

Invitation to the 2019 Annual General Meeting

Basel, March 20, 2019

Dear Shareholder,

We kindly invite you to the **Annual General Meeting** (“AGM”) of Basilea Pharmaceutica Ltd. (“Basilea” or “Company”) to be held on Wednesday, **April 10, 2019** 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 2018

Proposals:

- 1a Approval of the annual report, financial statements, and consolidated financial statements for 2018.

For further information, please refer to the Appendix.

- 1b Endorsement in a non-binding advisory vote of the aggregate amount of the Management Committee’s variable compensation for 2018.

For further information, please refer to the Appendix.

2. Appropriation of the results

Proposal:

Carry forward of the accumulated deficit of CHF 146,326,537.

For further information, please refer to the Appendix.

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 2018.

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. Ronald Scott
- 4e Re-election of Mr. Steven D. Skolsky
- 4f Re-election of Dr. Thomas Werner

For further information, please refer to the Appendix.

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.

6. Determination of compensation

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

Proposal:

Approval of the amount of CHF 1,395,000 as the maximum aggregate amount of compensation for the Board of Directors for the period from the 2019 AGM to the 2020 AGM.

For further information, please refer to the Appendix.

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

Proposal:

Approval of the amount of CHF 2,690,000 as the maximum aggregate amount of fixed compensation for the Management Committee for the period from July 1, 2019 to June 30, 2020.

For further information, please refer to the Appendix.

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

Proposal:

Approval of the amount of CHF 3,460,000 as the maximum aggregate amount of variable compensation for the Management Committee for the period from January 1, 2019 to December 31, 2019.

For further information, please refer to the Appendix.

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 2019.

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

Proposal:

Amendment of Article 3b par. 1 of the Articles of Association to renew the authorization of the Board of Directors to increase the share capital until April 2021.

For further information, including the exact wording of the amendment of the Articles of Association, please refer to the Appendix.

Participation and representation

Shareholders who are recorded in the share register with voting rights as per **April 2, 2019** at 5:00 p.m. CEST are entitled to participate and exercise their voting rights at the AGM 2019. 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 by:

- a) Any other person based on a power of attorney. The power of attorney and the voting instructions can be issued in writing with the enclosed form; or
- b) 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 voting instructions be issued in writing with the enclosed form. Instructions to the Independent Proxy can also be issued electronically on <https://ip.computershare.ch/basilea>. The electronic instructions can be amended at any time until April 7, 2019, 11:59 p.m. CEST. For further information, please refer to the enclosed e-voting fact sheet.

Annual Report 2018: A copy of the Annual Report 2018 is available on the internet at www.basilea.com/financial-reports. A hard copy of the Annual Report 2018 can be ordered by using the enclosed form. From March 20, 2019, 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 2018

During 2018 Basilea continued to substantially increase its revenues particularly driven by the strong sales performance of Cresemba. At the same time Basilea successfully invested in its pre-clinical and clinical pipeline, strengthening the base for potential future value creation and growth.

In 2018, as reported in the consolidated financial statements, Basilea significantly increased its revenues. Total revenue increased by 31% to CHF 133 million. Operating expenses amounted to CHF 157 million. The net loss was CHF 31 million. As of year-end 2018, Basilea had CHF 223 million in cash, cash equivalents and financial investments, compared to CHF 311 million as of year-end 2017. Total shareholders' equity as per Swiss GAAP statutory financials amounted to CHF 279 million as of year-end 2018.

Basilea's US GAAP consolidated financial statements show a deficit in total shareholders' equity of CHF 67 million. The difference between this amount and the aforementioned CHF 279 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, 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 2018

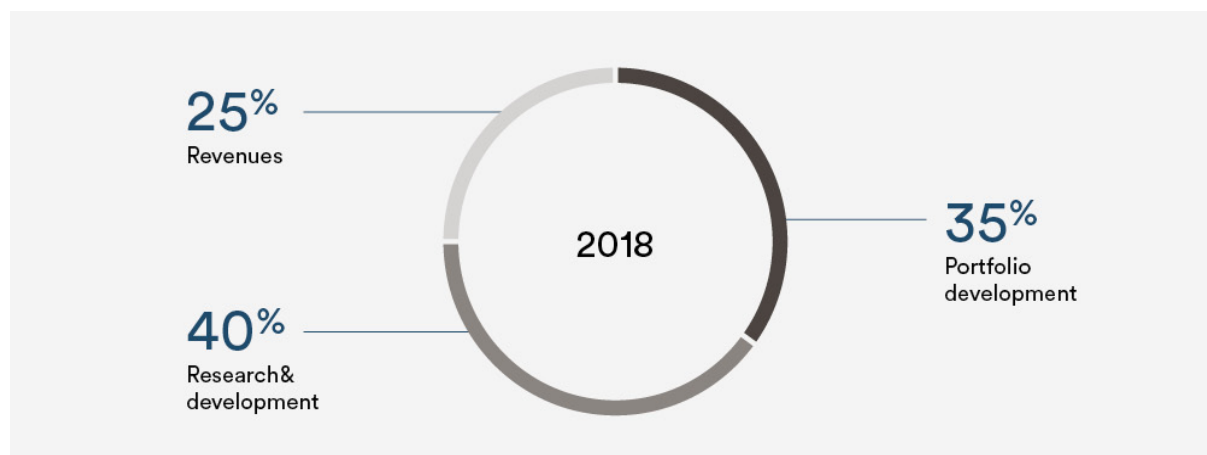
The Management Committee's aggregate amount of variable compensation for 2018 is submitted to shareholders for a non-binding advisory vote.

For the business year 2018, the Management Committee received CHF 4,158,948 in variable compensation (consisting of performance-based cash bonuses of CHF 1,681,106, stock options with a non-cash fair value of CHF 2,376,062, and social security contributions of CHF 101,780¹). This amount is below the maximum amount of CHF 5,050,000 approved by the shareholders at the 2018 AGM, mainly due to the lower than budgeted fair value of the stock options granted in 2018.

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 2018 were largely focused on research & development, with R&D performance weighted 40% and portfolio development weighted 35%, as shown in Figure 1 below.

¹ The total amount of social security contributions and other fringe benefits in the Compensation Report 2018 of CHF 830,580 includes social security contributions both for the fixed compensation as well as for the variable compensation of the Management Committee.

Figure 1: Company performance goals 2018



Achievement of 2018 company goals

KPI	Allocation	Achievement*
Revenues	25%	36.5%
Portfolio development	35%	62.3%
Research & development	40%	41.2%
Total	100%	140.0%

*Capped at 140% for CEO, 130% for all other employees

For 2018, the Board of Directors considered the achievement of the following financial and operating Company goals that support the execution of Basilea’s strategic priorities when determining the performance-related cash bonus for the Management Committee members:

- Significantly increasing revenues from the commercialization partnerships for the marketed anti-infectives Cresemba (isavuconazole) and Zevtera (ceftobiprole) by 56% to CHF 82 million. Cresemba continued its impressive in-market sales growth triggering a sales milestone of CHF 10 million from licensing partner Astellas based on Cresemba sales in the U.S.
- Supporting Basilea’s partners in launching Cresemba and Zevtera in additional countries in Europe, Canada, Latin America and the Middle East North Africa (MENA) regions as well as supporting our partner’s product development and regulatory activities related to marketing authorization applications in further countries around the world
- Expanding the clinical oncology pipeline by in-licensing the panFGFR-kinase inhibitor derazantinib and completing the transfer of the sponsorship for the ongoing registrational phase 2 study to Basilea
- Starting the two cross-supportive clinical phase 3 studies with ceftobiprole which are required for gaining regulatory approval of the antibiotic in the U.S.
- Advancing pediatric studies with Cresemba and Zevtera, which will upon completion, in accordance with the PIP “Binding Elements”, lead to an extended market exclusivity in Europe and the U.S. for Cresemba.
- Moving tumor checkpoint controller BAL101553 into a phase 2a expansion study in glioblastoma and ovarian cancer after establishing the maximum tolerated dose (MTD) in the preceding phase 1
- Completing the first-in-human phase 1 dose-escalation study with the panRAF/SRC inhibitor BAL3833, conducted by Basilea’s partner and co-licensor, the Institute of Cancer Research (ICR) in the UK in conjunction with

The Christie and Royal Marsden NHS Foundation Trusts and the Cancer Research UK Manchester Institute at The University of Manchester

- Further complementing our oncology pipeline by starting two additional internal oncology programs and by entering into a licensing and research collaboration on pre-clinical stage assets

Explanations to Agenda Item 2:

Proposal: Carry forward of the accumulated deficit of CHF 146,326,537

Basilea Pharmaceutica Ltd. holds, directly or indirectly, 100% of the shares of all companies within the Basilea group of companies.

In its balance sheet as of December 31, 2017, Basilea Pharmaceutica Ltd. reported for those companies a total carrying value of CHF 559 million, consisting of net investments in subsidiaries of CHF 207.6 million and accounts receivables affiliates of CHF 351.4 million.

Each year as of the balance sheet date (December 31), the carrying values need to be reviewed in order to determine whether those values are supportable in relation to the market capitalization of Basilea Pharmaceutica Ltd.

The share price of Basilea Pharmaceutica Ltd. as of December 31, 2018 resulted in a market capitalization lower than the above mentioned total carrying value of CHF 559 million. As a consequence an impairment to the investments in subsidiaries of CHF 128.1 million in the balance sheet of Basilea Pharmaceutica Ltd. was required, leading to a respective expense in the statement of operations for 2018. The accumulated deficit to be carried forward therefore amounts to CHF 146.3 million (2017: CHF 11.9 million) due to this extraordinary impairment.

To the extent that the market capitalization of the group on December 31, 2019 is above the market capitalization as of December 31, 2018, the impairment recorded in 2018 will be partly or entirely reversed.

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 2018 (see pages 43 et seqq.).

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 2 below.

Figure 2: AGM 2019 votes on compensation of the Board of Directors and the Management Committee (MC)

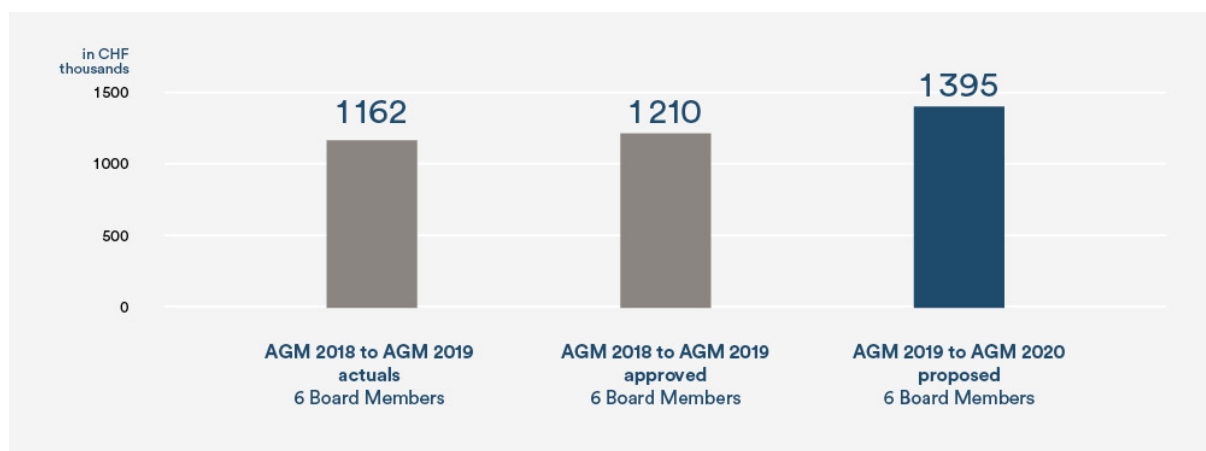


Explanations to Agenda Item 6a:

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

The proposal for the maximum aggregate compensation of the Board of Directors for the period from the 2019 AGM to the 2020 AGM is CHF 1,395,000.

Figure 3: Proposed Board compensation compared to the previous period (aggregate amounts). For the period AGM 2018 to AGM 2019, 5 out of 6 board members received board compensation.



The proposed amount of compensation for the Board of Directors for the period from the 2019 AGM to the 2020 AGM is higher than in the previous period as Mr. Scott’s compensation arising from his employment contract will cease in 2019, after which he will start to receive compensation in relation to his role as

board member instead. In the previous period he received no compensation in relation to his duties as a member of the Board of Directors.

The levels of the various compensation elements for the Board of Directors remained unchanged since 2014 and are listed in Figure 4 below.

Figure 4: Elements of Board compensation, per member

In CHF	AGM 2019 to AGM 2020	AGM 2018 to AGM 2019
Chairman of the Board of Directors		
Fixed compensation	238 363	238 363
Board meeting fee ¹	9 375	9 375
Fee committee membership ²	7 875	7 875
Members		
Fixed compensation	150 382	150 382
Board meeting fee ³	6 250	6 250
Fee committee membership ²	5 250	5 250

¹ Fee per meeting attended with the maximum cumulative amount paid for meeting attendance limited to CHF 46,875 from AGM to AGM.

² Fee per board committee membership.

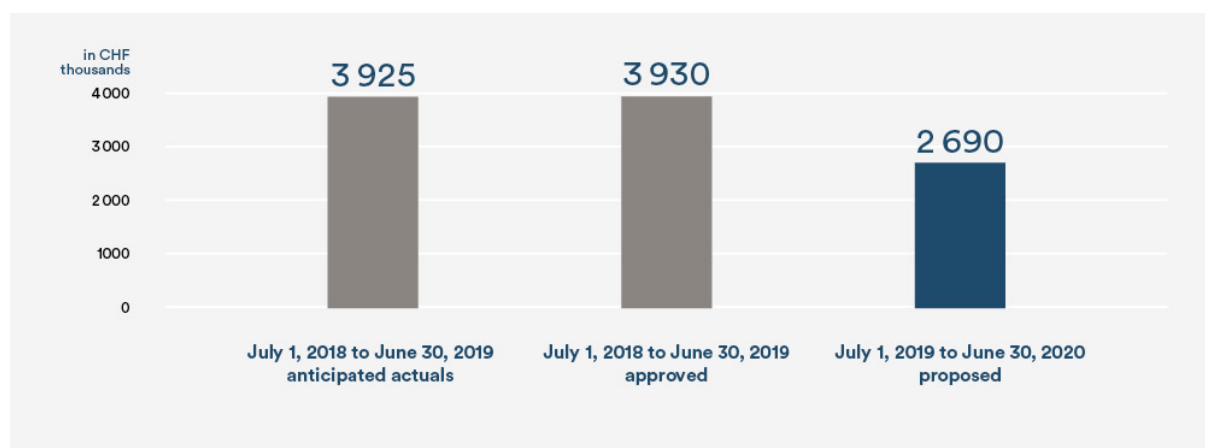
³ Fee for each board meeting attended with the maximum cumulative amount for meeting attendance limited to CHF 31,250 from AGM to AGM.

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, 2019 to June 30, 2020 is CHF 2,690,000. This amount includes base salaries, employer social security contributions, and certain indirect benefits. The amount also includes a reserve of approximately 5% for unplanned events. No salary increases have been budgeted beside a minor adjustment for inflation in line with the general corporate salary inflation adjustment.

Figure 5: Proposed Management Committee fixed compensation compared to the previous period (aggregate amounts; includes departing members)



The proposed maximum fixed management compensation for the period from July 1, 2019 to June 30, 2020 is lower than the approved compensation for the previous period due to the reduced number of Management Committee members and compensation paid to departing members in the previous period who were owed compensation for the duration of their notice period according to the terms of their employment contracts.

Figure 6: Proposed Management Committee (“MC”) fixed compensation compared to the previous period (amounts by cost elements)

Aggregate compensation, in CHF	MC members, FTEs ¹	Cash compensation fix	Social security contributions + other fringe benefits	Total fixed compensation
July 1, 2018 to June 30, 2019 anticipated actuals	7.9	3 143 016	781 630	3 924 646
July 1, 2018 to June 30, 2019 approved	7.0	3 049 000	881 000	3 930 000
July 1, 2019 to June 30, 2020 proposed	5.0	2 099 000	591 000	2 690 000

¹ Figure reflects the number of incumbent MC members, as well as those joining or leaving the Management Committee during the period, each on a prorated basis.

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, 2019 to December 31, 2019 is CHF 3,460,000. This is comprised of:

- Maximum performance-based cash bonus: CHF 1,420,000;
- Maximum fair value of stock options: CHF 1,780,000; and
- Maximum social security contributions: CHF 260,000;

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 2019 will be driven by the Basilea share price and the corresponding fair value at the time of grant.

As shown in Figure 7 and Figure 8, the proposed amount of variable compensation of CHF 3,460,000 is lower than the amount of CHF 5,050,000 approved for the previous period, due to the assumed fair value of the stock options to be granted in 2019 and the number of MC members being lower than for the previous period. The proposed amount includes variable compensation on a pro-rated basis for Management Committee members departing during the calendar year.

The actual amount of Management Committee variable compensation of CHF 4,158,948 for the previous period is below the amount of CHF 5,050,000 approved by the AGM 2018. This is mainly related to the lower than assumed fair value of the stock options granted in 2018 and lower social security contributions as fewer stock options were exercised in 2018 than estimated.

As shown in Figure 9, the majority of the CEO’s and the other Management Committee’s compensation for 2018 was at risk. Both the CEO and the Management Committee have the same compensation structure. Bonuses are only paid in

the event that corporate goals are achieved, and stock options 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 7: Proposed Management Committee variable compensation compared to the previous period (total amounts)

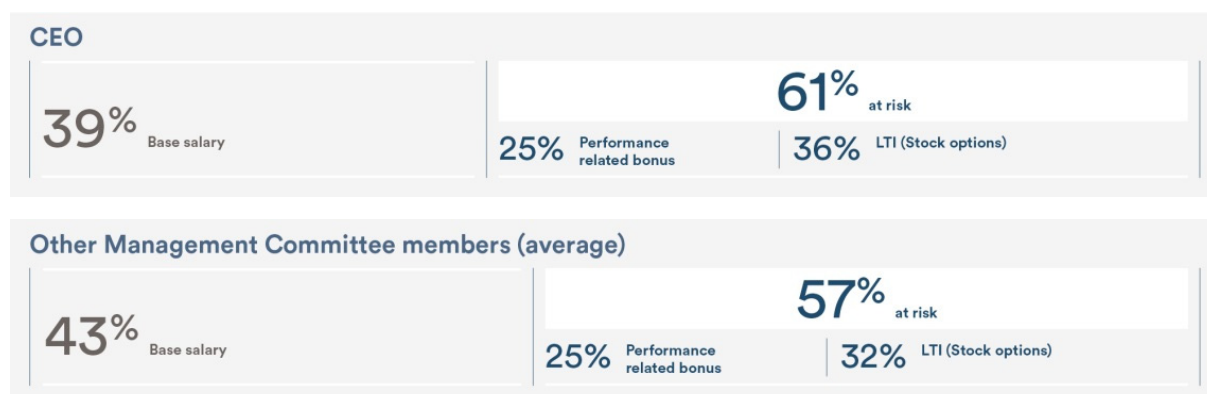


Figure 8: Proposed Management Committee variable compensation compared to the previous period (amounts by cost elements)

Aggregate compensation, in CHF	MC members, FTEs ¹	Cash compensation variable	Stock options estimated fair value	Social security contributions on total variable compensation	Total variable compensation
January 1, 2018 to December 31, 2018 actuals	7.5	1 681 106	2 376 062	101 780	4 158 948
January 1, 2018 to December 31, 2018 approved	6.8	1 700 500	2 925 600	423 900	5 050 000
January 1, 2019 to December 31, 2019 proposed	5.8	1 420 000	1 780 000	260 000	3 460 000

¹ Figure reflects the number of incumbent MC members, as well as those joining or leaving the Management Committee during the period, each on a prorated basis.

Figure 9: At risk compensation of the CEO and the other Management Committee members in 2018



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. Stock options do not vest upon issuance; they may be exercised only several years after grant – 50% at 3 years after grant, and 50% at 4 years after grant. Once vested, options only have a cash value in the event the Basilea share price increases over the strike price with the strike price being equal to the Basilea share price at the time of grant of the options. 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.

In 2018, the Board of Directors amended the stock option plan to allow for net share settlement of stock options in order to significantly reduce potential dilution. The net share settlement of stock options will help to ensure that the maximum potential dilution related to all granted options remains below 10% of the share capital on a fully diluted basis. The Board of Directors also formalized the performance allocation criteria for the annual option grant size. Starting in 2019, the overall number of stock options for an annual grant will be linked to Company goal achievement of the previous year. At 100% Company goals achievement the grant size corresponds to a potential dilution level of 1.33%. The overall grant size will then be increased or decreased depending on the performance level of the Company and capped at the maximum of 1.53% potential dilution. The 2019 option grant corresponds to a potential dilution level of 1.53% as a result of the achievement levels against the 2018 company goals (see Figure 1).

Based on the net share settlement as currently implemented and on the basis of shares issued as of December 31, 2018, the potential dilution related to all granted options is reduced by approximately 33% to below 8% on a fully diluted basis.

More detailed information about Basilea’s performance evaluation system and KPIs can be found in the Annual Report 2018 (published on www.basilea.com/financial-reports).

Explanations to Agenda Item 9:

Amendment of Article 3b par. 1 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 shareholder basis.

Basilea's shareholders approved the creation of authorized share capital at the 2017 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 initially granted until May 2019 and was extended at last year's AGM until April 2020.

The Board of Directors proposes to renew the authorization of the Board of Directors in relation to the authorized share capital for a period of two years from April 10, 2019 to April 10, 2021. The amount of authorized capital remains at a maximum of CHF 2,000,000.

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 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.

Proposed version (new wording in bold)

1 The Board of Directors is authorized, for a period until **April 10, 2021**, 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.