



## Dear shareholders

Basel, 23 March 2022

Due to the ongoing uncertain COVID-19 situation, a personal meeting at the upcoming annual general meeting is unfortunately not possible. However, as we have recently announced an important new strategic direction, we would like to take this opportunity to provide you with an outline of our new strategy and give you some summary explanations on the agenda items.

We have presented very strong financial results for 2021 and reported major progress in the commercialization of our anti-infective brands, as well as advanced our clinical oncology assets. Our “two therapy areas” model though, does not seem to be fully appreciated from an external perspective and our operational successes in recent years have not been reflected in the Basilea share price development. The board and management have therefore conducted a thorough strategic review and have taken the decision to separate our anti-infectives and oncology businesses.

Going forward, Basilea will exclusively focus on the research, development and commercialization of therapies for the treatment of bacterial and fungal infections. Based on our proven ability to advance anti-infective compounds from research, through development, to commercialization, we aim to become a leading global anti-infectives company. We are convinced that with such a focus, we are uniquely positioned to create sustainable value for you as shareholders.

For our oncology assets, we aim to maximize the value through strategic transactions. These could either be for a portfolio of assets or a number of individual assets. Based on our financial strength, we will aim to maximize the long-term value through these transactions, rather than needing to front-load them. We believe our oncology assets are at a stage of development that will allow unlocking of future long-term value, through partners providing the appropriate focus and support.

2022 will be a transitional year, where we will continue to selectively fund activities related to our oncology assets, if these add value for the future planned transactions. In anti-infectives, we have a number of key milestones coming up; most importantly, the topline results from the phase 3 study with our antibiotic Zevtera, in severe bloodstream infections. If positive, this will pave the way for launching Zevtera in the commercially important U.S. market in 2023. In addition, we plan to continue to increase in-market sales of our antifungal Cresemba and of Zevtera, based on the continued growth in existing markets and additionally from new country launches throughout the year. We are in particular looking forward to the launches of Cresemba in China and, subject to marketing approval, in Japan.

For 2023, we expect further increasing Cresemba and Zevtera in-market sales and a reduction of around 30% in operating expenses versus 2022. This would result in us reaching sustainable profitability and generating positive cash flow from operating activities from 2023 onwards. These are very positive prospects.

## Summary explanations on the agenda items

Most of the agenda items for this year's annual general meeting are the standard proposals you are familiar with from previous years. However, we would like to highlight the agenda item related to the creation of conditional share capital. The proposal relates to the convertible bond, which matures in December 2022. Until now, we reduced the outstanding amount of this convertible bond from CHF 200 million to approximately CHF 125 million. Our aim is to manage the maturity of this convertible bond in a way that further reduces our debt level and minimizes dilution, reflecting the confidence that we have in our financial prospects. However, we will only be able to make an informed decision on how precisely to manage the upcoming bond maturity, once we have more visibility on the strategic transactions for our oncology assets and the outcome of the Zevtera phase 3 study, in mid-2022. In order to account for different scenarios, we are requesting additional conditional share capital for shareholder approval, with the sole purpose of having the ability to refinance the maturing convertible bond, in the case it is required.

In addition, the Board of Directors proposes Mr. Leonard Kruimer as a new Board member. Mr. Kruimer has more than 30 years of experience in corporate finance, planning, and strategy, including 20 years in senior executive positions in private and publicly listed biotechnology companies. Mr. Kruimer served as CFO of Crucell N.V. from 1997 to 2011. Prior to Crucell, he was Managing Director of Europe TIP Trailer, a GE Capital company. He was also a consultant with McKinsey & Co. and an auditor at Price Waterhouse & Company, New York. Mr. Kruimer is currently chairman of the board at Swedish BioInvent International AB. In addition, he is a board member of Pharming Group NV, Zealand Pharma A/S and Oncolytics Inc. He is director of AI Global Investments (Netherlands) PCC Ltd. and serves on the Investment Advisory Council of Karmijn Kapitaal. Mr. Kruimer holds a Master of Business Administration from Harvard Business School and is a Certified Public Accountant in New York State.

The Board of Directors is convinced that Mr. Kruimer's financial expertise and detailed knowledge of the pharmaceutical industry and capital markets will be of great value in supporting Basilea in becoming a leading global anti-infectives company. Subject to election to the Board of Directors, Mr. Kruimer will be appointed by the Board as the Chairman of the Audit Committee. The size of the Board remains unchanged (6 members).

We hope that our summary explanations will help you understand and support the proposals of the board for the upcoming annual general meeting and would be pleased if you would vote positively for them.

Sincerely,



Domenico Scala  
Chairman of the Board of Directors



David Veitch  
Chief Executive Officer