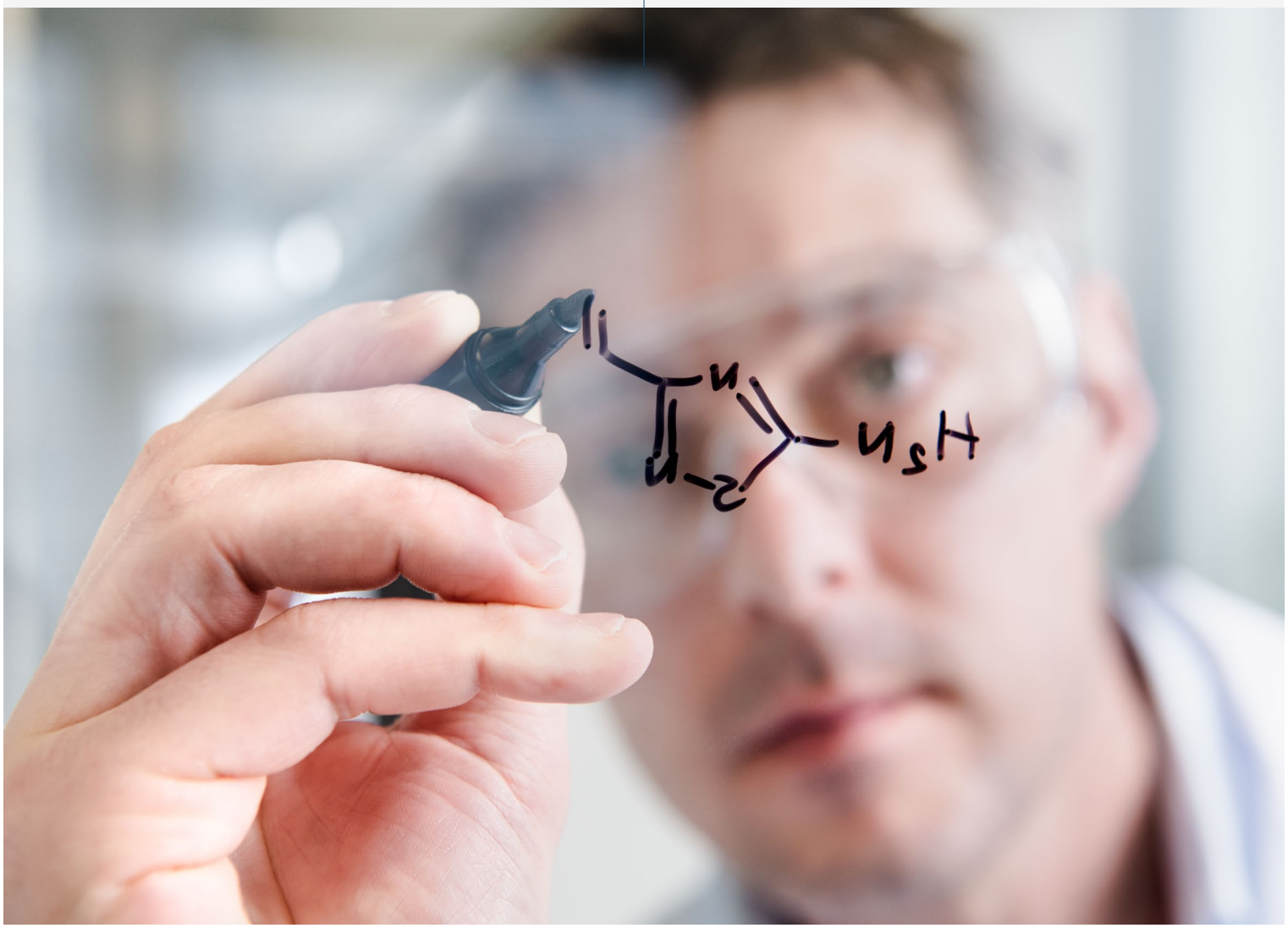
basilea

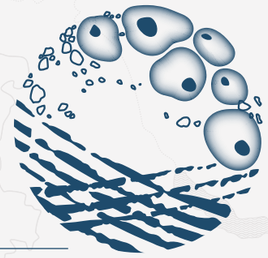
Half-Year Report 2020



HQ in
Basel
Switzerland

Two marketed anti-infective brands

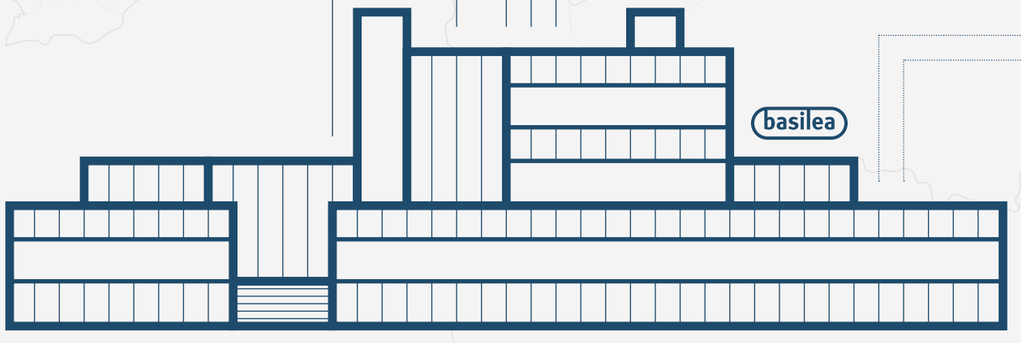
We focus on the medical challenges in oncology and infectious diseases.



2 oncology product candidates in clinical development
Derazantinib
Lisavanbulin (BAL101553)

BSLN
Listed on SIX since

Founded in



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Partnerships for commercialization of Cresemba and Zevtera cover over
100 countries

Cresemba marketed in 45 countries

Zevtera marketed in 18 countries

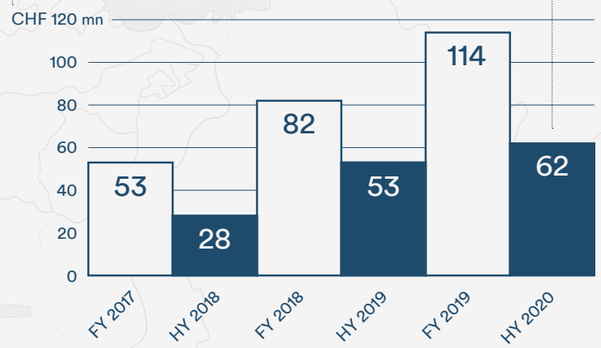
Strong financial performance based on continued growth in Cresemba and Zevtera related revenue, effective expense control and one-time benefit from sale of corporate headquarters property

Operating profit of CHF
12.8 mn
HY 19: loss of CHF 13.2 mn

Net profit of CHF
9.9 mn
HY 19: loss of CHF 15.4 mn

Solid cash and investments at half-year 2020 of CHF
144.7 mn

17 % year-on-year increase of revenue contributions from Cresemba and Zevtera to CHF 62 mn



Financial guidance 2020

In CHF mn	
Total revenue	**128-138**
Cresemba and Zevtera non-deferred revenue	**77-87**
Cresemba and Zevtera deferred revenue	**33**
Operating loss	**5-15**
Cash and financial investments at year-end	**150**

Successfully extended debt maturity profile by placement of new CHF 97 mn senior convertible bonds and repurchase of CHF 47 mn outstanding convertible bonds

Cresemba® (isavuconazole) launched in key countries in Asia Pacific and approved in Russia, triggering milestone payments of ~ CHF 6 mn from Pfizer to Basilea

Cresemba Marketing Authorization Application for mucormycosis accepted for regulatory review in China

ERADICATE
SAB Study

FDA approved protocol amendment of Basilea's phase 3 ERADICATE study with ceftobiprole; amendment allows to expand enrolment to more difficult to treat SAB patients

Fides

Completed patient enrolment into first cohort of FIDES-01 phase 2 study with derazantinib in patients with bile duct cancer (iCCA)

Dear shareholders

We are proud to report that we achieved significant milestones in a highly volatile and challenging environment in the first half of 2020. In-market sales of our products showed strong growth and our partners made progress with new marketing approvals and commercial launches. We progressed our key clinical studies and also took important portfolio decisions and successfully executed strategic projects to support the mid-term growth prospects for the company. The COVID-19 pandemic had and still has a significant impact on all areas of our society. Basilea remained fully operational throughout the pandemic, ensuring both the health and safety of our employees and continuing to provide our life-saving treatments to patients.

Cresemba in-market sales continue to grow

Cresemba (isavuconazole)
Cresemba has shown continued significant global revenue growth, already reaching USD 220 million in-market sales for the 12 months to the end of the first quarter. Our partners have reported a number of additional approvals and launches in territories around the world since the beginning of the year. To date, Cresemba has been launched in 45 countries, with markets like Australia, Brazil, Saudi Arabia and Taiwan being added during the first half of 2020. We are confident our partners will have launched Cresemba in 60 countries by the end of 2021.

Ceftobiprole SAB phase 3 study enrolment expanded to more difficult to treat patients

Zevtera (ceftobiprole)
For ceftobiprole, the major achievement of the first half-year was that the U.S. FDA approved the amendment of the protocol for the phase 3 study ERADICATE, which is conducted in patients with *Staphylococcus aureus* bacteremia (SAB). This amendment extends the maximum treatment duration from four to now up to six weeks, which allows for the inclusion of patients with more difficult-to-treat infections, including those with complications such as osteomyelitis and epidural or cerebral abscess. To gain approval for the treatment of such patients would be beneficial for positioning Zevtera in the market. As hospitals are currently prioritizing their anti-infective capacities to manage the COVID-19 pandemic, we expect a limited delay in the patient enrolment timelines for this study of potentially up to one quarter. This has no significant impact on the value of the brand in the commercially most relevant U.S. market, as Zevtera would continue to have a total of 10 years of market exclusivity following a U.S. approval, based on its status as Qualified Infectious Disease Product under the U.S. GAIN Act.

Key oncology studies remain on track

We have seen no material COVID-19-related impact on the key clinical studies for our most advanced oncology programs; derazantinib and lisavanbulin.

Derazantinib
The enrolment into the first cohort of the FIDES-01 study has reached the targeted number of patients. This first cohort includes patients with advanced intrahepatic cholangiocarcinoma (iCCA) a type of bile duct cancer, whose tumors expressed fusions of the FGFR2 gene, a genetic aberration which has previously been identified as driving this type of cancer. A second cohort enrols iCCA patients with other FGFR2 genetic aberrations, namely mutations and amplifications.

Data from previous studies have suggested that derazantinib may be equally active in this population, too. This would be an important differentiating factor for derazantinib, because other FGFR kinase inhibitors in advanced clinical development have so far only reported limited clinical activity in this patient population. In addition to exploring derazantinib in iCCA, which we consider a proof-of-concept indication, we started the FIDES-02 study in urothelial cancer one year ago and we are making good progress in the study. In addition, we are about to start the FIDES-03 study in gastric cancer. In FIDES-02 and FIDES-03, we are not only exploring derazantinib as a single agent, but also in combination with an immuno-oncology drug, Tecentriq, as we believe that derazantinib could enhance the response to such anticancer drugs.

Lisavanbulin
We are also preparing the start of a biomarker-driven phase 2 study with lisavanbulin in patients with glioblastoma multiforme (GBM), the most common type of primary brain cancer and one of the most lethal types of cancer. Based on the design of the study and the nature of the disease, we expect interim results within six months after the start and top line results about six months later. This approach should allow us with a limited investment of time and resources to test our hypothesis that lisavanbulin can be developed in a targeted patient population, initially in GBM and potentially in other tumor types.

Executing our mid-term sustainable growth strategy

Portfolio decisions

In our continued effort to optimize resource allocation across our portfolio, we have prioritized two potential first-in-class oncology programs, which are expected to potentially enter pre-clinical, IND-enabling studies in the next 12 months. In addition, in line with our strategy of stopping projects if they no longer meet our high threshold with respect to their risk-return profile, we have discontinued the development of the panRAF/SRC kinase inhibitor BAL3833 as well as one other, externally sourced, pre-clinical oncology project.

Convertible bonds

Additionally, in light of the significant uncertainties in the mid-term outlook for the capital markets, we have taken advantage of the surprisingly positive market environment in the middle of the year and successfully improved our debt maturity profile through the combined transaction of issuing a new convertible bond and executing a partial repurchase of our previously issued convertible bond. As a result, the maturity of about 25 percent of our debt has been extended from 2022 to 2027, providing us with financial flexibility for the execution of our mid-term growth strategy. Nevertheless, we will continue to pursue our goal for further reducing our mid-term debt by about a further 25 percent in the coming two years.

New future corporate headquarters

Finally, we announced the move of our corporate headquarters to the innovation center GRID in Allschwil in 2022. In preparation for that, we have sold our current headquarters property. This not only yielded gross proceeds of around 19 million Swiss Francs, but the lease of the new headquarters will also reduce our mid-term operational and capital expenses. Importantly, this will result in moving the Basilea team, currently working at different locations across Basel, into one place. We are very much looking forward to this, as we will also benefit from the close proximity to innovative start-up companies, academic institutions and other biotech companies in this emerging life sciences and technology cluster in the Basel area.

Strong half-year financial results

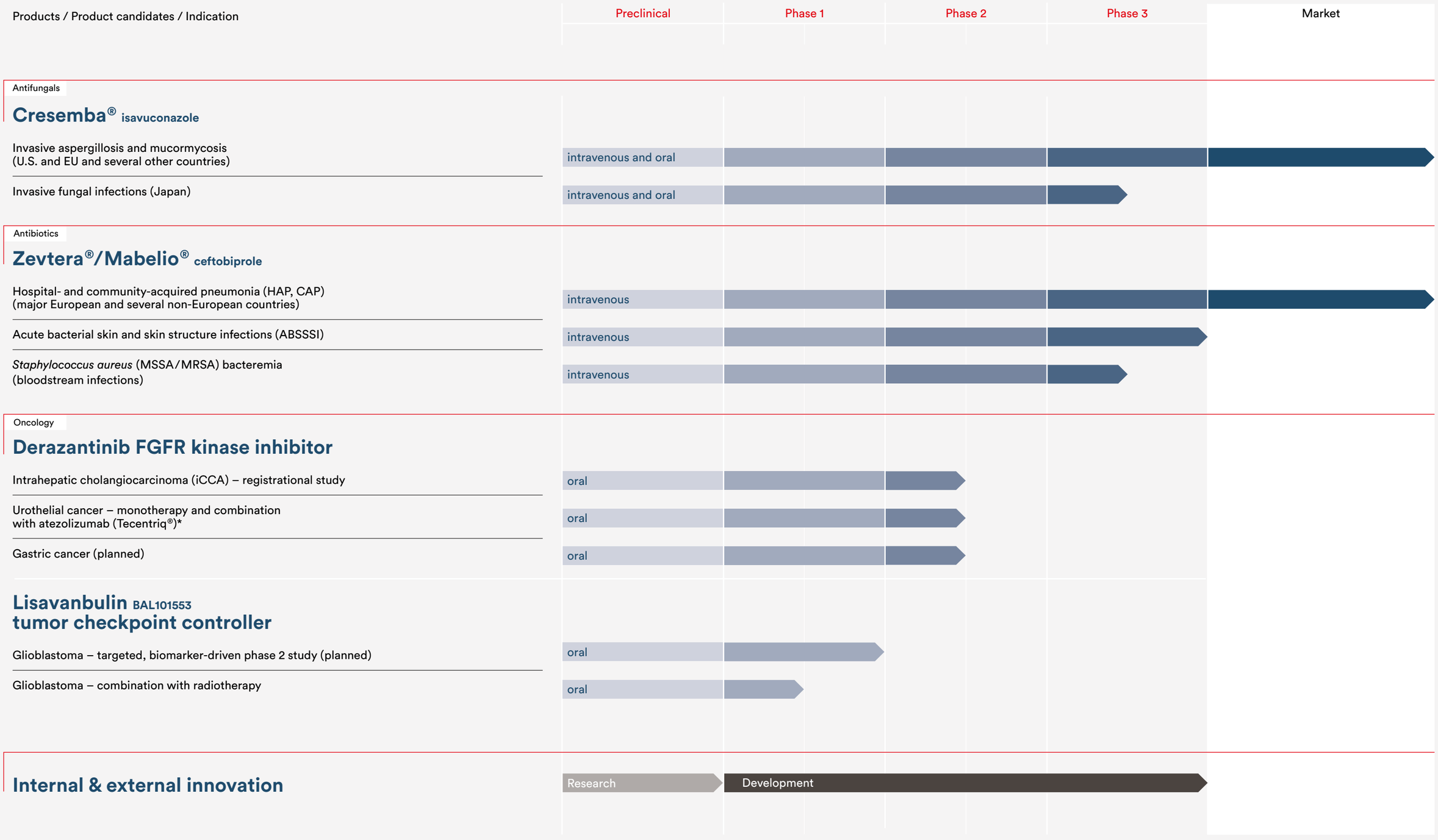
Our continued progress is also reflected in the financial results reported for the first half of 2020. Contributed in part by the proceeds from the sale of our headquarters property, we are happy to report an operating profit as well as net profit for the first half of 2020. At the same time, total revenue increased year-on-year again, to CHF 69.3 million, including a 17 percent increase in revenue contributions from Cresemba and Zevtera. This demonstrates the continued success of our partners bringing our brands to even more patients suffering from mold or bacterial infections. Cash and investments amounted to a solid CHF 145 million at half-year, but not yet reflecting the net cash inflow from the issuance of the new convertible bond. In summary, Basilea is very well positioned to take our next value-generating steps as we continue both our commercial progress and our clinical data read-outs in the second half-year of 2020 and through 2021.

We would like to thank our employees for their hard work and commitment in bringing new innovative drugs to patients in need, particularly during this unique year and also thank our shareholders for their continued support that enables us to accomplish our mission of making a difference to patients.

Basel, August 2020

David Veitch
Chief Executive Officer

Portfolio



* Tecentriq® is a registered trademark of Hoffmann-La Roche Ltd.

Oncology

Small molecules for solid tumors

Oncology is one pillar of our strategy. Over the last decade, we have built an oncology research and development portfolio of novel drug candidates. We have strong in-house capabilities in the fields of cancer biology, oncology research and development and medicinal chemistry.

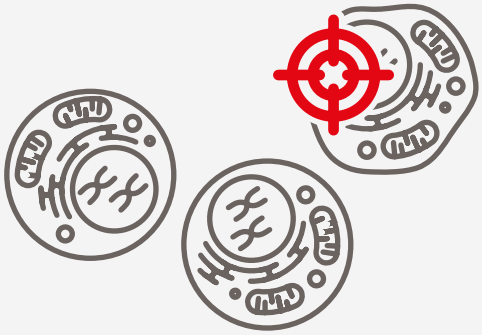
The WHO expects that from 2018 to 2040 the worldwide number of new cancer cases will increase by over 60 % to almost 30 million per year.*

Biomarker-driven development programs

Basilea has two oncology drug candidates in clinical development, derazantinib and lisavanbulin. In addition, our internal drug discovery team is focusing on further small-molecule compounds that have the potential to become the next generation of anti-cancer drugs by addressing novel or unexploited targets. This includes inhibitors that could block oncogenic kinase growth factor signaling as well as targets in emerging areas, such as the blocking of DNA repair in tumor cells or the suppression of transcription of malignant DNA code, as shown in the adjacent charts. A key element of our development strategy, is integrating biomarker strategies into all our projects at a very early stage in order to select those patients who are more likely to respond to these treatments.

* IARC 2018, data source GLOBOCAN 2018

Oncology strategy



Novel targeted therapies
Addressing cancer through novel targets and approaches in selected patient populations

Derazantinib

an orally administered investigational small molecule FGFR kinase inhibitor with strong activity against FGFR1, 2, and 3, which are key drivers of cell proliferation, differentiation and migration. Derazantinib is being tested in the FIDES clinical study program (**F**ibroblast growth factor **I**nhibition with **DE**razantinib in **S**olid tumors):

- Two ongoing clinical studies:
  - FIDES-01 phase 2 study (NCT03230318) recently completed patient enrolment in first cohort with FGFR2 gene fusion-positive iCCA and topline results expected in H2 2020. Enrolment for a second cohort ongoing (iCCA with FGFR2 gene mutations and amplifications) and interim results expected in H2 2020.
  - FIDES-02 phase 1/2 study (NCT04045613) in advanced urothelial cancer with FGFR genetic aberrations ongoing. Study explores derazantinib as monotherapy and in combination with Roche's immune-checkpoint inhibitor atezolizumab (Tecentriq®).* Safety and recommended phase 2 dose data for the combination to be reported in H2 2020.
- Third study, FIDES-03 (phase 1/2 study) in advanced gastric cancer, planned to start in Q3 2020

Lisavanbulin

a novel microtubule-targeting drug candidate that is able to cross the blood-brain barrier, which makes it a promising candidate for the treatment of brain cancer.

- Completed two early-stage phase clinical studies last year
  - Full results of phase 1 study with oral lisavanbulin for the treatment of patients with glioblastoma to be presented at ESMO conference in September 2020.
- Preparing the start of a biomarker-driven phase 2 study with lisavanbulin in patients with glioblastoma multiforme (GBM) to start within the next few months

GBM is the most common type of primary brain cancer and one of the most lethal types of cancer. The high medical need in this indication is highlighted by the five-year survival rate, which has been reported for U.S. patients as 6% in GBM (patients 55-64 years of age) compared to 90% for women with breast cancer.**

* Tecentriq® is a registered trademark of Hoffmann-La Roche Ltd.
** Source: www.cancer.org

Derazantinib (left), Lisavanbulin (right)

Internal discovery focused on

Kinase signaling
Block aberrant signaling through inhibition of activated kinases

DNA Damage repair
Tackle cancer by targeting DNA damage repair

Transcription factors
Suppress the malignant code by interference with transcription factors

Antifungals

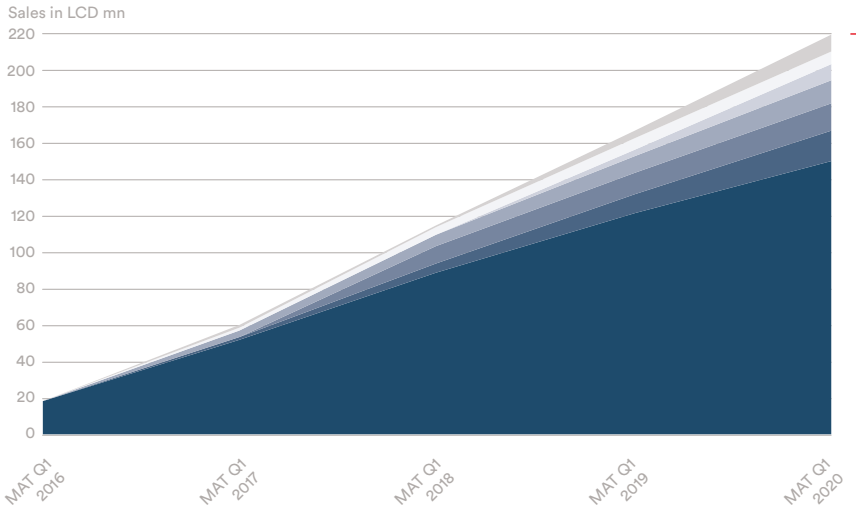
Cresemba® isavuconazole

Basilea has established license as well as distribution agreements for its two anti-infective brands, Cresemba® and Zevtera®, with several partners covering over 100 countries and participates in the commercial success through royalties and milestone payments, and by selling the drugs to its distribution partners.

Fungal infections result in approximately 11.5 million life-threatening infections annually.*

Global health issue

Invasive fungal diseases are an increasing global health issue due to the growing number of immunocompromised patients who are at a higher risk of these infections. Invasive mold infections are mainly caused by airborne *Aspergillus* species; however, Mucormycetes, which can be found for example in soil, have emerged as the second most frequent group of molds causing invasive infections. Over 50% of patients with mucormycosis die from this infection, so its mortality rate is particularly high. Today there are only limited available treatment options for invasive mold infections. Cresemba is the only azole antifungal approved for the treatment of both invasive aspergillosis and mucormycosis.



Cresemba continues strong "in-market" sales uptake

Cresemba "in-market" sales reached USD 220 million in the twelve-month period to the end of March 2020, which was over 30% more than in the previous period

LCD: U.S. dollar corrected for currency fluctuations.
MAT: Moving annual total.
Source: IQVIA, March 2020

* Global Action Fund for Fungal Infection, 2015

Cresemba®
(isavuconazole)
a marketed intravenous and oral azole antifungal for the treatment of invasive mold infections*

> 3.5 mn patient days (oral & i.v.) since launch

Marketing authorization obtained in > 50 countries

45 countries in which the drug is launched

*Isavuconazole is approved in the United States for patients 18 years of age and older in the treatment of invasive aspergillosis and invasive mucormycosis. In the EU, isavuconazole is approved for the treatment of adult patients with invasive aspergillosis and for the treatment of adult patients with mucormycosis for whom amphotericin B is inappropriate. Isavuconazole is also approved in several additional countries in Europe and beyond, where the registration status and approved indications may vary from country to country.

Antibiotics

Zevtera®/Mabelio® ceftobiprole

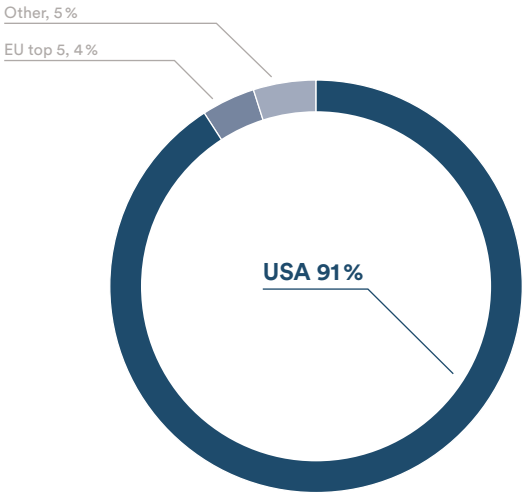
Ceftobiprole has demonstrated rapidly bactericidal activity against a wide spectrum of clinically relevant Gram-positive and Gram-negative bacteria, including methicillin-resistant *Staphylococcus aureus* (MRSA). Patients with MRSA infections are more than twice as likely to die from this infection as patients with methicillin-susceptible strains.

As the threat of antibiotic resistance continues to grow, novel antibiotics are needed urgently — now more than ever.*

USD 3 billion market

The U.S. is the most important region within the USD 3 billion global market for hospital antibiotics targeting MRSA. We estimate that, in terms of value, the U.S. represent more than 70 % of the global market for these drugs. For some drugs, e.g. ceftaroline, the U.S. market share even exceeds 90 %.

Ceftaroline sales by region (MAT Q1 2020)



U.S. focused phase 3 program is making good progress

To support a regulatory filing for ceftobiprole in the U.S., we started two phase 3 studies in 2018. In August 2019, we reported positive topline results from the first of the two phase 3 studies, the TARGET study (NCT03137173), which evaluated ceftobiprole in the treatment of patients with acute bacterial skin and skin structure infections (ABSSSI). Ceftobiprole met primary and secondary efficacy endpoints and was well tolerated with the overall rates of drug-related adverse events being similar between ceftobiprole and the control group. The second phase 3 study, ERADICATE (NCT03138733), is exploring ceftobiprole in patients with bloodstream infections (bacteremia) caused by *Staphylococcus aureus* bacteria. Both studies are conducted under Special Protocol Assessments with the U.S. Food and Drug Administration (FDA). A major achievement of the first half-year was that the FDA approved a study protocol amendment for ERADICATE, which allows to expand enrolment to more difficult to treat patients. Completion of patient enrolment is anticipated for the second half of 2021.

The ceftobiprole phase 3 program is funded (up to USD 128 million of non-dilutive funding, which is approximately 70 % of the total estimated program costs) with U.S. federal funds from the Biomedical Advanced Research and Development Authority (BARDA), under Contract No. HHSO100201600002C. BARDA is a division within the Office of the Assistant Secretary for Preparedness and Response in the U.S. Department of Health and Human Services.

* Pew Charitable Trust / WHO 2020

Zevtera®/Mabelio®
(ceftobiprole)
a marketed intravenous cephalosporin antibiotic for the treatment of severe bacterial infections in the hospital, including infections caused by methicillin-susceptible and resistant *Staphylococcus aureus* (MSSA/MRSA)*

Marketing authorization obtained in 28 countries

18 countries in which the drug is launched

*Ceftobiprole is approved in major European countries and several non-European countries for the treatment of adult patients with community-acquired pneumonia (CAP) and hospital-acquired pneumonia (HAP), excluding ventilator-associated pneumonia (VAP). Not approved in the United States.

Outlook

For 2020 and 2021, Basilea will continue to focus on these upcoming milestones:

Cresemba® (isavuconazole) & Zevtera® (ceftobiprole) — Increasing cash flows
By the end of 2021, Cresemba to be on the market in 60 countries

Products	H2 2020	H1 2021	H2 2021
Isavuconazole	Complete patient enrolment in phase 3 study in Japan		Topline results from phase 3 study in Japan
Ceftobiprole			Complete patient enrolment in SAB phase 3 study
Derazantinib			
FIDES-01 (iCCA)	Topline results (FGFR2 gene fusions)		
	Interim results (other FGFR2 gene aberrations)		Topline results (other FGFR2 gene aberrations)
FIDES-02 (urothelial cancer)	Safety data and recommended phase 2 dose (RP2D) for derazantinib/Tecentriq combination and expansion into phase 2	Interim results in derazantinib monotherapy	Interim results in combination therapy with Tecentriq
FIDES-03 (gastric cancer)	Start of phase 1/2 study		Interim results
Lisavanbulin	Start phase 2 biomarker-driven glioblastoma study	Interim results from phase 2 biomarker-driven glioblastoma study	Topline results from phase 2 biomarker-driven glioblastoma study
		Complete patient enrolment in phase 1 study in newly diagnosed glioblastoma	

Financial report

Condensed Consolidated Interim Financial Statements

Basilea Pharmaceutica Ltd. and subsidiaries

Condensed consolidated balance sheets as of June 30, 2020 and December 31, 2019 (in CHF thousands, except for number of shares)

	Footnote reference	2020	2019
		unaudited	
ASSETS			
Current assets			
Cash and cash equivalents		59 779	109 024
Short-term investments	7	53 023	20 000
Restricted cash		1 867	2 020
Accounts receivable	6	5 145	6 242
Other receivables	8	21 537	22 053
Inventories	9	13 184	18 569
Other current assets		6 475	6 952
Total current assets		**161 010**	**184 860**
Non-current assets			
Tangible assets, net	3	1 683	5 162
Intangible assets, net	4	589	372
Long-term investments	7	30 000	30 000
Other non-current assets		3 773	1 073
Total non-current assets		**36 045**	**36 607**
TOTAL ASSETS		**197 055**	**221 467**
LIABILITIES			
Current liabilities			
Accounts payable		1 723	6 765
Deferred revenue	5	8 966	32 873
Accruals and other current liabilities	11	27 134	35 856
Total current liabilities		**37 823**	**75 494**
Non-current liabilities			
Convertible senior unsecured bonds	10	198 118	197 740
Deferred revenue, less of current portion	5	14 891	16 471
Other non-current liabilities	15	25 799	24 722
Total non-current liabilities		**238 808**	**238 933**
Total liabilities		**276 631**	**314 427**
Commitments and contingencies	18		
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital[1]	13	11 920	11 882
Additional paid-in capital		931 245	927 342
Accumulated other comprehensive loss	13	(24 141)	(24 555)
Treasury shares	13	(6 875)	(5 963)
Accumulated deficit		(991 725)	(1 001 666)
Total shareholders' equity (deficit)		**(79 576)**	**(92 960)**
TOTAL LIABILITIES AND EQUITY (DEFICIT)		**197 055**	**221 467**

[1] As of June 30, 2020, 11,919,752 (December 31, 2019: 11,881,945) shares were issued and 10,800,776 shares (December 31, 2019: 10,773,904) outstanding with a par value of CHF 1.00 per share.

These unaudited financial statements should be read in conjunction with the accompanying footnotes.

Basilea Pharmaceutica Ltd. and subsidiaries

Condensed consolidated statements of operations for the six months ending June 30, 2020 and June 30, 2019 (unaudited, in CHF thousands, except per share amounts)

	Footnote reference	2020	2019
Product revenue	5	30 493	25 355
Contract revenue	5	31 471	27 656
Revenue from research & development services		201	121
Other revenue	5	7 163	10 053
Total revenue		**69 328**	**63 185**
Cost of products sold		(13 085)	(9 370)
Research & development expenses, net		(43 939)	(50 839)
Selling, general & administrative expenses		(14 449)	(16 170)
Total cost and operating expenses		**(71 473)**	**(76 379)**
Profit from sale of assets	3	14 959	-
Operating profit/loss		**12 814**	**(13 194)**
Interest income		14	13
Interest expense	10	(3 149)	(3 227)
Other financial income		2 694	976
Other financial expenses		(3 286)	(1 214)
Other components of net periodic pension cost		886	1 234
Profit/Loss before taxes		**9 973**	**(15 412)**
Income taxes		(32)	(19)
Net profit/loss		**9 941**	**(15 431)**
Earnings/Loss per share	14	**2020**	2019
Basic earnings/loss per share, in CHF		0.92	(1.44)
Diluted earnings/loss per share, in CHF		0.91	(1.44)

Basilea Pharmaceutica Ltd. and subsidiaries

Condensed consolidated statements of comprehensive income/loss for the six months ending June 30, 2020 and June 30, 2019 (unaudited, in CHF thousands)

	Footnote reference	2020	2019
Net profit/loss		**9 941**	**(15 431)**
Currency translation adjustments		(412)	(118)
Amortization of unrecognized pension costs		826	401
Other comprehensive income, net of tax	13	**414**	**283**
Comprehensive profit/loss		**10 355**	**(15 148)**

These unaudited financial statements should be read in conjunction with the accompanying footnotes.

Basilea Pharmaceutica Ltd. and subsidiaries

Condensed consolidated statements of cash flows for the six months ending June 30, 2020 and June 30, 2019 (unaudited, in CHF thousands)

	Footnote reference	2020	2019
Cash flow from operating activities			
Net profit/loss		9 941	(15 431)
Adjustments to reconcile net loss to net cash used in/provided by operating activities:			
Depreciation and amortization		817	838
Gain on disposal of assets, net		(14 959)	-
Stock-based compensation		1 932	1 846
Interest and accretion of debt issuance cost	10	370	353
Change in operating assets/liabilities:			
Accounts receivable		1 099	(766)
Other receivables		479	9 013
Inventories		5 386	(4 000)
Accounts payable		(5 036)	(3 089)
Deferred revenue		(25 487)	(22 792)
Accruals and other current liabilities		(8 083)	(7 745)
Other operating cash flow items		370	(3 605)
Net cash used in operating activities		**(33 171)**	**(45 378)**
Cash flow from investing activities			
Payments for short-term investments	7	(33 022)	-
Proceeds from sale of assets		17 662	-
Investments in tangible assets	3	(581)	(118)
Investments in intangible assets	4	(290)	(61)
Net cash used in investing activities		**(16 231)**	**(179)**
Cash flow from financing activities			
Net proceeds from exercise of stock options		1 250	20
Net proceeds from treasury shares transactions		(153)	(14)
Net cash provided by financing activities		**1 097**	**6**
Effect of exchange rate changes on cash, cash equivalents and restricted cash		**(1 093)**	**-**
Net change in cash, cash equivalents and restricted cash		**(49 398)**	**(45 551)**
Cash, cash equivalents and restricted cash, beginning of period		**111 044**	**173 908**
Cash, cash equivalents and restricted cash, end of period		**61 646**	**128 357**

The following table shows the components of cash, cash equivalents and restricted cash as of June 30, 2020 and June 30, 2019:

In CHF thousands	2020	2019
Cash and cash equivalents	59 779	127 871
Restricted cash	1 867	486
Total cash, cash equivalents and restricted cash	**61 646**	**128 357**

These unaudited financial statements should be read in conjunction with the accompanying footnotes.

Basilea Pharmaceutica Ltd. and subsidiaries

**Condensed consolidated statements of changes in shareholders' equity (deficit)
for the six months ending June 30, 2020 and June 30, 2019
(unaudited in CHF thousands, except for number of shares)**

	Footnote reference	Share capital		Treasury shares		Additional paid-in capital	Accumulated other comprehensive income/ loss	Accumulated deficit	**Total**
		Number of shares	Amount	Number of shares	Amount				
Balance at December 31, 2018		**11 878 556**	**11 879**	**(1 133 852)**	**(7 235)**	**924 194**	**(16 281)**	**(979 244)**	**(66 687)**
Net loss		-	-	-	-	-	-	(15 431)	(15 431)
Other comprehensive income		-	-	-	-	-	283	-	283
Treasury shares transactions		-	-	(9 703)	(184)	170	-	-	(14)
Exercise of stock options, net		800	1	-	-	19	-	-	20
Stock-based compensation, net	12	-	-	-	-	1 846	-	-	1 846
Balance at June 30, 2019		**11 879 356**	**11 880**	**(1 143 555)**	**(7 419)**	**926 229**	**(15 998)**	**(994 675)**	**(79 983)**
Balance at December 31, 2019		**11 881 945**	**11 882**	**(1 108 041)**	**(5 963)**	**927 342**	**(24 555)**	**(1 001 666)**	**(92 960)**
Net income		-	-	-	-	-	-	9 941	9 941
Other comprehensive income		-	-	-	-	-	414	-	414
Treasury shares transactions		-	-	(10 935)	(912)	759	-	-	(153)
Exercise of stock options, net		37 807	38	-	-	1 212	-	-	1 250
Stock-based compensation, net	12	-	-	-	-	1 932	-	-	1 932
Balance at June 30, 2020		**11 919 752**	**11 920**	**(1 118 976)**	**(6 875)**	**931 245**	**(24 141)**	**(991 725)**	**(79 576)**

These unaudited financial statements should be read in conjunction with the accompanying footnotes.

Basilea Pharmaceutica Ltd. and subsidiaries

Notes to the condensed consolidated interim financial statements (unaudited, all amounts in CHF unless stated otherwise)

1 Basis of presentation

The condensed consolidated interim financial statements of Basilea Pharmaceutica Ltd. (Basilea) and its subsidiaries (together the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and accordingly do not include all information and disclosures as required by U.S. GAAP for complete financial statements. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. The condensed consolidated interim financial statements should be read in conjunction with the 2019 consolidated financial statements contained in the Annual Report 2019. The financial statements are presented in Swiss Francs (CHF).

In the opinion of management, these condensed consolidated interim financial statements reflect all adjustments necessary, which are of a normal recurring nature, to fairly state the consolidated balance sheets, statements of operations, statements of comprehensive income/loss, cash flows and changes in shareholders' equity (deficit) for the interim periods presented.

2 Summary of significant accounting policies and new accounting pronouncements

Fair value measurements

The Company applies the Accounting Standard Codification (ASC) 820 "Fair Value Measurements and Disclosures". ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In measuring fair value, the Company evaluates valuation approaches such as the market approach, the income approach and the cost approach. A three-level valuation hierarchy, which prioritizes the inputs to valuation approaches that are used to measure fair value, is based upon whether such inputs are observable or unobservable.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions made by the Company. The three-level hierarchy for the inputs to valuation approaches is briefly summarized as follows:

Level 1— Observable inputs such as quoted prices (unadjusted) for identical instruments in active markets;
Level 2— Observable inputs such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-derived valuations whose significant inputs are observable for substantially the full term of the assets or liabilities; and
Level 3— Unobservable inputs that reflect the Company's estimate of assumptions that market participants would use in pricing the asset or liability.

The Company's financial instruments consist mainly of short-term and long-term financial assets and liabilities, including cash and cash equivalents, short-term and long-term investments, accounts receivable, other receivables, other

current assets, accounts payable, accruals and other current liabilities and the Company's convertible senior unsecured bonds.

The fair value of the financial instruments included in working capital approximate their carrying value due to the short-term nature of these positions. The carrying values of the long-term investments approximate their fair values, since they bear interest at rates close to the prevailing market rates.

Financial instruments measured on a basis other than fair value are mostly comprised of the Company's convertible senior unsecured bonds and are presented in the table below in terms of fair value. The fair value was estimated based on quoted market prices of June 30, 2020 and December 31, 2019:

Estimated fair value

In CHF million	2020	2019
Convertible senior unsecured bonds (Level 1)	197.7	201.9

Cash and cash equivalents

The Company considers cash equivalents to be highly liquid investments which are readily convertible to cash with original maturities of not more than three months.

Restricted cash

Restricted cash includes bank accounts reserved for the purchase of treasury shares.

Short- and long-term investments

Short-term investments include time deposits with banks with original maturities of more than three months and remaining maturities of up to twelve months. Long-term investments include time deposits with banks with original maturities of more than twelve months. These investments are carried at nominal value which approximates fair value. They are classified as level 2 instruments in the fair value hierarchy according to ASC 820. Gains and losses resulting from such investments are included as a component of other financial income or other financial expenses in the statement of operations.

Accounts receivable and other receivables

Accounts receivable and other receivables are recorded at net realizable value after consideration of an allowance for doubtful accounts. The Company maintains allowances for estimated uncollectible receivables based on historical experience and specifically identified at-risk accounts. The adequacy of the allowance is evaluated on an ongoing and periodic basis and adjustments are made in the period in which a change in condition occurs. Other receivables mainly include various prepayments as well as unbilled revenue, which consists of revenue earned but not yet invoiced.

Inventories

Costs related to the manufacturing of inventories are expensed as research and development expenses when incurred prior to obtaining regulatory approval or evidence being available that regulatory approval for respective product can reasonably be expected. If regulatory approval is subsequently obtained, the recorded expenses are not reversed.

Costs related to the manufacturing of inventories which occurred after the receipt of regulatory approval for respective product or evidence being available that regulatory approval can reasonably be expected are capitalized. Inventories

are valued at the lower of cost and net realizable value. Cost is determined based on the first-in first-out principle. If inventory costs exceed the net realizable value, a provision is recorded. In addition, provisions are recorded due to obsolescence or lack of demand.

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued a new accounting standard that amends the guidance for the accounting and disclosure of leases. This new standard requires that lessees recognize the assets and liabilities that arise from leases on the balance sheet, including leases classified as operating leases and disclose qualitative and quantitative information about leasing arrangements. The FASB subsequently issued additional amendments to address issues arising from the implementation of the new lease standard.

On January 1, 2019, the Company adopted ASC 842, Leases, using the modified-retrospective method. This approach provides a method for recording existing leases at adoption date of January 1, 2019. The Company used the adoption date as the date of initial application, and thus comparative-period financial information is not presented for periods prior to the adoption date. In addition, for each asset class, the Company elected the package of practical expedients permitted under the transition guidance within the new standard which allowed the Company to not reassess prior conclusions about lease identification, lease classification and initial direct costs and elected to use the short-term lease exemption that allows the Company to expense short-term leases on a straight line basis over their lease term, consistent with ASC 840.

At inception of a contract, the Company determines whether an arrangement is or contains a lease. For all leases, the Company determines the classification as either operating or financing. Operating leases are included in other non-current assets, accruals and other current liabilities and other non-current liabilities in the Company's Consolidated Balance Sheets.

As per January 1, 2019 the Company recognized a Right-of-use (ROU) asset and lease liability for rented office space as the asset could be identified and the Company has the right to control the asset. As per June 30, 2020 the Company recognized a second ROU asset and lease liability for rented office and laboratory space.

There are no financing ROU assets to be recognized for the financial year ending on December 31, 2019 and for the six months ending June 30, 2020. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments under the lease. Lease recognition occurs at the commencement date. ROU assets also include any lease payments made prior to the commencement date and exclude lease incentives received. In determining the present value of the lease payments, the implicit rate in the lease agreement is used when readily determinable. Alternatively, when the implicit rate is not determinable, the incremental borrowing rate is used based on the information available at the commencement date. The company determined the impact of discounting was not material to the present value of the lease payments.

For its operating lease, the Company's lease expense is recorded on a straight-line basis over the lease term.

The Company elected for real estate leases to not separate the nonlease components from their related lease components.

Convertible senior unsecured bonds

The convertible senior unsecured bonds were initially measured as a liability based on the proceeds received and are presented net of issuance costs incurred. The issuance costs are amortized as interest expense over the life of the debt instrument resulting in the accretion of the liability of the convertible senior unsecured bonds until maturity.

Treasury shares

Treasury shares are recognized at the acquisition costs of the shares. Shares issued from treasury are recognized using the first-in first-out method.

Revenue recognition

Revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

The following table presents the Company's revenue disaggregated by revenue source for the six months ending June 30, 2020 and June 30, 2019. Sales and usage-based taxes are excluded from revenues.

In CHF million	**2020**	2019
Product revenue	30.5	25.4
Contract revenue	31.5	27.7
Revenue from research & development services	0.2	0.1
Other revenue:		
BARDA revenue	6.6	9.9
Others	0.5	0.1
Total	**69.3**	**63.2**

Revenue is measured at the amount of consideration the Company received or expects to receive in exchange for transferring goods or providing services. The Company derives its revenues primarily from products and contractual arrangements. The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

Product revenue

Product revenue is recognized net of any sales and value added taxes and sales deductions based on contractually agreed payment terms. The control passes according to contractual shipment terms. The amount of consideration the Company receives and revenue the Company recognizes varies based on estimated rebates, discounts, returns and charge backs. The Company adjusts its estimate of revenue at the earlier of when the most likely amount of consideration the Company expects to receive changes or when the consideration becomes fixed. Sales returns are generally estimated and recorded based on historical sales and returns information. Sales returns allowances represent a reserve for products that may be returned due to expiration, destruction in the field or potential other reasons, and the returns reserve is based on historical return trends by product and by market as a percent of gross revenues.

Contract revenue
To determine the proper revenue recognition method for contracts, the Company evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment and the decision to combine a group of contracts or separate the combined or single contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period. For certain contracts, the Company provides a service of combining a license and related tasks into a single performance obligation. Hence, the entire contract is accounted for as one performance obligation. The Company may, however, promise to provide a distinct license with distinct services within a contract, in which case the Company separates the contract into more than one performance obligation. If a contract is separated into more than one performance obligation, the Company allocates the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation. Non-refundable upfront payments and substantive development and sales milestones will be recognized over the remaining performance period based on the Company's progress towards satisfying its identified performance obligation. The Company infrequently sells licenses with observable standalone sales. In these cases the observable standalone sales are used to determine the standalone selling price. More frequently, the Company sells a unique license for a specific drug, and in these cases the Company typically uses the expected cost plus a margin approach to estimate the standalone selling price of each performance obligation.

The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

Following the guidance in ASC 808 “Collaborative Arrangements”, the Company presents the results of activities for which it acts as the principal on a gross basis and reports any payments received from (or made to) other collaborators based on other applicable GAAP. The Company’s accounting policy for its qualifying collaborative agreements is to evaluate amounts due from (or owed to) its collaborators based on the nature of each separate activity.

Revenue from research & development services
Revenue from research and development services provided by the Company is recorded as earned based on the performance requirements of the underlying contracts. The costs related to these services are primarily included in research and development expenses.

Other revenue
Other revenue includes realizable amounts under the contract with the Biomedical Advanced Research and Development Authority (BARDA) related to the Company’s ceftobiprole U.S. phase 3 development program. The Company considers the arrangement to be part of its ongoing major operations. Revenue from this contract is recognized when recoverable costs are incurred.

Arrangements with multiple performance obligations
Contracts with customers may include multiple performance obligations. For these contracts, the Company accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. The Company

determines the standalone selling prices based on its overall pricing objectives, taking into consideration market conditions and other factors, including the value of the contracts and customer geographic locations or using expected cost plus margin.

Practical expedients and exemptions
The Company excludes from the transaction price all sales taxes that are assessed by a governmental authority and that are imposed on and concurrent with a specific revenue-producing transaction and collected by the Company from a customer (for example, sales, use, value added, and some excise taxes).

The Company applies the general variable consideration guidance to estimate the transaction price if the license to the intellectual property is not the predominant item. With regard to royalties where the license is the sole or predominant item to which the royalty relates, for example when the customer would ascribe significantly more value to the license than to other goods or services provided under an arrangement the sale- and usage-based royalty exemption applies and royalties are recognized once earned.

The Company does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less and contracts for which the Company recognizes revenue at the amount to which the Company has the right to invoice for services performed.

Cost of products sold
Expenses relating to the Company's products sold consisting of the manufacturing cost including manufacturing licenses, capacity reservation costs and shipping and handling costs are presented in cost of products sold.

Research & development expenses
Research and development costs are expensed as incurred. No amount was capitalized in any period presented. Costs of research and development equipment with alternative future uses are capitalized and depreciated over the equipment's useful life.

Research and development expenses primarily include costs for third-party services in connection with clinical studies and research projects, costs for producing substance to be used in such studies and projects, personnel expenses for the Company's research and development groups, and depreciation of equipment used for research and development activities. In addition, research and development expenses contain expenses for producing pharmaceutical material which may be used for commercialization subject to regulatory approval, and which was produced prior to obtaining regulatory approval or evidence being available that regulatory approval can reasonably be expected.

Payments that the Company makes or receives related to its co-development arrangement for isavuconazole are recorded in research and development expenses, net and in contract revenue respectively, for its mark-up earned since the Company is acting as an agent in the arrangement.

Stock-based compensation
The Company applies ASC 718 "Compensation – Stock Compensation" related to its stock-based compensation awards. According to ASC 718, the Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award taking into consideration an estmation for expected forfeitures.

The stock-based compensation expenses are allocated over the vesting period of the award. For awards which consist of portions with different vesting periods, the compensation expense is recognized pro rata for each portion of the award over the respective vesting period of such portion.

Income taxes

The Company applies the asset and liability method for the determination of provisions for income taxes. The income taxes for the reporting period consist of the current taxes (taxes paid and taxes payable) plus the change in the deferred taxes for the respective period. Deferred taxes represent the estimated future tax consequences of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Interest and penalties in connection with income taxes are recorded as income taxes.

Pension plans

The Company applies ASC 715 "Compensation – Retirement Benefits" related to its pension plan. According to ASC 715, the projected benefit obligation for defined benefit pension plans is calculated annually by independent actuaries using the projected unit credit method. The projected benefit obligation at period end represents the actuarial present value of the estimated future payments required to settle the obligation that is attributable to employee services rendered before that date.

The Company records net gains/losses, consisting of actuarial gains/losses, curtailment gains/losses and differences between expected and actual returns on plan assets, in other comprehensive income/loss. Such net gains/losses are amortized to the consolidated statements of operations to the extent that they exceed 10% of the greater of projected benefit obligations or pension assets. The Company further records prior service costs/credits from plan amendments in other comprehensive income/loss in the period of the respective plan amendment and amortizes such amounts to the consolidated statement of operations over the future service period of the plan participants.

The Company records the service cost component of the net benefit costs with the other employee compensation costs within the result from operations. The other components will be reported separately outside of the result of operations.

New accounting pronouncements

As new accounting pronouncements are released, the Company reviews such pronouncements for the potential impact on the Company's financial statements. The new accounting pronouncements below may have an impact on the financial statements of the Company.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses" (Topic 326). This topic introduces the current expected credit loss (CECL) model for assets that are measured at amortized cost and certain other instruments. The CECL impairment model requires an estimate of expected credit losses, measured over the contractual life of an instrument, that considers forecasts of future economic conditions in addition to information about past events and current conditions. This update will be effective for fiscal years beginning after December 15, 2020 and requires a cumulative-effect adjustment to the statement of financial position as of the beginning of the first reporting period in which the guidance is effective. Periods prior to the adoption date that are presented for comparative purposes are not adjusted. The Company does

currently not expect that the adoption of this guidance will have a material impact on the financial statements.

In August 2018, the FASB issued ASU No. 2018-14, "Compensation-Retirement Benefits-Defined Benefit Plans-General" (Subtopic 715-20). The amendment modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The amendment is effective for fiscal years ending after December 15, 2020 and must be applied retrospectively to all periods presented. The Company does currently not expect that the adoption of this guidance will have a material impact on the financial statements.

There are no other pronouncements or interpretations which are not yet effective which would be expected to have a material impact on the Company.

The following accounting pronouncements were effective for reporting periods beginning after December 15, 2019:

ASU No. 2018-18, "Collaborative Arrangements" (Topic 808) - the implementation of this accounting pronouncement did not have a significant impact on these consolidated financial statements.

3 Tangible assets

In CHF million	Land/Land-use rights	Buildings	Equipment	Total
H1 2020				
Cost				
January 1, 2020	1.5	19.0	23.7	44.2
Additions	0.0	0.0	0.6	0.6
Disposals	(1.3)	(17.1)	(0.6)	(19.0)
Currency effect	0.0	(0.1)	(0.2)	(0.3)
June 30, 2020	0.2	1.8	23.5	25.5
Accumulated depreciation				
January 1, 2020	0.0	16.2	22.8	39.0
Additions	0.0	0.5	0.3	0.8
Disposals	0.0	(15.1)	(0.6)	(15.7)
Currency effect	0.0	(0.1)	(0.2)	(0.3)
June 30, 2020	0.0	1.5	22.3	23.8
Net book value as of June 30, 2020	**0.2**	**0.3**	**1.2**	**1.7**
H1 2019				
Cost				
January 1, 2019	1.5	19.0	24.5	45.0
Additions	0.0	0.0	0.1	0.1
Disposals	0.0	0.0	0.0	0.0
Currency effect	0.0	0.0	0.0	0.0
June 30, 2019	1.5	19.0	24.6	45.1
Accumulated depreciation				
January 1, 2019	0.0	15.2	23.4	38.6
Additions	0.1	0.5	0.1	0.7
Disposals	0.0	0.0	0.0	0.0
Currency effect	0.0	0.0	0.0	0.0
June 30, 2019	0.1	15.7	23.5	39.3
Net book value as of June 30, 2019	**1.4**	**3.3**	**1.1**	**5.8**

On June 30, 2020, the Company entered into a sales and leaseback agreement with the Pension fund of UBS (UBS) for the Company's buildings land and facility located at Grenzacherstrasse 487, Basel. The purchase price for the ground lease including the building and the land was CHF 19.2 million of which CHF 13.6 million was for the ground lease including the building and CHF 5.6 million for the land. The purchase price settlement will be done in two payments. A first tranche of CHF 18.0 million was paid on June 30, 2020 and a second tranche of CHF 1.2 million will be paid in the near term future based on the satisfaction of certain conditions.

As part of the transaction, the Company derecognized the carrying amount of the ground lease including the building and the land. The Company recognized a transaction gain of CHF 15.0 million that was recorded in income from continuing operations before income taxes in the Company's statement of operations.

The payment of certain transaction cost such as notary fees and land register were borne equally by the Company and UBS. Property gains tax will be settled with losses carried forward of the Company.

In conjunction with the sale, the Company executed a lease with UBS, for a period of two years for the land use rights and the facility. Company classified this lease as an operating lease because the Company has the right to control the asset. The Company recorded a right-of-use asset of CHF 2.8 million and lease liability of CHF 2.8 million on June 30, 2020, being the effective date based on its future lease payments. There were no lease incentives. The Company is recognizing lease expense on a straight-line basis throughout the remaining term of the lease. Given the short duration of the lease, the Company determined that application of the Company's incremental borrowing rate to the future lease payments would not be material. Under the terms of the lease, non-lease components such as utilities and maintenance are not part of the lease payments and are expensed as incurred. Cost incurred for noncomponents such as taxes and insurance are also paid by the Company and are expensed as incurred.

In addition, on June 30, 2020, the Company entered into a lease agreement commencing on June 1, 2022, for office and laboratory space in Allschwil, in the canton of Basel-Landschaft. The lease will be accounted as an operating lease because the Company has the right to control the asset. The term of the lease is 10 years and annual lease payment is estimated to be CHF 2.2 million. Lease incentives are estimated to be CHF 1.8 million payable to the Company over the term of the lease. The Company has the option to extend the lease two times by 5 years.

4 Intangible assets

The intangible assets as of June 30, 2020 and June 30, 2019 consist of software for internal use:

In CHF million	H1 2020	H1 2019
Cost		
January 1	**5.3**	**5.2**
Additions	0.3	0.1
Disposals	-	-
Currency effect	0.0	0.0
June 30	**5.6**	**5.3**
Accumulated amortization		
January 1	**5.0**	**4.8**
Additions	0.1	0.1
Disposals	-	-
Currency effect	0.0	0.0
June 30	**5.0**	**4.9**
Net book value as of June 30	**0.6**	**0.4**

5 Agreements

License agreement with Pfizer related to isavuconazole

In June 2017, the Company entered into a license agreement with Pfizer Inc. for isavuconazole. The transaction was completed on July 19, 2017. Under the agreement Pfizer Inc. has the right to exclusively commercialize the drug in Europe (excluding the Nordics), Russia, Turkey and Israel (the Territory) and to manufacture isavuconazole for the Territory. In November 2017, the original license agreement was amended (the Amendment) to extend the Territory to China (including Hong Kong and Macao) and 16 countries in the Asia Pacific region (the extended Territory). The Amendment was completed on January 10, 2018.

Under the terms of the original agreement, the Company was eligible for a non-refundable upfront payment of CHF 70 million and will be eligible to receive up to USD 427 million in additional non-refundable milestone payments upon achievement of pre-specified regulatory and sales milestones. Under the terms of the Amendment, the Company was eligible for an additional non-refundable upfront payment of USD 3 million and will be eligible to receive up to USD 223 million in additional non-refundable milestone payments upon achievement of pre-specified regulatory and commercial milestones related to the extended Territory. In addition, the Company will also receive royalties in the mid-teen range on Pfizer Inc.'s sales in the Territories.

The original agreement consists of three deliverables: grant of an exclusive commercial license, obligation to supply isavuconazole to Pfizer Inc. during the supply service period (the Supply Service Term) and execution of the pediatric investigation plan (PIP) studies. The Company determined that the grant of the exclusive commercial license and obligation to supply isavuconazole to Pfizer Inc. represents one combined performance obligation, whereas the PIP studies represent a separate one.

The Amendment consists of two deliverables: grant of an exclusive commercial license and services to support the Clinical Trial Application (CTA) for China. The Company determined that the grant of the exclusive commercial license and obligation to support the CTA for China represent one combined performance obligation.

In 2017, the Company received a non-refundable upfront payment of CHF 70.0 million from Pfizer Inc. The execution of the PIP studies is covered by a separate contractual milestone reflecting its standalone selling price. The non-refundable upfront payment was deferred and is recognized as product revenue as each unit of isavuconazole is sold to Pfizer Inc. based on the estimated standalone selling price of each unit during the Supply Service Term. The Company concluded that the Amendment results in a separate performance obligation based on the contract modification which is treated as a separate contract.

In 2018, under the Amendment, the Company received a non-refundable upfront payment of USD 3.0 million (CHF 2.9 million) from Pfizer Inc. The entire non-refundable upfront payment was allocated to the combined performance obligation for the grant of the exclusive commercial license and obligation to support the CTA for China. The non-refundable upfront payment was fully recognized as contract revenue in 2018 upon fulfilling the performance obligation.

As the Company acts as principal for the sale of the product during the Supply Service Term, the sales of product to Pfizer Inc. will be recorded gross and recognized in product revenue upon delivery. Any future milestone payments will be recognized as contract revenue over the remaining performance period based on the progress towards satisfying its identified performance obligation. Royalty revenue will be recognized when earned as the license is the predominant item of the contract.

As of June 30, 2020, the Company presented deferred revenue of CHF 2.2 million (December 31, 2019: CHF 20.7 million) on its balance sheet, of which CHF 2.2 million is presented as current liabilities (December 31, 2019: CHF 20.7 million). The Company expects to recognize the revenue over the next twelve months.

For the six months ending June 30, 2020, the Company recognized CHF 26.5 million (six months ending June 30, 2019: CHF 21.5 million) as product revenue related to the upfront payment for the Territory and product sales to Pfizer Inc. and royalty revenue of CHF 5.8 million (six months ending June 30, 2019: CHF 4.0 million). In February and June 2020, the Company recognized a regulatory milestone payment related to the Territory of total CHF 5.0 million and commercial milestone payments related to the extended Territory of total USD 1.0 million (CHF 1.0 million) as contract revenue.

License agreement with Astellas related to isavuconazole

In February 2010, the Company entered into a license, co-development and co-promotion agreement with Astellas Pharma Inc. (Astellas) for isavuconazole.

Under this agreement, the Company was eligible for a non-refundable upfront payment of CHF 75 million and non-refundable milestone payments of up to CHF 478 million based on the achievement of milestones related to regulatory filing, regulatory approval and commercialization of isavuconazole. In addition, the Company was also eligible for double-digit tiered royalty payments.

The agreement was amended in February 2014, providing the Company full rights to isavuconazole in all markets outside of the U.S. and Canada in return for foregoing the Company's right to co-promote the product in the U.S. and Canada, its right to receive payments related to co-promotion, and EU milestone payments. In addition, the amended agreement contains the Company's obligation to execute the European PIP studies. Hence, the Company determined that the amendment was a modification with an adjustment of an existing contract to be accounted for prospectively. The agreement was further amended in August 2015,

providing the Company full rights to isavuconazole in all markets outside the U.S. The Company determined that the amendment in August 2015 was not a significant modification. The Company and Astellas continue to coordinate their development and manufacturing activities and each company is responsible for commercial activities in its respective territory.

Under the terms of the agreement as amended, the Company continued to be entitled to receive regulatory milestone payments of total CHF 42.0 million, sales milestone payments of up to CHF 290 million and royalty payments from Astellas relating to its territory. The Company received, respectively was eligible to receive, total CHF 42.0 million regulatory milestone payments in 2014 and 2015 and sales milestone payments of CHF 10.0 million and CHF 5.0 million in 2018 and 2017 from Astellas. The achievement and timing of further sales milestones depend on the sales progress of the product in the future.

The agreement is a multiple-element arrangement with several deliverables, mainly the grant of an exclusive license, compensation for co-payment of development services, participation in the joint steering committee or coordination committee (the Committee), development-related manufacturing services and the European PIP studies. The arrangement provides a separate pricing for commercial-related manufacturing services and sale of clinical supplies.

Astellas' responsibilities are primarily related to managing the clinical and non-clinical development, particularly the pivotal phase 3 studies. The Company is primarily responsible to manage the manufacturing process development, the European PIP studies, as well as the manufacturing and procurement of clinical supplies related to the co-development services. With respect to the Committee, the Company is required to participate in those committee meetings, whereby it oversees the development, regulatory activities directed towards marketing approval, manufacturing and commercialization phases.

The agreement consists of several deliverables: the co-development services, the commercial-related manufacturing services, the grant of the license to Astellas, the European PIP studies and participation in the Committee. The co-development services, the grant of the license and the participation in the Committee consist of one unit of accounting, with the European PIP studies and the commercial-related manufacturing services consisting of two others. The co-development services, the grant of the license and the participation in the Committee consist of one unit of accounting since they do not have value to Astellas on an individual stand-alone basis. The commercial-related manufacturing services and the European PIP studies are other units of accounting since they have value to Astellas and there is evidence of the stand-alone selling price for these obligations in the arrangement. The entire upfront payment was allocated to the units of accounting composed of the co-development services, the grant of the license, the participation in the Committee and the European PIP studies. The related revenue is recognized over the period where the performance obligation is satisfied, being the period over which the services are rendered. The period during which the Company has to satisfy its contractual performance obligations is expected to be until October 2020.

In 2010, the Company received a non-refundable net upfront payment of CHF 67.5 million (gross payment of CHF 75.0 million less withholding tax of CHF 7.5 million) from Astellas. This net upfront payment was recognized as deferred revenue. The upfront payment covered the grant of an exclusive license, compensation for co-development services and the participation in the Committee. As of June 30, 2020, the Company presented deferred revenue of CHF 1.5 million (December 31, 2019: CHF 3.8 million) on its balance sheet, of

which CHF 1.5 million (December 31, 2019: CHF 3.8 million) is presented as current liabilities. For the six months ending June 30, 2020 and June 30, 2019, the Company recognized CHF 2.3 million as contract revenue related to this upfront payment for the grant of license.

In September 2014, the U.S. Food and Drug Administration (FDA) accepted the filing of Astellas' New Drug Application (NDA) for isavuconazole, seeking approval of isavuconazole for the treatment of invasive aspergillosis and invasive mucormycosis in adults. Based on this acceptance, the Company received a non-refundable milestone payment of CHF 12.0 million from Astellas. This milestone payment was recognized as deferred revenue. The milestone payment covered the grant of an exclusive license, compensation for co-development services, the participation in the Committee and the European PIP studies. As of June 30, 2020, the Company presented deferred revenue of CHF 0.6 million (December 31, 2019: CHF 1.5 million) on its balance sheet, of which CHF 0.6 million (December 31, 2019: CHF 1.5 million) is presented as current liabilities. For the six months ending June 30, 2020 and June 30, 2019, the Company recognized CHF 0.9 million as contract revenue related to this additional milestone payment received upon acceptance of filing.

In March 2015, the FDA approved Astellas' NDA for the use of isavuconazole for patients 18 years of age and older in the treatment of invasive aspergillosis and invasive mucormycosis. Based on the approval, the Company received a non-refundable milestone payment of CHF 30.0 million from Astellas. This milestone payment was recognized as deferred revenue. The milestone payment covered the grant of an exclusive license, compensation for co-development services, the participation in the Committee and the European PIP studies. As of June 30, 2020, the Company presented deferred revenue of CHF 1.5 million (December 31, 2019: CHF 3.7 million) on its balance sheet, of which CHF 1.5 million (December 31, 2019: CHF 3.7 million) is presented as current liabilities. For the six months ending June 30, 2020 and June 30, 2019, the Company recognized CHF 2.2 million as contract revenue related to this additional milestone payment received upon approval.

For the six months ending June 30, 2020, the Company recognized CHF 5.4 million (six months ending June 30, 2019: CHF 5.4 million) as contract revenue related to the upfront and milestone payments and recognized additional contract revenue in the total amount of CHF 12.8 million (six months ending June 30, 2019: CHF 11.7 million) comprising CHF 12.8 million (six months ending June 30, 2019: CHF 11.7 million) related to royalties and CHF 0.0 million (six months ending June 30, 2019: CHF 0.0 million) related to services provided by the Company to Astellas related to isavuconazole.

For the six months ending June 30, 2020, the Company reported CHF 1.2 million (six months ending June 30, 2019: CHF 1.1 million) research and development expenses for isavuconazole net of cost reimbursements from Astellas of CHF 0.1 million (six months ending June 30, 2019: CHF 0.0 million) in research and development expenses, net since the Company does not have the risks and rewards as principal based on the terms of the arrangement and the nature of the activities carried out, and therefore acts as an agent for these transactions.

License agreement with Asahi Kasei Pharma related to isavuconazole

In March 2016, the Company entered into a development and commercialization agreement with Asahi Kasei Pharma Corporation (Asahi Kasei Pharma) to develop, register and commercialize Basilea's antifungal drug isavuconazole in Japan. Asahi Kasei Pharma is responsible for conducting clinical studies necessary to apply for a marketing authorization for isavuconazole in Japan for the treatment

of invasive aspergillosis and mucormycosis and for applying for such authorization. Once isavuconazole is authorized, the Company will perform the commercial manufacturing services and Asahi Kasei Pharma will commercialize the product in Japan. Asahi Kasei Pharma will purchase the product for commercialization from the Company.

Under the terms of the agreement, the Company granted Asahi Kasei Pharma an exclusive license to develop, register and commercialize isavuconazole in Japan. The Company was eligible for a non-refundable upfront payment of CHF 7 million and will be eligible to receive up to approximately CHF 60 million of additional payments upon achievement of regulatory and commercial milestones. In addition, the Company will also be eligible for double-digit tiered royalty payments on sales in Japan.

In addition to the license, the agreement states that the Company has an obligation to manufacture and supply the product for clinical studies and to provide materials, documentation and support (together the Ongoing Documentation and Information Transfer Obligation). Because the separation criterion is not met, the license and the Ongoing Documentation and Information Transfer Obligation are accounted for as one unit of accounting and the entire upfront payment was allocated to the unit of accounting. The related revenue is recognized over the period over which the Ongoing Documentation and Information Transfer Obligation is provided up to submission of the NDA.

The Company concluded that the commercial manufacturing service is not a deliverable because the service is dependent on the clinical results, the approval of the NDA, and the agreement of specific commercial manufacturing terms. The further milestone payments will be recognized as contract revenue upon satisfaction of the criteria associated with the milestone. Royalty revenue will be recognized when earned.

In 2016, the Company received a non-refundable upfront payment of CHF 7.0 million from Asahi Kasei Pharma. This upfront payment was deferred and is recognized as contract revenue over the remaining service period, expected to be until the fourth quarter of 2021 in line with the period over which the Ongoing Documentation and Information Transfer Obligation is provided up to submission of the NDA. As of June 30, 2020, the Company presented deferred revenue of CHF 1.9 million (December 31, 2019: CHF 2.6 million) on its balance sheet, of which CHF 1.3 million (December 31, 2019: CHF 1.3 million) is presented as current liabilities.

For the six months ending June 30, 2020 and June 30, 2019, the Company recognized CHF 0.7 million as contract revenue related to this upfront payment.

License agreement with Shenzhen China Resources Gosun Pharmaceuticals Co. Ltd. related to ceftobiprole

In September 2017, the Company entered into a development, manufacturing and commercialization agreement with Shenzhen China Resources Gosun Pharmaceuticals Co. Ltd. (Gosun) to develop, manufacture and commercialize Basilea's antibiotic ceftobiprole in China, Hong Kong and Macao (the Territory). Gosun is responsible for conducting clinical studies necessary to apply for a marketing authorization for ceftobiprole in the Territory and for applying for such authorization. Once ceftobiprole is authorized, Basilea will initially supply the product to Gosun at a transfer price and will be eligible for tiered double-digit royalties on product sales once Gosun manufactures ceftobiprole itself.

Under the terms of the agreement, the Company granted Gosun an exclusive license to develop, register, commercialize and manufacture ceftobiprole in the Territory. The Company was eligible for a non-refundable upfront payment of CHF 3 million and will be eligible to receive up to approximately CHF 145 million of additional payments upon achievement of regulatory and commercial milestones.

In addition to the license, the agreement states that the Company has an obligation to manufacture and supply the product for clinical studies and to provide materials, documentation and support (Ongoing Clinical Supply and Information Transfer Obligation). Because the separation criterion is not met, the license and the Ongoing Clinical Supply and Information Transfer Obligation are accounted for as one unit of accounting and the entire upfront payment was allocated to one unit of accounting. The related revenue is recognized over the performance period, being the period over which the Ongoing Clinical Supply and Information Transfer Obligation is provided up to the grant of the imported drug license (IDL) or the approval of a domestic drug application (DDA).

The Company concluded that the commercial manufacturing service is not a deliverable because the service is dependent on the clinical results and the grant of the IDL or approval of the DDA. Thus, any future milestone payments will be recognized as contract revenue upon satisfaction of the criteria associated with the specific milestone. Royalty revenue will be recognized when earned.

In 2017, the Company received a non-refundable net upfront payment of CHF 2.7 million (gross payment of CHF 3.0 million less withholding tax and stamp duty of CHF 0.3 million) from Gosun. The upfront payment was deferred and is recognized as contract revenue over the remaining service period, expected to be until the first quarter of 2022 in line with the period over which the Ongoing Clinical Supply and Information Transfer Obligation is provided up to grant of the IDL or approval of DDA. As of June 30, 2020, the Company presented deferred revenue of CHF 1.1 million (December 31, 2019: CHF 1.4 million) on its balance sheet, of which CHF 0.6 million (December 31, 2019: CHF 0.6 million) is presented as current liabilities.

For the six months ending June 30, 2020, the Company recognized CHF 0.3 million (six months ending June 30, 2019: CHF 0.3 million) as contract revenue related to this upfront payment.

Distribution agreements

In 2017 and 2016, the Company entered into exclusive distribution agreements for Basilea's antifungal isavuconazole and antibiotic ceftobiprole with Avir Pharma Inc. for Canada, Grupo Biotoscana S.L. (GBT) for Latin and South America and Unimedic Pharma AB (Unimedic) for the Nordic countries, respectively. In 2017, the Company also entered into an exclusive distribution agreement for Basilea's antibiotic ceftobiprole with Correvio Pharma Corp. (Correvio) for Europe (excluding the Nordic countries) and Israel. In addition, the Company expanded its existing distribution agreement for ceftobiprole in 2016 with Hikma Pharmaceuticals LLC (Hikma) for the Middle East and North Africa for isavuconazole.

Under these distribution agreements, the Company was eligible for non-refundable upfront payments of CHF 19.4 million and is eligible for sales milestone payments of up to CHF 132.7 million related to the commercialization of isavuconazole and ceftobiprole in these territories. In addition, the Company will sell the products to these distributors for the commercialization in the territories, and will recognize the related revenue in product revenue.

In 2017 and 2016, the Company received non-refundable upfront payments of CHF 6.3 million and CHF 12.1 million, respectively, in connection with these distribution agreements. In 2015, the Company received a non-refundable upfront payment of CHF 1.0 million. Thereof, CHF 6.3 million and CHF 12.0 million were recorded as deferred revenue in 2017 and 2016, respectively. In 2015, CHF 1.0 million was recorded as deferred revenue. The deferred revenue is recognized as contract revenue over the remaining performance period, approximately until 2032. As of June 30, 2020, the Company presented deferred revenue of CHF 15.1 million (December 31, 2019: CHF 15.7 million) on its balance sheet, of which CHF 1.3 million (December 31, 2019: CHF 1.3 million) is presented as current liabilities.

For the six months ending June 30, 2020, the Company recognized CHF 0.5 million (six months ending June 30, 2019: CHF 0.6 million) as contract revenue related to these payments and product revenue in the total amount of CHF 4.0 million (six months ending June 30, 2019: CHF 3.9 million) related to these distribution agreements.

Contract with BARDA for ceftobiprole U.S. phase 3 development program

In April 2016, the Company entered into a contract with BARDA for the clinical phase 3 development of ceftobiprole aiming to gain regulatory approval for the drug in the U.S. As of June 30, 2020, the Company was awarded a total amount of USD 102.9 million (December 31, 2019: USD 94.9 million) under this contract to support the phase 3 development of ceftobiprole. As of June 30, 2020, the Company received a total of USD 6.7 million or CHF 6.5 million, respectively (December 31, 2019: USD 24.2 million or CHF 24.1 million, respectively) in payments from BARDA under the contract. The Company considers the arrangement to be part of its ongoing major operations. Hence, other revenue is recorded when recoverable costs are incurred.

For the six months ending June 30, 2020, the Company recognized CHF 6.6 million (six months ending June 30, 2019: CHF 9.9 million) as other revenue related to the BARDA contract.

License agreement with ArQule Inc. related to derazantinib

In April 2018, the Company entered into a license agreement with ArQule Inc. for the oncology drug candidate ARQ 087 (derazantinib). The exclusive license is worldwide, excluding China, Hong Kong, Macau and Taiwan.

Under the terms of the agreement, ArQule Inc. grants the Company rights to research, develop, manufacture and exclusively commercialize derazantinib worldwide, excluding China, Taiwan, Hong Kong and Macau. The Company made an upfront payment to ArQule Inc. of USD 10.0 million (CHF 9.6 million) upon execution of the agreement. ArQule Inc. is eligible to regulatory and sales milestone payments of up to USD 326 million upon reaching certain clinical, regulatory and commercial milestones as well as to staggered single to double-digit royalties on sales upon commercialization.

For the six months ending June 30, 2020, the Company reported CHF 8.4 million (six months ending June 30, 2019: CHF 10.9 million) in research and development expenses, net related to this agreement.

6 Accounts receivable

The accounts receivable primarily consist of receivables from product revenue as well as receivables related to activities for isavuconazole for Astellas. As of June 30, 2020 and December 31, 2019, the Company recorded an allowance for estimated uncollectible receivables of CHF 0.0 million.

7 Short- and long-term investments

As of June 30, 2020, the short-term investments contain short-term time deposits with banks, denominated in Swiss Francs, in the amount of CHF 53.0 million (December 31, 2019: CHF 20.0 million). As of June 30, 2020 and December 31, 2019, the long-term investments contain long-term investments with banks, denominated in Swiss Francs, in the amount of CHF 30.0 million.

8 Other receivables

The following table shows the components of other receivables as of June 30, 2020 and December 31, 2019:

In CHF million	2020	2019
VAT receivables	5.9	5.3
Royalty receivables (see Note 5 Agreements)	10.8	12.8
Contractual milestone receivables (see Note 5 Agreements)	0.5	0.6
Receivables from BARDA (see Note 5 Agreements)	2.3	2.2
Other	2.0	1.2
Total	**21.5**	**22.1**

9 Inventories

The following table shows the components of inventories as of June 30, 2020 and December 31, 2019:

In CHF million	2020	2019
Raw materials	4.7	6.2
Semi-finished products	20.5	26.3
Finished products	1.2	0.6
Inventory provisions	(13.2)	(14.5)
Total	**13.2**	**18.6**

The Company owns manufacturing material valued at cost which was partly produced prior to obtaining regulatory approval for ceftobiprole and isavuconazole. As ceftobiprole and isavuconazole obtained regulatory approval in 2013 and 2015 respectively, the ceftobiprole and isavuconazole inventory is presented gross in the inventory table above. Inventory provisions in the total amount of CHF 8.6 million reflect that material was produced prior to approval. The Company intends to use such material to manufacture products for commercialization. In addition, as of June 30, 2020, the Company recorded additional provisions for inventory in the total amount of CHF 4.6 million.

10 Convertible senior unsecured bonds

On December 23, 2015, the Company issued CHF 200 million aggregate principal amount of convertible senior unsecured bonds which were sold to existing shareholders and certain institutional investors (Holders). The Company received total net proceeds from the sale of the convertible senior unsecured bonds of approximately CHF 194.7 million, after deducting issuance costs of CHF 5.3 million. The convertible senior unsecured bonds are accounted for at amortized costs. The following table shows the carrying amount of the convertible senior unsecured bonds as of June 30, 2020 and December 31, 2019:

In CHF million	2020	2019
Convertible senior unsecured bonds	198.1	197.7

The convertible senior unsecured bonds were issued bearing interest at a fixed rate of 2.75% per year (payable semi-annually in arrears on December 23 and June 23 of each year) and will mature on December 23, 2022 (Maturity Date), unless earlier redeemed or converted. Holders may convert their convertible senior unsecured bonds at their option into shares up to and including the earlier of seven trading days before the Maturity Date, or ten trading days prior to an early redemption. In the event of conversion of the convertible senior unsecured bonds, the Company will deliver shares of the Company's common stock. The conversion ratio is initially approximately 39.6504 shares per bond representing CHF 5,000, the principal amount of one bond (equivalent to an initial conversion price of CHF 126.1020 per share of the Company's common stock). For all convertible senior unsecured bonds together the current number of underlying shares is 1,586,017 shares. The conversion ratio and the corresponding conversion price will be subject to adjustment upon the occurrence of certain events, but will not be adjusted for any accrued and unpaid interest. If the Company undergoes a fundamental change, Holders may require the Company to purchase for cash all or part of their convertible senior unsecured bonds at a purchase price equal to 100% of the principal amount of the convertible senior unsecured bonds to be purchased, plus accrued and unpaid interest. In addition, if certain make-whole fundamental changes occur, the Company will, in certain circumstances, adjust the conversion price for any convertible senior unsecured bonds converted in connection with such make-whole fundamental change. The convertible senior unsecured bonds will be redeemable at the Company's option on or after January 7, 2021, if the volume weighted average price of a share on each of at least 20 out of 30 consecutive trading days ending not earlier than five trading days prior to the giving of the notice of redemption is at least 130% of the prevailing conversion price; or at any time if less than 15% of the aggregate principal amount is outstanding.

Total issuance costs of CHF 5.3 million related to the convertible senior unsecured bonds include legal fees and other issuance-related costs and were deducted from the proceeds of the convertible senior unsecured bonds. The Company will accrete the issuance costs as interest expense over the contractual term of the convertible senior unsecured bonds.

For the six months ending June 30, 2020 and June 30, 2019, the Company recognized interest expense of CHF 2.7 million for contractual coupon interest and CHF 0.4 million for accretion of the issuance costs. The remaining unamortized debt issuances costs of CHF 1.9 million will be accreted over the remaining term of the convertible senior unsecured bonds, which is approximately 2.5 years.

The amortization table related to the convertible senior unsecured bonds as of June 30, 2020 is as follows:

Amount in CHF million	
Remainder 2020	3.2
2021	6.3
2022	206.1
Total minimum payments, including unamortized issuance costs	**215.6**
Less amount representing interest	(15.6)
Convertible senior unsecured bonds, gross	**200.0**
Unamortized issuance costs on convertible senior unsecured bonds	(1.9)
Convertible senior unsecured bonds, including unamortized issuance costs	**198.1**

In accordance with ASC 260, Earnings per Share, the issuance of the convertible senior unsecured bonds requires the use of the "if-converted" basis when calculating the Company's dilutive net income (loss) per share. Net income is adjusted to exclude, or add-back, all convertible senior unsecured bonds related earnings effects including interest charges and amortization of debt issuance costs. Weighted average shares are adjusted using the conversion ratio as if the convertible senior unsecured bonds had been converted at the date of issuance which corresponds to 1,586,017 shares of common stock. See Note 14 to these condensed consolidated interim financial statements for a computation of diluted earning per share.

11 Accruals and other current liabilities

Accruals and other current liabilities as of June 30, 2020 and December 31, 2019 consisted of the following:

In CHF million	2020	2019
Accrued research & development expenses	9.4	14.8
Accrued personnel and compensation costs	7.0	8.0
Accrued sales and marketing expenses	0.7	0.6
Accrued payables for goods received	0.3	4.8
VAT payables	1.2	1.1
Accrued taxes and consultant fees	2.2	0.5
Accrued royalties	1.6	1.0
Lease liability, current	1.8	0.4
Other current liablities	2.9	4.7
Total accruals and other current liabilities	**27.1**	**35.9**

The other current liabilities include liabilities to employees and accrued invoices for services provided but not invoiced.

12 Stock-based compensation

The Company established a stock option plan effective on December 13, 2000 to incentivize executives and certain employees with an opportunity to obtain stock options on registered shares of Basilea. Starting with the options granted in 2018, the stock option plan was amended to allow for gross and/or net settlement of stock options. The net share settlement of stock options will help to ensure that the maximum potential dilution related to all outstanding options remains below 10% of the share capital on a fully diluted basis at the issuance of each new grant.

The shareholders approved conditional capital necessary for the issuance of shares upon the exercise of stock options, of which CHF 1.8 million remain available as of June 30, 2020. CHF 1.6 million of this remaining available conditional

capital is reserved for stock options, which were issued and outstanding as of June 30, 2020.

Each stock option entitles the participant to the purchase of one registered share at the strike price pursuant to the terms of the stock option plan. At the end of the option term, all unexercised stock options expire without value.

In the six months ending June 30, 2020, the Company granted 178,238 stock options under its stock option plan with an exercise price of CHF 47.60 and a weighted average grant-date fair value of CHF 17.52 per stock option. The fair value of the stock options granted was determined at the grant date using a binomial model. The expected volatility was determined based on the indicative historic volatility of Basilea's share price. The expected term of stock options granted was determined based on management's best estimate of assumed future exercise patterns, considering both the historic exercise patterns and the expected future development of the Company.

For the six months ending June 30, 2020, the Company recognized stock-based compensation expenses of CHF 1.9 million (six months ending June 30, 2019: CHF 1.8 million) related to this stock option plan.

13 Shareholders' equity

As of June 30, 2020, Basilea had 11,919,752 registered shares (Namenaktien) issued with a par value of CHF 1.00 per share. As of December 31, 2019, Basilea had 11,881,945 registered shares issued with a par value of CHF 1.00 per share.

For the six months ending June 30, 2020, a total of 37,807 stock options were exercised, using conditional capital, which resulted in the issuance of 37,807 registered shares with a par value of CHF 1.00 per share. For the six months ending June 30, 2019, a total of 800 stock options were exercised resulting in the issuance of 800 registered shares with a par value of CHF 1.00 per share.

The Company had a total approved conditional capital of CHF 3,840,389 as of June 30, 2020 for the issuance of a maximum of 3,840,389 registered shares with a par value of CHF 1.00 per share. This conditional capital contained CHF 1,840,389 (1,840,389 registered shares with a par value of CHF 1.00 per share) reserved for the issuance of shares under the stock option plan available to directors, executives and certain employees. In addition, the shareholders approved conditional capital of CHF 2,000,000, consisting of 2,000,000 registered shares with a par value of CHF 1.00 each, available for the potential conversion of the outstanding convertible senior unsecured bonds.

As of June 30, 2020, the Company held treasury shares in the total amount of CHF 6.9 million (December 31, 2019: CHF 6.0 million), comprising of 1,000,000 registered shares with a par value of CHF 1.00 per share held by Basilea Pharmaceutica International Ltd. for the potential conversion of the outstanding convertible senior unsecured bonds and further 118,976 registered shares with a par value of CHF 1.00 per share.

By shareholder approval at the 2016 ordinary general meeting of shareholders, Basilea was authorized to increase its share capital by a maximum of CHF 1,000,000 by issuing a maximum of 1,000,000 registered shares with a par value of CHF 1.00 per share. By shareholder approval at the 2017 ordinary general meeting of shareholders, the authorization was increased to CHF 2,000,000 by issuing a maximum of 2,000,000 registered shares with a par value of CHF 1.00 per share. By shareholder approval at the 2019 ordinary general meeting of shareholders, this authorization was extended until April 2021.

Changes in accumulated other comprehensive income/loss for the six months ending June 30, 2020 and June 30, 2019:

In CHF million	Currency translation adjustment	Unrecognized pension cost	Total
December 31, 2018	**(1.5)**	**(14.8)**	**(16.3)**
Change during the period	(0.1)	0.4	0.3
Total change during the period	**(0.1)**	**0.4**	**0.3**
June 30, 2019	**(1.6)**	**(14.4)**	**(16.0)**
December 31, 2019	**(1.8)**	**(22.8)**	**(24.6)**
Change during the period	(0.3)	0.8	0.5
Total change during the period	**(0.3)**	**0.8**	**0.5**
June 30, 2020	**(2.1)**	**(22.0)**	**(24.1)**

14 Earnings/Loss per share

For the six months ending June 30, 2020 the basic profit per share was CHF 0.92 and the diluted profit per share CHF 0.91. For June 30, 2019, there was no difference between the basic and diluted loss per share. The weighted average number of shares outstanding and the earnings/loss for the six months ending June 30, 2020 and June 30, 2019 were as follows:

	2020	2019
Net profit/loss, in CHF million	**9.9**	**(15.4)**
Weighted average number of shares outstanding, basic	10 768 337	10 751 896
Weighted average number of shares outstanding, diluted	10 859 169	10 809 496
Basic earnings/loss per share in CHF	**0.92**	**(1.44)**
Diluted earnings/loss per share in CHF	**0.91**	**(1.44)**

For the six months ending June 30, 2020, 56,043 incremental shares (six months ending June 30, 2019: 57,600 incremental shares) relating to potential exercises of stock options and 1,586,017 shares issuable upon conversion of the convertible senior unsecured bonds (six months ending June 30, 2019: 1,586,017 shares) were excluded, as the effect would have been anti-dilutive.

15 Pension plan

As of June 30, 2020, the Company recorded an accrued pension liability of CHF 24.0 million in other non-current liabilities (December 31, 2019: CHF 24.0 million). The following table provides information on the pension expenses related to the Company's defined benefit pension plan for the six months ending June 30, 2020 and June 30, 2019:

In CHF million	2020	2019
Service cost	1.6	1.4
Interest cost	0.2	0.3
Expected return on plan assets	(0.5)	(0.6)
Amortization of pension related net loss	0.9	0.5
Amortization of prior service cost	(0.1)	(0.1)
Gross (benefit)/expense	2.1	1.5
Participant contributions	(0.6)	(0.6)
Net periodic pension cost	1.5	0.9

16 Segment and geographic information

The Company operates in one segment, which is the discovery, development and commercialization of innovative pharmaceutical products. The Company's CEO, who is the chief operating decision maker (CODM) of the Company, reviews the statement of operations of the Company on a consolidated basis and makes decisions and manages the operations of the Company as a single operating segment.

17 Concentration of risk

The Company is generally subject to credit risk related to financial investments. The Company mitigates such credit risk by investing the funds only with counterparties, which are rated as high quality investment grade by a major rating agency or are fully guaranteed by Swiss cantons at the time of the Company's investment. As of June 30, 2020 the investments were invested short-term with two banks and amounted to CHF 53.0 million (December 31, 2019: CHF 20.0 million with one bank) and long-term amounted to CHF 30.0 million with one bank (December 31, 2019: CHF 30.0 million with one bank).

The cash and cash equivalents as of June 30, 2020, amounted to CHF 59.8 million of which CHF 55.4 million were held with two different banks. The cash and cash equivalents as of December 31, 2019 amounted to CHF 109.0 million, of which CHF 104.6 million were held with three different banks. As of June 30, 2020, the highest total amount of cash and cash equivalents and investments held at one bank amounted to CHF 50.0 million (December 31, 2019: CHF 52.3 million).

The Company is also subject to credit risk related to accounts receivable. The highest total amount of accounts receivable with an individual counterparty as of June 30, 2020, is from Pfizer Inc. in the amount of CHF 4.0 million in connection with the licence agreement related to isavuconazole (December 31, 2019, Pfizer Inc.: CHF 4.3 million).

18 Commitments and contingencies

The Company entered into various purchase commitments for services and materials as well as for equipment as part of the ordinary business. In the opinion of management, these commitments are not in excess of current market prices in all material respects, reflect normal business operations and will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

As of June 30, 2020, there are no significant contingencies.

19 Subsequent events

The Company has evaluated subsequent events through August 5, 2020, the date on which the condensed consolidated interim financial statements were available to be issued.

Management considers that the business of the Company is well placed to withstand the impacts of the global spread of a novel strain of corona virus (COVID-19) due to the industry it operates. There have been no significant COVID-19-related disruptions up to the date of approval of these consolidated interim financial statements.

In December 2015, the Company issued senior unsecured convertible bonds due December 23, 2022 (the 2022 bonds). The aggregate principal amount of the bonds issued in denominations of CHF 5,000 was CHF 200 million with 2.75% per annum interest payable semiannually. The bonds were convertible into the Company's shares at option of the 2022 bondholders and had a conversion price of CHF 126.102.

On July 28, 2020, the Company closed a tender offer for the Company's 2022 bonds resulting in the in repurchase of 9,417 of the 2022 bonds with an aggregate principal amount of CHF 47.1 million. The transaction was accounted for as a debt extinguishment with an estimated loss on the transaction of appr. CHF 1.7 million.

On July 28, 2020, the Company issued CHF 97.1 million 3.25% unsecured convertibles due 2027 in denominations of CHF 5,000 with interest payable semiannually (the 2027 bonds). The 2027 bonds are convertible between 41 days after the issuance date and 7 days prior to the maturity at a conversion price of CHF 62.50. The 2027 bonds may be redeemed prior to maturity under certain conditions.

In conjunction with the issuance of the 2027 bonds and the settlement of the repurchase agreement, the Company agreed to loan up to 1,000,000 shares of common stock to an underwriter in order to assist investors in the 2027 bonds to hedge their position. The Company did not receive any of the proceeds from the sale of the borrowed shares, but the Company will receive lending fees and will get the shares redelivered at the end of the 2027 bonds maturity at the latest. Shares of the Company's common stock outstanding under the share lending arrangement are excluded from the calculation of basic and diluted earnings per share.

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