basilea

Half-Year Report 2022

2 marketed products

Zevtera®
(antibiotic)

Two phase 3 studies successfully completed for a U.S. filing

TARGET ABSSSI Study

ERADICATE SAB Study

Cresemba®
(antifungal)

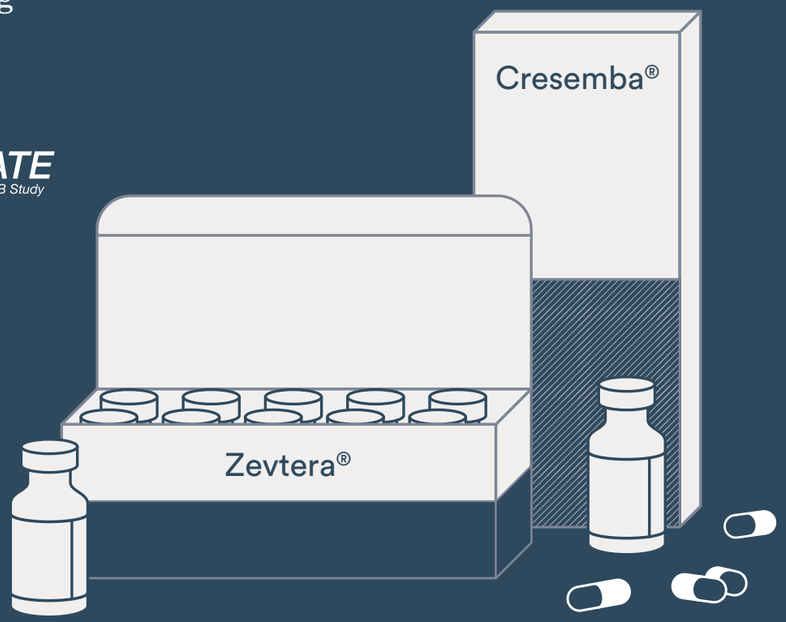
Continued strong in-market sales

Commercial partnerships cover over

100 countries

Cresemba marketed in 58 countries

Zevtera marketed in 20 countries



Basilea to focus on anti-infectives going forward
Status of oncology assets:

Derazantinib
(FGFR-driven tumors)

Rights to be transferred back to Merck & Co.

Lisavanbulin
(glioblastoma)

No expansion of ongoing clinical studies

Exploring partnering opportunities

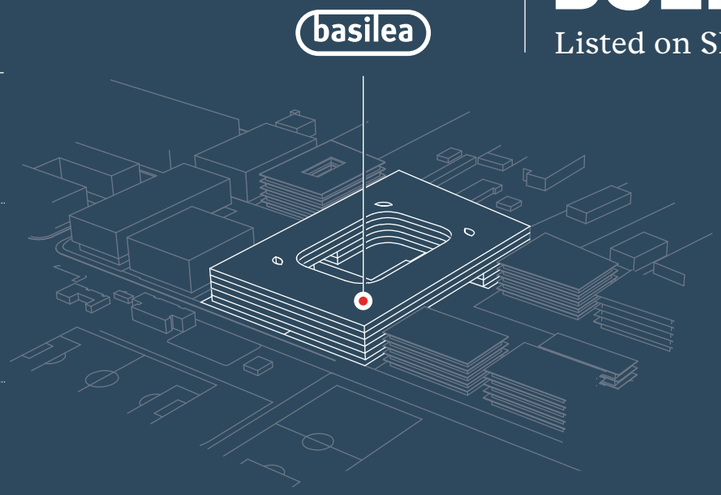
BAL0891
(solid tumors) and preclinical assets

Partnering discussions expected to be concluded by end of year

Located in the new life science hub
Switzerland Innovation Park Basel Area Main Campus

Founded in **2000**

BSLN
Listed on SIX



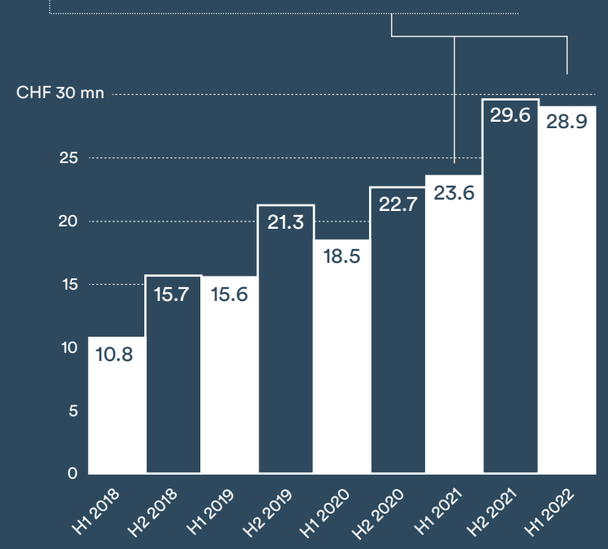
177 employees

Gender diversity

45% female **55%** male

Cultural diversity
employees from **16** different nationalities

22.5% year-on-year increase of Cresemba royalty income to CHF 28.9 mn in H1 2022



Strong financial performance and solid cash position

Total revenue of CHF **58.6** mn

Operating loss of CHF **9.0** mn

Net cash provided by operating activities of CHF **0.15** mn

Cash and investments as of June 30, 2022 of CHF **141.9** mn

Dear readers

I am pleased to present to you our Basilea half-year report 2022. We started the year with the major announcement of our strategic refocus on anti-infectives. The most important operational success for us in the first half-year was the reporting of positive topline results from the ERADICATE phase 3 study, with our antibiotic Zevtera, in *Staphylococcus aureus* bacteremia (SAB). In addition to the financial report, in the following pages we are providing you with updates on our business strategy, our products and our clinical and preclinical pipeline. Furthermore, you will find an outlook on future milestones. But first let me briefly outline our key achievements for the first half of 2022:

Becoming a leading anti-infectives company

Earlier this year we announced our strategic decision to separate our activities in anti-infectives from oncology and focus on anti-infectives in the future. We will focus on the research, development and commercialization of innovative treatments for severe bacterial and fungal infections. I am confident that Basilea will benefit from the improving business environment for anti-infectives. Based on our proven expertise in advancing anti-infectives through research and development to the market, we are aiming at becoming one of the leading companies in this space. We have already made significant progress on the implementation of our strategy and are uniquely positioned to create sustainable value in an area of increasing unmet medical need.

Cresemba: Continued commercial success

We are very pleased with the continued commercial success of Cresemba, our antifungal drug for the treatment of the two most frequent invasive mold infections. The first half of 2022 showed continued strong sales growth in many countries, including the U.S., where Cresemba is now the leading antifungal brand for the treatment of invasive fungal infections with respect to in-market sales in terms of value. Cresemba was also launched in China in the first half-year. Its global commercial success confirms the important role that Cresemba has in the treatment of patients with serious, life-threatening mold infections.

Zevtera: Positive results of ERADICATE phase 3 study

In the first half-year, we presented positive topline results of the ERADICATE phase 3 study. This was a great achievement for all of us at Basilea. The study assessed ceftobiprole for the treatment of patients with bloodstream infections caused by *Staphylococcus aureus*, also known as *Staphylococcus aureus* bacteremia, or SAB. SAB is responsible for a broad variety of complications and has been associated with high morbidity and a mortality of 20 to 40 percent, so there is a significant medical need in patients around the world. Ceftobiprole met primary and secondary endpoints in the study, and as such we are planning to submit a New Drug Application (NDA) for ceftobiprole in the U.S. around year-end 2022. We believe that the U.S. market represents around 80 to 90 percent of the global sales potential for the brand.

Clinical and preclinical pipeline

In addition to commercializing our marketed products and focusing on the related clinical programs, we also continue to research and develop preclinical anti-infective assets of our own discovery and in-licensed compounds. In April this year, we announced the licensing of a novel potential first-in-class antifungal program from U.S.-based company, FCCDC, Fox Chase Chemical Diversity Center. This is a preclinical program of broad-spectrum antifungals with potential in difficult-to-treat mold infections. This agreement marks one step in the implementation of our new anti-infectives strategy. The new antifungal program adds to our anti-infectives pipeline, which already comprises, amongst others, a preclinical DXR inhibitor for the potential treatment of infections caused by multidrug resistant Gram-negative bacteria.

Partnering activities for our oncology pipeline

For our oncology assets, we aim to optimize the value through transactions with partners specialized in oncology. We have run a broad partnering process in the first half-year 2022, whilst continuing to generate data from the ongoing clinical trials. Partnering discussions for the TTK/PLK1 inhibitor (BAL0891) and preclinical oncology assets are well advanced and expected to be concluded in the second half of 2022. In line with our strategic priorities and based on data from the ongoing open-label studies, we have decided not to expand the studies for the tumor checkpoint controller, lisavanbulin. Ongoing patients will be offered continued access to lisavanbulin, whilst partnering opportunities continue to be explored.

As a result of the transactions and decisions, we expect no material expenses related to oncology activities beyond 2022, contributing to the achievement of sustainable profitability in 2023.

Refinancing of convertible bond

At the end of 2022, our convertible bond (ISIN CH0305398148) with a nominal amount of approximately CHF 117 million outstanding, will mature. Our strong cash position combined with the positive financial prospects put us in a good position for managing the bond, focusing on reducing our overall debt level and minimizing potential dilution. We therefore do not intend to make use of the CHF 2 million conditional capital approved by our shareholders at the annual general meeting in 2022.

Move to new headquarters

The biggest change in our day-to-day work life for the people at Basilea is the move to our new offices and laboratories in Allschwil, close to Basel. In June, we moved from our former two locations in Basel into the Switzerland Innovation Park Basel Area Main Campus as our new headquarters, which provides enough space for all our employees and allows us to enhance our communication and teamwork. The new and modern infrastructure fits very well with Basilea's vision: "People are at the heart of what we do".

In summary, we remain well positioned, financially and operationally, to achieve our next milestones and create long-term sustainable value. This is also reflected in our share price in the first half-year 2022, which has shown a positive performance relative to the Swiss Performance Index (SPI Extra) and the sector.

I would like to thank all our employees for their hard work and dedication in developing and commercializing our brands, as well as contributing to Basilea's mission and business success.

I would also like to express my thanks to you, our shareholders, for your confidence in Basilea and for your continued support, which is essential for the development of innovative medicines for patients who urgently need them.

Basel, August 2022

David Veitch
Chief Executive Officer

Portfolio

[1] Licensed from FCCDC

[2] Studies to support U.S. NDA

[3] CARB-X's funding for this project is sponsored by Cooperative Agreement Number IDSEP160030 from ASPR/BARDA and by awards from Wellcome Trust and Germany's Federal Ministry of Education and Research. The content is solely the responsibility of the authors and does not necessarily represent the official views of CARB-X or any of its funders.

Antifungals

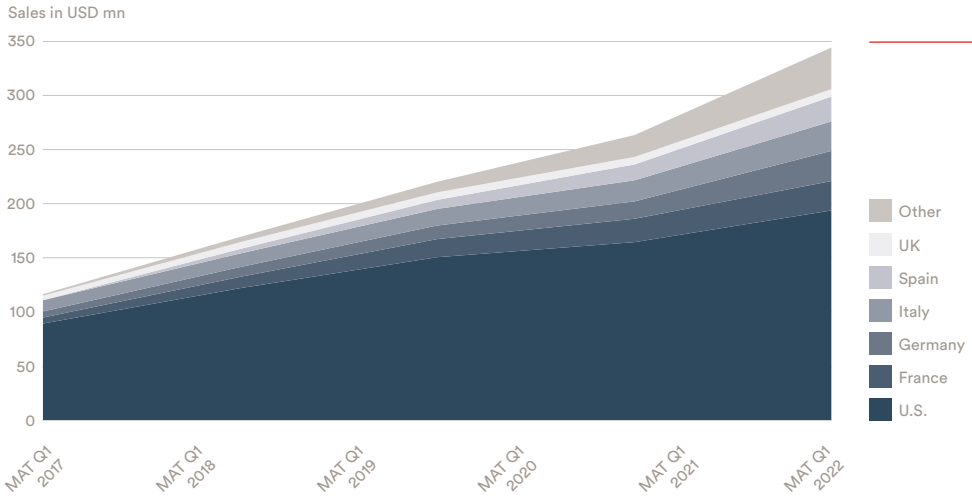
Cresemba® isavuconazole

With more than 1.5 million people estimated to die of fungal infections every year, invasive fungal infections are emerging as a major global healthcare threat.

Cresemba is thus addressing a major medical need, which is reflected in the more than 7 million patient days since launch. Cresemba is an antifungal developed by Basilea and launched by its commercial partners in a growing number of markets worldwide. Sales have continued to increase as shown by the year-on-year royalty income growth of 22.5 percent versus H1 2021. Early launch countries like the U.S. and key EU markets as well as more recent launch countries in regions like Asia Pacific and the Middle East and North Africa, contribute to the continued growth in in-market sales. Sustainable long-term growth is expected to be supported by new launches such as in China, where Cresemba was very recently launched and which is a market that accounts for approximately 20 percent of global sales for newer antifungals.

Basilea is participating in the commercial success through milestone payments and royalties from its license partners, which include Astellas for the U.S. and Pfizer for most countries in Europe and China/Asia Pacific, and by selling the drug at a transfer price to its distribution partners. Cresemba is marketed in almost 60 countries, including the U.S., most EU member states and additional countries inside and outside of Europe. In the twelve months between April 2021 and March 2022, total global in-market sales of Cresemba amounted to more than USD 344 million, a 31 percent growth year-on-year, and on this basis Cresemba has become the market leader in value terms for the systemic treatment of invasive fungal infections in the U.S.[1]

Cresemba in value terms now the #1 systemic treatment for invasive fungal infections in the U.S.



Cresemba continues strong sales uptake

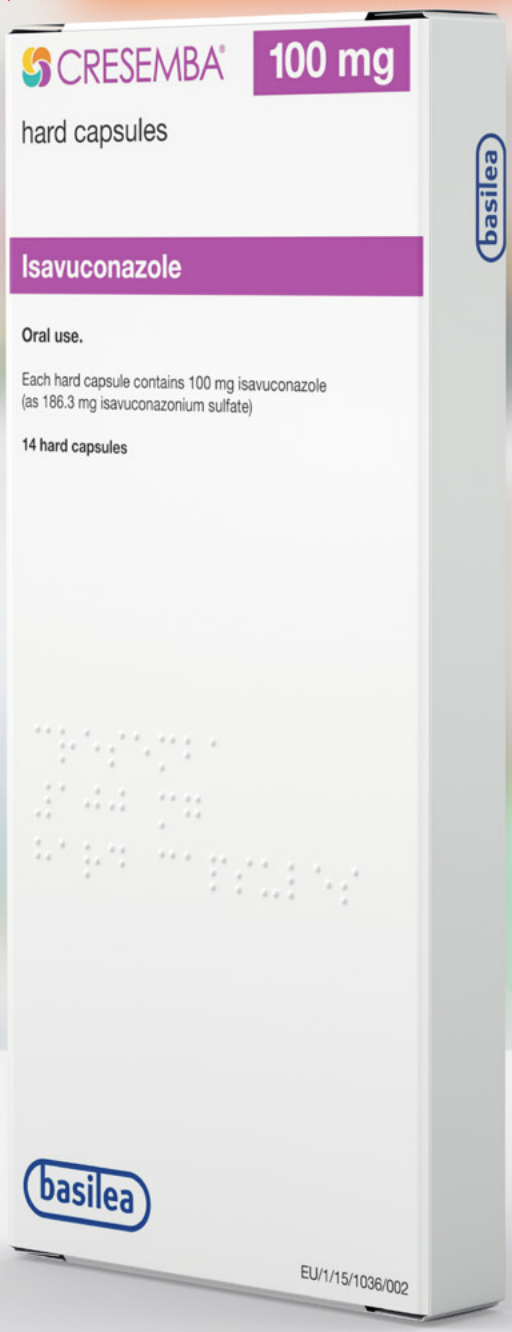
[1] IQVIA Analytics Link, March 2022. In-market sales reported as moving annual total (MAT) in U.S. dollar

Cresemba® (isavuconazole)

A marketed intravenous and oral azole antifungal for the treatment of invasive mold infections[1]

Marketing authorization obtained in 68 countries

Launched in 58 countries



[1] In the U.S. and in China, oral and intravenous isavuconazole is approved for patients 18 years of age and older for the treatment of invasive aspergillosis and invasive mucormycosis. In the EU, isavuconazole is approved for the treatment of adult patients with invasive aspergillosis as well as 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® ceftobiprole

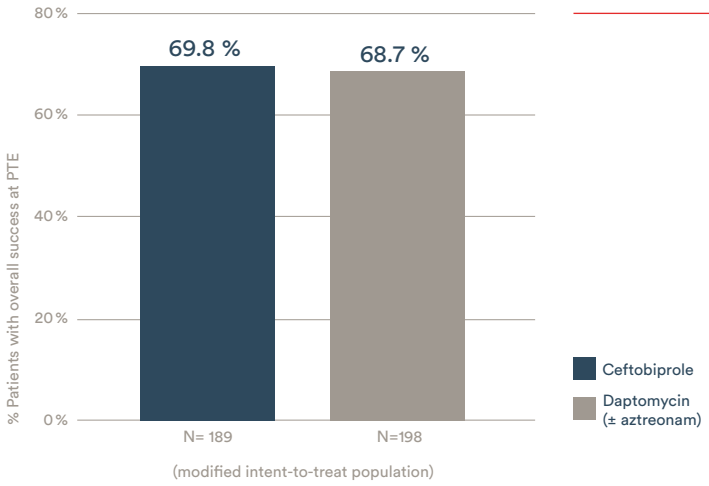
Antimicrobial resistance is one of the greatest healthcare threats of our time and new effective drugs for the treatment of bacterial infections are urgently needed.

Zevtera is currently approved for the treatment of bacterial pneumonia. In order to gain market access in the U.S., which is commercially the most important region for branded anti-MRSA hospital antibiotics, Basilea has conducted a phase 3 program with two successfully completed studies, TARGET in bacterial skin infections (ABSSSI) and ERADICATE in *Staphylococcus aureus* bacteremia (SAB). The positive topline results of ERADICATE have just been released and based on the two studies, Basilea is preparing a New Drug Application (NDA) to be submitted around year-end.

Successful ERADICATE study paves way for U.S. regulatory filing

The most relevant indication for the U.S. filing is SAB, which is associated with substantial morbidity and a 30-day mortality of approximately 20 percent.[1] Nearly 120,000 SAB infections and 20,000 associated deaths occurred in the U.S. in 2017.[2] In addition to SAB and ABSSSI, the company will explore the possibility for gaining approval for a third indication based on a previously performed phase 3 study in community-acquired bacterial pneumonia (CABP). Based on the Qualified Infectious Disease Product (QIDP) designated to ceftobiprole by the FDA for SAB, ABSSSI and CABP, ceftobiprole would be eligible to receive ten years of market exclusivity in the U.S. from the date of approval. The U.S. represents the most important commercial market for ceftobiprole, with Basilea's estimate ranging from 80 to 90 percent of the global potential.

Basilea's ceftobiprole phase 3 program is funded in part (up to USD 134.2 million, which is approximately 70 percent of the total potential program costs) with federal funds from the U.S. Department of Health and Human Services; Office of the Assistant Secretary for Preparedness and Response; Biomedical Advanced Research and Development Authority (BARDA), under contract number HHSO100201600002C.



Ceftobiprole achieved the primary endpoint in the ERADICATE phase 3 study

- The primary endpoint of the study was achieved[3], demonstrating that the efficacy of ceftobiprole is non-inferior to daptomycin ± aztreonam.
- 69.8% of ceftobiprole-treated patients achieved an outcome of overall success at 70 days post-randomization compared to 68.7% with daptomycin ± aztreonam.
- The statistically adjusted difference[4] between the two groups was 2.0% with a lower bound of the corresponding 95% confidence interval of –7.1%, which is clearly within the pre-specified non-inferiority margin of 15%.

[1] Hamed et al. 2020
[2] CDC 2019
[3] Primary endpoint: data review committee (DRC) assessed overall success at post-treatment evaluation (PTE) 70 days after randomization in the modified intent-to-treat (mITT) population
[4] Cochran-Mantel-Haenszel (CMH) weights method adjusted for actual stratum (dialysis status and prior antibacterial treatment use)

Zevtera® (ceftobiprole)

A marketed intravenous cephalosporin antibiotic for the treatment of severe bacterial infections in the hospital, including infections caused by methicillin-susceptible and methicillin-resistant *Staphylococcus aureus* (MSSA/MRSA)[1]

Marketing authorization obtained in 32 countries

Launched in 20 countries

[1]Ceftobiprole is approved in major European countries and several non-European countries, including China, for the treatment of adult patients with hospital-acquired bacterial pneumonia (HABP, excluding ventilator-associated bacterial pneumonia, VABP) and community-acquired bacterial pneumonia (CABP). Not approved in the U.S.

Preclinical anti-infective programs

Basilea has successfully demonstrated its expertise in bringing drugs from research through clinical development all the way to the market. Its commercial anti-infective products are complemented by programs which are in an earlier stage of development.

This includes novel inhibitors of DXR, an enzyme that is essential for the survival of many multi-drug resistant Gram-negative bacteria. In 2021, Basilea was awarded a grant for this program of up to USD 2.7 million from CARB-X (Combating Antibiotic-Resistant Bacteria Biopharmaceutical Accelerator), a global partnership dedicated to supporting the early development of antibacterial products to diagnose, prevent and treat drug-resistant infections. CARB-X's funding is sponsored by Cooperative Agreement Number IDSEP160030 from ASPR/BARDA and by awards from the Wellcome Trust and Germany's Federal Ministry of Education and Research. In April 2022, Basilea entered into a licensing agreement with the U.S.-based company FCCDC, Fox Chase Chemical Diversity Center, Inc., for a preclinical program on novel first-in-class broad-spectrum antifungals with activity against molds causing difficult-to-treat infections. The profile and the broad antifungal activity of the lead compound shown in preclinical studies are promising and Basilea is focused on completing the preclinical profiling of the lead compound. The work of FCCDC on this antifungal program had been supported by the U.S. Office of the Assistant Secretary of Defense for Health Affairs through the Peer Reviewed Medical Research Program under Award No. W81XWH-18-1-0638.

Implementing the new anti-infectives strategy

In February 2022, Basilea announced its intention to focus on becoming a leading anti-infectives company and therefore to separate its oncology business. By mid-year, Basilea has already made significant progress in the implementation of the new strategy, both in the areas of anti-infectives and oncology. The company expects to incur no material expenses related to oncology activities beyond 2022 and is well on track to achieve sustainable profitability in 2023.

Oncology partnering discussions for the TTK/PLK1 inhibitor (BAL0891) and further preclinical oncology assets are well advanced and separate transactions for the assets are expected to be concluded in the second half of 2022. The aim of such partnering is for Basilea to participate in the long-term value creation potential of these assets. For the tumor checkpoint controller lisavanbulin, which is in a phase 2 open-label study for the treatment of recurrent glioblastoma (a type of brain tumor), Basilea took the decision not to expand the study and to continue to explore partnering opportunities. For the FGFR inhibitor derazantinib, the decision has been taken to hand back the rights to Merck & Co., Inc. by the end of 2022.

Outlook

In H2 2022, Basilea will focus on these milestones:

- Increasing Cresemba (isavuconazole) & Zevtera (ceftobiprole) revenue
- Advancement of preclinical anti-infective assets
- In-licensing of anti-infective assets
- Complete transactions on oncology assets

Isavuconazole

- Marketing approval in Japan
- Launched in ~70 countries

Ceftobiprole

- U.S. NDA submission for SAB and ABSSSI[1]
- Explore CABP as additional indication[1]

[1] around year-end 2022

Financial guidance 2022

in CHF mn

106–112 Total revenue	**98–104** Cresemba & Zevtera related revenue
~59 Royalty income	**131–134** Total cost and operating expenses
20–25 Operating loss	**10–15** Net cash used in operating activities

Financial report

Condensed consolidated interim financial statements

Basilea Pharmaceutica Ltd. and subsidiaries

Condensed consolidated balance sheets as of June 30, 2022 and December 31, 2021
(unaudited, in CHF thousands, except for number of shares)

	Footnote reference	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents		45 746	53 700
Short-term investments	7	94 990	95 000
Restricted cash		1 114	1 253
Accounts receivable	6	10 946	24 947
Other receivables	8	27 660	39 500
Inventories	9	24 754	22 783
Other current assets		6 579	3 883
Total current assets		**211 789**	**241 066**
Non-current assets			
Tangible assets, net	3	3 375	2 018
Operating lease, Right-of-Use assets, net		18 244	905
Intangible assets, net	4	1 247	632
Long-term investments	7	1 266	2 390
Other non-current assets		152	256
Total non-current assets		**24 284**	**6 201**
TOTAL ASSETS		**236 073**	**247 267**
LIABILITIES			
Current liabilities			
Convertible senior unsecured bonds short-term	10	117 195	123 505
Accounts payable		4 706	10 617
Deferred revenue	5	1 233	1 233
Current operating lease liabilities		2 125	896
Accruals and other current liabilities	11	30 184	38 157
Total current liabilities		**155 443**	**174 408**
Non-current liabilities			
Convertible senior unsecured bonds long-term	10	94 770	94 544
Deferred revenue, less of current portion	5	11 309	11 926
Non-current operating lease liabilities		17 219	10
Other non-current liabilities	15	24 498	24 986
Total non-current liabilities		**147 796**	**131 466**
Total liabilities		**303 239**	**305 874**
Commitments and contingencies	19	-	-
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital[1]	13	12 999	12 992
Treasury shares	13	(55 865)	(56 559)
Additional paid-in capital		1 031 634	1 029 796
Accumulated other comprehensive loss	13	(20 506)	(21 617)
Accumulated deficit:			
Loss carried forward		(1 023 219)	(1 016 388)
Net loss for the year		(12 209)	(6 831)
Total shareholders' equity (deficit)		**(67 166)**	**(58 607)**
TOTAL LIABILITIES AND EQUITY (DEFICIT)		**236 073**	**247 267**

[1] As of June 30, 2022, 12,998,787 shares (December 31, 2021: 12,992,166) were issued and 11,851,222 shares (December 31, 2021: 11,842,034) 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, 2022 and June 30, 2021 (unaudited, in CHF thousands, except per share amounts)

	Footnote reference	2022	2021
Product revenue	5	19 424	13 576
Contract revenue	5	31 765	33 767
Revenue from research & development services		-	181
Other revenue	5	7 458	6 674
Total revenue		**58 647**	**54 198**
Cost of products sold		(14 919)	(13 525)
Research & development expenses, net		(37 148)	(41 689)
Selling, general & administrative expenses		(15 621)	(14 339)
Total cost and operating expenses		**(67 688)**	**(69 553)**
Operating loss		**(9 041)**	**(15 355)**
Interest income		70	54
Interest expense	10	(3 819)	(4 129)
Other financial income		697	1 287
Other financial expenses		(1 332)	(2 363)
Losses from senior unsecured bonds transactions		(44)	(255)
Other components of net periodic pension cost		1 248	884
Loss before taxes		**(12 221)**	**(19 877)**
Income taxes		12	(14)
Net loss		**(12 209)**	**(19 891)**

Loss/Earnings per share	14	**2022**	2021
Basic loss/earnings per share, in CHF		(1.03)	(1.84)
Diluted loss/earnings per share, in CHF		(1.03)	(1.84)

Basilea Pharmaceutica Ltd. and subsidiaries

Condensed consolidated statements of comprehensive income/loss for the six months ending June 30, 2022 and June 30, 2021 (unaudited, in CHF thousands)

	Footnote reference	2022	2021
Net loss		**(12 209)**	**(19 891)**
Currency translation adjustments		(92)	116
Currency translation adjustments transferred to statement of operations		-	1 203
Amortization of unrecognized pension costs		1 203	960
Other comprehensive income, net of tax	13	**1 111**	**2 279**
Comprehensive loss		**(11 098)**	**(17 612)**

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, 2022 and June 30, 2021 (unaudited, in CHF thousands)

	Footnote reference	2022	2021
Cash flow from operating activities			
Net loss		(12 209)	(19 891)
Adjustments to reconcile net loss/profit to net cash provided by/used in operating activities:			
Depreciation and amortization		357	399
Gain on disposal of subsidiaries		-	(56)
Stock-based compensation		1 845	1 935
Interest and accretion of debt issuance cost	10	471	571
Debt extinguishment loss		44	255
Change in operating assets/liabilities:			
Accounts receivable		14 000	2 098
Other receivables		11 758	2 105
Inventories		(1 972)	257
Accounts payable		(5 912)	(7 778)
Deferred revenue		(616)	(1 278)
Accruals and other current liabilities		(7 966)	(3 941)
Other operating cash flow items		349	(1 827)
Net cash provided by / used in operating activities		**149**	**(27 151)**
Cash flow from investing activities			
Payments for short-term investments	7	(94 990)	(10 000)
Maturities of short-term investments	7	95 000	31 023
Investments in tangible assets	3	(1 624)	(278)
Investments in intangible assets	4	(705)	(29)
Cash-out from disposed subsidiaries, net		-	(1 603)
Net cash used in / provided by investing activities		**(2 319)**	**19 113**
Cash flow from financing activities			
Net proceeds from exercise of stock options		(26)	273
Net proceeds from capital increase		-	42 241
Net proceeds from treasury shares transactions		(139)	(3 694)
Debt extinguishment		(6 599)	(12 625)
Net cash used in / provided by financing activities		**(6 764)**	**26 195**
Effect of exchange rate changes on cash, cash equivalents and restricted cash		**841**	**249**
Net change in cash, cash equivalents and restricted cash		**(8 093)**	**18 406**
Cash, cash equivalents and restricted cash, beginning of period		**54 953**	**66 256**
Cash, cash equivalents and restricted cash, end of period		**46 860**	**84 662**

The following table shows the components of cash, cash equivalents and restricted cash as of June 30, 2022 and June 30, 2021:

In CHF thousands	2022	2021
Cash and cash equivalents	45 746	82 849
Restricted cash	1 114	1 813
Total cash, cash equivalents and restricted cash	**46 860**	**84 662**

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, 2022 and June 30, 2021
(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, 2020		**11 922 205**	**11 922**	**(1 054 899)**	**(52 766)**	**982 438**	**(27 252)**	**(1 016 388)**	**(102 046)**
Net loss		-	-	-	-	-	-	(19 891)	(19 891)
Capital increase		1 000 000	1 000	-	-	41 241	-	-	42 241
Other comprehensive income		-	-	-	-	-	2 279	-	2 279
Treasury shares transactions		-	-	(83 056)	(3 543)	-	-	-	(3 543)
Exercise of stock options, net		8 968	9	-	-	264	-	-	273
Stock-based compensation, net	12	-	-	-	-	1 935	-	-	1 935
Balance at June 30, 2021		**12 931 173**	**12 931**	**(1 137 955)**	**(56 309)**	**1 025 878**	**(24 973)**	**(1 036 279)**	**(78 752)**
Balance at December 31, 2021		**12 992 166**	**12 992**	**(1 150 132)**	**(56 559)**	**1 029 796**	**(21 617)**	**(1 023 219)**	**(58 607)**
Net loss		-	-	-	-	-	-	(12 209)	(12 209)
Other comprehensive income		-	-	-	-	-	1 111	-	1 111
Treasury shares transactions		-	-	(8 567)	694	-	-	-	694
Conversion of restricted/ performance share units		6 621	7	-	-	-	-	-	7
Exercise of stock options, net		-	-	-	-	(7)	-	-	(7)
Stock-based and restricted/ performance share based compensation, net	12	-	-	-	-	1 845	-	-	1 845
Balance at June 30, 2022		**12 998 787**	**12 999**	**(1 158 699)**	**(55 865)**	**1 031 634**	**(20 506)**	**(1 035 428)**	**(67 166)**

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 2021 consolidated financial statements contained in the Annual Report 2021. 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 as of June 30, 2022 and December 31, 2021:

Estimated fair value

In CHF million	**2022**	2021
Convertible senior unsecured bonds (Level 1)	206.8	224.6

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 the 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

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 recorded in operating lease Right-of-Use (ROU) assets and current and non-current operating lease liabilities in the Company's consolidated balance sheets.

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 include the impact from lease incentives. 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.

For its operating lease, the Company's lease expense is recorded on a straightline 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, 2022 and June 30, 2021. Sales and usage-based taxes are excluded from revenues.

In CHF million	2022	2021
Product revenue	19.4	13.6
Contract revenue	31.8	33.8
Revenue from research & development services	0.0	0.2
Other revenue:		
BARDA revenue	5.0	5.5
Others	2.4	1.1
Total	**58.6**	**54.2**

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. 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 at a point in time, or 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 respective 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 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 for 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 are recorded in research and development expenses, net as the Company is acting as an agent in the arrangement.

Stock-based compensation, restricted stock units and performance share units

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 estimation 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.

The Company applies ASC 718 "Compensation – Stock Compensation" for its restriced stock units (RSUs) and its performance share units (PSUs). Management and certain key employees are eligible to receive PSUs. For RSUs certain employees are eligible to receive them only.

PSUs represent a promise to deliver shares to employees after the vesting period if certain vesting conditions, mainly based on the share price performance and in-market sales of certain products, are met.

RSUs represent a promise to deliver shares to employees after the vesting period.

The Company accounts for its RSUs and PSUs similar as for its stock-based compensation. The RSUs and PSUs compensation expenses are allocated over the vesting period deducted by an expected forfeiture rate. The expenses calculated at grant date are based on the Company's share price and certain expectations of the future performance of the share price and in-market product sales.

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 plan

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 recorded directly in 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.

In case the cost of all settlements is less than the sum of the service cost and interest cost components of net periodic pension cost for the plan for the year, the respective loss will not be recognized in the statement 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, 2022 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.

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

ASU No. 2020-06, "Issuer's Accounting for Convertible Instruments and Contracts on an Entity's Own Equity" – The adoption of this accounting

pronouncement did not impact the accounting of the convertible bonds. The additional disclosure requirements are currently satisfied.

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

3 Tangible assets

In CHF million	Land/Land-use rights	Buildings	Equipment	Total
H1 2022				
Cost				
January 1, 2022	-	-	16.6	16.6
Additions	-	-	1.6	1.6
Disposals	-	-	(0.4)	(0.4)
Currency effect	-	-	-	-
June 30, 2022	-	-	17.8	17.8
Accumulated depreciation				
January 1, 2022	-	-	14.6	14.6
Additions	-	-	0.3	0.3
Disposals	-	-	(0.5)	(0.5)
Currency effect	-	-	-	-
June 30, 2022	-	-	14.4	14.4
Net book value as of June 30, 2022	**-**	**-**	**3.4**	**3.4**
H1 2021				
Cost				
January 1, 2021	0.2	1.9	24.6	26.7
Additions	-	-	0.3	0.3
Disposals	(0.2)	(1.8)	(6.0)	(8.0)
Currency effect	-	(0.1)	0.1	0.0
June 30, 2021	-	-	19.0	19.0
Accumulated depreciation				
January 1, 2021	-	1.7	22.4	24.1
Additions	-	-	0.2	0.2
Disposals	0.0	(1.7)	(5.7)	(7.4)
Currency effect	0.0	0.0	0.1	0.1
June 30, 2021	-	-	17.0	17.0
Net book value as of June 30, 2021	**-**	**-**	**2.0**	**2.0**

4 Intangible assets

The intangible assets as of June 30, 2022 and June 30, 2021 consist of software for internal use:

In CHF million	H1 2022	H1 2021
Cost		
January 1	**5.6**	**5.8**
Additions	0.7	0.0
Disposals	-	(4.0)
Currency effect	-	(0.1)
June 30	**6.3**	**1.7**
Accumulated amortization		
January 1	**4.9**	**5.1**
Additions	0.1	0.1
Disposals	-	(3.9)
Currency effect	-	0.1
June 30	**5.0**	**1.2**
Net book value as of June 30	**1.2**	**0.5**

5 Agreements

Below tables summarize revenues from all current agreements between the Company and its partners (ROY = royalties, Other = milestones and upfront payments):

Total revenue from agreements:

Partner	Total Revenue		Product Revenue		Contract Revenue						Other Revenue	
In CHF million	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022			H1 2021			H1 2022	H1 2021
						ROY	Other		ROY	Other		
Pfizer	24.8	25.0	12.0	6.2	11.9	10.7	1.2	18.8	9.9	8.9	0.9	-
Astellas	18.8	13.7	0.4	-	18.2	18.2	-	13.7	13.7	-	0.2	-
Asahi	0.1	0.7	-	-	-	-	-	0.7	-	0.7	0.1	-
BARDA	5.0	5.5	-	-	-	-	-	-	-	-	5.0	5.5
Gosun	-	0.2	-	-	-	-	-	-	-	-	-	0.2
Distributors	8.8	7.7	7.0	7.1	1.7	-	1.7	0.6	-	0.6	0.1	-
Others	1.1	1.4	-	0.3	-	-	-	-	-	-	1.1	1.1
	58.6	**54.2**	**19.4**	**13.6**	**31.8**	**28.9**	**2.9**	**33.8**	**23.6**	**10.2**	**7.4**	**6.8**

Revenue from agreements excluding deferred revenue components:

Partner	Total Revenue		Product Revenue		Contract Revenue						Other Revenue	
In CHF million	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022			H1 2021			H1 2022	H1 2021
						ROY	Other		ROY	Other		
Pfizer	24.8	25.0	12.0	6.2	11.9	10.7	1.2	18.8	9.9	8.9	0.9	-
Astellas	18.8	13.7	0.4	-	18.2	18.2	-	13.7	13.7	-	0.2	-
Asahi	0.1	-	-	-	-	-	-	-	-	-	0.1	-
BARDA	5.0	5.5	-	-	-	-	-	-	-	-	5.0	5.5
Gosun	-	0.2	-	-	-	-	-	-	-	-	-	0.2
Distributors	8.2	7.1	7.0	7.1	1.1	-	1.1	-	-	-	0.1	-
Others	1.1	1.4	-	0.3	-	-	-	-	-	-	1.1	1.1
	58.0	**52.9**	**19.4**	**13.6**	**31.2**	**28.9**	**2.3**	**32.5**	**23.6**	**8.9**	**7.4**	**6.8**

Deferred revenue components only:

Partner	Total		Product Revenue		Contract Revenue	
In CHF million	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021
Pfizer	-	-	-	-	-	-
Astellas	-	-	-	-	-	-
Asahi	-	0.7	-	-	-	0.7
Gosun	-	-	-	-	-	-
Distributors	0.6	0.6	-	-	0.6	0.6
	0.6	**1.3**	**-**	**-**	**0.6**	**1.3**

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 up to USD 427 million in additional non-refundable milestone payments upon achievement of pre-specified regulatory and sales milestones over the term of the agreement.

Under the terms of the Amendment, the Company was eligible for an additional non-refundable upfront payment of USD 3 million and 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 over the term of the amendment. 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 recognized as product revenue as each unit of isavuconazole was 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). 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. are recorded gross and recognized in product revenue upon delivery. Any milestone payments are being recognized as contract revenue over the remaining performance period based on the progress towards satisfying its identified performance obligation. Royalty revenue is recognized when earned as the license is the predominant item of the contract.

In 2020 the Supply Service Term ended and in June 2020, the Company entered into a separate Supply Service Agreement with Pfizer Inc. Under the terms of the agreement the Company shall deliver Active Pharmaceutical Ingredient (API) and certain semi-finished products until December 2021 or November 2024, depending on the product. The Company concluded that the Supply Service Agreement is distinct from the original Agreement and Amendments and results in a separate performance obligation that is treated as a separate contract. Due to the additional performance obligation that is not priced at its standalone selling price, the Company concluded that the modification should be accounted for prospectively. Therefore all revenues collected under the Supply Service Agreement are presented in product revenues.

For the six months ending June 30, 2022, the Company recognized CHF 12.0 million (six months ending June 30, 2021: CHF 6.2 million) as product revenue, thereof none (six months ending June 30, 2021: none) related to the upfront payment for the Territory and CHF 12.0 million (six months ending June 30, 2021: CHF 6.2 million) related to product sales to Pfizer Inc. For the six months ending June 30, 2022, the Company recognized royalty revenue of CHF 10.7 million (six months ending June 30, 2021: CHF 9.9 million).

In June 2022, the Company recognized a sales milestone payment related to the extended Territory of USD 1.3 million (CHF 1.2 million) as contract revenue.

In January and in November 2021, the Company recognized two sales milestone payments related to the Territory of USD 10.0 million (CHF 8.9 million) and USD 10.0 million (CHF 9.2 million), respectively, as contract revenue. In December 2021, the Company recognized a regulatory milestone payment for the grant of a Drug Approval License for Cresemba in China of USD 10.0 million (CHF 9.2 million) as contract revenue.

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 PIP studies. Hence, the Company determined that the amendment was a modification with an adjustment to 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 million, sales milestone payments of up to CHF 290 million and tiered double-digit royalty payments from Astellas relating to its territory.

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 PIP studies. The arrangement provides separate pricing for commercial-related manufacturing services and sale of clinical supplies.

The agreement consists of several deliverables: the co-development services, the commercial-related manufacturing services, the grant of the license to Astellas, the 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 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 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. All upfront payments were allocated to the units of accounting composed of the co-development services, the grant of the license, the participation in the Committee and the 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 Company satisfied its contractual performance obligations in 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 fully 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.

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 fully 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.

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 fully 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 PIP studies

For the six months ending June 30, 2022, the Company recognized CHF 0.4 million (six months ending June 30, 2021: no revenue) as product revenue and no revenue (six months ending June 30, 2021: no revenue) as contract revenue related to the upfront and milestone payments. The Company recognized additional contract revenue in the total amount of CHF 18.2 million (six months ending June 30, 2021: CHF 13.7 million) comprising of CHF 18.2 million (six months ending June 30, 2021: CHF 13.7 million) related to royalties and no revenue (six months ending June 30, 2021: no revenue) related to services provided by the Company to Astellas related to isavuconazole.

For the six months ending June 30, 2022, the Company reported CHF 0.3 million (six months ending June 30, 2021: CHF 0.8 million) research and development expenses for isavuconazole net of cost reimbursements from Astellas of CHF 0.3 million (six months ending June 30, 2021: CHF 0.6 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 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 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 was recognized over the period over which the Ongoing Documentation and Information Transfer Obligation is provided up to submission of the NDA in September 2021. In September 2021, the Company recognized a regulatory milestone payment of CHF 5.0 million as contract revenue.

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 recognized as contract revenue over the service period in line with the period over which the Ongoing Documentation and Information Transfer Obligation was provided up to submission of the NDA in September 2021. As of June 30, 2022, the Company presented no deferred revenue (December 31, 2021: no revenue) on its balance sheet.

For the six months ending June 30, 2022, the Company recognized no revenue (six months ending June 30, 2021: 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 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, initially 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. In November 2020, Gosun received a Drug Approval License in the Territory and the service period ended. Therefore the Company decided to recognize the remaining deferred revenue of the non-refundable net upfront payment. In November 2020, the Company recognized a regulatory milestone payment of CHF 3.0 million gross respectively CHF 2.7 million net of tax as contract revenue.

For the six months ending June 30, 2022, the Company recognized no revenue (six months ending June 30, 2021: no revenue) 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 for sales and regulatory milestone payments of up to CHF 132.7 million related to the commercialization of isavuconazole and ceftobiprole in these territories. In addition, the Company sells the products to these distributors for the commercialization in the territories, and recognizes 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, 2022, the Company presented deferred revenue of CHF 12.5 million (December 31, 2021: CHF 13.2 million) on its balance sheet, of which CHF 1.2 million (December 31, 2021: CHF 1.3 million) is presented as current liabilities.

For the six months ending June 30, 2022, the Company recognized CHF 0.6 million (six months ending June 30, 2021: CHF 0.6 million) as contract revenue related to these payments and product revenue in the total amount of CHF 7.1 million (six months ending June 30, 2021: CHF 7.1 million) related to these distribution agreements. In July 2021, the Company recognized an upfront payment of EUR 0.2 million (CHF 0.2 million) from JSC Lancet for the exclusive right to register, distribute and commercialize Zevtera in Russia and other countries of the Eurasian Economic Union in contract revenue.
In September 2021, the Company recognized a sales milestone payment of CAD 0.6 million (CHF 0.4 million) from Avir in contract revenue.
In December 2021, the Company recognized a compensation payment of CHF 1.0 million from Knight Therapeutics Inc. (Knight), which acquired GBT, and a sales milestone payment of CHF 0.4 million from Unimedic in contract revenue. In June 2022, the Company recognized a regulatory milestone payment of CHF 1.0 million from Knight in contract revenue for the grant of the Zevtera authorization in Brazil.

Contract with BARDA for ceftobiprole 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, 2022, the Company was awarded a total amount of up to USD 108.7 million (December 31, 2021: USD 108.7 million) under this contract to support the phase 3 development of ceftobiprole. For the six months ending June 30, 2022, the Company received a total of USD 8.1 million or CHF 7.6 million, respectively (six months ending June 30, 2021: USD 5.7 million

or CHF 5.1 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, 2022, the Company recognized CHF 5.0 million (six months ending June 30, 2021: CHF 5.5 million) as other revenue related to the BARDA contract.

License agreement with ArQule Inc. related to derazantinib

In April 2018, the Company has in-licensed the oncology drug candidate ARQ 087 (derazantinib) from ArQule Inc., a wholly-owned subsidiary of Merck & Co., Inc., Kenilworth, N.J., U.S.A. 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. was eligible for regulatory and sales milestone payments of up to USD 326 million upon reaching certain clinical, regulatory and commercial milestones over the term of the agreement as well as to staggered single to double-digit royalties on sales upon commercialization. The Agreement was terminated as of June 27, 2022, with effect of termination on December 27, 2022.

For the six months ending June 30, 2022, the Company reported CHF 6.0 million (six months ending June 30, 2021: CHF 7.6 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, 2022 and December 31, 2021, the Company recorded no allowance for estimated uncollectible receivables.

7 Short- and long-term investments

As of June 30, 2022, the short-term investments contain short-term time deposits with banks, denominated in Swiss Francs, in the amount of CHF 95.0 million (December 31, 2021: CHF 95.0 million). As of June 30, 2022, the Company had CHF 1.3 million in long-term investments from the sale of its China business (December 31, 2021: CHF 2.4 million).

8 Other receivables

The following table shows the components of other receivables as of June 30, 2022 and December 31, 2021:

In CHF million	2022	2021
VAT receivables	5.6	5.4
Royalty receivables (see Note 5 Agreements)	17.7	12.0
Contractual milestone receivables (see Note 5 Agreements)	-	15.0
Receivables from BARDA (see Note 5 Agreements)	0.2	3.8
Other	4.2	3.3
Total	**27.7**	**39.5**

9 Inventories

The following table shows the components of inventories as of June 30, 2022 and December 31, 2021:

In CHF million	2022	2021
Raw materials	3.7	2.0
Semi-finished products	37.5	32.4
Finished products	0.3	0.2
Inventory provisions	(16.8)	(11.9)
Total	**24.8**	**22.8**

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 12.3 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, 2022, the Company recorded additional provisions for inventory in the total amount of CHF 4.4 million.

10 Convertible senior unsecured bonds

On December 23, 2015, the Company issued CHF 200 million aggregate principal amount of convertible senior unsecured bonds due December 23, 2022 (2022 bonds), which were sold to existing shareholders and certain institutional investors (Holders). The Company received total net proceeds from the sale of the 2022 bonds of approximately CHF 194.7 million, after deducting issuance costs of CHF 5.3 million.

In July 2020, the Company placed a repurchase offer for the 2022 bonds. On July 28, 2020 (payment date), the Company issued CHF 97.1 million aggregate principal amount of convertible senior unsecured bonds due July 28, 2027 (2027 bonds). The Company received total net proceeds from the sale of the 2027 bonds of approximately CHF 93.9 million, after deducting issuance costs of CHF 3.2 million. Part of the net proceeds have been used to repurchase CHF 47.1 million of the nominal value of the 2022 bonds. In June 2020, in connection with the issuance of the 2027 bonds, the Company entered into a share lending agreement for 1,000,000 registered treasury shares until 2027. The fair value of the outstanding loaned shares as of June 30, 2022 amounted to CHF 38.6 million. As per June 30, 2022, the Company repurchased CHF 35.5 million of nominal 2022 convertible senior unsecured bonds (December 31, 2021: CHF 29.0 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, 2022 and December 31, 2021:

In CHF million	Maturity date	2022	2021
2022 convertible senior unsecured bonds	December 23, 2022	117.2	123.5
2027 convertible senior unsecured bonds	July 28, 2027	94.8	94.5
Total		**212.0**	**218.0**

The 2022 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 2022 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 2022 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 2022 bonds together the number of underlying shares is 931,071 shares as per June 30, 2022. 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 2022 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 2022 bonds converted in connection with such make-whole fundamental change. The 2022 bonds are 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 2022 bonds include legal fees and other issuance-related costs and were deducted from the proceeds of the 2022 bonds. The Company recognizes the issuance costs as interest expense over the contractual term of the 2022 bonds.

The 2027 bonds were issued bearing interest at a fixed rate of 3.25% per year (payable semi-annually in arrears on July 28 and January 28 of each year) and will mature on July 28, 2027 (maturity date), unless earlier redeemed or converted. Holders may convert their 2027 bonds at any time at their option into shares fourty-one calendar days after the payment date (July 28, 2020) up to and including seven trading days before the maturity date.

In the event of conversion of the 2027 bonds, the Company will deliver shares of the Company's common stock. The conversion ratio is initially 80 shares per bond representing CHF 5,000, the principal amount of one bond (equivalent to an initial conversion price of CHF 62.50 per share of the Company's common stock). For all 2027 bonds together the number of underlying shares is 1,553,360 shares as of June 30, 2022. 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.

The 2027 bonds will be redeemable at the Company's option on or after August 12, 2025, if the volume weighted average price of a share on each of at least 20 out of 30 consecutive trading days is at least 130% of the prevailing conversion price or at any time if less than 15% of the aggregate principal amount is outstanding.

The 2027 bondholders may redeem the 2027 bonds at the principal amount plus accrued and unpaid interest (optional put) in the event the Company’s shares are delisted or on the fifth anniversary of the payment date.

Bondholders may request the Company to redeem the bonds at their principal amount on the fifth anniversary of the payment date whereby the company may issue a share settlement, subject to certain conditions. The Company may also issue a share settlement on the maturity date, subject to certain conditions.

Total issuance costs of CHF 3.1 million related to the 2027 bonds include legal fees and other issuance-related costs and were deducted from the proceeds of the 2027 bonds. The Company will accrete the issuance costs as interest expense over the contractual term of the 2027 bonds.

For the six months ending June 30, 2022, the Company recognized interest expense of CHF 3.7 million (six months ending June 30, 2021: CHF 3.5 million) for contractual coupon interest and CHF 0.5 million (six months ending June 30, 2021: CHF 0.5 million) for accretion of the issuance costs for the 2022 and 2027 bonds. The remaining unamortized debt issuance costs of CHF 2.5 million will be accreted over the remaining term of the convertible senior unsecured bonds, which is approximately 0.5 years for the 2022 bonds and 5 years for the 2027 bonds.

The amortization table related to the convertible senior unsecured bonds as of June 30, 2022 is as follows:

Amount in CHF million	2022 Bonds	2027 Bonds	Total
Remainder 2022	119.0	1.6	120.6
2023	-	3.2	3.2
2024	-	3.2	3.2
2025	-	3.2	3.2
2026	-	3.2	3.2
Thereafter	-	98.9	98.9
Total minimum payments, including unamortized issuance costs	**119.0**	**113.3**	**232.3**
Less amount representing interest	(1.6)	(16.0)	(17.6)
Convertible senior unsecured bonds, gross	**117.4**	**97.3**	**214.7**
Unamortized issuance costs on convertible senior unsecured bonds	(0.2)	(2.5)	(2.7)
Convertible senior unsecured bonds, including unamortized issuance costs	**117.2**	**94.8**	**212.0**

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 2,484,431 shares of common stock. See Note 14 to these consolidated interim financial statements for a computation of diluted loss per share.

11 Accruals and other current liabilities

Accruals and other current liabilities as of June 30, 2022 and December 31, 2021 consisted of the following:

In CHF million	2022	2021
Accrued research & development expenses	7.1	16.8
Accrued personnel and compensation costs	6.8	8.3
Accrued sales and marketing expenses	0.3	0.7
Accrued payables for goods received	5.5	4.2
VAT payables	0.6	1.0
Accrued taxes and consultant fees	0.0	0.5
Accrued royalties	1.3	1.1
Other current liablities	8.6	5.6
Total accruals and other current liabilities	**30.2**	**38.2**

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

12 Stock-based compensation and Restricted / Performance Share Units

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. In April, 2021, the Company replaced its stock option plan by a new long-term incentive plan (LTIP). Under this LTIP the Company granted Performance Share Units (PSUs) and Restricted Share Units (RSUs) in 2021 for the first time.

The shareholders approved conditional capital necessary for the issuance of shares related to the LTIP, of which CHF 5,767,975 remain available as of June 30, 2022, which corresponds to 5,767,975 registered shares with a par value of CHF 1.00 per share. CHF 1,767,975 (1,767,975 registered shares with a par value of CHF 1.00 per share) of this remaining available conditional capital is reserved for stock options and PSUs and RSUs, which were issued and outstanding as of June 30, 2022.

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. The last grant under this stock option plan was made in 2020.

For the six months ending June 30, 2022, the Company recognized stock-based compensation expenses of CHF 0.8 million (six months ending June 30, 2021: CHF 1.6 million) related to this stock option plan.

In April 2021, the Company granted for the first time 53,281 PSUs and 37,496 RSUs to certain employees, management and board members. The PSU fair value as of the grant date was CHF 43.66 per Unit and in total CHF 2.3 million. The RSU fair value at grant date was CHF 47.42 per Unit and amounts to CHF 1.5 million in total. The expenses are distributed over the vesting period of 3 years for employees and 1 year for board members, adjusted by expected forfeitures and effective forfeitures. In April 2022, the Company granted 54,166 PSUs and 40,741 RSUs to certain employees, management and board members. The PSU fair value as of the grant date was CHF 41.20 per Unit and in total

CHF 2.2 million. The RSU fair value at grant date was CHF 37.35 per Unit and amounts to CHF 1.8 million in total. The expenses are distributed over the vesting period of 3 years for employees and for board members, adjusted by expected forfeitures and effective forfeitures. For the six months ending on June 30, 2022, the Company presented CHF 1.0 million in its statement of operations related to PSU and RSU expenses.

13 Shareholders' equity

As of June 30, 2022, Basilea had 12,998,787 registered shares (Namenaktien) issued with a par value of CHF 1.00 per share. As of December 31, 2021, Basilea had 12,992,166 registered shares issued with a par value of CHF 1.00 per share.

For the six months ending June 30, 2022, no stock options were exercised. For the six months ending June 30, 2021, a total of 8,968 stock options were exercised resulting in the issuance of 8,968 registered shares with a par value of CHF 1.00 per share.

The Company had a total approved conditional capital of CHF 5,767,975 as of June 30, 2022 for the issuance of a maximum of 5,767,975 registered shares with a par value of CHF 1.00 per share. This conditional capital contained CHF 1,767,975 (1,767,975 registered shares with a par value of CHF 1.00 per share) reserved for the issuance of shares under the long-term incentive 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. By shareholder approval at the 2022 ordinary general meeting of shareholders, Basilea was authorized to increase its conditional capital by a maximum of another CHF 2,000,000, consisting of 2,000,000 registered shares with a par value of CHF 1.00 each solely for the purpose of refinancing convertible bonds.

As of June 30, 2022, the Company held treasury shares in the total amount of CHF 55.9 million (December 31, 2021: CHF 56.6 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 158,699 registered shares with a par value of CHF 1.00 per share.

By shareholder approval at the 2019 ordinary general meeting of shareholders, Basilea was authorized to increase its share capital by a maximum of 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 2021 ordinary general meeting of shareholders, the authorization was extended until April 2023.

In February 2021, the Company increased its equity by placing 1 million newly registered shares with a par value of CHF 1.00 for CHF 45.75 per share which resulted in an increase of the share capital of CHF 1.0 million and an increase of the additional paid in capital of CHF 44.8 million gross. Capital increase cost like financing fee, discretionary fee or taxes are deducted and booked into additional paid in capital amounting to CHF 3.4 million. Net cash inflow of this transaction was CHF 42.4 million. In April 2022, the capital of the Company was increased by CHF 6,621, triggered by the conversion of 6,621 Board RSUs.

Changes in accumulated other comprehensive income/loss for the six months ending June 30, 2022 and June 30, 2021:

In CHF million	Currency translation adjustment	Unrecognized pension cost	Reclassification into P&L	Total
December 31, 2020	**(2.1)**	**(25.2)**	**-**	**(27.3)**
Change during the period	1.4	0.9	-	2.3
Total change during the period	**1.4**	**0.9**	**-**	**2.3**
June 30, 2021	**(0.7)**	**(24.3)**	**-**	**(25.0)**
December 31, 2021	**(2.0)**	**(20.8)**	**1.2**	**(21.6)**
Change during the period	(0.1)	1.2	-	1.1
Total change during the period	**-0.1**	**1.2**	**-**	**1.1**
June 30, 2022	**(2.1)**	**(19.6)**	**1.2**	**(20.5)**

14 Earnings/Loss per share

For the six months ending June 30, 2022 and June 30, 2021, there was no difference between the basic and diluted loss per share. The weighted average number of shares outstanding and the loss/earnings for the six months ending June 30, 2022 and June 30, 2021 were as follows:

	2022	2021
Net loss/profit, in CHF million	**(12.2)**	**(19.9)**
Weighted average number of shares outstanding, basic	11 839 128	11 565 346
Weighted average number of shares outstanding, diluted	11 841 286	11 615 438
Basic loss/profit per share in CHF	**(1.03)**	**(1.84)**
Diluted loss/profit per share in CHF	**(1.03)**	**(1.84)**

For the six months ending June 30, 2022, 2,158 incremental shares (six months ending June 30, 2021: 50,092 incremental shares) relating to potential exercises of stock options and 2,484,431 shares issuable upon conversion of the convertible senior unsecured bonds (six months ending June 30, 2021: 2,618,449 shares) were excluded, as the effect would have been anti-dilutive.

15 Pension plan

As of January 1, 2022, the Company moved to a new insurance company for the active participants changing to a partially autonomous pension plan. As of June 30, 2022, the Company recorded an accrued pension liability of CHF 24.5 million in other non-current liabilities (December 31, 2021: CHF 25.0 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, 2022 and June 30, 2021:

In CHF million	2022	2021
Service cost	1.9	1.7
Interest cost	0.1	0.1
Expected return on plan assets	(0.6)	(0.4)
Amortization of pension related net loss	0.5	1.0
Amortization of prior service cost/(credit)	0.3	(0.1)
Gross expense	2.2	2.3
Participant contributions	(0.6)	(0.6)
Net periodic pension cost	1.6	1.7

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 Disposal of Subsidiaries

On February 15, 2021, the Company announced that it had entered into a sales agreement with PHT International Inc. (PHT) based in the U.S. The Company divested its China business consisting of the subsidiaries Basilea Pharmaceutica China Ltd. (BPC) based in China and BPh Investitionen Ltd. (BPh) based in Switzerland (disposal group). The closing of this transaction was on March 31, 2021 (closing date).

The purchase price consisted of an initial payment of USD 2.5 million (CHF 2.3 million) due on the closing date of the transaction and future payments of USD 3.8 million (CHF 3.6 million) due in 3 tranches over the next 3 years.

The financial performance and cash flow information presented are for the three months ended on the closing date and the year ended on December 31, 2021:

In CHF million	2021
Revenue (third party)	0.2
Cost and operating expenses (third party)	(1.2)
Financial result	(0.1)
Loss before taxes	**(1.1)**
Taxes	(0.0)
Net loss	**(1.1)**
Currency translation adjustments	0.0
Other comprehensive income	**0.0**
Net cash used in/provided by operating activities	(0.8)
Net cash used in investing activities (includs an inflow of CHF 2.3 million from the sale of the disposal group and disposed cash of CHF 3.9 million)	(1.6)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	0.3
Net change in cash, cash equivalents and restricted cash	**(2.1)**

The table below shows the assets and liabilities sold to PHT on December 31, 2021:

In CHF million	2021
Cash	3.9
Accounts receivable	0.1
Other receivables	0.1
Other current assets	0.2
Tangible assets	0.7
Intangible assets	0.1
Other non-current assets	0.1
Total assets	**5.2**
Accounts payable	(0.1)
Accrued liabilities and provisions	(0.2)
Other current liabilities	(0.2)
Other non-current liabilities	(0.1)
Total liabilities	**(0.6)**
Total net assets disposed	**4.6**

The table below shows the transaction result on the disposed subsidiaries as of December 31, 2021:

In CHF million	2021
Consideration received:	
Cash	2.3
Receivables	3.6
Total disposal consideration	**5.9**
Net assets sold	(4.6)
Reclassification of currency translation reserve	(1.2)
Gain on sale	**0.1**

18 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, 2022 the investments were only invested short-term with two banks and amounted to CHF 95.0 million (December 31, 2021: CHF 95.0 million with two banks).

The cash and cash equivalents as of June 30, 2022, amounted to CHF 45.7 million, of which CHF 45.4 million were held with three different banks. The cash and cash equivalents as of December 31, 2021 amounted to CHF 53.7 million, of which CHF 53.2 million were held with three different banks. As of June 30, 2022, the highest total amount of cash and cash equivalents and investments held at one bank amounted to CHF 55.0 million (December 31, 2021: CHF 64.6 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, 2022, is from Pfizer in the amount of CHF 3.5 million in connection with the licence agreement related to isavuconazole (December 31, 2021, Pfizer Inc.: CHF 22.6 million).

19 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, 2022, there are no significant contingencies.

20 Subsequent events

The Company has evaluated subsequent events through August 11, 2022, the date on which the condensed consolidated interim financial statements were available to be issued.

The full Basilea Pharmaceutica Ltd Half-Year Report 2022 is published in English. A short version is available in German. In case of discrepancies the English version prevails.

Design, project management and production
Modulator AG, Branding + Design, Basel

Print
Burger Druck, Waldkirch

Photography
Dominik Baur, Bülach

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