basilea

Finding future medicines

Annual Report 2023

Our goal is to become a leading anti-infectives company to serve patients around the world.

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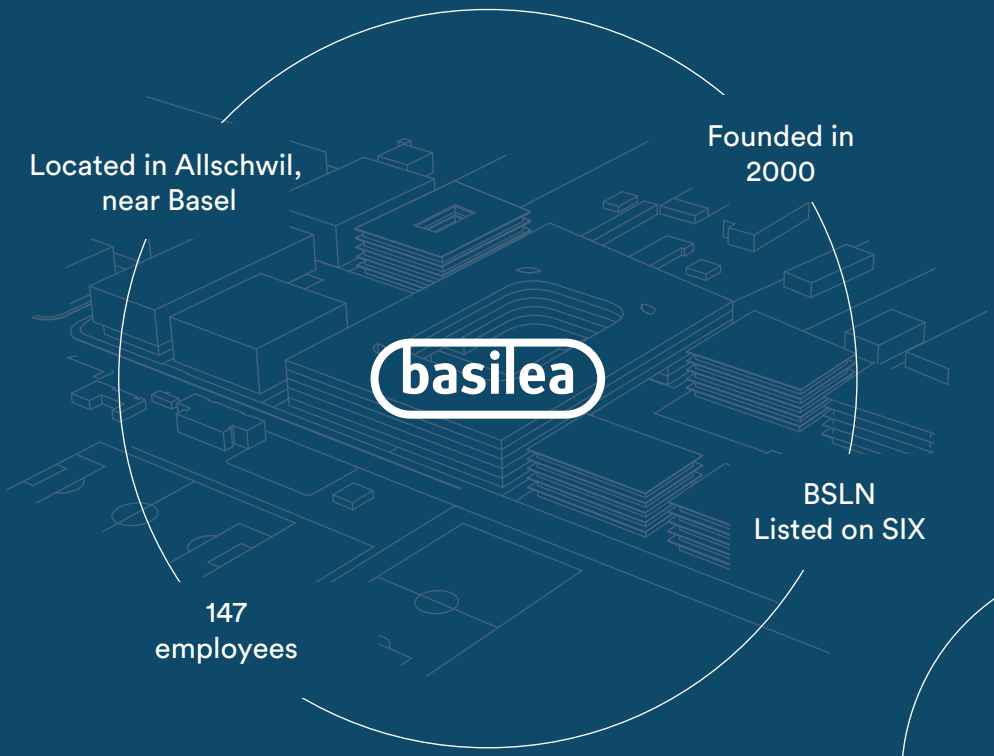
Basilea at a glance



Located in Allschwil, near Basel

Founded in 2000

BSLN Listed on SIX

147 employees

147 employees

♀ 44%

♂ 56%

Cultural diversity: employees from 16 different nationalities

Organizational structure

Board of directors

6 members

Management committee

5 members

Extended management committee

3 members

For detailed information on our organizational structure, please visit page 49.

Our mission and vision

For the benefit of patients

People are at the heart of everything we do.

We strive towards making a difference to patients with expertise, care and persistence.

We aim to be a leading provider of innovative medicines.

For detailed information on how we bring our strategy to life, visit page 15.

Our strategy

Focus
on becoming a leading anti-infectives company

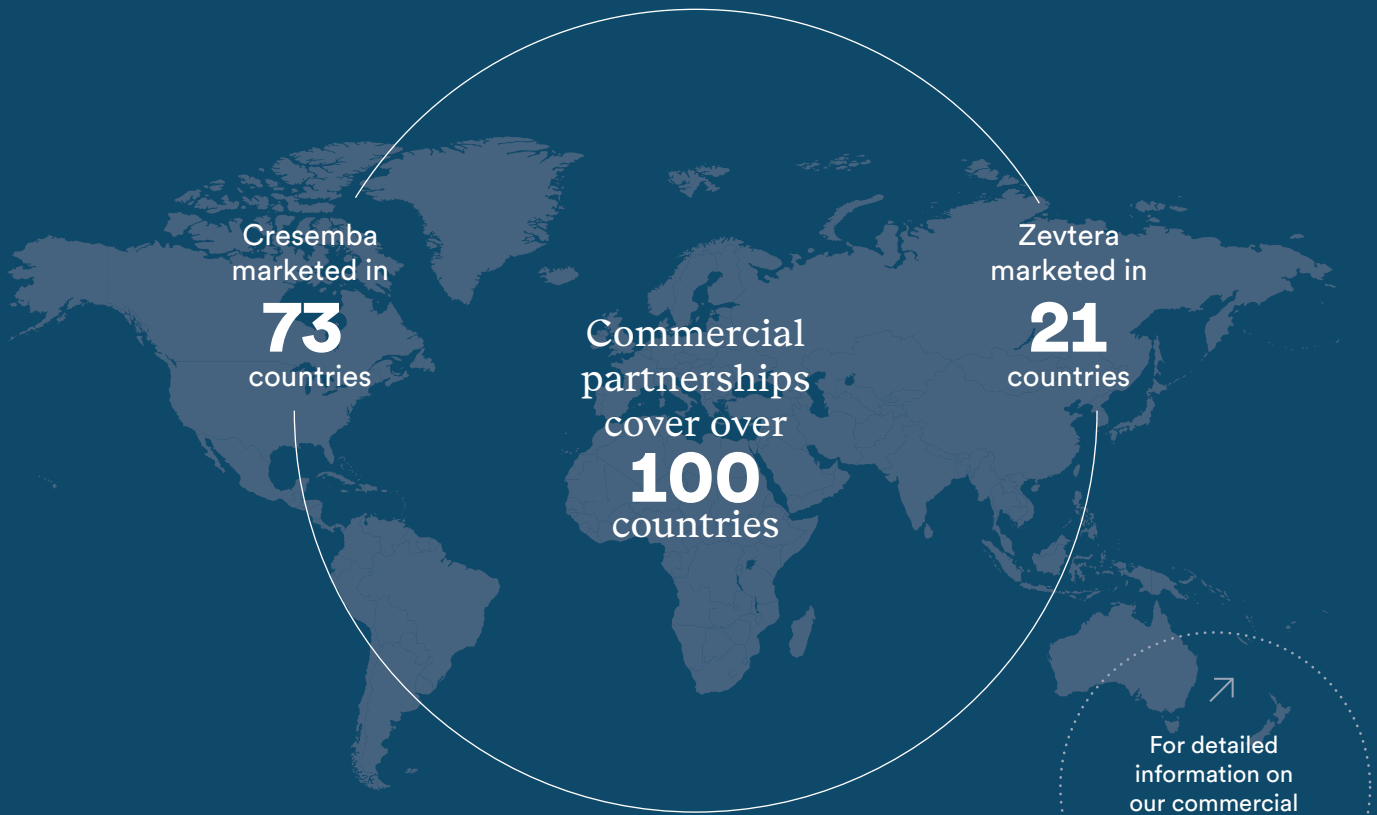
Foster
a culture of agility, diversity, and transparency

Leverage
our resources by efficiently bringing drugs from research to market through strategic partnerships

Invest
in the expansion and progression of our preclinical and clinical antifungal and antibacterial portfolio

Innovate
by applying our expertise in the development of the most promising drug candidates

Our products



For detailed information on our commercial products, please visit page 33.

Our ESG commitment

By focusing our business on the research and development of novel anti-infectives, we contribute to addressing global health priorities – with **expertise**, **care** and **persistence**.

For detailed information on the conducted materiality analysis including these topics, please visit page 80.

Our performance goals

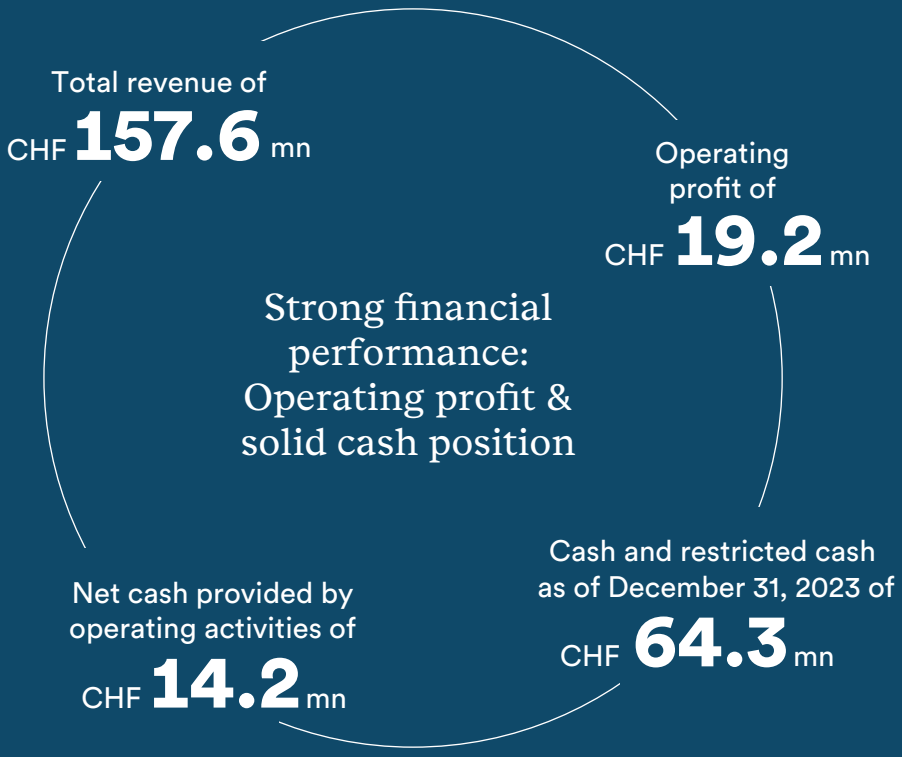
Achievement
107.2 %

Target
100 %

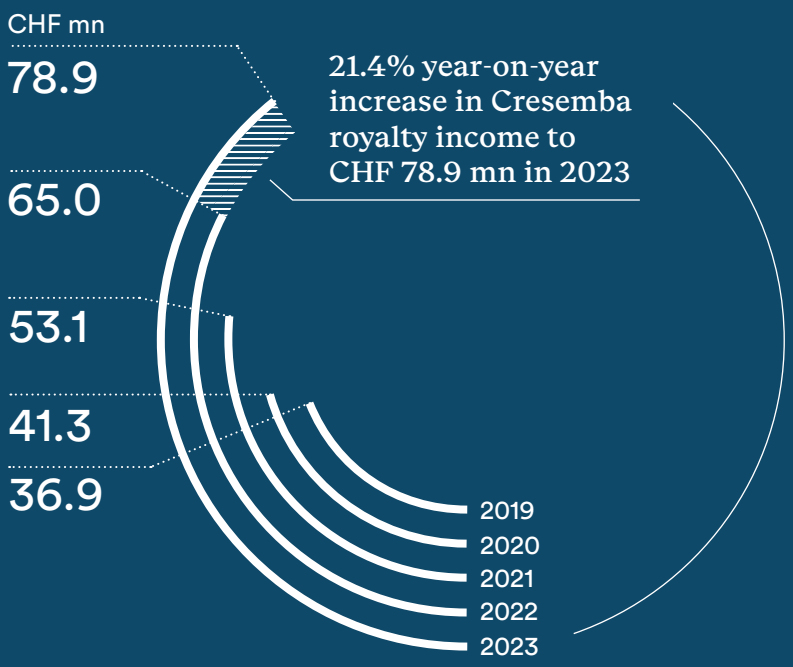
Corporate goals 2023

- Financial KPIs
- Research & development
- Portfolio development
- ESG

For detailed information on our achieved goals, please visit page 104.



Our key financial figures



Please find the Financial report from page 119.

Global commercial partnerships

For Cresemba, our license partners are Astellas for the United States and Pfizer for most European countries (except the Nordic countries). Pfizer's territory also includes countries in the Asia-Pacific region and China. Asahi Kasei Pharma is our partner for Japan. For Zevtera, CR Gosun is our licence partner in China. In other regions, we work with strong local distribution partners. In Canada, Latin America, the Nordic countries and the MENA region (Middle East and North Africa), these partners distribute both Cresemba and Zevtera. For certain European countries (except the Nordic countries), Israel and the Eurasian Economic Union, we have partners who exclusively distribute Zevtera.

Cresemba®
Isavuconazole

Zevtera®
Ceftobiprole

Key financials

in CHF mn, rounding consistently applied

	2023	2022	
Cresemba & Zevtera related revenue	150.3	122.3	+22.9%
of which royalty income	78.9	65.0	+21.4%
Total revenue	157.6	147.8	+6.6%
Total cost and operating expenses	138.4	129.2	+7.1%
Operating profit	19.2	18.5	+3.8%
Profit before taxes	10.5	12.1	-13.2%
Net profit	10.5	12.1	-13.2%
Cash flow from operating activities	14.2	7.1	100%

	December 31, 2023	December 31, 2022	
Net financial debt	46.6	60.3	-22.7%
Cash and cash equivalents and restricted cash	64.3	108.6	-40.8%

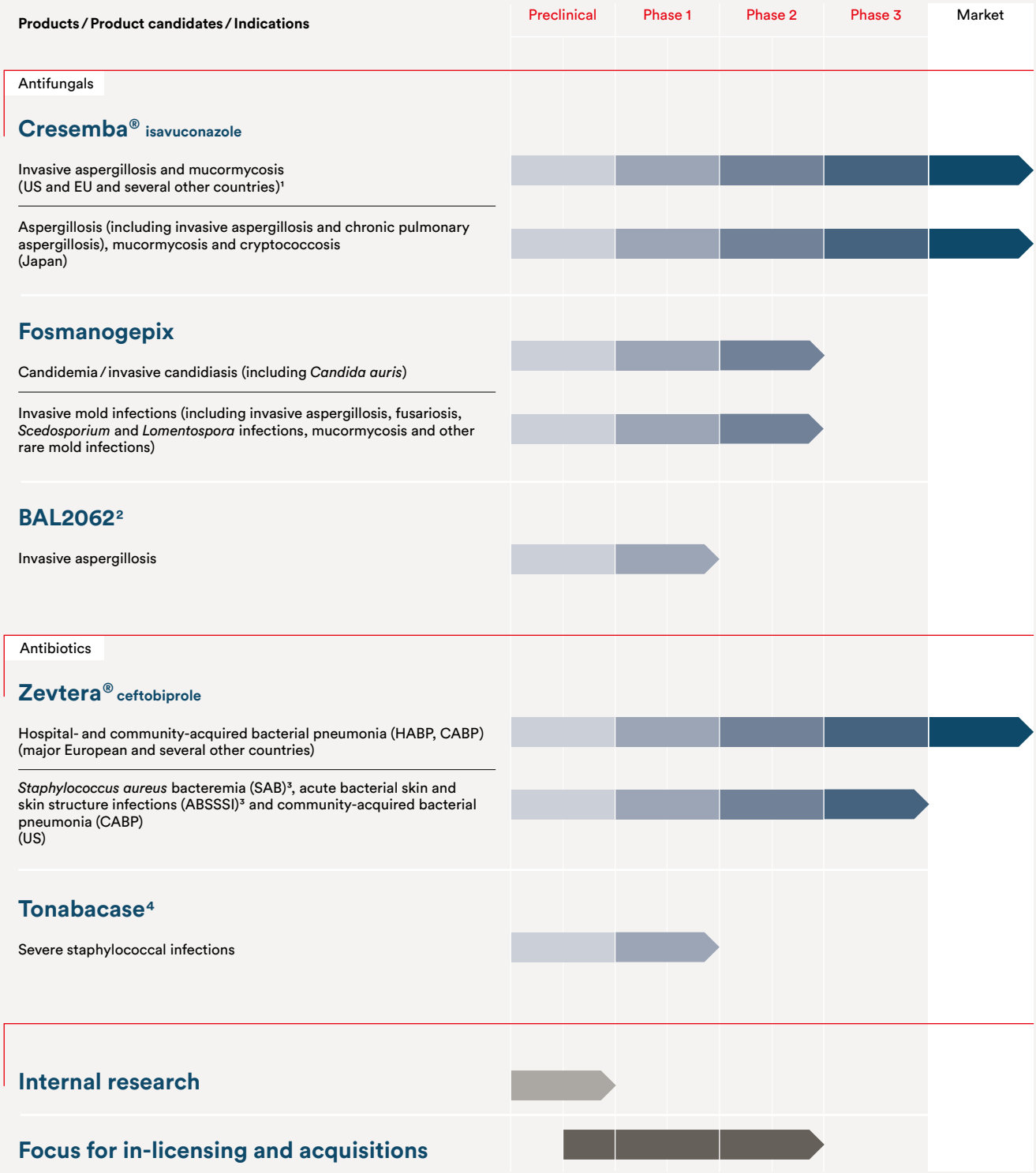
Full-year 2024 guidance

in CHF mn

~180	**~89**
Cresemba & Zevtera related revenue	of which royalty income

Total revenue	~183
Total cost and operating expenses	~153
Operating profit	~30
Net profit	~25

Portfolio



[1] The registration status and approved indications may vary from country to country.
[2] Formerly GR-2397
[3] Phase 3 program was funded in part with federal funds from the US Department of Health and Human Services (HHS); Administration for Strategic Preparedness and Response (ASPR); Biomedical Advanced Research and Development Authority (BARDA).
[4] Exclusive option to in-license upon completion of preclinical profiling

Key milestones

2023

- Submission of Zevtera NDA for gaining access to US market ✓
- Presentation of ESG strategy ✓
- Submission of pediatric study data to US and EU regulatory authorities to extend Cresemba market exclusivity to Sep / Oct 2027; US exclusivity extension granted ✓
- Acquisition of novel anti-infectives: Fosmanogepix, BAL2062, evaluation license for tonabacase ✓
- Cresemba launched in Japan ✓

2024

- Entering US commercialization partnership for Zevtera before FDA decision on NDA
- FDA decision on Zevtera US NDA
- In-licensing or acquisition of novel anti-infectives to complement preclinical and clinical pipeline
- Cresemba: decision on EU pediatric extension
- Fosmanogepix: initiate phase 3 studies in candidemia / invasive candidiasis (mid-2024) and mold infections (around year-end)

“To be a leader in the field of anti-infectives, you need a pipeline with assets at all stages.”

– **Mohammed Benghezal, Head of Biology**

Read the whole story in the Feature on pages 21–31.

Shareholder letter

Dear readers

"Finding future medicines" is the title of this annual report. It refers to our mission and vision: We develop new drugs that are urgently needed to serve the medical need of patients with severe fungal and bacterial infections. In 2023, Basilea took a big leap forward. We managed to add to our R&D pipeline three promising new clinical assets whilst remaining profitable at the same time. Our feature story in this report (see pages 21–31) highlights the steps and skills that are needed to scout, acquire and integrate the most promising compounds that one day could become lifesaving drugs in the market.

Basilea's business model is not only about identifying the most scientifically exciting anti-infective assets, but we also add value by designing and implementing the optimal clinical development program for each compound to bring it to the market, keeping in mind patients' needs and the need for differentiation for successful commercial positioning.

Our commercialized products Cresemba and Zevtera for the treatment of severe fungal and bacterial infections are being successful on a global scale. In April 2024, we are expecting the FDA's decision on our New Drug Application (NDA) for the approval of our antibiotic Zevtera in the US, which would provide us with access to the most significant commercial market for this drug.

Focus on broadening our pipeline

Developing anti-infectives, specifically antifungals and antibiotics is the focus of Basilea's strategy. We have successfully brought two anti-infective drugs to the market: the antifungal Cresemba (isavuconazole) and the antibiotic Zevtera (ceftobiprole). But beyond our current commercial products, we need to be prepared for the future in order to become and remain a leading anti-infectives company that continuously serves the medical need, drives innovation in our therapeutic areas and creates value: A well filled pipeline is the life blood for us, as for any pharmaceutical company. Therefore in the fall of 2023, we were excited to acquire the rights to three exciting candidates for our portfolio – fosmanogepix, BAL2062 and tonabacase – each of them has a promising potential and unique profile.

One of our first goals was finding a promising drug candidate which could help offset the expected decline in Cresemba revenue after its loss-of-exclusivity in the first major markets. The antifungal fosmanogepix is one of the most attractive assets currently in clinical development, and we have been monitoring its progress closely for many years. It has been evaluated for efficacy and safety in clinical phase 2 studies for the treatment of patients with blood yeast infections (candidemia) and invasive mold infections. We are planning to initiate phase 3 studies with fosmanogepix in 2024.

We also secured rights to a second antifungal compound, BAL2062. It could become a valuable treatment option against difficult-to-treat invasive mold infections. If our preclinical tests with this compound are successful, we plan to start a phase 2 study in the first half of 2025.

And last but not least, we acquired an evaluation license and in-licensing option for tonabacase, a potential first-in-class antibacterial with proven activity against staphylococcal bacteria. Basilea will conduct a number of preclinical studies in 2024, and if our evaluation is positive, we can exercise our exclusive in-licensing option and move directly into a phase 2 clinical study in 2025.

There continues to be a high medical need for new treatment options for patients with invasive fungal and bacterial infections and we are looking forward to evaluating and developing the profile of these exciting and innovative assets going forward.

Proven marketed products

Cresemba, our antifungal drug for the treatment of the two most common invasive mold infections, aspergillosis and mucormycosis, shows continued therapeutic and commercial success. Last year, we achieved milestone payments totaling CHF 32.2 million for the continued strong sales of Cresemba, including a first milestone from our partner Knight for sales in Latin America. We also made progress in terms of access to our medicines and increased the number of countries worldwide where Cresemba is available on the market to 73 countries (compared to 63 in 2022). This global success confirms the important role that Cresemba has in treating patients with severe, life-threatening invasive mold infections.

In December 2023, Cresemba was approved for the treatment of invasive aspergillosis and invasive mucormycosis in children in the US and the market exclusivity for Cresemba was extended by six months. We are pleased that Cresemba is now available to this vulnerable patient population.

Watch the full-year 2023 update by David Veitch, CEO External video link to vimeo.com

We also submitted an NDA in the United States for our antibiotic Zevtera. We expect a regulatory decision in April 2024 and aim to enter into a commercialization partnership before this date, in line with our successful commercial model of collaborating with local partners in the commercialization of our drugs.

Given our financial strength and the characteristics of the anti-infectives market, where historically new drugs in the hospital setting have shown steady sales growth with a peak at the end of market exclusivity, our priority in a partnership is to secure an appropriate share of commercial success over the entire commercial lifecycle, rather than optimizing short-term cash flows through a one-time upfront payment, while limiting our participation in Zevtera's future commercial success in the US.

An approval in the US would mark a major milestone in the history of Zevtera, which would have ten years of market exclusivity in the US. We also believe that the US market represents around 80 to 90 percent of the global sales potential for Zevtera and hope that the drug will soon be available to patients in the US.

Strong financial results

We are pleased to report strong financial results for 2023: approximately CHF 150 million revenue from Cresemba and Zevtera is at the upper end of our guidance and more than 20 percent higher than in the previous year. At around CHF 79 million, royalties from Cresemba made a significant contribution to this, and are above our guidance, too, reflecting the continued strong sales by our partners worldwide. We made upfront investments related to our newly acquired or in-licensed projects, but still delivered significantly higher profitability than expected; we were able to increase our operating profit once again, to CHF 19 million and we also achieved a net profit for the second year in a row, amounting to CHF 10.5 million for 2023.

In total, we have invested around USD 40 million in 2023 into expanding our clinical pipeline and, thanks to our financial strength, we have done so consciously without raising additional funds on the capital market and without diluting you, our shareholders. In addition, we have further significantly reduced our debt level, by accelerating the repayment of the senior secured loan from Athyrium. By year-end we had repaid CHF 59 million of the initially outstanding CHF 75 million. This is about CHF 20 million more than initially planned and we intend to repay the remaining balance of the loan in the first quarter of 2024. The accelerated repayment will also save us around CHF 1.5 million in interest and fees, which we can better use for the further development of our promising pipeline products, which are the base for future success.

The positive newsflow and the successes in the development and expansion of our clinical pipeline are, unfortunately, not yet reflected in the Basilea share price. On an annualized basis, the Basilea share closed around 30 percent down. This is of course unsatisfactory - for us and for you as our shareholders. For the most part, 2023 was not a good year for listed biotech companies, and the high volatility and negative market environment affected many companies, including Basilea. However, we are convinced that our strategic investments will pay off and we are confident that they will also have a positive effect on the Basilea share price.

All the progress made in our portfolio would not have been possible without the people at Basilea. We would like to thank our employees for their hard work and commitment, to bring new innovative drugs to patients in need. We also thank our shareholders, for the continued support that enables us to accomplish our mission. We are well on track to becoming a leading provider of innovative anti-infectives and a partner of choice in this area – for the benefit of patients.

Allschwil, February 2024

Domenico Scala
Chairman of the board

David Veitch
Chief Executive Officer

“Teamwork is the only way to achieve our goals.”

– **Ester Magurno,**
HR Business Partner

Read the whole story in
the Feature on pages 21–31.

Feature

“For finding future medicines, the ability to work cross-functionally in a team is crucial.”

Mohammed Benghezal (Research), Andreas Kümin (Business Development & Licensing, BD&L) and Ester Magurno (Human Resources, HR) have a common goal: by bringing together assets, data, people, and their knowledge, the three want to ensure that Basilea continues to develop innovative drugs that serve the urgent medical need for new anti-infectives. For this, the company depends on cross-functional teamwork and a full clinical pipeline. In this interview, the trio talks about their work and the challenges they and their teams face.

Mohammed Benghezal, Andreas Kümin, Ester Magurno

> **“When Basilea’s strategy shifted to a focus on anti-infectives, it was a perfect opportunity for me to join the company.”**
>
> Mohammed Benghezal

When did you join Basilea – and what motivated you to apply?

Mohammed Benghezal (M.B.): Basilea is one of few companies that still develops anti-infectives with the goal to bring new antifungals and antibacterials from the research stage to the market. That is quite rare. Hence, after the company’s strategy shifted away from oncology to focus entirely on anti-infectives, it was a perfect opportunity for me to join the Research team in June 2023.

Andreas Kümin (A.K.): I joined Basilea in March 2008 when the company was setting up a commercial infrastructure in various countries in order to commercialize its drugs.

Ester Magurno (E.M.): I have been with Basilea since June 2019. At the time, I was working for a company with 2000 employees. I was not actively looking for a new job, but was toying with the idea of going back to a smaller company with a familiar atmosphere. By chance, I knew someone who was working at Basilea at the time and recommended the company to me.

What are your current job titles and what is your area of responsibility?

M.B.: I am Head of Biology and lead sub-teams in microbiology, biochemistry and molecular biology, focusing on the pre-clinical development of antifungals and antibacterials. My team is currently growing as we are expanding our pipeline, we just have hired two new employees. We cooperate closely with BD&L in the due diligence and acquisition of new assets, which we evaluate from a scientific point of view.

A.K.: I am Head of Corporate Development. This includes BD&L and portfolio strategy. We are part of the Finance department. In my group, we have specific expertise and skills related to the BD&L process. As the in- and out-licensing projects are cross-functional, we are working closely with Research and Development throughout the entire process. Of course, we also collaborate with most of the other departments at Basilea.

E.M.: I have recently been promoted to Business Partner in the HR team. This role is very broad and covers everything from recruitment to on-boarding, integration, development and off-boarding. I also support employees, team leaders and management in HR matters. Furthermore, I am involved in various projects, such as driving digitalization in HR and «get connected», an initiative that promotes cross-functional collaboration between employees and identifies opportunities to improve cross-functional processes.

Due diligence
This term describes the thorough assessment that takes place before making important business decisions, such as the acquisition or in-licensing of new drug candidates. At Basilea, a due diligence typically covers many aspects from scientific data, intellectual property, i.e. patents and other protection rights, to financial information.

“In our work, we always think about the needs of the patients.”

Andreas Kümin

What is the strategy of your area of responsibility and what are its cornerstones?

M.B.: The biology team's strategy is to strive for both innovation and a pragmatic approach that aligns with the company's overall goals. Simply put, we need to align the research and development of our portfolio projects and the evaluation of inlicensing and acquisition opportunities with the targeted priority indications and ultimately the commercial opportunities of our assets.

A.K.: When Basilea’s strategic focus shifted from oncology to anti-infectives, we defined a framework for the partnering of assets. We strive to achieve our goals by in-licensing new exciting assets for research and development and by outlicensing our products for commercialization within the framework of our strategy.

E.M.: We are a service-oriented and approachable HR organization. We invest in our people and help them to grow and develop and we rely on their knowledge and expertise. This means building personal relationships based on mutual trust for continued success.

Basilea’s mission statement states that «people are at the heart of everything we do». How do you recognize this in your job?

M.B.: For me, it is the teamwork. It is important for the Research department to communicate very openly, to be able to talk to each other and to take everyone's thoughts and expertise into account. That is the only way to achieve our goals.

A.K.: Basilea states that patients are at the center of everything we do. In our BD&L assessments, we indeed always think about the needs of the patients, when assessing opportunities.

Andreas Kümin
Business Development & Licensing

Andreas Kümin was born in Lachen and raised in Wollerau close to the Lake of Zurich. He later studied Business Administration at the Hochschule St. Gallen (HSG). Before Basilea, he lived and worked in Geneva for five years. He now lives in Riehen near Basel and enjoys sports, including running, cycling and skiing. On top of that, he loves spending time with his family.

Ester Magurno
Human Resources

Ester Magurno was born in Schwarzenburg, near Bern, and grew up in the same region. She began her professional career as a commercial clerk before deciding to train as a customs specialist. She then returned to the private sector and began training in Human Resources at an Executive Search agency. Ester, who now lives in Eptingen, is about to start a CAS in employment law. In her free time, she enjoys crafting, reading and spending time with her partner and friends.

Speaking of patients: How would you both describe your work from their perspective?

A.K.: We are an innovative company that is trying to find new medicines for patients. That is why we have this scientific approach, which is completely different from that of a generics manufacturer.

M.B.: Patients are an important aspect for the research team. After all, you can easily lose sight of your goal in research. That is why we have to define precisely what type of drug we want to develop and what the indication is. We also focus on the clinical benefit that we aim to provide to the healthcare system in general and patients in particular, which is the basis then for the commercial opportunity. Then, we can define the targeted properties of the new drug at a very early stage of the project. The same applies to evaluating in-licensing candidates. That is why I would say that patients really are the focus.

What are the biggest challenges in your job?

E.M.: One challenge is the competition for talent with other pharmaceutical companies in the Basel region. Also, we are looking for people with specific experience in the field of antifungals and antibacterials, which is not always easy. Another challenge is that our roles have a broad range of tasks. This means that applicants should be open to learning new things.

A.K.: In my opinion, the biggest challenge is to find the right business opportunity or the right transaction. Because there are always many factors to be considered: Is it the right time? How much interest is there in an asset? What is the best deal structure? What are the financial resources and skills needed in order to advance a project? In the end, you have to weigh everything up – and then finalize the transaction. But of course, only if it makes sense.

How does Basilea ensure that cross-functional collaboration is both promoted and practised?

E.M.: Cross-functional collaboration starts already at hiring by including different functions in the recruitment process. When a new employee joins us, the induction process includes getting to know colleagues from various other departments not just their own. We foster cross-functional collaboration by various internal initiatives, like cross-functional events, projects and workshops. Also, our open space environment, where the whole company is operating on one floor, enhances personal contact and exchange across teams.

> **“Our roles have a broad range of tasks and applicants should be open to learning new things.”**
>
> Ester Magurno

Why is it essential to have a drug pipeline?

M.B.: It is important for the future of the company. It is true that you can buy late-stage assets. However, if you want to be a leader in the field of anti-infectives, you need a pipeline with assets at all stages, from early research, preclinical development, clinical development and so on. With antifungals and antibacterials, we know only too well that multidrug-resistant pathogens are becoming an increasingly serious problem. Therefore, one must be able to adapt to this changing landscape with continued innovation.

A.K.: You need assets in different phases because there is attrition. Early programs may not progress, and even late-stage programs can fail. To manage risk, you need to diversify your portfolio and maintain a pipeline. When we are developing new assets, Research looks at them from a scientific perspective – new modalities, new molecules, and so on. Development is assessing new regulatory and clinical development pathways. This approach ensures that each department makes its own contribution to build and maintain an attractive, balanced pipeline working towards our goal of being a leading anti-infectives company.

Mohammed, how does the Research team support BD&L in filling Basilea's pipeline?

M.B.: There are several aspects to this. The first is the scientific evaluation. When we do due diligence on an asset, we look at all the scientific data and make sure it is sound – and the existing data supports the further development and eventually the desired commercial positioning of an asset. If there are any gaps, we design additional experiments that allow us to make quick decisions on whether to continue or stop a project. We can even try to include such experiments in the structure of a transaction as potential milestones. Secondly, it makes sense to also revisit programs that we originally considered to have failed, in case new data has appeared, the external environment has changed or we misinterpreted some data. This is where I see the value of in-licensing in addition to progressing our own projects.

How does HR contribute to a full pipeline?

E.M.: When a vacancy arises, we support BD&L and other departments in recruiting and finding the right person for the role. We continue to support the team beyond onboarding, for example with tailored development opportunities, on the job trainings and by acting as a sparring partner.

"To find a new potential drug for in-licensing, we rely on databases, our network of companies and individuals, as well as scientific and partnering conferences."

Andreas Kümin

Andreas, how are you and your team able to find a new potential drug for in-licensing?

A.K.: We have various sources such as databases, we have our network of companies, universities and people and – very importantly – scientific conferences as well as specific partnering conferences. In the pharma sector, these events are essential because so much partnering is going on. We normally attend three to four conferences a year.

And how do you go about screening the market?

A.K.: We have a focus on antifungals and antibacterials – so we are looking for drugs with a potential to treat severe bacterial and fungal infections. That is one of the key criteria, the second is the stage of development. We are looking for assets from the late preclinical stage to end of phase 2. Beyond that, we apply our criteria to see how the external assets match up to our target product profiles.

How do you ensure due diligence?

A.K.: On the one hand, there is scientific due diligence. On the other hand, we do due diligence on intellectual property. We buy the rights to a compound, so we have to make sure that we are actually getting what we are paying for. We need to check if the compound is appropriately protected or if there are any gaps in the intellectual property. As far as scientific due diligence is concerned, we look at all the available scientific data including efficacy, safety and general chemical and pharmacological properties of a compound. If it is a clinical compound, we of course also assess the clinical data as well as the manufacturing information.

Mohammed, what is your vision for the work ahead?

M.B.: To balance both the innovation and the risk. Because when you go with completely novel mode-of-actions and novel targets with limited scientific data available, there will always be unknown challenges. Here is where thorough data interpretation comes into play. We reevaluate published data from earlier external research, preclinical and clinical development and reinterpret it in the light of more recent information. My vision really is to further build up Basilea's standing in the anti-infectives area. With the overall limited level of investment in this entire therapeutic area over the last decades, these skills have become scarce. I want to build a highly qualified Research team that helps to optimize the development and positioning of our assets and contributes to filling the pipeline at the same time.

Target
To fight a disease or condition, one needs to understand the underlying causes, i.e. if this involves specific molecules or biological processes. For instance, if a specific enzyme is known to be crucial for the survival of infection-causing bacteria, this enzyme could become a target for the development of new drugs that block the enzyme, leading to the death of the bacteria and hence treating the infection.

Mohammed Benghezal
Research

Mohammed Benghezal was born in Meyriez, Switzerland, in close proximity of Lake Murten. He grew up in Gruyère, studied at the University of Fribourg and holds a doctorate in biochemistry. He lives with his family in Fribourg, but since joining Basilea he also has a flat in the Basel region. In his spare time, he enjoys sailing on Lake Neuchâtel. And whenever he is by the sea and has enough time, he also indulges in scuba diving and surfing.

Your goal is to combine biology with medicinal chemistry to efficiently optimize antibacterial and antifungal agents for clinical development. How can this be achieved?

M.B.: It is essential to be able to work across different disciplines and speak different languages, so to say. We are lucky that the people in our company are very open to this kind of collaboration. For me as a biologist and microbiologist, it is important to talk to chemists to explain the biological context and how we can utilize this knowledge to optimize the compounds. The same goes for clinical development. The ability to work cross-functionally in a team is crucial. When the goal is understood by everyone, they all contribute with their skills to the success of the project.

Let us change the subject and focus on preclinical profiling for a moment. Can you tell me what happens during this process?

M.B.: Put simply, we need to optimize the properties of a drug, which involves many different aspects. In the initial research phase, the focus is on the target, the activity and on how the drug reaches its target. Later, during the preclinical phase, it is about things like how the drug gets into the human tissue, how effective it is for the treatment of the disease, how it is metabolized, as well as the manufacturing. Very early on, when we start optimizing the drug, we include the different aspects of the end product that we want to achieve. We work closely with Translational development, which helps to translate the basic research into real therapies for patients, as well as with Clinical development and, very early on, with Manufacturing and Regulatory. At the end of the day, we want to have a drug that can be safely given to humans – so we need to understand the drug distribution, but also the potential toxicity and the opportunities for scaling up manufacturing. This is a critical task.

> **"We are a global and financially stable company with a welcoming atmosphere characterized by team spirit and a good sense of humor."**
>
> Ester Magurno

How do you and your team obtain the required data?

M.B.: In Research, we do most of the microbiological and biochemical work in-house, including the experimental design. The translational work tends to be outsourced, and so is most of the chemical synthesis – that is how we generate data. Of course, we always have the oversight, even if we outsource.

What are the main drivers of Basilea becoming a leading provider of innovative medicines?

M.B.: For me, it's about scientific excellence, because you don't want to invest into an asset that has no chance from a scientific point of view. That's way too costly. Consequently, you have to have a very solid scientific basis for your work – that is how I see my role.

A.K.: Apart from the in-licensing, which we talked about earlier, it is our corporate strategy to out-license our assets for commercialization. In my department, we are also looking for commercialization partners. For example, we are currently looking for a partner to distribute Zevtera on the US market. This understandably takes time, but I can see that we are getting there.

E.M.: We contribute by creating a constructive and productive working environment. In addition, we act as role models for our employees, also in terms of cooperation, teamwork, finding solutions together and forging common paths.

What makes Basilea attractive or even unique as an employer?

M.B.: For me, Basilea is exactly the right size company for innovation. It is big enough to initiate and drive forward major projects and also has the right set of skills and the financial strength to bring new antifungals and antibacterials to the market. That is exciting. I always follow good science and there are no comparable opportunities in Switzerland. If you want to do good anti-infective science, Basilea is the place to be.

A.K.: I also think that Basilea is just the right size. Because you can do many different things and get involved. In larger companies, you often only play a very small role in Finance. At Basilea, you can have a real impact.

E.M.: Basilea is unique. On the one hand, our welcoming atmosphere is characterized by team spirit and a good sense of humor. At the same time, we are a global and financially stable company with very interesting and broad job roles. We are a flat organization, which means everyone is approachable, as an example anyone can have a chat with the CEO at the coffee machine or in the corridor. The ideas and topics employees bring are appreciated and employees can see how their work contributes to Basilea's success.

“We invest in our people and help them to grow and develop.”

– **Ester Magurno,**
HR Business Partner

Read the whole story in
the Feature on pages 21–31.

Commercial products

Commercial products

We successfully developed two anti-infective brands, demonstrating our expertise in progressing innovative drugs from research through development to the market. These are the antifungal Cresemba® with the active substance isavuconazole and the antibiotic Zevtera® with the active substance ceftobiprole.

Our commercial partnerships cover well over 100 countries worldwide.

Cresemba and Zevtera were developed by Basilea and have been launched by our license and distribution partners in a large number of markets worldwide. They are generating increasing in-market sales as they are prescribed to more patients and launched in new countries. We participate in the commercial success of our brands through milestone payments and royalties from our license partners, and transfer price and milestone payments from our distribution partners. In 2023, our total revenue from Cresemba and Zevtera amounted to more than CHF 150 million.

Cresemba® (isavuconazole)

Cresemba is our antifungal approved for the treatment of the two most common invasive mold infections, aspergillosis and mucormycosis. The causative fungal species are listed as priority pathogens by the World Health Organization (WHO). These life-threatening infections predominantly affect immunocompromised patients, including patients with hematologic malignancies (blood cancer), transplant patients, or patients with immunodeficiency disorders. Each year, there are an estimated 250,000 patients with invasive aspergillosis worldwide. Mucormycosis patient numbers are lower, although there was an outbreak of mucormycosis in India, Brazil and other countries during the COVID-19 pandemic, affecting 15,000 people in India alone.


basilea

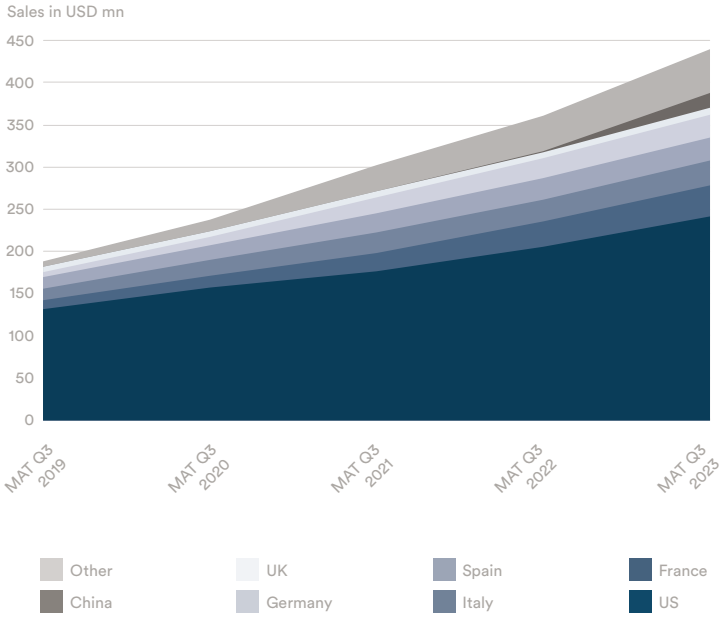
First launched in the US in 2015, Cresemba has become an important medicine for serving this major medical need. It is currently approved in 76 countries and is being commercialized in 73 countries. Based on the prevalence, Cresemba has Orphan Drug status in the US, the EU and Australia. The initial approvals were for adult patients, but Basilea together with its partner, Astellas, conducted a pediatric investigation program for the treatment of children suffering from invasive aspergillosis and mucormycosis. In December 2023, the US Food and Drug Administration (FDA) approved the expanded use of Cresemba in children. We are pleased that Cresemba is now available to this vulnerable patient population.

In addition, the FDA granted pediatric exclusivity, which extends the period of market exclusivity in the US by an additional six months to September 2027. Basilea has submitted a similar application for a pediatric label extension in the European Union (EU) and anticipates a decision by the European Commission around mid-2024. Upon completion of this regulatory procedure, Cresemba would be eligible for an additional two years of market exclusivity in the EU until October 2027. Such pediatric exclusivity extensions are important as sales of antifungals historically continue to increase until the end of the exclusivity period.

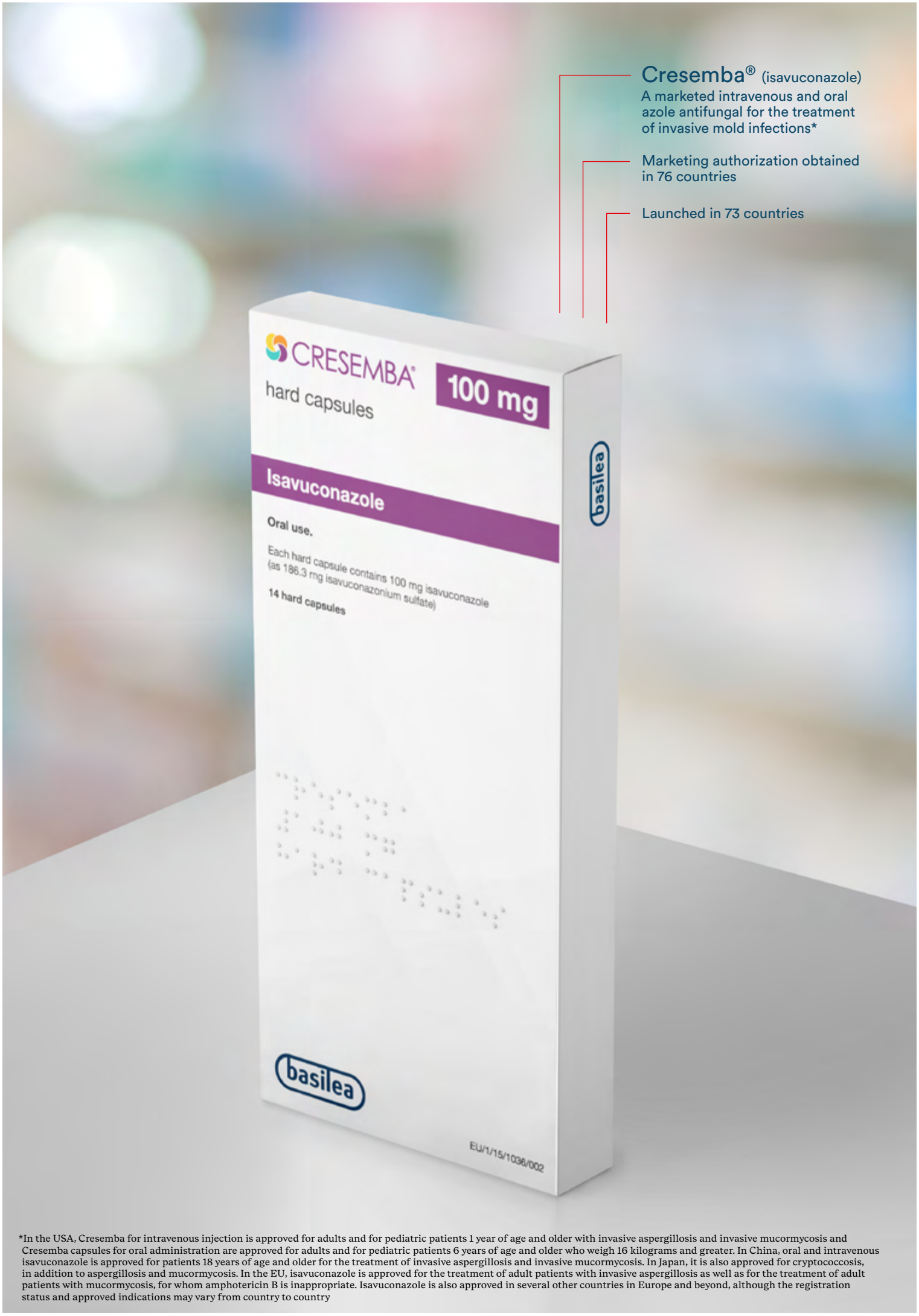
Sales by our partners continued to grow strongly in 2023 as shown by the latest available data in the chart below. Total global in-market sales of Cresemba amounted to USD 445 million in the 12 months between October 2022 and September 2023, which is a 22 percent increase year-on-year. This resulted in royalty payments alone of approximately CHF 79 million to us in 2023, which is significantly higher than in the previous year.

The strong sales dynamic is also reflected in more than CHF 32 million milestone payments triggered in 2023. Sales in Europe and Asia Pacific and China triggered four milestone payments totaling over USD 28 million from Pfizer. Furthermore, Cresemba was launched in Japan in March 2023, triggering a milestone payment of CHF 5 million from Asahi Kasei Pharma, and finally, sales by Knight in Latin America exceeded the threshold triggering the first sales milestone payment for this region.

With 22 % increase y-o-y (MAT Q3 2022 to 2023), Cresemba continues strong in-market sales uptake[1]



[1] IQVIA Analytics Link. September 2023. In-market sales reported as moving annual total (MAT) in US dollar



*In the USA, Cresemba for intravenous injection is approved for adults and for pediatric patients 1 year of age and older with invasive aspergillosis and invasive mucormycosis and Cresemba capsules for oral administration are approved for adults and for pediatric patients 6 years of age and older who weigh 16 kilograms and greater. 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 Japan, it is also approved for cryptococcosis, in addition to aspergillosis and 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 other countries in Europe and beyond, although the registration status and approved indications may vary from country to country

Zevtera

Zevtera is currently approved for the treatment of bacterial lung infections (pneumonia). It has shown to be particularly effective against methicillin-resistant *Staphylococcus aureus* (MRSA), a bacterium responsible for many deaths from severe infections. Based on the particularly high incidence of MRSA across the United States, we believe that the US will become the largest commercial market for Zevtera. In order to gain access to the US market, we have submitted a New Drug Application (NDA) to the US Food and Drug Administration (FDA) in August 2023 to seek regulatory approval for three indications: *Staphylococcus aureus* bacteremia (SAB), bacterial skin and skin structure infections (ABSSSI) and community-acquired bacterial pneumonia (CABP). The FDA is currently reviewing the NDA and has set a PDUFA target action date, i.e. by when they plan to communicate their regulatory decision, of April 3, 2024.

Basilea's ceftobiprole phase 3 program, which formed the basis for the NDA, is funded in part with federal funds from the US Department of Health and Human Services (HHS); Administration for Strategic Preparedness and Response (ASPR); Biomedical Advanced Research and Development Authority (BARDA), under contract number HHSO100201600002C. Basilea has been awarded approximately USD 112 million, or approximately 75 percent of the costs related to the SAB and ABSSSI phase 3 studies, regulatory activities and non-clinical work.

With regard to the positioning of Zevtera in the US antibiotics market, the most important indication is SAB, which is associated with a high medical need, as approximately 20 percent of the patients die within a month. We believe that Zevtera may assume an important place in therapy because there are only limited treatment options available for SAB, especially when methicillin-resistant *Staphylococcus aureus* is of concern. Based on the drug's Qualified Infectious Disease Product (QIDP) status designated by the FDA, it would be protected from generic competition in the US for ten years from the date of approval. In line with our proven business model, we plan to commercialize Zevtera in the US with a partner. We intend to execute the US partnership prior to the expected FDA decision in April.

We are planning a focused launch in SAB, the area with the highest unmet medical need, with a growth strategy into other approved indications over time

Patient numbers in the United States

Staphylococcus aureus bacteremia (SAB)

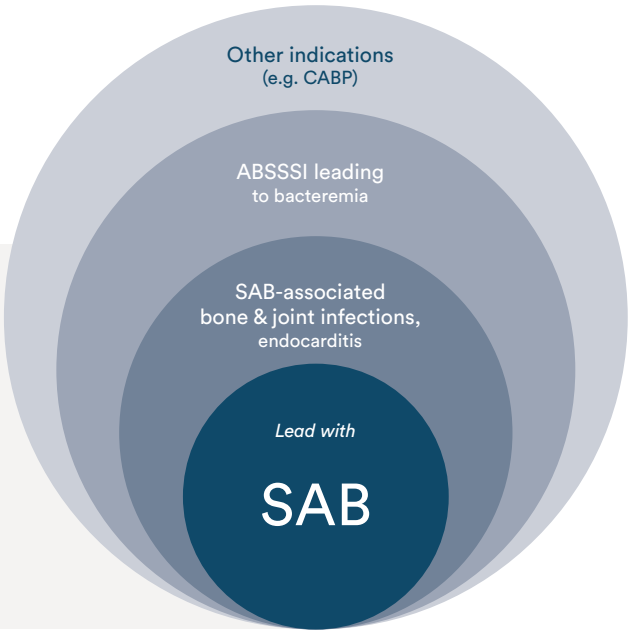
120,000
cases / year[1]

Acute bacterial skin and skin structure infections (ABSSSI)

> 600,000
hospitalizations / year[2]

Community-acquired bacterial pneumonia (CABP)

> 1,500,000
hospitalizations / year[3]



[1] A. P. Kourtis, K. Hatfield, J. Baggs et al. Vital signs: Epidemiology and recent trends in methicillin-resistant and in methicillin-susceptible *Staphylococcus aureus* bloodstream infections – United States. MMWR Morbidity and mortality weekly report 2019 (68), 214–219

[2] J. Edelsberg, C. Taneja, M. Zervos et al. Trends in US hospital admissions for skin and soft tissue infections. Emerging Infectious Diseases 2009 (15), 1516–1518

[3] J. A. Ramirez, T. L. Wiemken, P. Peyrani et al. Adults hospitalized with pneumonia in the United States: incidence, epidemiology, and mortality. Clinical Infectious Diseases 2017 (65), 1806–1812

Zevtera® (ceftobiprole)

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

Marketing authorization obtained in 32 countries

Launched in 21 countries

*Ceftobiprole is approved in major European countries and several non-European countries 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 currently approved in the US.

“My vision really is to further build-up Basilea’s standing in the anti-infectives area.”

– Mohammed Benghezal,
Head of Biology

Read the whole story in
the Feature on pages 21–31.

Research and development

Research and development

Building and maintaining an anti-infectives research and development pipeline for sustainable value creation

An attractive, innovative and well-balanced pipeline is a prerequisite for Basilea and the lifeblood for any biopharma company, to secure sustainable success. New drugs, if successfully developed, will contribute to our financial health and, as it is not a given that all developments will be successful, it is important to have an appropriate number of promising drug candidates in our pipeline, at different stages of development.

The medical need for novel and safe anti-infectives is growing as new or resistant pathogens emerge

In recent years, there has been growing recognition of the importance of addressing unmet medical needs and improve patient outcomes in infectious diseases. Initiatives from governments, public-private partnerships, and increased public awareness of the threat from pathogens becoming resistant against existing drugs, have led to renewed interest in discovering and developing new antimicrobial agents, such as antibacterials and antifungals.

Most of the currently used antibiotics have been developed in the 1950s to 1980s. In the antifungal space, the last new class approved and introduced to the market for the treatment of invasive fungal infections were the echinocandins, which were discovered in the 1970s and only came to the market in the early 2000s. In recent years, the research for novel anti-infectives has been intensified significantly, partly also due to the availability of research funding, for example for novel antibiotics, by the global non-profit partnership Combating Antibiotic-Resistant Bacteria Biopharmaceutical Accelerator (CARB-X) and from other organizations.

However, research-focused companies often struggle from lacking the necessary financial and organizational capabilities to progress promising preclinical candidates into clinical development and all the way to the market with the profile required to support differentiated positioning during commercialization. This is where Basilea's strengths lie. We believe that with our proven expertise of developing and commercializing Cresemba (isavuconazole) and Zevtera (ceftobiprole), we are the partner of choice for companies and academic groups to progress their innovations in the anti-infectives space through preclinical and clinical development, and create significant value in the long term. For the commercialization of novel compounds, we have an established business model of working with experienced companies that provide access to markets locally or regionally.

When looking at potential assets to license or acquire, our focus is the stage between late preclinical and the end of phase 2 clinical development. Throughout 2023, we have been able to add three promising compounds to our clinical pipeline. In the coming years, we will continue to look for additional opportunities in our focus areas of antifungals and antibacterials.

In order to optimize the return-on-investment, we are constantly evaluating whether there is an opportunity to offset some of the development expenses, through financial incentives provided by governments and other organizations. One example of a long-standing support is the US Biomedical Advanced Research and Development Authority (BARDA), who partially funded the ceftobiprole phase 3 studies in bloodstream and skin infections by providing about USD 112 million.

Basilea is developing compounds with diverse mechanisms of action to fight invasive fungal diseases

In recognition of the major threat for public health caused by invasive fungal infections, the World Health Organization (WHO) in late 2022 published the first list of fungal pathogens that should be prioritized for antifungal drug development. The antifungal drugs currently under development by Basilea are all addressing invasive infections caused by priority fungal pathogens identified by the WHO.

With increasing resistance and with the goal of improving patient outcomes, the development of antifungals from new classes with novel mechanisms of actions is becoming more and more important to complement established drugs such as Basilea's azole antifungal Cresemba. Azole antifungals are blocking the biosynthesis of ergosterol, an integral part of the fungal cell membrane. Depleting the fungal cell membrane of ergosterol disrupts the cell membrane integrity and blocks fungal growth and replication (see Fig. 1). Cresemba, which is described in more detail on page 34–37, is approved for the treatment of invasive aspergillosis and mucormycosis and has become the number one brand for the treatment of invasive fungal infections in the US in terms of value.

Fosmanogepix – a broad-spectrum antifungal from a new class of drugs

The most advanced new antifungal compound in Basilea's clinical pipeline is fosmanogepix, which is available in intravenous and oral formulations. We acquired this drug candidate in November 2023. Manogepix, the active moiety of the prodrug fosmanogepix, has a novel mechanism of action as it inhibits a specific enzyme that is involved in the anchoring of so-called mannoproteins to the outer cell wall of fungi (see Fig. 1). Mannoproteins are an integral part of the fungal cell wall architecture and hence, inhibiting their anchoring is lethal for fungi. As the enzyme is only found in fungi with no direct human analogue, there is a low propensity for side-effects in humans. Manogepix has a broad spectrum of activity against both yeast and molds, including *Candida auris*, *Fusarium* species and azole-resistant *Aspergillus* species as well as for example *Lomentospora prolificans* or *Scedosporium* species, which can be highly resistant to currently available antifungal therapies. The FDA has granted fosmanogepix Fast Track status, Qualified Infectious Disease Product (QIDP) and Orphan Drug designations.

In May 2023, the US Centers for Disease Control and Prevention (CDC) recommended the use of fosmanogepix in addition to two approved antifungals (voriconazole and liposomal amphotericin B) in the context of an outbreak of fungal meningitis caused by *Fusarium solani*, in patients who had undergone surgical procedures under epidural anesthesia in two surgical centers in Mexico. Fosmanogepix was shown to provide high activity against *Fusarium* spp. in *in vitro* and *in vivo* models of *Fusarium solani*, which causes difficult-to-treat infections, because many *Fusarium* species are resistant to most antifungal agents.

Another critical pathogen is the multi-drug resistant yeast *Candida auris*, which is rapidly spreading globally. The emergence of such new pathogens highlights the strong need for new antifungal agents.

Due to its potent activity against most of the fungal pathogens that are relevant to humans, fosmanogepix could become a first-in-class drug because there are currently no approved drugs targeting the specific enzyme. It has successfully completed phase 2 clinical development and we anticipate starting a phase 3 study in invasive yeast infections mid-2024 and another phase 3 study, in invasive mold infections, by year-end 2024.

BAL2062 – a novel antifungal exploiting an iron transporter to enter the fungal cell

The second clinical-stage antifungal in Basilea's pipeline is BAL2062. It is a cyclic hexapeptide, available as an intravenous formulation. Originating from a naturally occurring structure, it is using a fungi-specific iron transporter to enter the cell, and has shown to be rapidly fungicidal, i.e. it kills fungal cells quickly. Like with fosmanogepix, BAL2062 is a potential first-in-class drug as there are currently no drugs from the same substance class approved. It has shown activity against *Aspergillus* species, including azole-resistant strains, as well as *Fusarium* and selected *Candida* species, among others. After acquiring the rights to BAL2062 in October 2023, we have initiated a preclinical profiling program to define the optimal positioning and the most efficient clinical development path for this asset. Our team of experienced research scientists is key to achieving this goal. It includes experts from all disciplines necessary for the successful development of new medicines. Upon successful completion of the preclinical profiling, we are planning to move directly into phase 2 clinical development in the first half of 2025. The FDA has granted QIDP, Orphan Drug, and Fast Track designations to BAL2062 for the treatment of invasive aspergillosis.

Basilea has established itself as the partner of choice for companies with promising drug candidates who are looking for support for progressing them through clinical development to the market

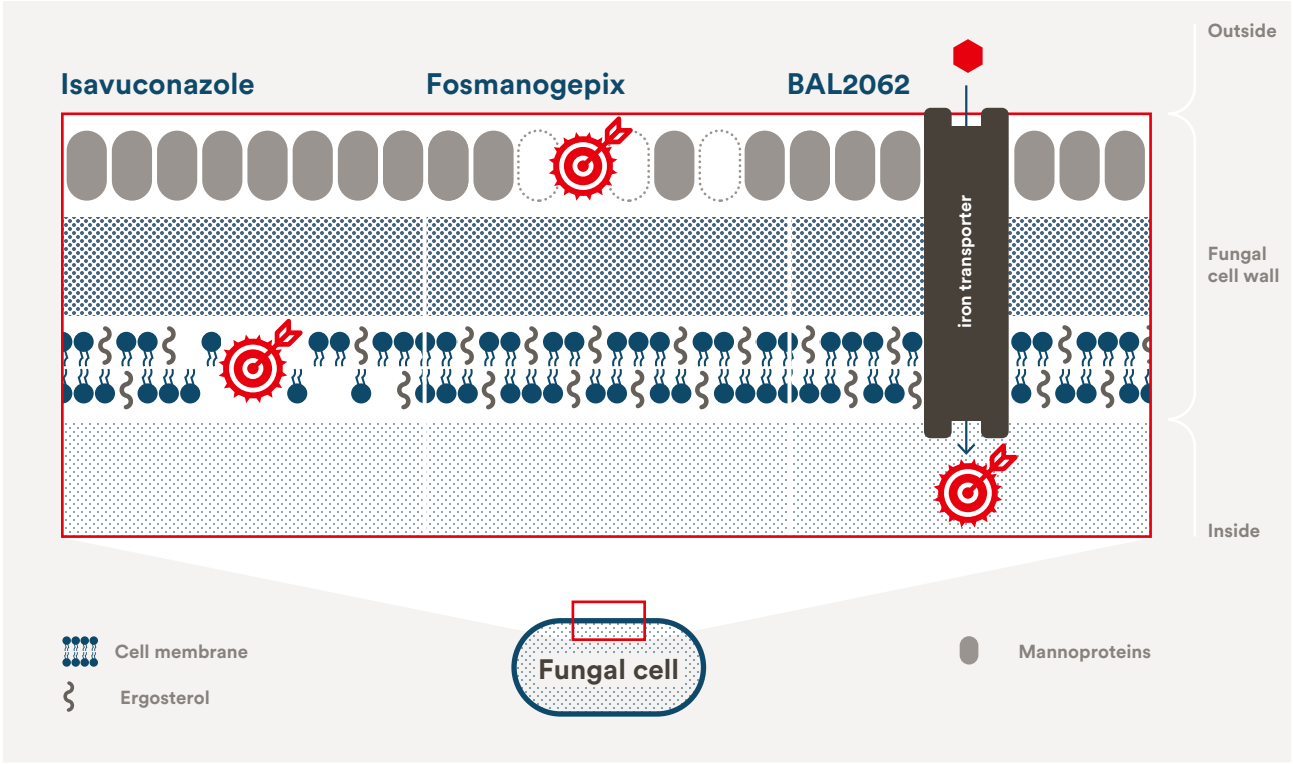


Fig. 1: Isavuconazole, fosmanogepix and BAL2062 have different targets to attack fungal cells

Basilea is strengthening its pipeline with potential first-in-class antibiotics to meet patients' needs in severe hospital infections

Since their discovery by Alexander Fleming almost one hundred years ago, beta-lactam antibiotics have been the mainstay for the treatment of bacterial infections. Beta-lactam antibiotics interrupt bacterial cell wall formation via inhibition of the so-called penicillin binding proteins, which prevents the cross-linking within the peptidoglycan layer (see Fig. 2). Already soon after that, the emergence of bacterial resistance was observed and overcoming resistance development has become one of the main goals in the development of novel antibacterials. However, the innovation efforts abated over time, and most antibiotics used today belong to drug classes that were first discovered in the middle of the last century. Most of the work on new antibiotics is currently being carried out by smaller specialized companies such as Basilea.

Resistance development is inherent to the evolution of bacteria and and eventually all antibiotics will be facing some level of resistance. However, as antibiotics are a core element of modern medicine, the increase of resistance and emergence of multidrug- or even pan-resistant bacteria has led to serious concerns by public bodies such as the WHO. New antibiotics are urgently needed and Basilea intends to fill that void.

We have substantial experience in antibiotics development as demonstrated by ceftobiprole (Zevtera; for more information see pages 38–39). While it is a beta-lactam antibiotic of the established cephalosporin class, hence killing bacteria by interfering with the formation of the bacterial cell wall (see Fig. 2), it was the first cephalosporin in clinical development with activity against methicillin-resistant *Staphylococcus aureus* (MRSA), which is a priority pathogen named by the WHO. Zevtera was launched in the first European country in 2014 and is now marketed in more than 20 countries worldwide. In early April 2024, we expect a decision by the FDA on the approval of ceftobiprole in the US for the treatment of serious bloodstream infections caused by *Staphylococcus aureus*, serious skin infections and community-acquired pneumonia.

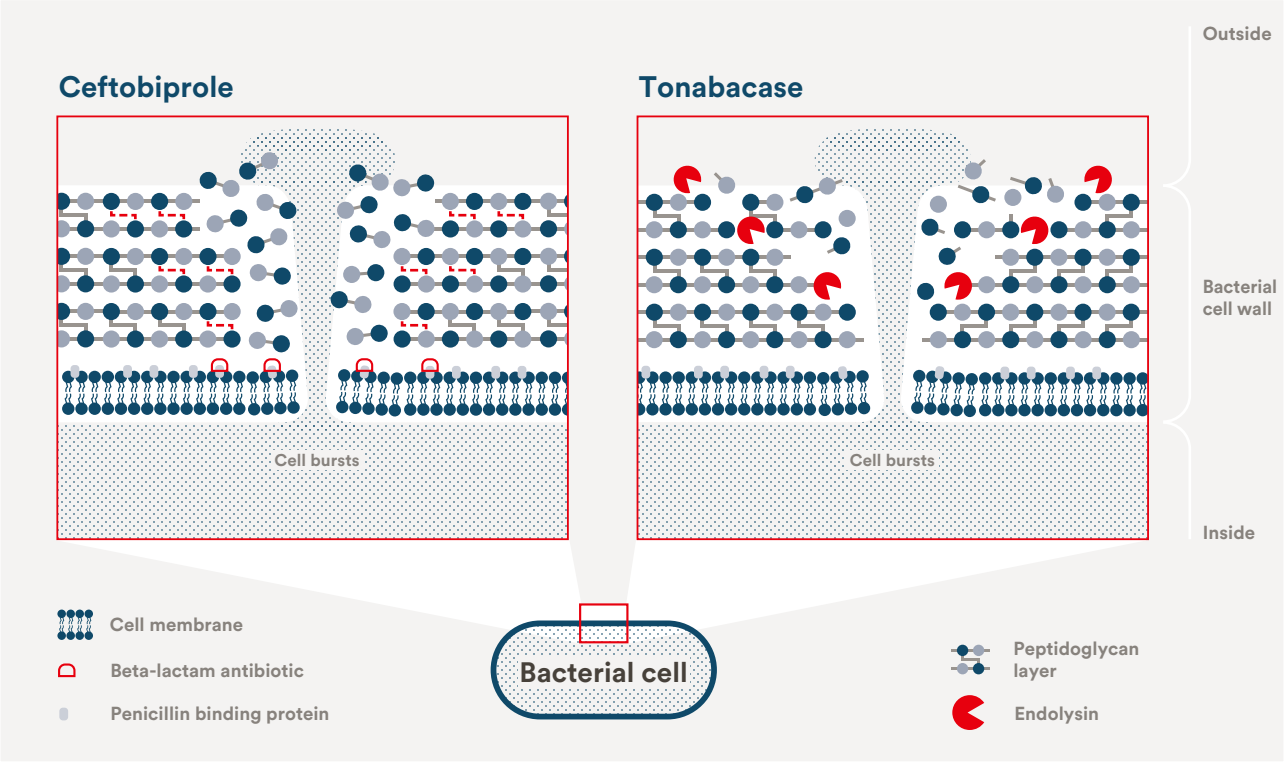


Fig. 2: Ceftobiprole and tonabacase weaken the structural integrity of the bacterial cell, leading to cell death

Evaluating tonabacase – a potential first-in-class antibiotic derived from bacteriophages

In order to strengthen our clinical pipeline of antibacterial drugs, we have acquired an exclusive evaluation license for tonabacase, an antibacterial of the endolysin class with proven activity against staphylococcal bacteria, in October 2023. The use of endolysins represents a novel and innovative approach in the treatment of bacterial infections. Endolysins are recombinant proteins derived from bacteriophages, i.e. viruses that infect bacteria. They cause a rapid destabilization of the bacterial cell wall by degrading the peptidoglycan layer (see Fig. 2), leading to the death of bacteria. In addition, endolysins are expected to provide significant advantages over conventional antibiotic treatments in infections that involve biofilms. Biofilm formation is common in infections of the heart valves, bone and in infections involving foreign body materials such as catheters, prosthetic joints, artificial heart valves and other cardiovascular hardware and are a frequent cause of persistent and recurring infections. In addition to the enhanced activity in biofilms, endolysins have also shown synergy with other antibiotics and carry a low risk of resistance development. Over the course of 2024, we will investigate various hypotheses in preclinical studies to determine the optimal future clinical development program for tonabacase. Upon successful completion of the preclinical evaluation phase, Basilea will have the exclusive option to license tonabacase for further clinical development and commercialization and could immediately move to phase 2 clinical development.

“In our work, we always think about the needs of the patients.”

– **Andreas Kümin,**
Head of Corporate Development

Read the whole story in
the Feature on pages 21–31.

Corporate governance report

Corporate governance report

Group structure and shareholders

Group structure

As of December 31, 2023, the Basilea group is composed of the parent Company Basilea Pharmaceutica Ltd, Allschwil ("Basilea"), the Swiss operating subsidiary Basilea Pharmaceutica International Ltd, Allschwil ("Basilea International"), and wholly-owned subsidiaries in Germany and the United Kingdom (collectively the "Company").

Basilea subsidiaries (as of December 31, 2023)

- Basilea Pharmaceutica Deutschland GmbH, in Lörrach, Germany
- Basilea Pharmaceutica International Ltd, Allschwil, in Allschwil, Switzerland
- Basilea Medical Ltd., in Guildford, U.K.
- Basilea Pharmaceuticals Ltd. (in voluntary liquidation), in London, U.K.

Basilea is represented on the board of directors of all its wholly-owned subsidiaries. In addition, there is close operational cooperation between Basilea International and Basilea's subsidiaries.

The operating activities of the Company are focused on research, development, and commercialization of pharmaceutical products. The Company's operating activities are directed and primarily undertaken by Basilea International. The Chief Executive Officer leads the management committee, consisting of the Chief Financial Officer, the Chief Medical Officer, the Chief Scientific Officer, and the Chief Technology Officer. The members of the extended management committee, representing the legal, human resources, and quality management functions, also report to the Chief Executive Officer. For further information, please refer to the section "Management committee/extended management committee" starting on page 68.

For further information on the non-listed companies belonging to the Company, please refer to note 2 (investments, page 177) of the financial statements.

Basilea Pharmaceutica Ltd, Allschwil

Basilea is registered at Hegenheimermattweg 167b, 4123 Allschwil, Switzerland. Basilea's shares were first listed on the SIX Swiss Exchange on March 25, 2004, under the Swiss security number ("Valorennummer") 1143244. The ISIN is CH0011432447, the Common Code is 018859220, the ticker symbol is BSLN, and the LEI is 391200TTZP8EIPSJ5J20.

As of December 31, 2023, the market capitalization of Basilea amounted to CHF 462,423,858 (13,099,826 registered shares issued with a nominal value of CHF 1 per share).

Significant shareholders

The Financial Market Infrastructure Act (FMIA) requires shareholders who hold more than 3% of Basilea's share capital to report their shareholding to Basilea.

In the past, Basilea received the following notifications from shareholders based on the FMIA (the notifications were made based on the share capital as registered in the commercial register at the time of the respective transactions):

Date of obligation to notify	SIX publication date	Shareholder/ beneficial owner	% of voting rights reported
Sep. 28, 2023	Oct. 5, 2023	JPMorgan Chase & Co., New York, USA	4.982
Sep. 13, 2023	Sep. 21, 2023	UBS Fund Management (Switzerland) AG, Basel, Switzerland	3.17
May 4, 2023	May 10, 2023	Black Creek Investment Management Inc., Toronto, Canada	5.07
Dec. 10, 2019	Dec. 18, 2019	CI Investments Inc., Toronto, Canada	4.91
Feb. 21, 2017	Mar. 1, 2017	Credit Suisse Funds AG, Zurich, Switzerland	3.28

As of December 31, 2023, Basilea has not received any notification that the above listed shareholdings crossed any relevant reporting thresholds since the dates indicated above.

All disclosures of significant shareholdings, including those of shareholders that fell below 3% during 2023, are published on the website of the SIX Exchange Regulation disclosure office and can be accessed there (https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html?issuedBy=BSLN#/).

Basilea has not entered into any shareholder agreement regarding the voting right or holding of Basilea shares.

Cross-shareholdings

No cross-shareholdings existed as of December 31, 2023.

Capital structure and shares

Share capital

As of December 31, 2023, Basilea's share capital amounts to CHF 13,099,826. The share capital is divided into 13,099,826 common registered shares with a nominal value of CHF 1 each. There are no preferred shares. The share capital is fully paid-in.

In 2016, 1,000,000 shares (total nominal value of CHF 1,000,000) were created out of authorized capital in connection with the conversion rights attached to Basilea's convertible bonds. These shares are held by Basilea as treasury shares. In 2021, 1,000,000 shares (total nominal value of CHF 1,000,000) were created out of authorized capital in connection with a private placement to institutional shareholders.

Capital band

As of December 31, 2023, Basilea has a capital band between CHF 13,099,826 (lower limit) and CHF 14,399,826 (upper limit). Within the range of the capital band, the board of directors is authorized to increase the share capital in any amount once or several times until April 26, 2026. The capital increase can be effected by issuing up to 1,300,000 registered shares with a nominal value of CHF 1 each or by increasing the nominal values of the issued registered shares.

Basilea's articles of association do not foresee capital decreases within the range of the capital band.

In the event of an increase of the share capital within the scope of the capital band, the board of directors shall, if required, determine the issue price, the type of contribution, the time of issue, the conditions for the exercise of subscription rights, and the start of dividend entitlement. In certain situations foreseen in the articles of association, the board of directors is authorised to exclude or limit subscription rights of the existing shareholders and to allocate them to third parties, to Basilea, or to Basilea group companies. For further details, please refer to article 3b (capital band) of Basilea's articles of association (Basilea's articles of association are available on the Basilea website at https://www.basilea.com/articles-of-association). Any shares issued within the scope of the capital band are subject to the transfer restrictions set forth under "Limitations on transferability of shares and nominee registrations" on page 54.

Conditional share capital

As of December 31, 2023, Basilea's conditional share capital is structured as follows:

In accordance with article 3a paragraph 1 of the articles of association, the share capital may be increased by a maximum of CHF 1,660,315 through the issuance of a maximum of 1,660,315 registered shares with a nominal value of CHF 1 each, to cover the exercise of rights to subscribe for new shares within the meaning of article 653 paragraph 1 of the Swiss Code of Obligations granted to employees of Basilea or of group companies and / or members of the board of directors of Basilea. A maximum of 1,533,420 rights / options to subscribe for new shares were outstanding under Basilea's employee stock option plan / long-term incentive plans as of December 31, 2023 (including 4,101 rights / options that will forfeit or vest after that date due to termination of employment).

In accordance with article 3a paragraph 2 of the articles of association, the share capital may be increased up to a maximum of CHF 2,000,000, by issuing a maximum of 2,000,000 registered shares having a par value of CHF 1 each, with respect to the exercise of conversion rights granted to holders of existing convertible bonds (to the extent they were backed so far by treasury shares) or new convertible bonds issued by Basilea or one of its group companies. The aggregate principal amount of

the convertible bonds backed by such conditional capital and/or treasury shares shall not exceed CHF 250,000,000, and such conditional capital can only be used for convertible bonds issued until December 22, 2022.

In accordance with article 3c (conditional share capital based on the capital band) of the articles of association, the share capital may be increased within the scope of the capital band by the issuance of maximum 1,300,000 registered shares with a nominal value of CHF 1 each through the exercise or compulsory exercise of conversion, exchange, option, subscription or other rights to subscribe for shares or through purchase obligations in respect of shares granted or imposed on shareholders or third parties alone or in connection with bonds, loans, options, warrants or other financial market instruments or contractual obligations of the Company or one of its group companies (collectively "Financial Instruments"). However, as of December 31, 2023, no such Financial Instruments have been issued under article 3c of the articles of association.

For further details related to the conditional share capital, please refer to articles 3a and 3c of Basilea's articles of association (Basilea's articles of association are available on the Basilea website at https://www.basilea.com/articles-of-association).

Any shares issued under conditional capital are subject to the transfer restrictions set forth under "Limitations on transferability of shares and nominee registrations" on page 54.

Changes in capital

In 2023, 2022, and 2021, Basilea increased its share capital as follows:

In 2023, the share capital was increased by CHF 6,381 as a result of the exercise of stock options and vesting of RSUs (restricted share units) granted under Basilea's employee stock option and long-term incentive plans (6,381 registered shares with a par value of CHF 1 per share), which equates to 0.05% of the issued share capital as of December 31, 2023.

In 2022, the share capital was increased by CHF 101,279 as a result of the exercise of stock options and vesting of RSUs granted under Basilea's employee stock option and long-term incentive plan (101,279 registered shares with a par value of CHF 1 per share), which equates to 0.77% of the issued share capital as of December 31, 2022.

In 2021, the share capital was increased by CHF 69,961 as a result of the exercise of stock options granted under Basilea's employee stock option plan (69,961 registered shares with a par value of CHF 1 per share) and by CHF 1,000,000 as a result of a private placement out of authorized capital (1,000,000 registered shares with a par value of CHF 1 per share); the total capital increase of CHF 1,069,961 equates to 8.24% of the issued share capital as of December 31, 2021.

For further information on changes in capital in 2023, 2022, and 2021, including changes in reserves and retained earnings, please refer to the consolidated statement of changes in shareholders' equity as well as to note 15 (shareholders' equity, page 163) to the consolidated financial statements and note 3 (share capital, page 177) to the financial statements of Basilea. Please also refer to the consolidated statement of changes in shareholders' equity included in the annual reports 2022 and 2021 for information on changes in equity in the respective years (available online at https://www.basilea.com/reports-archive).

Shares, participation and profit-sharing certificates

Basilea has only one class of shares (registered shares) with a par value of CHF 1 per share. Each share is fully paid-in and carries one vote and equal dividend rights, with no special privileges. Basilea has not issued any participation or profit-sharing certificates.

Limitations on transferability of shares and nominee registrations

Basilea's shares are uncertificated securities ("Wertrechte", within the meaning of the CO) and qualify as intermediated securities ("Bucheffekten", within the meaning of the Federal Act on Intermediated Securities (FISA)).

Basilea may at any time convert uncertificated securities into share certificates (including global certificates), one kind of certificate into another, or share certificates (including global certificates) into uncertificated securities. Following entry in the share register, a shareholder may at any time request a written confirmation in respect of the shares. Basilea may print and deliver certificates for shares at any time. Shareholders are not entitled, however, to request the printing and delivery of certificates.

According to article 5 of the articles of association (available on the Basilea website at https://www.basilea.com/articles-of-association), voting rights may be exercised only after a shareholder has been entered in the share register with his or her name and address (in the case of legal entities, the registered office) as a shareholder with voting rights. Basilea enters an acquirer of shares as shareholder with voting rights if the acquirer discloses its name, citizenship or registered office, respectively, and address, and explicitly states that the acquirer acquired the shares in its own name and for its own account.

Failing registration by the deadline set by the board of directors, a shareholder or usufructuary ("Nutzniesser") may neither vote at nor participate in a general meeting of shareholders, but is still entitled to receive dividends and other rights of financial value. No exemptions were granted from the above restrictions in 2023.

A nominee, meaning a person or legal entity not explicitly stating in its registration request that it will hold the shares for its own account, may be entered as a shareholder in the share register with voting rights for shares up to a maximum of 3% of the registered nominal share capital, provided such nominee enters into a nominee agreement with Basilea. Shares held by a nominee that exceed this limit are only registered in the share register with voting rights if such nominee declares in writing to disclose the name, address, and shareholding of any person or legal entity for whose account the nominee is holding 0.5% or more of the nominal share capital registered with the commercial register. The limit of 3% applies correspondingly to nominees who are related to one another through capital ownership or voting rights, who have a common management or are otherwise interrelated.

Basilea's articles of association do not further limit the transferability of shares. A qualified majority of at least two-thirds of the share votes represented as well as the majority of the par values of shares represented at a general meeting of shareholders are required for resolutions on transfer restrictions of Basilea's shares. For further information on the registration in the share register, please refer to the section "Registration in the share register" on page 75.

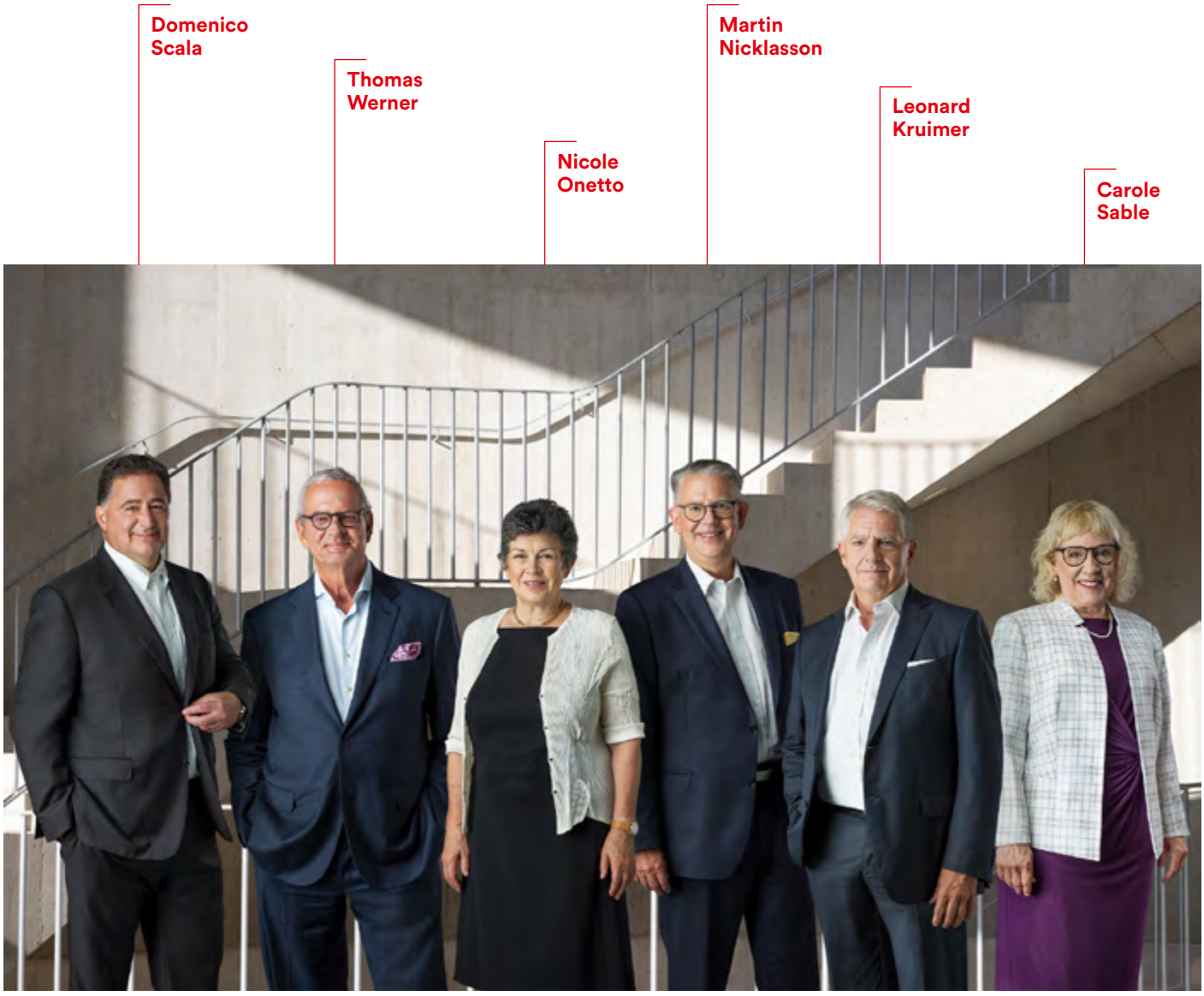
Convertible bonds and options

In July 2020, Basilea placed senior unsecured convertible bonds due July 28, 2027 (the "Bond"). The aggregate principal amount of the Bond is CHF 97.085 million and it is divided into securities / bonds with denominations of CHF 5,000 each. The Bond carries a coupon of 3.25% per annum, payable semi-annually in arrears on January 28 and July 28. The coupon was payable for the first time on January 28, 2021. The Bond is listed on the SIX Swiss Exchange (security number: 55499206; ISIN: CH0554992062). Unless previously redeemed, or purchased and cancelled, the Bond will be convertible into shares of Basilea at the option of the bondholders from September 7, 2020 up to and including the earlier of (i) seven trading days before July 28, 2027 or (ii) ten trading days prior to an early redemption. The Bond has a conversion price of CHF 62.50. The shares delivered upon conversion will be sourced from conditional capital and the existing treasury shares of Basilea. Upon execution of the conversion right, the relevant bondholder will receive 80 Basilea shares per Bond security, subject to adjustment pursuant to anti-dilution provisions. Basilea may redeem all outstanding convertible bond securities at their principal amount of CHF 5,000, together with unpaid accrued interest, if any, at any time on or after August 12, 2025 until July 28, 2027 if the volume-weighted average price of a Basilea share on each of at least twenty out of thirty consecutive trading days ending not earlier than five trading days prior to the date on which the relevant notice of redemption is given has been at least 130% of the conversion price. Basilea may also redeem all but not only some of the outstanding Bond securities at their principal amount, together with unpaid accrued interest, if any, at any time after July 28, 2020 and prior to July 28, 2027 if less than 15% of the aggregate principal amount of the Bond securities originally issued is outstanding. As of December 31, 2023, the principal nominal amount of CHF 97.085 million was outstanding. The Bond is thus convertible into a total number of 1,553,360 shares.

For information on the employee stock option plan / long-term incentive plans and on the number of options / rights granted thereunder, please refer to Basilea's compensation report (pages 107 et seqq.) and to note 14 (stock-based compensation and Restricted / Performance Share Units, page 159) to the consolidated financial statements included in this annual report.

Board of directors

Basilea's board of directors consists of six members who all have extensive experience in the pharmaceutical industry. Descriptions of each member's nationality, business experience, education, and activities are provided on the following pages.



Board of directors as of December 31, 2023

Board competencies

The board determines and regularly reviews a specific set of competencies to be represented on the board. These are aligned with the Company's strategic priorities, product portfolio, business model, as well as its culture. The corporate governance & nomination committee assesses the representation of these competencies by the board members annually, in order to ensure an appropriate balance of skills and diversity.

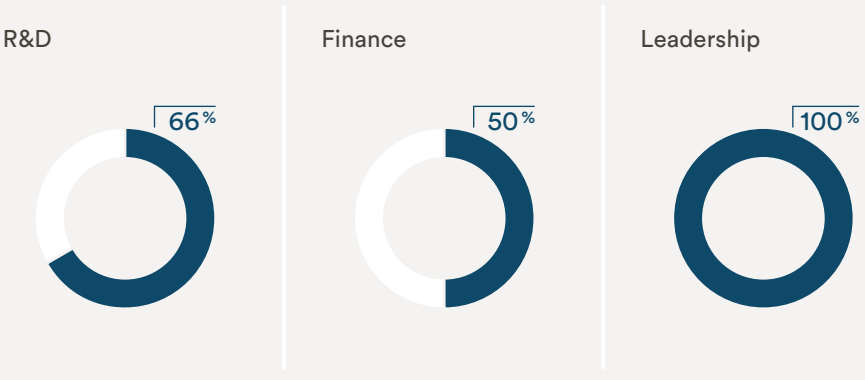
The board has determined the following key competencies:

Research & development (R&D)
R&D in a biopharmaceutical Company is central to the long-term corporate strategy. Experience in R&D is essential to support management in focusing on differentiated approaches, addressing unmet medical needs in the Company's priority therapy areas and to ensure an appropriate overall risk-return profile for the Company's R&D portfolio.

Finance
Finance comprises relevant experience in corporate finance, mergers & acquisitions, accounting and reporting, as well as financial market regulations. Experience in finance is an important prerequisite for overseeing the Company's financial planning, evaluating corporate transactions, ensuring the integrity of its reporting, as well as implementing a robust enterprise risk management.

Leadership
Leadership encompasses a record of accomplishments as a former or active corporate executive and expertise in managing and developing biotech companies. The exposure in a leadership role significantly increases the understanding for Basilea's operations and its business model. It provides awareness for legal complexities, for the importance of regulatory compliance as well as experience in fostering a corporate culture and leading new entrepreneurial responsibilities, such as ESG or digitalization.

Key competencies represented by the board members



Board diversity

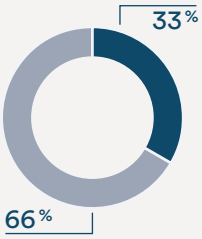
The board believes that diversity is a key factor for its effectiveness. When identifying new board member candidates, the corporate governance & nomination committee is looking to further increase the board's diversity and to adapt as required in an evolving environment.

Diversity profile

Nationality

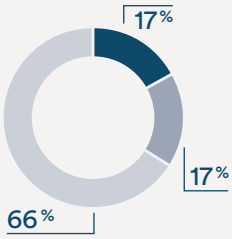
- American
- Dutch
- German
- Swedish
- Canadian & French
- Italian & Swiss

Gender



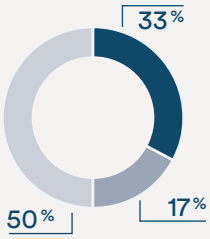
- Female
- Male

Age



- 55–60
- 61–65
- >65

Tenure



- <5 years
- 5–10 years
- >10 years

Members, functions and other activities

Domenico Scala
Chairman of the board
Nationality: Swiss and Italian
Year of birth: 1965

Domenico Scala has been a member of the board since 2011 and has been serving as the chairman of the board since 2016. He is also a member of the corporate governance & nomination committee and of the audit committee.
Mr. Scala served as chairman of the board of BAK Economics AG from 2016 (member since 2014) to June 2023 and as chairman of the audit and compliance committee of FIFA (Fédération Internationale de Football Association) from 2012 to 2016. From 2007 to 2011, he was president and CEO of Nobel Biocare Holding AG and from 2003 to 2007, CFO of Syngenta International AG. Prior to that, he held various senior leadership positions at Roche Holding AG and was finance director with Panalpina Italy Spa and senior auditor with Nestlé SA.
Mr. Scala is chairman of the board of Oettinger Davidoff AG, member of the bank council of the Basler Kantonalbank, president of Basel-Area, and steering committee member of digitalswitzerland.
Mr. Scala graduated with a master in economics from the University of Basel and holds executive development degrees from INSEAD and London Business School.

Key competencies: Finance and Leadership

Thomas Werner, Ph.D.
Vice-chairman of the board
Nationality: German
Year of birth: 1956

Thomas Werner, Ph.D., has been a member of the board since 2011 and has been serving as the vice-chairman of the board since 2018. He is also chairman of the corporate governance & nomination committee and a member of the compensation committee.
Mr. Werner served as senior vice-president and managing director of Glaxo SmithKline Germany from 2001 to 2008. From 1997 to 2000, he was managing director for Glaxo Wellcome Germany and director of the Central European Region. Previously he was managing director of Bristol-Myers Squibb Germany and of Convatec Central Europe.
Mr. Werner serves as chairman of the board of Pharmathen S.A., chairman of the investment advisory committee of the Health for Life Capital Fund (HFL I and II) of Seventure Partners, and is member of the scientific advisory board of Vectura Fertin Pharma. He was chairman of the board of Fertin Pharma A/S from 2017 to 2019 and senior independent non-executive director/vice-chairman of Vectura Group plc (previously SkyePharma plc) from 2009 to 2021.
Mr. Werner graduated with a doctorate in chemistry from the University of Göttingen, Germany.

Key competencies: R&D and Leadership

Leonard Kruimer
Member of the board
Nationality: Dutch
Year of birth: 1958

Leonard Kruimer has been a member of the board since 2022. He is also chairman of the audit committee.
Mr. Kruimer has more than 30 years of experience in corporate finance, planning, and strategy, including 20 years in senior executive positions in private and publicly listed biotechnology companies. He was member of the investment advisory council of Karmijn Kapitaal from 2013 to 2023 and director of the board of Oncolytics Inc. from 2019 to 2022. Mr. Kruimer served as CFO of SkylineDx BV from 2015 to 2016, of BBB Therapeutics from 2014 to 2015, and of Crucell N.V. from 1997 to 2011. Prior to Crucell, he held various other senior executive roles. He was also a consultant with McKinsey & Co. and an auditor at Price Waterhouse & Company, New York.
Mr. Kruimer is chairman of the board of BioInvent International AB, member of the board of Pharming Group NV, member of the board of Zealand Pharma A/S, and director of AI Global Investments (Netherlands) PCC Ltd.
Mr. Kruimer holds a master of business administration from Harvard Business School, a bachelor degree in accounting and finance from the University of Massachusetts Amherst, and is a certified public accountant in the State of New York.

Key competencies: Finance and Leadership

Martin Nicklasson, Ph.D.
Member of the board
Nationality: Swedish
Year of birth: 1955

Martin Nicklasson, Ph.D., has been a member of the board since 2013. He is also chairman of the compensation committee and a member of the audit committee.
Mr. Nicklasson was chairman of the board of Kymab Group Ltd. from 2017 to 2021, member of the board of Orexo AB from 2012 to 2020, and served as president and CEO of Biovitrum AB and Swedish Orphan Biovitrum AB from 2007 to 2010. From 1999 to 2007, he held various executive vice president positions and was a member of the executive committee of AstraZeneca Plc.
He is chairman of the board of Zealand Pharma A/S and chairman of the board of Nykode Therapeutics AS.
Mr. Nicklasson is a certified pharmacist and holds a doctorate in pharmaceutical technology from the University of Uppsala. He is an honorary associate professor at the Pharmaceutical Faculty of the University of Uppsala.

Key competencies: R&D, Finance and Leadership

Nicole Onetto, M.D.
Member of the board
Nationality: Canadian and French
Year of birth: 1953

Nicole Onetto, M.D., has been a member of the board since 2017. She is also a member of the compensation committee.
Ms. Onetto is an independent consultant in oncology, drug development and translational research. She was deputy director & chief scientific officer at the Ontario Institute for Cancer Research from 2009 to 2016. From 2005 to 2009, she was senior vice president and chief medical officer at ZymoGenetics Inc. From 2002 to 2005, she served at OSI Pharmaceuticals, Inc., first as executive vice president oncology, and then as chief medical officer and executive vice president. Her career in the pharmaceutical industry also includes senior management positions at Bristol-Myers Squibb and Nexstar Pharmaceuticals, which was acquired by Gilead Sciences, Inc. She served as member of the board of ImmunoGen Inc. from 2005 to 2016, of YM BioSciences Inc. from 2014 to 2015, of Sierra Oncology, Inc. from 2015 to 2019, of NBE-Therapeutics AG from 2017 to 2021, and of Viracta Therapeutics, Inc. (previously Sunesis Pharmaceuticals, Inc.) from 2019 to February 2023. Ms. Onetto is a member of the board of Bolt Biotherapeutics, Inc. and of CDR-Life AG.
Ms. Onetto holds a doctor of medicine from the University of Paris, a master of pharmacology from the University of Montréal and has a qualification in pediatrics and in hematology from the University Paris V.

Key competencies: R&D and Leadership

Carole Sable, M.D.
Member of the board
Nationality: American
Year of birth: 1961

Carole Sable, M.D. has been a member of the board since April 2023. She is also a member of the corporate governance & nomination committee.
Ms. Sable is an independent consultant in drug development and portfolio strategy. She has more than 30 years of experience in the field of infectious diseases, both as a physician and in senior positions in the pharmaceutical industry. From 1993 to 1995, she was assistant professor of internal medicine, infectious diseases at the University of Virginia Health Sciences Center, Charlottesville. From 1995 to 2007 and from 2010 to 2013, she worked at Merck & Co in the US in different functions including executive director, clinical research, infectious diseases and neurosciences and as vice president, therapeutic area development lead, neuroscience. Ms. Sable served as chief medical officer of Novexel SA (France) from 2007 to 2010, of Scynexis Inc. (US) from 2014 to 2015, of Revolution Medicines Inc. (US) from 2015 to 2016 and of Vitae Pharmaceuticals Inc. (US) in 2016. From 2018 to 2021, she was head of clinical development at Antabio SA (France). Ms. Sable acts as a scientific advisor to CARB-X (Combating Antibiotic-Resistant Bacteria Biopharmaceutical Accelerator) and to GARDP (Global Antibiotic Research & Development Partnership).
She holds a bachelor of science in biology from the University of Scranton and a doctorate of medicine from the Jefferson Medical College, Philadelphia. She completed her residency in internal medicine and fellowship in infectious diseases at the University of Virginia.

Key competencies: R&D and Leadership

During the reporting period, Steven D. Skolsky resigned from his function as a board member with effective date April 26, 2023. The board is fully composed of non-executive and independent members (in accordance with section 14 of the Swiss Code of Best Practice for Corporate Governance).

There are no significant business connections between the board members and Basilea or any of its subsidiaries. For further information, please refer to note 20 (related party transactions, page 169) to the consolidated financial statements.

Apart from the activities indicated above, the board members have no other activities in governing and supervisory bodies of important Swiss or foreign organizations, institutions or foundations under private or public law, permanent management or consultancy functions for important Swiss or foreign interest groups or official functions and political posts or in other undertakings with commercial objectives.

According to article 26 of Basilea's articles of association, no board member may hold more than twelve additional mandates, whereof not more than four mandates in listed companies. All board members fulfill these requirements. The full text of article 26 of Basilea's articles of association is available online at https://www.basilea.com/articles-of-association.

Elections and terms of office

Article 13 of Basilea's articles of association provide that the board of directors consists of at least one and not more than nine members. Board members are appointed and may be removed exclusively by shareholders' resolution. The board members and the chairperson are elected annually by the general meeting of shareholders and serve for a period until the completion of the subsequent ordinary general meeting of shareholders; they are eligible for re-election. Each member of the board must be elected individually.

The current board members were elected at the annual general meeting held on April 26, 2023.

Areas of responsibility

Responsibilities of the board

The board is entrusted with the ultimate direction of Basilea and the supervision of management. It has the following non-delegable and inalienable powers and duties:

- the overall management of the Company and the issuing of all necessary directives; the determination of the Company's organization; the organization of the accounting, financial control and financial planning systems; the appointment and dismissal of persons entrusted with managing and representing the Company and the granting of the signatory power;
- the overall supervision of the persons entrusted with managing the Company, in particular with regard to compliance with the law, articles of association, operational regulations and directives;
- the compilation of the annual and the compensation report as well as the preparation of the general meeting and the implementation of its resolutions;
- to determine the rules governing subsequent contributions with respect to shares that are not fully paid-in; to pass resolutions on the increase in share capital, to the extent that these fall under the powers of the board of directors and on the confirmation of capital increases and the resulting amendments to the articles of association; the duties and powers of the board of directors which are non-transferable and irrevocable under the Swiss merger act;
- the filing of an application for a debt restructuring moratorium and notifying the court in the event of overindebtedness; and
- other duties and powers reserved to the board of directors by law or by the Company's articles of association.

The board may, while retaining such non-delegable and inalienable powers and duties, delegate some of its powers, in particular direct management, to a single or to several of its members, managing directors, committees or to third parties who neither need to be board members nor shareholders. Pursuant to Swiss law and article 16 of the articles of association, details of the delegation and other procedural rules such as quorum requirements must be set in the organizational regulations issued by the board. However, the board specifically retains certain powers, including setting the strategy and short- and long-term goals of Basilea; approving all M&A transactions for which no shareholder approval is required; making decisions on annual budgets; the general direction of research and development (e.g. therapeutic areas covered, areas of priority and third-party co-operations); defining the Company's ESG (Environmental, Social, Governance) strategy; setting general policies in relation to personnel matters, including further specifying the basic principles of the articles of association relating to benefit and incentive plans; communicating with shareholders and the public as required by applicable laws and regulations; and setting general policies on outsourcing versus internal functions for manufacturing, sales and marketing.

Internal organization

According to section 4.2 of Basilea's organizational regulations (available online at https://www.basilea.com/organizational-regulations), resolutions of the board are passed by way of simple majority. To validly pass a resolution, a quorum of more than half of the board members must attend the meeting. No quorum is required for confirmation resolutions ("Feststellungsbeschlüsse") and adaptations of the articles of association in connection with capital increases.

Working methods of the board and its committees

According to section 4.2 of the organizational regulations, the board must hold at least four meetings per year. When required, the board holds ad hoc meetings or telephone conferences to discuss specific issues or passes resolutions by way of written circular resolutions. Meetings are held in person, virtually, or by telephone conference.

In 2023, the board of directors held eight board meetings, of which six were held in person and two as virtual meetings. The average duration per meeting was four hours and fifteen minutes.

The management committee reports to the board on the status of operations including the progress of research and clinical development, commercialization activities, including by its partners, the status of drug supply, licensing, financial activities, and human resources. In addition, an update on investor relations activities and the development of Basilea's share price is provided. If required, the board of directors consults with external experts.

The board committees report to the full board at the board meeting following the relevant committee meeting. Any resolutions on matters assigned to the committees are taken by the board on the basis of recommendations of the relevant committee.

The board of directors performs an annual self-evaluation and discusses the findings in order to continuously improve its governance performance and practices. The annual self-evaluation process is managed by a leading Swiss law firm. The process includes a detailed questionnaire; the external expert provides to the board a written report.

Chairperson of the board

The chairperson of the board is elected annually by the general meeting of shareholders. The chairperson calls, prepares, and chairs the meetings of the board and also chairs the general meetings of shareholders. The chairperson supervises the implementation of the resolutions of the board and regularly supervises the CEO and the management committee. The CEO regularly reports to the chairperson on the meetings of the management committee and on all important matters of the Company. The chairperson is also entitled to attend the meetings of the management committee. For urgent matters that do not allow for the board to take resolutions in time, the chairperson is entitled to take decisions that fall within the competencies of the board. At the annual general meeting of shareholders on April 26, 2023, Domenico Scala was re-elected as chairman of the board.

Vice-chairperson of the board

The vice-chairperson of the board is designated by the board and exercises the powers of the chairperson in the chairperson's absence. In the meeting of the board subsequent to the annual general meeting on April 26, 2023, Thomas Werner was re-elected as vice-chairman of the board.

Board committees

The board can set up specialized committees to analyze specific issues and advise the board on those issues. The committees are advisory bodies only and decision making remains with the board. The board determines each committee's organization, procedures, policies and activities. The board has established an audit committee, a compensation committee, and a corporate governance & nomination committee. The members of the compensation committee are elected by the shareholders at each annual general meeting. In the meeting of the board subsequent to each annual general meeting, the board appoints the members of the audit committee and of the corporate governance & nomination committee.

Board committees and composition as of December 31, 2023:

Audit committee	Compensation committee	Corporate governance & nomination committee
Leonard Kruimer (Chairman)	Martin Nicklasson (Chairman)	Thomas Werner (Chairman)
Martin Nicklasson	Nicole Onetto	Carole Sable
Domenico Scala	Thomas Werner	Domenico Scala

Audit committee

In the meeting of the board subsequent to the annual general meeting on April 26, 2023, the following board members were appointed to the audit committee: Leonard Kruimer (chairman), Martin Nicklasson, and Domenico Scala. All audit committee members are independent and non-executive in accordance with section 23 of the Swiss Code of Best Practice for Corporate Governance.

The audit committee assists the board in overseeing accounting and financial reporting processes and audits of the financial statements. In addition, it is responsible for the guidelines of the risk management and internal control system, and review of their adequacy and effectiveness, review of compliance, assessment of the external auditors' quality and work and review of their audit plans, monitoring of the independence of the external auditors (including authorizing of non-audit services by the auditors and their compliance with applicable rules), proposal of new auditors, if necessary, to the board, review of annual and interim financial statements, review of the audit results, and monitoring of the implementation of any findings by the management committee.

The audit committee held three meetings in 2023, lasting two hours and ten minutes on average. Two meetings were held in person and one meeting was held virtually. The main topics at these meetings were the review of the year-end financial statements and annual report 2022; review of the half-year financial statements 2023; review of the annual budget 2024 as well as mid-term financial planning; financial and non-financial risk management; the scope of the external audit 2023 as well as the scope and results of the internal audit 2023. The external auditors attended all three audit committee meetings in 2023 to report on the results of the full-year 2022 audit, the half-year 2023 review and on the preparation of the full-year 2023 audit. The recommendations of the audit committee were then provided to the full board of directors.

Compensation committee

At the annual general meeting on April 26, 2023, the following board members were re-elected as members of the compensation committee: Martin Nicklasson (chairman), Nicole Onetto, and Thomas Werner. All compensation committee members are independent and non-executive in accordance with the Swiss Code of Best Practice for Corporate Governance.

The compensation committee assists the board in compensation-related matters, including providing recommendations on the compensation of the board members and the management committee, development of the annual compensation report, the policies for the compensation of the management committee and Company employees, and the basic principles for the establishment, amendment and implementation of the long-term incentive plan, as well as the criteria relating to performance-related compensation elements.

The compensation committee held two meetings in 2023; both were held in person. The meetings lasted three hours on average. The main topics at the meetings were:

- the general remuneration of the board of directors, of the management committee, and of the employees;
- annual general salary increases;
- the review of the long-term incentive plan and update on the progress of incentive plans for which the performance period was ongoing;
- performance criteria and grant of PSUs (performance share units) and RSUs (restricted share units);
- review of budgets for the maximum aggregate amount of compensation for the board of directors and the management committee for shareholder approval;
- review of the Company's achievements against the 2023 goals and determination of the performance-related bonus pool;
- evaluation of the achievements of the CEO and the management committee and determination of their variable compensation;
- review of the compensation report 2023;
- the planning of the 2024 corporate goals;
- review of the 2023 annual general meeting results; and
- review of the 2023 equal pay analysis results.

The recommendations of the compensation committee were then provided to the full board of directors.

Corporate governance & nomination committee

In the board meeting following the annual general meeting of shareholders on April 26, 2023, the following board members were appointed to the corporate governance & nomination committee: Thomas Werner (chairman), Carole Sable, and Domenico Scala.

The corporate governance & nomination committee is responsible for developing, updating, and recommending to the board corporate governance principles and policies applicable to the Company, and for monitoring compliance with such principles and policies. The corporate governance & nomination committee is also responsible for board succession planning, board member recruiting, and board self-evaluation.

The corporate governance & nomination committee held two meetings in 2023, with an average duration of one hour and fifteen minutes. Both meetings were held in person. The main topics at these meetings were the Company's governance principles, policies, and ongoing compliance activities.

Attendance at board and committee meetings in 2023

	Board	Audit committee	Compensation committee	Corporate governance & nomination committee
Number of meetings	**8**	**3**	**2**	**2**
Domenico Scala*	8	3	2	2
Thomas Werner	8	–	2	2
Leonard Kruimer	8	3	–	–
Martin Nicklasson	8	3	2	–
Nicole Onetto	7	–	2	–
Carole Sable**	6	–	–	1
Steven D. Skolsky***	1	1	–	1

* Member of the audit committee since April 26, 2023

** Member of the board and of the corporate governance & nomination committee since April 26, 2023

*** Member of the board, of the audit committee, and of the corporate governance & nomination committee until April 26, 2023

Delegation to the management committee

In accordance with the articles and the organizational regulations (available online at https://www.basilea.com/organizational-regulations), the board has delegated all areas of management of Basilea that are not reserved to the board by law, the articles of association or the organizational regulations (see section "Responsibilities of the board" on page 62) to the CEO and the management committee reporting to the CEO. The main duty of the CEO with the assistance of the management committee is to manage the business operations, to implement the strategies and other decisions of the board, to make proposals to the board regarding matters within the decision-making competency of the board, and to set the operative focus and priorities as well as to procure the necessary resources.

Information and control instruments of the board

The board is responsible for the oversight of the Company's risk management activities and has delegated the responsibility of assisting the board in this task to the audit committee. While the board oversees risk management, the management committee is responsible for day-to-day risk management processes. The board has directed the management committee to consider risk and risk management in each business decision, to proactively develop and monitor risk management strategies and processes for day-to-day activities and to effectively implement risk management strategies. Basilea has outsourced internal audit activities to Ernst & Young Ltd, Basel, who provides a written report once a year summarizing the results of its internal audit related to Basilea's risk and control processes. In addition, the external statutory auditor provides to the board a written report about their audit related to the existence of the internal control system.

Board meetings are the board's main platform to supervise and control the Company's management. At the board meetings, the CEO and the management committee members report on the financial, research and development, commercial, drug supply, business development, and human resources activities with a particular focus on the main risks of the Company related to its key value drivers, respective measures taken and related strategic proposals.

In addition, the CEO provides to the board a monthly CEO report covering important operational activities. Additionally, management provides interim ad hoc updates to the board on the status of operations and other issues as necessary or if requested by the chairperson and the board. The main components of the monthly CEO reports and these updates are the status of development and research programs, commercial activities, the status of drug supply, and partnering activities. Furthermore, management provides a monthly management report to the chairperson and a financial report to the board including an unaudited consolidated balance sheet, a statement of operations, and a statement of cash flows for the respective month. The financial report further includes comparisons of actual versus budgeted numbers.

Draft consolidated financial statements for the previous financial year and draft consolidated financial interim statements, as prepared by Basilea management, are provided to the audit committee for review and to the external auditors for performing their audit and review, respectively. Each year at the end of January or beginning of February (for the audited consolidated financial statements) and end of July or beginning of August (for the unaudited consolidated half-year statements), the audit committee makes its recommendation regarding the approval of the respective financial statements to the full board.

At the end of each year, upon recommendation of the audit committee, the board reviews and approves the annual budget of the Company for the following year. The audit committee reviews any budget changes as may occur from time to time related to strategic changes or opportunities. In the event the audit committee recommends any changes to the budget, the board considers and may determine to approve such budget changes consistent with the strategy of the Company.

Board compensation

For the content and method of determining the board compensation, please see the compensation report on pages 85 et seqq.

Management committee / extended management committee

Members, functions and other activities

The management committee, appointed by the board, is responsible for the operational management of the Company pursuant to the organizational regulations (available online at https://www.basilea.com/organizational-regulations). The Chief Executive Officer (CEO) is the head of the management committee, and the members of the management committee and of the extended management committee report to him. The board and in particular the chairperson of the board is responsible for regular supervision of the CEO and the management committee. Under the direction of the CEO, the management committee focuses on the corporate goals, budget, portfolio review and risk management, and as needed on organizational structure, corporate policies, and corporate strategies. The management committee holds formal meetings on a monthly basis, and additional operational meetings are held on an ongoing basis. These meetings focus on significant operational issues concerning execution of goals, budget, resources, new business proposals, and priorities. The participants of these meetings are the management committee members, extended management committee members and key employees from the relevant functions.

All management committee and extended management committee members have extensive experience in the pharmaceutical industry. The following table sets forth the name, date of appointment and position of the members of the management committee as of December 31, 2023. A description of each member's nationality, business experience, education, and activities is outlined further below.

	Appointed	Position
David Veitch	2018	Chief Executive Officer
Marc Engelhardt	2018	Chief Medical Officer
Gerrit Hauck	2018	Chief Technology Officer
Adesh Kaul	2019	Chief Financial Officer
Laurenz Kellenberger	2009	Chief Scientific Officer

David Veitch
Chief Executive Officer
Nationality: British
Year of birth: 1965

David Veitch has been Chief Executive Officer since 2018.
Mr. Veitch joined Basilea in 2014 as Chief Commercial Officer. Before that, from 2012 to 2013, he served as the president of European operations at Savient Pharmaceuticals. From 2007 to 2011, he served as senior vice president of European marketing & brand commercialization at Bristol-Myers Squibb Pharmaceuticals. From 2004 to 2007, he was vice president & general manager UK at Bristol-Myers Squibb Pharmaceuticals. Prior to this Mr. Veitch held various general management and commercial roles in Bristol-Myers Squibb Pharmaceuticals and prior to that commercial roles with SmithKline Beecham Pharmaceuticals.
Mr. Veitch holds a B.Sc. in Biology from the University of Bristol.

Marc Engelhardt, M.D.
Chief Medical Officer
Nationality: Swiss, German, and American
Year of birth: 1964

Marc Engelhardt, M.D., has been Chief Medical Officer since 2018. He is a member of the management committee of Basilea.
Mr. Engelhardt previously held the position of Head of Development, leading Basilea's clinical research and development group. He joined Basilea in 2010 as Head of Clinical Research. Before that, he served as global program medical director at Novartis Pharma AG and held various positions with increasing responsibility at Bracco-Altana, Germany and Bracco Diagnostics, USA.
Mr. Engelhardt holds a medical degree and a Ph.D. from the University Frankfurt / Main and is board certified in internal medicine.

Gerrit Hauck, Ph.D.
Chief Technology Officer
Nationality: German
Year of birth: 1964

Gerrit Hauck, Ph.D., has been Chief Technology Officer since 2018. He is a member of the management committee of Basilea.
Mr. Hauck joined Basilea from Sanofi, where he held various technical operations and management functions during his 24-year career at Sanofi and its predecessor companies, including formulation development, plant management and global CMC leadership. Most recently, he was cluster head synthetic molecules, overseeing most of Sanofi's technical development programs for synthetic molecules from preclinical candidates to launch. Since January 2012, he was a member of Sanofi's research stage gate committee, which was responsible for the transition of candidate molecules from research into development.
Mr. Hauck graduated as a pharmacist from the University of Heidelberg and holds a Ph.D. from Saarland University.

Adesh Kaul
Chief Financial Officer
Nationality: Swiss
Year of birth: 1974

Adesh Kaul has been Chief Financial Officer since 2019. He is a member of the management committee.
Mr. Kaul previously held the position of Chief Corporate Development Officer of Basilea since 2018 and before that Head of Corporate Development. He joined Basilea in 2009 and held various positions until 2015, including Head Business Development & Licensing, Investor Relations and as Head Public Relations & Corporate Communications. From 2015 to 2016, he held the positions of CFO and head corporate development at Polyphor AG. From 2006 to 2009, Mr. Kaul was senior financial analyst at Neue Zürcher Bank and before that he held several senior executive positions in general management and in sales & marketing at Genedata AG.
Mr. Kaul holds master's degrees in economics and in biochemistry from the University of Basel, and an Executive MBA from the University of St. Gallen.

Laurenz Kellenberger, Ph.D.
Chief Scientific Officer
Nationality: Swiss
Year of birth: 1967

Laurenz Kellenberger, Ph.D., has been Chief Scientific Officer since 2009. He is a member of the management committee of Basilea.
Mr. Kellenberger joined Basilea in 2000 and held several leadership positions in research with responsibilities for key projects from lead finding and optimization through to preclinical development, including as Head of Chemistry. He started his career as a researcher at the University of Cambridge and at F. Hoffmann-La Roche, where he held different positions in preclinical research and chemical technologies.
Mr. Kellenberger holds a Ph.D. in organic chemistry from the Swiss Federal Institute of Technology Zurich (ETH Zürich) and is author of numerous scientific publications.

Extended management committee

In addition to the above-mentioned management committee members, the extended management committee (EMC, not part of the management committee as per the SIX Swiss Exchange Directive on Information relating to Corporate Governance) is appointed by and reports to the CEO. As of December 31, 2023, the EMC comprises Peter Bielmeier, Head of Global Quality Management, Ursula Eberhardt, Head of Global Human Resources, and Damian Heller, General Counsel & Corporate Secretary.
A description of each EMC's member's nationality, business experience, and education is outlined below:

Peter Bielmeier, Ph.D.
Head of Global Quality Management
Nationality: German
Year of birth: 1967

Peter Bielmeier, Ph.D., has been Head of Global Quality Management since 2022. He is a member of the extended management committee of Basilea.
Mr. Bielmeier joined Basilea from BeiGene Switzerland GmbH, where he served as Head Quality Europe, responsible for defining and implementing the quality strategy for BeiGene Europe as well as for establishing and managing the quality management system. Prior to that, he held various positions including quality product leader and quality site head at F. Hoffmann-La Roche Ltd.
Mr. Bielmeier holds a master's degree in chemistry and a Ph.D. in pharmaceutical chemistry from the University of Regensburg.

Ursula Eberhardt
Head of Global Human Resources
Nationality: Swiss
Year of birth: 1962

Ursula Eberhardt has been Head of Global Human Resources since 2017. She is a member of the extended management committee of Basilea.
Ms. Eberhardt joined Basilea in 2006 and held various leadership positions in Human Resources, including Deputy Head of Global Human Resources. Prior to joining Basilea, she worked in various marketing, communications and administration positions at Barclays Bank Ltd, Zurich and Dubach Advertising Agency.
Ms. Eberhardt holds a Swiss federal diploma in marketing communication and a Swiss advanced federal diploma of higher education in human resources management.

Damian Heller
General Counsel & Corporate Secretary
Nationality: Swiss
Year of birth: 1966

Damian Heller has been General Counsel & Corporate Secretary since 2017. He is a member of the extended management committee of Basilea.
He joined Basilea in 2015 as Deputy General Counsel and Global Compliance Officer. Prior to joining Basilea, he worked for 20 years in the field of legal, compliance and corporate governance and held several leadership positions, including director of the Basel Institute on Governance, global compliance officer of Novartis Pharma AG and corporate secretary of Syngenta AG.
Mr. Heller holds a master's degree in law from the University of Basel and a master's degree in business administration from the University of Rochester, New York.

Apart from the information given above, there are no other activities of the management committee or extended management committee members in governing and supervisory bodies of important Swiss and foreign organizations, institutions and foundations under private and public law, permanent management and consultancy functions for important Swiss and foreign interest groups as well as official functions and political posts or in other undertakings with commercial objectives.

According to article 26 of Basilea's articles of association no management committee member may hold more than five additional mandates, whereof not more than one mandate in listed companies. All management committee members fulfill these requirements. The full text of article 26 of Basilea's articles of association is available online at https://www.basilea.com/articles-of-association.

Management contracts

There are no management contracts between Basilea and any third parties.

Compensation, shareholdings and loans

For content and method of determining board and management compensation and Basilea's long-term incentive plan, please see the compensation report on pages 85 et seqq.

Shareholder participation

Voting rights and representation restrictions

Each share entitles a holder to one vote, regardless of the share's nominal value. The shares are not divisible. The right to vote and the other rights of share ownership may only be exercised by shareholders (including any nominees) or usufructuaries ("Nutzniesser") who are entered in the share register. No exceptions from these restrictions were granted in 2023.

Those entitled to vote in the general meeting of shareholders may be represented by the independent proxy (annually elected by the general meeting of shareholders) or any other person with written authorization to act as the shareholder's representative.

Subject to the registration of shares in the share register within the deadline set by the board before each annual general meeting of shareholders, Basilea's articles of association do not impose any restrictions on the voting rights of shareholders. Specifically, there is no limitation on the number of voting rights per shareholder.

For further information on the conditions for registration in the share register (including in relation to nominees) and for attending and voting at a general meeting of shareholders, please refer to the sections "Limitations on transferability of shares and nominee registrations" on page 54 and "Registration in the share register" on page 75.

A shareholder resolution with a qualified majority of at least two-thirds of the votes represented as well as the majority of the nominal value of the shares represented at a general meeting of shareholders is required for the creation of shares with privileged voting rights.

Statutory quorums

Shareholder resolutions and elections (including the election of members of the board) require the affirmative vote of the majority of share votes represented at the general meeting of shareholders, unless otherwise stipulated by law or the articles of association.

A resolution of the general meeting of shareholders passed by two-thirds of the share votes represented at the meeting and the majority of the nominal value of the shares represented is required for:

- change of the purpose of the Company;
- consolidation of shares, unless the consent of all the shareholders concerned is required;
- creation of shares with privileged voting rights;
- restriction of the transferability of registered shares;
- introduction of conditional capital or the introduction of a capital band;
- increase of capital from equity capital, in return for contributions in kind, or by offset with a claim and the granting of special privileges;
- limitation or withdrawal of subscription rights;
- change of the registered office of the Company;
- dissolution of the Company without liquidation;
- change of currency of the share capital;
- introduction of the deciding vote of the chairperson in the general meeting;
- introduction of a provision in the articles of association to conduct the general meeting abroad;
- delisting of the shares of the Company;
- introduction of an arbitration clause to the articles of association;
- liquidating the Company;
- change of the articles of association on transfer restriction, conversion of registered shares into bearer shares, and the amendment of the provision that provides for the increased voting requirements for these two matters; and
- passing of resolutions on further matters which are subject to a quailified majority by law.

The same or, in certain instances, even more restrictive voting requirements apply to resolutions regarding transactions among corporations based on Switzerland's Federal Act on Merger, Demerger, Conversion and Transfer of Assets and Liabilities (Merger Act).

Convening of shareholders meetings and agenda items

The general meeting of shareholders is the supreme corporate body of Basilea. The ordinary general meeting of shareholders must be held annually on or before June 30.

The general meeting of shareholders is convened by the board of directors by way of a notice appearing in Basilea's official publication medium, the Swiss Official Gazette of Commerce (SOGC), at least 20 days before the date of the meeting. Registered shareholders may also be informed by ordinary mail. The notice of the general meeting of shareholders must state the date, time, and place of the general meeting as well as the agenda items, the proposals to be acted upon, name and address of the independent proxy, and, in case of elections, the names of the nominated candidates.

An extraordinary general meeting of shareholders may be called by a resolution of the board or, under certain circumstances, by the Company's auditor, liquidator, or the representatives of convertible bond holders, if any. In addition, the board is required to convene an extraordinary general meeting of shareholders if shareholders representing at least 5% of the share capital or voting rights request such general meeting of shareholders in writing. Such request must set forth the agenda items and the proposals to be acted upon. If, based on the Company's stand-alone annual statutory balance sheet, half of the sum of the (i) share capital, (ii) statutory capital reserve and (iii) statutory retained earnings are not covered by the difference between (i) the assets and (ii) the liabilities, the board of directors is required to initiate restructuring measures and call a shareholder's meeting in the event such measures need to be approved by the shareholder's meeting. Extraordinary general meetings of shareholders can be called as often as necessary, in particular, in all cases required by law.

Pursuant to Swiss law, one or more shareholders representing 0.5% of the share capital or voting rights may request that agenda items or proposals to agenda items be included in the agenda for a general meeting of shareholders. To be timely, the shareholder's request must be received at least 45 calendar days in advance of the meeting. The request must be made in writing and contain the agenda items as well as the proposals of the shareholders for the respective agenda items.

Registration in the share register

The board determines the relevant deadline for registration in the share register giving the right to attend and to vote at the general meeting of shareholders. Such deadline is published by Basilea in the Swiss Official Gazette of Commerce and on Basilea's website, usually in connection with the publication of the invitation to the general meeting of shareholders.

In 2023, the deadline for registration in the share register in order to participate and to vote at the general meeting of shareholders of April 26, 2023 was April 18, 2023. The registration deadline for the general meeting of shareholders to be held on April 24, 2024 has been set as April 16, 2024. Basilea has not enacted any rules on the granting of exceptions to these deadlines.

For further information on the registration in the share register, please refer to the section "Limitations on transferability of shares and nominee registrations" on page 54.

Changes of control and defense measures

Duty to make an offer

Basilea's shares are listed on the SIX Swiss Exchange. Therefore, the Financial Market Infrastructure Act (FMIA) applies to the shares. The FMIA provides that any person that acquires the shares, directly or indirectly, and thereby exceeds the threshold of 33⅓% of the voting rights (whether exercisable or not) attributable to all of the shares, must submit a takeover bid to acquire all of the shares. This rule also applies to persons acting in concert to acquire the shares, and their holding is aggregated to measure whether they reached the mandatory bid threshold. Basilea's articles of association do not provide for an exemption (opting out or opting up) from such mandatory bid rules.

Clauses on changes of control

Basilea's stock option plan contains provisions in respect of changes to Basilea's shareholder base (so called "material changes"). The material change definition in the stock option plan includes a change of control over the Company; a sale of all or substantially all assets of the Company; a merger or similar agreement which results in the Company being dissolved or in the Company's shareholders prior to such agreement not continuing to be the controlling shareholders of the Company; a delisting from SIX Swiss Exchange or any dissolution and liquidation of the Company. The change of control definition includes the launch of any offer for the shares of the Company, which exceeds the mandatory offer threshold of 33⅓% of all shares of the Company, if such offer becomes, subject only to conditions subsequent, unconditional.

In case of a material change, the provisions of the stock option plan cannot be changed to the detriment of the option holders, and all unvested stock options held by all option holders, including but not limited to stock options held by board and management committee members, vest and all vested options are exercisable.

In such a case, Basilea will use its commercially reasonable best efforts to provide for a net-settlement of options. Alternatively, Basilea will use its commercially reasonable best efforts to procure that the offeror will offer to purchase the options. The stock option plan provides, however, that any increase in fair value of the stock options and stock appreciation rights due to accelerated vesting will not accrue to any members of the management committee or the board of directors.

Basilea's long-term incentive plans related to PSUs (performance share units) and RSUs (restricted share units) provide that in the event of a change of control, the board shall have the full authority to determine in its sole discretion the effect of a change of control on the vesting, settlement, payment, PSU performance conditions and/or lapse of restrictions, including that all outstanding awards granted under the plans vest in part or in full.

No other change of control provision exists for the benefit of members of the board of directors or of the management committee.

Auditors

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

At the annual general meeting of shareholders held on April 26, 2023, PricewaterhouseCoopers AG was re-elected as the statutory and group auditor of Basilea. PricewaterhouseCoopers AG has held the function of statutory auditor since inception of Basilea on October 17, 2000 and acts as group auditor since 2002. Since April 13, 2022, the lead auditor of Basilea is Mr. Daniel Anliker. The audit committee ensures that the position of the lead auditor is changed at least every seven years.

Auditing fees

In 2023, PricewaterhouseCoopers AG charged the Company auditing fees in the amount of CHF 184,800 (2022: CHF 172,650).

Additional fees

In 2023, PricewaterhouseCoopers AG (PwC) charged the Company additional fees in the amount of CHF 1,770 for access to PwC's accounting knowledge platform, CHF 12,000 related to agreed-upon procedures in connection with a third-party-funded research project, and CHF 21,953 for VAT consultancy services (2022: CHF 6,600 for access to PwC's accounting knowledge platform).

Information instruments of the auditors

The board of directors has delegated the task of supervising the auditors to the audit committee. The audit committee meets with the external auditors at least twice a year related to the half-year review and the full-year audit. In 2023, the audit committee met with the auditors three times (the meetings were held in person and virtually) to discuss the scope and results of their year-end audit for 2022, the scope of the 2023 audit as well as the scope and results of their review of the half-year financial statements.

Information policy

Basilea publishes financial results twice a year in the form of an annual report and a half-year interim report. In addition, Basilea informs shareholders and the public about the Company's business and provides general guidance through press releases, conference calls, and roadshows to support the investment community and the public in their assessment of the Company and its business prospects. Where required by law or Basilea's articles of association, publications are also made in the Swiss Official Gazette of Commerce (SOGC).

Annual reports, interim reports, ad hoc announcements, and press releases are made available on Basilea's website (https://www.basilea.com/ and https://www.basilea.com/news). Basilea's website is the permanent source of information for investors and other stakeholders. It also provides information on Basilea's products, research and development programs, as well as contact information. In addition, it includes an investor center with information on events such as general meetings of shareholders, publication dates of half- and full-year results, as well as information on investor conferences where Basilea participates in. The investor center is continuously updated throughout the financial year.

The annual report is customarily published within three months of the end of the financial year, while the half-year interim report is customarily published within two months of the end of the half-year reporting period. Key financial figures for each reporting period are disclosed in a press release for that period. The intended release dates for the annual and half-year report will also be posted in the investor center on Basilea's website (https://www.basilea.com/calendar) at the latest six months prior to the event. The annual general meeting of shareholders for the business year 2023 will take place on April 24, 2024 at 2:00 p.m. CEST at the Congress Center Basel in Basel, Switzerland.

Basilea's investor relations department is available to respond to queries from shareholders or potential investors sent by email to investor_relations@basilea.com or by post to Basilea Pharmaceutica Ltd, Allschwil, Investor Relations, Hegenheimermattweg 167b, 4123 Allschwil, Switzerland. Additionally, investor relations inquiries may also be made by phone at +41 61 606 11 02.

A subscription service to Basilea's ad hoc announcements and press releases is provided at www.basilea.com/subscription.

Quiet periods

Basilea has established fixed close periods during which the members of the board, the members of the management/extended management committee, and employees and consultants who are involved in the establishment of or have substantial insight into the half-year or annual results are not allowed to trade in any Basilea securities. The fixed close periods start one month prior to the end day of the reporting period of either the half-year results (i.e. on June 1) or the annual results (i.e. on December 1) and (i) end on the close of the trading day on which the public release of such results is made, or, (ii) if the public release of results is made after market close or on a non-trading day, end at the close of the first trading day following the release.

Basilea has established general quiet periods prior to the release of the financial half-year and annual results. During these quiet periods, Basilea might communicate with the investment community but will, unless previously communicated via an ad hoc announcement or press release, not have any communication regarding financial information which could give an indication as to the expected half-year or annual results. The quiet periods start on the first day after the end of the reporting period of either the half-year results (i.e. on July 1) or the annual results (i.e. on January 1) and end on the date of the public release of such results. No exceptions from these fixed closed periods or quiet periods were granted in 2023.

Analyst coverage

As of December 31, 2023, the firms listed below were covering Basilea. There may be other firms or analysts who have published reports or commentaries during 2023 Basilea is not aware of and hence are not referenced below. Any opinions, estimates, or forecasts regarding Basilea's performance made by these firms / analysts are theirs alone and do not represent opinions, forecasts or predictions of Basilea or its board / executive management. Basilea does not by its reference below imply any endorsement of or concurrence with information, conclusions or recommendations published by these firms / analysts.

Firm	Analyst
Baader Helvea AG	Leonildo Delgado
Bryan Garnier & Co.	Alex Cogut
Calvine Partners LLP	Brian White
Edison Investment Research Ltd.	Soo Romanoff
H. C. Wainwright & Co., LLC	Raghuram Selvaraju
Kepler Cheuvreux	Christophe Dombu
Pareto Securities AB	Chien-Hsun Lee and Dan Akschuti
Zürcher Kantonalbank	Edouard Riva

Ethical business conduct

Basilea is committed to the highest standards of ethical business conduct. As a biopharmaceutical Company, Basilea is operating in a highly regulated business environment. Strict compliance with all legal and health authority requirements, as well as requirements of other regulators, is mandatory. To fulfill these goals, the board issued a Code of Conduct (available online at https://www.basilea.com/code-of-conduct). The Code of Conduct sets forth Basilea's policy embodying the high standards of business ethics and integrity required of all employees, contractors and agents when conducting business affairs on behalf of Basilea. Basilea is committed to complying with the spirit and letter of all applicable laws and regulations where Basilea engages in business.

Corporate social responsibility

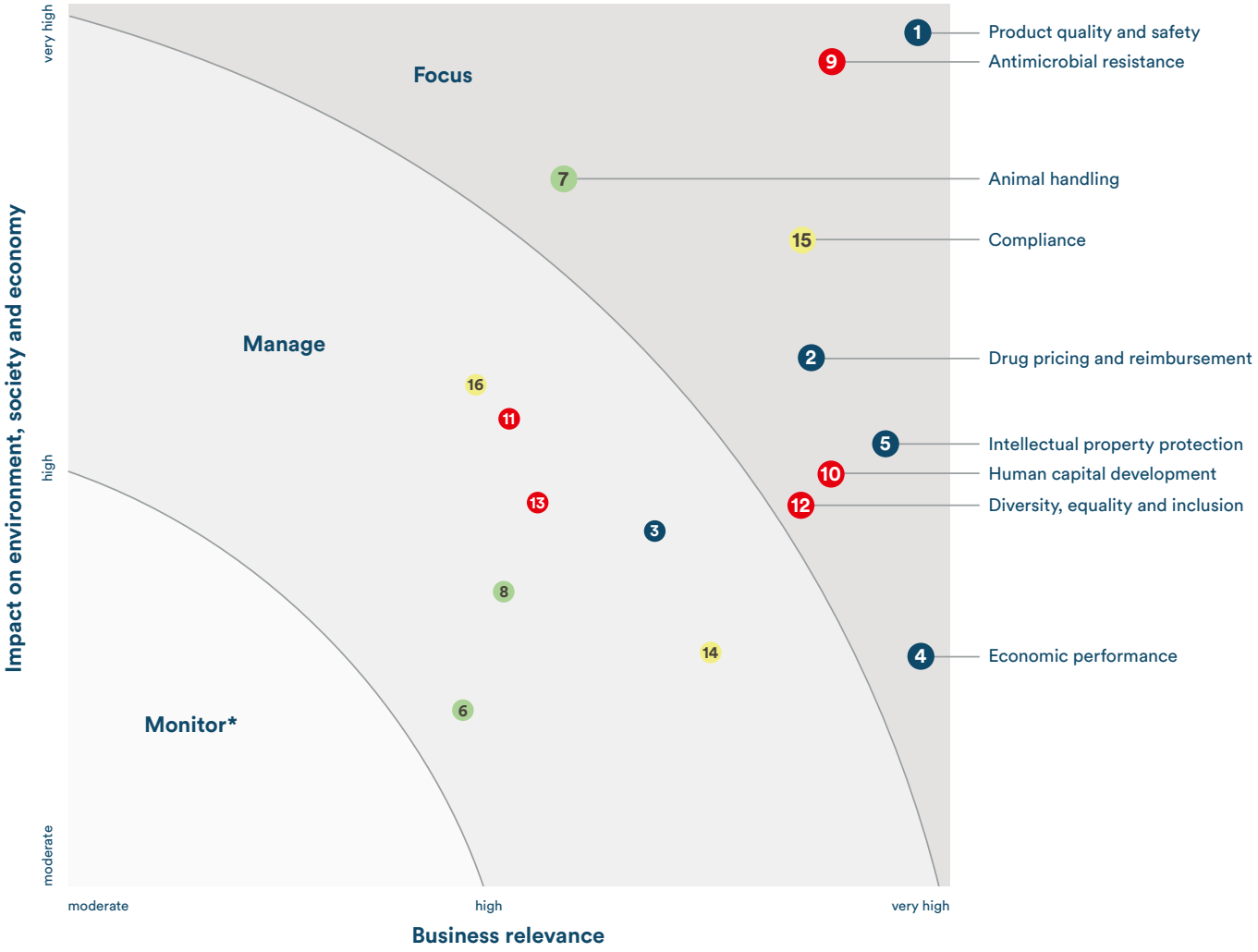
ESG strategy published

With the support of our board of directors we implement corporate social responsibility (CSR) with appropriate and impactful initiatives, given our expertise and resources. Involving employees representing all our business functions, management and with support by a specialized consulting Company, Basilea performed in 2023 a materiality analysis to identify which environmental, social, governance (ESG) and economic topics matter most in the context of our business model. These material topics form the basis of the ESG strategy that we have published on our corporate website (https://www.basilea.com/sustainability).

In accordance with best practice, we looked at each of these material topics and rated them from two different perspectives, using the concept of "double materiality":

1. The "outside-in" perspective:
   How relevant is a topic for our long-term (business) success?
2. The "inside-out" perspective:
   What is the impact of our business activities in this area?

The results of this analysis are shown in the materiality matrix below



- Economic topics
- Environmental topics
- Social topics
- Governance topics

* Less material topics in the context of Basilea's business model, hence not visualized here:
- Market regulation/incentives
- Ethical marketing
- Greenhouse gas emissions
- Biodiversity and natural resources
- Access to medicine
- Human rights
- Public policy
- Anti-corruption and -bribery

Further relevant topics:
- 3 Reliable and responsible supply chain management
- 6 Waste and water
- 8 Materials
- 11 Occupational health and safety
- 13 Recruitment, retention and promotion
- 14 Governance
- 16 Data privacy and security

By focusing our business on the research and development of novel anti-infectives we contribute to addressing global health priorities – with expertise, care and persistence.

Our materiality analysis identified nine sustainability-related topics that are of particular importance to Basilea's long-term success and/or to the environment in which we operate.

These topics will be key for the setting of sustainability goals and become the core of our future ESG reporting. We pursue them strategically and aim to make measurable progress against them.

- Product quality and safety
- Antimicrobial resistance
- Animal handling
- Compliance
- Drug pricing and reimbursement
- Intellectual property protection
- Human capital development
- Diversity, equality and inclusion
- Economic performance

Beyond the “focus” topics, we have also identified further relevant topics, some of which we are planning to actively manage and some to monitor.

Our goal is to be able to operate successfully in the long term while minimizing negative effects of our activities and to contribute to our mission of being a leading provider of innovative medicines for the benefit of patients.

Gender equality: making further progress

Basilea aims to remain an attractive employer with the ability to engage and retain highly skilled and motivated professionals. Basilea values diversity and offers equal employment opportunities regardless of race, color, religion, gender, sexual orientation or other classification protected by applicable law. Our employees, currently comprising 16 nationalities and over 40% women, come from various backgrounds and bring unique experience and knowledge to Basilea.

A prerequisite for achieving our aim is gender equality. In Switzerland, as part of a federal effort to reduce the still existing pay gap between men and women, companies with more than 100 employees were required by law to conduct a gender pay gap analysis by June 2022. Basilea performed a first equal pay analysis in 2020, well ahead of the deadline, with the method and results audited by PricewaterhouseCoopers. The 2020 analysis showed a gender pay gap of 3.8% between men and women.

With this result, Basilea would have been exempted from further mandatory gender pay gap analyses. However, as transparency is key to achieving equal pay, Basilea voluntarily decided to repeat the pay gap analysis and publish the results on an annual basis. Each year since, the result has remained well below the 5% tolerance threshold defined by Swiss authorities.

For 2023, the analysis showed that women earned 0.6% more than men, when accounting for differences due to personal qualification and workplace characteristics. Although this result shows no statistically significant difference in pay for men and women, Basilea remains committed to reviewing pay practices on a regular basis. Continuing to provide fair and equal working conditions and ensuring adequate representation at all levels of the organization are key focus areas for Basilea.

Team building: Winning against infectious diseases

Basilea once again took part in the annual B2Run event in June 2023. This is a professionally organized 6 kilometer intercompany race which has a scenic route alongside the nearby Birs river, finishing in the St. Jakobshalle, the main sports complex in Basel. Participants wear running shirts bearing their Company's logo, which in Basilea's case included the apt slogan "Winning Against Infectious Diseases".

The event proved very popular in Basilea, with the highest ever number of participants (including David Veitch, CEO). Approximately one fifth of the Company employees took part, with many colleagues taking advantage of the possibility to complete the course in the walking category.

It was a highly enjoyable event, very well-organized and attended, and an ideal opportunity to build team spirit outside the working environment. We will be back again in 2024, hopefully with even more participants to be in with a chance of winning the "most active Company" competition.

Source: private

Outlook

Environmental-Social-Governance (ESG) reporting and performance management

Whilst we have been focusing so far on reporting our major corporate social responsibility activities and projects in the annual report, the board of directors and management evaluated in parallel the need and requirements for a broader and more standardized ESG reporting and the inclusion of ESG goals in the management committee's performance management.

As a starting point, we have published our ESG strategy on our corporate website (https://www.basilea.com/sustainability)

For 2024, Basilea's board has set management the goal to establish key performance indicators and the corresponding baselines for our nine focus topics. This will serve as the basis for specific goal settings as we further develop our ESG activities. Mindful to the expectations of our stakeholders, we will make those key performance indicators (KPIs) publicly available and will regularly update our materiality matrix.

“Basilea is one of few companies that still develops anti-infectives with the goal to bring new anti-fungals and antibacterials from the research stage to the market. That is quite rare.”

– Mohammed Beghezal,
Head of Biology

Read the whole story in
the Feature on pages 21–31.

Compensation report

Compensation report

Report of the statutory auditor

to the General Meeting of Basilea Pharmaceutica Ltd, Allschwil

Allschwil

Report on the audit of the compensation report

Opinion

We have audited the compensation report of Basilea Pharmaceutica Ltd, Allschwil (the Company) for the year ended 31 December 2023. The audit was limited to the information pursuant to article 734a-734f CO in the tables on pages 112–116 of the compensation report.

In our opinion, the information pursuant to article 734a-734f CO in the accompanying compensation report complies with Swiss law and the Company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the compensation report' section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables audited in the compensation report, the consolidated financial statements, the financial statements and our auditor's reports thereon.

Our opinion on the compensation report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the compensation report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the compensation report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the compensation report

The Board of Directors is responsible for the preparation of a compensation report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a compensation report that is free from material misstatement, whether due to fraud or error. It is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibilities for the audit of the compensation report

Our objectives are to obtain reasonable assurance about whether the information pursuant to article 734a-734f CO is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this compensation report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the compensation report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

PricewaterhouseCoopers AG

Daniel Anliker

Daniel D. Miller

Licensed audit expert
Auditor in charge

Basel, 8 February 2024

Letter from the chair of the compensation committee

Dear shareholders,

The past year represented real progress in the implementation of our strategy. We increased our revenues from our marketed products Cresemba (isavuconazole) and Zevtera (ceftobiprole) and reduced our debt level by paying back a large portion of our senior secured loan. Looking to the future, we were able to strengthen our portfolio without the need for external funding. At the same time, we generated a profit for the second year in a row.

The continued commercial success of Cresemba in 2023 triggered several milestone payments to Basilea from our partners, as well as resulting in a significant increase in royalties. A best-in-class antifungal, launched in more than 70 countries, Cresemba has become the market leader in the US in terms of value and has significant potential to grow and further increase its global market share. In addition, the pediatric label extension granted in the US and anticipated in the EU in 2024, extends Cresemba's market exclusivity in these important markets and creates significant incremental value.

For our antibiotic Zevtera (ceftobiprole), we reached a major milestone in August 2023 when we submitted a New Drug Application (NDA) to the US Food and Drug Administration (FDA). The FDA is expected to complete its review of the NDA by April 3, 2024. If approved, ceftobiprole would be eligible for ten years of market exclusivity from the date of its approval in the US, we believe the most important commercial market.

We made significant progress in expanding our pipeline in the second half of the year. In October, we acquired BAL2062, a clinical-stage antifungal compound with a novel mechanism of action, and also entered into an exclusive evaluation license and option agreement for tonabacase, a potential first-in-class clinical-stage antibacterial compound. In addition, in November we acquired fosmanogepix, a very promising late-stage clinical drug candidate with the potential to become an important treatment option for difficult-to-treat, invasive fungal infections.

These transactions are important milestones in the development of our clinical-stage portfolio, and highlight Basilea's unique ability to identify the most promising antibacterial and antifungal assets, which we can then progress through clinical development all the way to the market, in order to help patients and generate long-term value.

These positive developments were not fully reflected in the Basilea share price at the end of 2023. Stock markets in general have been volatile throughout the year and the valuation of biotech stocks in particular has been negatively affected by market sentiment. Basilea has been no exception with volatility in share price movements during the year, our share price was down compared to the Swiss Performance Index (SPI) Extra on a full-year basis.

Successes and challenges had an impact on variable compensation outcomes.
For the management committee, 2023 marked the final year of the three-year performance period for the performance share units (PSUs) granted in 2021. While results of Cresemba product sales had a positive impact on the value of the award, this was offset by the share price performance compared to the SPI Extra. As a result, the awards will vest at target in April 2024.

The performance-related annual cash bonus for the management committee reflected the successful expansion of our R&D portfolio, the continued strong revenue growth, but also the delay of the NDA submission for ceftobiprole, meaning that approval for the US market was not achieved in 2023. However, I am pleased that the management committee prioritized the quality of the ceftobiprole submission, shown by the acceptance of the filing, thereby focusing on the potential for long-term value generation for our shareholders, over short-term compensation.

For 2024, no structural changes are planned to the compensation design. As the results from 2023 show, our current compensation system is well suited to supporting our strategy through a strong link between performance and compensation. The development of Basilea's share price in particular has a direct impact on both annual and long-term variable compensation of the management committee, ensuring that their interests are aligned with yours, our shareholders.

We continue to take your feedback on board to improve our policies and practices. During 2023 we engaged with shareholders and investors in various ways, including face-to-face meetings, virtual events, conferences, roadshows and electronic communication. We reached out to shareholders holding individually more than 30,000 shares, representing over 40% of our shareholder base. We met with 80 individual investors/funds, to discuss their thoughts on Basilea's strengths and potential for future development. We also interacted with proxy advisors and financial analysts to better understand their insights related to shareholder expectations.

In response to what we heard, we implemented changes in these key focus areas:

- We increased the ratio of female members on our board of directors at the 2023 annual general meeting (AGM).
- We redesigned our enterprise risk management structure and processes to ensure greater transparency and accountability within the organization.
- Reflecting our focus on sustainability, we identified and published which environmental, social, governance (ESG) and economic topics are most relevant for Basilea. These material topics form the basis of our ESG strategy and will be key for setting the right goals and continuing to link ESG to future compensation.
- Although not required by legislation, we remain committed to performing an analysis of equal pay for women and men every year and publishing its results.
- To limit potential dilution to shareholders and ensure responsible use of capital, all transactions in 2023 were financed from operating cash flow only. Additionally, we remain committed to ensuring that potential dilution from share-based awards remains below 10% of the share capital.
- Based on feedback from our shareholders, in this year's compensation report we are providing more detail and further increased transparency around achievement of the corporate goals for 2023.

Details of our compensation system and governance as well as more information on the activities of the compensation committee can be found on the following pages. I encourage shareholders to continue sharing your valuable input and help us continue to grow and develop as we bring our strategy to life.

Martin Nicklasson
Chair of the compensation committee

This compensation report provides the information required by the Swiss Code of Obligations. It also includes the compensation-related disclosures as required by the Directive on Information relating to corporate governance issued by the SIX Exchange Regulation and the Swiss Code of Best Practice for Corporate Governance.

Compensation at a glance

Our compensation philosophy

Basilea is committed to diversity and equality. The Basilea Code of Conduct states that all employment-related decisions, including decisions on compensation, are to be made without regard to race, color, religion, gender, sexual orientation, national origin, age, disability, marital status, or other classification protected by applicable law. Basilea does not tolerate any form of discriminatory conduct towards its employees.

Gender equality is important to Basilea. To ensure that all genders receive equal pay for comparable work, the company regularly reviews pay practices and conducts an equal pay analysis every year.

The Basilea compensation system aims to support sustainable value generation over the long term, aligning the interests of shareholders and employees, particularly senior managers.

What we do

- Board of directors and management committee compensation aligned to shareholder interests through share-based awards
- Share price performance included in the company's annual bonus plan and LTI plan
- Caps on variable compensation of management committee
- Malus and clawback provisions in place for variable compensation
- 3-year vesting period for share-based awards, with additional 1-year holding period for management committee

What we don't do

- No hedging or pledging of performance share units
- No stock option repricing without shareholder approval
- No dividends paid on unvested equity
- No discretionary benefits to management committee
- No discretionary bonus available for management committee
- No individual goals for management committee: all goals are corporate goals, with different weightings based on role

Compensation for board of directors does not fluctuate based on short-term performance but supports focus on strategic direction and long-term development of the company. Pay mix of the management committee is balanced, with a large portion of compensation linked to company performance. While annual achievements of the management committee are also recognized and rewarded, these rewards do not outweigh the focus on long-term value creation. Through the provision of share-based awards, the interests of shareholders are reflected in the compensation of board and management committee.

Company performance in 2023

2023 was the first full year dedicated to the Basilea strategy announced in early 2022, to become a leading anti-infectives company, backed by financial strength. Following the move out of oncology in 2022, the focus in 2023 was on implementation of the strategy by investing in building the clinical-stage portfolio and ensuring continued financial stability.

The transactions in the second half of the year strengthened the portfolio, with a license and option agreement for a promising clinical-stage antibacterial compound and the acquisition of two clinical-stage antifungals. The most advanced of these, fosmanogepix, has the potential to become a strong contributor to Basilea's revenues in the near-term, beyond currently marketed anti-infectives, Cresemba and Zevtera.

Cresemba remained the largest contributor to revenues in 2023, with strong sales triggering milestone payments from partners throughout the year. Following Cresemba's approval in Japan in 2022, Basilea announced a milestone payment of CHF 5 million from partner Asahi Kasei Pharma in March 2023. Continued strong sales by partner Pfizer resulted in four sales milestone payments with a total value of over USD 28 million for Europe, Asia Pacific and China, reflecting the global need for Cresemba. In addition, the increasing Cresemba sales by our partner Knight resulted in the achievement of the first sales milestone in Latin America.

The submission of the NDA for ceftobiprole to the US Food and Drug Administration (FDA) in August was a key achievement. With the FDA decision expected in April 2024, the submission was a crucial step towards the possibility of bringing ceftobiprole to one of the biggest markets for branded hospital anti-infectives in the near future.

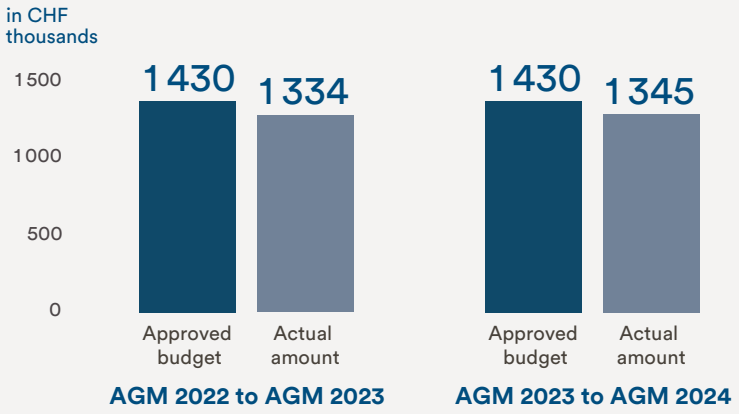
Reflecting the continued importance of financial stability, Basilea remained profitable for the second year in a row, while investing in the portfolio, and continued to reduce its debt level at the same time.

Compensation outcomes 2023

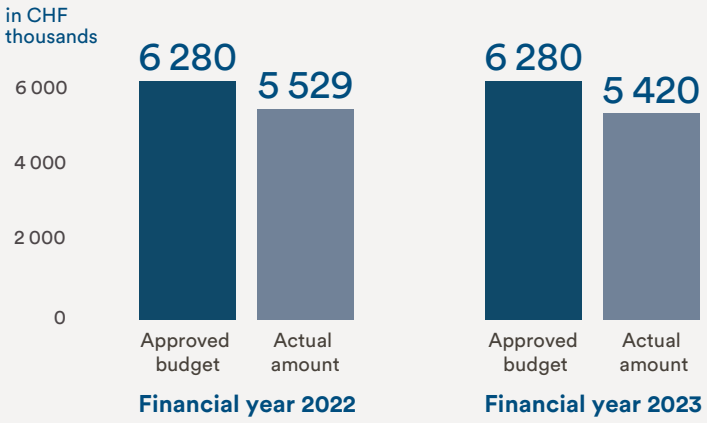
For the period from the AGM 2023 to the AGM 2024 the board of directors received a total of CHF 1,345,368, within the budget of CHF 1,430,000 approved by shareholders for this period. The annual fees, committee membership fees and social security and other fringe benefits paid to the board remained stable.

The management committee received a total of CHF 5,419,561 for 2023, which is 2% lower than for 2022, despite an average 2.2% increase in base salary from April, which was driven by inflation and matches the average base salary increase for other employees. A 14.8% decrease in the annual bonus amount, due to 107.2% achievement of corporate goals, was the main driver behind the lower total compensation amount. The overall 2023 compensation for the management committee was significantly below the budget of CHF 6,280,000 approved by shareholders at the AGM 2022.

Board of directors



Management committee



The results of the voluntarily conducted Basilea equal pay analysis for 2023 showed that women earned 0.6% more than men, taking personal qualification and workplace characteristics into consideration. This result remains well below the 5% tolerance threshold defined by the Swiss authorities.

Compensation governance

Compensation committee

The compensation committee consists of three independent and non-executive members of the board of directors, as defined by the Swiss Code of Best Practice for Corporate Governance. All members of the committee are individually elected by the shareholders at each general meeting. The compensation committee currently consists of Martin Nicklasson as chair, Nicole Onetto and Thomas Werner as members.

The compensation committee supports the board of directors in developing, establishing and reviewing the company's compensation strategy, the terms of long-term incentive plans, as well as the criteria relating to performance-related compensation elements.

The compensation committee also undertakes regular performance-related activities including performance goal setting at the beginning of the year and performance assessment at year end. It also assesses board of directors' and management committee's compensation, prepares the compensation report, and proposes the budget for shareholders' say-on-pay vote at the annual general meeting of shareholders.

After each meeting, the chair of the compensation committee reports to the board of directors on the committee's activities and recommendations. The minutes of the compensation committee meetings are provided to all members of the board of directors.

Activities in 2023

In addition to its standing agenda items, such as annual goal setting and performance assessment, the annual review of salary level etc., in 2023 the topics discussed by the compensation committee included:

- the general remuneration of the board of directors, the management committee, and employees;
- the review of the long-term incentive plan and update on the status of in-progress awards;
- reviewing and approving grant of performance share units and performance criteria for the management committee and other senior personnel;
- reviewing and approving grant of restricted share units for the board of directors, with a vesting period of three years;
- approving restricted share unit grants for eligible employees;
- review of budgets for the maximum aggregate amount of compensation for the board of directors and the management committee for shareholder approval;
- review of the AGM 2023 results;
- review of the 2023 equal pay analysis results; and
- reviewing ways of integrating sustainability aspects into the compensation system.

Compensation approval process

Topic	CEO	Compensation committee	Board of directors	AGM
Compensation policy and guidelines in line with Basilea's articles of association		P	✓	
Maximum aggregate amount of compensation for the board of directors and the management committee		P	E	✓
Compensation report		P	✓	AV
Individual compensation of the members of the board of directors		P	✓	
Individual compensation of the CEO		P	✓	
Individual compensation of the other members of the management committee	P	E	✓	
Plan design and grant of long-term incentives	P	E	✓	

P Proposes E Endorses ✓ Approves AV Advisory vote (non-binding)

Articles of association

Article 6 of the articles of association (which are published on www.basilea.com/articles-of-association) provides the following compensation competences to the general meeting of shareholders:

- the approval of the maximum aggregate amount of compensation for the board of directors for the prospective period from one annual general meeting to the following annual general meeting;
- the approval of the maximum aggregate amount of compensation for the management committee for the following financial year; and
- a non-binding advisory vote on the compensation report.

Article 15 contains some additional rules relating to the board of directors' competence to submit compensation proposals to the general meeting of shareholders.

Articles 18 and 25 list the compensation elements applicable to the board of directors and the management committee. They generally describe the performance criteria applicable to variable compensation elements as well as the responsibilities to determine such criteria. Although the articles of association would allow, the board of directors has decided not to include any performance-related variable elements in its compensation. The responsibilities to determine the terms of any long-term incentive plans are also regulated in article 25.

Articles 19–21 regulate the composition and responsibilities of the compensation committee.

Compensation principles

As a commercial stage biopharmaceutical company, Basilea operates in a highly regulated environment. Our focus on anti-infectives, a unique market segment, requires specialized skills and experience from our leadership and employees. Additionally, we compete for talent with pharmaceutical companies of all sizes in the Basel region, making the use of benchmarking and market data an important source of information.

The aim of our compensation design is to enable us to respond to these challenges and attract, motivate and retain the right talent for the company's continued success.

We offer competitive compensation	We provide a balanced pay mix	We link rewards to performance	We aim for long-term success
We regularly review both compensation elements and levels against the market practice of our peers, with the median values used as our reference point	The ratio of fixed to variable compensation is aligned to the individual role and responsibilities	Our annual bonus and long-term incentive plans ensure that variable compensation is based on performance against predefined targets	Multi-year performance periods and share-based awards form part of our long-term incentive program, aligning the interests of shareholders and senior managers by supporting long-term value creation

Board of directors

Members of the board of directors do not receive variable or performance-based compensation. To support their focus on the long-term development of the company as they carry out their supervisory duties, they receive only fixed, predetermined fees instead. The compensation of board members depends only on their role or roles as member, chair or vice-chair of the board and its committees.

To strengthen the alignment between the interests of board members and shareholders, 25% of the fees paid to board members are in the form of Basilea restricted share units (RSUs) that are subject to a three-year vesting period.

Management committee and other employees

Basilea employees may be eligible for a combination of fixed and variable compensation, as well as a benefits package including pension contribution, insurance and other elements. Both external factors (such as market practice) and internal factors (such as role within the organization) are considered when determining the level of compensation and the balance between fixed and performance-based elements. Base salaries are reviewed and employee performance is evaluated annually.

Corporate goals are used for annual performance evaluation of the management committee, with performance against the goals fully determining the level of annual variable compensation. For other Basilea employees who are not management committee members, individual performance is also considered in addition to the corporate goals when determining annual variable compensation. Both base salary and annual variable compensation are paid in cash.

Awards forming part of the long-term incentive plan for senior managers are paid in share-based awards, aligning the long-term interests of shareholders and senior managers. Under the long-term incentive plan, management committee members and certain senior managers are eligible for performance share units (PSUs). Instead of PSUs, restricted share units (RSUs) without performance conditions may be granted to management-level employees with a lower level of direct influence on the achievement of key objectives. No employee may be eligible for both RSUs and PSUs at the same time. To promote the retention of employees who are critical to the fulfilment of Basilea's key objectives, both RSUs and PSUs have a three-year service condition.

Compensation evaluation

The compensation of the members of the board of directors and of the management committee is reviewed annually by the compensation committee, which in turn makes recommendations to the board of directors. These include recommendations on the compensation of the members of the board of directors and the management committee, the compensation policies covering the management committee and the company's employees, and the company's long-term incentive plan. As there were no changes to the role profiles of board of directors or management committee members, taking cost implications into consideration, no external compensation benchmark analysis was performed in 2023.

In 2022, the compensation committee reviewed compensation of the management committee. As part of the review process, the compensation committee considered the outcome of a benchmark analysis by Willis Towers Watson, where individual compensation of each management committee member was compared to compensation of similar roles at the selected companies. Willis Towers Watson selected a group of companies in the pharmaceutical and health science industry in Switzerland and used the Willis Towers Watson Global Grading Methodology to identify the comparable roles. For each management committee member, the reference point for the comparison was the median compensation of the comparable roles, with both base salary and target total direct compensation compared.

Based on its internal review in 2023, the compensation committee determined that no changes are needed to the current compensation model for the management committee and that base salary of management committee members should not increase above the average 2023 salary increase rate for Basilea employees.

The compensation committee took various factors into consideration when reviewing current board compensation and decided that no changes to the design, base fees, committee membership fees or chair fees are indicated at this time. As a result, board of directors compensation levels have remained stable since the AGM 2021.

Compensation structure and design

Overview of 2023 compensation structure

	(Vice-) Chair of the board	Other board members	CEO	Management committee members	Comments
Fixed compensation					
Fixed cash compensation	●	●	●	●	
Restricted share units	●	●			Subject to three-year vesting period
Variable compensation					
Performance-related cash bonus			●	●	Based on achievement of corporate goals (with different individual weighting for management committee members)
Performance share units			●	●	Subject to three-year vesting period, followed by one-year sales restriction and contingent on performance against two KPIs
Social security and other fringe benefits					
Social security	●	●	●	●	Employer contributions to social security; company takes over board members' contributions where such contributions occur (except contributions related to stock option exercises)
Pension and other fringe benefits			●	●	Employer contributions to pension plans, disability insurance

Board of directors compensation

Compensation for board members, as approved by shareholders at the annual general meeting 2023, is paid 75% in cash and 25% in restricted share units. The compensation consists of:

- a fee for the election term from one annual general meeting to the next;
- a committee membership fee;
- the payment of social security contributions, where such contributions apply; and
- reimbursement of reasonable out-of-pocket travel-related expenses.

The members of the board are not entitled to any performance-based variable compensation. The RSUs contain no performance element and will vest into Basilea shares following a three-year vesting period on a one-to-one basis. Board members who cease their board membership prior to the end of their term of office will receive a prorated number of RSUs. Board members chairing a committee do not receive any committee chair fees, in addition to their committee membership fees.

The compensation paid to the board in the period from AGM 2023 to AGM 2024, delivered 75% in cash and 25% in RSUs:

In CHF	AGM 2023 to AGM 2024
Chair of the board of directors	
Annual fee	285 238
Committee membership fee[1]	7 875
Vice-chair of the board of directors	
Annual fee	193 632
Committee membership fee[1]	5 250
Members	
Annual fee	181 632
Committee membership fee[1]	5 250

1 Fee per board committee membership.

In addition to their board-related duties, members of the board of directors may take part in the work of the research & development advisory board of Basilea. For their participation and for providing feedback to Basilea's board of directors on insights and analysis of the research & development advisory board, they are entitled to a participation fee of CHF 5,250 for the period from AGM 2023 to AGM 2024. The participation fee is paid fully in cash. The research & development advisory board is not a committee of the board of directors.

For further information on the compensation for the members of the board of directors, please refer to the section "Disclosure of the compensation for the board of directors" on page 112.

Management committee compensation

Compensation system

Compensation for the management committee includes a base salary, performance-related cash bonus, long-term incentive (in the form of performance share units), pension plan contributions, and certain disability insurance. Shareholders approve a maximum aggregate compensation amount for the management committee at the annual general meeting of shareholders each year. The actual total compensation for the management committee for the given period must not exceed the approved amount.

Base salary

Base salary is determined by the position, responsibilities, experience and skills of each management committee member. The compensation committee reviews management committee members' base salaries at the beginning of each year, taking into account individual performance and makes recommendations to the board. Any changes in base salaries become effective as of April each year. Base salaries may be further adjusted throughout the year as deemed necessary by the board, for example due to an increase in responsibilities. Increases in base salary for the management committee are generally expected to be in line with salary increases across the broader workforce.

Performance-related cash bonus

Management committee members are eligible for an annual performance-related cash bonus. The bonus amount is determined based on the achievement of the same corporate goals for all management committee members. However, the weighting of the corporate goals is different for each management committee member. For the CEO, the corporate goals are weighted exactly the same as for the overall company result. For other management committee members, the weightings are individual and reflect the main areas of focus and responsibility of each member.

The target bonus is 50% of the annual base salary for the CEO and 40% for all other management committee members.

The compensation committee assesses each management committee member's performance and contribution to the achievement of the company's goals and makes recommendations on the individual bonus to the board. The board determines the final amount of each management committee member's bonus payment. When the compensation committee and the board of directors determine the bonus for the CEO, the CEO is not present. However, the CEO can propose to the board the bonus amount for other management committee members.

Caps on performance-related cash bonus

In the event that the board of directors determines that certain upside corporate goals were achieved, the performance may be rated above 100%. The overall bonus achievement level is capped at a maximum of 140% of the target amount for the CEO and 130% of the target amount for other management committee members.

Corporate goals

The corporate goals used for annual performance evaluation in 2023 are linked to key value drivers with a combination of financial and non-financial key performance indicators (KPIs):

- Financial KPIs are related to the financial performance of the company, including revenues, share price performance and access to new funding.
- Non-financial KPIs are related to achievement of operational milestones in the areas of research & development and portfolio development, such as submission of applications for regulatory approval of new drugs, expanding the portfolio through in-licensing and acquisitions and ESG-related goals.

For further information on metrics and performance against corporate goals for 2023, please refer to the section "Achievement of 2023 corporate goals" on page 105.

Long-term incentive plan

General terms

Members of the management committee as well as a small number of senior managers in key positions are granted performance share units (PSUs) whose vesting is contingent on the performance measured by two KPIs.

For the management committee, the target value of the PSU grant is expressed as a function of base salary. This target grant value is equal to 100% of base salary for the CEO and 75% for other members of the management committee. To calculate the resulting number of granted PSUs, this target value is divided by the higher of a) the fair value of a PSU as of the AGM date or b) CHF 35. The minimum price of CHF 35 limits dilution to shareholders in the event market fluctuations would result in a low fair value calculation of the PSUs on the AGM date, which would otherwise lead to the grant of a large number of share units. Any new grants under the long-term incentive plan are limited by the guiding principle that at the grant date the total potential dilution from outstanding stock options and share units under the long-term incentive plans shall not exceed 10% of the total outstanding share capital on a fully diluted basis.

Vesting conditions

PSUs vest into Basilea shares following the completion of a three-year performance period. The shares delivered upon vesting after the three-year performance period are then subject to an additional one-year holding period.

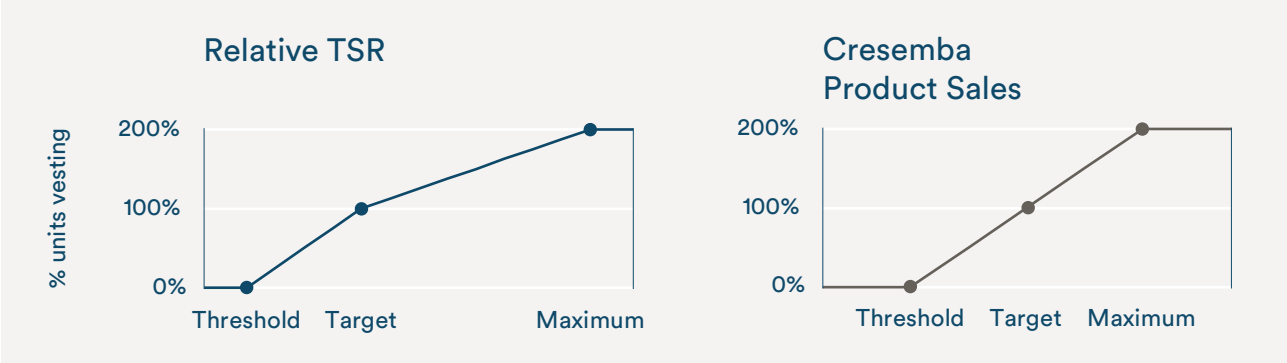
PSUs only vest if a management committee member is in continuous employment during the performance period, subject to certain exceptions:

- In the event of a termination due to restructuring or redundancy, or upon retirement, PSUs that have not yet vested on the date of termination are pro-rated to reflect the shortened service period. These PSUs will continue to vest pursuant to the plan and convert into shares upon vesting based on calculated performance. The remainder of the PSUs will forfeit as of the date of termination.
- In the event of death or disability, all unvested PSUs shall vest immediately as per the date of death or disability at target level (100%), irrespective of actual achievement.
- Basilea's long-term incentive plans related to PSUs and RSUs provide that in the event of a change of control the board shall have the full authority to determine in its sole discretion the effect of a change of control on the vesting, settlement, payment, PSU performance conditions and / or lapse of restrictions, including, that all outstanding awards granted under the plans vest in part or in full.

The number of shares delivered for each vesting PSU depends on the achievement level of two equally weighted KPIs. If the targets for both KPIs are achieved at 100% (target value), each PSU vests into one Basilea share. If the targets for both KPIs are overachieved and reach or exceed a predefined maximum cap, each PSU will vest into two Basilea shares. If the targets for the KPIs are underachieved and are below or at a predefined threshold, the PSUs will expire with no value and will not vest into any Basilea shares. In case of an achievement level between the performance target and the maximum cap, or between the performance target and the performance threshold, respectively, the actual ratio for converting PSUs into Basilea shares is calculated on a linear basis.

KPIs

The KPIs of the PSUs granted in 2023 are relative Total Shareholder Return (rTSR) against the Swiss Performance Index Extra (SPI Extra) and Cresemba in-market product sales. Both KPIs are weighted equally.



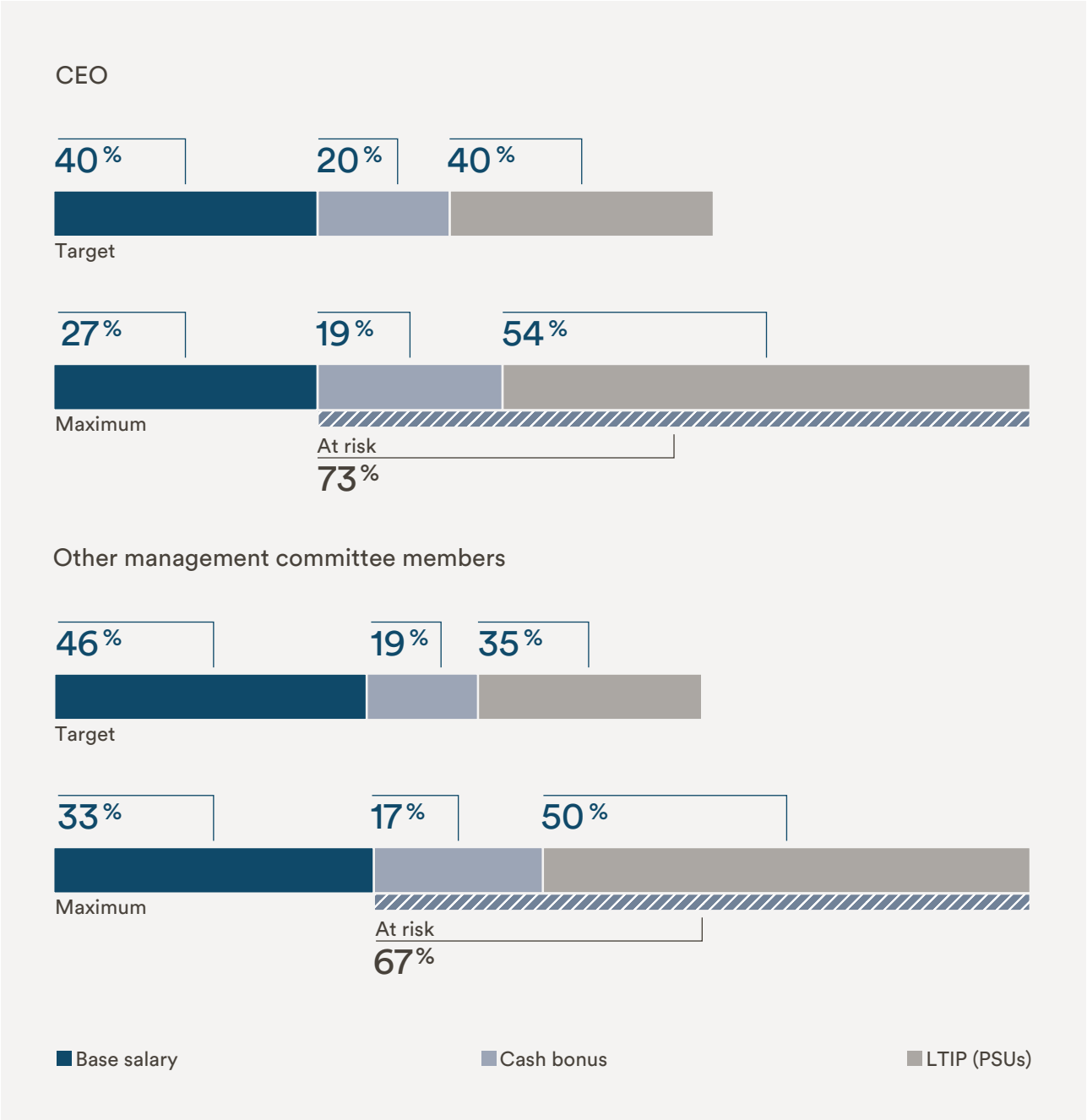
The rTSR KPI was chosen as an incentive for creating long-term shareholder value. This measure serves as an indicator of company performance. Taking into consideration its correlation to the Basilea share price and the beta coefficient, the SPI Extra was chosen as a benchmark for the rTSR. The rTSR calculation compares Basilea's share price with that of the SPI Extra at the start and at the end of the three-year performance period, and factors in any dividends paid. The starting price for the Basilea share and the SPI Extra is their average closing price of the last sixty trading days of the year preceding the start of the performance period. The ending price is their average closing price of the last sixty trading days of the final year of the performance period.

The Cresemba product sales KPI measures the Compounded Annual Growth Rate (CAGR) of Cresemba in-market sales measured as patient days over the same three-year performance period. A patient day in this context is defined as the equivalent of a 200 mg daily maintenance dose of Cresemba. By using patient days, progress in providing global access to this important drug plays an important role in determining the performance. At the same time, this limits the influence of factors that are unrelated to performance, such as exchange rate fluctuations. The calculation of the KPI is based on the comparison of the patient days recorded in the twelve months prior to the start of the performance period with the patient days recorded in the last twelve months of the performance period. The long-term volume growth of Cresemba was selected as KPI for the PSUs due to its critical importance for the long-term financial success of the company.

KPI	Relative TSR	Cresemba product sales
Threshold	–10% against SPI Extra	+10% CAGR
Target	on par with SPI Extra	+15% CAGR
Maximum	+20% against SPI Extra	+20% CAGR

The target and threshold for rTSR were based on historical data and for Cresemba product sales on internal forecasts and financial analyst expectations, taking into consideration typical vesting curves. The KPIs and the threshold, target and maximum levels are reviewed and set for each new plan by the compensation committee with final approval from the board of directors, to ensure that they support the long-term company strategy.

CEO and management committee 2023 pay mix



The majority of the direct compensation (without social security and other benefits) for the CEO and other management committee members is at risk and dependent on the achievement of annual or multi-year corporate goals.

2023 performance achievements

2023 was a year of several achievements related to implementation of the Basilea strategy to become a leading anti-infectives company, backed by strong financial results. The performance highlights reflect the main focus areas of the year: optimizing the potential of commercialized products, building the clinical-stage R&D portfolio and financial stability.

Performance highlights 2023

Antifungal Cresemba (isavuconazole):

- Announced CHF 5 million milestone payment from partner Asahi Kasei Pharma in Japan, following approval in 2022
- Continued strong sales performance in Asia Pacific and China triggered sales milestone payments in both February and November of USD 1.25 million each from Pfizer
- Sales by Pfizer in Europe and the Asia Pacific and China regions resulted in further USD 26.25 million sales milestone payments to Basilea
- Strong sales by Knight in Latin America triggered the first sales milestone of CHF 1 million for this region

Antibiotic Zevtera (ceftobiprole):

- Submitted a New Drug Application to the US FDA, seeking approval for *Staphylococcus aureus* bacteremia (SAB), acute bacterial skin and skin structure infections (ABSSSI), and community-acquired bacterial pneumonia (CABP)
- New England Journal of Medicine publication of phase 3 data on ceftobiprole for the treatment of SAB
- FDA confirmed acceptance of New Drug Application for antibiotic ceftobiprole
- New data for ceftobiprole presented at US IDWeek Congress 2023, with eight presentations providing further evidence for its activity against methicillin-resistant *Staphylococcus aureus* (MRSA) and other clinically relevant pathogens

Development of R&D portfolio:

- Acquired fosmanogepix, a phase-3-ready broad-spectrum antifungal with the potential to become Basilea's next lead commercial product
- Announced acquisition of novel clinical-stage antifungal BAL2062 for treatment of *Aspergillus* mold infections
- Entered into exclusive license and option agreement for potential first-in-class clinical-stage antibacterial compound tonabacase to evaluate it in preclinical studies, with the option to license at pre-agreed terms

Other achievements:

- Strong Cresemba- and Zevtera-related revenue growth in 2023
- Continued profit for second year in a row
- Reduced debt level by paying back significant part of senior secured loan
- Published *Key elements of Basilea's ESG strategy*

Achievement of 2023 corporate goals

The board reviews achievement against the corporate goals when determining the performance-related cash bonus for the management committee. For 2023 these consisted of financial and operating goals that support the execution of Basilea's strategic priorities. Reflecting increased transparency around performance, relative weighting and achievement level are shown for each component of the various goals.

Although goals related to revenues and accessing additional funding were met, overall achievement against financial KPIs was below target due to the performance of the Basilea share price compared to the Swiss Performance Index Extra. Share price volatility and negative market sentiment had an impact on listed biotech companies in 2023, which is reflected by the Basilea share price, but is by no means unique to Basilea.

Of the goals related to Basilea's commercial products, the NDA submission for ceftobiprole took place later in the year than originally planned and the NDA decision is expected only in April 2024. Linked to this delay, commercialization and manufacturing partnership goals were only partially achieved. However, for isavuconazole the target to submit pediatric data to the European Medicines Agency was met and the supply chain was further optimized, resulting in 100% achievement for this component.

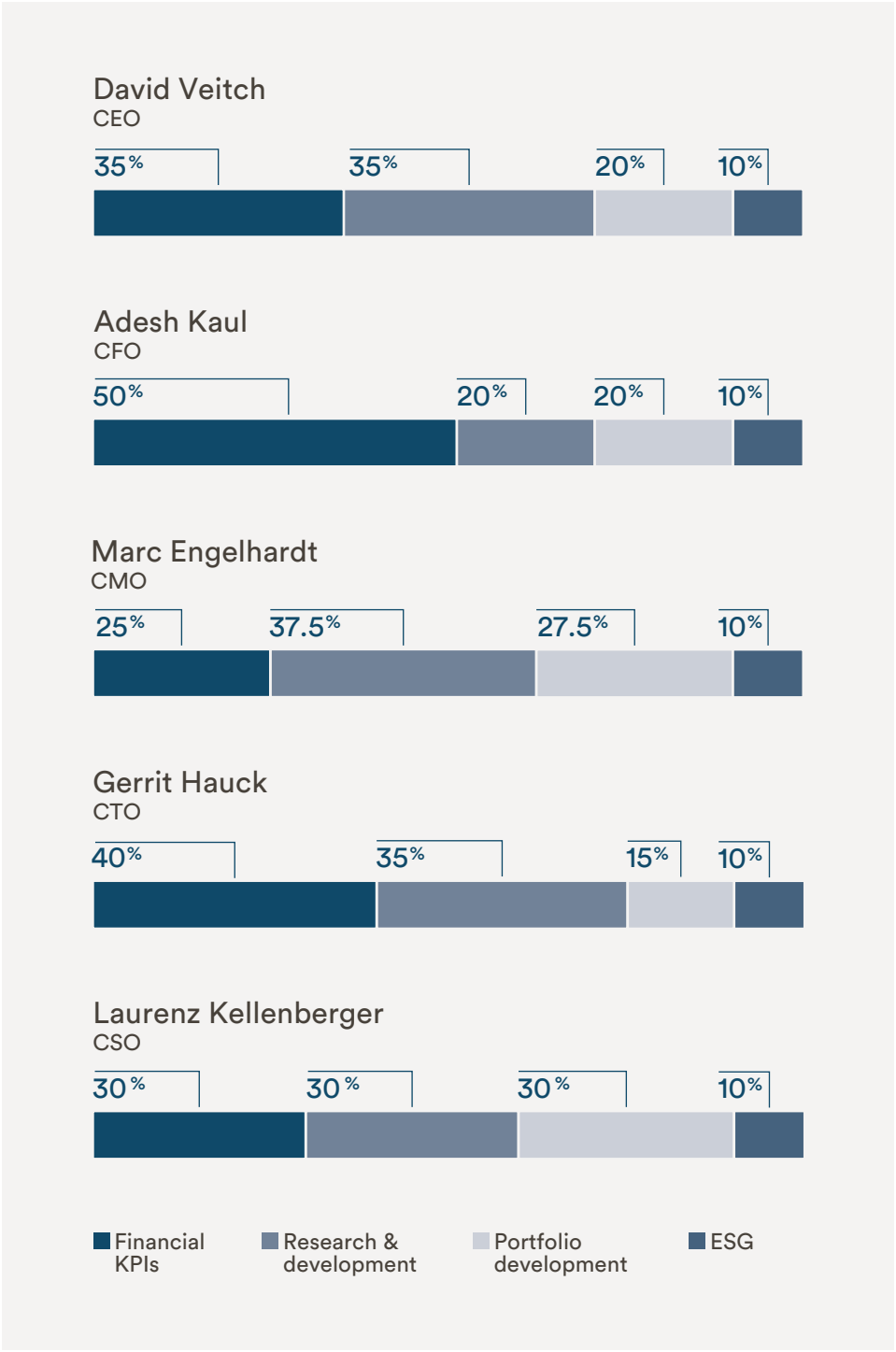
With three clinical-stage anti-infective compounds and one preclinical compound in-licensed or acquired in the second half of 2023, development of the Basilea portfolio exceeded expectations, ensuring a strong foundation for the future. The acquisition of fosmanogepix is of particular importance, as this promising drug candidate provides a strong commercial near-term opportunity beyond the currently marketed anti-infectives.

Marking an important milestone and reflecting the focus on sustainability, the ESG-related goal for 2023 was also achieved.

As shown in the following table, the overall achievement level was slightly above target at 107.2%.

	Corporate goal	Weighting	Achievement
Financial KPIs	Revenues: achieve budgeted product and contract revenues	20.0%	23.0%
	Share price performance: quarterly share price performance relative to Swiss Performance Index Extra (SPI Extra)	10.0%	5.5%
	Access additional funding (e.g. through grants, cost sharing)	5.0%	6.2%
	Financial KPIs	**35.0%**	**34.7%**
Non financial KPIs	Ceftobiprole: NDA approval for the US market; goals related to commercialization and manufacturing partnerships	20.0%	7.5%
	Isavuconazole: closure of pediatric development program and submission of data to the European Medicines Agency (EMA); further supply chain optimization	15.0%	15.0%
	Research & development	**35.0%**	**22.5%**
	Expand R&D portfolio through in-licensing anti-infective compounds	20.0%	40.0%
	Portfolio development	**20.0%**	**40.0%**
	Development of an ESG strategy including measurable ESG goals in accordance with the Global Reporting Initiative standards and publication of an ESG Report	10.0%	10.0%
	ESG	**10.0%**	**10.0%**
Total		**100.0%**	**107.2%**

The weighting of the objectives shown on the previous page is the standard corporate weighting, used to calculate the bonus of the CEO. For other members of the management committee, although the KPIs are the same, the weighting of each is different, to better reflect each management committee member's main areas of responsibility. These weightings can change from year to year, with the weightings for 2023 shown as follows:



Performance against long-term incentive plan KPIs

LTIP 2021–2023

The performance period for the first Basilea LTIP grant ended at the end of 2023 and the award vests on the third anniversary of the grant date, in April 2024.
Strong Cresemba product sales over the three-year performance period exceeded the +20% CAGR maximum, resulting in maximum payout for this KPI.
There was considerable share price volatility during the period and the rTSR KPI was below the threshold of –10% against the SPI Extra, resulting in zero payout for this component. As the two KPIs are weighted equally at 50% each, the award will vest at an overall performance rate of 100%. This means that each PSU granted will vest into one Basilea share and will remain subject to a one-year holding period after vesting.

For LTI awards granted in 2022 and 2023 the performance period is still ongoing. In the interest of transparency, an update as of the end of 2023 is provided below, however, the final outcome used to determine vesting may be different at the end of the respective performance periods.

LTIP 2022–2024

Although the two KPIs, threshold, target and maximum levels for the PSUs granted in 2022 remained unchanged compared to the 2021 grant, market conditions and the baseline at the beginning of 2022 were different. For the Cresemba product sales KPI, performance was above the maximum level based on the 2022-2023 period. The development of the Basilea share price over this same period was also favorable compared to the SPI Extra, and would result in payout between target and maximum for this component if the performance period were to end at the end of 2023.

LTIP 2023–2025

For the third Basilea LTIP grant, 2023 was only one third of the full performance period. Based on Cresemba product sales during the year, performance for this KPI was above the maximum level at the end of the year. However, Basilea share price performance was below the threshold compared to the SPI Extra in 2023 and would result in no payout for this component based on the first year of the three-year performance period.

Other compensation topics

Malus and clawback clause

All shares and PSUs are subject to a malus/clawback provision, which enables the board to withhold or recover compensation from management committee members if they are found to have engaged in behavior such as acts of fraud, gross negligence or willful misconduct. Under the malus provision, the board reserves the right to cancel some or all outstanding PSUs. Under the clawback provision, during the additional one-year holding period, the board may recover the value of some or all shares delivered under the plan by requiring management committee members to transfer such converted shares back to the company or to make a cash payment.

Previous LTI plans

Until 2020, Basilea granted stock options to its management committee and management-level employees to incentivize long-term shareholder value creation. This plan was discontinued in 2021 and replaced with the plan that is currently in place, where long-term incentives are provided in the form of PSUs and RSUs. Stock options granted under the previous long-term incentive plan have not been cancelled, but will continue to be held and vest as per the plan conditions. For more details, please refer to the compensation report 2020.

Indirect benefits

The company maintains certain disability insurance for the management committee and provides various other benefits, such as allowances or contribution to the pension plan. The terms and conditions of these other benefits are the same for the management committee as for all other Basilea employees.

New management committee members may be eligible for reimbursement of relocation costs, compensation for lost benefits or stock granted by a prior employer, and limited reimbursement of international school for children.

Loans and credits

The company did not grant any loans, quasi-loan credits or guarantees to members of the board of directors or of the management committee in 2023 or 2022.

Employment conditions

Members of the management committee have a notice period of twelve months set down in their employment agreements. They may receive variable compensation during the notice period, depending on company performance and in line with the applicable caps and conditions detailed above. Members of the management committee are subject to the standard Basilea terms and conditions for Basilea employees. There is no accelerated vesting of outstanding LTI awards in the event of termination (except due to retirement, disability or death), in accordance with the plan rules. Basilea has no contractual termination payment obligations to members of the management committee.

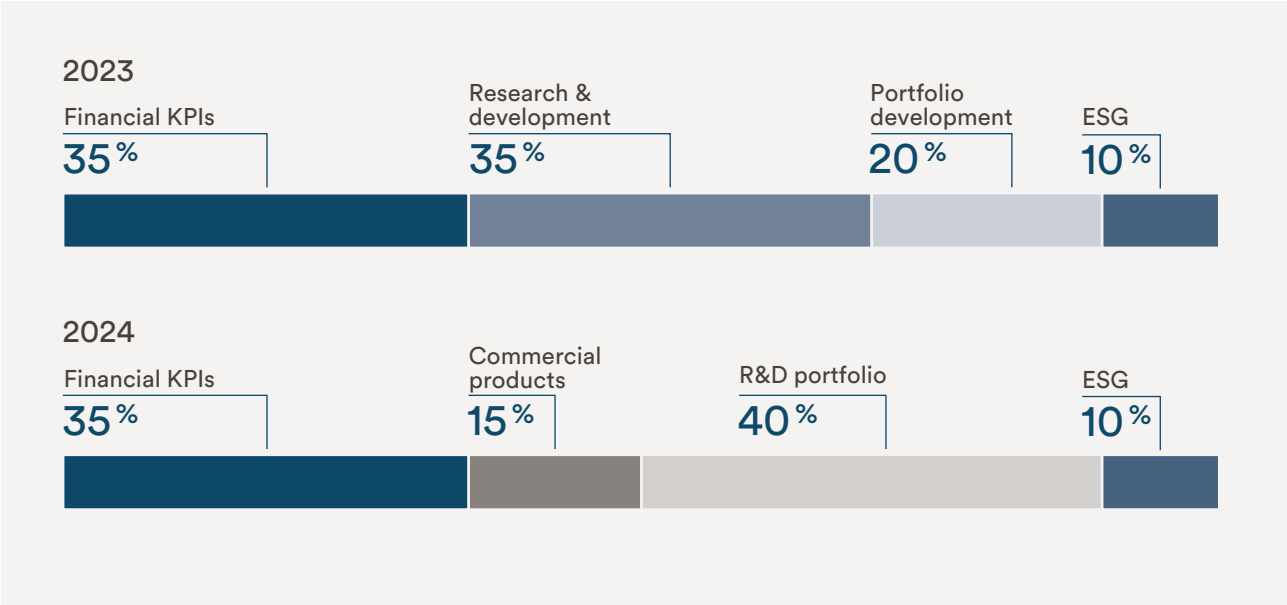
For further information on the compensation for the management committee, please refer to the section “Disclosure of the compensation for the members of the management committee” on page 114.

Forward-looking compensation topics

The compensation committee reviewed the current compensation model during the course of 2023 and determined that no structural changes are indicated for 2024. Through regular review and setting of appropriate performance goals as part of the annual bonus as well as the long-term incentive system, the current compensation tools are well suited to support implementation of the strategic direction announced in February 2022.

Key corporate goals 2024

Compared to 2023, the corporate goals approved by the board for 2024 reflect a slight shift in weighting between the elements needed to implement the strategy.



Just as in 2023, financial stability will continue to be a key strategic priority for Basilea in 2024. For commercial products Cresemba and Zevtera the focus will be on achieving the next regulatory approval milestones and optimizing product lifecycle. Proportionally greater weighting is allocated to the R&D portfolio in 2024, which includes both goals related to development of existing drug candidates and further in-licensing and acquisition of assets to ensure long-term value generation. Reflecting the continued importance of sustainability for Basilea, ESG will remain a corporate goal, with unchanged weighting compared to 2023.

Further details about achievement of the corporate goals will be shared in the compensation report 2024.

	Corporate goal	Weighting
Financial KPIs	Revenues: achieve budgeted product and contract revenues	
	Share price performance: quarterly share price performance relative to Swiss Performance Index Extra (SPI Extra)	
	Financial KPIs	**35.0%**
Non-financial KPIs	Ceftobiprole: NDA approval for the US market; goals related to commercialization and manufacturing partnerships	
	Isavuconazole: approval of pediatric variation by European Medicines Agency (EMA)	
	Commercial products	**15.0%**
	Fosmanogepix: achieve first site initiation in phase 3 study	
	Achieve decision points based on completion of pre-clinical profiling for BAL2062 and tonabacase	
	Expand R&D portfolio through in-licensing or acquisition of anti-infective compounds	
	R&D portfolio	**40.0%**
	Publication of ESG report including established KPIs and baseline measurement as reference for future development	
	ESG	**10.0%**
Total		**100.0%**

Long-term incentive plan 2024

For the 2024 PSU grant, the KPIs will remain unchanged. It is the view of the board that the rTSR KPI is a key metric to align the interests of shareholders and the management committee. Until any future product launches or the approval for Zevtera in new markets, Cresemba remains the main driver of Basilea's revenues and the corresponding product sales KPI reflects its critical importance for the company's long-term financial success.

ESG in compensation

2023 marked the introduction of an ESG-related corporate goal, directly linking a portion of the annual performance-related cash bonus for the management committee to sustainability. However, this was only one of the first steps on Basilea's journey to integrate sustainability aspects into daily operations. ESG will remain a corporate goal for 2024 as well, supporting further development of the ESG strategy.

The nine focus areas identified as the most relevant for Basilea will provide the basis for establishing measurable KPIs as well as collecting baseline data in 2024. This data in turn will serve as the internal benchmark against which Basilea's development and progress can be monitored and quantified over the years to come. To fully meet the ESG target for 2024 this process cannot remain an internal exercise, it is the expectation of the board that the KPIs as well as the baseline measurements will be published in an ESG report on the company website.

Compensation and additional disclosures

Disclosure of the compensation for the board of directors

The total compensation of the members of the board for the AGM period 2023/2024 and the AGM period 2022/2023 are outlined as follows:

At the annual general meeting of April 26, 2023, the shareholders approved CHF 1,430,000 as the maximum aggregate amount of compensation for the board of directors for the period from the AGM 2023 to the AGM 2024. The total actual compensation for this period is CHF 1,345,368.

In CHF 2023[1]	Board-membership	Audit committee	Compensation committee	Corporate governance & nomination committee	Cash[2]	Value restricted share units *(number of RSUs)*[3]	Total cash and RSUs	Social security and other fringe benefits[4]	Total[5]
Domenico Scala	Chair	●		●	225 720	75 268 *(1 771)*	300 988	36 687	337 675
Thomas Werner	Vice-chair		●	Chair	153 089	51 043 *(1 201)*	204 132	20 666	224 798
Leonard Kruimer	●	Chair			140 132	46 750 *(1 100)*	186 882	–	186 882
Martin Nicklasson	●	●	Chair		144 064	48 068 *(1 131)*	192 132	19 617	211 749
Nicole Onetto	●		●		145 382	46 750 *(1 100)*	192 132	–	192 132
Carole Sable	●			●	145 382	46 750 *(1 100)*	192 132	–	192 132
Total					**953 769**	**314 629**	**1 268 398**	**76 970**	**1 345 368**

1 The table above shows the annual compensation paid semi-annually in June and December during the year 2023 covering the twelve-month period from the AGM 2023 until AGM 2024

2 Includes annual fee of CHF 5,250 for Nicole Onetto and the same amount for Carole Sable related to their participation on the research & development advisory board

3 Based on the grant-date fair value per RSU of CHF 42.50 (closing price of the Basilea share at grant date)

4 Includes the company's and the board members' contributions to social security in respect of their cash and RSU compensation for the calendar year 2023 (where applicable). For RSU grants, the social security contributions included in the above table are based on the fair value at grant to align the timing of the disclosure of social security contributions. No option exercises took place during the reported period.

5 Does not include the value of the customary farewell gift to Steven D. Skolsky, who did not stand for re-election at the AGM 2023, in recognition of his long-standing service on the board of directors since 2008, with a value of net CHF 4,615, with related tax obligation in Switzerland covered by the company.

In CHF 2022[1]	Board-membership	Audit committee	Compensation committee	Corporate governance & nomination committee	Cash	Value restricted share units *(number of RSUs)*[2]	Total cash and RSUs	Social security and other fringe benefits[3]	Total
Domenico Scala	Chair			●	219 832	73 281 *(1 962)*	293 113	36 683	329 796
Thomas Werner	Vice-chair		●	Chair	153 074	51 057 *(1 367)*	204 131	21 960	226 091
Leonard Kruimer	●	Chair			140 158	46 725 *(1 251)*	186 883	–	186 883
Martin Nicklasson	●	●	Chair		144 062	48 069 *(1 287)*	192 131	19 617	211 748
Nicole Onetto	●		●		140 158	46 725 (1 251)	186 883	–	186 883
Steven D. Skolsky	●	●		●	144 062	48 069 *(1 287)*	192 131	–	192 131
Total					**941 346**	**313 926**	**1 255 272**	**78 260**	**1 333 532**

1 The table above shows the annual compensation paid semi-annually in June and December during the year 2022 covering the twelve-month period from the AGM 2022 until AGM 2023

2 Based on the grant-date fair value per RSU of CHF 37.35 (closing price of the Basilea share at grant date)

3 Includes the company's and the board members' contributions to social security in respect of their cash and RSU compensation for the calendar year 2022 (where applicable). For RSU grants, the social security contributions included in the above table are based on the fair value at grant to align the timing of the disclosure of social security contributions. Mandatory employer contributions to social security for stock options granted prior to 2014 and exercised during calendar year 2022 are not included.

Disclosure of the compensation for the members of the management committee

At the annual general meeting of shareholders on April 13, 2022, the shareholders approved CHF 6,280,000 as the maximum aggregate amount of total compensation (fixed and variable compensation combined) for the calendar year 2023.

The total actual compensation for this period is CHF 5,419,561.

In CHF	Cash compensation fixed	Cash compensation variable	Value of long-term incentives[1]	Social security and other fringe benefits[2 3]	Total
2023					
Chief Executive Officer David Veitch	610 737	329 127	610 730	195 085	1 745 679
Total management committee	**2 095 263**	**972 309**	**1 724 048**	**627 941**	**5 419 561**
2022					
Chief Executive Officer David Veitch	599 333	398 945	599 295	200 535	1 798 108
Total management committee	**2 056 152**	**1 140 698**	**1 691 837**	**640 355**	**5 529 041**

1 Based on the grant-date fair value per PSU of CHF 38.90 (2023) and CHF 41.20 (2022); calculated by using a Monte Carlo simulation.

2 Includes employer contributions to pension plans, social security, life insurance etc. Mandatory employer contributions to social security for stock options granted prior to 2021 and exercised during the period are not included.

3 For 2023 and 2022, the amounts include estimated social security contributions related to the PSU grants based on the fair value at grant and 100% target achievement to align the timing of the disclosure of social security contributions and the PSU grants triggering the respective social security contributions.

Payments to former management committee members

In 2023 and 2022 no severance payments were made, and no payments occurred to former members of the management committee.

Granting of performance share units

The following PSUs were granted to the management committee and the CEO for 2023 and 2022:

For year 2023	Chief Executive Officer David Veitch	Total management committee
Number of PSUs granted during the year	15 700	**44 320**

For year 2022	Chief Executive Officer David Veitch	Total management committee
Number of PSUs granted during the year	14 546	**41 064**

Disclosure of shareholdings and options

As of December 31, 2023, the shareholdings in the Company of the members of the board of directors and the management committee are outlined below:

	Number of shares
Domenico Scala, Chair	590
Thomas Werner, Vice-chair	1 192
Leonard Kruimer, Director	–
Martin Nicklasson, Director	1 757
Nicole Onetto, Director	737
Carole Sable, Director	–
David Veitch, Chief Executive Officer	1 300
Marc Engelhardt, Chief Medical Officer	–
Gerrit Hauck, Chief Technology Officer	–
Adesh Kaul, Chief Financial Officer	500
Laurenz Kellenberger, Chief Scientific Officer	500

As of December 31, 2022, the shareholdings in the Company of the members of the board of directors and the management committee are outlined below:

	Number of shares
Domenico Scala, Chair	1 936
Thomas Werner, Vice-chair	1 192
Leonard Kruimer, Director	–
Martin Nicklasson, Director	1 757
Nicole Onetto, Director	737
Steven D. Skolsky, Director	757
David Veitch, Chief Executive Officer	1 300
Marc Engelhardt, Chief Medical Officer	–
Gerrit Hauck, Chief Technology Officer	–
Adesh Kaul, Chief Financial Officer	500
Laurenz Kellenberger, Chief Scientific Officer	500

The following table shows the holdings of stock options and PSU/RSU in the Company of the members of the board of directors and the management committee as of December 31, 2023:

In CHF	Number of vested stock options	Number of unvested stock options	Total number of stock options	Number of restricted share units	Number of performance share units
Domenico Scala, Chair	–	–	–	3 733	–
Thomas Werner, Vice-chair	–	–	–	2 568	–
Leonard Kruimer, Director	–	–	–	2 351	–
Martin Nicklasson, Director	–	–	–	2 418	–
Nicole Onetto, Director	–	–	–	2 351	–
Carole Sable, Director	–	–	–	1 100	–
David Veitch, Chief Executive Officer	93 445	9 355	102 800	–	43 847
Marc Engelhardt, Chief Medical Officer	49 065	5 488	54 553	–	22 715
Gerrit Hauck, Chief Technology Officer	15 912	5 538	21 450	–	18 092
Adesh Kaul, Chief Financial Officer	39 776	5 992	45 768	–	20 944
Laurenz Kellenberger, Chief Scientific Officer	64 156	5 035	69 191	–	18 182

The following table shows the holdings of stock options and PSU/RSU in the Company of the members of the board of directors and the management committee as of December 31, 2022:

In CHF	Number of vested stock options	Number of unvested stock options	Total number of stock options	Number of restricted share units	Number of performance share units
Domenico Scala, Chair	2 200	–	2 200	1 962	–
Thomas Werner, Vice-chair	2 200	–	2 200	1 367	–
Leonard Kruimer, Director	–	–	–	1 251	–
Martin Nicklasson, Director	2 401	–	2 401	1 287	–
Nicole Onetto, Director	–	–	–	1 251	–
Steven D. Skolsky, Director	2 200	–	2 200	1 287	–
David Veitch, Chief Executive Officer	72 652	30 148	102 800	–	28 147
Marc Engelhardt, Chief Medical Officer	41 888	16 415	58 303	–	14 582
Gerrit Hauck, Chief Technology Officer	5 187	16 263	21 450	–	11 614
Adesh Kaul, Chief Financial Officer	29 042	17 976	47 018	–	13 445
Laurenz Kellenberger, Chief Scientific Officer	67 467	14 904	82 371	–	11 672

Disclosure of external mandates of the members of the board of directors

The following table shows the external mandates within the meaning of articles 626 para. 2 no. 1 and 734e of the Swiss Code of Obligations held by the board of directors as of December 31, 2023:

	Mandate	Entity
Domenico Scala, Chair	Chairman of the board	Oettinger Davidoff AG
	Member of the bank council	Basler Kantonalbank
Thomas Werner, Vice-chair	Chairman	Pharmathen S.A.
Leonard Kruimer, Director	Chairman of the board	BioInvent International AB
	Board member	Pharming Group NV
	Board member	Zealand Pharma A/S
	Director	AI Global Investments (Netherlands) PCC Ltd.
Martin Nicklasson, Director	Chairman of the board	Nykode Therapeutics AS
	Chairman of the board	Zealand Pharma A/S
Nicole Onetto, Director	Member of the board	Bolt Biotherapeutics, Inc.
	Member of the board	CDR-Life AG
Carole Sable, Director	none	none

Disclosure of external mandates of the members of the management committee

No member of the management committee held an external mandate within the meaning of articles 626 para. 2 no. 1 and 734e of the Swiss Code of Obligations as of December 31, 2023.

“Each department makes its own contribution to our goal of being a leading anti-infectives company.”

– Andreas Kümin,
Head of Corporate Development

Read the whole story in
the Feature on pages 21–31.

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Financial review

Overview

The following discussion of the financial condition and results of the operations of Basilea Pharmaceutica Ltd, Allschwil ("Basilea") and its subsidiaries (the "Company") should be read in conjunction with the consolidated financial statements, which have been prepared in accordance with US GAAP, and the related notes thereto included in this annual report. This discussion contains forward-looking statements which are based on assumptions about the Company's future business that involve risks and uncertainties. The Company's actual results may differ materially from those anticipated in these forward-looking statements.

Basilea through its operating company Basilea Pharmaceutica International Ltd, Allschwil ("Basilea International"), is a commercial-stage biopharmaceutical company committed to discovering, developing and commercializing innovative drugs to meet the needs of patients with severe bacterial and fungal infections.

The Company recognized total revenue of CHF 157.6 million in 2023 (2022: CHF 147.8 million). Total revenue in 2023 included CHF 150.3 million (2022: CHF 122.3 million) from Basilea's two marketed products, the antifungal Cresemba (isavuconazole) and the antibiotic Zevtera (ceftobiprole). Moreover, total revenue included other revenue in the amount of CHF 7.4 million (2022: CHF 25.4 million).

In 2023, the Company invested CHF 77.9 million (2022: CHF 73.8 million) in research and development mainly related to activities on ceftobiprole, isavuconazole and further projects in the Company's research portfolio as well as related to upfront and milestone payments for the expansion of its R&D portfolio through the acquisition of the antifungals fosmanogepix and BAL2062 and the exclusive option and license agreement for the antibiotic tonabacase.

Selling, general and administrative expenses including costs for the commercialization of Cresemba and Zevtera amounted to CHF 33.8 million in 2023 (2022: CHF 30.8 million).

Cash,cash equivalents and restricted cash amounted to CHF 64.3 million as of December 31, 2023, compared to CHF 108.6 million at year-end 2022.

The Company paid back the 2022 convertible bonds in December 2022, which amounted to nominal CHF 123.5 million as of December 31, 2021. The repayment was partially financed with a new third party loan of CHF 75.0 million in 2022, of which CHF 59.4 million was already paid back as of December 31, 2023.

Results of operations

The following table outlines the Company's consolidated results of operations for the fiscal years 2023 and 2022:

In CHF million	2023	2022
Product revenue	37.9	32.7
Contract revenue	112.4	89.6
Other revenue	7.4	25.4
Total revenue	**157.6**	**147.8**
Cost of products sold	(26.8)	(24.6)
Research & development expenses, net	(77.9)	(73.8)
Selling, general & administrative expenses	(33.8)	(30.8)
Total cost and operating expenses	**(138.4)**	**(129.2)**
Operating result	**19.2**	**18.5**
Interest income	1.7	0.3
Interest expense	(11.2)	(9.8)
Other income	2.4	2.0
Other expenses	(4.4)	(1.2)
Other components of net periodic pension cost	2.7	2.3
Income taxes	0.0	0.0
Net profit	**10.5**	**12.1**

Revenues

Total revenue included product revenue in the amount of CHF 37.9 million (2022: CHF 32.7 million) and contract revenue in the amount of CHF 112.4 million (2022: CHF 89.6 million). Product revenue resulted from sales to Pfizer in the amount of CHF 14.1 million (2022: CHF 16.9 million) and product sales to other distribution and license partners of CHF 23.9 million (2022: CHF 15.8 million).

Contract revenue resulted from royalty payments from Astellas of CHF 51.1 million (2022: CHF 42.8 million royalty payments and a sales milestone payment of CHF 20.0 million). Furthermore, the Company recognized contract revenue from Pfizer of CHF 53.6 million (2022: CHF 23.4 million), including royalty payments of CHF 27.4 million (2022: CHF 22.2 million) and sales milestone payments of CHF 26.2 million (2022: CHF 1.2 million).

In other revenue, the Company recognized CHF 4.2 million related to its agreement with BARDA (2022: CHF 8.4 million) and CHF 0.0 million related to oncology transactions (2022: CHF 15.0 million).

Cost of products sold

The Company recognized cost of products sold of CHF 26.8 million for Cresemba and Zevtera (2022: CHF 24.6 million).

Research and development expenses, net

Research and development expenses amounted to CHF 77.9 million (2022:CHF 73.8 million), representing 56% of total operating expenses (2022: 57%).

Research and development expenses in 2023 were mainly driven by the upfront and milestone payments and initial development activities for the three newly acquired and licensed compounds (fosmanogepix, BAL2062 and tonabacase), the phase 3 program, including regulatory activities, for the antibiotic ceftobiprole, the pediatric development programs for ceftobiprole and isavuconazole as well as for activities on compounds in the Company's research portfolio.

The overall increase of CHF 4.2 million as compared to 2022 is driven by the upfront and milestone payments for the three new compounds, largely offset by the lower activity in oncology and decreased costs for the phase 3 program of ceftobiprole.

Payments which the Company makes or receives related to its co-development arrangement with Astellas for isavuconazole are recorded in research and development expenses.

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

Selling, general and administrative expenses

Selling, general and administrative expenses amounted to CHF 33.8 million (2022: CHF 30.8 million). Selling, general and administrative expenses included costs related to the general management of the Company, the commercialization of Cresemba and Zevtera and expenses related to business development transactions.

The increase of CHF 2.9 million as compared to 2022 is mainly driven by higher expenses for legal and business consulting and market research in the context of partnering activities as well as higher travel expenses.

Selling, general and administrative expenses mainly consist of expenses related to commercialization, marketing, medical affairs, corporate management, legal, finance, human resources, business development, licensing and investor relations, including any personnel expenses for these functions.

As of December 31, 2023, the Company had subsidiaries in Germany and the United Kingdom.

Net other income/expenses, other components of net periodic pension cost and net interest expenses

Net other income/expenses, excluding interest, amounted to CHF 2.0 million income (2022: CHF 0.8 million expenses) and other components of net periodic pension cost to CHF 2.7 million (2022: CHF 2.3 million).

Net interest expenses amounted to CHF 9.5 million (2022: CHF 9.5 million).

Income taxes

Due to the losses incurred to date and the insufficient evidence related to the ability to realize deferred tax assets, the Company has not recognized any deferred tax assets as of December 31, 2023 and December 31, 2022. The Company incurred income taxes of CHF 0.0 million in 2023 and CHF 0.0 million in 2022 related to its operations in certain jurisdictions outside of Switzerland.

Liquidity and capital resources

Cash,cash equivalents and restricted cash, available as of December 31, 2023, amounted to CHF 64.3 million (December 31, 2022: CHF 108.6 million).

In 2023, the Company generated a positive operating cash flow of CHF 14.2 million. The cash used by the Company in 2023 was primarily related to the repayment of the senior secured loan as well as to the acquisition of the three new compounds.

Available funds are mainly invested in interest-bearing deposits.

The Company has not entered and has not planned to enter into any commitments for any material investments other than for investments in the normal course of the business.

On September 6, 2022, the Company entered into a senior secured loan agreement with Athyrium Capital Management, LP, amounting to CHF 75.0 milion. The Company intends to repay the CHF 75.0 million senior secured loan within 1.5 years from expected cash flows from its growing commercial business. As per December 31, 2023, CHF 59.4 million of the senior secured loan agreement were already paid back.
On December 23, 2022, the loan was used to pay back the 2022 convertible bonds, which amounted to CHF 113.8 million at that point in time.

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Report of the statutory auditor

to the General Meeting of Basilea Pharmaceutica Ltd, Allschwil

Allschwil

Report of the statutory auditor on the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Basilea Pharmaceutica Ltd, Allschwil and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, consolidated statements of comprehensive income, consolidated statements of cash flows and consolidated statements of changes in shareholders' equity (deficit) for the years then ended, and the related notes, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements (pages 128-169) present fairly, in all material respects, the financial position of the Group as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law.

Basis for opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (US GAAS), Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the independence and other ethical requirements relating to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with US GAAP and the provisions of Swiss law, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued; to disclose, as applicable, matters related to going concern; and to use the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS, Swiss law and SA-CH will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, Swiss law and SA-CH, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group's ability to continue as a going concern for a reasonable period of time.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

We are required to communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them regarding all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safe-guards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information

The Board of Directors is responsible for the other information included in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of Basilea Pharmaceutica Ltd, Allschwil, the compensation report of Basilea Pharmaceutica Ltd, Allschwil and our auditor's reports thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm the existence of an internal control system that has been designed, pursuant to the instructions of the Board of Directors, for the preparation of consolidated financial statements.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Daniel Anliker

Audit expert
Auditor in charge

Daniel D Miller

Basel, February 8, 2024

Consolidated financial statements

Basilea Pharmaceutica Ltd, Allschwil & subsidiaries

Consolidated balance sheets as of December 31, 2023 and 2022
(in CHF thousands, except for number of shares)

	Footnote	2023	2022
ASSETS			
Current assets			
Cash and cash equivalents	6	59 933	84 659
Restricted cash	1	4 389	1 908
Accounts receivable	5	27 891	33 152
Other receivables	7	30 257	28 552
Inventories, net	8	26 410	24 244
Other assets		3 265	2 848
Total current assets		**152 145**	**175 364**
Non-current assets			
Restricted cash	1	-	22 000
Property, plant and equipment, net	2	3 757	4 277
Operating lease right-of-use assets, net	18	16 795	17 294
Intangible assets, net	3	548	578
Loans		-	1 266
Other assets		43	69
Total non-current assets		**21 144**	**45 484**
TOTAL ASSETS		**173 289**	**220 848**
LIABILITIES			
Current liabilities			
Accounts payable		5 847	191
Senior secured loan	11	15 453	37 467
Deferred revenue		1 233	1 233
Operating lease liabilities	18	2 062	1 988
Accruals and other current liabilities	12	22 997	33 971
Total current liabilities		**47 592**	**74 850**
Non-current liabilities			
Convertible senior unsecured bonds	10	95 455	95 000
Senior secured loan	11	-	36 360
Deferred revenue		9 460	10 693
Operating lease liabilities	18	15 636	16 323
Other liabilities	17	15 148	8 338
Total non-current liabilities		**135 700**	**166 713**
Total liabilities		**183 292**	**241 563**
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital[1]	15	13 100	13 093
Treasury shares[2]	15	(54 008)	(56 071)
Additional paid-in capital		1 042 002	1 037 120
Accumulated other comprehensive loss	15	(10 210)	(3 784)
Accumulated deficit:			
Loss carried forward		(1 011 337)	(1 023 219)
Net profit for the year		10 451	12 147
Total shareholders' equity (deficit)		**(10 003)**	**(20 715)**
TOTAL LIABILITIES AND EQUITY		**173 289**	**220 848**

1 As of December 31, 2023, 13,099,826 shares (December 31, 2022: 13,093,445) were issued and 12,001,669 shares (December 31, 2022: 11,951,304) outstanding with a par value of CHF 1.00 per share.
2 As of December 31, 2023, 1,098,157 shares (December 31, 2022: 1,142,141) with a par value of CHF 1.00.

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

Basilea Pharmaceutica Ltd, Allschwil & subsidiaries

Consolidated statements of operations for the years ended December 31, 2023 and 2022 (in CHF thousands, except per share amounts)

	Footnote	2023	2022
Product revenue	4, 9	37 911	32 678
Contract revenue	4, 9	112 364	89 637
Other revenue	4, 9	7 359	25 450
Total revenue		**157 634**	**147 765**
Cost of products sold		(26 794)	(24 603)
Research & development expenses, net	9	(77 852)	(73 804)
Selling, general & administrative expenses		(33 783)	(30 815)
Total cost and operating expenses		**(138 430)**	**(129 223)**
Operating result		**19 205**	**18 543**
Interest income		1 690	326
Interest expense	10, 11	(11 202)	(9 848)
Other income		2 420	2 015
Other expenses		(4 355)	(1 205)
Other components of net periodic pension cost		2 703	2 270
Profit before taxes		**10 461**	**12 102**
Income taxes	13	(10)	45
Net profit		**10 451**	**12 147**

Earnings per share	16	**2023**	2022
Basic earnings per share, in CHF		0.87	1.02
Diluted earnings per share, in CHF		0.86	1.02

Basilea Pharmaceutica Ltd, Allschwil & subsidiaries

Consolidated statements of comprehensive income for the years ended December 31, 2023 and 2022 (in CHF thousands)

	Footnote	2023	2022
Net profit		**10 451**	**12 147**
Currency translation adjustments		(208)	(253)
Actuarial loss/gain	17	(6 483)	18 089
Other comprehensive income, net of tax		**(6 691)**	**17 836**
Comprehensive income		**3 760**	**29 983**

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

Basilea Pharmaceutica Ltd, Allschwil & subsidiaries

Consolidated statements of cash flows for the years ended December 31, 2023 and 2022 (in CHF thousands)

	Footnote	2023	2022
Cash flow from operating activities			
Net profit		10 451	12 147
Adjustments to reconcile net profit to net cash provided by operating activities:			
Non-cash pension costs		327	1 441
Depreciation and amortization		1 577	1 097
Stock-based compensation		4 762	3 598
Amortization of debt issuance cost	10, 11	1 443	456
Debt extinguishment loss		-	41
Change in operating assets/liabilities:			
Accounts receivable		5 229	(8 242)
Other receivables		(1 778)	10 829
Inventories		(2 166)	(1 461)
Accounts payable		5 656	(10 427)
Deferred revenue		(1 233)	(1 233)
Accruals and other current liabilities		(10 933)	(846)
Other operating cash flow items		908	(343)
Net cash provided by operating activities		**14 245**	**7 056**
Cash flow from investing activities			
Maturities of short-term investments		-	94 951
Investments in property, plant and equipment	2	(813)	(3 138)
Investments in intangible assets	3	(221)	(165)
Net cash used in/provided by investing activities		**(1 034)**	**91 649**
Cash flow from financing activities			
Disbursements related to/proceeds from exercise of stock options	14	(91)	3 520
Net proceeds from capital increase and related taxes		(381)	250
Net proceeds from treasury shares		2 481	656
Proceeds from debt issuance, net	11	-	73 875
Repayments of senior secured loan	11	(59 314)	-
Debt extinguishment	10	-	(123 547)
Net cash used in financing activities		**(57 305)**	**(45 246)**
Effect of exchange rate changes		(151)	155
Net change in cash, cash equivalents and restricted cash		**(44 245)**	**53 614**
Beginning of period		**108 567**	**54 953**
End of period		**64 322**	**108 567**
Supplemental information			
Cash paid for interest		9 758	6 334
Cash paid for income taxes		7	4

In 2022, the Company obtained a right-of-use asset of CHF 18.2 million and additional CHF 1.4 million in 2023 in exchange for a lease liability.

The following table shows the components of cash, cash equivalents and restricted cash as of December 31, 2023 and 2022:

In CHF thousands	2023	2022
Cash and cash equivalents	59 933	84 659
Restricted cash	4 389	23 908
Total cash, cash equivalents and restricted cash	**64 322**	**108 567**

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

Basilea Pharmaceutica Ltd, Allschwil & subsidiaries

**Consolidated statements of changes in shareholders' equity (deficit)
for the years ended December 31, 2023 and 2022
(in CHF thousands, except for number of shares)**

	Share Capital	Treasury Shares	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	**Total**
Balance at December 31, 2021	**12 992**	**(56 559)**	**1 029 796**	**(21 617)**	**(1 023 219)**	**(58 607)**
Net profit	-	-	-	-	12 147	12 147
Capital increase and related taxes	-	-	250	-	-	250
Other comprehensive income	-	-	-	17 833	-	17 833
Treasury shares transactions	-	488	168	-	-	656
Exercise of stock options	101	-	3 419	-	-	3 520
Stock-based compensation	-	-	3 487	-	-	3 487
Balance at December 31, 2022	**13 093**	**(56 071)**	**1 037 120**	**(3 784)**	**(1 011 072)**	**(20 715)**
Net profit	-	-	-	-	10 451	10 451
Capital increase and related taxes	5	-	(381)	-	-	(376)
Other comprehensive income	-	-	-	(6 427)	(265)	(6 692)
Treasury shares transactions	-	2 063	-	-	-	2 063
Exercise of stock options	2	-	(97)	-	-	(95)
Stock-based compensation	-	-	5 360	-	-	5 360
Balance at December 31, 2023	**13 100**	**(54 008)**	**1 042 002**	**(10 210)**	**(1 000 886)**	**(10 003)**

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

Basilea Pharmaceutica Ltd, Allschwil & subsidiaries

Notes to the consolidated financial statements
(all amounts in CHF unless stated otherwise)

1 Summary of significant accounting policies

Business purpose and history

Basilea Pharmaceutica Ltd, Allschwil, located in Allschwil, Switzerland (Basilea), together with its subsidiaries (together, the Company), is a commercial-stage biopharmaceutical company committed to discovering, developing and commercializing innovative drugs to meet the needs of patients with severe bacterial and fungal infections.

Supporting its commercial activities, the Company has operating subsidiaries in the United Kingdom and Germany. All subsidiaries are wholly owned and fully consolidated.

Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP). The financial statements are presented in Swiss Francs (CHF).

The following out-of-period adjustments affecting the consolidated balance sheet and the consolidated statement of operations were recorded in 2023:

Subsequent to the issuance of the Company's Annual Report for the year ended on December 31, 2022, the Company determined that its accounting for certain vendor invoices and credits was not correct. These should have reduced the Company's cost of products sold with concurrent impact on accruals and other liabilities. The value of the vendor invoices and credits were CHF 2.1 million, with CHF 0.9 million originating in the period ended December 31, 2021, CHF 1.0 million originating in the period ended December 31, 2020 and CHF 0.2 million originating before 2020.

Historically, VAT receivables against foreign tax authorities were accounted in CHF instead of the currency in which the VAT refund was claimed. As a consequence the related unrealized currency gains and losses were not accounted for. This results in a valuation adjustment of CHF 0.2 million originating in the period ended December 31, 2022 and recorded in the period ended June 30, 2023.

Contractual royalty obligations were overstated, resulting in an expense reduction of CHF 0.3 million in the periods 2021 to 2023, thereof CHF 0.2 million in the period ended December 31, 2022.

Issuance stamp duty taxes originated in the period December 31, 2020, have not been declared and accrued in the amount of CHF 0.5 million affecting the additional paid-in capital.

Receivables related to a financial loan in USD are overstated in the amount of CHF 0.2 million as per December 31, 2023, with CHF 0.1 million originating in the period ended December, 2021.

Accordingly, the Company has corrected the relevant financial statements and related footnotes as of June 30, 2023, within the pubilished Half-Year Report. Consequently, the respective changes are also affecting the financial statements and related footnotes of the Annual Report for the period ended December 31, 2023.

The Company has evaluated the materiality of these errors based on an analysis of quantitative and qualitative factors and concluded that they were not material to the prior period financial statements, individually or in aggregate.

The following table reflects the impact of the correction on the Company's consolidated balance sheet and consolidated income statement for the period ended December 31, 2023:

in CHF million (except EPS)	December 31, 2023 prior correction	%	December 31, 2023 as reported
Balance Sheet			
Other receivables	30 614	1.2%	30 257
Total assets	173 646	0.2%	173 289
Accounts payable	6 084	4.1%	5 847
Accruals and other liabilities	24 607	7.0%	22 997
Total liabilities	185 139	1.0%	183 292
Equity	10 493	14.9%	10 003
Additional paid-in capital	1 042 492	0.0%	1 042 002
Income Statement			
Cost of products sold	-29 131	8.7%	-26 794
Operating result	16 868	12.2%	19 205
Other expense	-3 998	8.2%	-4 355
Net profit	8 471	18.9%	10 451
EPS (Basic)	0.72	17.2%	0.87

Principles of consolidation

Subsidiaries in which Basilea has a controlling financial interest directly or indirectly are consolidated. Investments in which the Company exercises significant influence (generally between 20% and 50% of the voting rights), but which the Company does not control, are accounted for applying the equity method of accounting. Investments in which the Company does not exercise significant influence (generally ownership of less than 20% of the voting rights) are accounted for at cost. Intercompany balances and transactions have been eliminated in consolidation. The Company holds only wholly owned subsidiaries.

Use of estimates

The preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions which have an effect on the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and on the reported amounts of revenues and expenses during the reporting period. Management evaluates these estimates on an ongoing basis, including those related to revenue recognition, accrued expenses, stock-based compensation, pension accounting, measurement of right-of-use assets and lease liabilities and income taxes. These estimates are based on historical experience and management's knowledge of current events and actions the Company may undertake in the future; however, actual results ultimately may differ from those estimates.

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.

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 and senior secured loan.

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.

Cash and cash equivalents

The Company considers all highly liquid investments purchased with original final maturities of 90 days or less from the date of purchase to be cash equivalents. Cash equivalents comprise marketable securities with maturities of less than 90 days when purchased. Cash equivalents are reported at fair value.

Restricted cash

Restricted cash includes bank accounts reserved for the purchase of treasury shares and for the security package of the senior secured loan.

Foreign currencies

The presentation currency of the Consolidated Financial Statements is the Swiss Franc (CHF). The functional currency, which is the currency that best reflects the economic environment in which the Company operates and conducts its transactions, is separately determined for the Company's subsidiaries and is used to measure their financial position and operating results.

Transactions in currencies other than the functional currency of a subsidiary are recorded at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities in currencies other than the functional currency are remeasured at the rates of exchange prevailing on the date of the consolidated statements of financial position and the related translation gains and losses are recognized in the consolidated statements of operations in other income and other expense. Non-monetary items that are carried at cost are remeasured using the rate of exchange prevailing at the date of the transaction. Non-monetary items that are carried at fair value are measured using the exchange rate prevailing when the fair value was determined and the related remeasurement gains and losses are reported in the consolidated statements of comprehensive income.

Upon consolidation, the results of operations of subsidiaries whose functional currency is other than the CHF are translated into CHF at the monthly average exchange rates and assets and liabilities are translated at the month-end exchange rates. Translation adjustments are recognized directly in other comprehensive income.

Short-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 due to their short-term nature. 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 income or other 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 the 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.

Property, plant and equipment

Tangible assets are recorded at cost less accumulated depreciation and impairment. Depreciation is determined on a straight-line basis over the estimated useful lives of the assets of approximately twenty years for buildings, five years for research & development equipment, three years for furniture and office equipment and three years for IT hardware and equipment. Leasehold improvements are depreciated over the shorter of five to ten years or the lease term.

Expenditures for major renewals and improvements that extend the asset life are capitalized, while expenditures for maintenance and repairs are charged to the statement of operations as incurred.

The cost and related accumulated depreciation of assets sold or otherwise disposed of are removed from the related accounts, and resulting gains or losses are reflected in the statement of operations in the operating result.

Intangible assets

Intangible assets with finite lives are recorded at cost less accumulated amortization and impairment. Intangible assets with finite lives consist of external direct costs of materials and services consumed in developing or obtaining internal-use software. Intangible assets are amortized on a straight-line basis over their estimated useful lives, which is three years for software.

Expenditures for maintenance are charged to the statement of operations as incurred.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment indicators throughout the year. Whenever events or changes in circumstances indicate that the carrying amounts of long-lived assets held for use, including tangible assets as well as intangible assets, may not be recoverable, the Company assesses such long-lived assets for impairment.

If the assessment indicates that a long-lived asset is not recoverable (i.e., the carrying amount is higher than the future projected undiscounted cash flows), its carrying amount is reduced to the fair value.

Convertible senior unsecured bonds

The convertible senior unsecured bonds were initially measured at amortized cost and are presented net of issuance costs incurred. The issuance costs are amortized using the effective interest method over the life of the debt instrument resulting in the accretion of the liability of the convertible senior unsecured bonds until maturity. The Company concluded that exercise contingencies will not prevent the embedded conversion feature from being considered indexed to the entity's own stock, and the embedded conversion feature was therefore not bifurcated.

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.

Senior secured loan agreement

The senior secured loans are recorded at amortized cost and are presented net of issuance costs incurred. The issuance costs are amortized as interest expense using the effective interest method over the life of the debt instrument resulting in the accretion of the liability of the senior secured loans until maturity.

Leases

Effective January 1, 2020, the Company adopted ASC 842 using the required modified retrospective approach and utilizing the effective date as its date of initial application.

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on the unique facts and circumstances present in the arrangement. Leases with a term greater than one year are recognized on the balance sheet as right-of-use assets (ROU) and current and non-current lease liabilities, as applicable.

Operating lease liabilities and their corresponding right-of-use assets are initially recorded based on the present value of lease payments over the expected remaining lease term. Certain adjustments to the right-of-use asset may be required for items such as incentives received. The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Company utilizes its incremental borrowing rate to discount lease payments, which reflects the fixed rate at which the Company could borrow on a collateralized basis the amount of the lease payments in the same currency, for a similar term, in a similar economic environment. To estimate its incremental borrowing rate, a credit rating applicable to the Company is estimated using a synthetic credit rating analysis since the Company does not currently have a rating agency-based credit rating. Prospectively, the Company will adjust the right-of-use assets for straight-line rent expense or any incentives received and remeasure the lease liability at the net present value using the same incremental borrowing rate that was in effect as of the lease commencement or transition date.

The Company has elected not to recognize leases with an original term of one year or less on the balance sheet. The Company typically only includes an initial lease term in its assessment of a lease arrangement. Options to renew a lease are not included in the Company’s assessment unless there is reasonable certainty that the Company will renew.

Assumptions made by the Company at the commencement date are re-evaluated upon occurrence of certain events, including a lease modification. A lease modification results in a separate contract when the modification grants the lessee an additional right of use not included in the original lease and when lease payments increase commensurate with the standalone price for the additional right of use. When a lease modification results in a separate contract, it is accounted for in the same manner as a new lease.

In accordance with ASC 842, components of a lease should be split into three categories: lease components, non-lease components, and non-components. The fixed and in-substance fixed contract consideration (including any consideration related to non-components) must be allocated based on the respective relative fair values to the lease components and non-lease components.

Entities may elect not to separate lease and non-lease components. Rather, entities would account for each lease component and related non-lease component together as a single lease component. The Company has elected to account for lease and non-lease components together as a single lease component for all underlying assets and allocate all of the contract consideration to the lease component only.

ASC 842 allows for the use of judgment in determining whether the assumed lease term is for a major part of the remaining economic life of the underlying asset and whether the present value of lease payments represents substantially all of the fair value of the underlying asset. The Company applies the bright line thresholds referenced in ASC 842-10-55-2 to assist in evaluating leases for appropriate classification. The aforementioned bright lines are applied consistently to the Company's entire portfolio of leases.

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 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.

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.

Further other revenue includes all realized revenue related to the oncology transactions completed in 2022.

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 (e.g., 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. Research and development expenses also include costs associated with acquired technology which include upfront fees and milestones in connection with technologies that had not reached technological feasibility and did not have an alternative future use.

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 Share 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. Forfeitures are accounted as they occur.

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 Restricted Share 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 on the share price performance (market-based performance condition) and in-market sales (non-market-based performance condition) of certain products, are met and are therefore accounted for as market-based awards. The Company estimates the fair value of its market based awards using the Monte Carlo Model.

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

The Company records the RSUs and PSUs expense as stock-based compensation. The RSUs are recorded using the straightline method over the vesting period. Forfeitures are accounted as they occur. The PSUs expense is recorded over the derived service period.

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. Deferred tax assets and liabilities are measured using enacted tax rates and laws expected to be in effect in the years in which those temporary differences are expected to be recovered or settled. 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.

Earnings per share

Basic earnings per share is calculated by dividing net income by the weighted-average number of shares outstanding during the period, without consideration for common stock equivalents.

Diluted earnings per share include the effect of all potentially dilutive shares, consisting of stock options, RSUs and PSUs using the treasury-stock method, as well as shares issuable upon conversion of the convertible senior unsecured bonds, determined on an “if-converted” basis. For purposes of the loss per share calculation, potentially dilutive securities consisting of stock options and the convertible senior unsecured bonds are considered to be potential shares and, for each loss period presented in these consolidated financial statements, are excluded in the calculation of diluted net loss per share because their effect would be antidilutive.

Pension plans

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

The Company records net gains/losses, consisting of actuarial gains/losses, curtailment gains/losses and differences between expected and actual returns on plan assets, in other comprehensive income/loss. Such net gains/losses are 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.

Certain risks and uncertainties

The Company is subject to risks common to companies in its industry including but not limited to: uncertainty of results of clinical trials for its compounds; ability to achieve regulatory approval for its compounds; acceptance of Company's products by the market in case they obtained regulatory approval; ability to market its products; ability to manufacture its products at reasonable costs; protection of proprietary technology and intellectual property; development of new technological innovations by its competitors; dependence on key personnel; dependence on key suppliers; changes in foreign currency rates and compliance with governmental and other regulations.

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.

On January 1, 2023, the Company adopted ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which later was codified as ASC 326. In addition to the adoption of ASC 326, the Company adopted the accompanying ASU No. 2022-02, Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures. Both standards mark a significant change requiring the immediate recognition of estimated credit losses expected to occur over the remaining life of many financial assets. ASU 2022-02 specifically eliminates the accounting guidance for troubled debt restructurings and requires disclosure of current-period gross write-offs by year of loan origination. Additionally, ASU 2022-02 updates the accounting for credit losses under ASC 326 and adds enhanced disclosures with respect to loan refinancings and restructurings in the form of principal forgiveness, interest rate concessions, other-than-insignificant payment delays, or term extensions when the borrower is experiencing financial difficulties. ASC 326 is intended to improve financial reporting by corporations by requiring earlier recognition of credit losses on loans from corporations, held-to-maturity (HTM) securities, and certain other financial assets. ASC 326 also amended the impairment guidance for available-for-sale (AFS) debt securities in that it eliminated the Other Than Temporary Impairment (OTTI) impairment model. Under Subtopic ASC 326-30, Financial Instruments—Credit Losses—Available-for-Sale Debt Securities, changes in expected cash flows due to credit on AFS debt securities will be recorded through an allowance, rather than permanent write-downs for negative changes and prospective yield adjustments for positive changes, as required by the current OTTI model. ASC 326 replaces the current incurred loss impairment model that recognizes losses when a probable threshold is met with a requirement to recognize lifetime expected credit losses immediately when a financial asset is originated or purchased. For the period ended December 31, 2023, the adoption of ASC 326 did not result in a material effect on the Company's Consolidated financial statements.

2 Property, plant and equipment

In CHF million	Equipment	Leasehold improvements	Total
2023			
Cost			
January 1, 2023	**13.0**	**1.8**	**14.8**
Additions	0.8	-	0.8
Disposals / Reclassifications	(0.8)	-	(0.8)
Transfers	(0.1)	-	(0.1)
December 31, 2023	**12.9**	**1.8**	**14.7**
Accumulated depreciation			
January 1, 2023	**10.3**	**0.2**	**10.5**
Additions	1.0	0.3	1.3
Disposals	(0.8)	-	(0.8)
Depreciation transfers	(0.1)	-	(0.1)
December 31, 2023	**10.4**	**0.5**	**10.9**
Net book value as of December 31, 2023	**2.5**	**1.3**	**3.8**

2022			
Cost			
January 1, 2022	**16.6**	**-**	**16.6**
Additions	1.6	1.6	3.2
Disposals / Reclassifications	(5.0)	-	(5.0)
Transfers	(0.2)	0.2	-
December 31, 2022	**13.0**	**1.8**	**14.8**
Accumulated depreciation			
January 1, 2022	**14.6**	**-**	**14.6**
Additions	0.7	0.2	0.9
Disposals	(5.0)	-	(5.0)
December 31, 2022	**10.3**	**0.2**	**10.5**
Net book value as of December 31, 2022	**2.7**	**1.6**	**4.3**

3 Intangible assets

The intangible assets as of December 31, 2023 and 2022 consist of software for internal use:

In CHF million	2023	2022
Cost		
January 1	**5.4**	**5.6**
Additions	0.2	0.2
Disposals	(0.7)	(0.4)
December 31	**4.9**	**5.4**
Accumulated amortization		
January 1	**4.8**	**4.9**
Additions	0.3	0.2
Disposals	(0.8)	(0.3)
Depreciation transfers	0.1	-
December 31	**4.4**	**4.8**
Net book value as of December 31	**0.5**	**0.6**

4 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 operations of the Company on a consolidated basis and makes decisions and manages the operations of the Company as a single operating segment.

The geographical allocation of the long-lived tangible assets of the Company is presented in the following table:

In CHF million	2023	2022
Switzerland	20.6	21.6
Total	**20.6**	**21.6**

As of December 31, 2023, the Company recorded operating lease ROU assets of CHF 16.8 million (December 31, 2022: CHF 17.3 million) in operating lease right-of-use assets net.

The revenues with external customers were realized in the following geographies:

In CHF million	2023		2022	
Ireland	68.7	44%	41.3	28%
Japan	59.6	38%	64.0	43%
Uruguay	10.2	6%	7.4	5%
USA	6.1	4%	9.8	7%
Sweden	3.9	2%	3.2	2%
Canada	3.6	2%	2.8	2%
China	2.3	1%	0.1	0%
Jordan	1.8	1%	2.7	2%
Switzerland	1.4	1%	2.4	2%
Republic of Korea	0.0	0%	13.5	9%
Other	0.0	0%	0.6	0%
Total	**157.6**	**100%**	**147.8**	**100%**

The attribution of revenues to geography was done according to the location of the customer.

In 2023, the Company recognized total revenue in the amount of CHF 51.1 million (2022: CHF 63.4 million) with Astellas, and CHF 68.7 million (2022: CHF 41.3 million) with Pfizer Inc.

5 Accounts receivable

The accounts receivable primarily consist of receivables against Pfizer in the amount of CHF 13.6 million. As of December 31, 2023 and 2022, the Company recorded no allowance for credit losses.

6 Cash and cash equivalents

Cash and cash equivalents consisted of the following components:

In CHF million	2023	2022
Cash	8.1	34.7
Short-term deposits (less than three months)	51.8	50.0
Total	**59.9**	**84.7**

As of December 31, 2023, the Company had outstanding bank guarantees in the amount of CHF 3.0 million (December 31, 2022: CHF 2.5 million).

7 Other receivables

The Company has recorded a CHF 0.6 million impairment for unrecoverable VAT receivables in 2023.

The following table shows the components of other receivables as of December 31, 2023 and 2022:

In CHF million	2023	2022
VAT receivables	3.2	5.2
Royalty receivables (see Note 9 Agreements)	19.8	21.4
Contractual milestone receivables (see Note 9 Agreements)	1.0	-
Other	6.3	2.0
Total	**30.3**	**28.6**

The line item other includes CHF 2.0 million for a gain contingency, CHF 1.3 million recharging receivables against partners and CHF 1.1 million receivables related to a loan.

8 Inventories

The following table shows the components of inventories as of December 31, 2023 and 2022:

In CHF million	2023	2022
Raw materials	0.8	2.0
Semi-finished products	39.5	38.9
Finished products	0.5	1.1
Inventory provisions	(14.4)	(17.7)
Total	**26.4**	**24.2**

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 amount of CHF 8.2 million (2022: CHF 13.3 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 December 31, 2023, the Company recorded additional provisions for inventory in the total amount of CHF 6.2 million (2022: CHF 4.4 million).

9 Agreements

The table below summarizes revenues from all current agreements between the Company and its partners (ROY = royalties, Other = milestones and upfront payments):

Revenues from agreements

Partner	Total Revenue		Product Revenue		Contract Revenue						Other Revenue	
In CHF million	2023	2022	2023	2022	2023			2022			2023	2022
						ROY	Other		ROY	Other		
Pfizer	68.7	41.3	14.1	16.9	53.6	27.4	26.2	23.4	22.2	1.2	1.0	1.1
Astellas	51.1	63.4	-	0.4	51.1	51.1	-	62.8	42.8	20.0	-	0.3
Asahi	8.5	0.6	3.0	0.4	5.4	0.4	5.0	-	-	-	0.1	0.2
BARDA	4.2	8.4	-	-	-	-	-	-	-	-	4.2	8.4
Gosun	2.2	0.1	2.2	-	-	-	-	-	-	-	-	0.1
Distributors	20.9	18.5	18.6	15.0	2.3	-	2.3	3.5	-	3.5	-	-
Oncology transactions	-	15.0	-	-	-	-	-	-	-	-	-	15.0
Others	2.0	0.5	-	-	-	-	-	-	-	-	2.1	0.5
	157.6	**147.8**	**37.9**	**32.7**	**112.4**	**78.9**	**33.5**	**89.7**	**65.0**	**24.7**	**7.4**	**25.5**

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 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 Agreement, the Company was eligible for a non-refundable upfront payment of CHF 70.0 million and up to USD 427.0 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 3.0 million and to receive up to USD 223.0 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 percentage range on Pfizer's sales in the Territory and the Extended Territory.

As the Company acts as principal for the sale of the product during an initial supply service period (the Supply Service Term), the sale of product to Pfizer is 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 Agreement and its Amendment.

In 2020, the Supply Service Term ended and, in June 2020, the Company entered into a Supply Service Agreement with Pfizer. Under the terms of the Supply Service Agreement the Company delivers to Pfizer Active Pharmaceutical Ingredient (API) until December 2021 and certain semi-finished products until December 2024. The Company concluded that the Supply Service Agreement is distinct from the Agreement and its Amendment and results in a separate performance obligation that is treated as a separate contract.

In May 2022, the Company recognized a USD 1.3 million sales milestone payment related to the Extended Territory as contract revenue. In January 2023, the Company recognized a sales milestone payment of USD 1.3 million related to the Extended Territory as contract revenue. In June 2023, the Company recognized a sales milestone payment of USD 25.0 million related to the Territory and a second sales milestone payment of USD 1.3 million related to the Extended Territory as contract revenue. In October 2023, the Company recognized a third sales milestone payment of USD 1.3 million related to the Extended Territory as contract revenue.

In 2023, the Company recognized CHF 14.1 million (2022: CHF 16.9 million) as product revenue and CHF 27.4 million royalties (2022: CHF 22.2 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 75.0 million and non-refundable milestone payments of up to CHF 478.0 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 US and Canada in return for foregoing the Company's right to co-promote the product in the US 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 US. The Company determined that the Amendment in August 2015 was not a significant modification. The Company and Astellas continue to coordinate their development and manufacturing activities and each company is responsible for commercial activities in its respective territory.

Under the terms of the agreement as amended, the Company continued to be entitled to receive regulatory milestone payments of total CHF 42.0 million, sales milestone payments of up to CHF 290.0 million and tiered double-digit royalty payments from Astellas relating to its territory.

In 2023, the Company recognized royalties in contract revenue in the total amount of CHF 51.1 million (2022: CHF 42.8 million). The Company recognized CHF 0.0 million of sales milestone payments (2022: CHF 20.0 million) in contract revenue. Furthermore, the Company recognized CHF 0.0 million (2022: CHF 0.3 million) related to services provided by the Company to Astellas related to isavuconazole in other revenue.

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 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 7.0 million and up to approximately CHF 60.0 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 with 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 account and the entire upfront payment was allocated to the unit of account. The related revenue was recognized over the period over which the Ongoing Documentation and Information Transfer Obligation was provided up to submission of the NDA in September 2021.

In 2023, the Company recognized CHF 5.4 million (2022: CHF 0.0 million) in contract revenue, thereof CHF 5.0 million related to a commercial milestone payment (2022: CHF 0.0 million) and CHF 0.4 million to royalty payments (2022: CHF 0.0 million). The Company recorded CHF 3.0 million (2022: CHF 0.4 million) as product revenue.

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 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. The Company will initially supply the product to Gosun at a transfer price with the corresponding sale of product recorded as product revenue and will be eligible for tiered double-digit royalties on product sales once Gosun manufactures ceftobiprole itself, which will be recorded as contract revenue.

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 3.0 million and up to approximately CHF 145.0 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 account and the entire upfront payment was allocated to one unit of account. The related revenue is recognized as contract revenue 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 was 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, the IDL was granted in China and the service period ended. Therefore the Company decided to recognize the remaining deferred revenue of the non-refundable net upfront payment.

In 2023, the Company recognized CHF 2.2 million (2022: CHF 0.0 million) as product revenue.

Distribution agreements related to isavuconazole and ceftobiprole

In 2017 and 2016, the Company entered into exclusive distribution agreements for isavuconazole and ceftobiprole with Avir Pharma Inc. for Canada, Knight Therapeutics (Knight) (formerly Grupo Biotoscana S.L.) 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 ceftobiprole with Advanz Pharma (Advanz) (formerly Correvio Pharma Corp.) for Europe (excluding the Nordic countries) and Israel. In addition, the Company entered into a distribution agreement for ceftobiprole with Hikma Pharmaceuticals LLC (Hikma) for the Middle East and North Africa in 2015. The agreement was extended to isavuconazole in 2016 and in 2022 to include ceftobiprole for Egypt. In 2021, the Company entered into an distribution agreement with JSC Lancet for ceftobiprole in Russia and in other countries of the Eurasian Economic Union.

Under these distribution agreements, the Company was eligible for non-refundable upfront payments of CHF 19.8 million and for sales and regulatory milestone payments of up to CHF 144.1 million related to the commercialization of isavuconazole and ceftobiprole in these territories. In addition, the Company sells products to its distributors for the commercialization in the territories and recognizes the related revenue in product revenue.

In 2015, the Company received a non-refundable upfront payment of CHF 1.0 million from Hikma related to ceftobiprole. 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. 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 December 31, 2023, the Company presented deferred revenue of CHF 10.7 million (December 31, 2022: CHF 11.9 million) on its balance sheet, of which CHF 1.2 million (December 31, 2022: CHF 1.2 million) was presented as current liabilities.

In 2023, the Company recognized CHF 1.2 million (2022: CHF 1.2 million) as contract revenue related to deferred payments. In December 2023, the Company recognized a sales milestone of CHF 1.0 million from Knight as contract revenue. In August 2022, the Company recognized a regulatory milestone payment of CHF 1.0 million from Knight in contract revenue. In December 2022, the Company recognized a sales milestone of CHF 0.5 million from Unimedic and a sales milestone of CAD 1.0 million (CHF 0.7 million) from Avir as contract revenue. The Company recognized product revenue in the total amount of CHF 18.6 million (2022: CHF 15.0 million) related to these distribution agreements.

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

In April 2016, the Company entered into a contract with BARDA for the clinical phase 3 development of ceftobiprole aiming to gain regulatory approval for the drug in the U.S. As of December 31, 2023, the Company was awarded a total amount of USD 111.9 million (December 31, 2022: USD 111.9 million) under this contract to support the phase 3 development program of ceftobiprole. In 2023, the Company collected a total of USD 7.0 million or CHF 6.2 million, respectively (December 31, 2022: USD 12.1 million or CHF 11.4 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.

In 2023, the Company recognized CHF 4.2 million (2022: CHF 8.4 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.

The licence agreement was terminated in June with a six-month notice period until December, 27, 2022.

Oncology transactions

In February 2022, the Company announced its intention to focus on becoming a leading anti-infectives company and therefore to separate its oncology assets.

Nodus Oncology:
In September 2022, the Company entered into an agreement with Nodus Oncology to sell the novel poly (ADP-ribose) glycohydrolase (PARG) inhibitor discovery program.

Under the terms of the agreement, the Company has received an upfront payment of CHF 0.5 million and is eligible for a potential near-term research milestone payment of CHF 0.5 million. The Company is also eligible to receive further payments of up to CHF 241 million upon the achievement of predefined development, regulatory and sales milestones, in addition to receive approximately 5% of net sales.

SillaJen:
In September 2022, the Company entered into an agreement and a sub-license agreement with SillaJen, Inc., for the Company's novel kinase inhibitor, BAL0891, a potential first-in-class mitotic checkpoint inhibitor.

The Company in-licensed BAL0891 in 2018 from the Dutch precision medicine company NTRC. Under the agreement the Company is selling its intellectual property rights generated under the license and collaboration agreement with NTRC. In addition, the Company is sub-licensing its rights and obligations under the license and collaboration agreement with NTRC to SillaJen.

Under the terms of the agreement, the Company has received upfront and near-term milestone payments of USD 14.0 million. The Company is also eligible to receive further payments of up to approximately USD 320 million upon the achievement of predefined development, regulatory and sales milestones and tiered royalties on net sales starting in the single-digit range going up to double-digits. The Company remains responsible for making milestone and royalty payments to NTRC according to the license and collaboration agreement with NTRC.

Redona Therapeutics (formerly Twentyeight-Seven Therapeutics):
In November 2022, the Company entered into an agreement with Twentyeight-Seven Therapeutics, Inc., to sell the intellectual property for novel inhibitors of CLK kinases that target aberrant splicing of RNA in cancer.

Under the terms of the agreement, the Company has received an upfront payment of CHF 1.0 million and is eligible for a potential near-term milestone payment of CHF 2.0 million. The Company is eligible to receive further payments of up to CHF 351 million upon the achievement of predefined development, regulatory and sales milestones.

Acqusition and in-licening transactions

Amplyx Pharmaceuticals, Inc.:
In November 2023, the Company acquired from Amplyx Pharmaceuticals, Inc., a subsidiary of Pfizer, Inc., patents covering fosmanogepix and APX2039. Fosmanogepix is an antifungal compound available in intravenous and oral formulations. It has been evaluated for efficacy and safety in a phase 1 / phase 2 program, including three open-label phase 2 studies for the treatment of candidemia, including *Candida auris*, and invasive mold infections. Fosmanogepix has Qualified Infectious Disease Product (QIDP), Orphan Drug and Fast Track designations from the US Food & Drug Administration (FDA). Under the terms of the agreement, the Company made an upfront payment of USD 37.0 million in cash, which was recorded as research and development expense in the consolidated statement of operations for the year ended December 31, 2023. The agreement also includes additional potential payments to Pfizer of up to USD 110.0 million upon the achievement of certain commercial milestones based on future product sales. In addition, the Company assumes all rights and obligations from previous agreements, comprising potential development, regulatory and commercial milestone payments of up to USD 396.0 million, as well as tiered single-digit royalty payments. The Company deemed that none of the milestone or royalty payments were probable as of December 31, 2023.

Gravitas Therapeutics, Inc.:
In October 2023, the Company acquired from Gravitas Therapeutics, Inc., the rights to the antifungal compound now named BAL2062 for the potential treatment of invasive mold infections caused by *Aspergillus* species. BAL2062 has demonstrated fungicidal activity against clinically important molds such as *Aspergillus* spp., including azole-resistant strains. Safety and tolerability have been demonstrated in a previously completed phase 1 study with single and multiple ascending intravenous doses. The drug candidate has Qualified Infectious Disease Product (QIDP), Orphan Drug and Fast Track designations from the US Food & Drug Administration (FDA). Under the terms of the agreement, the Company made initial payments of USD 2.0 million in cash, which were recorded as research and development expense in the consolidated statement of operations for the year ended December 31, 2023. Under the asset purchase agreement with Gravitas, the Company assumes the rights and obligations under a license agreement with Astellas Pharma Inc. who owns patents relating to BAL2062 and takes over an agreement with Fresh Tracks Therapeutics Inc., who previously owned the asset that was acquired by Gravitas. Upon achievement of defined milestones, Basilea will make total pre-approval milestone payments of potentially up to USD 1.75 million and total approval and commercialization milestone payments of potentially up to USD 67.0 million. In addition, the Company will pay tiered royalties on sales starting in the low single-digit percentage range, going to the mid-single-digit percentage range.
The Company deemed that none of the milestone or royalty payments were probable as of December 31, 2023.

iNtRON Biotechnology, Inc.:
In October 2023, the Company entered into an exclusive evaluation license and option agreement with iNtRON Biotechnology, Inc. for tonabacase. Tonabacase is a potential first-in-class clinical-stage antibacterial of the endolysin class.
Under the terms of the agreement, the Company made an upfront payment of CHF 0.75 million in cash which was recorded as research and development expense in the consolidated statement of operations for the year ended December 31, 2023.

10 Convertible senior unsecured bonds

The convertible senior unsecured bonds are accounted for at amortized cost. The following table shows the carrying amount of the convertible senior unsecured bonds as of December 31, 2023 and 2022:

In CHF million	Maturity date	2023	2022
2027 convertible senior unsecured bonds	July 28, 2027	95.5	95.0

On December 23, 2022, the Company paid back the outstanding balance of the 2022 bonds on their maturity date amounting to CHF 113.8 million.

The 2022 bonds extinguishment amounted to CHF 10.2 million in 2022.
The loss on the extinguishment was immaterial.

For the year ended December 31, 2023, the Company recognized interest expense of CHF 3.2 million (2022: CHF 6.3 million) and CHF 0.5 million (2022: CHF0.9 million) based on the effective interest rate method for recognition of the issuance costs for its 2027 bonds (2022: 2022 bonds and 2027 bonds, respectively). The remaining unamortized debt issuances costs of CHF 1.6 million will be recognized over the remaining term of the convertible senior unsecured bonds, which is approximately 3.5 years for the 2027 bonds.

The table below outlines the amortization and repayment related to the convertible senior unsecured bonds as of December 31, 2023 as follows:

Amount in CHF million	2027 bonds
2024	3.2
2025	3.2
2026	3.2
2027	98.9
Total minimum payments	**108.4**
Less amount representing interest	(11.3)
Convertible senior unsecured bonds, gross	**97.1**
Unamortized issuance costs on convertible senior unsecured bonds	(1.6)
Convertible senior unsecured bonds, including unamortized issuance costs	**95.5**

The fair value was estimated based on quoted market prices as of December 31:

In CHF million	2023	2022
Convertible senior unsecured bonds (Level 1)	97.0	99.1

In accordance with ASC 260, Earnings per Share, the issuance of the convertible senior unsecured bonds requires the use of the "if-converted" basis when calculating the Company's dilutive net income (loss) per share. Net income is adjusted to exclude, or add-back, all convertible senior unsecured bonds related earnings effects including interest charges and amortization of debt issuance costs. Weighted average shares are adjusted using the conversion ratio as if the convertible senior unsecured bonds had been converted at the date of issuance which corresponds to 1,553,360 shares of common stock. See Note 16 to these consolidated financial statements for a computation of diluted earnings per share.

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 July 2022. In 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 issued loaned shares as of December 31, 2023, amounted to CHF 35.3 million. These shares are deducted in the calculation of the weighted average shares outstanding.

2022 bonds

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 matured on December 23, 2022 (maturity date).

Until the payback date on December 23, 2022, there were no conversions of the 2022 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.

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 recognized the issuance costs as interest expense over the contractual term of the 2022 bonds.

2027 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). This remains unchanged at December 31, 2023. For all 2027 bonds together the current number of underlying shares is 1,553,360 shares.
The conversion ratio and the corresponding conversion price will be subject to adjustment upon the occurrence of certain events but will not be adjusted for any accrued and unpaid interest.

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.

The Company may issue a share settlement on the fifth anniversary of the payment date or 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.

11 Senior secured Loan agreement

On September 6, 2022, the Company entered into a CHF 75.0 million senior secured loan (the Loan) agreement with Athyrium Opportunities IV Acquisition LP (the Holder). The Loan was funded on September 19, 2022. The Company received total net proceeds from the Loan of CHF 73.9 million. Total issuance costs amounted to CHF 1.5 million. The maturity date for the Loan is approximately two years after the funding date, or September 19, 2024 (maturity date). The Loan bears an interest rate per annum equal to 7.75% plus the lesser of the Swiss Average Rate Overnight (SARON) or 3% per annum, but a minimum of 1.5% per annum. Interest is payable quarterly commencing December 31, 2022.

The Loan was used by the Company for the partial repayment of its 2022 convertible bonds, which were due on December 23, 2022 (the Convertible Bonds). The Convertible Bonds had an outstanding nominal amount of approximately CHF 113.8 million at maturity.

The Company accounted for the Loan at amortized cost and is amortizing the original issue discount and the issuance costs over the term of the Loan using the effective interest rate method, which is recorded as part of interest expense in the Company's statement of operations.

For the period ended December 31, 2023, the effective interest rate was 13.2% (2022. 10.7%) and the Company recorded CHF 6.6 million of interest, CHF 1.0 million of issuance cost amortization and CHF 59.4 million related to the repayment of the principal amount (2022: Interest of 2.0 million and CHF 0.3 million of issuance cost amortization and CHF 0.0 million related to the repayment of the principal amount). In the year 2024, the Company will make estimated repayments including fees and interest of CHF 16.2 million.

Under the terms of the Loan, if the Company undergoes a change in control within eighteen months of the funding date, the holder may require the Company to prepay the outstanding amount of the Loan with all accrued and unpaid interest plus a repayment premium equal to 2% of the principal amount outstanding at that date. If the change in control/prepayment of the Loan occurs after eighteen months of the funding date, the Company is required to pay a repayment premium of 1% of the principal amount outstanding at that date. The Company may also repay the Loan prior to the maturity date in whole or in part. Principal repayment amounts must be at least CHF 5.0 million with increments above this amount of at least CHF 1.0 million; such repayments are also subject to the repayment premium as described above. The Company is also required to pay an exit fee equal to 1.5% of the principal amount of the Loan paid at the date of the payment in addition to the repayment premium.

On December 18, 2023, the Company amended the Loan agreement (the Amended Loan). Under the terms of the Amended Loan agreement, the Company repaid CHF 33.0 million in future principal and interest on December 29, 2023. The exit fee was also adjusted to 1.25%. As a policy election, the Company elected to recognize CHF 0.1 million of issuance costs associated with the principal prepaid. The Amended Loan will mature on March 29, 2024. In conjunction with the prepayment, the repayment premium was waived by the Holder.

12 Accruals and other current liabilities

Accruals and other current liabilities as of December 31, 2023 and 2022 consisted of the following:

In CHF million	2023	2022
Accrued research & development expenses	4.0	9.4
Accrued personnel and compensation costs	7.4	7.8
Accrued payables for goods received	2.5	5.7
Accrued royalties	1.7	1.7
Other current liabilities	7.4	9.4
Total accruals and other current liabilities	**23.0**	**34.0**

The other current liabilities include pre-payments from distributors, liabilities to employees and accruals for services provided but not invoiced.

13 Income taxes

As of December 31, 2023, the Company has tax loss carry forwards of CHF 272.7 million (December 31, 2022: CHF 328.7 million) of which CHF 255.6 million will expire within the next five years and CHF 17.1 million will expire within six to eight years.
In 2023, tax loss carry forwards of CHF 46.0 million expired and CHF 14.6 million were used (2022: CHF 55.1 million expired and CHF 23.0 million were used) and CHF 4.6 million (2022: CHF 7.9 million) were recognized in 2023.

The significant components of net deferred taxes as of December 31, 2023 and 2022, are shown in the following table:

In CHF million	2023	2022
Net benefit from tax loss carry forwards[1]	32.7	40.6
Deferred revenue	1.3	1.6
Stock-based compensation cost	11.8	11.5
Other, net	(1.8)	(1.1)
Valuation allowance	(44.0)	(52.6)
Net deferred taxes	**0.0**	**0.0**

1 As of December 31, 2023, the position includes CHF 0.0 million (December 31, 2022: 1.4 million) related to windfall tax benefits from stock-based compensation that would be credited to shareholders' equity, if realizable.

The Company established a valuation allowance in 2023 and 2022, to reduce the net deferred taxes, as the Company deemed it to be not more likely than not that the future deferred tax assets would be realized in the future based on the lack of sufficient positive evidence in the jurisdictions related to the realization of the deferred tax assets.

The effective tax rate for 2023 was 0.0% (2022: 0.7%). The following table shows the income taxes in 2023 and 2022:

In CHF million	2023	2022
Income tax expenses	0.0	0.0
Total income tax expenses	**0.0**	**0.0**

The current tax expenses in 2023 and 2022, are solely related to foreign taxable income.

The expected tax rate for 2023 was 12.2% (2022: 12.1%). The following table shows the reconciliation between expected and effective tax rate:

As a percentage	2023	2022
Expected tax rate [1]	12.2	12.1
Effect of not-taxable differences [2]	(0.3)	(1.0)
Valuation allowance on deferred tax assets	(11.9)	(10.4)
Effective tax rate	**0.0**	**0.7**

1 Weighted average tax rate of Basilea and its subsidiaries.
2 Items not deductible for tax purposes and items that are tax deductible, but do not represent expenses for financial reporting purposes.

Basilea and its subsidiaries file income tax returns in Switzerland and in foreign jurisdictions. Basilea's income tax position in Switzerland is finally assessed up to the fiscal year 2022.

As of December 31, 2023 and 2022, there were no unrecognized tax benefits. The Company did not incur any significant interest or penalties in connection with income taxes in the years 2023 and 2022.

14 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 and provide an opportunity to obtain stock options on registered shares of Basilea. In order to minimize a potential dilution of shareholders, stock options granted after 2015 are net settled. Any new grants under the long-term incentive plan are limited by the guiding principle that the total potential dilution at the grant date shall not exceed 10% of the total outstanding share capital on a fully diluted basis. 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) for the first time in 2021.

As of December 31, 2023, CHF 1.7 million of conditional capital remain available for stock options, PSUs and RSUs, which were issued and outstanding as of December 31, 2023 and for future grants.

Stock option plan

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.

The vesting periods of the stock options outstanding as of December 31, 2023, which represent the requisite service periods, range from one to three years with contractual terms of the stock options being ten years. The stock option plan foresees accelerated vesting if there is a change of control as defined by the stock option plan.

The following table summarizes the activity under the Company stock option plan:

	Weighted average exercise price (in CHF)	Number of options
Balance at December 31, 2021	**77.33**	**1 452 427**
Options forfeited	47.60	(30 126)
Options exercised	37.91	(94 377)
Options expired	63.26	(8 470)
Balance at December 31, 2022	**80.92**	**1 319 454**
Change in treatment of future forfeitures	47.30	11 079
Options forfeited	47.06	(12 600)
Options exercised	45.80	(16 241)
Options expired	103.79	(194 867)
Balance at December 31, 2023	**77.45**	**1 106 825**

The following table provides information on the stock options outstanding and the stock options exercisable as of December 31, 2023:

	Options exercisable plus options expected to vest[1]	Options exercisable
Number of options	1 104 868	1 035 132
Weighted average exercise price, in CHF	77.51	79.52
Weighted average remaining contractual life, in years	3.2	2.9

1 Number of options considers expected forfeitures.

Based on (a) the stock options exercisable as of December 31, 2023, including stock options expected to vest in the future and (b) the stock options exercisable as of December 31, 2023, the aggregate intrinsic values of such number of options were CHF 0.0 million and CHF 0.0 million (December 31, 2022: CHF 0.0 million and CHF 0.0 million), respectively.

In 2023, no options were granted. The total aggregate intrinsic value of stock options exercised during 2023 was CHF 0.7 million (2022: CHF 0.7 million).

The unrecognized compensation cost as of December 31, 2023, related to stock options amounts to CHF 0.1 million and is expected to be recognized over a weighted average period of 0.3 years.

The Company recorded total stock-based compensation expenses of CHF 0.5 million in 2023, related to its stock option-based compensation award programs (2022: CHF 1.3 million), of which CHF 0.2 million was recorded in research & development expenses (2022: CHF 0.7 million) and CHF 0.3 million as part of selling, general & administrative expenses (2022: CHF 0.6 million) in the statement of operations.

Restricted and Performance Share Units plan
Under the LTIP certain employees are entitled to receive RSUs or PSUs. Each RSU converts into one fully paid-in registered share with a par value of CHF 1.00 upon vesting. Each PSU may convert into up to two fully paid-in registered shares with a par value of CHF 1.00 upon vesting. The conversion ratio depends on the relative total shareholder return (rTSR) of the Company's share price against a Swiss share index called Swiss Performance Index Extra (SPI Extra) (market-based performance condition) and on the compounded annual growth rate (CAGR) (non-market-based performance condition) of in-market sales of Cresemba. PSUs vest after three years, RSUs vest after three years for employees or after one year or three years for the board of directors.

The following table summarizes the activity under the Company's restricted and Performance Share Units plan:

	PSU		RSU		Board of directors RSU	
	Weighted average grant date fair value	Number of share units	Weighted average grant date fair value	Number of share units	Weighted average grant date fair value	Number of share units
Balance at December 31, 2021	**43.66**	**53 281**	**47.42**	**29 611**	**47.42**	**6 621**
Share units granted	41.20	54 166	37.35	40 741	37.35	8 405
Share units forfeited	43.66	(4 351)	41.93	(14 107)	-	-
Share units exercised	-	-	44.27	(281)	47.42	(6 621)
Share units vested	-	-	43.67	(3 568)	-	-
Balance at December 31, 2022	**42.37**	**103 096**	**41.34**	**52 396**	**37.35**	**8 405**
Change in treatment of future forfeitures / prevesting	-	-	42.01	10 383	-	-
Share units granted	38.90	61 025	42.50	33 170	42.50	7 403
Share units forfeited	-	-	41.25	(8 830)	-	-
Share units exercised	-	-	43.62	(3 287)	37.35	(1 287)
Share units vested	-	-	-	-	-	-
Balance at December 31, 2023	**41.08**	**164 121**	**41.80**	**83 832**	**39.98**	**14 521**

In April 2021, the Company granted the first time 53,281 PSUs, 30,875 RSUs and 6,621 board of directors RSUs. 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 amounted to CHF 1.5 million and CHF 0.3 million for the board of directors RSU.

The PSU fair value for the 2021 granted share units is based on the fair value of the two key performance indicators (KPIs) rTSR and Sales-CAGR, whereas each KPI fair value is weighted with 50%. The rTSR fair value is calculated by using a Monte Carlo simulation of the Company's share price and the SPI Extra index price. The expected volatility for the Company's share was 37.23% and for the SPI Extra index 16.45%. The risk-free interest rate was -0.56% and the expected correlation 0.49. The RSU fair value is equal to the Company's share price on the grant date.

In April 2022, the Company granted 54,166 PSUs, 40,741 RSUs and 8,405 board of directors RSUs. 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 amounted to CHF 1.5 million and CHF 0.3 million for the board of directors RSU, respectively.

The PSU fair value for the 2022 granted share units is based on the fair value of the two key performance indicators (KPIs) rTSR and Sales-CAGR, whereas each KPI fair value is weighted with 50%. The rTSR fair value is calculated by using a Monte Carlo simulation of the Company's share price and the SPI Extra index price. The expected volatility for the Company's share was 37.48% and for the SPI Extra index 17.31%. The risk-free interest rate was 0.60% and the expected correlation 0.48. The RSU fair value is equal to the Company's share price on the grant date.

In April 2023, the Company granted 61,025 PSUs, 33,170 RSUs and 7,403 board of directors RSUs. The PSU fair value as of the grant date was CHF 38.90 per unit and in total CHF 2.4 million. The RSU fair value at grant date was CHF 42.50 per unit and amouned to CHF 1.4 million and CHF 0.3 million for the board of directors RSU, respectively.

The PSU fair value for the 2023 granted share units is based on the fair value of the two key performance indicators (KPIs) rTSR and Sales-CAGR, whereas each KPI fair value is weighted with 50%. The rTSR fair value is calculated by using a Monte Carlo simulation of the Company's share price and the SPI Extra index price. The expected volatility for the Company's share was 32.97% and for the SPI Extra index 16.30%. The risk-free interest rate was 1.89% and the expected correlation 0.45. The RSU fair value is equal to the Company's share price on the grant date.

As of December 31, 2023, there are 301,685 share units outstanding with a weighted average remaining life of 1.4 years. As of December 31, 2022, there were 163,897 units outstanding.

The following table represents the unrecognized share unit cost that will be recognized over the weighted average remaining life as of December 31, 2023:

in CHF million	2024	2025	2026	Total
PSU	3.6	1.2	0.3	5.1
RSU	1.3	0.4	0.1	1.8
Board of directors RSU	0.3	0.1	-	0.4
Total	**5.2**	**1.7**	**0.4**	**7.3**

In 2023, the Company presented the following expenses in its consolidated statements of operations related to its share units plan:

in CHF million	PSU	RSU	Board of directors RSU	Total
Research & development expenses, net	1.4	0.5	-	1.9
Selling, general & administrative expenses	1.8	0.3	0.2	2.3
Total expenses 2023	**3.2**	**0.8**	**0.2**	**4.2**

The expenses are distributed over the vesting period of three years for PSUs and RSUs and one year or three years for board of directors RSUs, adjusted by expected forfeitures and effective forfeitures.

15 Shareholders' equity

As of December 31, 2023, Basilea had 13,099,826 registered shares (Namenaktien) issued with a par value of CHF 1.00 per share. As of December 31, 2022, Basilea had 13,093,445 registered shares issued with a par value of CHF 1.00 per share.

In 2023, a total of 16,241 stock options and 4,574 RSUs were exercised which resulted in the issuance of 6,381 registered shares from conditional capital with a par value of CHF 1.00 per share. In 2022, a total of 103,500 stock options and RSUs were exercised resulting in the issuance of 101,279 registered shares with a par value of CHF 1.00 per share.

Capital band

As of December 31, 2023, Basilea has a capital band between CHF 13,099,826 (lower limit) and CHF 14,399,826 (upper limit). Within the range of the capital band, the board of directors is authorized to increase the share capital in any amount once or several times until April 26, 2026. The capital increase can be effected by issuing up to 1,300,000 registered shares with a nominal value of CHF 1.00 each or by increasing the nominal values of the issued registered shares.

Conditional share capital

As of December 31, 2023, the conditional share capital is structured as follows:

In accordance with article 3a paragraph 1 of the articles of association, the share capital may be increased by a maximum of CHF 1,660,315 through the issuance of a maximum of 1,660,315 registered shares with a nominal value of CHF 1 each, to cover the exercise of rights to subscribe for new shares within the meaning of article 653 paragraph 1 of the Swiss Code of Obligations granted to employees of Basilea or of group companies and / or members of the board of directors of Basilea. A maximum of 1,553,360 rights / options to subscribe for new shares were outstanding under Basilea's employee stock option plan / long-term incentive plans as of December 31, 2023.

In accordance with article 3a paragraph 2 of the articles of association, the share capital may be increased up to a maximum of CHF 2,000,000, by issuing a maximum of 2,000,000 registered shares having a par value of CHF 1.00 each, with respect to the exercise of conversion rights granted to holders of existing convertible bonds (to the extent they were backed so far by treasury shares) or new convertible bonds issued by Basilea or one of its group companies. The aggregate principal amount of the convertible bonds backed by such conditional capital and/or treasury shares shall not exceed CHF 250,000,000, and such conditional capital can only be used for convertible bonds issued until December 22, 2022.

In accordance with article 3c (conditional share capital based on the capital band) of the articles of association, the share capital may be increased within the scope of the capital band by the issuance of maximum 1,300,000 registered shares with a nominal value of CHF 1.00 each through the exercise or compulsory exercise of conversion, exchange, option, subscription or other rights to subscribe for shares or through purchase obligations in respect of shares granted or imposed on shareholders or third parties alone or in connection with bonds, loans, options, warrants or other financial market instruments or contractual obligations of the company or one of its group companies (collectively "Financial Instruments"). However, as of December 31, 2023, no such Financial Instruments have been issued under article 3c of the articles of association.

As of December 31, 2023, the Company held treasury shares in the total amount of CHF 54.0 million (December 31, 2022: CHF 56.1 million), comprising of 1,000,000 registered shares with a par value of CHF 1.00 per share subject to a share lending agreement and held by Basilea Pharmaceutica Ltd, Allschwil, for the potential conversion of the outstanding convertible senior unsecured bonds and further 98,157 (December 31, 2022: 142,141) registered shares with a par value of CHF 1.00 per share.

Changes in accumulated other comprehensive income/loss as of December 31, 2023 and 2022:

In CHF million	Currency translation adjustment	Unrecognized pension cost	Reclassification into P&L	Total
December 31, 2021	**(2.0)**	**(20.8)**	**1.2**	**(21.6)**
Change during the period	(0.3)	18.1	0.0	17.8
Total change during the period	**(0.3)**	**18.1**	**0.0**	**17.8**
December 31, 2022	**(2.3)**	**(2.7)**	**1.2**	**(3.8)**
Change during the period	(0.2)	(6.5)	0.0	(6.7)
Total change during the period	**(0.2)**	**(6.5)**	**0.0**	**(6.7)**
December 31, 2023	**(2.5)**	**(9.2)**	**1.2**	**(10.5)**

16 Earnings per share

The calculation of the basic and diluted earnings per share in 2023 and 2022 is shown in the table below:

	2023		2022	
	Basic	Diluted	Basic	Diluted
Numerator				
Net profit, in CHF million	10.5	10.5	12.1	12.1
Denominator				
Weighted average shares outstanding, including actual conversion of stock options, PSUs, RSUs	11 991 393	11 991 393	11 860 958	11 860 958
Incremental shares according to treasury stock method for assumed conversion of stock options, PSUs, RSUs	-	151 684	-	82 567
Weighted average shares outstanding, including actual and assumed conversion of stock options, PSUs, RSUs	11 991 393	12 143 077	11 860 958	11 943 525
Earnings per share in CHF	**0.87**	**0.86**	**1.02**	**1.02**

As of December 31, 2023, there were 1,106,825 stock options outstanding with a weighted average exercise price of CHF 77.45 as well as 301,685 share units with a weighted average grant date fair value of CHF 42.39.

The calculation of the diluted earnings per share included 151,684 shares from PSU/RSU plans. There were 1,553,360 shares issuable upon conversion of convertible senior unsecured bonds which were not included in the calculation of earnings per share, as the effect of such shares would have been antidilutive.

As of December 31, 2022, there were 1,319,454 stock options outstanding with a weighted average exercise price of CHF 80.92 as well as 163,897 share units with a weighted average grant date fair value of CHF 41.78. The calculation of the diluted earnings per share included 78,025 shares from PSU/RSU plans and 4,543 shares from stock option plan.

In 2020, the Company entered into a share lending agreement for 1,000,000 registered treasury shares. These shares are deducted in the calculation of the weighted average shares outstanding.

17 Pension plan

The pension plan is operated by an insurance company. The plan is fully reinsured and it participates in a collective investment scheme. The Company and the participants provide monthly contributions to the pension plan which are based on the covered salary. The respective saving parts of premium are credited to employees' accounts. In addition, interest is credited to employees' accounts at the rate provided in the plan. The pension plan provides retirement benefits as well as benefits on long-term disability and death.

The pension plan qualifies as a defined benefit plan in accordance with US GAAP.

The following table provides information on the pension expenses related to the Company's defined benefit pension plan for the years 2023 and 2022:

In CHF million	2023	2022
Service cost	2.5	3.9
Interest cost	1.2	0.2
Expected return on plan assets	(1.7)	(1.2)
Amortization of pension-related net loss	0.0	0.9
Amortization of prior service cost	0.4	0.6
Settlements	0.5	(0.2)
Gross benefit expense	**2.9**	**4.2**
Participant contributions	(1.1)	(1.2)
Net periodic pension cost	**1.8**	**3.0**

The reconciliation of the projected benefit obligation and the changes to the fair value of the plan assets of the pension plan are shown in the following table:

In CHF million	2023	2022
Projected benefit obligation, beginning of period	**59.2**	**72.5**
Service cost	3.6	5.1
Interest cost	1.2	0.2
Benefits paid, net	2.0	4.6
Settlements	(6.7)	(6.3)
Actuarial loss/gain	7.2	(16.4)
Plan amendment	(0.6)	(0.5)
Projected benefit obligation, end of period	**65.9**	**59.2**
Plan assets, beginning of period	**50.8**	**47.5**
Actual return on plan assets	0.9	1.1
Employer contributions	2.6	2.8
Participant contributions	1.1	1.2
Benefits paid, net	2.0	4.6
Settlements	(6.7)	(6.3)
Plan assets, end of period	**50.7**	**50.9**
Accrued pension liability	**(15.2)**	**(8.3)**

As of December 31, 2023, the Company recorded an accrued pension liability of CHF 15.2 million in other non-current liabilities (December 31, 2022: CHF 8.3 million).

The collective pension plan operated by an insurance company invests its plan assets mainly in cash and cash equivalents, equity funds, equity securities, corporate bonds, government bonds, real estate funds classified as Level 1 and Level 2 under the fair value hierarchy. The pension assets are measured at fair value.

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.

As of December 31, 2023, accumulated other comprehensive income/loss includes unrecognized pension cost of CHF 9.2 million, consisting of a net loss of CHF 5.5 million, determined using actuarial assumptions, and a prior service cost of CHF 3.7 million that have not yet been recognized as a component of net periodic pension cost. As of December 31, 2022, the accumulated other comprehensive income/loss included unrecognized pension cost of CHF 2.7 million, consisting of a net gain of CHF 2.0 million and a prior service cost of CHF 4.7 million, that have not yet been recognized as a component of net periodic pension cost. The Company expects that a net amount of CHF 0.4 million will be reclassified from accumulated other comprehensive income/loss and recognized as a component of net periodic pension cost in 2024 as a result of the amortization of the pension-related net loss and the amortization of the prior service cost.

The following table shows the components of unrecognized pension cost in accumulated other comprehensive income/loss that have not yet been recognized as components of net periodic pension cost:

In CHF million	2023	2022
Net gain/loss, beginning of period	**(2.0)**	**15.0**
Other loss/gain during the period	8.1	(16.3)
Amortization of pension-related net loss	-	(0.9)
Settlements	(0.6)	0.2
Net loss/gain, end of period	**5.5**	**(2.0)**
Prior service cost, beginning of period	**4.7**	**5.8**
Amortization of prior service cost	(0.4)	(0.6)
Plan amendment	(0.6)	(0.5)
Prior service cost, end of period	**3.7**	**4.7**
Total unrecognized pension cost, end of period	**9.2**	**2.7**

The weighted average of the key assumptions used to compute the benefit obligations were as follows:

	2023	2022
Discount rate	1.35%	2.10%
Rate of increase in compensation level	1.75%	1.75%
Expected long-term rate of return on plan assets	3.50%	3.40%

The assumption of the expected long-term rate of return on plan assets was based on the long-term historical rates of returns for the different investment categories which were adjusted, where appropriate, to reflect financial market developments.

The accumulated benefit obligation (ABO) as of December 31, 2023 and 2022, amounts to CHF 62.1 million and CHF 55.7 million, respectively.

The investment risk is borne by the insurer and the reinsurer, respectively, and the investment decision is taken by the board of trustees of the collective insurance.

The following table provides information on all estimated future undiscounted benefit payments under the Company's pension plan for each of the next five years and the aggregate for the five years thereafter. Besides the retirement benefit payments, these amounts also include payments resulting from death, disability and transfers out of transportable amounts during the relevant period.

Potential payments transferred into the pension plan resulting from the hiring of employees are excluded from the amounts below:

Amount in CHF million	
2024	3.2
2025	3.3
2026	3.4
2027	3.1
2028-2033	25.2

In addition to the defined benefit plan described above, the Company recognized no expenses related to defined contribution plans of Basilea's subsidiaries in 2023 (2022: none).

18 Leases

Financing lease contracts

The Company had no finance leases for the financial years ending on December 31, 2023 and 2022.

Operating lease contracts

The Company entered into operating lease contracts for office spaces. The aggregate minimum operating lease payments are expensed on a straight-line basis over the term of the related lease. For the year ending on December 31, 2023, the Company recorded total operating lease expenses of CHF 2.3 million in the operating expense section.

The Company is recognizing lease expense on a straight-line basis throughout the remaining term of the lease. The Company's incremental borrowing rate is 2.2%. Under the terms of the lease, non-lease components such as utilities and maintenance, are not part of the lease payments and are expensed as incurred.

For the year ending on December 31, 2023, CHF 1.9 million of the right-of-use (ROU) asset was amortized. The lease payment resulted in a decrease of the lease liability by CHF 2.0 million. There is approximately eight years of the lease term remaining.

On June 30, 2020, the Company entered into a lease agreement commencing on June 1, 2022, for office and laboratory space in Allschwil, in the canton of Basel-Landschaft. As per March 1, 2023 the office space was increased. The lease is accounted for as an operating lease, consequently a lease liability and a Right-of-Use (ROU) asset were recognized at commencement date. The term of the lease is ten years and term of the additional office space is approximately nine years; the annual lease payments are approximately CHF 2.4 million. Lease incentives are approximately CHF 1.8 million, of which CHF 0.6 milion are payable to the Company over the term of the lease. The Company has the option to extend the lease two times by five years, however, the Company concluded they are not reasonably certain to exercise the option.

The table below shows the operating lease ROU assets recorded:

In CHF million	2023	2022
Cost	**Buildings**	Buildings
January 01	22.3	4.1
Additions	1.4	18.2
December 31	23.7	22.3
Accumulated depreciation		
January 01	(5.0)	(3.2)
Additions	(1.9)	(1.8)
December 31	(6.9)	(5.0)
Total operating lease right-of-use assets	**16.8**	**17.3**

As of December 31, the following operating lease liabilities are recorded:

In CHF million	2023	2022
Buildings	2.1	2.0
Total current operating lease liabilities	**2.1**	**2.0**
Buildings	15.6	16.3
Total non-current operating lease liabilities	**15.6**	**16.3**

As of December 31, 2023, the future minimum commitments under ASC 842 for the operating lease were as follows:

Amount in CHF million	
2024	2.4
2025	2.4
2026	2.4
2027	2.4
2028	2.4
2029 and thereafter	8.1
Total lease payments	**20.1**
Less: imputed interest	-2.4
Total operating lease liabilities	**17.7**

19 Concentration of risk

The Company is generally subject to credit risk related to financial investments. The Company mitigates such credit risk by depositing and 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.

Cash and cash equivalents as of December 31, 2023, amounted to CHF 59.9 million, primarily held with different banks. As of December 31, 2023, the highest total amount of cash and cash equivalents and investments held at one bank amounted to CHF 22.0 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 December 31, 2023, was from Pfizer in the amount of CHF 13.6 million.

20 Related party transactions

The accounts receivable, accounts payable and accruals and other current liabilities do not include positions due to or from related parties as of December 31, 2023 and 2022.

In 2023 and 2022, the Company paid no fees to its board members for consulting services.

21 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 December 31, 2023, there are no significant contingencies.

22 Subsequent events

There were no significant events between the balance sheet date and the approval of the report by the board of directors on February 8, 2024

Report of the statutory auditor

to the General Meeting of Basilea Pharmaceutica Ltd, Allschwil

Allschwil

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Basilea Pharmaceutica Ltd, Allschwil (the Company), which comprise the balance sheet as at 31 December 2023, and the statement of operations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 174-179) comply with Swiss law and the Company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of investments in subsidiaries, net and accounts receivables affiliates

Key audit matter	How our audit addressed the key audit matter
Basilea Pharmaceutica Ltd, Allschwil reports investments in subsidiaries, net of CHF 483 million and accounts receivables affiliates of CHF 33 million. We consider the recoverability of the carrying value of these balances to be a key audit matter based on given their magnitude and based on the significant judgement and estimates made in the determination of the recoverable value relating to the recoverability of the carrying value of the investment in subsidiaries, net and the accounts receivables affiliates balances. Refer to note 1 summary of significant accounting policies and note 2 investments to of the financial statements.	We assessed whether the recoverability of the carrying value of the investments in subsidiaries, net and the accounts receivables affiliates is supported as per December 31, 2023. We obtained Management's valuation of the group. We assessed the reasonableness of the key parameters of the valuation being the forecasted cash flows and the discount rate. We discussed the key assumptions applied in the valuation with Management and the Audit Committee. Further, we compared Management's valuation with analysts' reports and assessed the sensitivity of the valuation to certain parameters. We read the minutes of the meetings of the Board of Directors and discussed their contents and the strategic initiatives with Management and the Audit Committee focusing on the relevant judgments relating to the future

	value of the development projects and the current contractual agreements. We considered the market capitalization of Basilea Pharmaceutica Ltd, Allschwil at the balance sheet date as a relevant indicator of the value of the investments in subsidiaries, net and accounts receivables affiliates. We consider the approach used by Management for the purpose of supporting the recoverability of the carrying value of the investments in subsidiaries, net and accounts receivables affiliates to be reasonable.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the compensation report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them regarding all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm the existence of an internal control system that has been designed, pursuant to the instructions of the Board of Directors, for the preparation of the financial statements.

We further confirm that the proposed appropriation of loss carried forward complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Daniel Anliker

Licensed audit expert
Auditor in charge

Daniel D Miller

Basel, 8 February 2024

Financial statements of Basilea Pharmaceutica Ltd, Allschwil

Basilea Pharmaceutica Ltd, Allschwil

Balance sheets as of December 31, 2023 and 2022 (in CHF thousands)

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	19 467	37 058
Restricted cash	4 389	1 908
Other receivables	1 198	180
Other assets	54	35
Total current assets	**25 108**	**39 181**
Non-current assets		
Accounts receivable, affiliates	33 338	18 647
Investment in subsidiaries, net	483 426	483 426
Loans	-	2 461
Total non-current assets	**516 764**	**504 534**
TOTAL ASSETS	**541 872**	**543 715**
LIABILITIES		
Current liabilities		
Accounts payable, affiliates	-	257
Other liabilities	1 357	1 941
Accruals	837	238
Total current liabilities	**2 194**	**2 436**
Non-current liabilities		
Convertible senior unsecured bonds	95 455	95 000
Total non-current liabilities	**95 455**	**95 000**
Total liabilities	**97 649**	**97 436**
SHAREHOLDERS' EQUITY		
Share capital [1]	13 100	13 093
General reserve:		
Reserve from capital contributions	521 748	521 814
Treasury shares [2]	(54 008)	(56 071)
Accumulated deficit	(32 557)	(24 692)
Net loss	(4 060)	(7 865)
Total shareholders' equity	**444 223**	**446 279**
TOTAL LIABILITIES AND EQUITY	**541 872**	**543 715**

1 As of December 31, 2023, 13,099,826 shares (December 31, 2022: 13,093,445) were issued and 12,001,669 shares (December 31, 2022: 11,951,304) outstanding with a par value of CHF 1.00 per share.
2 As of December 31, 2023, 1,098,157 shares (December 31, 2022: 1,142,141) with a par value of CHF 1.00.

These financial statements should be read in conjunction with the notes.

Basilea Pharmaceutica Ltd, Allschwil

Statements of operations for the years ended December 31, 2023 and 2022 (in CHF thousands)

	2023	2022
Administrative expense	(613)	(750)
Total operating expense	**(613)**	**(750)**
Operating loss	**(613)**	**(750)**
Financial income	765	467
Financial expense	(4 212)	(7 582)
Loss before taxes	**(4 060)**	**(7 865)**
Direct taxes	-	-
Net loss	**(4 060)**	**(7 865)**

These financial statements should be read in conjunction with the notes.

Basilea Pharmaceutica Ltd, Allschwil

Notes to the financial statements as of December 31, 2023

1 Summary of significant accounting policies

General information

The financial statements of the Company for the year ended 31 December, 2023, have been prepared in accordance with Swiss law. Where not prescribed by law, the significant accounting and valuation policies applied are described below.

Basilea Pharmaceutica Ltd, Allschwil, (the Company) is registered in Allschwil, Switzerland. In 2023 and 2022, the Company had no employees.

The Company prepares its consolidated financial statements in accordance with generally accepted accounting principles in the United States of America (US GAAP). It further includes a management report (Financial Review) in its annual report. In accordance with Swiss law the Company has therefore elected not to include in its financial statements a cash flow statement and a management report.

There are no further items to disclose according to Art. 959c Swiss Code of Obligations.

Investment in subsidiaries

Investments in subsidiaries include those companies in which the Company has an interest of more than 20%. The investments are valued at acquisition cost, including equity contributions, less valuation allowances. Valuation allowances are recorded as impairment in the statement of operations to reflect the recoverable value of the group at the balance sheet date.

As per December 31, 2023, Management made an assessment of the recoverability of the non-current assets and concluded that these are fully recoverable.

Convertible senior unsecured bonds

In December 2015, the Company issued a convertible senior unsecured bond in the amount of CHF 200.0 million due on December 23, 2022 (2022 bonds). On December 23, 2022, the Company paid back the remaining outstanding balance of the 2022 bonds on their maturity date amounting to CHF 113.8 million.

On July 28, 2020, 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.

The 2027 bonds carry a coupon of 3.25% per annum and the conversion price is CHF 62.50. The 2027 bonds were issued at 100% of the principal amount and will also mature at 100% of that amount on July 28, 2027, unless previously redeemed, converted or repurchased and cancelled.

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.

Financial Income

This position includes interest income on receivables from group companies and on bank balances.

Financial expense
Financial expenses mainly include transaction cost and interest related to the 2022 and 2027 bonds.

2 Investments
As of December 31, 2023, the Company holds the following investments:

Company	Location	Ownership interest/ Voting rights	Share capital	Purpose
Basilea Pharmaceutica International Ltd, Allschwil[1]	Switzerland, Allschwil	100%	CHF 10 000 000	Research, development, manufacturing, marketing, distribution
Basilea Medical Ltd.	UK, Guildford	100%	GBP 200 000	Marketing authorization holder (EU), regulatory services
Basilea Pharmaceuticals Ltd[2]	UK, London	100%	GBP 700 000	Distribution
Basilea Pharmaceutica Deutschland GmbH	Germany, Lörrach	100%	EUR 25 000	Distribution

1 The shares of Basilea Pharmaceutical International Ltd, Allschwil are pledged
2 In members' voluntary liquidation

3 Share capital
As of December 31, 2023, Basilea had 13,099,826 registered shares (Namenaktien) issued with a par value of CHF 1.00 per share. As of December 31, 2022, Basilea had 13,093,445 registered shares issued with a par value of CHF 1.00 per share.

Capital band
As of December 31, 2023, Basilea has a capital band between CHF 13,099,826 (lower limit) and CHF 14,399,826 (upper limit). Within the range of the capital band, the board of directors is authorized to increase the share capital in any amount once or several times until April 26, 2026. The capital increase can be effected by issuing up to 1,300,000 registered shares with a nominal value of CHF 1.00 each or by increasing the nominal values of the issued registered shares.

Conditional share capital
As of December 31, 2023, the conditional share capital is structured as follows:

In accordance with article 3a paragraph 1 of the articles of association, the share capital may be increased by a maximum of CHF 1,660,315 through the issuance of a maximum of 1,660,315 registered shares with a nominal value of CHF 1 each, to cover the exercise of rights to subscribe for new shares within the meaning of article 653 paragraph 1 of the Swiss Code of Obligations granted to employees of Basilea or of group companies and / or members of the board of directors of Basilea. A maximum of 1,553,360 rights / options to subscribe for new shares were outstanding under Basilea's employee stock option plan / long-term incentive plans as of December 31, 2023.

In accordance with article 3a paragraph 2 of the articles of association, the share capital may be increased up to a maximum of CHF 2,000,000, by issuing a maximum of 2,000,000 registered shares having a par value of CHF 1.00 each, with respect to the exercise of conversion rights granted to holders of existing convertible bonds (to the extent they were backed so far by treasury shares) or new convertible bonds issued by Basilea or one of its group companies. The aggregate principal amount of the convertible bonds backed by such conditional capital and / or treasury shares shall not exceed CHF 250,000,000, and such conditional capital can only be used for convertible bonds issued until December 22, 2022.

In accordance with article 3c (conditional share capital based on the capital band) of the articles of association, the share capital may be increased within the scope of the capital band by the issuance of maximum 1,300,000 registered shares with a nominal value of CHF 1.00 each through the exercise or compulsory exercise of conversion, exchange, option, subscription or other rights to subscribe for shares or through purchase obligations in respect of shares granted or imposed on shareholders or third parties alone or in connection with bonds, loans, options, warrants or other financial market instruments or contractual obligations of the Company or one of its group companies (collectively "Financial Instruments"). However, as of December 31, 2023, no such Financial Instruments have been issued under article 3c of the articles of association.

As of December 31, 2023, the Company held treasury shares in the total amount of CHF 54.0 million (December 31, 2022: CHF 56.1 million), comprising of 1,000,000 registered shares with a par value of CHF 1.00 per share subject to a share lending agreement and held by Basilea Pharmaceutica Ltd, Allschwil, for the potential conversion of the outstanding convertible senior unsecured bonds and further 98,157 (December 31, 2022: 142,141) registered shares with a par value of CHF 1.00 per share.

The following table provides information on the Company's treasury shares transactions:

	Average price (in CHF)	Number of shares
December 31, 2021	**49.18**	**1 150 132**
Purchases	38.51	318 830
Sales	39.81	(326 821)
December 31, 2022	**48.88**	**1 142 141**
Purchases	44.80	247 235
Sales	46.48	(291 219)
December 31, 2023	**48.60**	**1 098 157**

4 PSUs/RSUs granted to the board of directors, the Management and employees

	BoD RSU		RSU		PSU	
	2023	2022	2023	2022	2023	2022
Board of Directors	7 403	8 405	-	-	-	-
Management	-	-	-	-	44 320	41 064
Employees	-	-	33 170	40 741	16 705	13 102
	7 403	**8 405**	**33 170**	**40 741**	**61 025**	**54 166**

5 Significant shareholders

There are no ownership percentage of shareholders which held a significant percentage of shares of the Company as of December 31, 2023 and 2022, according to the share register of the Company.

The ownership percentages are based on 13,099,826 shares issued as of December 31, 2023, and 13,093,445 shares issued as of December 31, 2022.

Proposal of the board of directors for the appropriation of loss carried forward as of December 31, 2023:

In CHF thousands	Proposed by the board of directors
Accumulated deficit beginning of the year	(32 557)
Net loss of the year	(4 060)
Balance to be carried forward	**(36 617)**

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Annual general meeting

The annual general meeting of shareholders for the financial year 2023 will take place on April 24, 2024, in Basel, Switzerland.

The full Annual Report 2023 of Basilea Pharmaceutica Ltd, Allschwil consists of a business review, the corporate governance section, the compensation report, and the financial report and is published in English. A short version is available in German. In case of discrepancies the English version prevails.

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