

## Invitation to the 2015 Ordinary General Meeting of Shareholders

Basel, April 8, 2015

Dear Shareholder,

We invite you to the **2015 Ordinary General Meeting of Shareholders** of Basilea Pharmaceutica Ltd. ("Basilea" or "the Company") to be held on Wednesday, **April 29, 2015** at 2:00 p.m. (doors open at 1:00 p.m.) in the Auditorium of the Hilton Hotel, Aeschengraben 31, in Basel, Switzerland.

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### Agenda and Proposals of the Board of Directors

#### 1. Annual Report, Financial Statements and Consolidated Financial Statements for 2014

Proposal:

Approval of the annual report, financial statements and consolidated financial statements for the business year 2014.

#### 2. Appropriation of the Results

Proposal:

Carry forward of accumulated deficit of CHF 1,138,650.

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

Proposal:

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

#### 4. Elections to the Board of Directors

Proposals:

- 4a Re-election of Dr. Martin Nicklasson
- 4b Re-election of Mr. Domenico Scala
- 4c Re-election of Mr. Hans-Beat Gurtler
- 4d Re-election of Prof. Daniel Lew
- 4e Re-election of Dr. Thomas M. Rinderknecht
- 4f Re-election of Mr. Steven D. Skolsky
- 4g Re-election of Dr. Thomas Werner

The term of the re-elected board members will last until the end of the following Ordinary General Meeting of Shareholders.

#### 5. Election of the Chairman of the Board of Directors

Proposal:

Re-election of Dr. Martin Nicklasson

The term of the re-elected chairman will last until the end of the following Ordinary General Meeting of Shareholders.

## 6. Election of the Members of the Compensation Committee

Proposals:

- 6a Re-election of Dr. Martin Nicklasson
- 6b Re-election of Mr. Steven D. Skolsky
- 6c Re-election of Dr. Thomas Werner

The term of the re-elected members of the Compensation Committee will last until the end of the following Ordinary General Meeting of Shareholders.

## 7. Election of the Statutory Auditors

Proposal:

Re-election of PricewaterhouseCoopers Ltd, Basel, as Statutory Auditors for the audit of the stand-alone and the consolidated financial statements for the business year 2015.

## 8. Election of the Independent Voting Rights Representative

Proposal:

Election of Dr. Caroline Cron, Attorney-at-law, Lenz Caemmerer, as Independent Voting Rights Representative for a term until the end of the following Ordinary General Meeting of Shareholders.

## 9. Increase of the current (as of December 31, 2014) conditional share capital of CHF 1,684,853 by CHF 500,000 for a total of CHF 2,184,853 conditional share capital (Article 3a para. 1)

Proposal:

Amendment of Article 3a para. 1 of the Articles of Incorporation in order to increase the current (as of December 31, 2014) conditional share capital of CHF 1,684,853 by CHF 500,000 for a total of CHF 2,184,853 conditional share capital.

## 10. Determination of the Compensations

10a Maximum aggregate amount of compensation for the Board of Directors

Proposal: Approval of an amount of CHF 1,659,000 as the maximum aggregate amount of compensation for the Board of Directors for the period from this Ordinary General Meeting to the 2016 Ordinary General Meeting.

10b Maximum aggregate amount of fixed compensation for the Management Committee

Proposal: Approval of an amount of CHF 3,507,000 as the maximum aggregate amount of fixed compensation for the Management Committee for the period from July 1, 2015 to June 30, 2016.

10c Maximum aggregate amount of variable compensation for the Management Committee

Proposal: Approval of an amount of CHF 6,980,000 as the maximum aggregate amount of variable compensation for the Management Committee for the period from January 1, 2015 to December 31, 2015.

## Explanations to Agenda Items 9 and 10

### **Item 9:**

In order to enable Basilea to continue to offer attractive and competitive employment conditions, including the issuance of options under the existing option plan, the Company proposes to increase the current (as of December 31, 2014) conditional share capital of CHF 1,684,853 by CHF 500,000 (consisting of 500,000 registered shares with a par value of CHF 1 per share) for a total of CHF 2,184,853 conditional share capital (Article 3a para. 1). The preferential subscription right of the shareholders is withdrawn.

### **Item 10:**

According to Basilea's Articles of Incorporation and pursuant to the Ordinance against excessive compensation in listed companies ("Compensation Ordinance"), the shareholders meeting shall vote on the compensation of the Board of Directors and the Management Committee. The three proposals set out in agenda item 10 are further explained as follows:

#### **Ad agenda item 10a:**

Under agenda item 10a, the total maximum compensation for the Board of Directors for the period from the 2015 Ordinary General Meeting to the 2016 Ordinary General Meeting is proposed to be set at CHF 1,659,000. This maximum compensation includes the board's fixed base payment, board compensation for attending board meetings and serving on board committees, and all employee and employer social security contributions.

The basis for the proposed compensation remains the same as for the board's fixed compensation for 2014, assuming that board members attend all board meetings and thus receive all board meeting fees available. The minimal difference between the proposal and the compensation for 2014 is a result of the pro-rated compensation of committee attendance in 2014 and also due to the fact that not all board members were able to attend all board meetings in 2014 and therefore were not entitled to all available meeting fees. In addition, a small reserve to enable an eventual increase of social security rates as is anticipated under new regulations on a pro-rated basis for 2016 has been integrated in the compensation proposal.

#### **Ad agenda item 10b:**

Under agenda item 10b, the total maximum fixed compensation for the Management Committee for the period from July 1, 2015 to June 30, 2016 is proposed to be set at CHF 3,507,000. This maximum compensation includes the sum of all fixed salaries of all members of the Management Committee, employer social security contributions, and certain indirect benefits.

The proposed fixed management compensation for the period from July 1, 2015 to June 30, 2016 is higher than the compensation paid in 2014 as reported in the Compensation Report as an additional member joined the Management Committee in September 2014. The proposed compensation includes certain indirect benefits (relocation and school fees) as well as a small reserve on a pro-rated basis for 2016 to allow for adjustments in case of anticipated changes in social security contributions.

#### **Ad agenda item 10c:**

Under agenda item 10c the total maximum variable compensation for the Management Committee for the period from January 1, 2015 to December 31, 2015 is proposed to be set at CHF 6,980,000. This maximum compensation includes the maximum of all variable compensation of all members of the Management Committee that may have to be paid under current bonus and employee stock option plans for which management members are eligible. Whether and to which extent the amounts will be paid depends on whether each individual management member meets the relevant performance and other criteria of the respective plans. The amount also includes all employer social security contributions and any other payment of the nature of a compensation. Social security contributions to be paid in case of stock option exercises are included in this amount based on an estimated fair value of the stock options at the time of their grant.

The proposed maximum variable compensation amount for management for the period from January 1, 2015 to December 31, 2015 is higher than the 2014 management variable compensation primarily due to an increase in the fair value of options available for grant to the Management Committee in 2015 caused by the

increase in the Basilea share price over 2014 and potential fluctuations in the share price up until the 2015 AGM. Additionally, the increase is due to the addition of an executive management member in September 2014. Finally, a small reserve for an anticipated increase in social security contributions in 2016 has been included in the amount.

## Right to Participate/Proxies

Only shareholders and usufructuaries who as per April 17, 2015 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" or electronically on [www.ecomm-portal.com](http://www.ecomm-portal.com). For further information please refer to the enclosed e-voting fact sheet.

**Representation:** If you do not wish to attend the general meeting in person, you can be represented as follows.

- a) By any other person. The proxy can be granted and the instructions be issued in writing with the enclosed form "registration to attend".
- b) By the Independent Voting Rights Representative, Dr. Caroline Cron, Attorney-at-law, Lenz Caemmerer, Elisabethenstrasse 15, P.O. Box 430, 4010 Basel, Switzerland, pursuant to Article 689c of the Swiss Code of Obligations. The proxy can be granted and the instructions be issued in writing with the enclosed form "registration to attend". Instructions to the Independent Voting Rights Representative can also be issued electronically after opening a shareholder account on [www.ecomm-portal.com](http://www.ecomm-portal.com). The instructions can be amended at any time until April 27, 2015, 5 p.m. CEST. For further information please refer to the enclosed e-voting fact sheet.

**Annual Report 2014:** You will find enclosed a copy of our Annual Report 2014, which is also available on the internet at [www.basilea.com](http://www.basilea.com). From April 8, 2015, the Annual Report and the reports of the Statutory Auditors 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