

Invitation to the 2013 Ordinary General Meeting of Shareholders

Basel, March 7, 2013

Dear Shareholder,

We invite you to the **2013 ordinary general meeting of shareholders** of Basilea Pharmaceutica Ltd. ("Basilea" or "the Company") to be held on Tuesday, **April 9, 2013** at 2 p.m. (doors open at 1:30 p.m.) in the "Auditorium" of the Hilton Hotel, Aeschengraben 31, in Basel, Switzerland.

Agenda and Proposals

1. Annual Report, Financial Statements and Consolidated Financial Statements for 2012

Proposal of the Board of Directors:

Approval of the annual report, financial statements and consolidated financial statements for the business year 2012.

2. Appropriation of the Results

Proposal of the Board of Directors:

Carry forward of accumulated deficit of CHF 2,447,655.

3. Release of the Members of the Board of Directors and of Management

Proposal of the Board of Directors:

Release of the members of the Board of Directors and of Management.

4. Election to the Board of Directors

Proposal of the Board of Directors:

Election of the following individual for a term of three years, i.e. until the ordinary general meeting of shareholders of 2016:

The Board proposes Dr. Martin Nicklasson (born 1955, Swedish citizen) as designated non-executive Chairman of the Board of Directors, succeeding Mr. Werner Henrich.

5. Election of the Statutory Auditors

Proposal of the Board of Directors:

Re-election of PricewaterhouseCoopers AG, Basel, as Statutory Auditors for the audit of the stand-alone and the consolidated financial statements for the business year 2013.

6. Distribution of approximately CHF 48 million to the Shareholders

HBM Healthcare Investments (Cayman) Ltd. proposes that Basilea make a distribution to its shareholders of CHF 5.00 per share (for a total of approximately CHF 48 million) from reserve from capital contributions. You may find the precise wording of the proposal under the explanations to the agenda items (Ad agenda item 6).

Explanations to the Agenda Items

Ad agenda item 4

The term of Mr. Werner Henrich, current Chairman of the Board, ends at this year's ordinary general meeting of shareholders. In view of the impending statutory age limit for board membership which he will reach during 2013, Mr. Henrich will not stand for re-election.

In 2012, Mr. Claude Schreiner reached the statutory age limit for board membership and thus does not stand for re-election.

Dr. Martin Nicklasson (born 1955, a Swedish citizen) is a certified pharmacist and holds a PhD in pharmaceutical technology from the University of Uppsala, Sweden. He is Associate Professor at the Department of Pharmaceutics, University of Uppsala. Dr. Nicklasson held a number of leadership positions in commercial operations and drug development within Astra and Kabi Pharmacia before joining AstraZeneca Plc. From 1999 to 2007 he held various Executive Vice President positions at AstraZeneca Plc., and acted as a member of the Executive Committee. From 2007 to 2010, he was the President and CEO of Biovitrum AB and Swedish Orphan Biovitrum AB, one of Europe's largest specialty pharma companies focusing on rare diseases. He is currently a senior partner at Nicklasson Life Science AB, an independent consultancy and advisory company to the pharmaceutical and biotechnology sector. Dr. Nicklasson is member of the board of Biocrine AB (Sweden), Pozen Inc. (USA), Oasmia AB (Sweden) and chairman of the board of directors of Farma Holding AS (Norway) and Orexo AB (Sweden). He is member of the Royal Swedish Academy of Engineering Sciences, the Royal Bachelors' Club (Sweden), the Pharmaceutical Faculty Council of the University of Uppsala, and the Swedish Academy of Pharmaceutical Sciences.

Ad agenda item 6

HBM Healthcare Investments (Cayman) Ltd. ("HBM") proposes the following:

- transfer of an amount of CHF 47,938,105*, corresponding to CHF 5.00 per share, from general reserves (from capital contributions) to free reserves (from capital contributions);
- distribution of CHF 47,938,105*, corresponding to CHF 5.00 per share, to the shareholders in cash, by reducing the free reserves (from capital contributions) and thus the additional paid-in capital correspondingly (without an amendment to the Articles of Incorporation);
- assertion of the presence of statutory auditors PricewaterhouseCoopers AG, Basel, as officially supervised audit firm and recognizing their opinion that confirms that despite the distribution the claims of creditors are fully covered;
- authorization of the Board to determine the payment date of the distribution herein resolved within a period not exceeding 75 days from the date of the shareholders' meeting.

In the event the resolution is approved, the reserves of the Company will change as follows:

General reserve from capital contributions as of December 31, 2012 before appropriation	343 051 949
Appropriation to free reserve from capital contributions	47 938 105*
General reserve from capital contributions after appropriation	295 113 844*
Free reserve from capital contributions before distribution	47 938 105*
Distribution to shareholders from free reserve	47 938 105*
Free reserve from capital contributions after distribution	0

*exact figure would change upon option exercises

Board position

The Board recommends to shareholders that they do not vote for the proposal of HBM at this time.

The Board and Management have successfully positioned Basilea to be able to achieve significant value creating milestones in 2013:

- Basilea and its partner Astellas expect to report key phase 3 data on isavuconazole in the second half of 2013. Isavuconazole has the potential to become the leading azole for the treatment of life-threatening invasive fungal infections providing several advantages over current therapies.
- Basilea's broad-spectrum antibiotic ceftobiprole for the empiric treatment of severe pneumonia and multidrug-resistant bacterial infections in the hospital setting has the potential to be approved by European health authorities this year.
- Basilea's novel antibiotic BAL30072 for the treatment of multidrug-resistant Gram-negative bacterial infections where currently only limited treatment options are available and the oncology drug BAL101553 for the treatment of tumors resistant to current cancer therapies are planned to report phase 1 data this year.

Basilea is focused on achieving these milestones. Further, the Company is stringently managing its financial resources to achieve these milestones that, if achieved, can create significant value for the Company and all of its shareholders. The above mentioned milestones will bring the Company closer to profitability.

It should also be of note that Basilea is not currently considering any major transaction prior to resolving the above milestones.

The Company has been very successful in creating value through transactions as with its most recent Toctino® transaction. The Company will continue to seek partnerships to optimize the value of its drug candidates and believes that it can continue to create value with the capital it has raised through this and other transactions.

The Board supports a capital distribution to shareholders but it does not consider an immediate capital distribution to be prudent given the significant milestones facing the Company and the need for financial flexibility to allow the Board and Management to optimize the value of the Company for all shareholders. A distribution at this time may result in limited financial flexibility to achieve the Company's milestones and limited resources to continue funding the Company's early-stage pipeline that is focused on identifying new medicines overcoming drug resistance in the areas of anti-infectives and oncology; an increasing medical need.

The Board recommends to shareholders that they not vote for the proposal of HBM at this time but rather defer this decision until after the Company has achieved certain major milestones and leave the Company with the financial flexibility to optimize the value of the Company for all shareholders with the existing Company's capital.

The Company continues to remain open to options that will optimize the value of Basilea for all its shareholders and stakeholders.

Right to Participate/Proxies

Only shareholders and usufructuaries who as per March 28, 2013 are recorded in the share register with voting rights are entitled to participate and exercise their voting rights.

No Trading Restriction on Shares: The registration of shareholders for voting purposes does not affect the trading of Basilea shares held by registered shareholders before, during or after a general meeting.

Admission cards can be ordered from the Share Transfer Office of Basilea at SIX SAG AG, Basilea Pharmaceutica Ltd., P.O. Box, 4609 Olten, Switzerland, by means of the enclosed form "registration to attend".

Proxies: If you do not wish to attend the general meeting in person, you can be represented by any other person, by Basilea or by the Independent Representative, Dr. iur. Kilian Wunder, Attorney and Notary, Steinenschanze 6, 4051 Basel, Switzerland, pursuant to Article 689c of the Swiss Code of Obligations. The enclosed form "registration to attend" can be used to grant a proxy as well as to give voting instructions to the Independent Representative. If the Independent Representative does not receive written instructions for some or all of the proposals, including proposals that may be made at the general meeting, he will vote in favor of the Board of Directors' proposals. If you are represented by Basilea, your vote will be cast in favor of the Board of Directors' proposals. Signed proxies left blank will be deemed to be a mandate to Basilea to vote in favor of the Board of Directors' proposals. Proxies to Basilea with other instructions deviating from the Board of Director's proposals will be regarded as proxies to the Independent Representative and forwarded to the Independent Representative.

Annual Report 2012: You will find enclosed a copy of our Annual Report 2012, which is also available on the internet at www.basilea.com. From March 19, 2013, the Annual Report and the reports of the Statutory Auditors, including their opinion with respect to agenda item 6, will be available for inspection by shareholders at our Basilea offices. These reports can also be obtained by shareholders upon request from the Corporate Secretary at Basilea Pharmaceutica Ltd., P.O. Box, 4005 Basel, Switzerland.

Yours sincerely

Basilea Pharmaceutica Ltd.
Board of Directors