

Invitation to the 2018 Annual General Meeting

Basel, March 27, 2018

Dear Shareholder,

We invite you to the **Annual General Meeting** ("AGM") of Basilea Pharmaceutica Ltd. ("Basilea" or "Company") to be held on Wednesday, **April 18, 2018** at 2:00 p.m. at the Radisson Blu Hotel, Steinentorstrasse 25, in Basel, Switzerland. The doors will open at 1:00 p.m.

Agenda and Proposals of the Board of Directors

1. Annual Report, Financial Statements, and Consolidated Financial Statements for 2017

Proposals:

- 1a Approval of the annual report, financial statements, and consolidated financial statements for 2017.

For further information, please refer to the Appendix on page 4.

- 1b Endorsement in a non-binding advisory vote of the aggregate amount of the Management Committee's variable compensation for 2017.

For further information, please refer to the Appendix on pages 4-5.

2. Appropriation of the Results

Proposal:

Carry forward of the accumulated deficit of CHF 11,890,447.

3. Discharge of the Members of the Board of Directors and of the Management Committee

Proposal:

Discharge of the members of the Board of Directors and of the Management Committee for the financial year 2017.

4. Elections of the Chairman and the Members of the Board of Directors

Proposals:

- 4a Re-election of Mr. Domenico Scala as Chairman
4b Re-election of Dr. Martin Nicklasson
4c Re-election of Dr. Nicole Onetto
4d Re-election of Mr. Steven D. Skolsky
4e Re-election of Dr. Thomas Werner
4f Election of Mr. Ronald Scott

For further information, please refer to the Appendix on page 6.

5. Election of the Members of the Compensation Committee

Proposals:

- 5a Re-election of Dr. Martin Nicklasson
- 5b Re-election of Mr. Steven D. Skolsky
- 5c Re-election of Dr. Thomas Werner

For further information, please refer to the Appendix on page 6.

6. Determination of Compensation

6a Maximum aggregate amount of compensation for the Board of Directors

Proposal:

Approval of the amount of CHF 1,210,000 as the maximum aggregate amount of compensation for the Board of Directors for the period from the 2018 AGM to the 2019 AGM.

For further information, please refer to the Appendix on pages 7-8.

6b Maximum aggregate amount of fixed compensation for the Management Committee

Proposal:

Approval of the amount of CHF 3,930,000 as the maximum aggregate amount of fixed compensation for the Management Committee for the period from July 1, 2018 to June 30, 2019.

For further information, please refer to the Appendix on pages 8-9.

6c Maximum aggregate amount of variable compensation for the Management Committee

Proposal:

Approval of the amount of CHF 5,050,000 as the maximum aggregate amount of variable compensation for the Management Committee for the period from January 1, 2018 to December 31, 2018.

For further information, please refer to the Appendix on pages 9-13.

7. Election of the Independent Proxy

Proposal:

Re-election of Dr. Caroline Cron, Attorney-at-law, Lenz Caemmerer, as Independent Proxy for a term until the end of the next AGM.

8. Election of the Auditors

Proposal:

Re-election of PricewaterhouseCoopers Ltd, Basel as auditors for the consolidated financial statements and the standalone financial statements of the Company for the financial year 2018.

9. Amendment of Article 3b par. 1 and par. 4 of the Articles of Association

Proposal:

Amendment of Article 3b par. 1 of the Articles of Association to extend the authorization of the Board of Directors to increase the share capital by one year until April 2020 and amendment of Article 3b par. 4 of the Articles of Association to clarify that the preferential subscription rights of the existing shareholders may not be excluded by the Board of Directors in case of a public takeover offer.

For further information, including the exact wording of both amendments to the Articles of Association, please refer to the Appendix on pages 13-14.

Right to Participate/Proxies

Only shareholders who are recorded in the share register with voting rights as per **April 10, 2018** at 5:00 p.m. CEST are entitled to participate and exercise their voting rights. The registration of shareholders for voting purposes does not affect the possibility to trade in Basilea shares.

Admission cards can be ordered from Computershare Schweiz AG, Basilea Pharmaceutica Ltd., P.O. Box, 4601 Olten, Switzerland, using the enclosed form or electronically on <https://ip.computershare.ch/basilea>.

Representation: If you do not wish to attend the AGM in person, you can be represented as follows:

- a) By any other person based on a power of attorney. The power of attorney can be granted and the voting instructions be issued in writing with the enclosed form.
- b) By the Independent Proxy, Dr. Caroline Cron, Attorney-at-law, Lenz Caemmerer, Elisabethenstrasse 15, P.O. Box 430, 4010 Basel, Switzerland. The proxy can be granted and the instructions be issued in writing with the enclosed form. Instructions to the Independent Proxy can also be issued electronically after opening a shareholder account on <https://ip.computershare.ch/basilea>. The electronic instructions can be amended at any time until April 16, 2018, 5:00 p.m. CEST. For further information, please refer to the enclosed e-voting fact sheet.

Annual Report 2017: A copy of the Annual Report 2017 is available on the internet at <http://annualreport.basilea.com>. A hard copy of the Annual Report 2017 can be ordered by using the enclosed form. From March 27, 2018, the Annual Report and the reports of the Statutory Auditors will be available for inspection by shareholders at our Basel offices.

Yours sincerely

Basilea Pharmaceutica Ltd.
Board of Directors

Appendix

Explanations to Agenda Item 1a:

Proposal: Approval of the Annual Report, Financial Statements and Consolidated Financial Statements for 2017

2017 marked a successful year in the implementation of Basilea's strategy to maximize the value of its commercial-stage drugs Cresemba® (isavuconazole) and Zevtera® (ceftobiprole).

In 2017, as reported in the consolidated financial statements, Basilea significantly increased its revenues and substantially improved its financial results. Total revenue increased by 54% year-on-year to CHF 101.5 million, with product revenue of CHF 16.3 million and contract revenue of CHF 74.0 million being major contributors. Operating expenses amounted to CHF 116 million (2016: CHF 110 million). The net loss was reduced by 62% to CHF 19.4 million. As of year-end 2017, Basilea had CHF 311 million in cash, cash equivalents and financial investments, compared to CHF 289 million as of year-end 2016. Total shareholders' equity as per Swiss GAAP statutory financials amounted to CHF 419 million as of year-end 2017.

Basilea's US GAAP consolidated financial statements show a deficit in total shareholders' equity of CHF 41 million. The difference between this amount and the aforementioned CHF 419 million is largely driven by differences in accounting between US GAAP consolidated and Swiss GAAP statutory financials, specifically the deferral required by US GAAP of recognition of revenue from certain payments the Company received under its partnership agreements, including with Pfizer, GSK/Stiefel, Astellas, Asahi Kasei Pharma, as well as the different treatment of investments in subsidiaries.

Explanations to Agenda Item 1b:

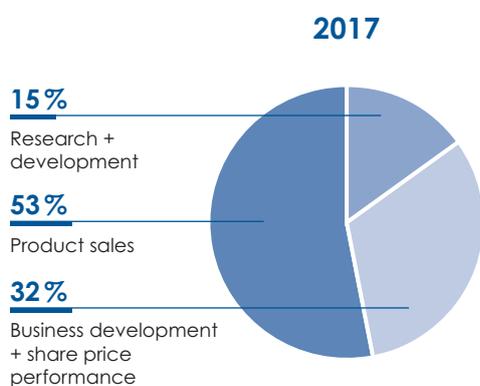
Proposal: Endorsement in a non-binding advisory vote of the aggregate amount of the Management Committee's variable compensation for 2017

The Management Committee's aggregate amount of variable compensation for 2017 is submitted to shareholders for a non-binding advisory vote.

For the business year 2017, the Management Committee received an amount of CHF 4,003,669 in variable compensation (consisting of performance-based cash bonuses of CHF 1,214,324, stock options with a non-cash fair value of CHF 2,656,138, and social security contributions of CHF 133,207¹). This amount is below the maximum amount of CHF 5,140,000 approved by the shareholders at the 2017 AGM, mainly due to the lower than budgeted fair value of the stock options granted in 2017.

Basilea is committed to provide performance-based compensation in order to align the interests of our employees and our shareholders. The Company performance goals for 2017 were largely focused on sales performance (53% weight), as shown in Figure 1 below.

Figure 1: Company performance goals 2017



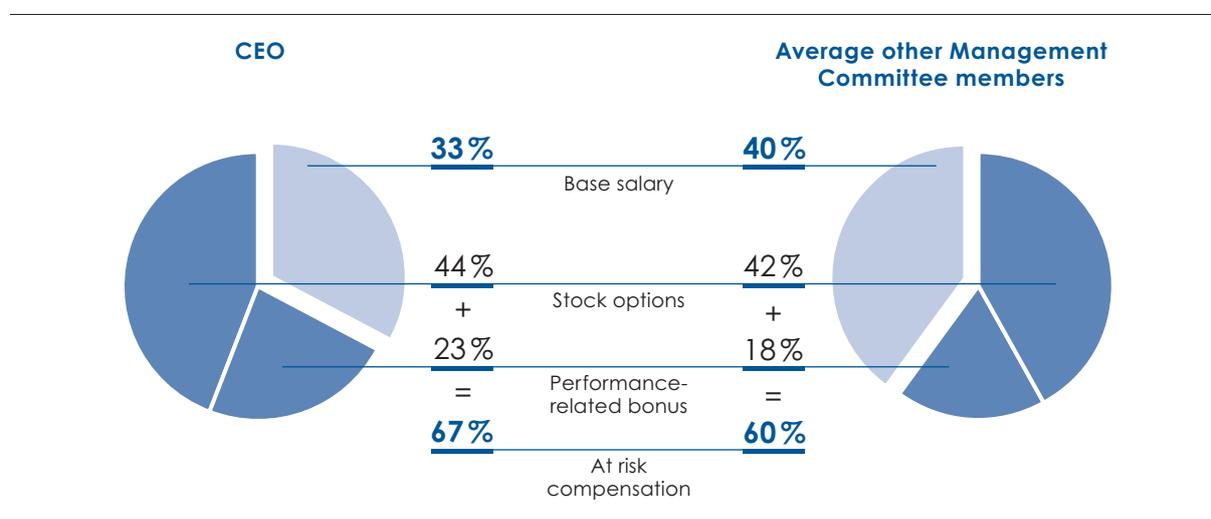
¹ The total amount of social security contributions and other fringe benefits in the Compensation Report 2017 of CHF 668,217 includes social security contributions both for the fixed compensation as well as for the variable compensation of the Management Committee.

Basilea achieved significant goals in 2017 including:

- ▶ Establishment of a series of additional licensing and distribution partnerships with leading pharmaceutical companies (Pfizer, Cardiome, Avir and Shenzhen China Resources Gosun Pharmaceutical) to bring its key products, the antifungal Cresemba (isavuconazole) and the antibiotic Zevtera (ceftobiprole), to even more patients around the world. The Company's partnerships now cover more than 100 individual countries. Basilea received CHF 79 million in upfront payments in 2017 and total potential milestones included under agreements now amount to USD 1.1 billion
- ▶ Increase in total revenue by 54% year-on-year to CHF 101.5 million, with product revenue of CHF 16.3 million and contract revenue of CHF 74.0 million being major contributors. Operating loss was reduced by 68% from 43.9 million in 2016 to CHF 14.1 million in 2017
- ▶ Effective management of partnerships to increase product sales led to a first sales milestone payment of CHF 5 million from licensing partner Astellas based on the sales performance of Cresemba in the United States
- ▶ Grant of further marketing approvals, including the approval of Cresemba in Switzerland
- ▶ Completion of the preparation to market Cresemba in Spain, where it was launched by Pfizer in late 2017. Cresemba is now commercialized in all five major European markets
- ▶ Completion of the phase 1 clinical study with isavuconazole by Asahi Kasei Pharma as an important first step towards making Cresemba available to patients in Japan
- ▶ Agreement with the U.S. Food and Drug Administration in Special Protocol Assessments on the design and planned analysis of two cross-supportive clinical phase 3 studies with ceftobiprole, which are intended to be used for gaining regulatory approval in the United States
- ▶ Award of additional funding of USD 54.8 million by the U.S. Biomedical Advanced Research and Development Authority for conducting ceftobiprole phase 3 studies, increasing the total potential value of the contract to approximately USD 108 million
- ▶ Establishment of the clinical dose ranges for daily oral administration and weekly 48-hour intravenous infusion for patients with solid tumors in the phase 1/2a studies with BAL101553
- ▶ Initiation of a clinical phase 1 study to explore the tumor checkpoint controller BAL101553 in newly diagnosed glioblastoma (brain cancer) in collaboration with the Adult Brain Tumor Consortium, which is funded by the U.S. National Cancer Institute

As shown in Figure 2, of the CEO and the Management Committee's compensation for 2017, the majority was at risk compensation. Both the CEO and the Management Committee have the same compensation structure. Bonuses are only paid in the event that Company performance goals are achieved. Stock options cannot be exercised during the vesting period and have no cash value unless the Company's share price increases over the share price on the grant date, thereby aligning management's and shareholders' interests.

Figure 2: At risk compensation of the CEO and the other Management Committee members in 2017



Explanations to Agenda Item 4:

Proposal: Re-election of the Chairman and of the Members of the Board of Directors

Elections will be held individually for the Chairman and each Board member. The election of Mr. Domenico Scala as Board member and Chairman will be held in a single vote. By law, the term of each elected Board member and of the Chairman lasts until the end of the next AGM. The biographical data of all proposed candidates can be found on Basilea's website at www.basilea.com or in the Annual Report 2017 (see pages 23-24 and page 29).

Prof. Daniel Lew is leaving the Board in accordance with the Company's Organizational Regulations which provide that Board members shall resign effective per the AGM immediately following completion of their seventieth year of age, and Dr. Thomas Rinderknecht is not standing for re-election due to other commitments.

The Board is proposing the election of Mr. Ronald Scott. The Board of Directors is convinced that Mr. Scott's strategic thinking and detailed knowledge of the pharmaceutical industry and capital markets will be of great value in supporting Basilea through its next growth phase. Mr. Scott served as Chief Executive Officer of the Company from January 2013 until April 2018. He was Basilea's Chief Operating Officer from January through December 2012, and served as Basilea's Chief Financial Officer from the Company's founding in 2000 through January 2012 as well as ad interim Chief Financial Officer from February 2013 until November 2013. Mr. Scott was a co-founding Board member in 2000 and served on the Board from 2004 to October 2011. Prior to joining Basilea, Mr. Scott worked at Roche Holding AG (Roche) in management positions in Pharmaceutical Finance, Licensing, and the Roche Corporate Finance Mergers and Acquisitions group and assisted Roche in the founding of Basilea. Prior to joining Roche, Mr. Scott worked for Prudential Investment Corporation in the United States as Director in Prudential's Finance and International Business Development Units, managing divestitures and joint venture transactions. Mr. Scott is a Swiss citizen and has a bachelor's degree from Utah State University (USA) and a master's degree from Harvard University (USA).

Explanations to Agenda Item 5:

Proposal: Election of the Members of the Compensation Committee

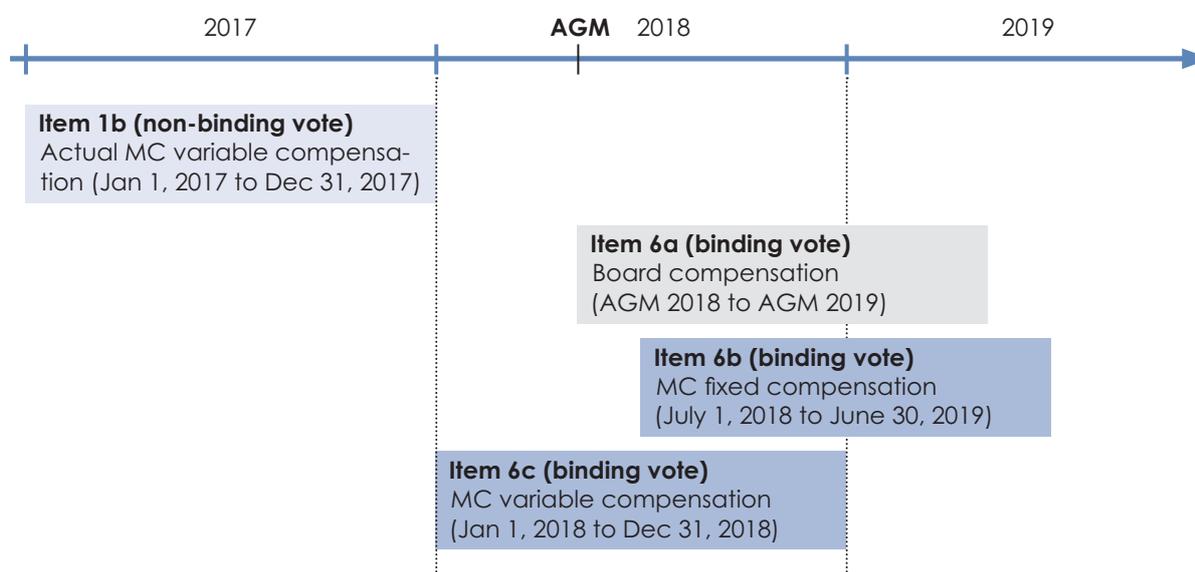
Elections will be held individually for each member of the Compensation Committee. By law, the term of each Compensation Committee member lasts until the end of the next AGM.

Explanations to Agenda Item 6:

Determination of Compensation

According to Article 6 par. 2. No. 5 – 7 of Basilea's Articles of Association, the AGM votes on maximum compensations for the Board of Directors and the Management Committee for the respective compensation periods. The votes on compensation under agenda items 6a – 6c are illustrated in Figure 3 below.

Figure 3: AGM 2018 votes on compensation of the Board of Directors and the Management Committee (MC)



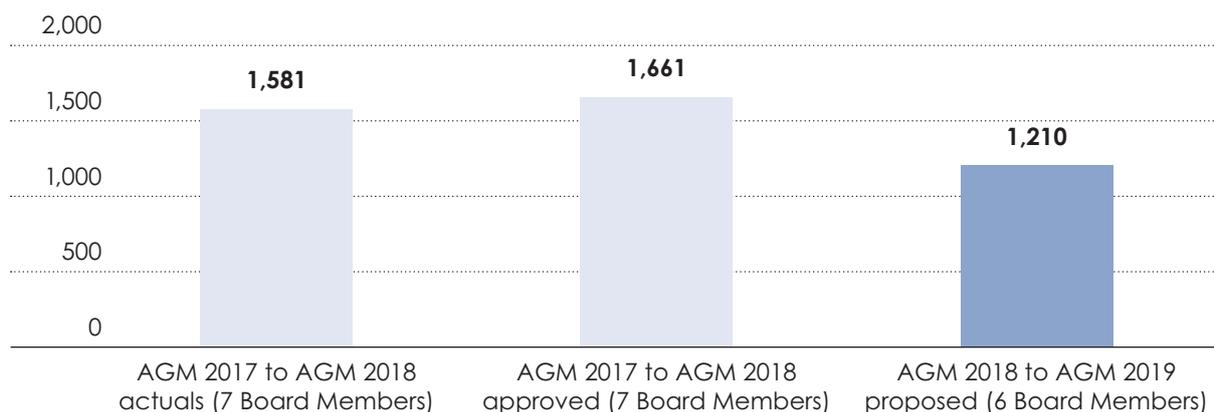
Explanations to Agenda Item 6a:

Proposal: Maximum aggregate amount of compensation for the Board of Directors

The proposal for the maximum aggregate compensation for the Board of Directors for the period from the 2018 AGM to the 2019 AGM is CHF 1,210,000.

Figure 4: Proposed Board compensation compared to the previous period (aggregate amounts)

in CHF K



The proposed amount of compensation for the Board of Directors for the period from the 2018 AGM to the 2019 AGM is lower than in the previous period as the proposed number of Board members will decrease from 7 to 6 and no board compensation is included for Mr. Scott as he receives compensation under a Company employment contract during the remaining term of contract. Further, a lower amount of social security contributions is budgeted due to the fact that some Board members are exempt from social security contributions.

Figure 5: Proposed Board compensation compared to the previous period (amounts by cost elements)

Aggregate compensation, in CHF	Number of Board members	Total cash compensation	Social security contributions	Total
AGM 2017 to AGM 2018 actuals	7	1,424,905	155,965	1,580,870
AGM 2017 to AGM 2018 approved	7	1,438,500	222,500	1,661,000
AGM 2018 to AGM 2019 proposed	6	1,069,000	141,000	1,210,000

As shown in Figure 6 below, the Board compensation includes a fixed compensation, board meeting fees (capped at five meetings) and committee membership fees. The amounts of each element of Board compensation have not changed since 2014.

Figure 6: Elements of Board compensation

In CHF	AGM 2018 to AGM 2019	AGM 2017 to AGM 2018
Chairman of the Board of Directors		
Fixed compensation	238 363	238 363
Board meeting fee ¹	9 375	9 375
Committee membership fee ²	7 875	7 875
Members		
Fixed compensation	150 382	150 382
Board meeting fee ³	6 250	6 250
Committee membership fee ²	5 250	5 250

¹ Fee per Board meeting attended with fees capped at five meetings (maximum payout from AGM to AGM for meeting attendance limited to CHF 46,875).

² Fee per Board committee membership.

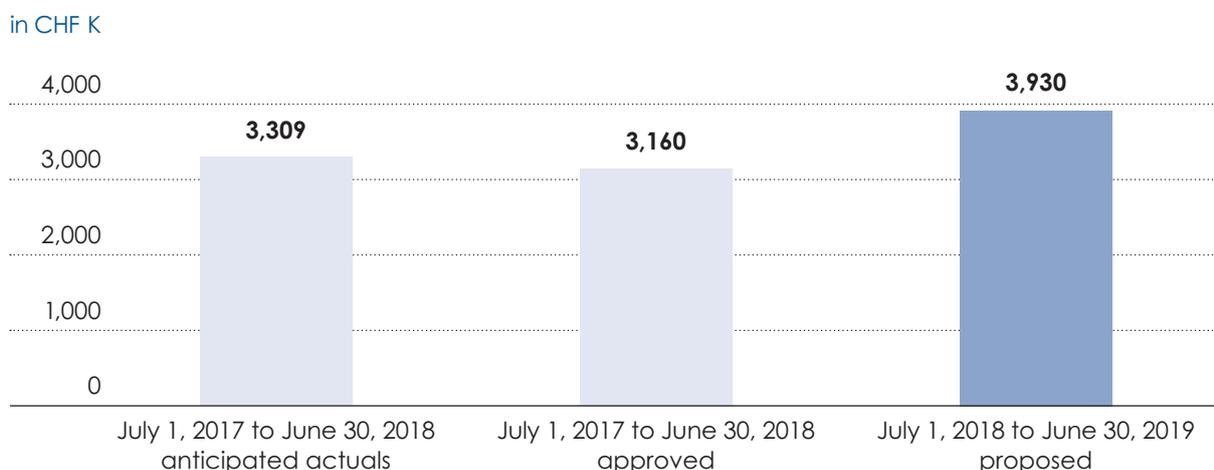
³ Fee per Board meeting attended with fees capped at five meetings (maximum payout from AGM to AGM for meeting attendance limited to CHF 31,250).

Explanations to Agenda Item 6b:

Proposal: Maximum aggregate amount of fixed compensation for the Management Committee

The proposal for the maximum aggregate fixed compensation for the Management Committee for the period from July 1, 2018 to June 30, 2019 is CHF 3,930,000. This amount includes base salaries, employer social security contributions, and certain indirect benefits.

Figure 7: Proposed Management Committee fixed compensation compared to the previous period (aggregate amounts)



The proposed maximum fixed management compensation for the period from July 1, 2018 to June 30, 2019 is higher than the approved compensation for the previous period due to the changes in the Management Committee and includes in accordance with the provisions of Swiss Law the continued compensation of two retiring Management Committee members, Mr. Scott and Prof. Dr. Kaufhold, during the remaining terms of their employment contracts.

The actual amount of fixed management compensation for the period July 1, 2017 to June 30, 2018 is estimated at CHF 3,308,780. The increase of CHF 148,780 over the maximum fixed compensation of CHF 3,160,000 approved by the shareholders at the 2017 AGM is due to the appointment of Mr. David Veitch as Chief Executive Officer, and of Dr. Marc Engelhardt and Mr. Adesh Kaul to the Management Committee. The amount of CHF 148,780 is covered by the supplementary amount for new or promoted Management Committee members in accordance with Art. 25 par. 3 of the Articles of Association. In accordance with the provisions of Swiss Law the continued compensation of two retiring Management Committee members, Mr. Scott and Prof. Dr. Kaufhold, during the remaining terms of their employment contracts is included in the amount of CHF 3,308,780.

Figure 8: Proposed Management Committee ("MC") fixed compensation compared to the previous period (amounts by cost elements)

Aggregate compensation, in CHF	Number of MC members	Cash compensation fix	Social security contributions + other fringe benefits	Total fixed compensation
July 1, 2017 to June 30, 2018 anticipated actuals	6	2,687,864	620,916	3,308,780 ¹
July 1, 2017 to June 30, 2018 approved	6	2,490,400	669,600	3,160,000
July 1, 2018 to June 30, 2019 proposed	6	3,049,000	881,000	3,930,000 ¹

¹ The anticipated actuals and proposed amount include the fixed compensation of the retiring Chief Executive Officer and Chief Medical Officer during the remaining terms of their employment contracts.

Explanations to Agenda Item 6c:

Proposal: Maximum aggregate amount of variable compensation for the Management Committee

The proposal for the maximum aggregate variable compensation for the Management Committee for the period from January 1, 2018 to December 31, 2018 is CHF 5,050,000.

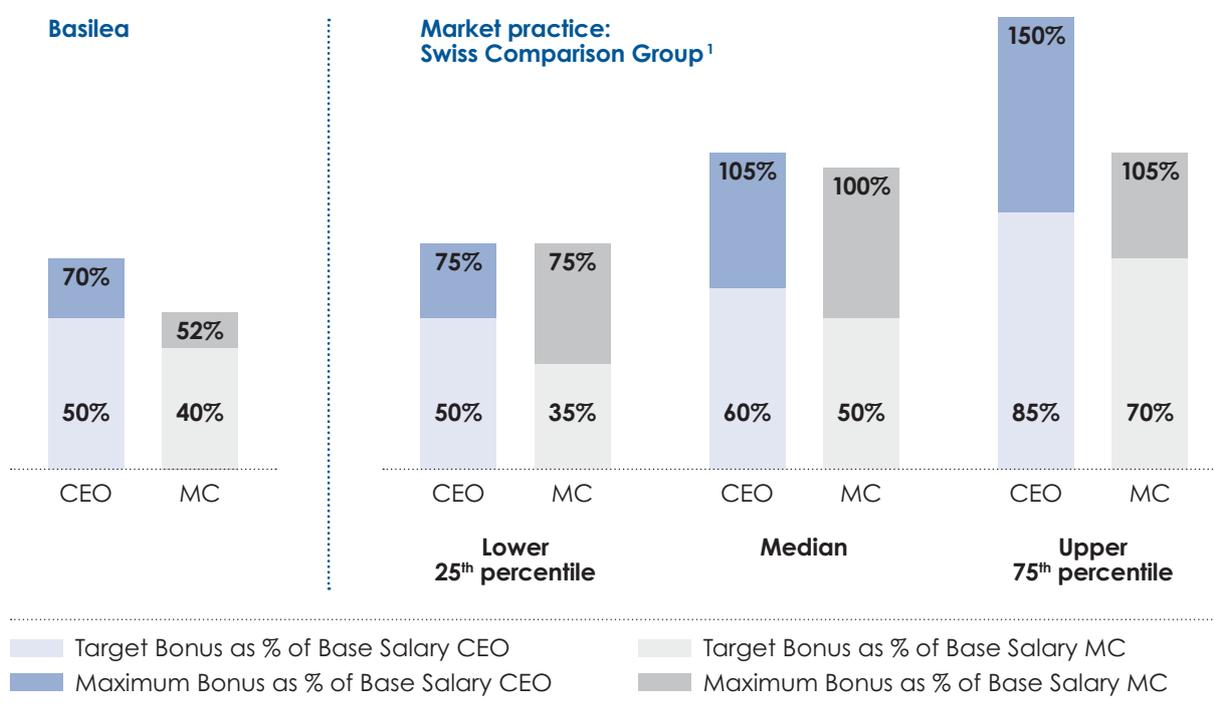
Compensation benchmarking practices

In its review of Management Committee compensation, the Compensation Committee considers the professional experience and responsibility of each Management Committee member and also takes into account the compensation packages offered by other companies in the biotech and pharmaceutical industry in Switzerland and Europe that are comparable to Basilea with respect to size or business model. Salaries may be adjusted on an annual basis depending on the Swiss inflation rate and the overall reported salary increases in the pharmaceutical industry in the greater Basel area in which Basilea operates. In addition, the salaries of Management Committee members may be adjusted if there is a change in scope of responsibility and based on performance.

In 2017, the Compensation Committee engaged independent external consultants (Towers Watson) to provide benchmarking services on compensation matters and conduct a comprehensive benchmarking analysis on executive compensation as compared to relevant peers in the healthcare sector across different geographical markets. Each Management Committee position was evaluated by Towers Watson according to their Global Grading System and compensation level, taking into consideration company criteria such as size, complexity, responsibility and geographic scope.

This 2017 benchmarking analysis of Basilea's Management Committee compensation found that both the base salary and the total compensation (without social security contributions) of the CEO and the Management Committee are generally at the median of the peer group. It also found that the performance-based bonus opportunity and the bonus cap for the CEO and the Management Committee are below the market median as shown in Figure 9 below.

Figure 9: Benchmarking of performance-based bonus and bonus cap



¹ Swiss smaller mid-caps without financial companies (n=27)
 MC (Management Committee except CEO)
 Source: Data from HCM International Ltd.

The proposal for the maximum aggregate variable compensation for the Management Committee for the period from January 1, 2018 to December 31, 2018 is CHF 5,050,000. This is comprised of:

- ▶ Maximum performance-based cash bonus: CHF 1,700,500;
- ▶ Maximum fair value of stock options: CHF 2,925,600; and
- ▶ Maximum social security contributions: CHF 423,900.

The proposed maximum amount for the variable compensation is calculated based on a set of prudent calculation assumptions consistently applied, such as the maximum possible achievement of the Company and individual goals and the resulting maximum amount of performance-related cash bonuses as well as the fair value and the numbers of stock options to be granted. The actual value of the stock options to be granted in 2018 will be driven by the Basilea share price and the corresponding fair value at the time of grant.

As shown in Figure 10 and Figure 11 below, the proposed amount of variable compensation of CHF 5,050,000 is lower than the amount of CHF 5,140,000 approved for the previous period, mainly due to the assumed fair value of the stock options to be granted in 2018 being lower than for the previous period. The proposed amount includes the variable compensation of the retiring Chief Executive Officer, Mr. Scott, who will remain available to the Company during the remaining term of his employment contract. If elected as a member of the Board of Directors, he will not receive board compensation as long as he receives compensation under a Company employment contract.

The actual amount of Management Committee variable compensation of CHF 4,003,669 for the previous period is below the amount of CHF 5,140,000 approved by the AGM 2017. This is mainly related to the lower than assumed fair value of the stock options granted in 2017 and lower social security contributions as fewer stock options were exercised in 2017 than estimated.

Figure 10: Proposed Management Committee variable compensation compared to the previous period (total amounts)

in CHF K

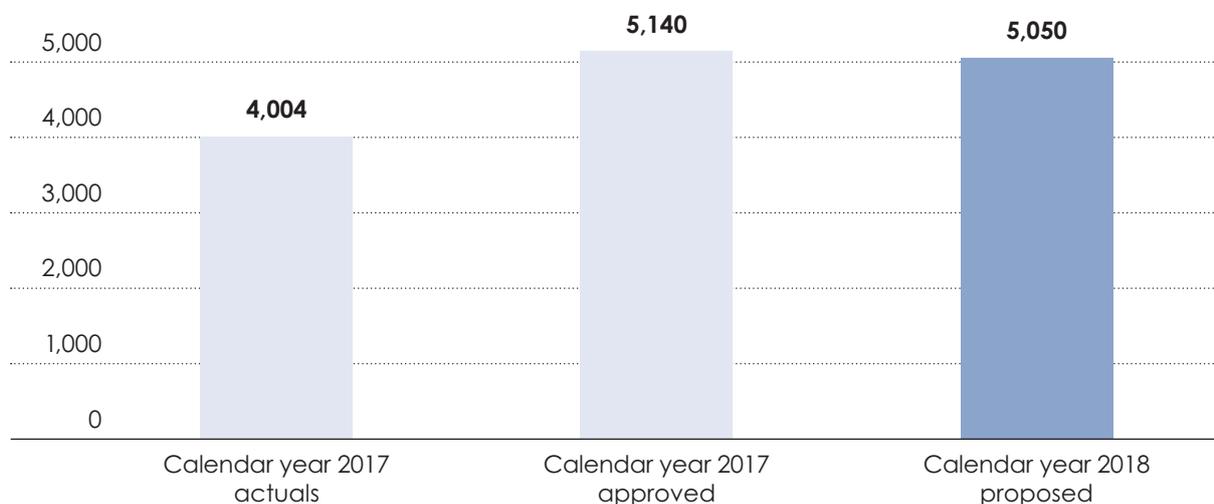


Figure 11: Proposed Management Committee variable compensation compared to the previous period (amounts by cost elements)

Aggregate compensation, in CHF	Number of MC members	Cash compensation variable	Stock options estimated fair value	Social security contributions on total variable compensation	Total variable compensation
January 1, 2017 to December 31, 2017 actuals	6	1,214,324	2,656,138	133,207	4,003,669
January 1, 2017 to December 31, 2017 approved	6	1,593,000	3,124,900	422,100	5,140,000
January 1, 2018 to December 31, 2018 proposed	6	1,700,500	2,925,600	423,900	5,050,000 ¹

¹ The proposed amount includes the variable compensation of the retiring Chief Executive Officer during the remaining term of his employment contract.

Calculation of performance-based variable compensation

Basilea is committed to performance-based compensation practices consistent with the market, which align employee and shareholder interests and encourage employees to have a long-term focus. Therefore, in addition to fixed compensation based on professional experience and responsibility, each Management Committee member receives variable compensation depending on whether he or she achieves the relevant performance and other criteria of the applicable short and long-term incentive plans.

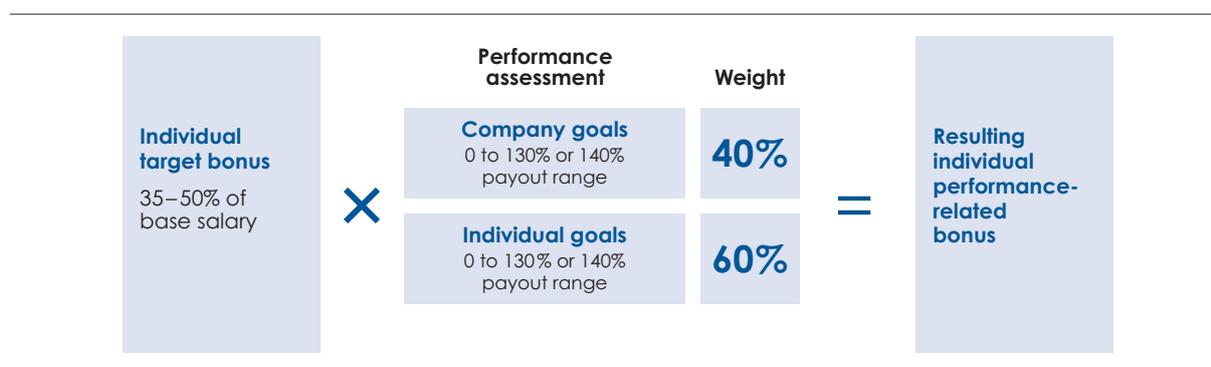
The calculation of the Management Committee's maximum variable compensation includes a maximum amount of performance-based cash bonus, based on each Management Committee member's target bonus, the fair value of stock options which might be granted to the members of the Management Committee and the corresponding employer social security contributions. As Management Committee members are eligible for special performance awards, an amount of approximately 3% of the total has been included in the performance-based cash bonus amount. Social security contributions to be paid in case of stock option exercises are also included based on an estimated fair value of the stock options at the time of their grant.

The target bonus is determined in each Management Committee member's employment contract and is calculated as a percentage of the base salary ranging from 35% to 50% depending on position. The achievement of targets is clearly defined:

- ▶ 40% of the target bonus relates to key performance indicators (KPI) of financial and non-financial Company goals and
- ▶ 60% of the target bonus relates to the individual roles and responsibilities of the members of the Management Committee and are aligned with the Company strategy and annual Company goals.

The payout is capped at 140% of the target bonus for the CEO and 130% for the other Management Committee members which can be reached only in the event of extraordinary performance.

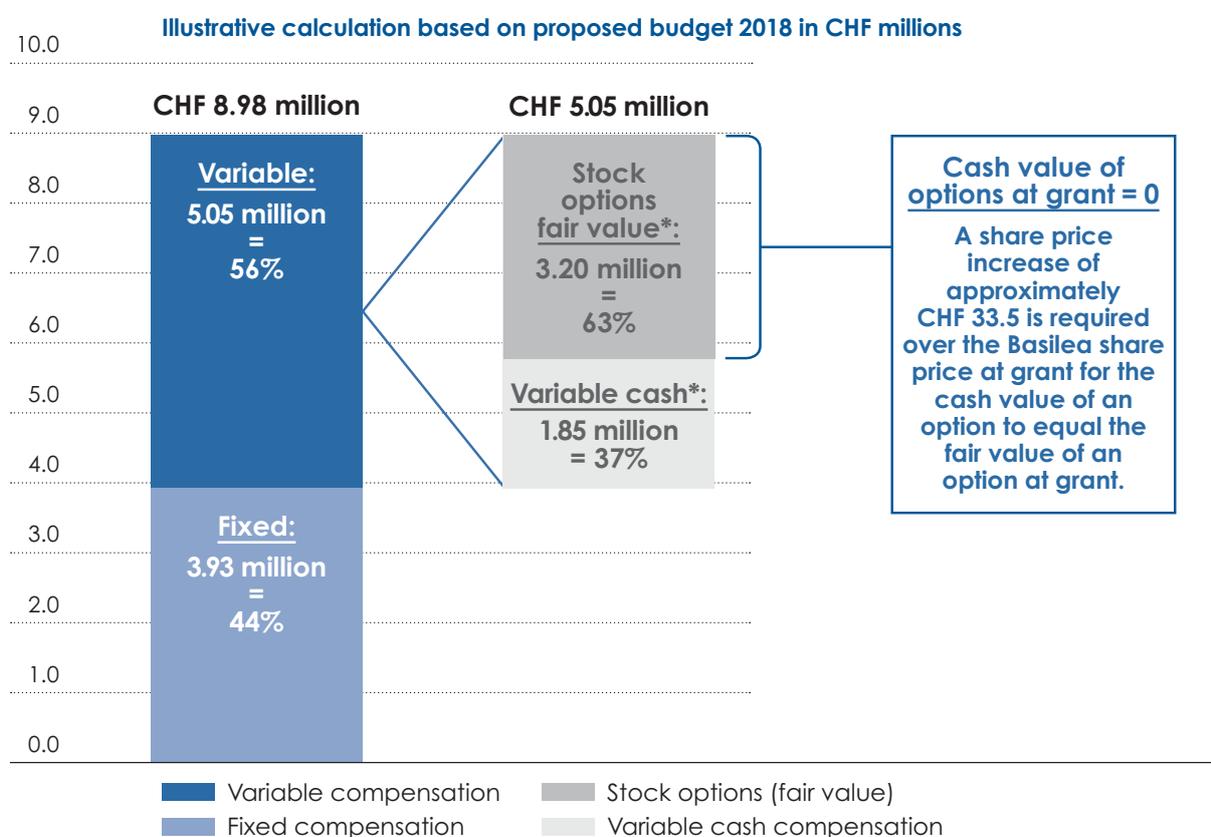
Figure 12: Calculation of performance-related bonuses for the members of the Management Committee



Stock option program

The fair value of stock options is a calculated value for accounting purposes which is determined at the time of allocation in accordance with accepted valuation methods. The cash value of the options granted to the members of the Management Committee at the time of grant is zero. Options may be exercised only several years after grant – 50% at 3 years after grant, and 50% at 4 years after grant - with the strike price being equal to the Basilea share price at the time of grant. Figure 13 below shows that a substantial part of the maximum aggregate amount for the Management Committee variable compensation submitted to shareholders for approval is not paid in cash but granted as long-term incentive in the form of stock options which have no cash value at the time of the grant.

Figure 13: Stock option fair value and cash value



* The amount of CHF 0.42 million social security contributions have been added to the budgeted elements: Budget of CHF 1.85 million variable cash (includes CHF 0.15 million social contributions) and budget of CHF 3.20 million stock option value (includes CHF 0.27 million social contributions).

Stock options do not vest upon issuance and, once vested, options only have a cash value in the event the Basilea share price increases over the strike price. Therefore the value appreciation is only available to the Management Committee once options have vested and in the event the share price after vesting exceeds the share price at the grant date.

Based on the 11,871,656 registered shares (with a nominal value of CHF 1 per share) per December 31, 2017, the 1,504,445 outstanding employee options as of December 31, 2017 represent a potential maximum dilution of the share capital by employee stock options of 11.25% fully diluted. Even though certain vested options have historically sometimes been "in the money," the weighted average option holding period is currently at 7.2 years showing employees' commitment to the long-term success of the Company.

More detailed information about Basilea's performance evaluation system and KPIs can be found in the Annual Report 2017 (see pages 47-49).

Explanations to Agenda Item 9:

Amendment of Article 3b par. 1 and par. 4 of the Articles of Association

The shareholders have previously approved the creation of authorized share capital, as this provides Basilea with the flexibility to quickly respond to strategic opportunities such as partnerships, business or product acquisitions or investments in businesses, products or product development programs, as well as for the expansion of the circle of shareholders.

Basilea's shareholders approved the creation of authorized share capital at last year's AGM and authorized the Board of Directors to increase the share capital in one or more steps by a maximum of CHF 2,000,000.

The authorization was granted for a period of two years, starting with the date of the entry of the shareholders decision in the commercial register, which means from May 3, 2017 to May 3, 2019.

The Board of Directors proposes to extend the approval to create the authorized capital for one additional year from the existing authorization and to thus authorize the Board of Directors to increase the share capital for a period of two years from April 18, 2018 to April 18, 2020. The amount of authorized capital remains unchanged at a maximum of CHF 2,000,000.

In addition, the Board of Directors proposes to clarify that the creation of authorized share capital is not intended to be used as a discretionary measure against public takeover offers. It is therefore proposed to amend Article 3b par. 4 to clarify that the preferential subscription rights of the existing shareholders may not be excluded by the Board of Directors in case of a public takeover offer.

The following amendment of the Articles of Association is proposed:

Article 3b Authorized Share Capital

Current version

1 The board of directors is authorized, for a period of two years, to increase the share capital, all at once or in portion by a maximum of CHF 2,000,000 by issuing a maximum of 2,000,000 registered shares having a nominal value of CHF 1 each. The new shares have to be fully paid up.

4 The Board of Directors may exclude the preferential subscription rights of the existing shareholders partly or in total, including in the event of a public offer for shares of the company, and allocate them to certain shareholders or third parties if the shares are to be used for the purposes of participations by strategic partners; or for acquisitions of or investments in businesses, parts thereof, participations, products and product development programs, intellectual property rights, or licences to develop, manufacture or commercialize products in the field of pharmaceuticals, biologicals or diagnostics or in case of share placements for the financing or refinancing of such acquisitions or investments of the company; or for the exchange of shares to facilitate a transaction; or for expansion of the shareholder constituency in certain investor markets or in connection with the listing of the shares on foreign stock exchanges; or in order to quickly and flexibly raise equity capital by a share placement, which would otherwise be difficult to achieve. The preferential subscription rights shall be granted in all other cases. Any shares for which the granted preferential subscription rights have not been exercised, will be at the disposal of the Board of Directors, who may sell them at market conditions.

Proposed version (new wording / deletions in bold)

1 The board of directors is authorized, **for a period until April 18, 2020**, to increase the share capital, all at once or in portion, by a maximum of CHF 2,000,000 by issuing a maximum of 2,000,000 registered shares having a nominal value of CHF 1 each. The new shares have to be fully paid up.

4 The Board of Directors may exclude the preferential subscription rights of the existing shareholders partly or in total, ~~including in the event of a public offer for shares of the company,~~ and allocate them to certain shareholders or third parties if the shares are to be used for the purposes of participations by strategic partners; or for acquisitions of or investments in businesses, parts thereof, participations, products and product development programs, intellectual property rights, or licences to develop, manufacture or commercialize products in the field of pharmaceuticals, biologicals or diagnostics or in case of share placements for the financing or refinancing of such acquisitions or investments of the company; or for the exchange of shares to facilitate a transaction; or for expansion of the shareholder constituency in certain investor markets or in connection with the listing of the shares on foreign stock exchanges; or in order to quickly and flexibly raise equity capital by a share placement, which would otherwise be difficult to achieve. The preferential subscription rights shall be granted in all other cases. Any shares for which the granted preferential subscription rights have not been exercised, will be at the disposal of the Board of Directors, who may sell them at market conditions.

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