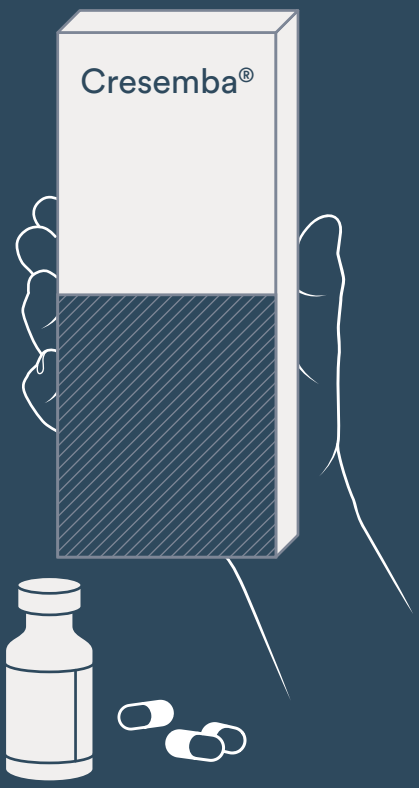
basilea

Half-Year Report 2023

2 marketed hospital anti-infective brands



Zevtera®
(antibiotic)

Submitted NDA in the US for three indications in August 2023:

- *Staphylococcus aureus* bacteremia (SAB)
- Acute bacterial skin and skin structure infections (ABSSSI)
- Community-acquired bacterial pneumonia (CABP)

Cresemba®
(antifungal)

- Continued strong in-market sales uptake
- Potential pediatric market exclusivity extension to Sep/Oct 2027 in US/Europe

Commercial partnerships cover over
100 countries

Cresemba marketed in
67 countries

Zevtera marketed in
21 countries

Located in the new life sciences hub

Switzerland Innovation Park Basel Area Main Campus

Founded in

2000

BSLN

Listed on SIX Swiss Stock Exchange since 2004

143 employees

Gender diversity

43% female **57%** male

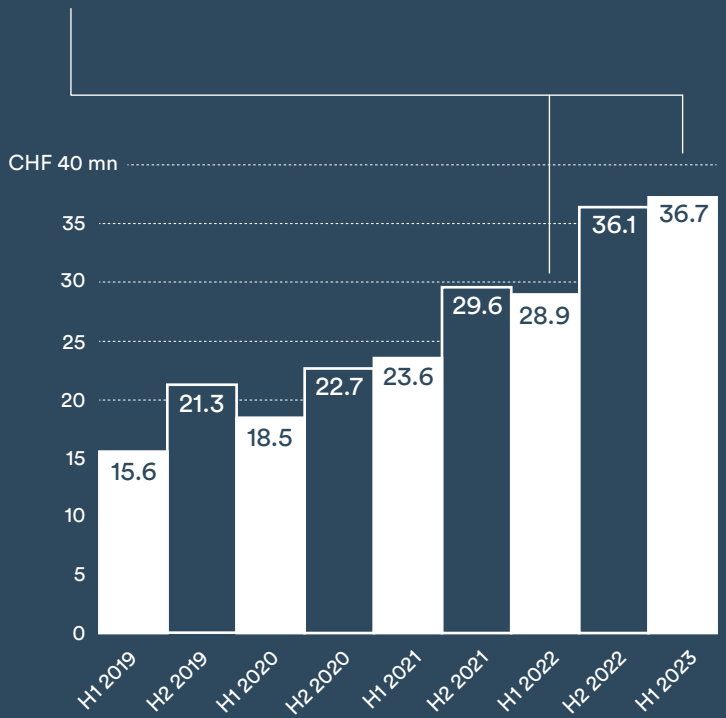
Cultural diversity

employees from

16 different nationalities

27%

year-on-year increase of Cresemba royalty income reflects continued strong market uptake



Strong half-year financial performance and solid cash position

Total revenue of CHF **84.9** mn

Operating profit of CHF **36.9** mn

Net cash provided by operating activities of CHF **21.9** mn

Cash and restricted cash as of June 30, 2023 of CHF **112.9** mn

Watch the half-year 2023 update by David Veitch, CEO

External video link to vimeo.com

Dear readers

Summer is the vacation season for many people, but it is also a time to reflect: what did we accomplish in the first half of the year and what are we aiming to achieve by year-end? This also applies to the business world, so let me briefly summarize what has happened at Basilea so far in 2023: We submitted a New Drug Application for our antibiotic Zevtera in the US, which is the most important market for branded hospital antibiotics. In addition, we received several milestone payments based on the continued success of our antifungal Cresemba. Going forward, we will focus on complementing our clinical pipeline through in-licensing, or acquisition, of differentiated anti-infective assets. In addition, we will publish key elements of our ESG strategy later this month.

Focused on patients: Serving the medical need for novel anti-infectives

Basilea is one of the few companies that are focused on the development of novel anti-infectives. With our two marketed products, our antifungal Cresemba (isavuconazole) and our antibiotic Zevtera (ceftobiprole), we are currently serving the medical need of patients in about 70 countries around the globe.

Our strategy is to focus on developing urgently needed new anti-infectives for the treatment of severe bacterial and fungal infections. We are planning to acquire rights to further preclinical and clinical assets in 2023 and beyond.

Our goal is to maintain a balanced portfolio of innovative drug candidates. We add value through our proven expertise of progressing novel anti-infectives from research through clinical development to the market, with a focus on generating scientific and clinical evidence that support successful commercial positioning. Our commercialization model allows us to bring our important drugs quickly and efficiently to patients around the world. In doing so, we execute on our strategic vision of becoming a leading anti-infectives company and a partner of choice in the space.

In early August this year, we submitted a New Drug Application (NDA) for ceftobiprole to the US Food and Drug Administration (FDA), seeking approval for the three indications of *Staphylococcus aureus* bacteremia, acute bacterial skin and skin structure infections, and community-acquired bacterial pneumonia. We expect the FDA's decision on the NDA in the second quarter of 2024 and aim to enter into a commercialization partnership before that. 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.

Strong financial performance and business excellence

We are very pleased with the continued commercial success of Cresemba, which triggered a number of milestone payments from our license partners. At the beginning of the year, we received a milestone payment of CHF 20 million for the continued strong sales of Cresemba achieved by Astellas in the United States in 2022. Sales in Europe and Asia Pacific and China triggered three more milestone payments totaling USD 27.5 million from Pfizer in the first half of 2023. Furthermore, Cresemba was launched in Japan this year, triggering a milestone payment of CHF 5 million from Asahi Kasei Pharma.

These milestones reflect the excellent progress made and confirm that Cresemba is addressing a high medical need. It plays an important role in the treatment of patients suffering from invasive mold infections.

While milestone payments are an important contribution to our revenue, the continued commercial success of Cresemba can be best tracked by looking at the royalties on sales we receive from our license partners. These increased by 27 percent year-on-year and reached a new high of CHF 36.7 million. Total revenue also increased by an impressive 47 percent year-on-year. Overall, we not only remained profitable, but recorded an operating profit and net profit of approximately CHF 37 and 32 million, respectively, and ended the first half with a cash position of approximately CHF 113 million. This financial strength gives us confidence that we are on an excellent track for implementing our strategy successfully.

As the rise of antimicrobial resistance has been recognized as a global health concern, there have been significant investments into the discovery of new treatment modalities. However, research institutes and smaller companies often lack the resources and know-how to profile and develop early-stage drug candidates in a way that allows for successful commercial positioning. Bigger pharmaceutical corporations are more focused on commercializing anti-infective drugs once clinical development has been completed. We are convinced that Basilea is uniquely positioned to fill this void in the value chain in an area with increasing medical need.

150 individuals – one team: Our people make us strong

Collaboration is key at Basilea. Specialists from different departments and with various backgrounds are working together towards a common goal: to serve the urgent medical need of patients worldwide. It takes the unique talent, creativity and motivation of each one of us to reach that goal. However, good cross-functional collaboration also needs excellency in infrastructure, company culture and leadership. By creating an environment based on values like trust, transparency and team spirit, we make sure that our employees can grow and reach both their individual development goals as well as our common business goals.

Moving towards ESG reporting

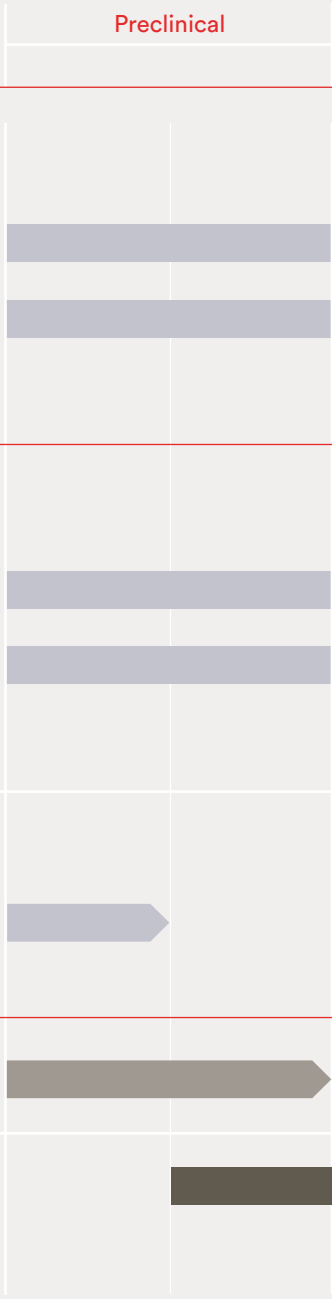
Moreover, we see the bigger picture. As a healthcare company focused on the well-being of patients, we also care for our planet and for sustainability. Therefore, we have started to evaluate our impact on the environment and society and are planning to soon publish our strategy in the field of ESG, which stands for environment, social, and governance. This will mark a major step towards full annual ESG reporting.

I would like to thank all our employees for the great achievements and dedication to move our vision closer to reality. I would also like to express my thanks to you, our shareholders for your continued trust and support. We aim to become a leading provider of novel anti-infectives for patients with severe, life-threatening conditions. Let us continue on this journey together and make sure that the world is well prepared to cope with the threat of resistant bacterial and fungal infections.

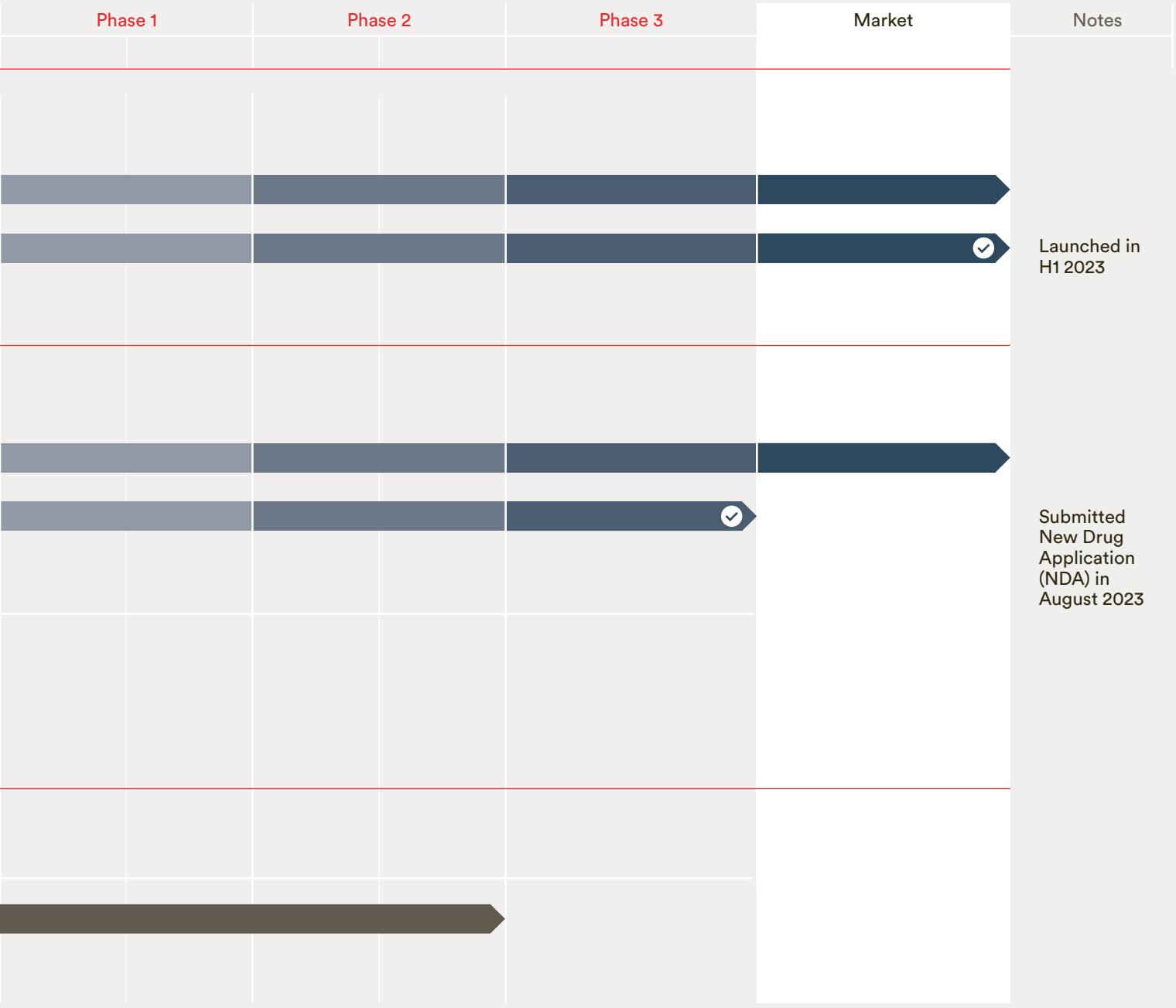
Basel, August 2023

David Veitch
Chief Executive Officer

Portfolio



[1] The registration status and approved indications may vary from country to country.
[2] 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).


Phase 1
Phase 2
Phase 3
Market
Notes
Launched in H1 2023
Submitted New Drug Application (NDA) in August 2023

Antifungals

Cresemba® isavuconazole

With more than 1.5 million people estimated to die of fungal infections every year, invasive fungal infections are emerging as a major global healthcare threat, hence effective antifungal drugs are urgently needed.

Cresemba is approved for the treatment of infections caused by *Aspergillus* and Mucorales molds, which are listed as priority pathogens by the World Health Organization (WHO).[1] First launched in the USA in 2015, Cresemba has become an important medicine for serving this major medical need, demonstrated by the total of more than 9.5 million treatment days globally since then.[2] Cresemba was developed by Basilea and is commercialized through license and distribution partnerships. We are participating in the commercial success of Cresemba through milestone payments and royalties from our license partners, and by selling the drug at a transfer price to our distribution partners.

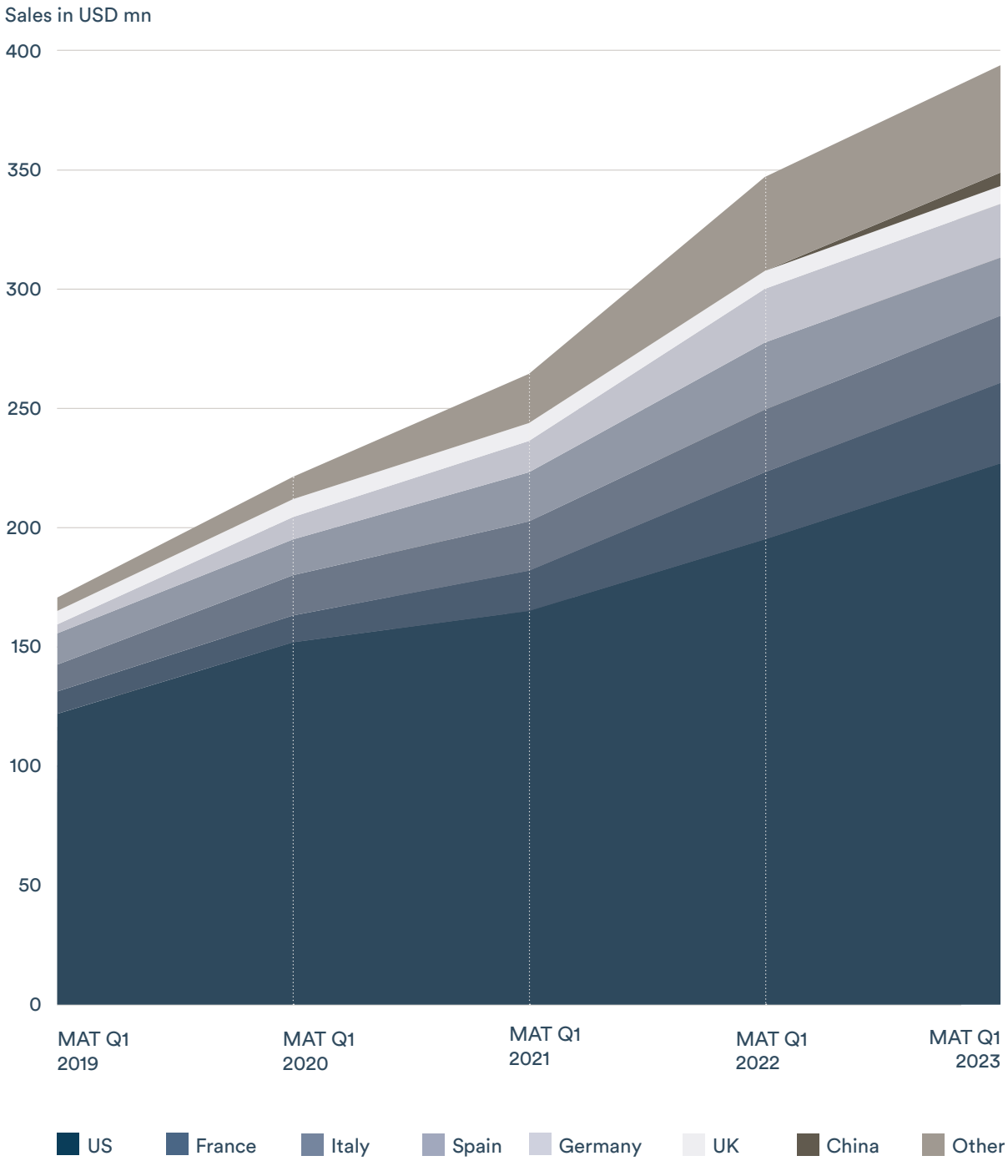
Sales by our partners continue to grow strongly as shown by the latest available data in the chart on the next page. Total global in-market sales of Cresemba amounted to more than USD 393 million in the 12 months to the end of March 2023, which is a 14 percent increase year-on-year.[3]

The strong sales dynamic is also reflected in the CHF 20 million sales milestone payment received at the beginning of the year from our license partner Astellas for the 2022 US sales. This positive trend continued in 2023 as demonstrated by further USD 27.5 million milestone payments triggered by our license partner Pfizer related to the sales performance in Europe and the Asia Pacific and China regions. Going forward, we expect increasing contributions from Japan and China, which we believe represent approximately 25 percent of the global market opportunity for Cresemba.[3] In Japan, our license partner Asahi Kasei Pharma launched Cresemba earlier this year, which triggered a CHF 5 million milestone payment, whilst Pfizer launched Cresemba in China in 2022.

Cresemba – a truly global brand with a 14 percent share of the global best-in-class antifungals market[3,4]

[1] WHO fungal priority pathogens list: www.who.int/publications/i/item/9789240060241 [Accessed: June 30, 2023]
[2] Data on file Basilea
[3] IQVIA Analytics Link, March 2023. In-market sales reported as moving annual total (MAT) in US dollar
[4] Best-in-class antifungals: isavuconazole, posaconazole, voriconazole, amphotericin B (AmBisome®), anidulafungin, caspofungin, micafungin

Cresemba continues strong in-market sales uptake



Antibiotics

Zevtera® ceftobiprole

Antimicrobial resistance is one of the greatest healthcare threats of our time. New effective drugs for the treatment of bacterial infections are urgently needed and we are one of the few companies that have successfully developed novel antimicrobial drugs in the recent past.

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. Based on the particularly high usage of anti-MRSA antibiotics in the United States, we believe that the US will become the largest commercial market for Zevtera. In order to gain market access in the US, we have submitted a New Drug Application (NDA) to the US Food and Drug Administration (FDA) in August 2023 to seek approval for three indications: *Staphylococcus aureus* bacteremia (SAB), acute bacterial skin and skin structure infections (ABSSSI) and community-acquired bacterial pneumonia (CABP). We expect to receive a decision by the FDA on the NDA in the second quarter of 2024.

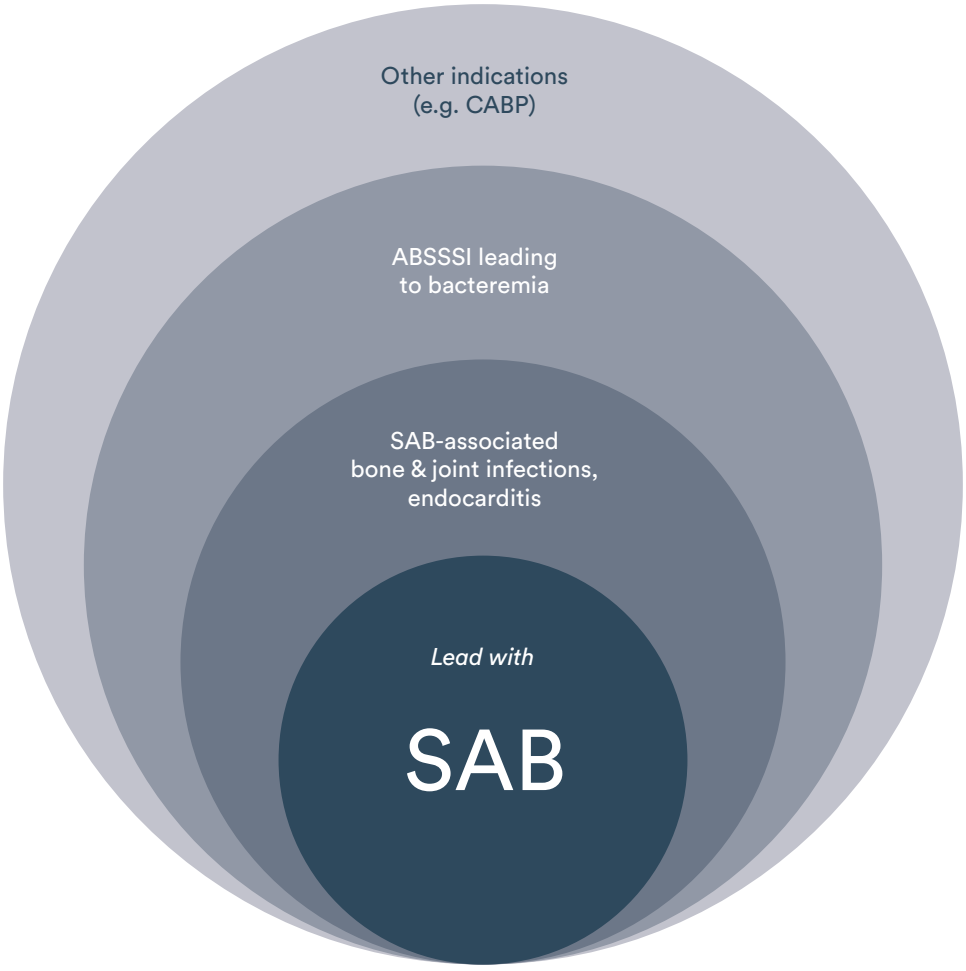
Basilea has submitted an application for obtaining regulatory approval in the US

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.[1] We believe that Zevtera may assume an important place in therapy, because there are only limited treatment options available for SAB, especially when MRSA 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 successful business model, we plan to commercialize Zevtera in the US with a partner.

The phase 3 program 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.

[1] K. Hamed, M. Engelhardt, M. E. Jones et al. Ceftobiprole versus daptomycin in *Staphylococcus aureus* bacteremia: a novel protocol for a double-blind, Phase III trial. Future Microbiology 2020 (15), 35–48

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]

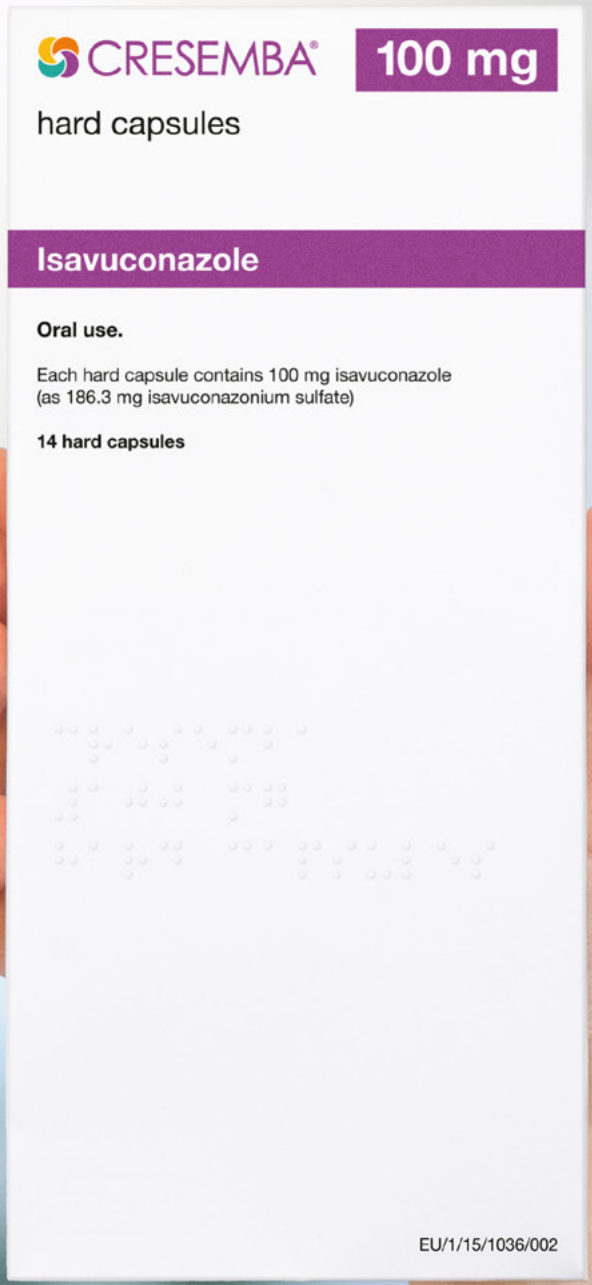
[1] A. P. Kourtis, K. Hatfield, J. Baggs et al. Vital signs: Epidemiology and recent trends in methicillin-resistant and in methicillin-susceptible *Staphylococcus aureus* bloodstream infections – United States. MMWR Morbidity and mortality weekly report 2019 (68), 214–219
[2] J. Edelsberg, C. Taneja,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

Cresemba® (isavuconazole)

A marketed intravenous and oral azole antifungal approved for the treatment of invasive mold infections[1]

Marketing authorization obtained in 75 countries

Launched in 67 countries



[1] In the US and 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 additional countries in Europe and beyond, where the registration status and approved indications may vary from country to country.

[1] 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 approved in the US.

Key financials

in CHF mn, rounding consistently applied

H1 2023	H1 2022		H1 2023	H1 2022	
80.5	51.2	+57%	36.7	28.9	+27%
Cresemba & Zevtera related revenue			Royalty income		

	H1 2023	H1 2022	
Total revenue	84.9	57.6	+47%
Total cost and operating expenses	-48.0	-67.7	-29%
Operating profit / loss	36.9	-10.0	n.a.
Profit / loss before taxes	31.9	-12.2	n.a.
Net profit / loss	31.8	-12.2	n.a.
Cash flow from operating activities	21.9	0.15	n.a.

	June 30, 2023	December 31, 2022	
Net financial debt	38.1	60.3	-37%
Cash and cash equivalents and restricted cash	112.9	108.6	+4%

Full-year 2023 guidance
in CHF mn

147–150	**~76**
Cresemba & Zevtera related revenue	Royalty income

Total revenue	**157–160**
Total cost and operating expenses	**105–107**
Operating profit	**50–55**
Net profit	**41–46**

Upcoming milestones

H2 2023

Submission of Zevtera NDA for gaining US market access	✓
Submission of pediatric study data to US and EU regulatory authorities to extend Cresemba market exclusivity to Sep / Oct 2027	⚑
Presentation of ESG strategy	⚑
In-licensing or acquisition of novel anti-infectives to complement clinical pipeline	⚑

H1 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 clinical pipeline	⚑

Financial report

Condensed consolidated interim financial statements

Basilea Pharmaceutica Ltd, Allschwil & subsidiaries

Condensed consolidated balance sheets as of June 30, 2023 and December 31, 2022 (unaudited, in CHF thousands, except for number of shares)

	Footnote reference	2023	2022
ASSETS			
Current assets			
Cash and cash equivalents		87 714	84 659
Restricted cash	1	3 234	1 908
Accounts receivable	5	39 669	33 152
Other receivables	6	24 715	28 552
Inventories, net	7	25 638	24 244
Other assets		4 855	2 849
Total current assets		**185 825**	**175 364**
Non-current assets			
Restricted cash	1	22 000	22 000
Property, plant and equipment, net	2	3 957	4 277
Operating lease, right-of-use assets, net	15	17 693	17 294
Intangible assets, net	3	534	578
Financial investments		-	1 266
Other assets		25	69
Total non-current assets		**44 209**	**45 484**
TOTAL ASSETS		**230 034**	**220 848**
LIABILITIES			
Current liabilities			
Accounts payable		3 942	191
Senior secured loan	9	37 916	37 467
Deferred revenue	4	1 233	1 233
Operating lease liabilities	15	2 062	1 988
Accruals and other liabilities	10	22 032	33 971
Total current liabilities		**67 185**	**74 850**
Non-current liabilities			
Convertible senior unsecured bonds	8	95 226	95 000
Senior secured loan	9	17 953	36 360
Deferred revenue	4	10 077	10 693
Operating lease liabilities	15	16 620	16 323
Other liabilities	14	7 984	8 338
Total non-current liabilities		**147 860**	**166 713**
Total liabilities		**215 045**	**241 563**
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital[1]	12	13 100	13 093
Treasury shares[2]	12	(55 680)	(56 071)
Additional paid-in capital		1 040 365	1 037 120
Accumulated other comprehensive loss	12	(3 299)	(3 784)
Accumulated deficit:			
Loss carried forward		(1 011 337)	(1 023 219)
Net profit		31 840	12 147
Total shareholders' equity (deficit)		**14 989**	**(20 715)**
TOTAL LIABILITIES AND EQUITY		**230 034**	**220 848**

1 As of June 30, 2023, 13,099,587 shares (December 31, 2022: 13,093,445) were issued and 11,979,816 shares (December 31, 2022: 11,951,304) outstanding with a par value of CHF 1.00 per share.
2 As of June 30, 2023, 1,119,771 shares (December 31, 2022: 1,142,141) with a par value of CHF 1.00

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

Basilea Pharmaceutica Ltd, Allschwil & subsidiaries

Condensed consolidated statements of operations for the six months ending June 30, 2023 and June 30, 2022 (unaudited, in CHF thousands, except per share amounts)

	Footnote reference	2023	2022
Product revenue	4	13 173	19 424
Contract revenue	4	67 327	31 765
Other revenue	4	4 405	6 458
Total revenue		**84 905**	**57 647**
Cost of products sold		(9 996)	(14 919)
Research & development expenses, net		(21 467)	(37 148)
Selling, general & administrative expenses		(16 544)	(15 621)
Total cost and operating expenses		**(48 007)**	**(67 688)**
Operating result		**36 898**	**(10 041)**
Interest income		490	70
Interest expense	8, 9	(5 797)	(3 819)
Other income		201	1 697
Other expense		(1 310)	(1 332)
Losses from senior unsecured bonds transactions		-	(44)
Other components of net periodic pension cost		1 385	1 248
Profit/loss before taxes		**31 867**	**(12 221)**
Provision for income taxes		(27)	12
Net profit/loss		**31 840**	**(12 209)**

Earnings/Loss per share	13	**2023**	2022
Basic earnings/loss per share, in CHF		2.66	(1.03)
Diluted earnings/loss per share, in CHF		2.42	(1.03)

Basilea Pharmaceutica Ltd, Allschwil & subsidiaries

Condensed consolidated statements of comprehensive income/loss for the six months ending June 30, 2023 and June 30, 2022 (unaudited, in CHF thousands)

	Footnote reference	2023	2022
Net profit/loss		**31 840**	**(12 209)**
Currency translation adjustments		12	(92)
Actuarial gain		208	1 203
Other comprehensive income, net of tax	12	**220**	**1 111**
Comprehensive income/loss		**32 060**	**(11 098)**

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

Basilea Pharmaceutica Ltd, Allschwil & subsidiaries

Condensed consolidated statements of cash flows for the six months ending June 30, 2023 and June 30, 2022 (unaudited, in CHF thousands)

	Footnote reference	2023	2022
Cash flow from operating activities			
Net profit/loss		31 840	(12 209)
Adjustments to reconcile net profit/loss to net cash provided by operating activities:			
Non-cash pension costs		(147)	715
Depreciation and amortization		753	357
Stock-based compensation		2 265	1 845
Amortization of debt issuance cost	8, 9	649	471
Debt extinguishment loss		-	44
Change in operating assets/liabilities:			
Accounts receivable		(6 517)	14 000
Other receivables		3 770	11 758
Inventories		(1 394)	(1 972)
Accounts payable		3 751	(5 912)
Deferred revenue		(616)	(616)
Accruals and other liabilities		(12 054)	(7 966)
Other operating cash flow items		(436)	(366)
Net cash provided by operating activities		**21 864**	**149**
Cash flow from investing activities			
Payments for short-term investments		-	(94 990)
Maturities of short-term investments		-	95 000
Investments in property, plant and equipment	2	(314)	(1 624)
Investments in intangible assets	3	(75)	(705)
Net cash used in investing activities		**(389)**	**(2 319)**
Cash flow from financing activities			
Disbursements related to exercise of stock options		(88)	(26)
Net proceeds from capital increase		109	-
Net proceeds from treasury shares transactions		1 325	(139)
Repayment of senior unsecured loan		(18 429)	-
Debt extinguishment		-	(6 599)
Net cash used in financing activities		**(17 083)**	**(6 764)**
Effect of exchange rate changes		(12)	841
Net change in cash, cash equivalents and restricted cash		**4 380**	**(8 093)**
Beginning of period		**108 567**	**54 953**
End of period		**112 948**	**46 860**
Supplemental information			
Cash paid for interest	8, 9	4 992	3 192
Cash paid for income taxes		14	-

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

The following table shows the components of cash, cash equivalents and restricted cash as of June 30, 2023 and June 30, 2022:

in CHF thousands	2023	2022
Cash and cash equivalents	87 714	45 746
Restricted cash	25 234	1 114
Total cash, cash equivalents and restricted cash	**112 948**	**46 860**

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

Basilea Pharmaceutica Ltd, Allschwil & subsidiaries

**Condensed consolidated statements of changes in shareholders' equity (deficit)
for the six months ending June 30, 2023 and June 30, 2022
(unaudited in CHF thousands, except for number of shares)**

	Footnote reference	Share capital		Treasury shares		Additional paid-in capital	Accumulated other comprehensive income/ loss	Accumulated deficit	**Total**
		Number of shares	Amount	Number of shares	Amount				
Balance at December 31, 2021		**12 992 166**	**12 992**	**(1 150 132)**	**(56 559)**	**1 029 796**	**(21 617)**	**(1 023 219)**	**(58 607)**
Net profit/loss		-	-	-	-	-	-	(12 209)	(12 209)
Other comprehensive income		-	-	-	-	-	1 111	-	1 111
Treasury shares transactions[1]		-	-	(8 567)	694	-	-	-	694
Conversion of restricted/ performance share units		6 621	7	-	-	-	-	-	7
Exercise of stock options		-	-	-	-	(7)	-	-	(7)
Stock-based compensation	11	-	-	-	-	1 845	-	-	1 845
Balance at June 30, 2022		**12 998 787**	**12 999**	**(1 158 699)**	**(55 865)**	**1 031 634**	**(20 506)**	**(1 035 428)**	**(67 166)**
Balance at December 31, 2022		**13 093 445**	**13 093**	**(1 142 141)**	**(56 071)**	**1 037 120**	**(3 784)**	**(1 011 072)**	**(20 714)**
Net profit/loss		-	-	-	-	-	-	31 840	31 840
Capital increase		-	-	-	-	109	-	-	109
Other comprehensive income		-	-	-	-	-	485	(265)	220
Treasury shares transactions[1]		-	-	22 370	392	932	-	-	1 324
Conversion of restricted/ performance share units		4 574	5	-	-	-	-	-	5
Exercise of stock options, net		1 568	2	-	-	(94)	-	-	(92)
Stock-based compensation	11	-	-	-	-	2 298	-	-	2 298
Balance at June 30, 2023		**13 099 587**	**13 100**	**(1 119 771)**	**(55 680)**	**1 040 365**	**(3 299)**	**(979 497)**	**14 989**

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

Basilea Pharmaceutica Ltd, Allschwil & subsidiaries

Notes to the condensed consolidated interim financial statements (unaudited, all amounts in CHF unless stated otherwise)

1 Summary of significant accounting policies and new accounting pronouncements

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 condensed consolidated interim financial statements of Basilea have been prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP) for interim financial information and accordingly do not include all information and disclosures as required by US GAAP for complete financial statements. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by US GAAP. The condensed consolidated interim financial statements should be read in conjunction with the 2022 consolidated financial statements contained in the Annual Report 2022. The financial statements are presented in Swiss Francs (CHF).

In the opinion of management, these condensed consolidated interim financial statements reflect all adjustments necessary, which are of a normal recurring nature, to fairly state the consolidated balance sheets, statements of operations, statements of comprehensive income/loss, cash flows and changes in shareholders' equity (deficit) for the interim periods presented.

The following change in the presentation of the consolidated statements of cash flows was applied in the Annual Report 2022:
The pension costs are presented as separate line item. To conform with the Annual Report 2022, the pension costs as per June 30, 2022, were reclassed from other operating cash flow items.

The following change in the presentation of the consolidated statement of the operations in the prior year Annual Report is affecting the published Half-Year Report as per June 30, 2022: Revenue of CHF 1.0 million reported as other revenue was reclassed to other income.

The following out-of-period adjustments affecting the condensed consolidated balance sheet and the condensed consolidated statement of operations were recorded in the Half-Year Report as per June 30, 2023:

Subsequent to 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 goods 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.

Accordingly, the Company is correcting the relevant financial statements and related footnotes as of June 30, 2023, within these condensed consolidated financial statements. 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 condensed consolidated balance sheet and income statement for the period ended June 30, 2023:

In CHF million (except EPS)	June 30, 2023 prior correction	%	**June 30, 2023 as reported**
Balance Sheet			
Other receivables	24 954	1.0%	24 715
Total assets	230 272	0.1%	230 033
Accruals and other liabilities	24 132	9.5%	22 032
Total liabilities	217 145	1.0%	215 045
Income Statement			
Cost of products sold	(12 096)	21.0%	(9 996)
Operating result	34 797	5.7%	36 897
Other expense	(1 071)	18.2%	(1 310)
Net profit	29 979	5.8%	31 840
EPS (Basic)	2.49	6.4%	2.66

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; and
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, the convertible senior unsecured bonds and the 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.

Accounts receivable and other receivables

Accounts receivable are recorded, net of allowance for doubtful accounts and sales returns. The Company reviews the composition of accounts receivable and analyzes historical bad debts, customer concentration, customer credit worthiness, current economic trends and changes in customer payment patterns to determine if the allowance for doubtful accounts is adequate. 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 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. Land is recorded at cost and is not depreciated. Land-use rights are depreciated over the term of the granted right.

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.

Leases

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 (ROU) assets 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 exercise its option to 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 ROU. 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. If applicable, the Company will 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.

Convertible senior unsecured bonds

The convertible senior unsecured bonds were initially measured as a liability based on the proceeds received and are presented net of issuance costs incurred. The issuance costs are amortized as interest expense 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.

Senior secured loan agreement

The senior secured loan is recorded at amortized cost and is 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 loan until maturity.

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.

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 US 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
Costs 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.

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 taking into consideration an estimation for expected forfeitures.

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 adjusted by the expected forfeiture rate. 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/loss per share

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

Diluted earnings/loss 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 June 30, 2023, the adoption of ASC 326 did not result in a material effect on the Company's Unaudited Condensed Consolidated financial statements.

2 Property, plant and equipment

In CHF million	Equipment	Leasehold improve-ments	Total
H1 2023			
Cost			
January 1, 2023	12.9	1.8	14.7
Additions	0.3	-	0.3
June 30, 2023	13.2	1.8	15.0
Accumulated depreciation			
January 1, 2023	10.3	0.2	10.5
Additions	0.4	0.1	0.5
June 30, 2023	10.7	0.3	11.0
Net book value as of June 30, 2023	**2.5**	**1.5**	**4.0**
H1 2022			
Cost			
January 1, 2022	16.6	-	16.6
Additions	1.6	-	1.6
Disposals	(0.4)	-	(0.4)
June 30, 2022	17.8	-	17.8
Accumulated depreciation			
January 1, 2022	14.6	-	14.6
Additions	0.3	-	0.3
Disposals	(0.5)	-	(0.5)
June 30, 2022	14.4	-	14.4
Net book value as of June 30, 2022	**3.4**	**-**	**3.4**

3 Intangible assets

The intangible assets as of June 30, 2023 and June 30, 2022 consist of software for internal use:

In CHF million	H1 2023	H1 2022
Cost		
January 1	**5.4**	**5.6**
Additions	0.1	0.7
June 30	**5.5**	**6.3**
Accumulated amortization		
January 1	**4.8**	**4.9**
Additions	0.1	0.1
June 30	**4.9**	**5.0**
Net book value as of June 30	**0.5**	**1.2**

4 Agreements

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

Revenues from agreements excluding deferred revenue components:

Partner	Total Revenue		Product Revenue		Contract Revenue						Other Revenue	
In CHF million	H1 23	H1 22	H1 23	H1 22	H1 23			H1 22			H1 23	H1 22
					TOT	ROY	Other	TOT	ROY	Other		
Pfizer	43.7	24.8	4.2	12.0	39.2	14.2	25.0	11.9	10.7	1.2	0.3	0.9
Astellas	22.3	18.8	-	0.4	22.3	22.3	-	18.2	18.2	-	-	0.2
Asahi	5.8	0.1	0.5	-	5.2	0.2	5.0	-	-	-	0.1	0.1
BARDA	2.0	5.0	-	-	-	-	-	-	-	-	2.0	5.0
Gosun	1.2	-	1.2	-	-	-	-	-	-	-	-	-
Distributors	7.9	8.2	7.3	7.0	0.6	-	0.6	1.1	-	1.1	-	0.1
Others	2.0	0.1	-	-	-	-	-	-	-	-	2.0	0.1
	84.9	**57.0**	**13.2**	**19.4**	**67.3**	**36.7**	**30.6**	**31.2**	**28.9**	**2.3**	**4.4**	**6.4**

For the six months ending June 30, 2023, deferred revenue recognized in contract revenue amounted to CHF 0.6 million (six months ending June, 30, 2022: CHF 0.6 million)

License agreement with Pfizer related to isavuconazole

In June 2017, the Company entered into a license agreement (the Agreement) with Pfizer Inc. for isavuconazole. The transaction was completed on July 19, 2017. 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 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 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. Royalty revenue is recognized when earned as the license is the predominant item of the Agreement and its Amendement.

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 1.25 million sales milestone payment related to the Extended Territory as contract revenue. In January 2023, the Company recognized a sales milestone payment of USD 1.25 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 sales milestone payment of USD 1.25 million related to the Extended Territory as contract revenue.

For the six months ending June 30, 2023, the Company recognized CHF 4.2 million (six months ending June 30, 2022: CHF 12.0 million) as product revenue related to product sales to Pfizer Inc. For the six months ending June 30, 2023, the Company recognized royalty revenue of CHF 14.2 million (six months ending June 30, 2022: CHF 10.7 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 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 million and tiered double-digit royalty payments from Astellas relating to its territory.

For the six months ending June 30, 2023, the Company recognized no revenue (six months ending June 30, 2022: CHF 0.4 million) as product revenue. The Company recognized contract revenue in the total amount of CHF 22.3 million (six months ending June 30, 2022: CHF 18.2 million) comprising of CHF 22.3 million (six months ending June 30, 2022: CHF 18.2 million) related to royalties and no revenue (six months ending June 30, 2022: no revenue) related to services provided by the Company to Astellas related to isavuconazole.

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. Upon approval of isavuconazole in Japan, 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 the submission of the NDA in September 2021.

In March 2023, the Company recognized a CHF 5.0 million commercial milestone payment as contract revenue.

For the six months ending June 30, 2023, the Company recognized CHF 0.5 million (six months ending June 30, 2022: no revenue) as product revenue related to product sales to Asahi Kasei Pharma. For the six months ending June 30, 2023, the Company recognized royalty revenue of CHF 0.2 million (six months ending June 30, 2022: no revenue) as contract 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. The Company 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.

For the six months ending June 30, 2023, the Company recognized CHF 1.2 million as product revenue (six months ending June 30, 2022: no revenue).

Distribution agreements

In 2017 and 2016, the Company entered into exclusive distribution agreements for Basilea's antifungal isavuconazole and antibiotic 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 Basilea's antibiotic 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 June 30, 2023, the Company presented deferred revenue of CHF 11.3 million (six months ending June 30, 2022: CHF 12.5 million) on its balance sheet as liabilities.

As of June 30, 2023, the Company recognized CHF 7.3 million as product revenue (six months ending June 30, 2022: CHF 7.0 million).

Contract with BARDA for ceftobiprole 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 US. As of June 30, 2023, the Company was awarded a total amount of USD 111.9 million (December 31, 2022: USD 108.7 million) under this contract to support the phase 3 development of ceftobiprole. The Company considers the arrangement to be part of its ongoing major operations. Hence, other revenue is recorded when recoverable costs are incurred.

For the six months ending June 30, 2023, the Company recognized CHF 2.0 million (six months ending June 30, 2022: CHF 5.0 million) as other revenue related to the BARDA contract.

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. The Company had largely completed the transition process by the end of 2022 and does not expect to incur any material expenses related to oncology activities beyond 2022.

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 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 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.

5 Accounts receivable

The accounts receivable primarily consist of receivables against Pfizer for milestone payments related to Cresemba. The expected credit loss is immaterial.

6 Other receivables

The company has recorded a CHF 0.7 million impairment for unrecoverable VAT receivables for the six months ended June 30, 2023.

The following table shows the components of other receivables as of June 30, 2023 and December 31, 2022:

in CHF million	2023	2022
VAT receivables	3.4	5.2
Royalty receivables (Note 4 Agreements)	14.3	21.4
Receivables from BARDA (Note 4 Agreements)	0.1	0.6
Other	6.9	1.4
Total	**24.7**	**28.6**

7 Inventories

The following table shows the components of inventories as of June 30, 2023 and December 31, 2022:

in CHF million	2023	2022
Raw materials	2.0	2.0
Semi-finished products	34.8	38.9
Finished products	0.4	1.1
Inventory provisions	(11.6)	(17.7)
Total	**25.6**	**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 total amount of CHF 6.6 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 June 30, 2023, the Company recorded additional provisions for inventory in the total amount of CHF 4.9 million.

8 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 June 30, 2023 and December 31, 2022:

in CHF million	Maturity date	2023	2022
2027 convertible senior unsecured bonds	July 28, 2027	95.2	95.0
Total		**95.2**	**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 (2021: CHF 23.2 million). The loss on the extinguishment was immaterial.

For the six months ending June 30, 2023, the Company recognized interest expense of CHF 1.6 million (six months ending June 30, 2022: CHF 3.7 million) based on the effective interest rate method for recognition of the issuance costs for its 2022 bonds and 2027 bonds, respectively. The remaining unamortized debt issuances costs of CHF 2.0 million will be recognized over the remaining term of the convertible senior unsecured bonds, which is approximately 4 years for the 2027 bonds.

The table below outlines the amortization and repayment related to the convertible senior unsecured bonds as of June 30, 2023:

Amount in CHF million	2027 Bonds
Remainder 2023	1.6
2024	3.2
2025	3.2
2026	3.2
2027	98.9
Total minimum payments, including unamortized issuance costs	**110.1**
Less amount representing interest	(12.9)
Convertible senior unsecured bonds, gross	**97.2**
Unamortized issuance costs on convertible senior unsecured bonds	(2.0)
Convertible senior unsecured bonds, including unamortized issuance costs	**95.2**

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.

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 June 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 June 30, 2023 , amounted to CHF 42.3 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), unless earlier redeemed or converted. 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 June 30, 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 holders of the 2027 bond 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.

9 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 repayment of its 2022 convertible bonds, which were due on December 23, 2022 (the Convertible Bonds) with an outstanding nominal amount of 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 six months ending June, 30, 2023, the effective interest rate was 10.8% and the Company recorded CHF 4.1 million of interest, fees and debt issuance cost amortization and CHF 18.4 million repayment of outstanding principal amount. In the first-half of 2023, the Company has made payments of CHF 22.0 million and CHF 22.0 million will be paid in the second half of the year 2023. For the year 2024 the estimated payments amount to CHF 39.7 million until full repayment of the Loan.

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.

10 Accruals and other liabilities

Accruals and other current liabilities as of June 30, 2023 and December 31, 2022 consisted of the following:

in CHF million	2023	2022
Accrued research & development expenses	4.0	9.4
Accrued personnel and compensation costs	6.4	7.8
Accrued sales and marketing expenses	0.2	0.3
Accrued payables for goods received	3.4	5.7
VAT payables	-	0.1
Accrued taxes and consultant fees	0.5	0.9
Accrued royalties	1.4	1.7
Other current liablities	6.1	8.1
Total accruals and other liabilities	**22.0**	**34.0**

The other current liabilities include liabilities to employees and accrued amounts for services provided but not invoiced.

11 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 June 30, 2023, CHF 1.7 million of conditional capital remain available for stock options, PSUs and RSUs, which were issued and outstanding as of June 30, 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 June 30, 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.

For the six months ending June 30, 2023, the Company recognized stock-based compensation expenses of CHF 0.4 million (six months ending June 30, 2022: CHF 0.8 million) related to this stock option plan.

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) of in-market sales of Cresemba (non-market-based performance condition). PSUs vest after three years, RSUs vest after three years for employees or after one year or three years for the board of directors.

In April 2021, the Company granted first time 53,281 PSUs and 37,496 RSUs to certain employees, management and board members. 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 amounts to CHF 1.5 million in total. The expenses are distributed over the vesting period of 3 years for employees and 1 year for board members, adjusted by expected forfeitures and effective forfeitures.

In April 2022, the Company granted 54,166 PSUs and 40,741 RSUs to certain employees, management and board members. 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 amounts to CHF 1.8 million in total. The expenses are distributed over the vesting period of 3 years for employees and for board members, adjusted by expected forfeitures and effective forfeitures.

In April 2023, the Company granted 61,025 PSUs and 40,537 RSUs to certain employees, management and board members. 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 amounts to CHF 1.4 million and CHF 0.3 million for the board of directors RSU, respectively. The expenses are distributed over the vesting period of 3 years for employees and for board members, adjusted by expected forfeitures and effective forfeitures.

For the six months ending on June 30, 2023, the Company presented CHF 1.7 million (six months ending June 30, 2022: CHF 1.0 million) in its statement of operations related to PSU and RSU expenses.

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.

12 Shareholders' equity

As of June 30, 2023, Basilea had 13,099,587 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.

For the six months ending June 30, 2023, 11,191 options and 4,574 RSUs/PSUs were exercised which resulted in the issuance of 6,142 registered shares with a par value of CHF 1.00 per share. For the six months ending June 30, 2022, 6,621 board of directors RSUs were exercised, resulting in a capital increase of CHF 6,621. No stock options were exercised.

The Company had a total approved conditional capital of CHF 3,660,554 as of June 30, 2023 for the issuance of a maximum of 3,660,554 registered shares with a par value of CHF 1.00 per share. The conditional capital consisted of (i) conditional capital of CHF 1,660,554 (1,660,554 registered shares with a par value of CHF 1.00 per share) reserved for the issuance of shares under the long-term incentive plan available to directors, executives and certain employees, and (ii) conditional capital of CHF 2,000,000 (2,000,000 registered shares with a par value of CHF 1.00 per share) available for the potential conversion of the outstanding convertible senior unsecured bonds.

As of June 30, 2023, the Company held treasury shares in the total amount of CHF 55.7 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 held by Basilea Pharmaceutica Ltd, Allschwil for the potential conversion of the outstanding convertible senior unsecured bonds and further 119,771 registered shares with a par value of CHF 1.00 per share (December 31, 2022: 142,141 shares with a par value of CHF 1.00 per share).

On April 26, 2023, the shareholders have approved a capital band with a bandwidth of CHF 1,300,000. Within this range, Basilea is authorized until April 26, 2026 to increase the share capital by up to CHF 1,300,000. The capital band does not allow for capital reductions. As of June 30, 2023, there have been no capital increases based on the capital band.

Changes in accumulated other comprehensive income/loss for the six months ending June 30, 2023 and June 30, 2022:

in CHF million	Currency translation adjustment	Unrecognized pension cost	Reclassification into P&L	Total
December 31, 2021	**(2.0)**	**(20.8)**	**1.20**	**(21.6)**
Change during the period	(0.1)	1.2	-	1.1
Total change during the period	**(0.1)**	**1.2**	**-**	**1.1**
June 30, 2022	**(2.1)**	**(19.6)**	**1.20**	**(20.5)**
December 31, 2022	**(2.3)**	**(2.7)**	**1.2**	**(3.8)**
Change during the period	0.3	0.2	-	0.5
Total change during the period	**0.3**	**0.2**	**-**	**0.5**
June 30, 2023	**(2.0)**	**(2.5)**	**1.2**	**(3.3)**

13 Earnings/loss per share

The weighted average number of shares outstanding and the loss/earnings for the six months ending June 30, 2023 and June 30, 2022 were as follows:

	2023	2022
Net profit/loss, in CHF million	**31.8**	**(12.2)**
Net profit, in CHF million (diluted EPS calculation)	**33.3**	
Weighted average number of shares outstanding, basic	11 978 115	11 839 128
Weighted average number of shares outstanding, diluted	13 781 539	11 841 286
Basic profit/loss per share in CHF	**2.66**	**(1.03)**
Diluted profit/loss per share in CHF	**2.42**	**(1.03)**

The calculation of the diluted earnings per share excludes CHF 1.5 million of interest expense related to the convertible senior unsecured bonds and includes 219,168 shares from PSU/RSU plans, 30,896 shares from stock option plans and 1,553,360 shares issuable upon conversion of convertible senior unsecured bonds.

For the six months ending June 30, 2022, 2,158 incremental shares relating to potential exercises of stock options and 2,484,431 shares issuable upon conversion of the convertible senior unsecured bonds were excluded, as the effect would have been anti-dilutive.

14 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.

As of June 30, 2023, the Company recorded an accrued pension liability of CHF 8.0 million in other non-current liabilities (December 31, 2022: CHF 8.3 million).

The following table provides information on the pension expenses related to the Company's defined benefit pension plan for the six months ending June 30, 2023 and June 30, 2022:

in CHF million	2023	2022
Service cost	1.3	1.9
Interest cost	0.6	0.1
Expected return on plan assets	(0.9)	(0.6)
Amortization of pension related net loss	0.0	0.5
Amortization of prior service cost/(credit)	0.2	0.3
Gross expense	1.2	2.2
Participant contributions	(0.6)	(0.6)
Net periodic pension cost	0.6	1.6

15 Lease commitments

Financing lease contracts

The Company had no finance leases for the six months ending on June 30, 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 six months ending on June 30, 2023, the Company recorded total operating lease expenses of CHF 1.1 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 six months ending on June 30, 2023, CHF 1.0 million of the right-of-use (ROU) asset was amortized. The lease payment resulted in a decrease of the lease liability by CHF 1.0 million. There is approximately nine 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 extended. The lease term is ten years and approximately 9 years for the extension. The lease is accounted for as an operating lease, consequently a lease liability and a ROU asset were recognized at commencement date. The term of the lease is ten years and the annual lease payments are approximately CHF 2.4 million. Lease incentives are approximately CHF 1.8 million, of which CHF 0.6 million 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	H1 2023	H1 2022
Cost	**Buildings**	Buildings
January 01	22.3	4.1
Additions	1.4	18.2
June 30	23.7	22.3
Accumulated depreciation		
January 01	(5.0)	(3.1)
Additions	(1.0)	(1.0)
June 30	(6.0)	(4.1)
Total operating lease right-of-use assets	**17.7**	**18.2**

As of June 30, the following operating lease liabilities are recorded:

in CHF million	H1 2023	H1 2022
Buildings	2.1	2.1
Total current operating lease liabilities	**2.1**	**2.1**
Buildings	16.6	17.2
Total non-current operating lease liabilities	**16.6**	**17.2**

As of June 30, 2023, the future minimum commitments under ASC 842 for the operating lease were as follows:

Amount in CHF million	
2023 (remainder of the year)	1.18
2024	2.37
2025	2.37
2026	2.37
2027	2.37
2028 and thereafter	10.46
Total lease payments	**21.12**
Less: imputed interest	(2.42)
Total operating lease liabilities	**18.70**

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

17 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.

The cash and cash equivalents as of June 30, 2023, amounted to CHF 87.7 million, of which CHF 83.3 million were held with three different banks. As of June 30, 2023, the highest total amount of cash and cash equivalents and investments held at one bank amounted to CHF 37.1 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 June 30, 2023, is from Pfizer in the amount of CHF 33.6 million.

18 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 June 30, 2023, there are no significant contingencies.

19 Subsequent events

There were no significant events between the balance sheet date and the approval of the report by the board of directors on August 10, 2023.

The full Basilea Pharmaceutica Ltd, Allschwil Half-Year Report 2023, including the notes to the condensed consolidated interim financial statements, is published in English. A short version is available in German. In case of discrepancies, the English version prevails.

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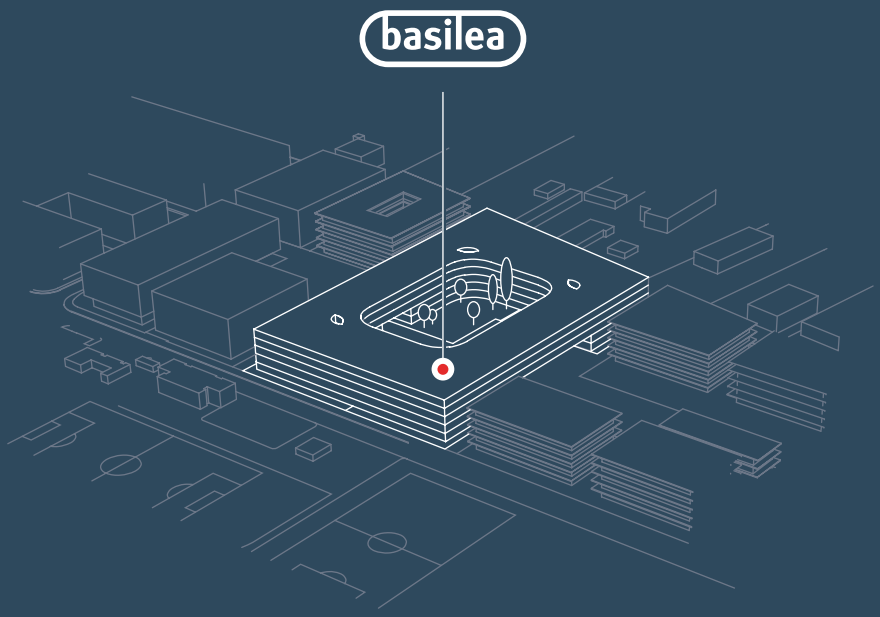

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