a straight-line basis over the period of the expected benefit.

Employee benefits**(a) General**

Wages, salaries, social security contributions, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

(b) Pension obligations

The Group maintains retirement plans where expressly required by the applicable pension legislation. This refers exclusively to the Swiss and Liechtenstein subsidiaries. In general, the plans cover retirement benefits and risks of death and disability and are based on fixed contributions. As they guarantee a minimum return, they are considered as defined benefit plans. The plans are financed by contributions of the employer and the employee, the first paying 50% and the second 50% of the related premiums.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated periodically by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employee's expected average remaining working lives.

(c) Termination benefits

Termination benefits are payable when a member of the management accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to provide termination benefits as a result of an offer made to encourage voluntary redundancy. No other post-employment obligations and termination benefits exist within the Group.

3 Summary of critical accounting estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Going concern assumption

The Group is subject to various risks and uncertainties and its future success will in particular depend on its ability to achieve profitability and raise additional capital to fund operations. Management assesses the going concern assumption at each reporting date. See note 2, paragraph 'Summary of critical accounting estimates and assumptions - uncertainties and ability to continue operations', for further details and explanations.

Impairment of acquired intellectual properties

In 2006, the Group acquired certain intellectual properties which are in the process of being registered and that claim, among others, the formulation and administration of medicaments (in particular peptides) through inhalation, as to extend the intellectual property coverage on a licensing agreement signed with Biogen Idec, MA, Inc. (Biogen) regarding Aviptadil for the treatment of pulmonary arterial hypertension (PAH). The recoverable amount of these intellectual properties depends primarily on the effective granting of the patents and the successful development by the involved commercial partner. Factors such as changes in the planned use, presence or absence of competition, technical obsolescence can also result in shortened useful lives or impairment. These intellectual property rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

By an agreement entered into in February 2010 with LungRX LLC (LungRX), a fully owned subsidiary of United Therapeutics, Inc. (Nasdaq: UTHR), mondoBIOTECH extended the licensing agreement signed in 2006 with Biogen to additional indications for Aviptadil, with a consequent enlargement of the potential market. LungRX is focused on PAH and other pulmonary diseases and represents a partner with solid experience and know-how in these fields. The new agreement with LungRX represents therefore a continuation and an amelioration of the prior agreement with Biogen, which remains contractually involved with mondoBIOTECH with financial interests on Aviptadil in PAH only. This new contractual configuration did not have impact on the carrying value of the intellectual property rights capitalized as indicated under note 9.

The carrying value of the intellectual property rights at 31 December 2010 is CHF 47.5 million (31 December 2009: CHF 50.5 million). If the estimated cash flows decrease by 10%, the recoverable amount would not exceed the carrying amount and the Group would have to recognize impairment charges for CHF 3.5 million (previous year: no recognition of impairment necessary). If pre-tax discount rate applied to discount estimated future synergistic effects would increase by 10%, the recoverable amount would not exceed the carrying amount and the Group would have to recognize an impairment charge for CHF 2.9 million (previous year: no recognition of impairment).

Deferred tax assets

The assessment as to whether deferred tax assets relating to tax loss carry-forwards and temporary differences have to be recognised requires significant judgment, in particular on the future availability of taxable profits. At 31 December 2010 the Group did not capitalize any deferred tax assets because the capitalisation criteria are not met. Deferred tax assets relating to tax loss carry-forwards and temporary differences that have not been recognized are reported in note 25.

4 Financial risk management

The Group is exposed to various financial risks such as credit risk, liquidity risk and market risk (including interest-rate and currency risk). The following sections provide an overview of the extent of the individual risks and the goals, principles and processes employed to handle these risks.

Credit risk

mondoBIOTECH has a concentration of credit risk. The maximum credit risk exposure as per balance sheet date amounts to CHF 2'487'686 (CHF 4'726'143 in 2009), as disclosed in note 10, corresponding to the global carrying amounts of the financial assets. The Group does not hold any collateral as security and has not entered into any guarantees or similar obligations that would increase the risk over and above the carrying amounts.

The Group is subject to a cluster risk on trade receivables deriving from the fact that the number of counterparties within trade receivables is strictly related with the number of license agreement ongoing and the status of clinical development services provided. At 31 December 2010 (as at 31 December 2009) the concentration of trade receivables on a single counterparty was 100%. The policy of the Group is to sustain its growth by increasing the number of licensing out agreements whilst maintaining credit risks at acceptable levels. For this purpose, only technically qualified and financially strong counterparties are selected in the licensing out process. The progressive increase of the out-licensed projects and number of counterparties will reduce the cluster risk on trade receivables. Cash and cash equivalents exceeding the current needs are held with credit-worthy banks mainly with rating AA+ (Standard & Poor's).

Liquidity risk

Liquidity risk management implies maintaining sufficient cash and cash equivalents to meet the financial obligations of the Group. Currently the major liquidity sources are represented by the license and collaboration agreements signed by the Group and by shareholder and investors who systematically made up for major liquidity requirements. The Group has until now not committed borrowing facilities or other lines of credits. There is no funding through debt instruments other than financial lease. Management monitors the Group's net liquidity position through rolling forecasts on the basis of expected cash flows.

The table below analyses the group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The financial debts presented in the tables below, referring exclusively to

finance lease, are at undiscounted cash flows, whereas the carrying value in the consolidated balance sheet reflects discounted cash flows.

Maturity analysis of financial liabilities at 31 December 2010

	less than 3 months	between 4-6 months	between 7-12 months	between 1 and 5 years	more than 5 years
Financial debts	39'066	26'979	76'587	292'791	-
Trade and other payables	1'247'725	-	366'591	-	-
Accrued liabilities	209'308	358'446	-	311'332	-
Liabilities of disposal group classified as held-for-sale	50'724	50'724	101'448	2'800'653	-
Total financial liabilities	1'546'823	436'149	544'626	3'404'776	-

Maturity analysis of financial liabilities at 31 December 2009

	less than 3 months	between 4-6 months	between 7-12 months	between 1 and 5 years	more than 5 years
Financial debts	36'561	64'400	76'958	176'777	-
Trade and other payables	1'988'296	-	-	-	-
Accrued liabilities	1'015'914	1'981'580	-	-	-
Liabilities of disposal group classified as held-for-sale	52'509	52'509	105'018	3'031'515	-
Total financial liabilities	3'093'280	2'098'489	181'976	3'208'292	-

Interest rate risk

With the exception of short term cash deposits and finance leases, the Group has no other interest-bearing assets or liabilities and the interest rate risk exposure is therefore minimized.

Currency risk

The Group operates also in foreign countries and is exposed to movements in foreign currencies exposures, primarily with respect to EUR and USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group monitors its currency exposure with the objective to better preserve the economic value of its current and future assets and to minimize the volatility of the Group's financial result. The focus of the Group's foreign exchange risk management is on hedging receivables and payables exposures and monetary positions held in foreign currencies. The Group has also investments in foreign operations, whose net asset are exposed to foreign currency translation risk. Currency exposure arising from net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

At 31 December 2010, if the functional currency had weakened/strengthened by 15% against the EUR, the loss for the period would have been CHF 53'400 higher/lower (2009: CHF 87'856), mainly as a result of foreign exchange losses/gains on translation of EUR denominated trade payables. At 31 December 2010, if the functional currency had weakened/strengthened by 10% against the US dollar, the loss for the period would have been CHF 4'841 (2009: CHF 58'554) lower/higher, mainly as a result of foreign exchange gains/losses on translation of USD denominated cash amounts. Assumption underlying this analysis is that all other variables remain unchanged.

5 Capital risk management

The Group's objectives when managing capital (defined as "equity attributable to mondoBIOTECH's shareholders") are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The available funds rose in various private financing rounds, the placements during 2010 and the placement beginning 2011 (see note 30 for further details) as well as the funds generated through revenues/milestones ensure that the Group continues as a going concern. In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debts. mondoBIOTECH does not have to comply with loan covenants or regulatory capital adequacy requirements as known in other industries.

6 Fair value estimation

At 31 December 2010 and 2009, the Group didn't dispose of financial instruments that are measured at fair value. The requirements deriving from amendment to IFRS 7 (effective 1 January 2009) of a disclosure of fair value measurements by level of hierarchy, does therefore not apply.

7 Segment information

The Group has two operating segments: 'Projects' and 'Development Services'. The operating segments were determined within a matrix oriented organization based on the different operating and strategic approaches characterizing each operating segment.

The segment 'Projects' derives its revenues from the licensing-out at different stages of development projects on biological therapeutics for the treatment of rare and neglected diseases. Revenues in this operating segment are mainly signing-up fees, milestones and royalty payments received from licensing-out partners. The segment 'Development Services' derives its revenues from providing additional clinical development services to partners that specifically request this services in close connection with a licensing-out agreement. Results of activities considered incidental to mondoBIOTECH's main operations as well as unallocated revenues, expenses and assets are reported separately under the caption 'Corporate'. Liabilities are not disclosed because they make no object of the reports provided to the operating decision maker. The segment information for the year ended 31 December 2010 and 2009, including the reportable segments' assets reconciled to total Group assets, is as follow:

	As at 31 December 2010			
	Projects	Development Services	Corporate	Total
Segmental revenues	-	386'382	209'000	595'382
Inter-segment revenues	-	-	(209'000)	(209'000)
Revenues from external customers	-	386'382	-	386'382
Segmental revenues	-	386'382	209'000	595'382
Research & development costs	(12'263'003)	(2'144'822)	(139'958)	(14'547'783)
Sales & marketing costs	(3'141'086)	-	(262'229)	(3'403'315)
Management & administration costs	(616'910)	(57'394)	(1'218'072)	(1'892'376)
Segmental operating result	(16'020'999)	(1'815'834)	(1'411'259)	(19'248'092)
Finance result - net				(148'881)
Result before income taxes				(19'396'973)
Included in segmental operating result are:				
depreciation and amortization	(3'493'962)	(116'153)	(5'017)	(3'615'132)
derecognition of property, plant and equipment	(940'478)	-	-	(940'478)
impairment on property, plant and equipment	(254'634)	-	-	(254'634)
impairment on assets classified as held for sale	(250'000)	-	-	(250'000)
Total segment assets	51'216'998	268'748	30'173'862	81'659'608
Investment in subsidiaries				(678'899)
Loans to subsidiaries				(28'065'237)
Trade and other receivables against subsidiaries				(712'242)
Unallocated:				
Assets of disposal group classified as held for sale				6'100'000
Total assets per the balance sheet				58'303'230

	As at 31 December 2009			
	Development			
	Projects	Services	Corporate	Total
Segmental revenues	705'000	13'130'340	684'838	14'520'178
Inter-segment revenues	(95'000)	-	(684'838)	(779'838)
Revenues from external customers	610'000	13'130'340	-	13'740'340
Segmental revenues	705'000	13'130'340	684'838	14'520'178
Research & development costs	(9'073'830)	(11'051'086)	(115'807)	(20'240'723)
Sales & marketing costs	(3'550'492)	-	(81'194)	(3'631'686)
Management & administration costs	(773'385)	(444'750)	(1'537'532)	(2'755'667)
Segmental operating result	(12'692'707)	1'634'504	(1'049'695)	(12'107'898)
Finance result - net				(113'990)
Result before income taxes				(12'221'888)
Included in segmental operating result are:				
- depreciation and amortization	(3'599'131)	(108'383)	-	(3'707'514)
- impairment on property, plant and equipment	(852'150)	-	-	(852'150)
- impairment on assets classified as held for sale	(884'686)	-	-	(884'686)
Total segment assets	60'468'859	2'794'955	21'391'011	84'654'825
Investment in subsidiaries				(878'899)
Loans to subsidiaries				(18'575'993)
Trade and other receivables against subsidiaries				(3'031'764)
Unallocated:				
Assets of disposal group classified as held for sale				3'050'000
Total assets per the balance sheet				65'218'169

Revenues from external customers located in Switzerland are CHF 386'382 (2009: CHF 13'240'340) and in foreign countries CHF 0 (2009: CHF 500'000). Revenues from external customers were allocated to geographical areas according to the location in which the revenue was originated. The total non-current assets other than financial instruments (there are no deferred tax assets, post-employment benefit assets and rights arising under insurance contracts) located in Switzerland is CHF 4'831'870 in respect of total non-current assets of CHF 4'862'436 (2009: CHF 6'626'802, all in Switzerland), and the total non-current assets located in foreign countries is CHF 47'537'617 (2009: CHF 50'542'089). Non-current assets in foreign countries in 2010 and 2009 refers exclusively mainly to intellectual properties acquired by the Group in 2006 which are in the process of being registered and that claim, among others, the administration of peptides based medicaments by inhalation devices. The details about such intellectual properties are disclosed in note 9. 100% (2009: 96%) of the revenues are derived from a single external customer.

8 Property, plant and equipment

	Buildings under development	Leasehold improvements	Vehicles & aircrafts	Hardware	Other	Total
Year ended 31 December 2009:						
Opening net book amount	343'343	169'869	556'744	214'903	268'578	1'553'437
Additions	1'001'961	47'708	4'616'966	101'391	78'615	5'846'641
Disposals	-	-	(57'028)	-	(1'061)	(58'089)
Depreciation charges	-	(113'165)	(300'245)	(161'080)	(119'016)	(693'506)
Impairment charges	-	-	(852'150)	-	-	(852'150)
Currency translation effects	-	-	-	(556)	(95)	(651)
Closing net book amount	1'345'304	104'412	3'964'287	154'658	227'021	5'795'682
Cost value	1'345'304	361'933	5'246'437	548'009	699'469	8'201'152
Accumulated depreciation and impairment	-	(257'521)	(1'282'150)	(393'351)	(472'448)	(2'405'470)
Net book amount	1'345'304	104'412	3'964'287	154'658	227'021	5'795'682
Year ended 31 December 2010:						
Opening net book amount	1'345'304	104'412	3'964'287	154'658	227'021	5'795'682
Additions	267'775	-	258'410	94'969	113'232	734'386
Disposals and derecognition	(940'478)	(17'797)	-	-	-	(958'275)
Depreciation charges	(11'056)	(65'986)	(303'963)	(104'335)	(115'698)	(601'038)
Impairment charges	-	-	(254'634)	-	-	(254'634)
To disposal group classified as held for sale	-	-	(3'300'000)	-	-	(3'300'000)
Currency translation effects	-	-	-	(613)	(185)	(798)
Closing net book amount	661'545	20'629	364'100	144'679	224'370	1'415'323
Cost value	672'601	213'032	574'147	289'716	795'552	2'545'048
Accumulated depreciation and impairment	(11'056)	(192'403)	(210'047)	(145'037)	(571'182)	(1'129'725)
Net book amount	661'545	20'629	364'100	144'679	224'370	1'415'323

The position "Buildings under development" relates to the renovation of the monastery in Stans, where the Group initially planned to locate its headquarter. The Group filed a building application (*Baugesuch*) for the renovation of the Monastery at the beginning of 2010. Until now, the Group has not received the authorization to renew the Monastery, and based on new interpretations of the planning environment in Stans, the Group currently does not expect to receive an authorization to renew the Monastery which meets the Group's needs and expectations. Due to the uncertainty resulting from the current situation, the Group derecognizes during 2010 all capitalized expenses incurred in conjunction with the renovation project for an amount of CHF 940'478. The Group stills continue to use the facility in Stans but is reassessing the location of its headquarter. The aircraft was object of an impairment charge of CHF 254'634 in order to adjust the carrying value to the fair value and then reclassified (to disposal group classified as held-for sale, see note 13).

Depreciation expense of CHF 401'993 (2009: CHF 470'300) is included in "Research & Development", CHF 157'211 (2009: CHF 174'886) is included in "Sales & Marketing" and CHF 41'834 (2009: CHF 48'320) is included in "Management & Administration". The classes of assets "Vehicles and aircraft" and "Other" includes items under financial lease for a net carrying value of CHF 371'369 (2009: CHF 259'353).

The minimum lease payments within the next years are as follows:

	2010	2009
Within one year	142'636	177'920
Between one and five years	292'787	176'777
More than five years	-	-
Future finance charges on financial leases	435'423	354'697
Present value of finance lease liabilities	393'528	331'248

The present value of the future lease payments within the next years is as follow:

	2010	2009
Within one year	124'652	163'881
Between one and five years	268'876	167'367
More than five years	-	-
Total	<u>393'528</u>	<u>331'248</u>

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

9 Intangible assets

	Patents	Total
Year ended 31 December 2009:		
Opening net book amount	53'535'060	53'535'060
Amortisation charges	<u>(3'014'004)</u>	<u>(3'014'004)</u>
Closing net book amount	<u>50'521'056</u>	<u>50'521'056</u>
Cost value	59'778'853	59'778'853
Accumulated amortisation	<u>(9'257'797)</u>	<u>(9'257'797)</u>
Net book amount	<u>50'521'056</u>	<u>50'521'056</u>
Year ended 31 December 2010:		
Opening net book amount	50'521'056	50'521'056
Amortisation charges	<u>(3'014'005)</u>	<u>(3'014'005)</u>
Closing net book amount	<u>47'507'051</u>	<u>47'507'051</u>
Cost value	59'778'853	59'778'853
Accumulated amortisation	<u>(12'271'802)</u>	<u>(12'271'802)</u>
Net book amount	<u>47'507'051</u>	<u>47'507'051</u>

All amortisation charges are included in "Research & Development". In 2006, the Group acquired certain intellectual property rights which are in the process of being registered and that claim, among others, the administration of peptides based medicaments by inhalation devices. The carrying value of such intellectual property at 31 December 2010 is CHF 47'507'051 (31 December 2009: CHF 50'521'056) and the remaining amortisation period is 15.5 years.

10 Financial instruments by category

	Loans and receivables	Total
Financial assets and liabilities as per balance sheet 31 December 2010		
Trade and other receivables	92'060	92'060
Cash and cash equivalents	<u>2'395'626</u>	<u>2'395'626</u>
Total	<u>2'487'686</u>	<u>2'487'686</u>
Other financial liabilities at amortized costs		
	amortized costs	Total
Financial lease liabilities	393'528	393'528
Trade and other payables	1'614'316	1'614'316
Accrued liabilities	879'086	879'086
Liabilities of disposal group classified as held for sale (finance lease)	<u>2'870'809</u>	<u>2'870'809</u>
Total	<u>5'757'739</u>	<u>5'757'739</u>

Financial assets and liabilities as per balance sheet 31 December 2009	Loans and receivables	Total
Trade and other receivables	94'295	94'295
Cash and cash equivalents	4'631'848	4'631'848
Total	4'726'143	4'726'143

	Other financial liabilities at amortized costs	Total
Financial lease liabilities	331'248	331'248
Trade and other payables	1'988'296	1'988'296
Accrued liabilities	2'997'494	2'997'494
Liabilities of disposal group classified as held for sale	3'015'096	3'015'096
Total	8'332'134	8'332'134

11 Trade and other receivables

	2010	2009
Trade receivables	87'055	86'625
- less provision for doubtful trade receivables	-	-
Trade receivables - net	87'055	86'625
Receivables from related parties (note 29)	5'005	7'670
Receivables against tax authorities (for value added tax and withholding tax)	198'120	260'040
Prepayments	112'288	126'430
Caution deposits	226'682	229'327
Caution deposits to related parties (note 29)	60'000	60'000
Trade and other receivables	689'150	770'092

Significant concentration of credit risks within trade receivables is described in note 4. All trade receivables arise from licensing and collaboration agreements with public listed companies operating into the biotech and pharmaceutical industry and are still not yet due. The Group does not anticipate any defaults and the provision for impairment of trade receivable didn't change in 2010 and 2009. As at 31 December 2010 there are no financial assets whose terms have been renegotiated (2009: none).

12 Cash and cash equivalents

	2010	2009
Cash at bank and on hand	2'395'626	4'631'848
Cash and cash equivalents	2'395'626	4'631'848

13 Assets and liabilities of disposal group classified as held for sale

Assets of disposal group classified as held for sale

	2010	2009
Property, plant and equipments	6'100'000	3'050'000
Total	6'100'000	3'050'000

Liabilities of disposal group classified as held for sale

	2010	2009
Long-term financial debts	2'870'809	3'015'096
Total	2'870'809	3'015'096

The disposal group is composed by two aircrafts and the associated financial lease on one of it. In 2008, the management decided to substitute the existing aircraft with a new model, classifying therefore the existing aircraft as held for sale. The envisaged sale transaction with a third party did not take place in the first months of 2009 due to the inability of the counterparty to make front on its contractually agreed obligations. The management entered into a sale transaction with a new buyer on February 2011, which should be closed on or about June 2011. In focusing the activities of the Group, the management qualified the aircraft acquired beginning 2009 in substitution of the former old model as not strategic and decided to classify it as held for sale as at 31 December 2010 with a fair value of CHF 3'300'000 (see note 8), the sale transaction expected to happen within end of 2011. The assets and the liabilities held for sale are valued at book value or fair value minus selling costs if lower. Considering the sales price less transaction costs, the Group recognized an impairment charge of CHF 250'000 in 2010 on the old aircraft, of which CHF 162'500 are included in "Research & Development", CHF 75'000 in "Sales & Marketing" and CHF 12'500 in "Management & Administration". In relation to the operating segment information (note 7), impairment on assets of disposal group is reported in the operating segment 'Projects'.

14 Share capital

	Number of registered			Nominal value
	bearer shares	voting right shares	common shares	
At 1 January 2009	13'077'654	-	-	653'883
Share split 1:5	52'310'616	-	-	-
Creation of two classes with a reverse split 10:1 in the commons shares class	(65'388'270)	52'901'560	1'248'671	-
Year ended 31 December 2009	-	52'901'560	1'248'671	653'883
Issuance of common shares	-	-	187'889	18'789
Year ended 31 December 2010	-	52'901'560	1'436'560	672'672

Issued share capital

In February 2010, the Company's share capital was increased from CHF 653'822.70 to CHF 661'796.10 through the issuance of 79'134 new registered common shares with a nominal value of CHF 0.10 each at an issue price of CHF 110.00 each out of the Company's authorized share capital. The new shares were offered to existing shareholders by way of an issuance of subscription rights and were fully paid-in in cash. The capital increase was implemented and registered with the commercial register on 17 February 2010.

In August 2010, the Company's share capital was increased from CHF 661'796.10 to CHF 672'671.60 through the issuance of 108'755 new registered common shares with a nominal value of CHF 0.10 each at an issue price of CHF 68.00 each out of the Company's authorized share capital. The new shares were offered to existing shareholders by way of an issuance of subscription rights, and shares not taken up by existing shareholders were offered by the Company to selected investors. The new shares were fully paid-in in cash. The capital increase was implemented and registered with the commercial register on 11 August 2010.

At 31 December 2010, the issued share capital amounts to CHF 672'671.60, consisting of 1'436'560 fully paid-in registered shares with a nominal value of CHF 0.10 and 52'901'560 fully paid-in registered shares with a nominal value of CHF 0.01.

Authorized, unissued nominal capital

At 31 December 2010, the Company has an authorized but not yet issued nominal capital of CHF 308'152.40, consisting of 3'081'524 registered shares with a par value of CHF 0.10 each, that the Board of Directors is authorized to issue at any time by 30 April 2012.

Conditional share capital

The conditional share capital of mondoBIOTECH holding AG as at 31 December 2010 was CHF 326'941.30, consisting of 3'269'413 registered shares with a par value of CHF 0.10 each, of which CHF 180'000 to be used for share option for employees and consultants and CHF 146'941.30 to be used for the exercise of conversion option rights granted in connection with bonds, notes or similar debt instruments issued by the Company. To date, there is no share option plans in place for employees and consultants.

15 Reserves

	Share premium	Other reserves	Currency translation	Total
At 1 January 2009	91'496'838	-	(6'454)	91'490'384
Currency translation differences	-	-	9'847	9'847
Year ended 31 December 2009	91'496'838	-	3'393	91'500'231
Share capital increase	14'529'069	-	-	14'529'069
Issuance of call options	-	405'275	-	405'275
Currency translation differences	-	-	87'292	87'292
Year ended 31 December 2010	106'025'907	405'275	90'685	106'521'867

As a part of the round of fundraising closed on 17 February 2010, holders of subscription rights who had exercised their rights were given the possibility to purchase a call option entitling to subscribe for an option share at a price of CHF 150.00 at any time during a 3-year exercise period ending on 22 February 2013. Holders of subscription rights purchased a total of 11'141 call options. None of the call options were exercised until 31 December 2010 and are still outstanding.

16 Financial debts

	2010	2009
Finance lease:		
- third parties	381'594	273'812
- related parties	11'934	57'436
Total financial debts	393'528	331'248
Reported as:		
- long-term financial debts	269'551	167'367
- short-term financial debts	123'977	163'881
Total financial debts	393'528	331'248

Financial debts refer exclusively to finance leasing agreements in place for financing property, plant and equipments (see note 8). The duration of the agreements is between 1 and 4 years, at the end of which the Group has a purchase option. Early termination is possible. The interest rates implicit in the lease agreements are between 4.5% and 8.0%.

17 Pension obligations

The Group maintains retirement plans where expressly required by the applicable pension legislation. This refers exclusively to the Swiss and Liechtenstein subsidiaries. Such plans are considered as defined benefit plans in accordance with IAS 19. The Company and its employees pay retirement contributions, which are defined as a percentage of the employees' covered salaries, to a collective pension fund operated by an insurance company. Interest is credited to the employees' accounts at the minimum rate provided in the plan, payment of which is guaranteed by the insurance contract. Additionally, the plans provide benefits on the death or long-term disability of the insured. For accounting purposes this insurance contract represents the sole asset of the plan. Fair value of plan asset is the estimated cash surrender at the respective balance sheet date.

The amounts recognized in the balance sheet are determined as follows:

Change in the benefit obligation

	2010	2009
Present value of obligations, beginning of period	1'988'719	1'492'485
Current service cost	151'095	90'521
Interest cost	50'443	49'242
Employee contributions	110'055	104'149
Benefits paid (including saving capitals of new joiner)	(421'350)	193'728
Actuarial (gain)/loss on obligations	(27'833)	58'594
At end of the period	1'851'129	1'988'719

Change in the plan assets

	2010	2009
Fair value of assets, beginning of period	1'852'065	1'457'578
Expected returns on plan assets	43'761	36'455
Employee contributions	110'055	104'149
Employer contributions	107'235	103'340
Benefits paid (including saving capitals of new joiner)	(421'350)	193'728
Actuarial gain (loss) on assets	(72'255)	(43'185)
At end of the period	1'619'511	1'852'065

The pension asset of the Group is a claim from the insurance company.

Funding status

	2010	2009
Present value of obligations	1'851'129	1'988'719
Fair value of assets	(1'619'511)	(1'852'065)
	231'618	136'654
Unrecognized actuarial losses	(179'516)	(135'421)
Pension obligation recognized in the balance sheet	52'102	1'233

Movement in the liability recognized in the balance sheet

	2010	2009
Pension obligation at beginning of period	1'233	1'265
Company's net periodic pension cost	158'104	103'308
Employers contributions	(107'235)	(103'340)
At end of the period	52'102	1'233

Net periodic costs recognized in the income statement

	2010	2009
Current service cost	151'095	90'521
Interest cost	50'443	49'242
Expected return on plan assets	(43'761)	(36'455)
Recognition of actuarial losses	327	-
Total, included in employee benefit expenses (note 21)	158'104	103'308

The actual return on plan assets was CHF -25'494 (2009: CHF-6'729).

Overview and experience adjustment

	2010	2009	2008	2007	2006
Defined benefit obligations	1'851'129	2'484'953	1'492'485	465'457	341'123
Plan assets	(1'619'511)	(2'246'552)	(1'457'578)	(385'596)	(291'570)
Deficit (Surplus)	231'618	238'401	34'907	79'861	49'553
Experienced adjustments on plan liabilities	55'330	59'410	34'126	(7'211)	(10'942)
Experienced adjustments on plan assets	(69'255)	(43'185)	4'521	(91'761)	9'937

Principal actuarial assumptions used

	2010	2009
Discount rate	2.75%	2.75%
Expected return on plan assets	2.00%	2.50%
Future salary increases	1.00%	1.00%
Inflation rate	1.50%	1.00%
Future pension increases	0.50%	0.50%

Assumptions regarding mortality take into account historic patterns and expected changes, such as further increases in longevity. The Group operates defined benefit plans only in Switzerland, for which the adjusted mortality BVG2005 tables were used with an average life-expectance for a 65-year-old male and female is 17.90 years and 20.98 years respectively.

Expected contributions for 2010

Expected contributions to post-employment benefit plans for the year 2011 are CHF 123'000.

18 Accrued liabilities and deferred income

	2010	2009
Accrued liabilities for services	148'594	2'142'369
Accrued liabilities for legal and audit services	274'080	207'503
Accrued interests on convertible loans at early conversion	167'191	167'191
Accruals for other taxes	64'979	112'900
Other accruals	69'408	-
Accrued liabilities for services from related parties (note 29)	219'813	480'431
Accrued liabilities and deferred income	944'065	3'110'394
Reported as:		
- long-term	311'332	-
- short-term	632'733	3'110'394
Total financial debts	944'065	3'110'394

19 Trade and other payables

	2010	2009
Trade payables	1'140'423	1'467'503
Social security and other employment related payables	107'302	81'726
Tax authorities (for value added tax and deduction at source)	52'271	39'215
Trade and other payables to related parties (note 29)	366'591	439'067
Trade and other payables	<u>1'666'587</u>	<u>2'027'511</u>

20 Revenues

	2010	2009
Revenues from upfront and milestones payments	-	610'000
Revenues from clinical development services	386'382	13'130'340
Revenues	<u>386'382</u>	<u>13'740'340</u>

21 Expenses by nature

	2010	2009
Depreciation and amortisation (note 8 and 9)	(3'615'043)	(3'707'510)
Impairment charges (on property, plant and equipments and assets classified as held for sale)	(504'634)	(1'736'836)
Employee benefit expenses (note 22)	(3'596'875)	(3'017'503)
Clinical development services	(5'522'220)	(11'214'267)
Marketing services, sponsoring	(1'542'751)	(1'677'683)
Consulting, financial and other management services	(1'055'139)	(1'383'671)
Rent and other occupancy costs	(1'940'271)	(1'074'957)
Travel	(1'376'948)	(1'617'538)
Information technology	(480'593)	(418'273)
Total research & development, sales & marketing, general & administration	<u>(19'634'474)</u>	<u>(25'848'238)</u>

22 Employee benefit expenses

	2010	2009
Wages and salaries	(3'186'442)	(2'661'116)
Social security costs	(252'329)	(253'079)
Pension costs - defined benefit plans (note 17)	(158'104)	(103'308)
Total employee benefit expenses	<u>(3'596'875)</u>	<u>(3'017'503)</u>

23 Finance income

	2010	2009
Interest income	3'636	10'457
Foreign exchange gains	248'492	201'072
Finance income	<u>252'128</u>	<u>211'529</u>

24 Finance costs

	2010	2009
Interest expense:		
- finance lease	(74'411)	(101'004)
	(74'411)	(101'004)
Foreign exchange losses	(326'598)	(224'515)
Finance costs	<u>(401'009)</u>	<u>(325'519)</u>
Effectively paid:		
- finance lease	(74'411)	(101'004)
	<u>(74'411)</u>	<u>(101'004)</u>

25 Taxes
Income tax

	2010	2009
Current income tax expenses	-	-
Adjustments in respect of previous periods - income	-	8'245
Current tax	-	8'245
Deferred tax	-	-
Total income tax	-	8'245

The weighted average applicable tax rate of the Group is 11.9% (2009: 13.3%) and was determined using the domestic tax rates applicable to results in the countries concerned. The decrease is due to the provenance of smaller quotes of result from countries with higher tax rates.

	2010	2009
Net loss before income taxes	(19'396'973)	(12'221'888)
Tax income at the domestic rates applicable in the country concerned	2'321'819	1'597'614
Utilization of previously unrecognized tax losses	-	-
Tax losses for which no deferred income tax asset was recognized	(2'321'819)	(1'597'614)
Adjustments in respect of previous periods	-	8'245
Total income charged to income statement	-	8'245

Current income tax liabilities

	2010	2009
At 1 January	-	437'912
Current income tax	-	(8'245)
Payments	-	(429'651)
Exchange differences	-	(16)
Year ended 31 December	-	-

Deferred taxes

In accordance with IAS 12, the Company did not capitalize any deferred tax asset relating to tax loss carry-forwards and temporary differences since the criteria for recognition (i.e. the probability of future taxable profits) are not met. The gross value of unused tax losses which have not been capitalized as deferred tax asset will expire as follows:

	2010	2009
Within one year	(4'532'605)	(1'119'566)
Later than one year and not later than five years	(16'876'795)	(17'020'825)
More than five years	(34'994'402)	(17'562'956)
Total	(56'403'802)	(35'703'347)

Deferred tax assets and liabilities on temporary differences that have not been recognized are as follows:

	2010	2009
Deferred tax assets by types of temporary difference:		
Property, plant and equipment	906	-
Intangible assets	28'886	46'394
Pension obligations	13'102	2'736
Total deferred tax assets	42'894	49'130
Deferred tax liabilities by types of temporary difference:		
Investment and loans in subsidiaries	5'023'012	3'038'991
Total deferred tax liability	5'023'012	3'038'991

No deferred tax liability was recognized due to the ability of the Group to offset by recognizing deferred tax assets for an equivalent amount in the period when temporary differences would reverse.

26 Earnings per share

Common Shares

Basic and diluted loss per share:

	2010	2009
Net loss attributable to common share holders of the Company	(4'142'425)	(2'332'348)
Weighted average number of shares outstanding	1'360'013	1'248'671
	(3.046)	(1.868)

Voting Right Shares

Basic and diluted loss per share:

	2010	2009
Net loss attributable to voting right share holders of the Company	(15'254'548)	(9'881'295)
Weighted average number of shares outstanding	52'901'560	52'901'560
	(0.288)	(0.187)

Basic and diluted losses per shares are calculated by dividing the net loss attributable to the shareholders by the weighted average shares outstanding during the period. In 2010, the number of shares outstanding varied as a result of different operations on the share capital structure of the Company (see note 14 for more details). The 11'141 issued call options entitling to subscribe for an option share at a strike price of CHF 150.00 at any time during a 3-years exercise period ending on 22 February 2013 (see note 15 for more details) do not have dilutive effect because fully 'out of money'.

27 Cash generated from operations

	Note	Year ended 31 December	
		2010	2009
Result of the period		(19'396'973)	(12'213'643)
Adjustments for:			
- Depreciation	8	601'038	693'506
- Amortisation	9	3'014'005	3'014'004
- Impairment charges on tangible assets	8	254'634	852'150
- Impairment charges on assets classified as held-for-sale	13	250'000	884'686
- Changes in accrued liabilities, long term		311'332	-
- Changes in pension obligations and provisions		50'869	(32)
- (Profit)/loss from disposal/derecognition of property, plant and equipment		907'625	(9'921)
- Interest income	23	(3'636)	(10'457)
- Interest expenses	24	74'411	101'004
Changes in working capital:			
- Trade and other receivables		75'538	419'263
- Other assets		130'421	387'565
- Accrued income and prepaid expenses		122'990	1'526'512
- Trade and other payables		(358'797)	1'247'054
- Accrued liabilities		(2'477'066)	221'884
Cash generated from operations		(16'443'609)	(2'886'425)

28 Commitments and contingencies

The future aggregate minimum rent payments for office space under non-cancellable rent agreements is as follows:

	2010	2009
Within one year	224'400	684'600
Later than one and not later than five years	40'800	2'257'200
Later than five years	-	360'000
Total	265'200	3'301'800

At balance sheet date the Group is not involved in legal proceedings.

29 Related parties

Senior executive and Board compensation

	2010	2009
Compensation of senior executives:		
- fees, salaries and other short-term employee benefits	862'814	1'350'057
- post-employment benefits	35'163	31'847
Board of directors:		
- for serving as board members	863'317	175'821
Total	<u>1'761'294</u>	<u>1'557'725</u>

The disclosures required by the Swiss Code of Obligations on Board and Executive compensation are shown in note 11 to the Company's statutory financial statements 2010.

Purchase of services

	2010	2009
From entities related to board members:		
- financial advisory and consulting services	100'798	159'943
- accounting, HR and administration services	310'059	361'227
- commissions on fund raising	550'000	-
- rent and occupancy services	632'400	670'900
Total	<u>1'593'257</u>	<u>1'192'070</u>

Year-end balances arising from purchase of services

	2010	2009
Trade and other receivables (note 11)	65'005	67'670
Accrued income and prepaid expenses	8'151	12'616
Total	<u>73'156</u>	<u>80'286</u>
Long-term financial debt	-	11'933
Trade and other payables (note 19)	366'591	439'067
Short - term financial payables	11'933	45'503
Accrued liabilities (note 18)	219'813	480'431
Total	<u>598'337</u>	<u>976'934</u>

Year-end balances regarding trade receivables are due within 30 days. None of them are overdue. Other receivables refer to caution deposit. Short-term financial debts refer to a financial leasing agreement with an implicit interest rate of 8% (see notes 8 and 16). Trade and other payables are due within 30 and 60 days.

30 Events after the balance sheet date

Fund raising

On 13 April 2011, the Company closed a round of fundraising by issuing 165'042 new Common Shares from its authorized share capital for a gross contribution of about CHF 8.08 million.

There have been no further material post-balance sheet events which would require disclosure or adjustment to the 2010 financial statements.

31 Risk assessment disclosures required by Swiss law

The Executive Committee is responsible for continuous risk assessment and risk management. The risk assessment procedures include the identification of internal and external risks, the assessment of their potential impact on the Group as well as the definition of organizational and process measures to identify the risk and where appropriate remediate. The Executive Committee reports to the Board on a regular basis on significant risks and measure taken by the Group.

Financial risk management is described in more detail in note 4 of the Group's consolidated financial statements.



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Report of the statutory auditor
to the general meeting of
mondobiotech holding AG
Stans

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of mondobiotech holding AG, which comprise the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes (page 18 to 43), for the year ended 31 December 2010.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation 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 as well as the International Standards on Auditing. 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 and fair presentation 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 the 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 2010 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Emphasis of matter

We draw attention to Note 3 to the consolidated financial statements, paragraph "Impairment of acquired intellectual properties", which indicates that the recoverable amount of the intellectual property rights acquired in 2008 depends among others on the continuing operation of the group, profits and revenues and future synergic effects. The ultimate outcome of these conditions cannot be presently determined. No impairment of these assets has been recognized in the consolidated financial statements.

We further draw attention to Note 2 to the consolidated financial statements, paragraph "Uncertainties and ability to continue operations", where disclosures by management are made regarding the fact that the Group's ability to continue operations depends among others on its ability to raise additional capital to fund operations and assure the solvency of the Group until revenues reach a level to sustain positive cash flows. This indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern.

Our opinion is not qualified in respect of these matters.

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 article 11 AOA) 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



Thomas Bruederlin
Audit expert
Auditor in charge



Susann Henning
Audit expert

Basel, 29 April 2011

Balance sheet (in CHF)

	Note	As at	
		31.12.2010	31.12.2009
ASSETS			
Intangible assets	3	108'785	148'429
Investments	4	225	216'465
Loans to group companies	5	3'600'000	4'344'207
Non current assets		3'709'010	4'709'101
Other receivables		342'376	185'778
<i>third parties</i>		142'376	185'778
<i>group companies</i>		200'000	-
Prepaid expenses		7'657	4'759
<i>third parties</i>		2'369	-
<i>related parties</i>		5'288	4'759
Cash and cash equivalents	6	544'740	1'745'582
Current assets		894'773	1'936'119
Total assets		4'603'783	6'645'220
EQUITY AND LIABILITIES			
Share capital		672'672	653'883
General reserves		15'261'283	14'023'501
Free reserves		5'078'520	-
Retained losses		(17'093'274)	(8'618'040)
<i>loss carried forward</i>		-	(3'421'940)
<i>net result for the period</i>		(17'093'274)	(5'196'100)
Total shareholders' equity	7	3'919'201	6'059'344
Trade payable		129'114	266'306
<i>group companies</i>		85'323	266'306
<i>related parties</i>		43'791	-
Other payable		258'667	-
<i>third parties</i>		-	-
<i>group companies</i>		258'667	-
Accrued expenses and deferred income		296'801	319'570
<i>third parties</i>		226'988	292'139
<i>related parties</i>		69'813	27'431
Current liabilities		684'582	585'876
Total equity and liabilities		4'603'783	6'645'220

Income statement (in CHF)

	Note	2010	2009
Research & development	8	(248'806)	(212'001)
Sales & marketing	8	(294'731)	(98'771)
Management & administration	8	(808'940)	(1'032'635)
Impairment on loans to group companies and investments		(15'749'130)	(5'994'180)
Operating result		(17'101'607)	(7'337'587)
Financial income	9	2'341	2'205'727
Exchange differences		5'992	(64'240)
Result before income taxes		(17'093'274)	(5'196'100)
Income taxes		-	-
Result of the period		(17'093'274)	(5'196'100)

Cash flow statement (in CHF)

	Note	2010	2009
Net result of the period		(17'093'274)	(5'196'100)
Adjustments for:			
- amortizations	3	39'644	39'613
- Impairment on loans to group companies and investments		15'749'130	5'994'180
- dividend income		-	(2'200'824)
Changes in working capital:			
- trade and other receivable		(156'598)	8'621
- prepaid expenses		(2'898)	(2'233)
- trade and other payable		121'475	59'097
- accrued liabilities		(22'769)	164'622
Cash generated (used) from operations		(1'365'290)	(1'133'024)
Income tax paid		-	-
Interest paid		-	-
Cash flow (used) from operating activities		(1'365'290)	(1'133'024)
Purchase of intangible assets		-	(886)
Investment in subsidiaries		-	(11)
Deinvestment in subsidiaries	4	200'000	-
Loans granted to subsidiaries		(14'988'683)	(9'267'757)
Dividend received		-	2'200'824
Cash flow (used) from investing activities		(14'788'683)	(7'067'830)
Proceeds from issuance of share capital, net of transaction costs	7	14'547'856	-
Proceeds from issuance of options, net of transaction costs	7	405'275	-
Repayment of loans to subsidiaries		-	(2'200'824)
Cash flow (used) from financing activities		14'953'131	(2'200'824)
Increase (decrease) in cash and cash equivalents		(1'200'842)	(10'401'678)
Cash and cash equivalents at beginning of period		1'745'582	12'147'260
Cash and cash equivalents at end of period		544'740	1'745'582

Notes to the financial statements

(all amounts in CHF)

1 General information

mondoBIOTECH holding AG (“mondoBIOTECH” or the “Company”) is the holding company of the mondoBIOTECH Group. The Company is a Swiss stock corporation the Common Shares of which are listed on the SIX Swiss Exchange. The registered office of the Company is Mürzgstrasse 18, CH-6370 Stans, Switzerland.

2 Significant accounting policies

Basis of preparation of the financial statements

The financial statements are closed on 31 December 2010 and have been prepared in accordance with Swiss law and under the historical cost convention. The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the management’s best knowledge, actual results may ultimately differ from those estimates.

Uncertainties and ability to continue operations

The Company is in its start-up phase and subject to various risks and uncertainties, including but not limited to its reliance on some medicinal product candidates in order to achieve future revenues, timing of achieving profitability, its marketing capacity and the substantial uncertainty of the drug development process, including uncertainty of the outcome of clinical trials and significant regulatory approval requirements for market admission of medicinal product candidates.

Intangible assets

Intangible assets refer to formation and organization expenses capitalized and amortized using the straight-line method over a useful life of 5 years.

Investments

Investments in subsidiaries are recorded at their acquisition cost. The acquisition cost includes charges and expenses in connection with the acquisition. At the end of each fiscal quarter, a provision is made on the basis of an evaluation of each individual asset for any permanent impairment in value.

Loans to subsidiaries

Loans to subsidiaries are carried at original nominal value less provision made for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect the amounts due according to the original nominal amounts.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities up to three months. For the purpose of the cash flow statement, cash and cash equivalents comprise the balance sheet positions “cash and cash equivalents”.

Unless otherwise stated, all other assets and liabilities are stated at their nominal values.

3 Intangible assets

	Formation & reorganiz. expenses	Total
Year ended 31 December 2009:		
Opening net book amount	187'156	187'156
Increase	886	886
Amortisation charges	(39'613)	(39'613)
Closing net book amount	148'429	148'429
Cost value	198'219	198'219
Accumulated amortisation	(49'790)	(49'790)
Net book amount	148'429	148'429
Year ended 31 December 2010:		
Opening net book amount	148'429	148'429
Amortisation charges	(39'644)	(39'644)
Closing net book amount	108'785	108'785
Cost value	198'219	198'219
Accumulated amortisation	(89'434)	(89'434)
Net book amount	108'785	108'785

4 Investments

	2010	2009
Investment in subsidiaries	549'216	769'195
Impairment charges	(548'991)	(552'730)
Total	225	216'465

The detail of all subsidiaries is as follow:

Country	Company	City	Share capital	Ownership in %	
				2010	2009
Switzerland	mondoBIOTECH AG	Stans	CHF 338'364	100.00%	100.00%
	Fast Take-off AG	Stans	CHF 100'000	100.00%	100.00%
	mondoBIOTECH Europe SA	Collina d'Oro	CHF 138'750	100.00%	100.00%
Liechtenstein	mondoBIOTECH Laboratories AG	Vaduz	CHF 50'000	100.00%	100.00%
US	www.mondobiotech.com, Inc.	Palo alto	USD 10	100.00%	100.00%
	mondoBIOTECH US, Inc.	New York	USD 200	100.00%	100.00%

During 2010, the previously held subsidiaries mondoGEN AG and Alps Air AG were merged by way of full absorption into Interferon Medical Use SA (now mondoBIOTECH Europe SA). mondoBIOTECH US, Inc. and www.mondobiotech.com, Inc. are in the process of being fully merged.

5 Loans to group companies

	2010	2009
Loans to group companies:		
- not subordinated	3'600'000	4'344'207
- subordinated	19'650'502	8'197'050
Provision for impairment	(19'650'502)	(8'197'050)
Loans to group companies	3'600'000	4'344'207
Reported as:		
- non-current assets	3'600'000	4'344'207
- current assets	-	-
Total	3'600'000	4'344'207

The loans are not remunerated and subject to flexible payment-back opportunity. The management estimates that the loans are expected to be cashed-in, if the case, not before 12 months after the balance sheet date. In connection with the merger by way of absorption between mondoBIOTECH Europe SA, mondoGEN AG and Alps Air AG, subordinated loans for an amount of CHF 5'382'273 still provided off were definitively abandoned to the claim.

6 Cash and cash equivalents

	2010	2009
Cash at bank and on hand	544'740	1'745'582
Total	544'740	1'745'582

7 Shareholder's equity

	Share capital	General Reserves	Free Reserves	Retained earnings	Total
At 1 January 2009	653'883	14'023'501	-	(3'421'940)	11'255'444
Net result for the period	-	-	-	(5'196'100)	(5'196'100)
Year ended 31 December 2009	653'883	14'023'501	-	(8'618'040)	6'059'344
Compensation of the loss carried forward	-	(13'696'560)	5'078'520	8'618'040	-
Capital increase, net of transaction costs	18'789	14'529'067	-	-	14'547'856
Issuance of call-options, net of transaction costs	-	405'275	-	-	405'275
Net result for the period	-	-	-	(17'093'274)	(17'093'274)
Balance at 31 December 2010	672'672	15'261'283	5'078'520	(17'093'274)	3'919'201

Issued share capital

In February 2010, the Company's share capital was increased from CHF 653'822.70 to CHF 661'796.10 through the issuance of 79'134 new Common Shares at an issue price of CHF 110.00 each out of the Company's authorized share capital. The new Common Shares were offered to existing shareholders by way of an issuance of subscription rights and were fully paid-in in cash. The capital increase was implemented and registered with the commercial register on 17 February 2010. In August 2010, the Company's share capital was increased from CHF 661'796.10 to CHF 672'671.60 through the issuance of 108'755 new Common Shares at an issue price of CHF 68.00 each out of the Company's authorized share capital. The new Common Shares were offered to existing shareholders by way of an issuance of subscription rights. New Common Shares for which the subscription rights were not exercised were offered by the Company to selected investors. The new Common Shares were fully paid-in in cash. The capital increase was implemented and registered with the commercial register on 11 August 2010.

As of 31 December 2010, the issued share capital amounts to CHF 672'671.60, consisting of 1'436'560 fully paid-in registered shares with a nominal value of CHF 0.10 (the "Common Shares") and 52'901'560 fully paid-in registered shares with a nominal value of CHF 0.01 (the "Voting Right Shares"). The Common Shares only are traded at the SIX Swiss Exchange

Authorized, unissued nominal capital

At 31 December 2010, the Company has an authorized but not yet issued nominal capital of CHF 308'152.40, consisting of 3'081'524 registered shares with a par value of CHF 0.10 each, that the Board of Directors is authorized to issue at any time by 30 April 2012.

Conditional share capital

The conditional share capital of mondoBIOTECH holding AG as at 31 December 2010 was CHF 326'941.30, consisting of 3'269'413 registered shares with a par value of CHF 0.10 each, of which CHF 180'000 to be used for share options for employees and consultants and CHF 146'941.30 to be used for the exercise of conversion option rights granted in connection with bonds, notes or similar debt instruments issued by the Company. To date, there is no share option plan in place for employees and consultants.

General Reserves

As a part of the round of fundraising closed on 17 February 2010, holders of subscription rights who had exercised their subscription rights were given the possibility to purchase an option entitling to subscribe for an option share at a price of CHF 150.00 at any time during a 3-year exercise period ending on 22 February 2013. Holders of subscription rights purchased a total of 11'141 call options. The net proceeds from this option program were about CHF 0.4 million

Other considerations on the shareholders' equity

Pursuant to the auditors' report, the Company had lost more than half of its share capital and legal reserves. Because there are in any case sufficient general reserves at 31 December 2010 at the disposal of the Company against which retained losses may be completely set-off at any time upon a resolution of the shareholders' meeting, the Board of Directors did not consider necessary to call an extraordinary shareholders meeting for proposing reorganization measures within the meaning of art. 725.1 Swiss code of Obligations.

Further more, the general reserves of the Company were increased by CHF 8'070'553.80 by way of the share premium contributed by shareholders during the fundraising closed on 13 April 2011 (see note 12 for additional information).

8 Expenses by nature

	2010	2009
Amortization	(39'644)	(39'613)
Consulting services	(794'465)	(285'123)
Legal services	(134'135)	(738'881)
Accounting and administration	(255'933)	(79'189)
Audit fees	(128'300)	(110'000)
Rent and other occupancy costs	-	(90'000)
Travel and business entertainment	-	(601)
Total research & development, sales & marketing, management & administration	(1'352'477)	(1'343'407)

9 Financial income

	2010	2009
Dividends from subsidiaries	-	2'200'824
Interest received	2'341	4'903
Financial income	2'341	2'205'727

10 Significant shareholders

The following significant shareholder as defined by Art. 663c of the Swiss Code of Obligations, holding more than 5% of the voting rights of the Company, is recorded in the share register on 31 December 2010 or has disclosed its shareholding against the Company for 31 December 2010: BIOPHARMAinvest AKTIENGESELLSCHAFT, Vaduz, holding 72.93% of the voting rights (see 'Share ownership' on page 55 of these financial statements). According to the information available to the Company, none of the other shareholders holds more than 5% of the voting rights in the Company as of 31 December 2010.

11 Compensation

Board of Directors

	Serving in the board of directors of					
	mondobIOTECH holding AG		other subsidiaries		Total	
	2010	2009	2010	2009	2010	2009
Fabio Cavalli, Chairman ¹	-	-	672'749	-	672'749	-
Prinz Michael von Liechtenstein, Vice-Chairman	15'000	15'000	13'220	15'000	28'220	30'000
Prof. Dr. Robert Huber	24'155	27'195	-	-	24'155	27'195
Prof. Michael Alan Keller	10'000	8'585	78'225	68'416	88'225	77'001
Prof. Dr. Thomas Cerni	10'000	8'585	-	-	10'000	8'585
Prof. Roland Maclean du Bois ²	6'667	-	-	-	6'667	-
Robert Edward Patterson ²	6'667	-	-	-	6'667	-
Graf Francis Seilern-Aspang ²	10'000	-	-	-	10'000	-
Prof. Dr. Geoffrey West ²	6'667	-	-	-	6'667	-
Ruggero Gramatica ²	-	-	-	-	-	-
Vera Cavalli	-	-	-	-	-	-
Giovanni Cusmano ³	1'667	5'000	-	-	1'667	5'000
Christoph Rentsch ³	5'000	17'040	-	-	5'000	17'040
Hansrudolf Schnieper ³	800	4'000	-	4'000	800	8'000
Matteo Pagani ⁴	-	-	2'500	3'000	2'500	3'000
Total	96'623	85'405	766'694	90'416	863'317	175'821

¹ Fabio Cavalli was CEO until 2 July 2010 before becoming Chairman of the Board. The disclosed compensation includes his compensation for serving as Chairman and CEO. The figures of 2009 were not restated and therefore the compensation of Fabio Cavalli for serving as the CEO is disclosed under "Compensation of the Executive Committee" below. He continues to perform his activities for the Company pursuant to a consulting agreement. In case of termination of such consulting agreement as a consequence of a change of the Company's control, Fabio Cavalli is entitled to receive a one-time termination payment equal to his current annual compensation.

² Board members since 30 April 2010. Mr. Ruggero Gramatica became the CEO of the Company on 2 July 2010 and his compensation is therefore disclosed under "Compensation of the Executive Committee" below. Ruggero Gramatica does not receive any additional compensation for serving on the Board of Directors of the Company and its subsidiaries.

³ Board members until 30 April 2010.

⁴ Board member of subsidiary mondobIOTECH AG until 28 October 2010.

The members of the Board of Directors receive a fix compensation set by the Board of Directors upon proposal by the NCC. In addition, the Chairman and certain other directors render additional services beyond the normal scope of their office based on separate

arrangements. The compensation of the members of the Board of Directors is determined based on discretionary economic considerations.

Some directors of the Company are or were in charge also in the board of directors of certain subsidiaries and until October 2010, there were also persons in charge exclusively in the board of directors of certain subsidiaries. In order to increase transparency, the disclosure 2010 takes into consideration all compensations rewarded to directors of the Company, to directors of the Company serving into the board of directors of the group's subsidiaries and to directors serving exclusively into the board of directors of the group's subsidiaries. The figures 2009, disclosing only the global compensation rewarded to directors serving at least into the board of directors of the Company, have been restated consequently.

The directors were awarded compensations totalling CHF 785'092 in 2010 (2009: CHF 175'821). The compensation includes all forms of consideration given by the Company or on behalf of the Company in exchange for services rendered by the directors.

Executive Committee

	2010	2009
Compensation of senior executives:		
- fees, salaries and other short-term employee benefits ¹	862'814	1'350'057
- post-employment benefits	35'163	31'847
Total	897'977	1'381'904
- highest compensated member of the executive committee ²	288'231	695'616
- other members of the executive committee	609'746	686'288
	897'977	1'381'904

¹ The 2009 figures also include the compensation of Fabio Cavalli then serving as the CEO of the Group. As of 2 July 2010 Fabio Cavalli became Chairman of the Company and therefore, his compensation for 2010 is disclosed under "Compensation of the Board of Directors" above.

² The highest compensation paid for 2010 refers to Dorian Bevec. Ruggero Gramatica, who serves as CEO of the Company since 2 July 2010, is the member of the Executive Committee with the highest nominal compensation. His annual gross salary amounts to CHF 341'250 and also includes the compensation for serving as a board member of the Company and certain of its subsidiaries. Due to the fact that Ruggero Gramatica started his activity as CEO on 2 July 2010, his compensation does not exceed the one of Dorian Bevec.

The members of the executive committee were awarded compensation totalling CHF 897'977 in 2010 (2009: CHF 1'381'904). The compensation includes all forms of consideration given by the Company or on behalf of the Company in exchange for services rendered by the executives and is determined based on subjective economic considerations.

Share ownership

At 31 December 2010, Ruggero Gramatica and Prof. Michael Alan Keller hold 7'942 and 23 Common Shares respectively. Prinz Michael von und zu Liechtenstein through BIOPHARMAinvest AKTIENGESELLSCHAFT and Stiftung PMSERV (the controlling shareholder of BIOPHARMAinvest AKTIENGESELLSCHAFT) controls 39'626'675 Voting Right Shares (representing 72.93% of the Shares and voting rights of the Company). Prinz Michael von und zu Liechtenstein controls 95.54% of the voting rights of BIOPHARMAinvest AKTIENGESELLSCHAFT, while the remaining 4.46% of the voting rights are held jointly by Fabio Cavalli, Vera Cavalli and Patrick Pozzorini. As Fabio Cavalli, Vera Cavalli and Patrick Pozzorini only hold a minority stake of 4.46% in BIOPHARMAinvest AKTIENGESELLSCHAFT, all the shares held by BIOPHARMAinvest AKTIENGESELLSCHAFT are for disclosure purposes attributed to the shareholders' group lead by Prinz Michael von Liechtenstein (*Gruppenvertreter*). No members of the Board of Directors or members of the Executive Committee hold any conversion or option rights.

12 Events after the balance sheet date

On 13 April 2011, the Company closed a round of fundraising by issuing 165'042 new Common Shares from its authorized share capital for a gross contribution of about CHF 8.08 million.

There have been no further material post-balance sheet events which would require disclosure or adjustment to the 2010 financial statements.

13 Risk assessment disclosures

mondoBIOTECH holding AG, as the ultimate parent company of the group, is fully integrated into the group-wide internal risk assessment process. The risk assessment process includes the identification of internal and external risks, the assessment of their potential impact on the Group as well as the definition of organizational and process measures to identify the risk and remediate when appropriate. The Executive Committee of the Company reports to the Board of Directors on a regular basis on significant risks and measures taken by the Group. This risk assessment also covers the specific risks related to mondoBIOTECH holding AG. Disclosure of the Group-wide risk assessment procedures are described in note 31 to the Group's consolidated financial statements.

14 Additional disclosures pursuant to art. 663b of the Swiss Code of Obligations

None.

Proposed appropriations and compensations**CHF**

Accumulated loss at 31 December 2010

(17'093'274)**Loss to be carried forward****(17'093'274)**

To preserve the possibility to use the capital contribution reserves for future distribution to shareholders free of withholding tax and since there are sufficient legal reserves at 31 December 2010 at the disposal of the Company against which retained losses may be completely set-off at any time upon a resolution of the shareholders' meeting, the Board of Directors proposes to carry forward the accumulated loss of CHF 17'093'274 without any sett-off against the general reserve.

Furthermore, the Board of Directors proposes to transfer the free reserves in the amount of CHF 5'078'520 back to the capital contribution reserves as part of the general reserves.



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Report of the statutory auditor
to the general meeting of
mondoBIOTECH holding AG
Stans

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of mondoBIOTECH holding AG, which comprise the balance sheet, income statement, cash flow statement and notes (page 47 to 56), for the year ended 31 December 2010.

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 the 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 2010 comply with Swiss law and the company's articles of incorporation.



Emphasis of matter

We draw attention to Note 2 to the financial statements, paragraph "Uncertainties and ability to continue operations", where disclosures by management are made regarding the fact that the Group's ability to continue operations depends among others on its ability to raise additional capital to fund operations and assure the solvency of the Group until revenues reach a level to sustain positive cash flows. This indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. Our opinion is not qualified in respect of this matter.

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 article 11 AOA) 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 further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Other matter

We point out that at 31 December 2010 the company had lost more than half of its share capital and legal reserves. We refer to the dispositions of art. 725.1 of Swiss Code of Obligations.

PricewaterhouseCoopers AG


Thomas Bruederlin
Audit expert
Auditor in charge


Susann Henning
Audit expert

Basel, 29 April 2011

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