
basilea
Focus
Annual Report 2020

“In a doctor-patient relationship built on trust, a lot is possible.”

Zevtera®
(antibiotic)

two phase 3
studies:

TARGET
ABSSSI Study

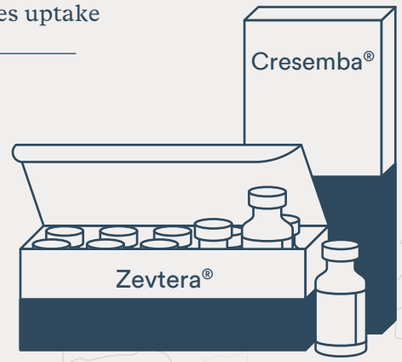
successfully completed

ERADICATE
SAB Study

ongoing

Cresemba®
(antifungal)

continues strong
in-market sales uptake



Cresemba
marketed in about 50 countries
Zevtera
marketed in about 20 countries

2 marketed products

Commercial
partnerships
cover over

100
countries

2 oncology product candidates in clinical development

Derazantinib
(FGFR-driven tumors)

3 clinical studies
ongoing:

FIDES-01 (phase 2)
in bile duct cancer (intrahepatic
cholangiocarcinoma, iCCA)

FIDES-02 (phase 1/2)
in bladder (urothelial) cancer

FIDES-03 (phase 1/2)
in stomach (gastric) cancer

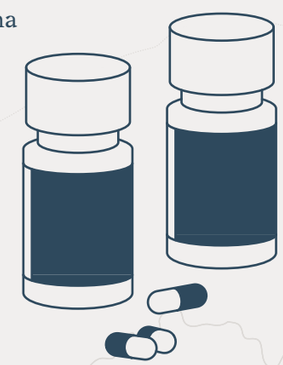
Fides

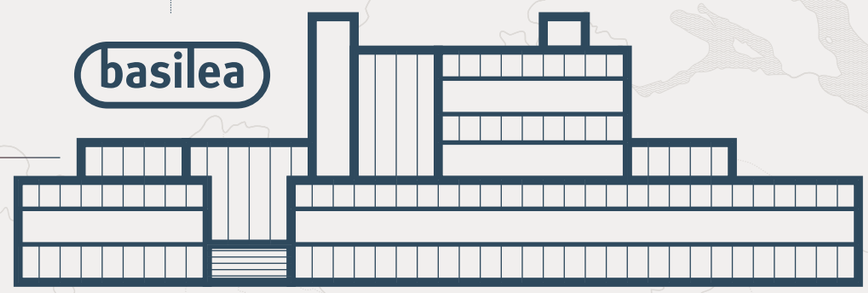
Lisavanbulin
(glioblastoma)

2 clinical studies
ongoing:

Phase 2 biomarker-driven
study in recurrent or
progressive glioblastoma

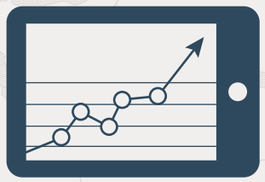
Phase 1 study
in newly diagnosed
glioblastoma





Founded in
2000

BSLN



Listed on **SIX**

HQ in
Basel
Switzerland

Cultural diversity
employees from

18 different nationalities

150 employees
in Basel
(December 31, 2020)

2019
2018
2017
2016
2015
2014
2013
2012
2011
2010
2009
2008
2007
2006
2005
2004
2003
2002
2001
2000
1999
1998
1997
1996
1995
1994
1993
1992
1991

Table of contents

Working at Basilea means being part of a multinational, innovative team.

Our mission and vision

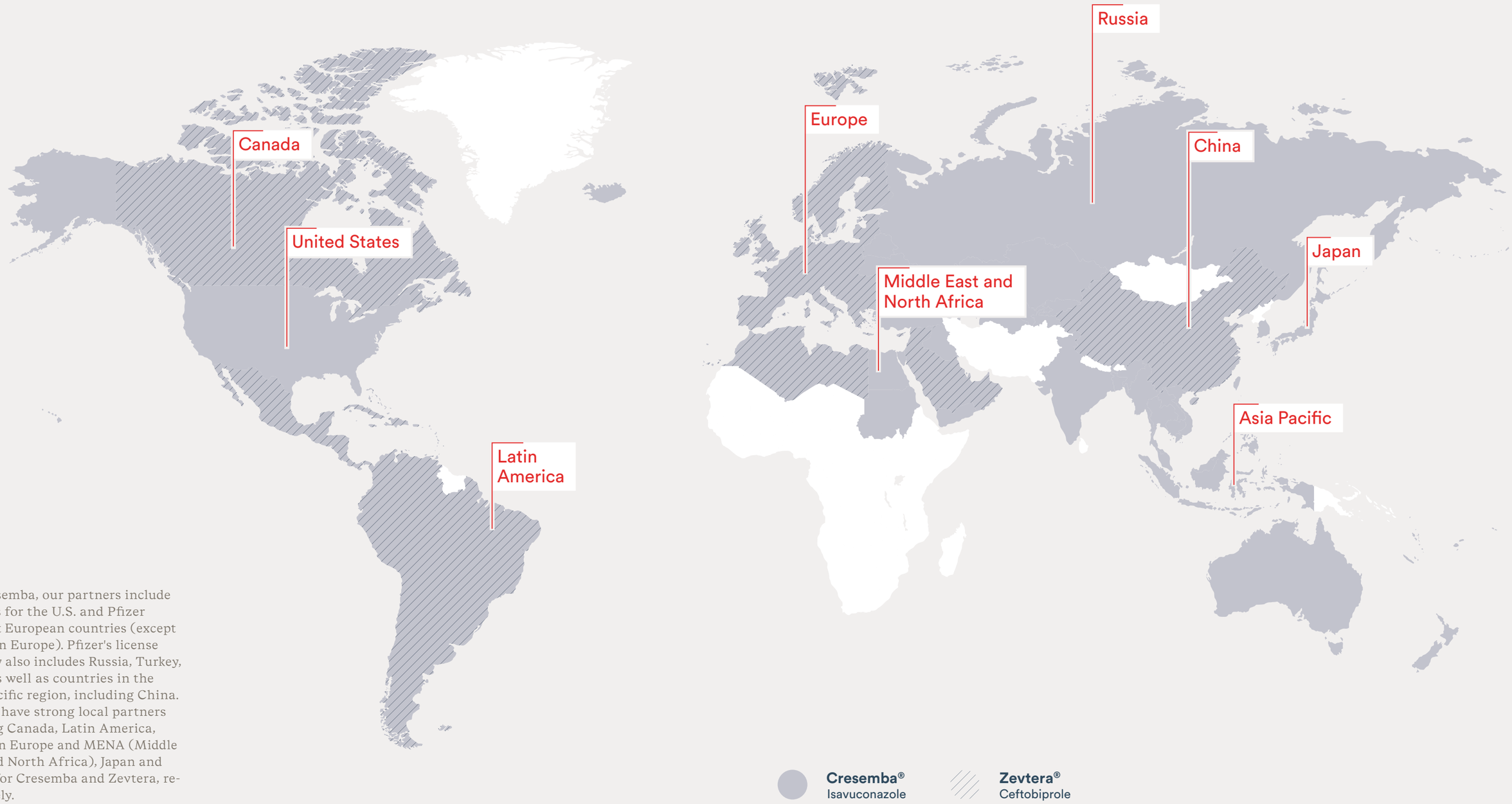
People are at the heart of everything we do.
We strive towards making a difference to patients.
With expertise, care and persistence.

We aim to be a leading provider of innovative medicines. For the benefit of patients.

Our company

Basilea is a commercial-stage biopharmaceutical company founded in 2000 and headquartered in Switzerland. We are committed to discovering, developing and commercializing innovative drugs to meet the medical needs of patients with cancer and infectious diseases. We have successfully launched two hospital brands, Cresemba for the treatment of invasive fungal infections and Zevtera for the treatment of severe bacterial infections. We are conducting clinical studies with two targeted drug candidates for the treatment of a range of cancers and have a number of preclinical assets in both cancer and infectious diseases in our portfolio. Basilea is listed on the SIX Swiss Exchange (SIX: BSLN). Please visit basilea.com.

Global commercial partnerships



For Cresemba, our partners include Astellas for the U.S. and Pfizer for most European countries (except Northern Europe). Pfizer's license territory also includes Russia, Turkey, Israel as well as countries in the Asia-Pacific region, including China. We also have strong local partners covering Canada, Latin America, Northern Europe and MENA (Middle East and North Africa), Japan and China, for Cresemba and Zevtera, respectively.

Financial highlights

Our strong financial performance is based on the continued commercial success of Cresemba and Zevtera, which is reflected in the significant improvement in Cresemba and Zevtera non-deferred revenue. Another factor is our effective cost management.

In 2020, we executed two strategic transactions, the sale of our corporate headquarters property and the issuance of a new and the partial repurchase of an existing convertible bond. These transactions have resulted in positive one-off effects on our operating result and cash flow and allowed us to improve our debt maturity structure.

2020 Key financials

127.6 mn
Total revenue
in CHF

non-deferred
78.2 mn

deferred
33.8 mn
Thereof revenue contributions Cresemba and Zevtera
in CHF

150.9 mn
Total cost and operating expenses
in CHF

8.2 mn
Operating loss
in CHF

167.3 mn
Year-end cash and
financial investments
in CHF

Guidance 2021

128–138 mn
Total revenue
in CHF

non-deferred
108–118 mn

deferred
2.5 mn
Thereof revenue contributions Cresemba and Zevtera
in CHF

149–154 mn
Total cost and operating expenses
in CHF

13–23 mn
Operating loss
in CHF

110–120 mn
Year-end cash and financial investments, excluding any potential impact from a reduction of the outstanding convertible bonds, in CHF

Milestones 2020

Key milestones achieved despite challenging times

Products		H1 2020	H2 2020
Isavuconazole			✓ Completed patient enrolment in phase 3 study in Japan *
Ceftobiprole			✓ Approval in China
Derazantinib	**FIDES-01** (iCCA)	✓ Completed patient enrolment in phase 2 registrational study (FGFR2 gene fusions)	
			✓ Interim results (other FGFR2 gene aberrations)
	FIDES-02 (urothelial cancer)		✓ Safety data and recommended phase 2 dose (RP2D) for derazantinib/atezolizumab combination and expansion into phase 2
	FIDES-03 (gastric cancer)	✓ Clinical supply agreement with Roche	✓ Started phase 1/2 study
			✓ Clinical trial collaboration and supply agreement with Lilly
Lisavanbulin			✓ Started phase 2 biomarker-driven glioblastoma study ✓ Full results of phase 1 study in glioblastoma

* early January 2021

Our strategy

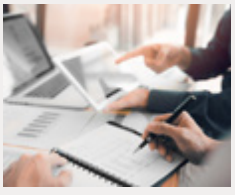
Foster

Foster an agile organisation based on a dynamic and open culture

Focus

Focus on continuously increasing cash flow from our two commercial-stage hospital anti-infective brands, Cresemba and Zevtera

Leverage

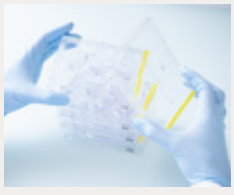


Leverage our expertise in bringing drugs from research to market by utilising appropriate partnerships with established organisations

Invest

Invest in our clinical portfolio of targeted, small molecule, oncology drug candidates and the phase 3 ceftobiprole program

Innovate



Continue to broaden our R&D pipeline through both internal and external innovation

Message from Domenico Scala,
Chairman of the Board

Dear shareholders

What a unique year! When we presented our 2019 achievements a year ago and provided an outlook for 2020, no one could have guessed that 2020 would be a year in which the coronavirus would have had such a devastating impact worldwide. Not only in economic terms but also very personally for each of us. Lock-downs, working from home, social distancing, wearing protective masks and the widespread use of video conferencing, instead of face-to-face meetings, have changed the world of work and social interaction forever.

At Basilea, we quickly adapted to the new situation and were able to remain fully operational the whole time. When communicating with investors and at scientific conferences, too, virtual formats quickly established themselves as the new standard. Also between management and the board of directors. Finally, we also celebrated Basilea's 20th anniversary as a virtual event with our employees. Looking back, we have achieved a lot since our founding in the year 2000.

Today, at the end of our annual reporting cycle, we confirm what we have already said at the half-year: We navigated the year 2020 very well! We started two new clinical studies, one each for our cancer drug candidates derazantinib and lisavanbulin and also made significant progress in our other development programs. Overall, we achieved all our major milestones – despite the negative business environment caused by the coronavirus. This is good news for patients because there is a huge unmet medical need in our focus areas and we are committed to improving therapies to increase both life expectancy and quality of life.

Of the various industrial sectors, the pharmaceutical industry has so far proved to be particularly robust in the face of the challenges posed by the coronavirus. So has Basilea with our two commercialized drugs, Cresemba for the treatment of invasive mold infections, e.g. in the lungs, and our antibiotic Zevtera. These are marketed through our partners, who continue working on gaining regulatory approvals in more and more countries. Based on the regulatory and commercial success of our partners, we received milestone payments totaling approximately 9 million Swiss francs in 2020. We are particularly pleased with the increase of Cresemba in-market sales in 2020, which are expected to have exceeded 250 million U.S. dollars globally. In line with our guidance, the revenue contributions from Cresemba and Zevtera increased to about 78 million Swiss francs, excluding the recognition of deferred income from payments received in previous years. This represents an increase of more than 13 percent over the previous year.

More than 13 percent increase in Cresemba and Zevtera revenue contributions (non-deferred)

These increasing revenues are driving our improving financial situation. With cash and cash equivalents and financial investments of 167 million Swiss francs, we exceeded our guidance and are financially well positioned to achieve all the potential value-creating milestones we have set ourselves for the next 24 months.

Message from David Veitch,
Chief Executive Officer

Executed two strategic financial transactions

Additionally during the coronavirus pandemic, we executed two strategic financial transactions. Firstly, the sale of our headquarters property and secondly the issuance of a new convertible bond in connection with the partial repurchase of the existing convertible bond issued in 2015. These transactions resulted in a positive one-off effect of about 15 million Swiss francs on our profit and loss statement and generated a cash inflow of approximately 59 million Swiss francs. Since then, we have continued the repurchase of the 2015 convertible bond. In total, we have reduced the outstanding nominal amount of the 2015 convertible bond by more than 50 million Swiss francs, thereby significantly improving our debt maturity profile.

Our new company headquarters will be in the Basel area, too, located on the GRID campus in Allschwil which is currently under construction and only a few kilometers from our current location. Its proximity to innovative start-ups, academic institutions and other biotech companies will allow us to benefit from the emerging life sciences and technology cluster. We also expect this move to have a positive impact on our mid-term operational and capital costs. Furthermore, we are already looking forward to the fact that after the move planned for summer 2022, all our Basilea employees in Switzerland will be working together at a single location instead of across multiple locations.

Significant progress in clinical pipeline

The continuation of existing clinical studies and initiation of new studies is an important signal to patients that, despite the coronavirus, the clinical evaluation of new agents continues to progress. Seven clinical studies are currently underway with our drug candidates, and a number of interim and topline results are expected from these studies throughout 2021 and 2022. Thus, a wealth of clinical data is going to be generated with a particular focus on our two clinical stage oncology compounds. In addition, we continue to make progress on the preclinical side and we are working towards progressing our next candidate into clinical development within the coming 12 to 18 months.

We would like to thank all our employees who, in the year 2020, were committed to the benefit of patients and contributed to the success of Basilea through their untiring efforts despite dealing with the hardships of the coronavirus pandemic. Our sincere thanks also go to you, our shareholders, for the confidence you have placed in us and for your continued support on our mission of improving the lives of patients.

Basel, February 2021

Domenico Scala
Chairman of the Board

David Veitch
Chief Executive Officer

About the feature story

Basilea's clinical pipeline features a drug candidate that is being tested for its efficacy in the treatment of gastric cancer. Read on to learn more about the causes and current treatment options for this type of cancer. We would like to thank Dr. Ingo Engel for this guest contribution and the insights he offers into the doctor-patient relationship, which is especially crucial in cancer cases.

When Dr. med. Ingo Engel took up his position as head of department at the Gesundheitszentrum Fricktal in 2018, he looked back on a professional career with more than twenty years of leadership experience. As a surgeon specialized in abdominal surgery and gastric cancer, he particularly appreciates interacting with his patients. In fact, he is convinced that on the basis of a strong doctor-patient relationship recovery is easier to achieve.

“In a doctor-patient relationship built on trust, a lot is possible”

Ingo Engel has served as the head of department for general and visceral surgery at the Gesundheitszentrum Fricktal for over two years: “I have never regretted the decision that brought me here.” Previously, he worked for almost 12 years as a senior physician at the District Hospital in Lörrach, Germany. “My work there was also very satisfying. Not only are the surgical possibilities here in Rheinfelden extremely interesting, I also get to spend much more time with my patients. That means I can take the time to sit down and talk,” says the 59-year-old. After all, the wish to engage with other people was among the top reasons prompting him to study medicine in the first place.

“I have never regretted the decision that brought me here.”

Personal encounters as a central theme

Before beginning his studies, Engel, who grew up in Höxter in North Rhine-Westphalia (Germany), completed a care work placement. “My job was to look after an elderly gentleman every morning. After a few days, I was given a different duty, which sparked a strong protest from said patient. He told me it was nice to be able to talk with me.” This episode was eye-opening and has run through his clinical practice like a thread ever since: “Skilful interaction with people can only be learned in practice.” Engel enjoyed his studies in Marburg an der Lahn immensely, passing his third and final state exam in 1988. He qualified as a senior surgeon in 1995 following six years of specialist training and has acquired further qualifications since then. He arrived in Lörrach in 2007, with various stops along the way. “Among other duties, I was responsible for the training of residents and was later appointed chair of the colon cancer center and the clinical ethics committee.”

Fascinated by abdominal surgery

Ingo Engel credits his "boss, teacher and role model" Professor Kummer, head of surgery in Baden-Baden at the time, with helping him find his speciality. "Because of him, I became fascinated with abdominal surgery. That motivated me to specialize as a visceral surgeon after completing my training in general surgery." The discipline centers on surgery of the abdomen and the abdominal wall.

From diagnosis to therapy of gastric cancer – a multi-professional concept

The Gesundheitszentrum Fricktal's care mandate does not include complex operations on patients with a stomach tumor. Still, Engel is involved with the affected patients in various ways, for example as an advisor or in relation to diagnostic measures. "At GZF, a gastric cancer diagnosis is generally made by our second partner at the abdominal center, the department for gastroenterology. Then the tumor is staged using various imaging techniques available at GZF, such as endoscopic ultrasound or computed tomography, in order to determine the spread of the disease," Engel summarizes. The next step involves the interdisciplinary tumor conference with the collaborators at St. Claraspital in Basel, with whom GZF jointly runs the abdominal and tumor centers. "Thanks to this collaboration, we are very well connected and at the cutting edge of our field," Engel explains. The tumor board meets every Thursday in a virtual conference. In cases of gastric carcinoma, the guiding principle is: "The times when a stomach cancer diagnosis was tantamount to surgery are behind us." Today, state-of-the-art therapy involves stage-appropriate treatment by a range of specialists. Oncologists and visceral surgeons work hand in hand when it comes to gastric carcinoma. Engel specifies that a patient may receive chemotherapy before and after an operation, depending on the stage of the disease, in order to optimize the chances of recovery. Engel being the devoted surgeon that he is, he doesn't miss the opportunity to emphasize that radical gastrectomy continues to be the standard treatment in patients with operable gastric cancer. And he adds: "The visceral surgeon therefore plays a pivotal role in stomach cancer therapy."

Bacteria as the main cause

Every year, about 940 people are diagnosed with gastric cancer in Switzerland, which corresponds to about two percent of all cancer cases. “At our hospital, only four to five patients a year are diagnosed with gastric cancer,” says Engel. The fact is: gastric cancer affects many more men than women. “Smoking and alcohol are the main risk factors for gastric cancer, and men still indulge in these more frequently than women,” Engel explains. However, we now know that bacteria called *Helicobacter pylori*, discovered as recently as 1983, are the dominant cause for gastric cancer. “The bacteria lead to chronic inflammation and can eventually cause the cancer.” At the same time, Engel notes that the incidence of gastric carcinoma has been in the decline in Europe since 1940: “This is due to the universal availability of refrigeration through freezers and fridges.” We can now eat fresh fruit and vegetables even in winter, and these foods contain substances that protect us from gastric cancer. The success of refrigeration also means that meat less frequently needs to be cured or smoked to make it last longer – two preservation methods that rely heavily on salt and may contribute to the development of gastric carcinoma. Surgical interventions in the stomach also increase the risk of cancer: “Patients who have had gastric surgery may develop so-called gastric stump cancer twenty years on.” He advises such patients to undergo regular screening as a precaution.

A healthy lifestyle prevents disease

All of this leads us to the question: What are the best means of prevention? "Nutrition and a healthy lifestyle definitely top the list," Engel concludes. He recommends a high-vitamin diet rich in fruit and vegetables. It is also advisable to eat plenty of protein: "Meaning fish and white meat, not red meat. These foods are proven to have a preventive effect." Lots of fresh air and exercise also help to prevent disease. For a patient newly diagnosed with gastric cancer, this initially is a matter of life and death. "Once this phase is overcome, reflecting on what a healthy lifestyle would look like is definitely a good idea," says Engel. But the next steps depend on the scope of the intervention: "Surgical treatment normally means removing the entire stomach." But it doesn't end there. The lymph nodes surrounding the stomach needs to be removed as well, a difficult operation in proximity to very sensitive organs such as the pancreas, esophagus and spleen. According to Engel, the preferred means to fight gastric cancer in our part of the world are so-called combination chemotherapies. Their purpose is to reduce the tumor mass before a planned surgical intervention. "This kind of treatment is tough for patients because it involves powerful chemotherapeutic agents with the corresponding side effects," Engel explains.

Classifying gastric cancer

Engel calls the role of the histological diagnosis "decisive" when it comes to therapy. This is not least due to the classification of gastric carcinoma established by the Finnish pathologist Pekka Laurén: "The so-called Laurén classification distinguishes between the aggressive type, which almost always necessitates a complete gastrectomy, and the less aggressive but more common type, where, depending on the location of the cancer, part of the stomach can be preserved," Engel clarifies. The subsequent molecular analyses are also important. "This tends to be the case where particular issues – such as family history – are relevant. In these cases, certain markers provide additional information that can have therapeutic consequences." When asked about possible further advancements in the treatment of gastric cancer, the department head explains: "Gastric carcinoma and its treatment have become a model for interdisciplinary collaboration among specialists." The oncologist and chemotherapy are first in line, followed by the surgeon performing highly differentiated, specialized treatment in the operating room, then it's back to the oncologist. The radiation therapist, on the other hand, only rarely becomes involved, because radiation is not very effective in cases of gastric carcinoma.

Listen, be present, stay flexible

Engel is convinced that in his role as physician, he must be able to "listen closely" to his patients. "Listening allows me to gain an enormous amount of information." When it comes to his team, he pays special attention to transparency and mutual respect and appreciation. What is the greatest challenge in his everyday work? Definitely being able to summon the necessary flexibility, says Engel. "But I actually enjoy working in an acute care hospital and constantly having to replan, for example if we were to get a sudden emergency admission." Engel and his team are supported by psycho-oncologists associated with the interdisciplinary breast center in Rheinfelden. "We also solicit their support for our gastric cancer patients. But of course our team is called to look after our patients and do all we can to reduce their distress."

Opening up perspectives

At the time of diagnosis, we explain to the patient and family members how severe the disease is. "Sometimes we already discuss therapeutic options," Engel explains. After discussing the case in the tumor conference with the Claraspital, the main task is to help the patient understand the recommendations, so he or she can begin to accept the disease. "Even in the midst of despair, it's important for the patient to see a way forward." One of the key questions at this point is how advanced the cancer is and whether it has metastasized, says Engel. "If the cancer has already spread, it's a hard conversation to have. For these patients, there really is no hope of getting better. It is our duty to give them as much support and care as possible." For other patients, however, the chances of recovery are intact. "Simply emphasizing this point is extremely important," Engel asserts.

When asked about the impact of gastric cancer on the lives of patients, Engel picks up this poem:

It's just a point, not even pain –
It's just a feeling you perceive –
And yet it hangs around your thoughts,
And yet it makes it hard to breathe.

And when you try to tell your friends,
You find you cannot find the words.
You tell yourself: "this is no end."
And yet there's no peace from its birth.

And now the world becomes so strange,
And quietly your hopes depart,
Until you see at last – at last! –
That death's dark arrow's found your heart.

"Beginning of the End" by the German writer Theodor Storm, who died of gastric cancer in 1888. (Translation by Angus Clark)

According to Ingo Engel, Theodor Storm's poem highlights a core truth: "Tangible symptoms of gastric cancer generally do not appear until very late. The patient grows weaker, experiences a loss of appetite and an aversion to meat." If the operation is successful, patients are confronted with a radical change in lifestyle because they have to completely change their eating habits. "Losing one's stomach means a steady loss of weight, for at least a year, and forces patients to take small, regular meals." If patients come to grips with these changes, there is a good chance of recovery. Ingo Engels remembers a female patient who underwent a minimally invasive gastrectomy in 2019 and is doing well. "In my view, this is a wonderful success story."

Finding balance through photography

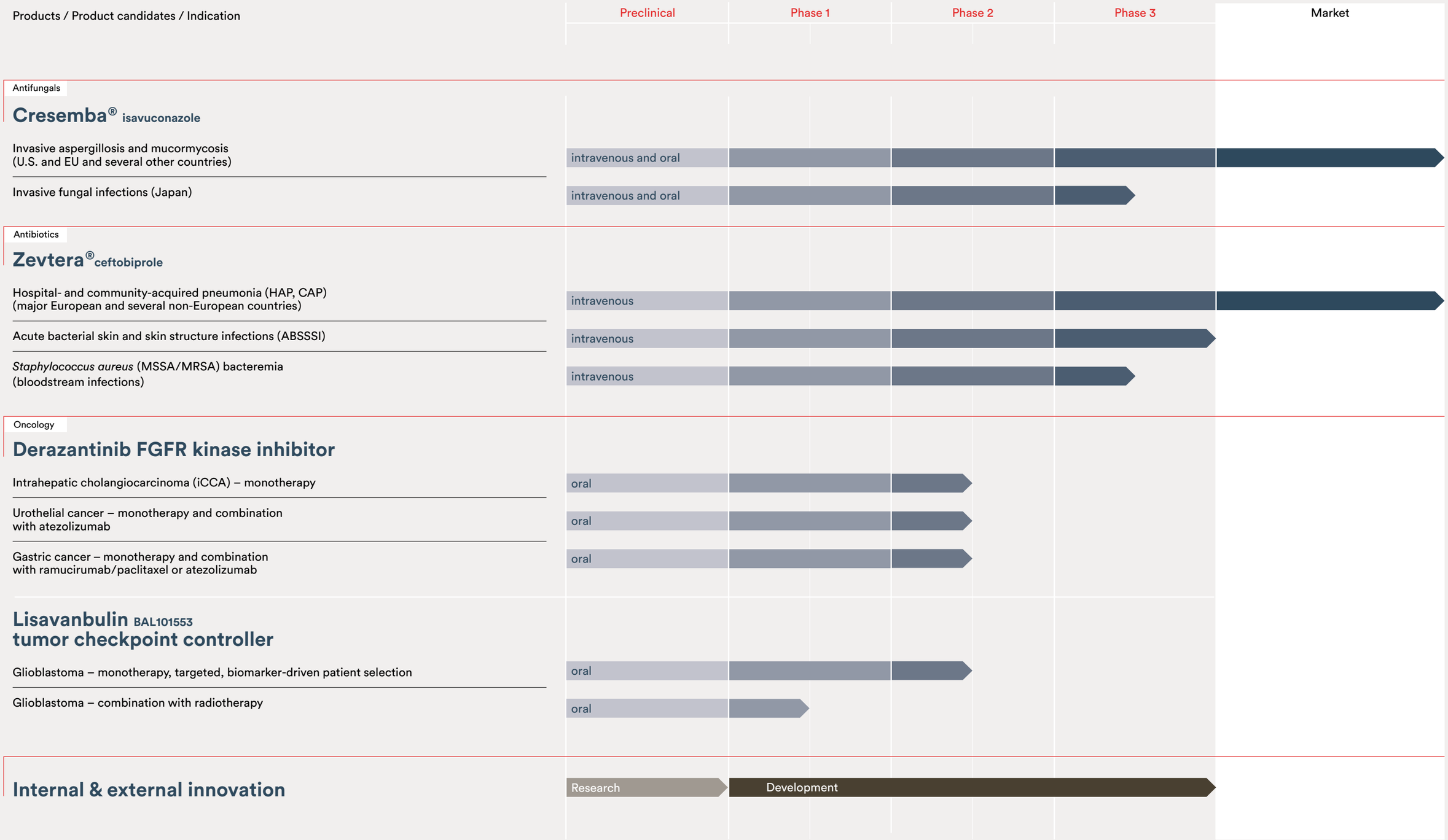
Ingo Engel lives in Grenzach-Wyhlen. He normally gets up at five AM and doesn't return home until late in the evening. He draws strength from his family of four. "My wife is my greatest source of support. As a surgical nurse, she knows exactly what I face at work and sometimes I bring it home with me," says the father of two teenagers. After a day's work, he needs some time to himself. "In those moments, I like to read, for example the magazine 'Zeit Wissen'." Photography is another of his passions that provides some balance. When he was younger, he used to have his own dark room and supplemented his income with occasional stints as a sport reporter for a newspaper.

The magic of spontaneity

For his 40th birthday, Professor Kummer, Engel's mentor during his time in Baden-Baden, gave him a Leica. "Today, the camera is proudly placed in my display cabinet, ever since I reluctantly switched to digital photography." Engel loves to print photos and give them away – especially snapshots. There have even been moments when he has toyed with the idea of switching careers and becoming a photographer, despite the fact that he still considers his current profession his dream job. "But every now and then I would quite like to be a photographer who takes pictures at events and special occasions – making the most of the available light. I am intrigued by situations that call for spontaneity." But the greatest gift of all, Engel emphasizes, is to be at home with his family. He wouldn't trade that for anything in the world.

One last question: What insights has Ingo Engel gained from his years of experience working with cancer patients? "If a good relationship is established between patient and doctor, the fascinating thing is that anything is possible. Even a full recovery in the face of what appears to be a grim prognosis."

Portfolio


Products / Product candidates / Indication
Preclinical
Phase 1
Phase 2
Phase 3
Market
Antifungals
Cresemba® isavuconazole
Invasive aspergillosis and mucormycosis (U.S. and EU and several other countries)
intravenous and oral
Invasive fungal infections (Japan)
intravenous and oral
Antibiotics
Zevtera® ceftobiprole
Hospital- and community-acquired pneumonia (HAP, CAP) (major European and several non-European countries)
intravenous
Acute bacterial skin and skin structure infections (ABSSSI)
intravenous
Staphylococcus aureus (MSSA/MRSA) bacteremia (bloodstream infections)
intravenous
Oncology
Derazantinib FGFR kinase inhibitor
Intrahepatic cholangiocarcinoma (iCCA) – monotherapy
oral
Urothelial cancer – monotherapy and combination with atezolizumab
oral
Gastric cancer – monotherapy and combination with ramucirumab/paclitaxel or atezolizumab
oral
Lisavanbulin BAL101553 tumor checkpoint controller
Glioblastoma – monotherapy, targeted, biomarker-driven patient selection
oral
Glioblastoma – combination with radiotherapy
oral
Internal & external innovation
Research
Development

Products and clinical pipeline

We discover, develop and commercialize innovative medicines for the treatment of cancer and infectious diseases.

In both the areas of cancer and infectious diseases, we have all the capabilities to progress new drugs from research through development to the market. Our drugs are "small molecules" that we design specifically to attack their respective targets.

Small molecules
Small molecules are drug substances with a comparatively low molecular weight. They have the advantage that they are usually accessible by chemical synthesis whereas protein-based drugs such as antibodies are manufactured using complex biotechnological processes.

Since resistance to currently available drugs is a major problem in healthcare, we are focused to overcome such resistance and develop drugs with a profile that is well-differentiated from other medications to meet the medical need of patients in our target populations.

Oncology

More than ten years ago, we started to build a new business pillar in the cancer therapy area in addition to infectious diseases. We take a biomarker-driven approach already at a very early stage of development. Biomarkers help us, for example, to elucidate the mechanism of action of a potential drug, determine quickly the optimal dose for clinical studies and, above all, allow us to identify those patients who are most likely to respond to treatment. They also guide us in identifying early on potential combination therapies that may provide complementary or synergistic activities. Also, biomarkers may provide the basis for optimizing the development strategy and define the positioning and differentiation of our drug candidates.

Biomarkers
Biomarkers are indicators of normal but also disease-related processes that can be measured and evaluated to determine the course of a disease, the effects of treatments or the selection of drugs for a certain disease. They can come from very different areas, such as gene mutations, proteins or other parameters. For example, certain drugs work particularly well in patients with a specific gene mutation or over-expression. The identification of a biomarker can help physicians to determine the best possible therapy.

There were more than 19 million new cancer cases worldwide in 2020

Derazantinib

Derazantinib is the most advanced drug candidate in our oncology portfolio. We acquired the license for the drug in 2018 from the U.S. company ArQule Inc., which is now a wholly owned subsidiary of Merck & Co. Inc. This is a global license with the exception of China, Hong Kong and Macao.

Derazantinib belongs to the drug class of FGFR inhibitors. FGFR stands for Fibroblast Growth Factor Receptor. As the name suggests, these receptors are involved in the transmission of growth signals. If regulation of this process is impaired, uncontrolled cell proliferation can occur, i.e. the development and promotion of cancer. In fact, changes in the FGFR genes, such as fusions, amplifications and mutations have been identified as important drivers of various types of cancer. Due to this broad potential, we refer to derazantinib as a "pipeline in a product". Derazantinib can be administered in capsule form, which is convenient for patients.

Derazantinib provides a "pipeline in a product"

Derazantinib is particularly active against altered variants of FGFR1, 2 and 3 and has already demonstrated initial proof of concept in a phase 1/2 clinical study in patients with intrahepatic cholangiocarcinoma (iCCA), a form of biliary duct cancer. Its side effect profile was found to be manageable and the general side effects were in line with the drug class. In comparison with data from scientific publications on other FGFR inhibitors, however, derazantinib appears to stand out positively in terms of certain side effects. For example, retinal events, nail toxicities, hand-foot syndrome (associated with painful swelling and redness), or inflammation of the oral mucosa were reported less commonly in patients treated with derazantinib. This differentiation based on safety and tolerability could be an important aspect in the positioning of derazantinib as monotherapy and may provide more flexibility in pursuing combination therapies.

Under the acronym FIDES, Basilea is currently conducting three clinical studies to investigate derazantinib in different cancer types and to support the differentiation versus other FGFR inhibitors.

FIDES-01 is a registrational phase 2 study in biliary duct cancer (iCCA). Details of the study can be found on ClinicalTrials.gov under identifier number NCT03230318.

NCT number
The National Clinical Trial (NCT) number is a unique identification code assigned to each clinical study registered on ClinicalTrials.gov, a web-based resource that provides patients, their family members, health care professionals, researchers and the public access to information on clinical studies conducted all over the world.

The study includes two cohorts of patients. First, patients with FGFR2 gene fusions, i.e. a patient population that is comparable to patients included in the proof-of-concept study mentioned previously. In a second cohort, derazantinib is being tested in iCCA patients with other aberrations of the FGFR2 gene, namely mutations and amplifications. In October 2020, Basilea presented an analysis of data from patients with FGFR2 gene mutations/amplifications at the European conference "Molecular Analysis for Precision Oncology", which showed, among other things, a similar progression-free survival as was previously reported for patients with gene fusions. This is good news for these patients as there has been limited clinical evidence that FGFR inhibitors may be beneficial for patients with these mutations or amplifications. Therefore, these findings may strengthen the clinical evidence on the differentiated profile of derazantinib versus other FGFR inhibitors as it may also be used beneficially in this extended patient population.

The other two FIDES studies, FIDES-02 in urothelial (bladder) cancer (NCT04045613), which started in 2019, and FIDES-03 in gastric (stomach) cancer (NCT04604132), which started in 2020, are focused on testing derazantinib as a single agent as well as in combination with other anticancer drugs.

The primary mode of action of derazantinib is its inhibition of the FGFR family of kinases. However, from preclinical studies we know that derazantinib also inhibits the kinase activity of the so-called Colony-Stimulating-Factor-1-Receptor (CSF1R). This is a promising further target, as it is known that CSF1R inhibition can increase the sensitivity of tumors to immunotherapy. Immuno-oncology approaches are currently regarded as groundbreaking in cancer therapy. However, they do not work equally well in all patients, so different approaches are being sought to improve the outcome for patients through the combination of immunotherapy with other agents.

Achieving differentiation by leveraging the unique properties of derazantinib

This unique kinase inhibition profile of derazantinib targeting different mechanisms relevant in cancer biology may provide a unique opportunity to see synergistic effects in combination therapy and to provide clinical differentiation versus other FGFR inhibitors. This is why we are testing derazantinib not only as monotherapy but also in various combinations.

In 2019, we signed a clinical supply agreement with Roche for their immuno-oncology compound atezolizumab, a so-called PD-L1 checkpoint inhibitor, to evaluate such a derazantinib/atezolizumab combination in the FIDES-02 study. In 2020, we extended this agreement to the FIDES-03 study, to study the combination in patients with stomach cancer. Interim results from the FIDES-02 study demonstrated that it is possible to combine the two treatments. This is particularly encouraging as it adds further evidence to derazantinib's manageable safety and tolerability profile, also in combination therapies.

In addition, we were able to show in preclinical models that derazantinib has an anti-angiogenic effect that could contribute to the overall activity of the compound against FGFR-dependent tumors. Anti-angiogensis is the prevention or modulation of the formation of new tumor blood vessels. This is an established approach in cancer therapy to prevent the tumor from forming new blood vessels to secure the supply of oxygen and nutrients needed for further growth. In the standard treatment of advanced stomach cancer, for example, the anti-angiogenic agent ramucirumab from the pharmaceutical company Eli Lilly & Company is used, either alone, or in combination with the chemotherapeutic agent paclitaxel. In 2020, we concluded a Clinical Trial Collaboration and Supply Agreement with Eli Lilly and Company, which covers the supply of ramucirumab to be studied in combination with derazantinib in the FIDES-03 study.

Next milestones

- Publication of FIDES-01 topline results of Cohort 1 (patients with iCCA and FGFR2 gene fusions) is expected in the first quarter of 2021 and interim results of Cohort 2 (patients with iCCA and FGFR2 gene mutations or amplifications) are expected to be available in the first half of 2021.
- Interim results from FIDES-02 (urothelial cancer) in derazantinib monotherapy are expected to become available in the first half of 2021 and interim results for the combination with atezolizumab are anticipated for the second half of 2021.
- Interim results from FIDES-03 (gastric cancer) in derazantinib monotherapy and the recommended phase 2 dose for the combination with ramucirumab and paclitaxel are expected to become available in the second half of 2021.

Lisavanbulin

The second drug candidate in our oncology portfolio is lisavanbulin, which was in previous publications referred to as BAL101553. Basilea developed this drug internally.

Lisavanbulin interferes with the division of tumor cells by binding to the microtubules involved in the correct alignment of chromosomes, ultimately blocking this process. This activates the so-called spindle assembly checkpoint, which triggers a process that eventually leads to tumor cell death. Because of its direct effect on the spindle assembly checkpoint, we also call lisavanbulin a tumor checkpoint controller.

Like all our drugs in development, lisavanbulin is a "small molecule". As it is able to cross the blood-brain barrier, which is a rarely found property for this class of anticancer medicines, we believe it is particularly suitable for the treatment of brain cancer. We have already been able to confirm this in preclinical models and have seen profound response or clinical benefit in a small number of patients with glioblastoma across different clinical studies. Glioblastoma is a particularly aggressive form of brain cancer. The fact that lisavanbulin is active in cells which have developed resistance to other microtubule targeting agents is another advantage that has been shown in preclinical models, too. Lisavanbulin is available in capsule form for oral administration, but can also be administered as intravenous infusion.

Exploring lisavanbulin in a targeted, biomarker-driven approach in glioblastoma

Two studies with oral lisavanbulin are currently underway in patients with glioblastoma. Here again, we are applying our concept of early biomarker use. In the first part of the phase 1/2 study with the ClinicalTrials.gov identifier NCT02490800, a reduction of the tumor surface area by more than 80% was observed in one glioblastoma patient. Upon closer examination, it was discovered that this patient's tumor had particularly large quantities of the protein EB1 (end-binding protein 1). EB1 is known to play an important role in the regulation of microtubule structures during cell division.

This seems to fit well with the mechanism of action of lisavanbulin and preclinical animal models confirmed that high EB1 levels are response-predictive for lisavanbulin. If EB1 could be validated as a response-predictive biomarker in patients, too, this would allow a very targeted development of lisavanbulin.

In 2020, we therefore initiated the phase 2 part of the study NCT02490800, which exclusively consists of glioblastoma patients whose tumor tested positive for EB1. To detect EB1 in tumor tissue, an assay for EB1 staining of glioblastoma tissue is used that was specifically developed for our clinical studies with Lisavanbulin. By using EB1 as a biomarker, we expect that the study will rapidly yield results.

In parallel, another phase 1 study is ongoing in the U.S. with patients with newly diagnosed glioblastoma (ClinicalTrials.gov identifier NCT03250299). Lisavanbulin is being evaluated in combination with radiotherapy after the tumor has been surgically removed to the extent possible. This study is conducted in collaboration with the Adult Brain Tumor Consortium (ABTC). It enrols patients who are expected to have no or only limited benefit from standard chemotherapy with the drug temozolomide. Since lisavanbulin has a different mode of action, it may be beneficial for these patients.

Next milestones

- Interim results of the biomarker-driven phase 2 study in recurrent glioblastoma are expected to become available in the second half of 2021.
- The recommended phase 2 dose in the ABTC study is expected to be determined in the second half of 2021.

BAL3833

In 2020, we terminated the development of the drug candidate BAL3833, because, despite promising preclinical data, we were not able to develop a formulation that would deliver a sufficient amount of the drug to the tumor tissue.

In turn, in 2020 we prioritized the development of two potential new drug candidates which could potentially enter preclinical, IND-enabling studies within the next 12 months. If these studies prove to be successful, we could then move on to initiating first clinical studies in cancer patients.

Infectious diseases

Drugs against infections caused by fungi and bacteria form the second pillar of our business. We have successfully launched two anti-infectives brands: the antifungal Cresemba with the active substance isavuconazole and the antibiotic Zevtera with the active substance ceftobiprole. Both brands have been developed internally. These brands have been launched in an increasing number of markets around the world by our commercial partners. They are generating increasing revenues year on year, as patients are increasingly being prescribed our brands and as we launch in new countries. Our commercial partnerships cover over 100 countries worldwide.

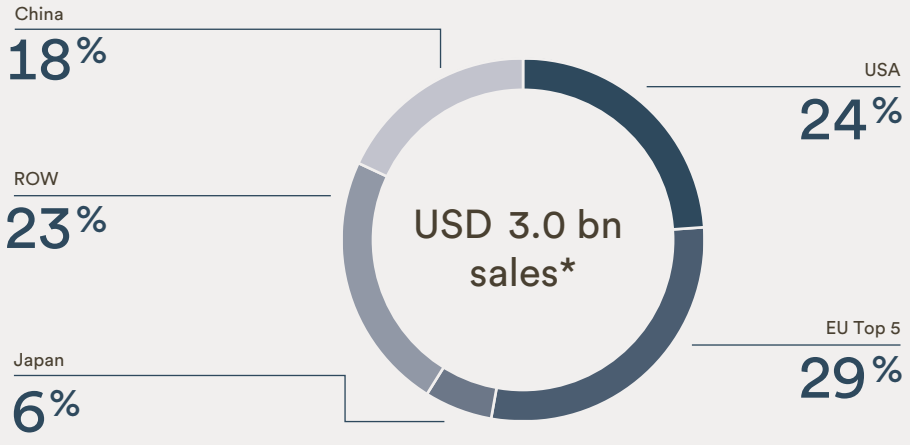
Cresemba

It is estimated that more than 1.5 million people die of fungal infections every year. Invasive fungal infections are particularly dangerous, i.e. when the infections affect internal organs such as the lungs or the brain. This is a growing global health problem, as the number of people with immunodeficiency, for example undergoing cancer treatments, is increasing year by year. While immunocompetent people are unaffected by airborne fungal spores, inhaling such spores may cause life-threating lung infections in immunocompromised patients. Such infections are often caused by *Aspergillus* species, which is a mold that exists basically everywhere in the environment. The type of infection caused by *Aspergillus* molds is called invasive aspergillosis. Another important group of pathogens are the so-called Mucormycetes molds, which are found for example in soil. They have emerged as the second most common pathogen to cause invasive mold infections. The mortality of mucormycosis is high and depending on the location and extent of the infection more than 50 percent of mucormycosis patients die from this infection.

The active drug substance in Cresemba, isavuconazole, belongs to the azole class of antifungal compounds. Azoles block fungal growth and replication through inhibition of an essential enzyme. Isavuconazole is the only azole antifungal approved for the treatment of both invasive aspergillosis and mucormycosis. This is an important feature because the two infections are difficult to differentiate clinically. Cresemba was first launched in 2015 and we expect that it will have market exclusivity until at least 2027 both in the U.S. as well as in the European Union.

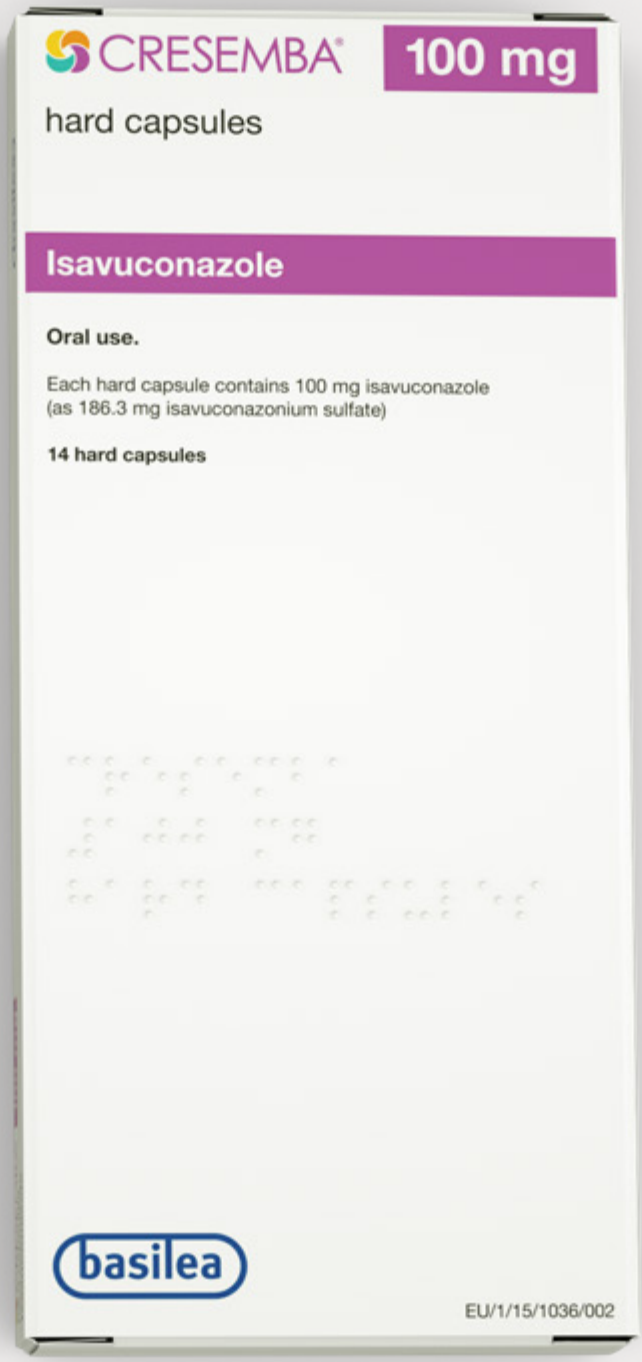
Cresemba is a global opportunity as is illustrated by the following breakdown of the largest markets for best-in-class antifungals. We have therefore entered into licensing and distribution agreements covering about 115 countries, as shown on the map on pages 6 and 7.

Significant sales of best-in-class antifungals in all major regions – Covered by our partnerships



Best-in-class antifungals: isavuconazole, posaconazole, voriconazole, AmBisome, anidulafungin, caspofungin, micafungin
* IQVIA, September 2020. Sales reported as moving annual total (MAT) in U.S. dollars corrected for currency fluctuations.

Cresemba® (isavuconazole)
a marketed intravenous and oral azole antifungal for the treatment of invasive mold infections*



*Isavuconazole is approved in the United States for patients 18 years of age and older for the treatment of invasive aspergillosis and invasive mucormycosis. In the EU, isavuconazole is approved for the treatment of adult patients with invasive aspergillosis and 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.

Cresemba is currently on the market in around 50 countries, including the United States, most EU member states and several other countries in and outside Europe. In 2020, Cresemba gained approval in Russia and Brazil and was launched in Australia and Taiwan, among others, which resulted in about CHF 6 million regulatory and launch milestone payments for Basilea.

2020	Approvals	Launches
Cresemba	India, Russia, South Korea, Taiwan, Thailand	Australia, Brazil, Cyprus, Ecuador, Hong Kong, India, Poland, Saudi Arabia, South Korea, Taiwan, Thailand

The number of countries in which Cresemba is launched is expected to increase to more than 60 by the end of 2021. For the 12-month period ending September 2020, global "in-market" sales of Cresemba generated by our partners totaled USD 244 million. This represents a more than 28 percent growth over the same period of the previous year.

Cresemba 2020 global in-market sales are expected to have exceeded USD 250 mn

In 2020, important progress was made toward making Cresemba available to patients in additional countries. For example, the Chinese regulatory authority accepted for review Pfizer's applications for marketing authorizations for the treatment of invasive aspergillosis and mucormycosis. Early 2021, our partner Asahi Kasei Pharma has completed patient enrolment for the phase 3 study required for a marketing authorization application in Japan. Details on the study are published on ClinicalTrials.gov under identifier NCT03471988.

Next milestone
Topline results from the phase 3 study in Japan are expected to become available in the second half of 2021.

Zevtera

Bacterial infections continue to pose a serious threat to health, particularly when caused by resistant bacteria. Just recently, the World Health Organization warned that growing antimicrobial resistance is one of the greatest health threats of our time and that the world is running out of effective treatments for several common infections.

According to current estimates, approximately 2.4 million people fall ill each year from infections resulting from a stay in a hospital or another care facility. These result in about 77 000 deaths per year in the EU and European Economic Area (EEA) alone. Of these, pneumonia and bloodstream infections together account for about 40 percent.

Ceftobiprole, the active drug substance of Zevtera, is a cephalosporin. Cephalosporins are structurally derived from penicillins. Just like penicillins, they inhibit certain processes in the formation of the bacterial cell wall, leading to the dissolution of the cells and ultimately the death of the bacteria.

Gram-positive and Gram-negative bacteria
Differentiation based on the so-called Gram-staining process. Gram-positive bacteria retain color while Gram-negative bacteria do not. Structurally, Gram-positive bacteria have one inner lipid membrane. Gram-negative bacteria in addition have a second outer lipid membrane, which makes it more difficult for drugs to attack, contributing to the intrinsic antibiotic resistance of Gram-negative bacteria The target for ceftobiprole are the penicillin-binding proteins.

Ceftobiprole is particularly effective against methicillin-resistant *Staphylococcus aureus* (MRSA), a Gram-positive bacterium believed to be responsible for a large proportion of deaths from antibiotic resistant infections. Ceftobiprole is also active against many Gram-negative bacteria. This broad-spectrum activity supports the use of ceftobiprole in various types of infections caused by a broad range of pathogens. Zevtera is administered as an intravenous infusion and therefore used primarily in the treatment of severe bacterial infections in the hospital.

Zevtera was approved in first European countries in late 2013 for the treatment of community- and hospital-acquired pneumonia. The brand is currently marketed in around 20 countries. In line with our commercialization strategy for Cresemba, we have entered into license and distribution agreements for Zevtera with a number of regional partners. These currently cover more than 80 countries. We therefore expect that the number of countries in which Zevtera is marketed will continue to increase in the coming years. Importantly, in 2020, our partner CR Gosun obtained regulatory approval for Zevtera in China and we are currently supporting CR Gosun prepare for launching the brand in this important market.

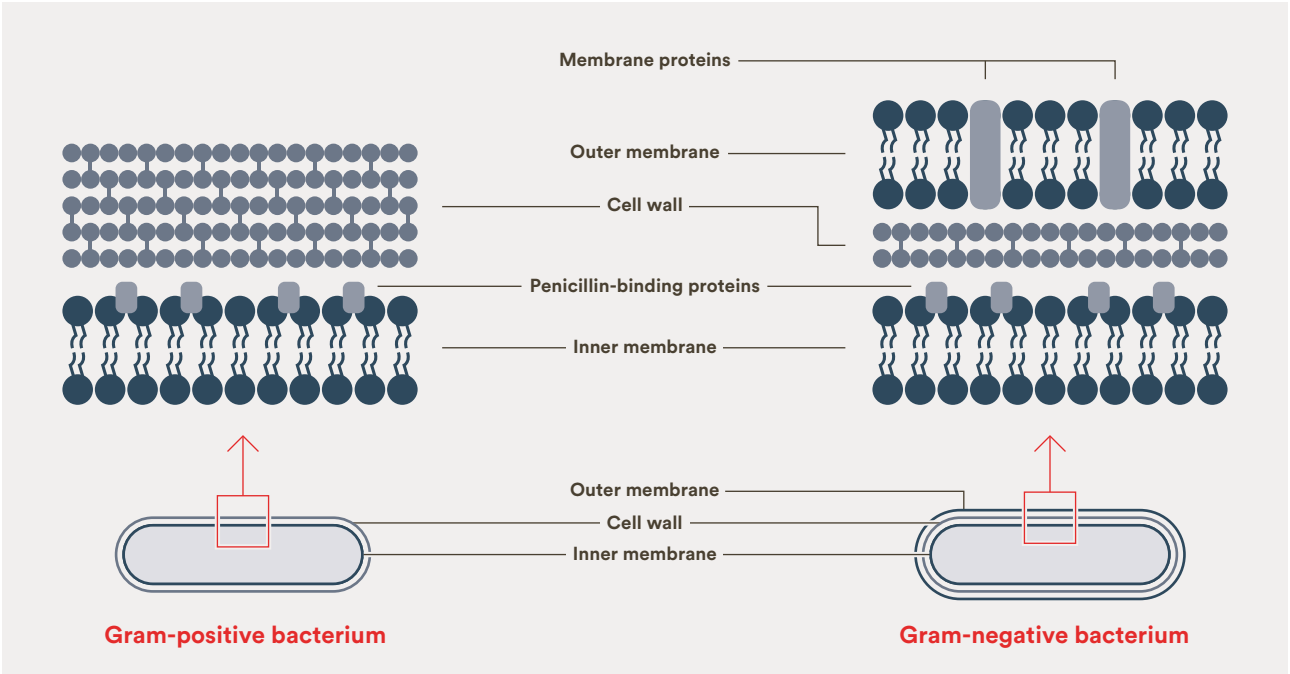


Illustration adapted from: https://basicmedicalkey.com/drugs-that-weaken-the-bacterial-cell-wall-i/

However, the potentially commercially largest market by far for Zevtera is the United States, partly due to the fact that the incidence of MRSA infections in the U.S. is particularly high. We are therefore making great efforts to obtain approval for the drug in the U.S.

In alignment with the U.S. regulatory authority, FDA, we initiated two phase 3 studies in 2018 to support the U.S. approval of ceftobiprole. This phase 3 program is supported by non-dilutive funding by the Biomedical Advanced Research and Development Authority (BARDA) under contract number HHSO100201600002C. BARDA is part of the U.S. Department of Health and Human Services and an important source of government funding for the development of new antibiotics. BARDA will reimburse us about 70 percent of the total estimated program costs up to approximately USD 130 million.

The first of the two studies, called TARGET and treating patients with bacterial skin infections, was successfully completed in 2019. Information on the study is available at ClinicalTrials.gov under identifier NCT03137173.

ERADICATE is the second and last phase 3 study necessary for a regulatory filing in the U.S.

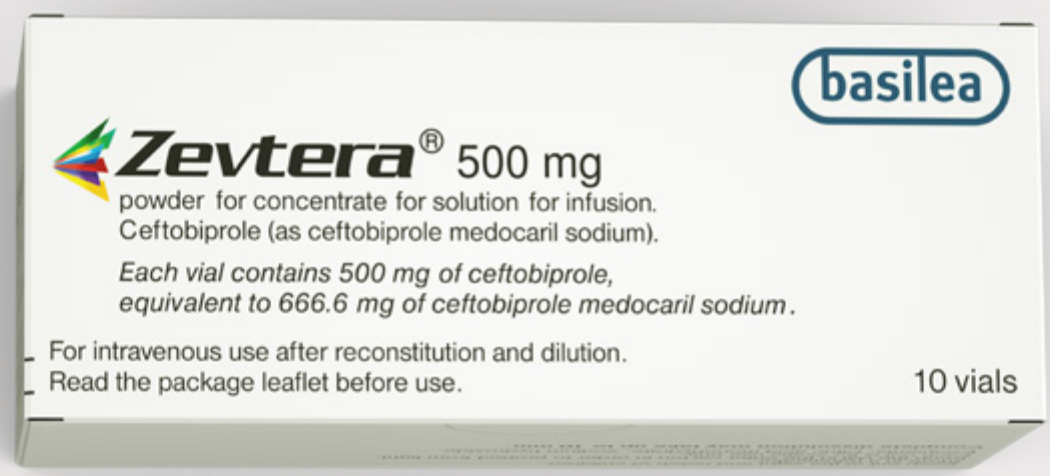
In the second study, called ERADICATE (ClinicalTrials.gov identifier NCT03138733), we are currently investigating ceftobiprole in the treatment of patients with bloodstream infections caused by *Staphylococcus aureus*, also referred to as *Staphylococcus aureus* bacteremia (SAB). With its broad spectrum, including MRSA, ceftobiprole is well positioned to meet the currently underserved medical need of patients with SAB, for which only few antibiotics are approved. In 2020, the FDA approved an extension of the maximum treatment duration in the ongoing ERADICATE study from four weeks to now six weeks. This means that patients with more severe infections or complications can also be treated with ceftobiprole.

If ERADICATE is successfully completed, like TARGET before, a New Drug Application, would be submitted to the FDA. Should ceftobiprole be approved in the U.S., it would be protected from generic competition for ten years, based on the extended market exclusivity that comes with its Qualified Infectious Disease Product (QIDP) status granted by the FDA. The QIDP status is available for drugs that treat infections caused by the most dangerous pathogens. This 10-year exclusivity in the most important market provides an attractive future opportunity for Zevtera.

Considering the limited number of novel treatments against infections caused by antibiotic-resistant bacteria in development, Zevtera is addressing an urgent medical need. It may therefore also benefit from additional initiatives currently considered in the U.S., which aim at providing further incentives for the development of new antibiotics and improving the business environment for the commercialization of antibiotics.

Next milestone
Patient enrolment into the ERADICATE study is expected to be completed by year-end 2021.

Zevtera®
(ceftobiprole)
a marketed intravenous cephalosporin antibiotic for the treatment of severe bacterial infections in the hospital, including infections caused by methicillin-susceptible and resistant *Staphylococcus aureus* (MSSA/MRSA)*



*Ceftobiprole is approved in major European countries and several non-European countries for the treatment of adult patients with hospital-acquired pneumonia (HAP, excluding ventilator-associated pneumonia, VAP) and community-acquired pneumonia (CAP). Not approved in the United States.

Research and development (R&D) at Basilea

Basilea has a proven track record of bringing drugs from research through clinical development all the way to the market.

Our experienced scientists are key for Basilea's success. The team is built from experts from all disciplines that are necessary for successful drug discovery and development. In addition, their expertise is instrumental when evaluating potential in-licensing candidates as well as for the continued profiling of our drug candidates throughout clinical development, which is key for their positioning and differentiation.

The drug candidates emerging from our internal drug discovery activities together with programs in-licensed from external partners allow us to expand our pipeline of innovative drugs towards achieving our mission to ultimately bring new, safe and efficacious treatments to patients.

Embedded in one of the most important life science clusters in Europe and in the neighborhood of renowned universities, our scientists find the perfect environment for the development of innovative drugs. The planned move in 2022, to our new headquarters on the GRID campus, with state-of-the-art laboratory technology and infrastructure, will move the company even closer to the center of innovation.

2021 will bring a change to the R&D organization as we have entered into an agreement to sell our R&D subsidiary Basilea Pharmaceutica China Ltd. (BPC). Since 2002, our Chinese colleagues have been a great support for our R&D projects and we would like to thank them for their valuable contributions. We are convinced that the new structure will allow them to even better leverage their expertise and broaden their customer base. At the same time, it enables us to further increase our flexibility in sourcing external R&D services while optimizing our future cost structure. The acquirer of BPC has committed to maintaining R&D services to Basilea through the existing site in China. This ensures continued seamless support for our ongoing R&D projects.

Oncology

A focus of our oncology R&D is on compounds that target dysregulated growth signaling, for instance through kinases, which quite frequently is the reason for the development of cancer. Kinases are enzymes that regulate many cell functions including growth. In cancer, kinases can be overly active. Therefore, the inhibition of such kinases may stop tumor growth. There are a number of kinases that are used successfully in the treatment of cancer.

An example for such a compound is the kinase inhibitor derazantinib. Derazantinib is a small molecule inhibitor of the FGFR (fibroblast growth factor receptor) family of kinases. Small molecule drugs are the core expertise of our team and the focus of our internal discovery and in-licensing activities. This expertise was also key in the development of our already successfully marketed anti-infective drugs, Cresemba and Zevtera.

ⓘ See p. 26 for an explanation on small molecules

Our research team has mapped out derazantinib's unique kinase inhibition profile in order to fully understand and leverage the potential for differentiation compared to other drugs on the market or in development. This resulted in the selection of potential partners for combination treatment, namely Roche's immuno-oncology drug atezolizumab, based on derazantinib's inhibition of the colony-stimulating factor 1 receptor (CSF1R) kinase, and Lilly's anti-angiogenic drug ramucirumab.

Another area of expertise at Basilea is the identification of biomarkers and their use in development. Biomarkers are crucial for lisavanbulin, our second small-molecule drug candidate for the treatment of cancer, as well as for derazantinib. One example of a biomarker that may be relevant for the targeted development of lisavanbulin is EB1 (end-binding protein 1), which we are exploring as a potential response-predictive biomarker for our glioblastoma program with this drug candidate.

(i) See p. 26 for an explanation on biomarkers

In addition to significantly contributing to the development of these two drugs, Basilea's research team is advancing our preclinical oncology portfolio, which includes projects from internal research and in-licensed/externally sourced programs. When selecting new drug candidates, it is very important to us that these compounds clearly stand out positively from the currently available drugs and have the potential to bring real benefits for patients. Be it through better efficacy, better safety and tolerability, or ideally all of the above.

Infectious diseases

Basilea's R&D team has successfully demonstrated their expertise in infectious diseases with the approval of the antifungal Cresemba and the antibiotic Zevtera in a growing number of countries. We are now applying our knowledge to the development of new drugs for the treatment of serious infections caused by Gram-negative bacteria, for which no or only limited treatment options are currently available.

(i) See p. 33 for an explanation on the different types of bacteria

In addition to our internally discovered anti-infective programs, we have entered into an exclusive research collaboration and licensing agreement under which we are developing agents from completely new classes of antibiotics, based on the proprietary technology of our collaboration partner.

In 2021, our R&D team will continue to fulfill its important role of further strengthening our oncology and anti-infective pipeline through the development of novel drug candidates to make a difference to patients' lives.

20 Years of Basilea: Milestones

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020

2000, October 17th

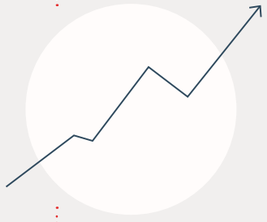
Basilea is born

Named after its home town
and born out of Roche
Size: Approximately 50 scientists
Home: office and laboratory
space at Roche
Portfolio: around 30 projects
in preclinical research
Mission: to bring new drugs to
patients

2002

Leaving the nest

For the first two years, Basilea worked within Roche.
This was convenient in terms of infrastructure but it didn't help in building a specific company culture. Basilea acquired Roche's Institute of Immunology building at Grenzacherstrasse. The new home is a real boost for Basilea's identity and culture.



2004

Going public: IPO on SIX

Basilea's IPO on the Swiss Stock Exchange (SIX) is the first of a Swiss biotech company in four years. The IPO is successful and helps the company raise new capital.

2008

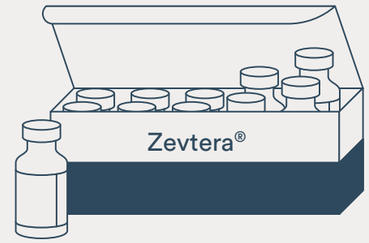
On the market: Toctino approved in Europe

Toctino, a therapy for hand eczema, is the first drug developed by Basilea that is approved and brought to market. It is a significant milestone for Basilea, as it means the company has evolved from a research organisation to a fully fledged research, development and commercial-stage biopharmaceutical company. Subsequently, a sales organisation is set up.

2010

An important partner: Astellas Pharma Inc.

Basilea partners with Astellas Pharma Inc. Japan, who helps to get isavuconazole ready for approval. Astellas is still one of Basilea's most important partners.



2013

Anti-infective brands I: Ceftobiprole approved in Europe

Ceftobiprole has been Basilea's lead compound for a long time. Through hard work and tenacity ceftobiprole is approved under the trade name Zevtera for the treatment of hospital- and community-acquired pneumonia.

2012

Refocus on oncology: Toctino sold to Stiefel (GlaxoSmithKline)

By 2012 Basilea is going to refocus its strategy. Toctino is sold to Stiefel, which enables Basilea to refocus on oncology and anti-infectives and continue to build up its oncology team.

20 Years of Basilea: Milestones

2015 2016 2017 2018 2019 2020

2015

Anti-infective brands II: Isavuconazole approved in Europe and the USA

Our second promising drug, isavuconazole, is approved under the trade name of Cresemba in both the U.S. and Europe. Today, Cresemba is our most successful commercial product on the market.

2016

BARDA agrees to fund phase 3 studies for ceftobiprole for the USA

Basilea is moving closer to its goal of making ceftobiprole available to patients in the USA, too, as BARDA agrees to support the phase 3 studies needed for a future regulatory approval.

2017

Another important partner: licence agreement with Pfizer for Cresemba in Europe

Astellas has been our partner in developing isavuconazole and helping us getting it approved in the U.S. and Europe, as Cresemba. In 2017, we enter a license agreement with Pfizer for most of Europe. Subsequently the agreement is extended later in the year to include the Asia Pacific region, including China. The company now has two really powerful partners for its most important commercial product.

2018

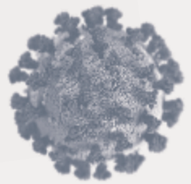
Investing in the future: derazantinib is in-licensed

Derazantinib, developed by ArQule, is a promising oncology candidate to integrate into Basilea's portfolio. In 2018, it is being tested in a phase 2 study in bile duct cancer (intrahepatic cholangiocarcinoma, iCCA). But it could be a potential medicine against other cancers, too. Derazantinib significantly improves Basilea's visibility as a specialist in oncology.

2019

On track: positive results for ceftobiprole in phase 3 study for the USA

The first of two phase 3 studies Basilea conducts with the support of BARDA confirms that ceftobiprole is efficacious and well tolerated in patients with acute bacterial skin and skin structure infections (ABSSSI).
In our second study in patients with *Staphylococcus aureus* bacteremia (SAB), we are hoping for the same positive results in order to support a potential approval of ceftobiprole in the USA.



2020

Working from home: COVID-19

In March, the world is shut down because of the pandemic. At Basilea, people work from home, researchers in the laboratories organize their work around the new rules of distance. Thanks to the whole team, Basilea manages to remain fully operational, patients continue to take part in the clinical studies, milestones are reached and the sales of Cresemba and Zevtera continue to grow. The months in lockdown show that what matters is not where someone works, but what they do.

2020

Moving on: announcing a new HQ

Basilea has two locations in Basel, one on Grenzacherstrasse and one on Klybeckstrasse. In 2022, the whole company will move to a modern, new location on the GRID campus in Allschwil, nearby Basel.

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Table of contents

Corporate governance report

Group structure and shareholders

Group structure

As of December 31, 2020, the Basilea group is composed of the parent company Basilea Pharmaceutica Ltd. ("Basilea"); the Swiss operating subsidiary Basilea Pharmaceutica International Ltd. ("Basilea International"); BPh Investitionen Ltd. ("BPh"), a subholding company; Basilea Pharmaceutica China Ltd. ("Basilea China"), a Chinese operating subsidiary held through BPh; and wholly-owned subsidiaries in Germany, and the United Kingdom (collectively the "Company").

Basilea subsidiaries and subholdings (as of December 31, 2020)

- Basilea Pharmaceutica China Ltd., Haimen, China
- Basilea Pharmaceutica Deutschland GmbH, Lörrach, Germany
- BPh Investitionen Ltd., Baar, Switzerland
- Basilea Pharmaceutica International Ltd., Basel, Switzerland
- Basilea Medical Ltd., Rickmansworth, U.K.
- Basilea Pharmaceuticals Ltd. (in members' voluntary liquidation), Rickmansworth, U.K.

Basilea is represented on the board of directors of all its wholly-owned subsidiaries. In addition, there is close operational cooperation between Basilea International and Basilea's subsidiaries.

The operating activities of the Company are focused on research, development and commercialization of pharmaceutical products. The Company's operating activities are directed by and primarily undertaken by Basilea International. The Chief Executive Officer leads the management committee, consisting of the Chief Financial Officer, the Chief Medical Officer, the Chief Scientific Officer, and the Chief Technology Officer. The members of the extended management committee, representing the legal, human resources and quality management functions, also report to the Chief Executive Officer. For further information, please refer to the section "Management committee/extended management committee" on page 60.

For further information on the non-listed companies belonging to the Company, please refer to note 2 (investments, page 153) of the financial statements.

Basilea Pharmaceutica Ltd.

Basilea is located at Grenzacherstrasse 487, 4058 Basel, Switzerland, and Basilea's shares were first listed on the SIX Swiss Exchange on March 25, 2004, under the Swiss security number ("Valorennummer") 1143244. The ISIN is CH0011432447. The Common Code is 018859220. The ticker symbol is BSLN.
Basilea's LEI is 391200TTZP8EIPSJ5J20.
As of December 31, 2020, the market capitalization of Basilea amounted to CHF 633,665,196 (11,922,205 registered shares issued with a nominal value of CHF 1.00 per share).

Basilea Pharmaceutica China Ltd.

Basilea China is a wholly foreign owned enterprise ("WFOE"), founded on May 29, 2002 and incorporated with limited liability under the laws of The People's Republic of China. As of December 31, 2020, its registered capital amounted to USD 7 million which was fully paid-in. Basilea China is located near Shanghai in the Haimen Economic-Technological Development Zone, Jiangsu Province, People's Republic of China. The subsidiary supports Basilea International's research and development, projects with chemical synthesis, analytical development, and process research and development. The shares of Basilea China are not listed on any stock exchange. As of December 31, 2020 all of its shares were held and controlled by BPh Investitionen Ltd.
In February 2021 Basilea entered into an agreement to sell BPh Investitionen Ltd. and its wholly-owned subsidiary Basilea Pharmaceutica China Ltd. Closing of the transaction is expected to take place in the second quarter of 2021.

Significant shareholders

As of December 31, 2020, Basilea had 11,922,205 registered shares issued.

According to the Company's share register, RBC Investor & Treasury Services, Swane Lane, Riverbank House 2, London EC4R 3AF, U.K., held 461,834 Basilea shares as of December 31, 2020, corresponding to 3.87% of the issued share capital. Such shares were registered without voting rights. As of the same date, Chase Nominees Ltd., Canary Wharf, Bank Street 25, London E14 5JP, U.K., held 383,176 Basilea shares, corresponding to 3.21% of the issued share capital. Such shares were also registered without voting rights.

The Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FMIA) requires shareholders who hold more than three percent of Basilea's share capital to report their shareholding to Basilea. In the past, Basilea received the following notifications from shareholders based on the FMIA (the notifications were made based on the share capital as registered in the commercial register at the time of the respective transactions):

Date of obligation to notify	SIX publication date	Shareholder/ beneficial owner	% of voting rights reported
Dec. 4, 2020	Dec. 12, 2020	UBS Group AG, Zürich, Switzerland	7.68
Aug. 18, 2020	Aug. 27, 2020	Credit Suisse Group AG, Zürich, Switzerland	7.08
Mar. 5, 2020	Mar. 11, 2020	Black Creek Investment Management Inc., Toronto, Canada	4.91
Dec. 10, 2019	Dec. 18, 2019	CI Investments Inc., Toronto, Canada	4.91
Dec. 4, 2020	Dec. 15, 2020	Kenneth C. Griffin, c/o Citadel GP LLC, Chicago, IL, USA	3.19
Aug. 25, 2020	Sep. 1, 2020	JPMorgan Chase & Co., New York, USA	3.065
Jan. 13, 2020	Jan. 17, 2020	René Braginsky, Zürich, Susanne Braginsky, Zürich	3.03
Nov. 27, 2020	Dec. 2, 2020	Norges Bank (the Central Bank of Norway), Oslo, Norway	3.01

As of December 31, 2020, Basilea has not received any notification that the above listed shareholdings crossed any relevant reporting thresholds.

All disclosures of shareholdings, including those of shareholders that fell below three percent during 2020, are published on the website of the SIX Exchange Regulation disclosure office and can be accessed there (www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html?companyId=BSLN#/).

Basilea has not entered into any shareholder agreement regarding the voting rights or holding of Basilea shares.

Cross-shareholdings

No cross-shareholdings existed as of December 31, 2020.

Capital structure and shares

Share capital

As of December 31, 2020, Basilea's share capital amounts to CHF 11,922,205. The share capital is divided into 11,922,205 common registered shares with a nominal value of CHF 1.00 each. There are no preferred shares. The share capital is fully paid-in. In January 2016 CHF 1,000,000 shares were created out of authorized capital in connection with the conversion rights attached to the convertible bonds issued in December 2015 by the Company. These shares are held by Basilea as treasury shares. As of December 31, 2020, Basilea held 1,054,899 (8.85%) shares of Basilea.

Authorized capital

In accordance with article 3b of the articles of association, the board of directors is authorized at any time until April 10, 2021, to increase the share capital by a maximum aggregate amount of CHF 2,000,000 through the issuance of not more than 2,000,000 registered shares with a nominal value of CHF 1.00 each. Such shares would have to be fully paid-in (Basilea's articles of association are available on the Basilea website at www.basilea.com/articles-of-association). As of December 31, 2020, the authorized capital amounts to CHF 2,000,000 which equates to 16.78% of the existing share capital. Increases in partial amounts are permitted. The board of directors has the power to determine the type of contributions, the issue price and the date on which the dividend entitlement starts.

Conditional capital

As of December 31, 2020, the conditional capital amounts to a maximum of CHF 3,837,936 which equates to 32.20% of the existing share capital as of December 31, 2020.

In accordance with article 3a paragraph 1 of the articles of association, the share capital may be increased by a maximum of CHF 1,837,936 through the issuance of a maximum of 1,837,936 registered shares, which would have to be fully paid-in, with a nominal value of CHF 1.00 each, to cover the exercise of rights granted to employees of Basilea or of group companies and/or members of the board of Basilea to subscribe for new shares according to Basilea's stock option plan. 1,544,448 rights/employee-options were outstanding as of December 31, 2020 (including 1,350 rights/options that will forfeit after that date due to termination of employment).

In accordance with article 3a paragraph 2 of the articles of association, the share capital may be increased up to a maximum of CHF 2,000,000 by issuing a maximum of 2,000,000 registered shares having a par value of CHF 1.00 each and to be fully paid-in with respect to the exercise of conversion rights granted to holders of existing convertible bonds (to the extent they were backed so far by treasury shares) or new convertible bonds issued by the company or one of its group companies. The aggregate principal amount of the convertible bonds backed by conditional capital and/or treasury shares shall not exceed CHF 250,000,000, and any convertible bonds issued and backed by such conditional capital shall not be issued later than December 22, 2022.

Any shares issued under authorized or conditional capital are subject to the transfer restrictions set forth under "Limitations on transferability of shares and nominee registrations" on page 48.

Changes in capital

In 2020, 2019 and 2018, Basilea increased its share capital as a result of the exercise of stock options granted under Basilea's employee stock option plan as follows:

In 2020, the share capital was increased by CHF 40,260 (40,260 registered shares with a par value of CHF 1.00 per share), which equates to 0.34% of the issued share capital as of December 31, 2020.

In 2019, the share capital was increased by CHF 3,389 (3,389 registered shares with a par value of CHF 1.00 per share), which equates to 0.03% of the issued share capital as of December 31, 2019.

In 2018, the share capital was increased by CHF 6,900 (6,900 registered shares with a par value of CHF 1.00 per share), which equates to 0.06% of the issued share capital as of December 31, 2018.

For further information on changes in capital in 2020, 2019 and 2018, including changes in reserves and retained earnings, please refer to the consolidated statement of changes in shareholders' equity, as well as note 15 (shareholders' equity, page 139) to the consolidated financial statements and note 3 (share capital, page 154) to the financial statements of Basilea. Please also refer to the consolidated statement of changes in shareholders' equity included in the annual reports 2019 and 2018 for information on changes in equity in the respective years (available online at www.basilea.com/reports-archive).

Shares, participation and profit sharing certificates

Basilea has only one class of shares (registered shares) with a par value of CHF 1.00 per share. Each share is fully paid-in and carries one vote and equal dividend rights, with no special privileges. Basilea has not issued any participation or profit sharing certificates.

Limitations on transferability of shares and nominee registrations

Basilea's shares are uncertificated securities ("Wertrechte", within the meaning of art. 973c of the CO) and, when administered by a financial intermediary ("Verwahrungsstelle", within the meaning of the Federal Act on Intermediated Securities (FISA)), qualify as intermediated securities ("Bucheffekten", within the meaning of the FISA). In accordance with art. 973c of the CO, Basilea maintains a non-public register of uncertificated securities ("Wertrechtebuch").
Basilea may at any time convert uncertificated securities into share certificates (including global certificates), one kind of certificate into another, or share certificates (including global certificates) into uncertificated securities. Following entry in the share register, a shareholder may at any time request a written confirmation in respect of the shares. Basilea may print and deliver certificates for shares at any time. Shareholders are not entitled, however, to request the printing and delivery of certificates.

Shares in uncertificated form ("Wertrechte") may only be transferred by way of assignment. Shares that constitute intermediated securities ("Bucheffekten") may only be transferred when a credit of the relevant intermediated securities to the acquirer's securities account is made in accordance with the relevant provisions of the FISA.

According to Article 5 of the articles of association (available on the Basilea website at www.basilea.com/articles-of-association), voting rights may be exercised only after a shareholder has been entered in the share register ("Aktienbuch") with his or her name and address (in the case of legal entities, the registered office) as a shareholder with voting rights. Basilea enters an acquirer of shares as shareholder with voting rights if the acquirer discloses its name, citizenship or registered office, respectively, and address and explicitly states that the acquirer acquired the shares in its own name and for its own account.

Failing registration by the deadline set by the board of directors, a shareholder or usufructuary ("Nutzniesser") may neither vote at nor participate in a general meeting of shareholders, but is still entitled to receive dividends and other rights of financial value. No exemptions were granted from the above restrictions in 2020.

A nominee, meaning a person or legal entity not explicitly stating in its registration request that it will hold the shares for its own account may be entered as a shareholder in the share register with voting rights for shares up to a maximum of 3% of the issued nominal share capital, provided such nominee enters into a nominee agreement with Basilea. Shares held by a nominee that exceed this limit are only registered in the share register with voting rights if such nominee declares in writing to disclose the name, address, and shareholding of any person or legal entity for whose account the nominee is holding 0.5% or more of the issued nominal share capital. The limit of 3% applies correspondingly to nominees who are related to one another through capital ownership or voting rights or have a common management or are otherwise interrelated.

Basilea's articles of association do not further limit the transferability of shares. A qualified majority of at least two-thirds of the share votes represented as well as the majority of the par values of shares represented at a general meeting of shareholders are required for resolutions on transfer restrictions of Basilea's shares. For further information on the registration in the share register, please refer to the section "Registration in the share register" on page 66.

Convertible bonds and options

In December 2015, Basilea placed senior unsecured convertible bonds due December 23, 2022 with an aggregate principal amount of CHF 200 million (the "2022 Bond"). The 2022 Bond is divided into securities with denominations of CHF 5,000 each. It carries a coupon of 2.75% per annum, payable semi-annually in arrears on December 23 and June 23 and was payable for the first time on June 23, 2016. The 2022 Bond is listed on the SIX Swiss Exchange (security number: 30539814; ISIN: CH0305398148). Existing eligible shareholders were granted advance subscription rights to subscribe for the newly issued 2022 Bond securities in proportion to their then current shareholding. Unless previously redeemed, converted or repurchased and cancelled, the 2022 Bond securities will be convertible into shares of Basilea at the option of the bondholders from February 2, 2016 up to and including the earlier of (i) seven trading days before December 23, 2022 or (ii) ten trading days prior to an early redemption. The 2022 Bond has a conversion price of CHF 126.1020. The shares delivered upon conversion will be sourced from conditional capital and the existing treasury shares of Basilea. Upon execution of the conversion right, the relevant bondholder will receive 39.6504 Basilea shares per 2022 Bond security, subject to adjustment pursuant to anti-dilution provisions. Basilea may redeem all outstanding 2022 Bond securities at their principal amount of CHF 5,000, together with unpaid accrued interest, if any (i) at any time on or after January 7, 2021, if the volume-weighted average price of a Basilea share on each of at least twenty out of thirty consecutive trading days ending not earlier than five trading days prior to the giving of notice of redemption is at least 130% of the prevailing conversion price;

or (ii) at any time provided that less than 15% of the aggregate principal amount of the bonds originally issued is outstanding. From July to December 2020, in connection with the issuance of the new convertible bonds due 2027 in the amount of CHF 97.085 million (see below), Basilea repurchased and annulled CHF 53.320 million in nominal value of the 2022 Bond. As a consequence, as of December 31, 2020, the principal nominal amount of the 2022 Bond is CHF 146.680 million. The 2022 Bond is thus convertible into a total number of 1,163,184 shares.

In July 2020, Basilea placed new senior unsecured convertible bonds due July 28, 2027 (the "2027 Bond"). Basilea invited all eligible holders of the 2022 Bond to tender the 2022 Bond securities held by them for purchase by Basilea for cash during the tender offer period for the 2022 Bond. The aggregate principal amount of the 2027 Bond is CHF 97.085 million and it is divided into securities/bonds with denominations of CHF 5,000 each. The 2027 Bond carries a coupon of 3.25% per annum, payable semi-annually in arrears on January 28 and July 28. The coupon is payable for the first time on January 28, 2021. The 2027 Bond is listed on the SIX Swiss Exchange (security number: 55499206; ISIN: CH0554992062). Unless previously redeemed, or purchased and cancelled, the 2027 Bond will be convertible into shares of Basilea at the option of the bondholders from September 7, 2020 up to and including the earlier of (i) seven trading days before July 28, 2027 or (ii) ten trading days prior to an early redemption. The 2027 Bond has a conversion price of CHF 62.50. The shares delivered upon conversion will be sourced from conditional capital and the existing treasury shares of Basilea. Upon execution of the conversion right, the relevant bondholder will receive 80 Basilea shares per 2027 Bond security, subject to adjustment pursuant to anti-dilution provisions. Basilea may redeem all outstanding convertible bond securities at their principal amount of CHF 5,000, together with unpaid accrued interest, if any, at any time on or after August 12, 2025 until July 28, 2027 if the volume-weighted average price of a Basilea share on each of at least twenty out of thirty consecutive trading days ending not earlier than five trading days prior to the date on which the relevant notice of redemption is given has been at least 130% of the conversion price. Basilea may also redeem all but not only some of the outstanding 2027 Bond securities at their principal amount, together with unpaid accrued interest, if any, at any time after July 28, 2020 and prior to July 28, 2027 if less than 15% of the aggregate principal amount of the 2027 Bond securities originally issued is outstanding. As of December 31, 2020, the principal nominal amount of CHF 97.085 million was outstanding. The 2027 Bond is thus convertible into a total number of 1,553,360 shares.

For information on the employee stock option plan and on the number of options granted thereunder, please refer to Basilea's compensation report (page 91), and note 14 (stock-based compensation, page 138) to the consolidated financial statements included in this annual report.

Board of directors

Basilea's board of directors consists of six members who all have extensive experience in the pharmaceutical industry. Descriptions of each member's nationality, business experience, education and activities are provided on the following pages.

Board of directors as of December 31, 2020

Members, functions and other activities

Domenico Scala
Chairman of the board
Nationality: Swiss and Italian
Year of Birth: 1965

Domenico Scala has been a member of the board since 2011 and has been serving as the chairman of the board since 2016. He is also chairman of the audit committee.
Mr. Scala served as chairman of the audit and compliance committee of FIFA (Fédération Internationale de Football Association) from 2012 to 2016. From 2007 to 2011, Mr. Scala was president and CEO of Nobel Biocare Holding AG and from 2003 to 2007, he was CFO of Syngenta International AG. Prior to that, he held various senior leadership positions at Roche Holding AG and was finance director with Panalpina Italy Spa and senior auditor with Nestlé SA.
Mr. Scala is chairman of the board of Oettinger Davidoff AG and a member of the board of Implantica MediSwiss AG. He is a member of the bank council of the Basler Kantonalbank, president of BaselArea, and chairman of the board of BAK Basel Economics AG.
Mr. Scala graduated with a master in economics from the University of Basel and holds executive development degrees from INSEAD and London Business School.

Thomas Werner, Ph.D.
Vice-chairman of the board
Nationality: German
Year of Birth: 1956

Thomas Werner, Ph.D., has been a member of the board since 2011 and has been serving as the vice-chairman of the board since 2018. He is also chairman of the corporate governance committee and a member of the compensation committee.
Mr. Werner served as senior vice president & managing director of Glaxo SmithKline Germany from 2001 to 2008. From 1997 to 2000, he was managing director for Glaxo Wellcome Germany and director of the Central European Region. Previously he was managing director of Bristol-Myers Squibb Germany and of Convatec Germany/ Central Europe.
Mr. Werner is senior independent non-executive director of Vectura Group plc. He also serves as the chairman of the investment advisory committee of the Health for Life Capital Fund (HFL I and II) of Seventure Partners. From 2017 to 2019 he was chairman of the board of Fertin Pharma A/S.
Mr. Werner graduated with a doctorate in chemistry from the University of Göttingen, Germany.

Martin Nicklasson, Ph.D.
Member of the board
Nationality: Swedish
Year of Birth: 1955

Martin Nicklasson, Ph.D., has been a member of the board since 2013. He is also chairman of the compensation committee and a member of the audit committee.
Mr. Nicklasson was a member of the board of Orexo AB from 2012 to 2020 and served as president and CEO of Biovitrum AB and Swedish Orphan Biovitrum AB from 2007 to 2010. From 1999 to 2007 he held various executive vice president positions and was a member of the executive committee of AstraZeneca Plc.
Mr. Nicklasson is chairman of the board of Kymab Group Ltd. and of Zealand Pharma A/S. He also serves as consultant at Excore Consulting KB.
Mr. Nicklasson is a certified pharmacist and holds a doctorate in pharmaceutical technology from the University of Uppsala. He is an honorary associate professor at the Pharmaceutical Faculty of the University of Uppsala.

Nicole Onetto, M.D.
Member of the board
Nationality: Canadian and French
Year of Birth: 1953

Nicole Onetto, M.D., has been a member of the board since 2017.
She is also a member of the corporate governance committee.
Ms. Onetto is an independent consultant in oncology, drug development and translational research. She was deputy director & chief scientific officer at the Ontario Institute for Cancer Research from 2009 to 2016. From 2005 to 2009 she was senior vice president and chief medical officer at ZymoGenetics Inc. From 2002 to 2005, she served at OSI Pharmaceuticals, Inc., first as executive vice president Oncology, and then as chief medical officer and executive vice president. Her career in the pharmaceutical industry also includes senior management positions at Bristol-Myers Squibb and Nexstar Pharmaceuticals, which was acquired by Gilead Sciences, Inc.
Ms. Onetto is a member of the board of NBE-Therapeutics AG and a member of the board of Sunesis Pharmaceuticals, Inc. She served as a board member of YM BioSciences Inc. from 2014 to 2015, as a board member of Sierra Oncology, Inc. from 2015 to 2019 and as a board member of ImmunoGen Inc from 2005 to 2016.
Ms. Onetto holds a doctor of medicine from the University of Paris and a master of pharmacology from the University of Montréal.

Ronald Scott
Member of the board
Nationality: Swiss
Year of Birth: 1955

Ronald Scott has been a member of the board since 2018.
He is also a member of the corporate governance committee.
Mr. Scott served as Basilea's CEO from 2013 to 2018. Before that he held other key leadership positions at Basilea, including COO and from the Company's founding in 2000 through January 2012 as CFO. From 2004 to 2011, Mr. Scott served on the board and was also a co-founding board member of the Company in 2000. Prior to joining Basilea, Mr. Scott worked at Roche Holding AG in management positions in finance, licensing and in the mergers & acquisitions group. Prior to joining Roche, Mr. Scott worked for Prudential Investment Corporation in the United States as director in Prudential's finance and international business development units, managing divestitures and joint venture transactions.
Mr. Scott is a member of the supervisory board of Medigene AG. From 2018 to 2019 he served as board member of KIDPharma AG.
Mr. Scott holds a bachelor's degree from Utah State University and a master's degree from Harvard University.

Steven D. Skolsky
Member of the board
Nationality: American
Year of Birth: 1956

Steven D. Skolsky has been a member of the board since 2008 and has previously served as vice-chairman. He is also a member of the compensation committee and of the audit committee.
Mr. Skolsky is principal at Expis Partners, a life science consultancy. He served as a senior executive at Quintiles Transnational Holdings from 2011 to 2016, most recently as senior vice president & managing director and formerly, head of global clinical operations. From 2007 to 2011, Mr. Skolsky served as the president & CEO of Sequoia Pharmaceuticals Inc. and from 2004 to 2006 as CEO of Trimeris Inc. Mr. Skolsky joined Trimeris from GlaxoSmithKline, where he had served for more than 20 years in a range of senior leadership roles, including senior vice president, head of global clinical development and commercial strategy, and managing director of GlaxoSmithKline's operations in Australia and New Zealand.
Mr. Skolsky serves on the board of Clinipace Clinical Research and Elligo Health Research. He is also on the foundation board of the Kenan-Flagler School of Business, the board of visitors at the University of North Carolina at Chapel Hill and the Lineberger Comprehensive Cancer Center.
Mr. Skolsky holds a B.A. in biology from the University of North Carolina at Chapel Hill.

The board is fully composed of independent members (in accordance with section 14 of the Swiss Code of Best Practice for Corporate Governance), with the exception of Ronald Scott, who served as Basilea's CEO until April 2018. The board is fully composed of non-executive members.

There are no significant business connections between the board members and Basilea or any of its subsidiaries. For further information, please refer to note 20 (related party transactions, page 146) to the consolidated financial statements.

Apart from the activities indicated above, the board members have no other activities in governing and supervisory bodies of important Swiss or foreign organizations, institutions or foundations under private or public law, permanent management or consultancy functions for important Swiss or foreign interest groups or official functions and political posts.

According to Article 26 of Basilea's articles of association no board member may hold more than twelve additional mandates, whereof not more than four mandates in listed companies. All board members fulfill these requirements. The full text of Article 26 of Basilea's articles of association is available online at www.basilea.com/articles-of-association.

Elections and terms of office

Article 13 of Basilea's articles of association provide that the board of directors consists of at least one and not more than nine members. Members of the board are appointed and may be removed exclusively by shareholders' resolution. The members of the board and the chairman are elected annually by the general meeting of shareholders and serve for a period until the completion of the subsequent ordinary general meeting of shareholders; they are eligible for re-election. Each member of the board must be elected individually.

The current board members were re-elected at the annual general meeting held on April 8, 2020.

According to Section 4.1.3 of Basilea's organizational regulations (available online at www.basilea.com/organizational-regulations), each board member shall resign effective as per the ordinary general meeting of shareholders immediately following completion of his or her 70th year of age.

Areas of responsibility

Responsibilities of the board

The board is entrusted with the ultimate direction of Basilea and the supervision of management. It has the following non-delegable and inalienable powers and duties:

- the determination of the strategy of the Company and issuing of relevant directives; establishing the organization of the Company; formulating accounting procedures, financial controls and financial planning;
- nominating and removing persons entrusted with the management and representation of the Company and regulating the power to sign for the Company;
- the ultimate supervision of those persons entrusted with management of the Company, specifically the CEO and management committee, with particular regard to adherence to law, the articles of association, and regulations and directives of the Company;
- issuing the annual report and the compensation report, and preparing the general meeting of shareholders and carrying out its resolutions; and
- informing the court in case of overindebtedness.

The board may, while retaining such non-delegable and inalienable powers and duties, delegate some of its powers, in particular direct management, to a single or to several of its members, managing directors, committees or to third parties who need be neither board members nor shareholders. Pursuant to Swiss law and Article 16 of the articles of association, details of the delegation and other procedural rules such as quorum requirements must be set in the organizational regulations issued by the board.

However, the board specifically retains certain powers, including setting the strategy and short- and long-term goals of Basilea; approving all M&A transactions for which no shareholder approval is required; making decisions on annual budgets; the general direction of research and development (e.g. therapeutic areas covered, areas of priority and third party co-operations); setting general policies in relation to personnel matters, including further specifying the basic principles of the articles of association relating to benefit and incentive plans; communicating with shareholders and the public as required by applicable laws and regulations; and setting general policies on outsourcing versus internal functions for manufacturing, sales and marketing.

Internal organization

According to Section 4.2 of Basilea's organizational regulations (available online at www.basilea.com/organizational-regulations), resolutions of the board are passed by way of simple majority. To validly pass a resolution, a quorum of more than half of the members of the board must attend the meeting. No quorum is required for confirmation resolutions ("Feststellungsbeschlüsse") and adaptations of the articles of association in connection with capital increases pursuant to articles 651a, 652g and 653g of the Swiss Code of Obligations.

Working methods of the board and its committees

According to Section 4.2 of the organizational regulations (available online at www.basilea.com/organizational-regulations), the board must hold at least four meetings per year. When required, the board holds ad hoc meetings or telephone conferences to discuss specific issues or passes resolutions by way of written circular resolutions.

During 2020 Basilea implemented several measures to curb the spread of the coronavirus. As a result most of the meetings of the board and the board committees were held virtually or by telephone conference.

In 2020, the board of directors held nine meetings. One of these meetings was held at the offices of Basilea and eight meetings were held virtually/by telephone conference. The average duration per meeting was three hours.

The management committee reports to the board on the status of operations including the progress of research and clinical development, commercialization activities, including by its partners, the status of drug supply, licensing, financial activities, and human resources. In addition, an update on investor relations activities and the development of the Company's share price is provided. Furthermore, members of the board regularly meet with project teams to review and discuss progress in research and development activities.

The board committees report to the full board at the board meeting following the relevant committee meeting. Any resolutions on matters assigned to the committees are taken by the board on the basis of recommendations of the relevant committee.

The board of directors performs an annual self-evaluation and discusses the findings in order to continuously improve its governance performance and practices.

Chairman of the board

The chairman of the board is elected by the general meeting of shareholders. He calls, prepares, and chairs the meetings of the board. The chairman also chairs the general meetings of shareholders. He supervises the implementation of the resolutions of the board and regularly supervises the CEO and the management committee. The CEO regularly reports to the chairman on the meetings of the management committee and on all important matters of the Company. The chairman is also entitled to attend the meetings of the management committee. For urgent matters that do not allow for the board to take resolutions in time, the chairman is entitled to take decisions that fall within the competencies of the board. At the annual general meeting on April 8, 2020, Domenico Scala was re-elected as chairman of the board.

Vice-chairman of the board

The vice-chairman of the board is designated by the board and exercises the powers of the chairman in the chairman's absence. In the meeting of the board subsequent to the annual general meeting on April 8, 2020, Thomas Werner was re-elected as vice-chairman.

Board committees

The board can set up specialized committees to analyze specific issues and advise the board on those issues. The committees are advisory bodies only and decisionmaking remains with the board. The board determines each committee's organization, procedures, policies and activities. The board has established an audit committee and a compensation committee in 2003. In addition, the board established a corporate governance committee in 2012. The members of the compensation committee are

elected by the shareholders at each annual general meeting. In the meeting of the board subsequent to each annual general meeting, the board appoints the members of the audit and of the corporate governance committee.

Audit Committee	Compensation Comittee	Corporate Governance Committee
Domenico Scala (Chairman)	Martin Nicklasson (Chairman)	Thomas Werner (Chairman)
Martin Nicklasson	Steven D. Skolsky	Nicole Onetto
Steven D. Skolsky	Thomas Werner	Ronald Scott

Audit committee

In the meeting of the board subsequent to the annual general meeting on April 8, 2020, the following board members were reappointed to the audit committee: Domenico Scala (chairman), Martin Nicklasson, and Steven D. Skolsky. All audit committee members are independent and non-executive in accordance with section 23 of the Swiss Code of Best Practice for Corporate Governance.

The audit committee assists the board in overseeing accounting and financial reporting processes and audits of the financial statements. In addition, it is responsible for the guidelines of the risk management and internal control system, and review of their adequacy and effectiveness, review of compliance, assessment of the external auditors' quality and work and review of their audit plans, monitoring of the independence of the external auditors (including authorizing of non-audit services by the auditors and their compliance with applicable rules), proposal of new auditors, if necessary, to the board, review of annual and interim financial statements, review of the audit results, and monitoring of the implementation of any findings by the management committee.

The audit committee held three meetings in 2020, lasting three hours on average. Two of the meetings were held virtually. The main topics at these meetings were review of the year-end financial statements and annual report 2019; review of the half-year financial statements 2020; review of the annual budget 2021 as well as mid-term financial planning; financial and non-financial risk management; the scope of the external audit 2020 as well as the scope and results of the internal audit 2020. The external auditors attended all three audit committee meetings in 2020 to report on the results of the full-year 2019 audit, the half-year 2020 review and on the preparation of the full-year 2020 audit. The recommendations of the audit committee were then provided to the full board of directors.

Compensation committee

At the annual general meeting on April 8, 2020, the following board members were re-elected as members of the compensation committee: Martin Nicklasson (chairman), Steven D. Skolsky and Thomas Werner. All compensation committee members are independent and non-executive in accordance with the Swiss Code of Best Practice for Corporate Governance.

The compensation committee assists the board in compensation-related matters, including providing recommendations on the compensation of the members of the board and the management committee, the policies for the compensation of the management committee and Company employees and the basic principles for the establishment, amendment and implementation of the long-term incentive plan.

The compensation committee held three meetings in 2020, lasting three hours on average. Two of these meetings were held by telephone conference. The main topics at these meetings were the planning of the 2020 corporate goals; the review of the

Company's achievements against the 2019 goals and determination of the performance-related bonus pool; evaluation of the achievements of the CEO and the management committee and determination of their variable compensation; annual general salary increases; grant of options; review of the long-term incentive plan; the general remuneration of the board of directors, the management committee, and employees; review of budgets for the maximum aggregate amount of compensation for the board of directors and the management committee for shareholder approval. The recommendations of the compensation committee were then provided to the full board of directors.

Corporate governance committee

In the board meeting following the annual general meeting of shareholders on April 8, 2020, the following board members were reappointed to the corporate governance committee: Thomas Werner (chairman), Nicole Onetto, and Ronald Scott.

The corporate governance committee is responsible for developing, updating and recommending to the board corporate governance principles and policies applicable to the Company, and for monitoring compliance with such principles and policies.

The corporate governance committee held two meetings in 2020, with an average duration of one and a half hours. One of these meetings was held virtually. The main topics at these meetings were the Company's governance principles, policies, and ongoing compliance activities.

Attendance at board and committee meetings in 2020

	Board	Audit Committee	Compensation Comittee	Corporate Governance Committee
Number of meetings/conference calls	**9**	**3**	**3**	**2**
Domenico Scala	9	3	–	–
Thomas Werner	9	–	3	2
Martin Nicklasson	9	3	3	–
Nicole Onetto	9	–	–	2
Ronald Scott	9	–	–	2
Steven D. Skolsky	9	3	3	–

During 2020 all board members attended all of the board meetings/conference calls and all committee members attended all of the respective committee meetings/conference calls.

Delegation to the management committee

In accordance with the articles and the organizational regulation (available online at www.basilea.com/articles-of-association and www.basilea.com/organizational-regulations), the board has delegated all areas of management of Basilea that are not reserved to the board by law, the articles of association or the organizational regulations (see section "Responsibilities of the board" on page 55), to the CEO and the management committee reporting to the CEO. The main duty of the CEO with the assistance of the management committee is to manage the business operations, to implement the strategies and other decisions of the board, to make proposals to the board regarding matters within the decision making competency of the board, and to set the operative focus and priorities as well as to procure the necessary resources.

Information and control instruments of the board

The board is responsible for the oversight of the Company's risk management activities and has delegated the responsibility of assisting the board in this task to the Audit committee. While the board oversees risk management, the management committee is responsible for day-to-day risk management processes. The board has directed the management committee to consider risk and risk management in each business decision, to proactively develop and monitor risk management strategies and processes for day-to-day activities and to effectively implement risk management strategies.

Board meetings are the board's main platform to supervise and control the Company's management. At board meetings, the CEO and management committee members report on the financial, research and development, commercial, drug supply, business development, and human resources activities with a particular focus on the main risks of the Company related to its key value drivers, respective measures taken and related strategic proposals.

In addition, management provides interim updates to the board as necessary on the status of operations and other issues that may be requested by the chairman and the board. The main components of these updates are the status of development and research programs, commercial activities, the status of drug supply, and partnering activities. Furthermore, management provides a monthly management report to the chairman and a financial report to the board including an unaudited consolidated balance sheet, a statement of operations and a statement of cash flows for the respective month. The financial report further includes comparisons of actual versus budgeted numbers.

Draft consolidated financial statements for the previous financial year and draft consolidated financial interim statements, as prepared by Basilea management, are provided to the Audit committee for review and to the external auditors for performing their audit and review, respectively. Each year at the end of January or beginning of February (for the audited consolidated financial statements) and end of July or beginning of August (for the unaudited consolidated half-year statements) the Audit committee makes its recommendation regarding the approval of the respective financial statements to the full board.

At the end of each year, upon recommendation of the Audit committee, the board reviews and approves the annual budget of the Company for the following year. The Audit committee reviews any budget changes as may occur from time to time related to strategic changes or opportunities. In the event the Audit committee recommends any changes to the budget, the board considers and may determine to approve such budget changes consistent with the strategy of the Company.

In addition, the board is provided with a written report by the auditors on any of their findings with respect to internal controls.

Board compensation

For the content and method of determining the board compensation please see the compensation report on pages 76 to 84.

Management committee/ extended management committee

Members, functions and other activities

The management committee, appointed by the board, is responsible for the operational management of the Company pursuant to the organizational regulations (available online at www.basilea.com/organizational-regulations). The Chief Executive Officer is the head of the management committee and the members of the management committee and of the extended management committee report to him. The board and in particular the chairman of the board is responsible for regular supervision of the CEO and the management committee. Under the direction of the CEO, the management committee focuses on the corporate goals, budget, portfolio review and risk management, and as needed on organizational structure, corporate policies and corporate strategies. The management committee holds formal meetings on a monthly basis, and additional operational meetings are held on an ongoing basis. These meetings focus on significant operational issues concerning execution of goals, budget, resources, new business proposals, and priorities. The participants of these meetings are the management committee members, extended committee members and key employees from the relevant functions.

All management committee and extended management committee members have extensive experience in the pharmaceutical industry. The following table sets forth the name, date of appointment and position of the members of the management committee as of December 31, 2020. A description of each member's nationality, business experience, education, and activities is outlined further below.

	Appointed	Position
David Veitch	2018	Chief Executive Officer
Marc Engelhardt	2018	Chief Medical Officer
Gerrit Hauck	2018	Chief Technology Officer
Adesh Kaul	2019	Chief Financial Officer
Laurenz Kellenberger	2009	Chief Scientific Officer

David Veitch
Chief Executive Officer
Nationality: British
Year of Birth: 1965

David Veitch has been Chief Executive Officer since 2018.
Mr. Veitch joined Basilea in 2014 as Chief Commercial Officer. Before that, from 2012 to 2013, he served as the president of European operations at Savient Pharmaceuticals. From 2007 to 2011, he served as senior vice president of European marketing & brand commercialization at Bristol-Myers Squibb Pharmaceuticals. From 2004 to 2007, he was vice president & general manager UK at Bristol-Myers Squibb Pharmaceuticals. Prior to this Mr. Veitch held various general management and commercial roles in Bristol-Myers Squibb Pharmaceuticals and prior to that commercial roles with SmithKline Beecham Pharmaceuticals.
Mr. Veitch holds a B.Sc. in Biology from the University of Bristol.

Marc Engelhardt, M.D.
Chief Medical Officer
Nationality: Swiss, German, and American
Year of Birth: 1964

Marc Engelhardt, M.D., has been Chief Medical Officer since 2018.
He is a member of the management committee.
Mr. Engelhardt previously held the position of Head of Development, leading Basilea's clinical research and development group. He joined Basilea in 2010 as Head of Clinical Research. Before that, he served as global program medical director at Novartis Pharma AG and held various positions with increasing responsibility at Bracco-Altana, Germany and Bracco Diagnostics, USA.
Mr. Engelhardt holds a medical degree and a Ph.D. from the University Frankfurt/Main and is board certified in internal medicine.

Gerrit Hauck, Ph.D.
Chief Technology Officer
Nationality: German
Year of Birth: 1964

Gerrit Hauck, Ph.D., has been Chief Technology Officer since 2018.
He is a member of the management committee.
Mr. Hauck joined Basilea from Sanofi, where he held various technical operations and management functions during his 24-year career at Sanofi and its predecessor companies, including formulation development, plant management and global CMC leadership. Most recently, he was cluster head synthetic molecules, overseeing most of Sanofi's technical development programs for synthetic molecules from preclinical candidates to launch. Since January 2012 he was a member of Sanofi's research stage gate committee, which was responsible for the transition of candidate molecules from research into development.
Mr. Hauck graduated as a pharmacist from the University of Heidelberg and holds a Ph.D. from Saarland University.

Adesh Kaul
Chief Financial Officer
Nationality: Swiss
Year of Birth: 1974

Adesh Kaul has been Chief Financial Officer since 2019.
He is a member of the management committee.
Mr. Kaul previously held the position of Chief Corporate Development Officer of Basilea since 2018 and before that Head of Corporate Development. He joined Basilea in 2009 and held various positions until 2015, including Head Business Development & Licensing, Investor Relations and as Head Public Relations & Corporate Communications. From 2015 to 2016, he held the positions of CFO and head corporate development at Polyphor AG. From 2006 to 2009 Mr. Kaul was senior financial analyst at Neue Zürcher Bank and before that he held several senior executive positions in general management and in sales & marketing at Genedata AG.
Mr. Kaul holds master's degrees in economics and in biochemistry from the University of Basel, and an Executive MBA from the University of St. Gallen.

Laurenz Kellenberger, Ph.D., has been Chief Scientific Officer since 2009. He is a member of the management committee.
Mr. Kellenberger joined Basilea in 2000 and held several leadership positions in research with responsibilities for key projects from lead finding and optimization through to preclinical development, including as Head of Chemistry. He started his career as a researcher at the University of Cambridge and at F. Hoffmann-La Roche, where he held different positions in preclinical research and chemical technologies. Mr. Kellenberger holds a Ph.D. in Organic Chemistry from the Swiss Federal Institute of Technology Zurich (ETH Zürich) and is author of numerous scientific publications.

Laurenz Kellenberger, Ph.D.
Chief Scientific Officer
Nationality: Swiss
Year of Birth: 1967

Extended management committee

In addition to the above-mentioned management committee members, the extended management committee (EMC, not part of the management committee as per the SIX Swiss Exchange Directive on Information relating to Corporate Governance) is appointed by and reports to the CEO. As of December 31, 2020, the EMC comprises Ursula Eberhardt, Head of Global Human Resources, Damian Heller, General Counsel & Corporate Secretary, and Savitha Ram Moorthi, Head of Global Quality Management.
A description of each EMC's member's nationality, business experience, and education is outlined below:

Ursula Eberhardt
Head of Global Human Resources
Nationality: Swiss
Year of Birth: 1962

Ursula Eberhardt has been Head of Global Human Resources since 2017. She is a member of the extended management committee.
Mrs. Eberhardt joined Basilea in 2006 and held various leadership positions in Human Resources, including Deputy Head of Global Human Resources. Prior to joining Basilea, she worked in various marketing, communications and administration positions at Barclays Bank Ltd, Zurich and Dubach Advertising Agency.
Ms. Eberhardt holds a Swiss Federal Diploma in Marketing Communication and a Swiss Advanced Federal Diploma of Higher Education in Human Resources Management.

Damian Heller has been General Counsel & Corporate Secretary since 2017. He is a member of the extended management committee.
He joined Basilea in 2015 as Deputy General Counsel and Global Compliance Officer. Prior to joining Basilea, he worked for 20 years in the field of Legal, Compliance and Corporate Governance and held several leadership positions, including Director of the Basel Institute on Governance, Global Compliance Officer of Novartis Pharma AG and Corporate Secretary of Syngenta AG.
Mr. Heller holds a master's degree in Law from the University of Basel and a master's degree in Business Administration from the University of Rochester, New York.

Damian Heller
General Counsel & Corporate Secretary
Nationality: Swiss
Year of Birth: 1966

Savitha Ram Moorthi
Head of Global Quality Management
Nationality: Swiss
Year of Birth: 1966

Savitha Ram Moorthi has been Head of Global Quality Management since June 2020. She is a member of the extended management committee.
Ms. Ram Moorthi joined Basilea from Novo Nordisk Health Care, Zurich, Switzerland, on February 1, 2020, as Head of Quality Compliance Systems & Safety. At Novo Nordisk, Ms. Ram Moorthi served from 2017 to 2020 as Director Clinical Quality and Pharmacovigilance responsible for the oversight of Quality Management Reviews, clinical quality and pharmacovigilance for International Operations. Prior to this, from 2014 to 2016, she was Director Clinical Operations for Region Europe at Novo Nordisk.
She holds a Master's Degree in Clinical Pharmacology from the University of Aberdeen, United Kingdom, and a Master in Pharmacy from Nagpur University, India.

Apart from the information given above, there are no other activities of the management committee or extended management committee members in governing and supervisory bodies of important Swiss and foreign organizations, institutions and foundations under private and public law, permanent management and consultancy functions for important Swiss and foreign interest groups as well as official functions and political posts.

According to Article 26 of Basilea's articles of association no management committee member may hold more than five additional mandates, whereof not more than one mandate in listed companies. All management committee members fulfill these requirements. The full text of Article 26 of Basilea's articles of association is available online at www.basilea.com/articles-of-association.

Management contracts

There are no management contracts between Basilea and any third parties.

Compensation, shareholdings and loans

For content and method of determining board and management compensation and Basilea's long-term incentive plan please see the compensation report on pages 76 to 92.

Shareholder participation

Voting rights and representation restrictions

Each share entitles a holder to one vote, regardless of the share's nominal value. The shares are not divisible. The right to vote and the other rights of share ownership may only be exercised by shareholders (including any nominees) or usufructuaries ("Nutzniesser") who are entered in the share register ("Aktienbuch") at the cut-off date determined by the board of directors. No exceptions from these restrictions were granted in 2020.

Those entitled to vote in the general meeting of shareholders may be represented by the independent proxy (annually elected by the general meeting of shareholders) or any other person with written authorization to act as the shareholder's representative.

Subject to the registration of shares in the share register within the deadline set by the board before each annual general meeting of shareholders, Basilea's articles of association do not impose any restrictions on the voting rights of shareholders. Specifically, there is no limitation on the number of voting rights per shareholder.

For further information on the conditions for registration in the share register (including in relation to nominees) and for attending and voting at a general meeting of shareholders, please refer to the sections "Limitations on transferability of shares and nominee registrations" on page 48 and "Registration in the share register" on page 66.

A shareholder resolution with a qualified majority of at least two-thirds of the votes represented as well as the absolute majority of the nominal value of the shares represented at a general meeting of shareholders is required for the creation of shares with privileged voting rights.

Statutory quorums

Shareholder resolutions and elections (including the election of members of the board) require the affirmative vote of the absolute majority ("absolutes Mehr") of shares represented at the general meeting of shareholders, unless otherwise stipulated by law or the articles of association.

A resolution of the general meeting of shareholders passed by two-thirds of the shares represented at the meeting, and the absolute majority of the nominal value of the shares represented is required for:

- amending the Company's corporate purpose;
- creating or cancelling shares with preference rights or amending rights attached to such shares;
- cancelling or amending the transfer restrictions of shares;
- creating authorized or conditional share capital ("genehmigte oder bedingte Kapitalerhöhung");
- increasing the share capital out of equity, against contributions in kind ("Kapitalerhöhung aus Eigenkapital gegen Sacheinlage") or for the purpose of acquiring specific assets ("zwecks Sachübernahme") and granting specific benefits;

- limiting or withdrawing shareholders' pre-emptive rights;
- changing the domicile of the Company;
- dissolving or liquidating the Company; or
- the amendment of the articles of association with respect to the limitation of the acquisition of own shares with voting right, the transformation of registered shares into bearer shares, and the amendment of the provision that provides for the increased voting requirements for these two matters.

The same or, in certain instances, even more restrictive voting requirements apply to resolutions regarding transactions among corporations based on Switzerland's Federal Act on Mergers Demergers, Transformations and the Transfer of Assets (Merger Act).

The general meeting of shareholders may at any time convert registered shares into bearer shares or bearer shares into registered shares through an amendment of the articles of association.

Convening of shareholders meetings and agenda items

The general meeting of shareholders is the supreme corporate body of Basilea. The ordinary general meeting of shareholders must be held annually and within six months of the end of a corporation's financial year. In case of Basilea, this means the ordinary general meeting must be held annually on or before June 30.

The general meeting of shareholders is convened by the board of directors by way of a notice appearing in Basilea's official publication medium, currently the Swiss Official Gazette of Commerce ("Schweizerisches Handelsamtsblatt") at least 20 days before the date of the meeting. Registered shareholders may also be informed by ordinary mail. The notice of the general meeting of shareholders must state the date, time, and place of the general meeting as well as the agenda items, the proposals to be acted upon and, in case of elections, the names of the nominated candidates.

An extraordinary general meeting of shareholders may be called by a resolution of the board or, under certain circumstances, by the Company's auditor, liquidator or the representatives of convertible bond holders, if any. In addition, the board is required to convene an extraordinary general meeting of shareholders if shareholders representing at least ten percent of the share capital request such general meeting of shareholders in writing. Such request must set forth the agenda items and the proposals to be acted upon. The board must convene an extraordinary general meeting of shareholders and propose financial restructuring measures if, based on the Company's stand-alone annual statutory balance sheet, half of the share capital and reserves are not covered by the assets. Extraordinary general meetings of shareholders can be called as often as necessary, in particular, in all cases required by law.

Pursuant to Swiss law and Article 7 of the articles of association (available online at www.basilea.com/articles-of-association), one or more shareholders whose combined shareholdings represent the lower of (i) one tenth of the share capital or (ii) an aggregate nominal value of at least CHF 100,000, may request that an item be included in the agenda for an ordinary general meeting of shareholders. To be timely, the shareholder's request must be received at least 45 calendar days in advance of the meeting. The request must be made in writing and contain the agenda items as well as the proposals of the shareholders for the respective agenda items.

Registration in the share register

The board determines the relevant deadline for registration in the share register giving the right to attend and to vote at the general meeting of shareholders ("Stichtag"). Such deadline is published by Basilea in the Swiss Official Gazette of Commerce and the Company's website, usually in connection with the publication of the invitation to the general meeting of shareholders.

In 2020, the deadline for registration in the share register in order to participate and to vote at the ordinary general meeting of shareholders of April 8, 2020 was March 31, 2020. The registration deadline for the ordinary general meeting of shareholders to be held on April 21, 2021 has been set as April 13, 2021. Basilea has not enacted any rules on the granting of exceptions to these deadlines.

For further information on the registration in the share register, please refer to the section "Limitations on transferability of shares and nominee registrations" on page 48.

Changes of control and defense measures

Duty to make an offer

The shares are listed on the SIX Swiss Exchange. Therefore, the Financial Market Infrastructure Act (FMIA) applies to the shares. The FMIA provides that any person that acquires the shares, directly or indirectly, and thereby exceeds the threshold of 33 1/3% of the voting rights (whether exercisable or not) attributable to all of the shares, must submit a takeover bid to acquire all of the shares. This rule also applies to persons acting in concert to acquire the shares, and their holding is aggregated to measure whether they reached the mandatory bid threshold. Basilea's articles of association do not provide for an exemption (opting out or opting up) from such mandatory bid rules.

Clauses on changes of control

Basilea's stock option plan contains provisions in respect of changes to Basilea's shareholder base (so called "material changes"). The material change definition in the stock option plan includes a change of control over the Company; a sale of all or substantially all assets of the Company; a merger or similar agreement which results in the Company being dissolved or in the Company's shareholders prior to such agreement not continuing to be the controlling shareholders of the Company; a delisting from SIX Swiss Exchange or any dissolution and liquidation of the Company. The change of control definition includes the launch of any offer for the shares of the Company, which exceeds the mandatory offer threshold of 33 1/3% of all shares of the Company, if such offer becomes, subject only to conditions subsequent, unconditional.

In case of a material change, the provisions of the stock option plan cannot be changed to the detriment of the option holders, and all unvested stock options held by all option holders, including but not limited to stock options held by board and management committee members, vest and all vested options are exercisable.

In such a case, Basilea will use its commercially reasonable best efforts to provide for a cashless exercise and provide for the difference in the share price realized in such cashless exercise and the price offered for the underlying shares. Alternatively, Basilea will use its commercially reasonable best efforts to procure that the offeror will offer to purchase the options. The stock option plan provides, however, that any increase in fair value of the stock options and stock appreciation rights due to accelerated vesting will not accrue to any members of the management committee or the board of directors.

In addition, in such a case, with regard to all employment agreements of indefinite nature (except for those of members of the management committee), the period for terminations for any cause by the Company, will automatically and immediately be extended to 12 months. In the event of any material change of the particulars of the contract regarding the position and location, management committee members have the right to terminate employment with notice as provided in their contracts and other employees have the right to terminate employment with immediate effect resulting in a payment of the amount of an annual salary by the Company.

In this regard, material change means a planned downgrading of more than one level in terms of position. In terms of work place, any location outside the greater Basel area is considered material.

No other change of control provision exists for the benefit of members of the board of directors or of the management committee.

Auditors

Duration of the mandate and term of office of the lead auditor

At the annual general meeting held on April 8, 2020, PricewaterhouseCoopers AG was re-elected as the statutory and group auditor of Basilea. PricewaterhouseCoopers AG has held the function of statutory auditor since inception of Basilea on October 17, 2000, and acts as group auditor since 2002. Since September 1, 2015, the lead auditor of Basilea is Mr. Bruno Rossi. The audit committee ensures that the position of the lead auditor is changed at least every seven years.

Auditing fees

In 2020, PricewaterhouseCoopers AG charged the Company auditing fees in the amount of CHF 167,190 (2019: CHF 180,483).

Additional fees

In 2020, PricewaterhouseCoopers AG rendered consulting services to the Company in the amount of CHF 117,000 related to the sale of Company's building, the issuance of the convertible senior unsecured bonds due July 28, 2027, and the audit of the gender pay gap analysis. (2019: CHF 44,280 for consulting services related to a reporting and publishing application).

Information instruments of the auditors

The board of directors has delegated the task of supervising the auditors to the audit committee. The audit committee meets with the external auditors at least twice a year related to the half-year review and the full-year audit. In 2020, the Audit committee met with the auditors three times (two meetings were held virtually) to discuss the scope and results of their year-end audit for 2019, the scope of the 2020 audit as well as the scope and results of their review of the half-year financial statements.

Information policy

Basilea publishes financial results twice a year in the form of an annual report and a half-year interim report. In addition, Basilea informs shareholders and the public about the Company's business through press releases, conference calls and road-shows. Where required by law or Basilea's articles of association, publications are also made in the Swiss Official Gazette of Commerce.

The annual report is customarily published within three months of the end of the financial year, while the interim report is customarily published within two months of the end of the half-year reporting period. Key financial figures for each reporting period are disclosed in a press release for that period. The intended release dates for the annual and interim report will be posted in the investors calendar on Basilea's website (www.basilea.com/calendar) at the latest six months prior to the event.

The annual report may be sent in printed form to all registered shareholders. Annual reports, interim reports and press releases can be obtained free of charge upon request and are also made available on the Company's website.

Basilea's website is the permanent source of information for investors and other stakeholders. It also provides information on the Company's products, research and development programs, as well as contact information. In addition, it includes an investors calendar with information on events such as general meetings of shareholders, publication dates of half- and full-year financials, and information on investor conferences where Basilea is presenting. The investors calendar is continuously updated throughout the financial year.

The Company provides general guidance to support the investment community and the public in their assessment of the Company and its business prospects.

The Company's investor relations department is available to respond to queries from shareholders or potential investors by email to investor_relations@basilea.com or via post to Basilea Pharmaceutica International Ltd., Investor Relations, P.O. Box, 4005 Basel, Switzerland. Additionally, investor relations inquiries may also be made by phone to +41 61 606 1102.

A subscription service to Basilea's press releases is provided at www.basilea.com/subscription.

Analysts coverage

During 2020, the analysts listed below have published reports or commentaries on Basilea; there may be other analysts who have published reports or commentaries that are not referenced below. Any opinions, estimates or forecasts regarding Basilea's performance made by these analysts are theirs alone and do not represent opinions, forecasts or predictions of Basilea or its board/executive management. Basilea does not by its reference below imply any endorsement of or concurrence with information, conclusions or recommendations published by these analysts.

Firm	Analyst
Baader Helvea Bank	Bruno Bulic
Bryan Garnier & Co.	Victor Floc'h
Calvine Partners LLP	Brian White
Cantor Fitzgerald (U.S.)	Louise Chen
Edison	Susie Jana
goetzpartners securities Limited	Chris Redhead
H. C. Wainwright & Co.	Raghuram Selvaraju
Kepler Cheuvreux	Arsene Guekam
Mirabaud Securities Limited	Olav Zilian
Research Partners AG	Paul Verbraeken
valuationLAB AG	Bob Pooler

Ethical business conduct

The Company is committed to the highest standards of ethical business conduct. As a biopharmaceutical company, the Company is operating in a highly regulated business environment. Strict compliance with all legal and health authority requirements, as well as requirements of other regulators, is mandatory. To fulfill these goals, the board issued a Code of Conduct (available online at www.basilea.com/code-of-conduct). The Code of Conduct sets forth the Company's policy embodying the high standards of business ethics and integrity required of all employees, contractors and agents when conducting business affairs on behalf of the Company. The Company's internal compliance committee is comprised of representatives of the Company's assurance functions to oversee and coordinate compliance. The Company is committed to complying with the spirit and letter of all applicable laws and regulations where the Company engages in business.

Corporate social responsibility: Making a difference

We are committed to making a difference – to patients, to our stakeholders and to society in which we are embedded. Our board of directors supports activities to address social responsibility with specific and appropriate initiatives that are aligned with the company's strategy. Our activities focus on three areas: fighting the global crisis of antibiotic resistance, advocating gender equality in our company, and reducing our environmental footprint.

In our global economy, businesses are increasingly held accountable for their actions. At Basilea, we are aware of our impact on patients, our employees and all our stakeholders, and on the environment.

The United Nations passed the "2030 Agenda for Sustainable Development", which defines 17 Sustainable Development Goals (SDGs) that cover all areas of life (cf. https://sdgs.un.org/goals).

At Basilea, we focus on those SDGs for which we have the expertise and the resources to make a significant impact:

1. Sustainable business success: We focus on what we do best, which is to bring innovative medicines to patients with life-threatening diseases. In doing so, we ensure well-being and healthy lives for people at all ages (SDG #3), build resilient infrastructure to make sure that patients in need have access to our medicines and in addition foster innovation in our field (SDG #9).
2. Fair treatment of all employees: We strive to achieve gender equality (SDG #5) by ensuring equal pay and equal opportunities, and by fostering a healthy work-life balance (SDG #8).
3. Improving our environmental footprint: The sale of our structurally and environmentally outdated HQ building and the relocation in 2022 to a state-of-the-art office and laboratory building will significantly reduce our energy consumption and CO_2 emissions (SDGs #9 and #12).

We believe that these focus areas support our corporate strategy and long-term success. Read more about how we work to reach our goals.

Urgent action required: fighting the global antibiotic resistance crisis

The pharmaceutical industry fulfills an important function in society: providing safe and effective drugs to patients in need, while meeting stringent regulatory standards. Today, there are better and more effective therapies available for many diseases. At the same time, resistance to antibiotics is increasing. This is an extremely serious global problem that can threaten the remarkable advances made in healthcare so far. A growing number of bacterial infections are becoming harder to treat as the antibiotics used to treat them become less effective. Antibiotic resistance leads to higher treatment costs and causes more and unnecessary deaths. According to the 2019 "Antibiotic Resistance Threats" report of the U.S. Centers for Disease Control and Prevention (CDC), each year more than 2.8 million antibiotic-resistant infections occur in the U.S. alone, and more than 35,000 people die as a result (cf. https://www.cdc.gov/drugresistance/biggest-threats.html).

Discovering and developing new antibiotics and ways to overcome resistance is one of the biggest and most urgent global public health issues. This assessment is confirmed by the WHO, which decided on an action plan in 2015 to fight antibiotic resistance (cf. https://www.who.int/news-room/fact-sheets/detail/antibiotic-resistance). Ensuring sustainable investment in countering antimicrobial resistance is one of the plan's five strategic objectives.

However, for pharmaceutical companies, it is increasingly difficult to develop new antibiotics and to receive an appropriate return on investment. In many instances it makes no sense economically for companies to develop antibiotics; the antibiotics business case is a challenge. The prices of antibiotics are very low compared to other drugs and the treatment duration is short. Moreover, new antibiotics are often held in reserve to prevent the emergence of resistant bacteria. As a result, expected returns do not cover the cost and risk of developing new products. As a consequence, fewer and fewer companies are active in the field and still prepared to invest in developing an antibiotics pipeline.

Using our knowledge and skills

Basilea is one of the few companies still working on the discovery and development of novel antibiotics. We are convinced that the need for new antibiotics is too important to be ignored, and we intend to remain committed to the cause. We have the technical knowledge and experience it takes to make an impact. However, we are equally convinced that new business models need to be found in order to fix the challenging business case. This can only be achieved through a shared effort. Therefore, Basilea is collaborating with various organizations on different levels to nurture a better economic environment, which will enable companies to invest in developing antibiotics confident with the prospect of a sustainable business case.

One strategy supported by governments are so-called "push" incentives that provide funding for the development of new antibiotics. In the USA, for example, BARDA (Biomedical Advanced Research and Development Authority) reimburses part of the development cost of new products. BARDA supports Basilea's phase 3 program for ceftobiprole, which is conducted to gain a regulatory approval in the USA. Following successful completion of a clinical study in patients with acute bacterial skin and skin structure infections, a second study is currently ongoing. This second study is treating patients with *Staphylococcus aureus* bacteremia, a disease with a high mortality rate and few therapeutic options. In addition, so-called "pull" incentives are expected to play a key role in re-energizing the antibiotic pharmaceutical business sector. Some countries such as the UK and Sweden are already trialing systems whereby new antibiotics are guaranteed a fixed revenue delinked from the volume utilization. Similar delinked purchase models are expected to be trialed in other regions, including the U.S. where the recently submitted PASTEUR Act proposes such a scheme.

i **"Push" and "pull" incentives**
One example for "push" incentives is the funding of research and development, thus reducing the costs of bringing a drug to the market. "Pull" incentives intend to ensure that there is a viable market for the product. One example for "Pull" incentives is the U.S. Generating Antibiotic Incentives Now (GAIN) act, which provides additional years of market exclusivity for new antimicrobials.

Working together for a good cause

The conception and introduction of successful push and pull financial incentives requires the close collaboration of industry and governments, aligned with a common cause. Basilea is an active member of several initiatives, both locally and globally dedicated to create an environment where the development of new antibiotics is viable. These initiatives include, among others, the Swiss Round Table Antibiotics, the BEAM Alliance, and the Antimicrobial Industry Alliance (AIA). All three initiatives bring together specialized organizations, that are committed to solving one of the world's greatest health-care problems.

In 2020, the COVID-19 pandemic has provided a clear illustration of what can happen in the face of an uncontrolled pathogen spread. The threat of emerging antibiotic resistant bacterial infections is a similar issue, and it will continue to grow. Using our expertise and experience we will keep searching for solutions to fight the emerging antibiotic resistance crisis.

Now is the time: closing the gender pay gap

Basilea wants to be a good employer, attractive to highly skilled professionals. A pre-requisite for achieving this is gender equality, which involves equal pay. In Switzerland, women on average still earn 18.3% less than men. To reduce this gap, companies with more than 100 employees are obliged to conduct a gender pay gap analysis, according to an amendment in federal law that came into force on 1 July 2020. Basilea performed the analysis in 2020, earlier than legally required, using the analysis tool provided by the Swiss government. The analysis was subsequently audited by PricewaterhouseCoopers.

Based on the data for 157 employees, among them 66 (42%) women and 91 (58%) men, the analysis revealed a gender pay gap of 3.8% between men and women. With this result, Basilea would be exempt from the obligation to repeat the analysis in the future. However, as transparency is key to achieving equal pay, we have decided to repeat the pay analysis on an annual basis, and to disclose the results regularly. We believe this is an important step on the way to closing the gender pay gap.

Keeping employees engaged and fit during the COVID-19 pandemic

Since 2015 Basilea has been participating in the B2Run event (cf. https://www.b2run.ch/), also known as the Swiss company run. This is an annual event usually held in July and involves a 6 km run in the Basel area. People compete for their company and wear a company-branded t-shirt and as such, it facilitates employee team-building and engagement. Unfortunately in 2020, like most sporting events, the company run was cancelled due to the COVID-19 pandemic. Nevertheless, the organizers created an alternative app-based event in which participants collected points for their company during September by recording their individual runs and walks using the GPS function in their phones. This has proven particularly popular at Basilea, with more than one third of the entire Basel-based employees taking part. Thanks to the high level of engagement, Basilea achieved first position in the category of medium sized companies by a large margin and was also ranked third overall in the whole of Switzerland with only Roche and Credit Suisse in front. Also worth mentioning is that Basilea's highest scoring participant in this event was ranked third in Switzerland, having achieved an incredible 931 km during the competition.

For the future: improving our environmental footprint

The coronavirus pandemic accelerated digitalization in all areas of the society and as such, in our industry too. The move to the now widespread use of videoconferencing systems and even conducting international scientific conferences as virtual events has a strong impact on our environmental footprint, for example through reduced air travel. However, we are determined to improve our environmental footprint for the long-term, too.

Over the past years, it has become clear that our current HQ building, built in the late 1960s, will not fulfill the rising standards of energy efficiency and CO_2 emissions. As awareness of climate change has grown, the government of the Canton of Basel-Stadt has introduced new laws on energy-efficient buildings. These new regulations would have forced Basilea to invest millions in bringing our old building up to the required standard. But this costly renovation would not have had a lasting effect.

So, instead, we decided to move Basilea to a state-of-the-art office and laboratory building in the GRID innovation park. The GRID is built according to the latest standards for energy efficiency. It is very well connected to the local public transport system, and provides ample bicycle parking space as well as charging stations for electrical cars. The new building will help all of us at Basilea to work together more efficiently and reduce our environmental footprint.

What is more, the GRID will be home to other innovative life science companies. We are happy to be a part of this thriving Swiss biotech cluster, exchanging ideas and shaping the future.

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Compensation report

Report of the statutory auditor

to the General Meeting of Basilea Pharmaceutica Ltd.

Basel

We have audited pages 96 and 97 of the compensation report of Basilea Pharmaceutica Ltd. for the year ended December 31, 2020.

Board of directors' responsibility

The board of directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The board of directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report of Basilea Pharmaceutica Ltd. for the year ended December 31, 2020 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Bruno Rossi

Audit expert
Auditor in charge

Carrie Rohner

Basel, February 11, 2021

Letter from the chairman of the compensation committee

Dear Shareholders,

2020 was a turbulent and challenging year for people across the world. The COVID-19 pandemic has cost many lives and brought uncertainty and economic challenges on a global scale. Crisis-response efforts and significant public-health interventions have been deployed and the pharmaceutical industry impressively joined forces to save lives through the development of vaccines and therapies. For Basilea, there were several consequences. On the one hand, the company had to change its processes and ways of working with no or short notice. On the other hand, closing borders and overloaded hospitals meant additional operational challenges to our supply chain and ongoing and planned clinical studies.

Because of the commitment and dedication of Basilea's entire team acting quickly and decisively to find creative solutions and implementing necessary changes, we were able to mitigate the impact of COVID-19 on the business goals set for 2020. Significant progress was made in all areas, including the advancement of key clinical studies and the continuing strong revenue performance of its marketed products. Basilea's share price also developed well during 2020 and consistently outperformed the Swiss Performance Index (SPI) on a quarterly basis. For this I offer my thanks to all involved in navigating the many challenges and finding ways to sustain success in difficult times.

At our first ever virtual annual general meeting in 2020, our shareholders approved the proposed changes to the articles of association allowing us to harmonise the budget period for the fixed and the variable management committee compensation and to align the budget period for the total management committee compensation with the forthcoming financial year. Shareholders also supported the board's compensation proposals for 2020/2021 by approving the proposed compensation budgets for the board of directors and the management committee. The compensation report 2019 was also approved by shareholders in a non-binding advisory vote. We have further increased transparency in the present compensation report 2020 and we keep working on an on-going basis to implement further improvements. I sincerely believe that the approved amendments greatly improve the transparency, comprehension and effectiveness of our compensation system and I would once again like to offer my thanks to our shareholders for their continued support.

Throughout the year, the compensation committee continued to review and monitor the compensation policy and programs on an ongoing basis, in order to ensure their alignment with the company's vision and strategy and the long-term interests of our shareholders. External factors such as benchmarking data were also considered. This year, this included a thorough review of the board of directors' compensation structure. Based on the committee's proposal, the board of directors endorsed ending cash-only board compensation to instead a combination of cash and equity, as of the AGM 2021, without increasing the total compensation level. This approach is adopted in the majority of other Swiss-listed companies to ensure a stronger alignment between board member compensation and shareholder interests.

In addition to reviewing the overall compensation system, the compensation committee undertakes regular performance-related activities including performance goal setting at the beginning of the year and performance assessment at year-end. It also assesses board and management committee members' compensation, prepares the compensation report and proposes the budget for shareholders' say-on-pay vote at the annual general meeting.

The final grant of stock options to the management committee was approved by the board of directors in April of 2020, in line with the annual performance 2019 and under the maximum cap in the overall grant to employees. After almost two decades, Basilea's stock option plan will now make way for a new long-term incentive plan which was made possible by the amendments to the articles of association, approved by shareholders at the 2020 AGM.

This new long-term incentive plan will be in the form of granting performance share units for the CEO, management committee members and a few other senior personnel and will become effective in 2021. The vesting of these units will be subject to performance criteria that are widely used throughout the Swiss pharmaceutical industry. These performance criteria of the new long-term incentive plan are outlined in detail on page 93. The compensation committee and the board agreed on the two criteria being the relative Total Shareholder Return (rTSR) and Cresemba product sales growth. These two measurable performance criteria, will thus serve as a basis for the first vesting of the performance share units in 2024 and are in the view of the compensation committee and board, well aligned with the long-term interest of shareholders. We believe rewarding senior management for share price performance, compared to the market, combined with the commercial success of its key product, as opposed to only being rewarded for share price increases, better reflects the performance of the company, rather than the market. Restricted share units, with a service condition, will be used for other employees, to incentivize retention of people that play a critical role in the achievement of our goals.

Further information on the activities of the compensation committee and on the overall compensation system and governance can be found on the following pages. Basilea strives to maintain a high level of transparency by disclosing to shareholders detailed and comprehensive information on company business goals, performance criteria and compensation.

It is the opinion of the compensation committee that this compensation report complies with regulatory requirements and provides a comprehensive view of the compensation policy and programs. The compensation committee and the board remain committed to providing compensation policies and approaches that are performance based and align the interests of our employees with our shareholders.

Martin Nicklasson
Chairman of the compensation committee

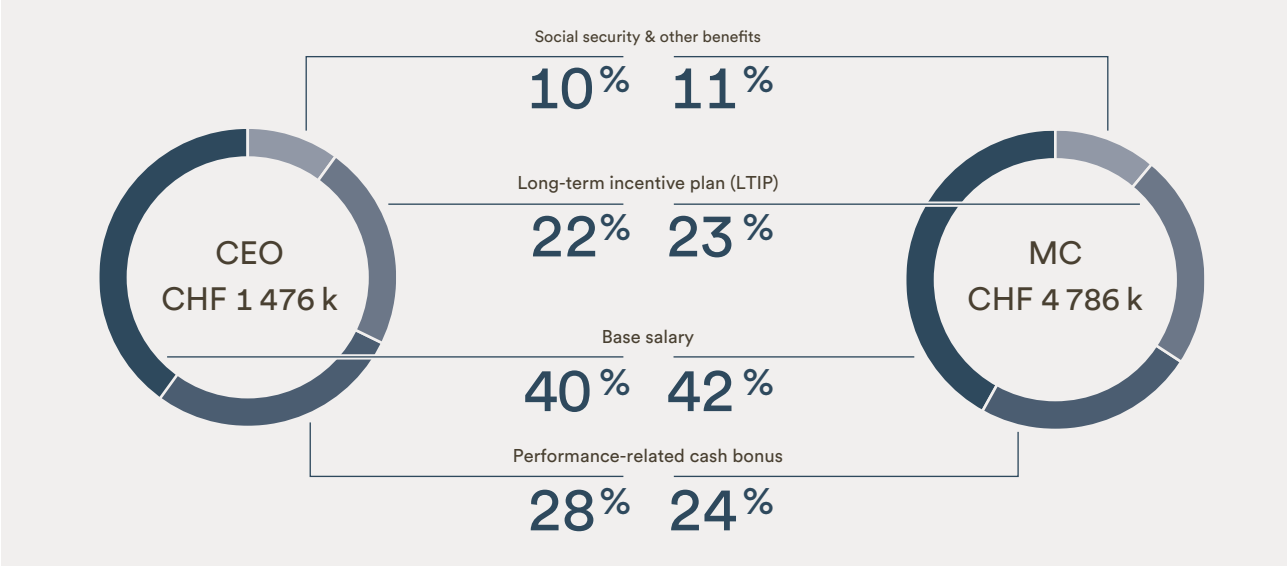
Executive summary 2020

Overview of 2020 compensation structure for the Management Committee (including CEO)

	Fixed compensation elements		Variable compensation elements	
	Base Salary	Social security and other benefits	Performance-related cash bonus	Long-term incentive plan (LTIP)
Purpose	Attract and retain	Provision for pension and insurance premiums	Align management with company goals and pay for performance	Foster long-term focus, retention and alignment to shareholders' interests
Performance measure	Role and experience; periodic review based on performance and/or industry benchmarks	Local legislation and market practice	Annually defined company goals (100% for the CEO) and individual, department-related performance	Individual performance aligned with shareholders' interests and Company and departmental goals
Performance/vesting period	Cash (paid out monthly)		Cash (paid out annually in April of the following year)	Stock options are allocated based on company goal achievement and for MC members also based on departmental performance
CEO & management committee (MC) member compensation	100%	Pension contributions, insurance premiums, and allowances depending on total compensation	Minimum: 0%; Target: 50%; Maximum: 70% of base salary for CEO; Minimum: 0%; Target: 40%; Maximum: 52% of base salary for other MC members	Stock options vesting in two tranches: 50% vest 3 years from grant date and 50% vest 4 years from grant

CEO compensation 2020
(in CHF, except for number of stock options)

	Fixed compensation elements		Variable compensation elements		
	Base salary	Social security and other benefits	Performance-related cash bonus	Long-term incentive plan (LTIP)	Total
Performance year 2020	589 271	151 531	407 310	327 799	1 475 911
Paid in form	Cash (paid out monthly)	Contributions to social security, pension and insurances	Cash (paid out annually in April of the following year)	18 710 stock options based on a fair value of CHF 17.52	



Management committee (MC) compensation 2020
(including CEO, in CHF, except for number of stock options)

	Fixed compensation elements		Variable compensation elements		
	Base salary	Social security and other benefits	Performance-related cash bonus	Long-term incentive plan (LTIP)	Total
Performance year 2020	2 022 433	522 920	1 139 683	1 100 571	4 785 607
Paid in form	Cash (paid out monthly)	Contributions to social security, pension and insurances	Cash (paid out annually in April of the following year)	62 818 stock options based on a fair value of CHF 17.52	

This compensation report provides the information required by the Ordinance against excessive compensation in stock exchange listed companies. It also includes the compensation-related disclosures as required by the Directive on Information relating to corporate governance issued by the SIX Swiss Exchange and the Swiss code of best practice for corporate governance.

Compensation principles

Core principles

For the company's short- and long-term success, Basilea's compensation approach is fundamental to attract, incentivize and retain management committee members and employees with exceptional skills:

- We offer competitive compensation. Our compensation considers the market practice of our peer group as we compete for talented employees with other companies in the sector, with the median values used as our reference point.
- We reward performance. Both company performance and individual performance are evaluated and rewarded through our annual bonus scheme and long-term incentive plan.
- We aim for commitment to long-term success. The long-term incentive plan is linked to the company's long-term success and aligns the management committee's compensation with the interests of shareholders.
- We guard against risk. Management committee members are insured in case of accident, illness, death and occupational disability through appropriate pension and insurance plans.

Compensation evaluation & benchmarking practice

The compensation of the members of the board of directors and of the management committee is reviewed annually by the compensation committee, which in turn makes recommendations to the board of directors. These include recommendations on the compensation of the members of the board of directors and the management committee, the compensation policies covering the management committee and the company's employees, and the company's long-term incentive plan.

In its 2020 review of management committee compensation, the compensation committee considered the professional experience and areas of responsibility of each management committee member and took into account compensation packages of other companies in the pharmaceutical and medtech industry in Switzerland that are comparable to Basilea with respect to size or business model. Specifically, the compensation committee engaged HCM International Ltd. (HCM) to provide compensation data on the board members and executives from a peer group of Swiss listed pharmaceutical and med-tech companies with market caps ranging from CHF 186 million to CHF 3,9 billion, with a median of CHF 1,127 million and operating models comparable to Basilea. After reviewing the data, the committee recommended the following change to the compensation models used by Basilea for its management committee and board members, to its board of directors:

- The target bonus of two management committee members was increased from 35% to 40%, aligning them with the target bonuses of the other management committee members.

Compensation governance

Articles of association

Article 6 of the articles of association (which are published on www.basilea.com/articles-of-association) provides the following compensation competences to the general meeting of shareholders:

- The approval of the maximum aggregate amount of compensation for the board of directors for the prospective period from one general meeting to the following general meeting of shareholders;
- The approval of the maximum aggregate amount of compensation for the management committee for the following financial year;
- A non-binding advisory vote on the compensation report.

Article 15 contains some additional rules relating to the board of director's competence to submit compensation proposals to the general meeting of shareholders.

Articles 18 and 25 list the compensation elements applicable to the board of directors and the management committee. They generally describe the performance criteria applicable to variable compensation elements as well as the responsibilities to determine such criteria. Although the articles of association would allow, the board of directors has decided not to include any performance-related variable elements in its compensation. The responsibilities to determine the terms of any long-term incentive plans are also regulated in Article 25.

Articles 19 – 21 regulate the composition and responsibilities of the compensation committee.

Compensation committee

The compensation committee consists of up to three independent and non-executive members of the board of directors. All members of the committee are individually elected by the shareholders at each general meeting. The compensation committee currently consists of Martin Nicklasson as chairman with Thomas Werner and Steven D. Skolsky as members.

The compensation committee supports the board of directors in developing, establishing and reviewing the company's compensation strategy, the terms of long-term incentive plans, as well as the criteria relating to performance-related compensation elements.

After each meeting, the chairman of the compensation committee reports to the board of directors on the committee's activities and recommendations. The minutes of the compensation committee meetings are provided to all members of the board of directors.

Compensation approval process

Topic	CEO	Compensation Committee	Board of Directors	AGM
Compensation policy and guidelines in line with Basilea's articles of association		Proposes	Approves	
Maximum aggregate amount of compensation for the board of directors and the management committee		Proposes	Endorses	Approves
Compensation report		Proposes	Approves	Non-binding advisory vote
Individual compensation of the members of the board of directors		Proposes	Approves	
Individual compensation of the CEO		Proposes	Approves	
Individual compensation of the other members of the management committee	Proposes	Endorses	Approves	
Plan design and grant of long-term incentives	Proposes	Endorses	Approves	

Compensation structure & design
Board of directors compensation

The compensation for members of the board consists of:

- a fixed cash compensation for the election term of 1 year;
- a meeting attendance fee (capped total amount);
- a committee membership fee;
- the payment of social security contributions, where such contributions apply; and
- reimbursement of reasonable out-of-pocket expenses.

The members of the board are not entitled to any performance-based, variable compensation, nor do they participate in the employee stock option plan. No committee chairmanship fees are paid in addition to the Committee membership fees.

The compensation paid to the board in the period from the general meeting of shareholders 2020 (AGM 2020) to general meeting of shareholders 2021 (AGM 2021) remains at the same level since 2014 and is as follows:

In CHF	AGM 2020 to AGM 2021
Chairman of the board of directors	
Fixed compensation	238 363
Meeting attendance fee [1]	9 375
Committee membership fee [2]	7 875
Members	
Fixed compensation	150 382
Meeting attendance fee [3]	6 250
Committee membership fee [2]	5 250

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

2 Fee per board committee membership.

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

For further information on the compensation for the members of the board of directors, please refer to the section “Disclosure of the compensation for the board of directors” on page 96.

Management committee compensation

Compensation system

The compensation of the members of the management committee includes a base salary, performance-related cash bonus, long-term incentive (currently in the form of stock options, in the future in the form of performance share units), pension plan contributions, certain disability insurance, and eligibility for special performance awards for exceptional performance. The total management committee compensation is limited by the aggregate amount of compensation approved by the general meeting of shareholders.

Compensation elements

Base salary

Base salary is determined by the position, responsibilities, experience and skills of each management committee member. The compensation committee reviews management committee members' base salaries at the beginning of each year, taking into account individual performance, with any changes in base salaries becoming effective as of April each year. Base salaries may be further adjusted throughout the year as deemed necessary by the board, for example due to an increase in responsibilities. Increases in base salary for the management committee are generally expected to be low and in line with general increases across the broader workforce.

Performance-related cash bonus

Performance-related cash bonuses vary annually and are based on the achievement of company goals, individual contributions to company goals, and on department objectives. Target bonuses ranging from 40% to 50% of the respective base salaries are included in each management committee member's employment contract. Actual cash bonuses are capped at 140% of the target bonus for the CEO and 130% of the target bonus for other management committee members.

The amount of each management committee member's bonus payment is determined by the board of directors upon recommendation of the compensation committee based on each management committee member's performance and contribution to achievement of the company's goals. The CEO is not present when his own compensation is being determined by the compensation committee and the board of directors.

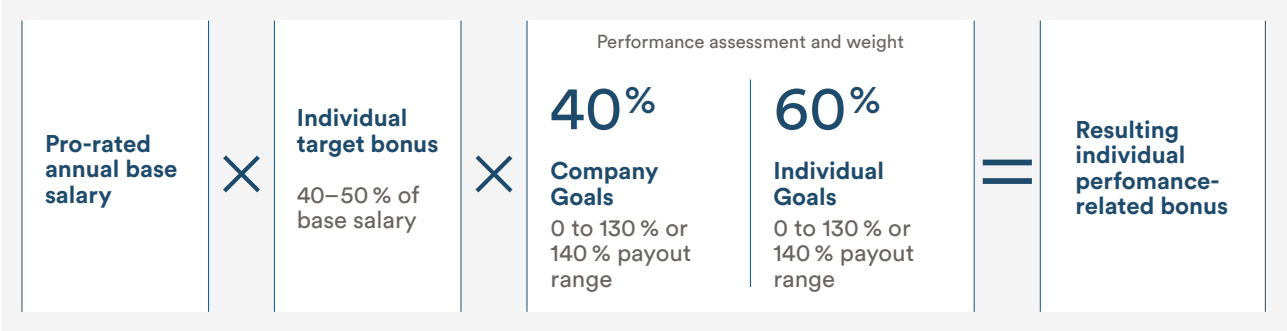
Special performance award

The board of directors annually approves a special performance award pool to allow the CEO to provide a one-off reward to recognize extraordinary performance by employees. Special performance awards are project related and the amount paid to an employee may vary from 1 to 4 weeks of salary. All employees are entitled to receive a special performance award if so determined by the CEO. The CEO will inform the compensation committee if special performance award payments are made to management committee members.

In 2020, a total of CHF 43,400 was paid out in the form of special performance award payments to members of the management committee. As of 2021 management committee members will no longer be eligible to receive a special performance award.

Assessment and calculation of the performance-related cash bonus for the members of the management committee

Management committee members' performance assessment is based on



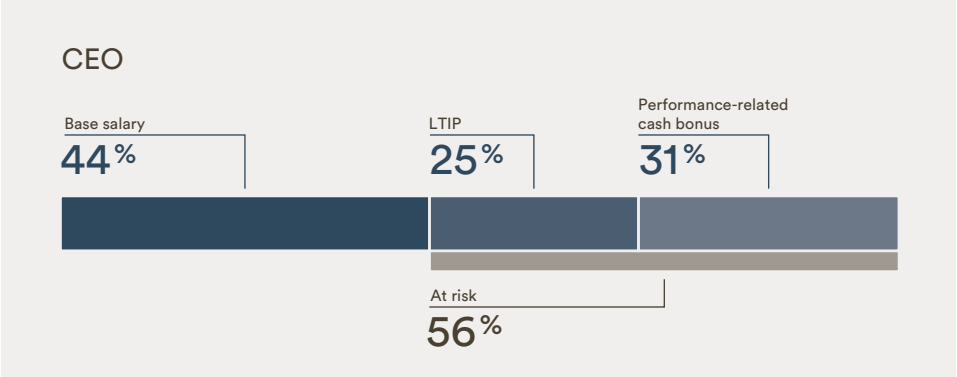
Company goals (40% of the target bonus):
The company goals used for performance evaluation of all Basilea employees in 2020 are linked to key value drivers with a combination of financial and non-financial Key Performance Indicators (KPIs):

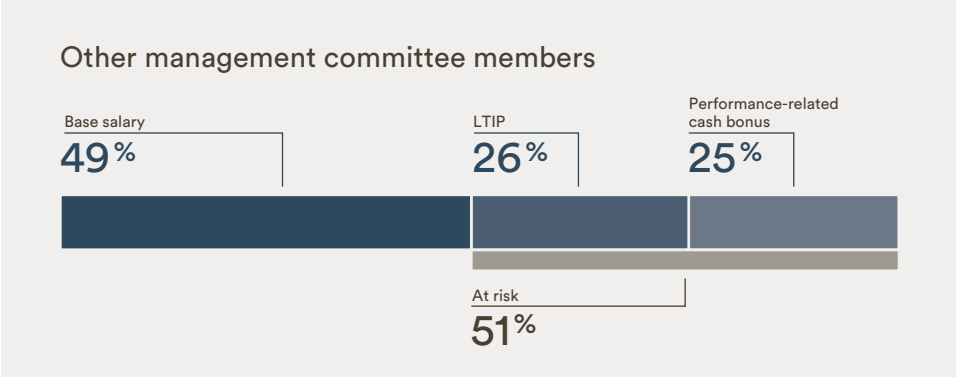
- Financial KPIs are related to the financial performance of the company, including revenues, share price performance and access to funding.
- Non-financial KPIs are related to achievement of operational milestones in the areas of portfolio development and research & development, such as advancement of clinical product candidates, completion of clinical trials, milestones towards the submission of marketing authorizations, new drug applications and product approvals.

Individual objectives (60% of the target bonus):
Relate to the specific roles and responsibilities of the members of the management committee and are aligned with the company strategy and annual company goals and related to specific and measurable functional objectives. The CEO's individual objectives are identical to the company goals. As of 2021, all management committee bonuses will be measured only on the company goals, abeit with different weightings per KPI to reflect the main areas of focus and responsibility of each member.

Capping:
In the event that the board of directors determines that certain upside company goals were achieved, or in case of extraordinary individual performance, the company goal portion and the individual portion may be rated above 100%. This is up to a maximum of 140% of the target amount for the CEO and 130% of the target amount for the rest of the management committee.

Percentage of direct compensation at risk for the CEO and the other management committee members in 2020





The majority of the direct compensation (without social security and other benefits) for the CEO and other management committee members is at risk and dependent on the execution of our strategic priorities and the achievement of company goals. 56% of Basilea's CEO's compensation and 51% of the average compensation of all other management committee members is based on such performance and paid in the form of stock options and a performance-related cash bonus.

Overall company bonus

The weighting of bonuses for all employees, excluding the CEO, is split between company goals (40%) and individual goals (60%). On a company level, the total aggregated individual goal portion of the performance-related cash bonus for all employees (excluding the CEO) is capped at 100% of the respective target amount.

Key company goals 2020

Financial KPIs	Non-financial KPIs
Revenues — Achieve budgeted product-related revenues Share price performance — Quartely share price performance relative to SPI (Swiss Performance Index) Additional funding — Access additional funding — The placement of new convertible bonds and the partial repurchase of existing convertible bonds	Research & development — Derazantinib: Complete patient enrolment into intrahepatic cholangiocarcinoma (iCCA) phase 2 study; achieve patient enrolment targets and study start-up targets for the phase 1/2 urothelial cancer and gastric cancer studies — Lisavanbulin: Achieve study start-up target for phase 2 glioblastoma study (EB1/biomarker-driven study) — Ceftobiprole: Achieve patient enrolment target for phase 3 *Staphylococcus aureus* bacteremia (SAB) study — Isavuconazole: Achieve patient enrolment target into the safety study in the pediatric investigation program Portfolio development — Expand R&D portfolio by in-licensing of an oncology compound — Complete planned preclinical studies for research assets

2020 performance highlights

Basilea focuses on the discovery, development and commercialization of innovative medicines to address the medical needs of patients with serious and life-threatening conditions. For 2020, the board of directors considered the achievement of the following financial and operating company goals that support the execution of Basilea's strategic priorities when determining the performance-related cash bonus for the management committee members:

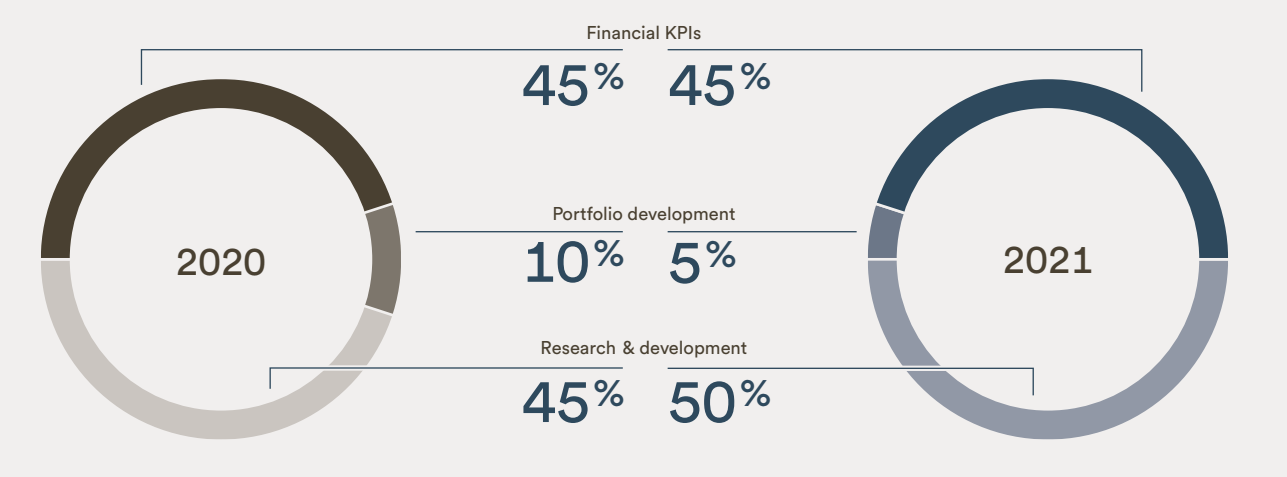
- Significantly increase product-related revenue:
  - Achieved 13.8% increase of non-deferred Cresemba and Zevtera related revenue to CHF 78 million, including Cresemba and Zevtera milestone payments of approximately CHF 9 million, related to regulatory approvals and commercial activities throughout 2020
- Basilea shares outperforming the Swiss Performance Index for each individual quarter in 2020:
  - Achieved an overall annual share price increase of more than 13.4% (SPI: 0.6%)
- Advancing the clinical study program with derazantinib:
  - Completed patient enrolment into cohort 1 of FIDES-01 study in patients with bile duct cancer (iCCA); reported interim results for cohort 2 of FIDES-01 study; started FIDES-03 study (gastric cancer) and determined the recommended phase 2 dose for combination of derazantinib with immuno-oncology drug, atezolizumab, in FIDES-02 study (urothelial cancer)
- Progressing lisavanbulin into clinical phase 2 development:
  - Started biomarker-driven phase 2 study in glioblastoma (brain cancer) patients
- Continuing patient enrolment into ceftobiprole ERADICATE phase 3 study for the treatment of patients with *Staphylococcus aureus* bacteremia (SAB):
  - Ensured continued patient enrolment throughout the year, thereby mitigated impact on study progression caused by hospitals prioritizing their anti-infective capacities to manage the COVID-19 pandemic
- Advancing the pediatric studies for Cresemba and Zevtera with the goal to extend market exclusivity for Cresemba in Europe and the U.S.:
  - Enrolment on track towards completion in 2023
- Expanding R&D portfolio:
  - Prioritized two potential first-in-class oncology programs, that could potentially enter preclinical, IND-enabling studies in 2021
- Accessing additional funding:
  - Co-development and cost-sharing arrangements, respectively, in place with partners; extended clinical supply agreement with Roche and entered into clinical trial collaboration and supply agreement with Lilly
- Strategic financial transactions:
  - Entered into sale and leaseback agreement for corporate headquarter property; successfully placed new senior convertible bonds and extended the maturity of about 25% of our mid-term debt to 2027 through partial repurchase of outstanding corporate bonds
- Response to COVID-19 pandemic:
  - Remained fully operational and mitigated impact on commercialization of Cresemba and Zevtera as well as on ongoing and planned clinical studies

Achievements 2020 company goals

KPI	Allocation	Achievement
Financial KPIs	45.0%	66.9%
Portfolio development	10.0%	5.0%
Research + development	45.0%	66.0%
Total	**100.0%**	**137.9%***

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

A key strategic priority for Basilea in 2020 was the achievement of financial targets such as revenues and share price development and the achievement of important milestones in research & development as a prerequisite for supporting continued growth and sustainable shareholder value creation. The 2021 company goals are similar to the 2020 goals including the achievement of financial targets such as revenues and share price development and with continued emphasis on creating value from the existing R&D portfolio.



Key company goals 2021

Financial KPIs	Non-financial KPIs
Revenues — Achieve budgeted product-related revenues Share price performance — Quarterly share price performance relative to SPI Extra (Swiss Performance Index Extra) Access additional funding	Research & development — Derazantinib: Achieve planned clinical data read-outs across all ongoing clinical studies in the FIDES program and successfully complete planned stage-transition events — Lisavanbulin: Successful clinical stage-transition in glioblastoma study — Ceftobiprole: Complete patient enrolment in phase 3 *Staphylococcus aureus* bacteremia (SAB) study — Isavuconazole: Complete patient enrolment in the pediatric investigation program study Portfolio development — Expand R&D portfolio by in-licensing of an oncology compound — Complete planned preclinical studies for research assets

Long-term incentive plan

Equity incentives currently granted in the form of stock options are intended to focus members of the management committee and key employees on the mid- and long-term success of the company. The plan is designed to reward performance in a manner that closely aligns employees' interests with shareholders' interests and is critical to enable the company to attract and retain individuals with exceptional skills.

Key factors considered by the board of directors based on the recommendation of the compensation committee in the grant of stock options are:

— Benchmarks derived from the market and relevant companies;
— Individual performance of the management committee members which is related to specific company goals or department objectives; and
— The potential dilution impact of the granted stock options.

The general decision to grant stock options under the plan is a competence of the board of directors and is decided on an annual basis. The board of directors limited the number of annually granted stock options with the potential dilution capped at a maximum of 1.51% (fully diluted). For 2020 the board of directors approved an overall grant of 1.31% (fully diluted). No employee, including members of the management committee, is guaranteed to receive a set value or a set number of stock options in respect of his or her individual grant.

In 2018, the board of directors amended the plan to allow for net share settlement of stock options in order to significantly reduce potential overall dilution. The net share settlement of stock options helps to ensure that the maximum potential dilution related to all outstanding options remains below 10% of the share capital on a fully diluted basis at the issuance of each new grant.

The strike price of the stock options equals the closing price of the Basilea shares on the Swiss Stock Exchange (SIX) on the grant date which is determined by the board of directors. The strike price of the options granted in the business year 2020 was CHF 47.60 (in 2019 it was CHF 45.80), with 50% of the granted options vesting three years from the grant date and 50% of the options vesting four years from the grant date. The term of the stock option grant is 10 years. For the options issued in 2016 and thereafter, an employee's unvested options will be forfeited upon termination of employment by the company or resignation by the employee; however, vested options may be exercised within 12 months of the termination date, after which time all vested options expire. In the event that employment ceases due to death or disability or in the event of retirement, unvested options will not forfeit and may be exercised when vested. For options issued in 2015 and prior years, an employee's unvested options are forfeited upon termination of employment resulting from notice provided by the employee to the company, or upon termination of employment by the company for cause. The stock option program permits granting of stock options and/or stock appreciation rights; however to date only stock options have been granted.

There is no cash value of the options at grant, and the fair value of the stock options granted in 2020 was determined at the grant date using a binomial model as CHF 17.52 (in 2019 as CHF 17.02) per option. The assumptions used for the fair value calculation of options can be found on page 139. Stock options inherently incentivize shareholder value creation, since employees will receive no value unless the Basilea share price increases after the grant date.

Any value, income or other benefit derived from any stock option is not considered part of the participant's salary or compensation for the purposes of calculating any pension or retirement benefits.

Basilea's stock option-based long-term incentive plan will cease as per the beginning of 2021, when the new performance share units and restricted share units based plan will come into force. More details on the cornerstones of that plan can be found under the section "Forward-looking compensation topics" on page 93.

Indirect benefits

The company contributes to the pension plan and maintains certain disability insurance for the members of the management committee. New members may be eligible for reimbursement of relocation costs, compensation for lost benefits or stock granted by a prior employer, and limited reimbursement of international school for children.

Loans and credits

The company did not grant any loans, quasi-loan credits or guarantees to members of the board of directors or of the management committee in 2020 or 2019.

Employment conditions

The notice period of the employment agreements for the members of the management committee is 12 months and, during the notice period, variable compensation may be received, depending on company and individual performance. Such compensation would be within the contractually established range for such member, as explained above. Members of the management committee are subject to the standard Basilea terms and conditions for Basilea employees. Basilea has no contractual termination payment obligations to members of the management committee.

For further information on the compensation for the members of the management committee, please refer to the section "Disclosure of the compensation for the members of the management committee" on page 97.

Forward-looking compensation topics

In order for its management committee compensation approach to remain aligned to best practices and the interests of its shareholders, Basilea's compensation committee continuously evaluates Basilea's management committee compensation practices against market trends and discusses the use of alternative remuneration methods.

Long-term incentive plan

In 2021 Basilea's stock option-based long-term incentive plan will cease and the new share units-based plan will come into force. For Basilea employees, this long-term incentive plan will consist of two separate remuneration approaches with differing objectives. Members of the management committee as well as a small number of senior managers in key positions will be granted performance share units (PSUs) in 2021. Employees in management positions that are not eligible to receive PSUs will instead be granted restricted share units.

The total number of PSUs for the Management Committee is determined using a pre-determined value in CHF (based on 100% of base salary for the CEO and 75% for other management committee members on average). This value is then divided by the higher of the fair value as of the AGM date or CHF 35. The minimum share price of CHF 35 to calculate the actual number of PSUs granted, serves to protect shareholders from excess dilution in the event of an extraordinarily low share price on the AGM date.

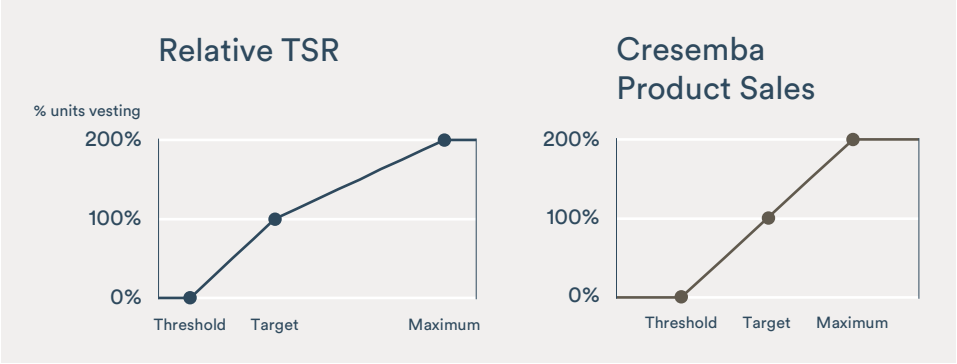
PSUs will vest into Basilea shares following the completion of a three-year performance period. How many shares are issued for each vesting PSU is contingent on the achievement of two KPIs. Each KPI includes:

— a performance target, at which one PSU vests into one Basilea share
— a maximum cap, at or above which one PSU vests into two Basilea shares
— a performance threshold, at or below which none of the PSUs vest for that KPI

After the PSUs vest into shares they are subject to a mandatory one-year holding period.

The KPIs of the PSUs are: relative Total Shareholder Return against the SPI Extra index ("rTSR") and Cresemba product sales, weighted evenly. The former KPI was chosen to reward participants for directly creating long-term shareholder value. As this measure is relative to the stock market, it serves as a better indicator of company performance than the current stock option plan. The latter KPI measures the Compounded Annual Growth Rate ("CAGR") of Cresemba's in-market sales over the same three-year performance period.

For the 2021-2023 performance cycle, the KPIs and their targets are as follows:



KPI	Relative TSR	Product Sales
Threshold	-10% against SPI Extra	+10% CAGR
Target	On par with SPI Extra	+15% CAGR
Maximum	+20% against SPI Extra	+20% CAGR

Restricted share units, granted to management-level employees that are not eligible to receive performance share units, contain only a three-year service condition. The intent of this component is to promote the retention of employees that are critical to the fulfilment of Basilea's objectives but have less of a direct influence over them than senior management. These units vest into Basilea shares on a one-to-one basis after the end of the three-year vesting period.

A complete overview of the plan will be included in the invitation to Basilea's 2021 annual general meeting.

Management committee bonus structure

The KPIs that are used to measure the individual component of the management committee bonuses are aligned with, and often identical to, those used in the company goals. In order to simplify the goal setting and performance assessment and increase transparency, as of 2021 members of the management committee will have their bonuses entirely contingent on the achievement of company goals, similarly to the CEO. To reflect the areas of focus and responsibility for each management committee member, the weighting of the KPIs will differ per member according to their functional role. For example, the Financial KPIs will carry a higher weight for the CFO compared to the CMO. These weightings will be determined by the board on an annual basis.

In addition, members of the management committee will no longer be eligible to receive special performance awards as of 2021. In the past this was used sporadically in the event of exceptional performance against projects that were not foreseen when the annual goals were originally set.

Board of directors remuneration

Following an analysis of the pay practices of board members across different companies using market data provided by HCM International, the board endorsed several changes to the remuneration practices of its members.

Firstly, the removal of meeting attendance fees. The use of this component as a part of board remuneration packages has decreased significantly over time in other companies. Principally, the attendance of board meetings is regarded as a fundamental part of each board member's responsibilities and therefore should not be remunerated separately.

Secondly, the addition of a separate remuneration level for the board's vice chairman. Due to the increased responsibilities of this role, companies frequently distinguish between the remuneration of its vice chairman and other board members. The Basilea board of directors agrees with this approach and endorses the addition of this additional pay level.

Thirdly, to pay its board members in both equity and cash as opposed to the cash-only approach used currently. The equity component will consist of restricted share units with a one-year service condition, equal to the length of their appointment to the board. Share units will vest into Basilea shares following the end of this period on a one-to-one basis. No performance conditions are tied to this remuneration in order to preserve the independence of the board. This change should both increase the alignment between the interests of board members and shareholders and changes the remuneration approach of Basilea's board members to one which is more closely aligned to those found in similar companies. The overall pay levels of board members and the chairman will not change as a result of the introduction of the equity component. The only change in pay level will be for the vice chairman, related to his role, not due to the change to equity and cash pay.

These changes would become effective as of the next term of office and included in the board compensation budget submitted to shareholders at the AGM 2021.

Compensation disclosure

Disclosure of the compensation for the board of directors

The total compensation of the members of the board in calendar years 2020 and 2019 are outlined below:

In CHF 2020	Board-membership	Audit Committee	Compensation Committee	Corporate Governance Committee	Fixed compensation	Committee membership fees	Meeting attendance fees	Social security and other fringe benefits[2]	Total
Domenico Scala	Chair	Chair			238 363	7 875	46 875	37 817	330 930
Thomas Werner	Vice Chair		•	Chair	150 382	10 500	31 250	25 439	217 571
Martin Nicklasson	•	•	Chair		150 382	10 500	31 250	38 042	230 174
Nicole Onetto	•			•	150 382	5 250	31 250	–	186 882
Ronald Scott[1]	•			•	150 382	5 250	37 500	22 913	216 045
Steven D. Skolsky	•	•	•		150 382	10 500	31 250	–	192 132
Total					**990 273**	**49 875**	**209 375**	**124 211**	**1 373 734**

1 Of the meeting attendance fees paid to Ronald Scott during 2020, CHF 6,250 are attributable to the period from the 2019 AGM to the 2020 AGM as the limit of 5 meetings was not reached during calendar year 2019.

2 Includes the company's and the board members' contributions to social security during the year 2020, where such contributions occur.

In CHF 2019	Board-membership	Audit Committee	Compensation Committee	Corporate Governance Committee	Fixed compensation	Committee membership fees	Meeting attendance fees	Social security and other fringe benefits[2]	Total
Domenico Scala	Chair	Chair			238 363	7 875	46 875	36 825	329 938
Thomas Werner	Vice Chair		•	Chair	150 382	10 500	31 250	24 788	216 920
Martin Nicklasson	•	•	Chair		150 382	10 500	31 250	38 042	230 174
Nicole Onetto	•			•	150 382	5 250	31 250	–	186 882
Ronald Scott[1]	•			•	87 723	3 063	25 000	14 902	130 688
Steven D. Skolsky	•	•	•		150 382	10 500	31 250	–	192 132
Total					**927 614**	**47 688**	**196 875**	**114 557**	**1 286 734**

1 Ronald Scott, the former CEO, continued to receive compensation during the remaining term of his employment contract in 2019. For his board contribution compensation is paid on a pro-rated basis since June 2019. Please refer to the disclosure of compensation to former management committee members for further information.

2 Includes the company's and the board members' contributions to social security, etc., where such contributions occur.

Disclosure of the compensation for the members of the management committee

In CHF	Cash compensation fixed	Cash compensation variable	Stock options[2]	Social security and other fringe benefits[3]	Total
2020					
Chief Executive Officer David Veitch	589 271	407 310	327 799	151 531	1 475 911
Total Management Committee	**2 022 433**	**1 139 683**	**1 100 571**	**522 920**	**4 785 607**
2019					
Chief Executive Officer David Veitch	583 437	334 846	389 350	124 404	1 432 037
Total Management Committee[1]	**2 079 805**	**914 831**	**1 119 525**	**509 591**	**4 623 752**

1 Includes the compensation of the previous CFO who left the company on April 30, 2019.

2 Based on the grant-date fair value per stock option of CHF 17.52 (2020) and CHF 17.02 (2019) using a binomial valuation model.

3 Includes employers' contributions to pension plans, social security, life insurance etc.

Payments to former management committee members

In 2020 no payments occurred to former members of the management committee.
During 2019 a total of CHF 727,866 was paid to former members of the management committee for the duration of their respective contractual notice periods, in line with the conditions of their employment contracts. No severance payments were made.

Granting of stock options

The development of stock option holdings for the total management committee and the CEO in 2020:

For year 2020	Chief Executive Officer David Veitch	Total Management Committee[1]
Number of vested stock options at the beginning of the year	27 289	**120 697**
Number of unvested stock options at the beginning of the year	56 801	**163 322**
Number of stock options granted during the year	18 710	**62 818**
Number of stock options exercised during the year	–	**1 000**
Number of stock options expired during the year	–	**11 350**
Number of vested stock options at the end of the year	38 014	**140 494**
Number of unvested stock options at the end of the year	64 786	**193 993**

1 Includes the stock options of the current members of the management committee.
Stock options of former members who left the management committee in 2019 are not included.

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Financial Report

Financial Review

Overview

The following discussion of the financial condition and results of the operations of Basilea Pharmaceutica Ltd. ("Basilea") and its subsidiaries (the "Company") should be read in conjunction with the consolidated financial statements, which have been prepared in accordance with U.S. GAAP, and the related notes thereto included in this annual report. This discussion contains forward-looking statements which are based on assumptions about the Company's future business that involve risks and uncertainties. The Company's actual results may differ materially from those anticipated in these forward-looking statements.

Basilea Pharmaceutica Ltd., through its operating company Basilea Pharmaceutica International Ltd. ("Basilea International"), is a commercial stage biopharmaceutical company, focusing on the development of products that address the medical challenges in the therapeutic areas of oncology and infectious diseases.

The Company recognized operating income of CHF 127.6 million in 2020 (2019: CHF 134.4 million). Operating income in 2020 included CHF 111.8 million (2019: CHF 114.3 million) from Basilea's two marketed products, Cresemba (isavuconazole) and Zevtera (ceftobiprole). Moreover, operating income included other revenue in the amount of CHF 15.2 million (2019: CHF 19.6 million) and revenue from R&D services in the amount of CHF 0.4 million (2019: CHF 0.3 million).

In 2020, the Company invested CHF 97.4 million (2019: CHF 102.7 million) in research and development activities related to its oncology drug candidates derazantinib, lisavanbulin (BAL101553), its antibiotic ceftobiprole, its antifungal isavuconazole and further projects in the Company's research portfolio.

Selling, general and administrative expenses including costs for the commercialization of Cresemba and Zevtera amounted to CHF 29.4 million in 2020 (2019: CHF 30.1 million).

The cash and cash equivalents and investments amounted to CHF 167.3 million as of December 31, 2020, compared to CHF 161.0 million at year-end 2019.

Results of operations

The following table outlines the Company's consolidated results of operations for the fiscal years 2020 and 2019:

In CHF million	2020	2019
Product revenue	48.7	50.9
Contract revenue	63.3	63.5
Revenue from R&D services	0.4	0.3
Other revenue	15.2	19.7
Total revenue*	**127.6**	**134.4**
Cost of products sold	(24.1)	(18.9)
Research & development expenses, net	(97.4)	(102.7)
Selling, general & administrative expenses	(29.4)	(30.0)
Total cost and operating expenses	**(150.9)**	**(151.6)**
Profit from sale of assets	15.0	-
Operating loss	**(8.2)**	**(17.2)**
Interest income	0.1	0.0
Interest expense	(7.6)	(6.4)
Other financial income	3.8	1.6
Other financial expenses	(4.3)	(1.9)
Losses from senior unsecured bonds transactions	(0.3)	-
Other components of net periodic pension cost	1.8	1.5
Income taxes	(0.1)	-
Net loss	**(14.7)**	**(22.4)**

Note: Consistent rounding was applied.
* Revenue included CHF 33.6 million (2019: CHF 45.6 million) revenue recognized for upfront, development and regulatory milestone payments received in prior years from partners.

Revenues

Operating income included product revenue in the amount of CHF 48.7 million (2019: CHF 50.9 million) and contract revenue in the amount of CHF 63.3 million (2019: CHF 63.5 million). Product revenue mainly resulted from sales to Pfizer of CHF 38.1 million (2019: CHF 43.1 million).
Contract revenue mainly resulted from recognized deferred revenue from Astellas of CHF 9.0 million (2019: CHF 38.7 million) in connection with the upfront payment of CHF 67.5 million in 2010, the regulatory milestone payments of CHF 12.0 million in 2014 and CHF 30.0 million in 2015 and royalty payments of CHF 28.8 million (2019: CHF 28.0 million).
Furthermore, the Company recognized contract revenue from Pfizer of CHF 18.4 million (2019: CHF 21.0 million) consisting of royalty payments of CHF 12.4 million (2019: CHF 9.0 million) and regulatory and commercial milestone payments of CHF 6.0 million (2019: CHF 12.0 million).
Finally, the Company recognized contract revenue in the amount of CHF 7.1 million (2019: CHF 3.8 million) from upfront, sales and regulatory milestone payments from other distribution and license agreements.
In other revenue, the Company recognized CHF 13.2 million in 2020 related to its agreement with BARDA (2019: CHF 18.5 million) and others of CHF 0.4 million (2019: none). Moreover, the Company recognized revenue from research and development in the amount of CHF 1.6 million (2019: CHF 1.1 million).

Cost of products sold

The Company recognized cost of products sold of CHF 24.1 million (2019: CHF 18.9 million) for Cresemba and Zevtera.

Research and development expenses, net

Research and development expenses amounted to CHF 97.4 million (2019: CHF 102.7 million), representing 65% of total operating expenses (2019: 68%).

Research and development expenses in 2020 were mainly related to activities for the ongoing phase 3 program of the antibiotic ceftobiprole, the phase 2 development of oncology drug candidate derazantinib, the phase 1/2a development of oncology drug candidate lisavanbulin, costs for the pediatric programs for ceftobiprole and isavuconazole as well as further compounds in the Company's research portfolio.

The decrease of CHF 5.3 million as compared to 2019 is mainly driven by the ceftobiprole phase 3 program.

Payments which the Company makes or receives related to its co-development arrangement with Astellas for isavuconazole are recorded in research and development expenses. The research and development expenses in 2020 also included stock-based compensation expenses of CHF 1.7 million (2019: CHF 1.4 million).

Research and development expenses primarily consist of expenses for third-party services in connection with clinical studies and research projects, costs for producing substance to be used in such trials and projects, personnel expenses for the research and development groups of the Company, and depreciation of equipment used for its research and development activities. In addition, research and development expenses contain expenses for producing pharmaceutical material which may be used for commercialization and was produced prior to obtaining regulatory approval or evidence being available that regulatory approval can reasonably be expected.

Selling, general and administrative expenses

Selling, general and administrative expenses amounted to CHF 29.4 million (2019: CHF 30.0 million). Selling, general and administrative expenses included costs related to the general management of the company, the commercialization of isavuconazole and ceftobiprole and stock-based compensation of CHF 1.8 million (2019: CHF 1.6 million).

The decrease of CHF 0.6 million as compared to 2019 is mainly due to lower administrative expenses.

Selling, general and administrative expenses mainly consist of expenses related to commercialization, marketing, medical affairs, corporate management, legal, finance, human resources, business development, licensing and investor relations, including any personnel expenses for these functions.

As of December 31, 2020, the Company had subsidiaries in Germany and the United Kingdom.

Net financial income/expenses, other components of net periodic pension cost

Net financial expenses, excluding interest, amounted to CHF 0.5 million (2019: Net financial expenses of CHF 0.3 million) and other components of net periodic pension cost to CHF 1.8 million (2019: CHF 1.5 million).

Net interest expenses amounted to CHF 7.5 million (2019: CHF 6.4 million).

Income taxes

Due to the losses incurred to date and the insufficient evidence related to the ability to realize deferred tax assets, the Company has not recognized any deferred tax assets as of December 31, 2020 and December 31, 2019. The Company incurred income taxes of CHF 0.1 million in 2020 and CHF 0.0 million in 2019 related to its operations in certain jurisdictions outside of Switzerland.

Liquidity and capital resources

In 2020, the Company received non-refundable milestone payments of CHF 8.7 million (2019: CHF 22.6 million) from distribution and licensing partners. In 2020, the Company issued new convertible senior unsecured bonds and received CHF 93.9 million net of issuance costs and repurchased nominal CHF 47.1 million existing bonds through a tender process.

The cash used by the Company in 2020 was primarily related to its operating activities, in particular the development programs as well as commercial activities.

The cash and cash equivalents and investments, available as of December 31, 2020, amounted to CHF 167.3 million (December 31, 2019: CHF 161.0 million).

The Company's policy is to invest its available funds in low risk investments, including interest-bearing deposits, bonds and other debt instruments. As of December 31, 2020, CHF 101.0 million were invested in short-term bank deposits.

The Company has not entered and has not planned to enter into any commitments for any material investments other than for investments in the normal course of the business. The financial needs of Basilea's wholly-owned and fully consolidated subsidiaries are exclusively covered by the Company. None of the subsidiaries had any significant third-party debt outstanding as of December 31, 2020 and 2019.

Critical accounting policies

The consolidated financial statements of the Company have been prepared in accordance with U.S. GAAP. The preparation of the financial statements requires management to make estimates and assumptions, which have an effect on the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and on the reported amounts of revenues and expenses during the reporting period. These estimates are based on historical experience and management's knowledge of current events and actions the Company may undertake in the future, however, actual results ultimately may differ from those estimates.

The license agreement with Pfizer consists of three deliverables: grant of an exclusive commercialization license, obligation to supply isavuconazole to Pfizer during the supply service period and execution of the pediatric investigation plan (PIP) studies. The Company determined that the grant of the exclusive commercial license and obligation to supply isavuconazole to Pfizer represents one combined performance obligation, whereas the PIP studies represent a separate one. In 2017, the Company received a non-refundable upfront payment of CHF 70.0 million. The entire non-refundable upfront payment was allocated to the combined performance obligation for the grant of the exclusive commercial license and obligation to supply isavuconazole to Pfizer, as for the PIP studies a separate pricing exists. The non-refundable upfront payment was deferred and is recognized as product revenue as each unit of isavuconazole is sold to Pfizer based on the standalone selling price of each unit during the supply service period.

The original license agreement was amended to extend the territory to China (including Hong Kong and Macao) and sixteen countries in the Asia Pacific region.

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. Royalty revenue is recognized when earned as the license is the predominant item of the contract.

As the Company acts as principal for the sale of the product during the supply service period, the sales of the product to Pfizer is recorded gross and recognized in product revenue upon delivery.

The license agreement with Astellas consists of several deliverables: the co-development services, the commercial-related manufacturing services, the grant of the license to Astellas, the PIP studies and participation in the joint steering or coordination committee (the Committee). The co-development services, the grant of the license and the participation in the Committee consist of one unit of accounting, with the PIP studies and the commercial-related manufacturing services consisting of two others. The co-development services, the grant of the license and the participation in the Committee consist of one unit of accounting since they do not have value to Astellas on an individual stand-alone basis. The commercial-related manufacturing services and the PIP studies are other units of accounting since they have value to Astellas and there is evidence of the stand-alone selling price for these obligations in the arrangement.

In 2010, the Company received an upfront payment of CHF 67.5 million net. The entire upfront payment was allocated to the unit of accounting composed of co-development services, the grant of the license, the participation in the Committee and the PIP studies. The related revenue is recognized over the period where the

performance obligation is satisfied, being the period over which the services are rendered. The Company satisfied its contractual performance obligations in October 2020.

The Company also received, respectively was eligible to receive non-refundable regulatory milestone payments in the total amount of CHF 42.0 million and sales milestones from Astellas. The regulatory milestone payments were deferred and recognized in contract revenue as the Company satisfies its contractual performance obligation. The sales milestones were fully recognized upon achievement as contract revenue.

The agreement with BARDA for the phase 3 development of ceftobiprole aiming to gain regulatory approval in the United States is considered as part of the Company's ongoing major operations. Hence, other revenue is recorded when recoverable costs are incurred.

In a license agreement with Asahi Kasei Pharma Corporation, the Company granted to Asahi Kasei Pharma an exclusive license to develop, register and commercialize isavuconazole in Japan. In addition to the license, the Company has an obligation to manufacture and supply the product for clinical trials and to provide materials, documentation and support. Because the separation criteria is not met, the license and the ongoing documentation and information transfer obligation are accounted for as one unit of accounting and the entire upfront payment was allocated to the unit of accounting. The related revenue is recognized over the period over which the ongoing documentation and information transfer obligation is provided up to submission of a new drug application (NDA), expected to be in the fourth quarter 2021. The commercial manufacturing service is not a deliverable because the service is dependent on the clinical results, the approval of the NDA, and the agreement of specific commercial manufacturing terms. Further milestone payments will be recognized as contract revenue upon satisfaction of the criteria associated with the milestone. Royalty revenue will be recognized when earned. The Company received a non-refundable upfront payment of CHF 7.0 million. The upfront payment was deferred and is recognized as contract revenue over the remaining service period, expected to be until the fourth quarter of 2021 in line with the period over which the Ongoing Documentation and Information Transfer Obligation is provided up to submission of the NDA.

The Company received upfront payments under other distribution- and license agreements for isavuconazole and ceftobiprole which were deferred and are recognized as contract revenue over the remaining performance period, approximately until 2032.

Expenses relating to the Company's products sold consisting of the manufacturing cost, capacity reservation costs, shipping and handling costs are presented in cost of products sold.

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. The Company recorded total expenses related to stock-based compensation of CHF 3.5 million in 2020 (2019: CHF 3.0 million).

Research and development costs are expensed as incurred. Costs of research and development equipment with alternative future use are capitalized and depreciated over its respective useful life. Payments that the Company makes or receives related to its co-development arrangement for isavuconazole are recorded in research and development expenses. Costs related to the manufacturing of inventories which occurred after the receipt of regulatory approval or evidence being

available that regulatory approval can reasonably be expected, are capitalized. The Company expenses costs as research and development expenses related to manufacturing of inventories when incurred prior to obtaining regulatory approval or evidence being available that regulatory approval can reasonably be expected. If regulatory approval is subsequently obtained, the recorded expenses are not reversed. Accordingly, the cost of products sold do not and will not include manufacturing costs for material, which was produced prior to obtaining regulatory approval, when the respective commercial material is sold.

In 2015 and 2020, the Company received total net proceeds from the sale of Convertible Senior Unsecured Bonds of CHF 194.7 million and CHF 93.9, after deducting issuance costs of CHF 5.3 million and CHF 3.2 million respectively. In 2020 nominal CHF 47.1 million of the 2015 placed bonds were repurchased through a tender offer. The Convertible Senior Unsecured Bonds are accounted for at amortized costs. The Convertible Senior Unsecured Bonds were issued bearing interest at a fixed rate of 2.75% and 3.25% respectively, per year. In 2020, the Company recognized interest expense of CHF 7.5 million (2019: CHF 5.5 million) for contractual coupon interest and CHF 1.2 million (2019: CHF 0.8 million) for accretion of the issuance costs. The remaining unamortized debt issuances costs of CHF 4.1 million will be accreted over the remaining term of the Convertible Senior Unsecured Bonds, which is approximately 2 years and 6.5 years respectively.

The Company assesses deferred taxes regularly and provides for a valuation allowance on deferred tax assets if it is more likely than not that deferred tax assets are not realized. As a consequence, the Company has recorded a valuation allowance on net deferred tax assets in the amount of CHF 74.1 million as of December 31, 2020 mainly due to the history of operating losses and the uncertainty related to the ability to realize such deferred tax assets.

Please refer to the consolidated financial statements of the Company included elsewhere in this annual report for further information on the Company's accounting policies.

Foreign currency exchange rate risk

The functional currency of the Company is the Swiss Franc. Besides the expenses, which are denominated in Swiss Francs, the Company also incurs expenses in foreign currencies, especially in Euro, US Dollars, British Pounds, Canadian Dollars, Chinese Yuan Renminbi and Japanese Yen. Although the Company believes that the current exposure to foreign currency risk is not significant, it cannot be excluded that unfavorable developments of the value of the Swiss Franc could have a material adverse effect on the Company's financial condition, results of operations, and prospects in the future.

As the subsidiaries of Basilea are mainly located outside Switzerland, the value of the assets and liabilities of these subsidiaries are translated into Swiss Francs for purposes of the Company's consolidated financial statements. Consequently, the values of these assets and liabilities are subject to foreign currency fluctuations. However, due to the limited relative book value of the assets and liabilities involved in the subsidiaries, the related exposure to foreign currency risk is not deemed to be significant for the Company.

Subsequent events

In February 2021 Basilea entered into an agreement to sell BPh Investitionen Ltd. and its wholly-owned subsidiary Basilea Pharmaceutica China Ltd. Closing of the transaction is expected to take place in the second quarter of 2021.

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Report of the statutory auditor
to the General Meeting of Basilea Pharmaceutica Ltd.
Basel

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Basilea Pharmaceutica Ltd. (the Company), which comprise the consolidated balance sheet as of December 31, 2020 and the consolidated statement of operations, consolidated statement of comprehensive income / loss, consolidated statement of cash flows, consolidated statement of changes in shareholders' equity (deficit) and notes, for the year then ended.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2020 present fairly, in all material respects, the financial position as of December 31, 2020 and the results of operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the matter
Revenue recognition of the upfront payment related to the license agreement with Pfizer entered 2017 In 2017, the Company entered into a license agreement with Pfizer Inc. for isavuconazole and received a non-refundable upfront payment of CHF 70 million. Management concluded that the upfront payment was for the combined performance obligation related to the license and the obligation to supply isavuconazole during the supply service period, which ended in 2020. The Company recognised the respective product revenue over time in line with the satisfaction of the combined performance obligation. In 2020, the Company entered into a supply service agreement, formally an amendment to the existing license agreement. The supply service agreement is being accounted for prospectively as Management determined that it involves a separate performance obligation. We consider the revenue recognition of the remaining upfront payment in 2020 and the accounting for the supply service agreement to be a key audit matter given the judgments and estimates involved and the significance in relation to consolidated revenues for the year. Refer to note 1 Summary of significant accounting policies – Revenue recognition and note 10 Agreements of the consolidated financial statements.	We assessed the method used and inputs applied by Management to recognise the remainder of the upfront payment received in 2017 as product revenue during 2020. We read the supply service agreement and discussed its contents and operational implications with Management. Further, we reviewed Management's accounting assessment and considered whether the related judgments are supportable. We found the judgments and estimates made by Management related to revenue recognition of the remainder of the upfront payment and the supply service agreement to be reasonable.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Bruno Rossi

Audit expert
Auditor in charge

Carrie Rohner

Basel, February 11, 2021

Consolidated Financial Statements

Basilea Pharmaceutica Ltd. and subsidiaries

Consolidated balance sheets as of December 31, 2020 and 2019
(in CHF thousands, except for number of shares)

	Footnote reference	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7	60 749	109 024
Short-term investments	6	101 023	20 000
Restricted cash		5 507	2 020
Accounts receivable	5	8 710	6 242
Other receivables	8	23 684	22 053
Inventories	9	21 192	18 569
Other current assets		2 663	6 952
Total current assets		**223 528**	**184 860**
Non-current assets			
Tangible assets, net	2	2 627	5 162
Operating lease Right-of-Use assets, net	18	2 648	900
Intangible assets, net	3	672	372
Long-term investments	6	-	30 000
Other non-current assets		319	173
Total non-current assets		**6 266**	**36 607**
TOTAL ASSETS		**229 794**	**221 467**
LIABILITIES			
Current liabilities			
Accounts payable		13 151	6 765
Deferred revenue	10	2 556	32 873
Current operating lease liabilities	18	1 752	352
Accruals and other current liabilities	12	32 702	35 504
Total current liabilities		**50 161**	**75 494**
Non-current liabilities			
Convertible senior unsecured bonds	11	239 668	197 740
Deferred revenue, less current portion	10	13 158	16 471
Non-current operating lease liabilities	18	896	548
Other non-current liabilities	17	27 957	24 174
Total non-current liabilities		**281 679**	**238 933**
Total liabilities		**331 840**	**314 427**
Commitments and contingencies	21		
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital[1]	15	11 922	11 882
Treasury shares[2]	15	(52 766)	(5 963)
Additional paid-in capital		982 438	927 342
Accumulated other comprehensive loss	15	(27 252)	(24 555)
Accumulated deficit:			
Loss carried forward		(1 001 666)	(979 244)
Net loss for the year		(14 722)	(22 422)
Total shareholders' equity (deficit)		**(102 046)**	**(92 960)**
TOTAL LIABILITIES AND EQUITY (DEFICIT)		**229 794**	**221 467**

[1] As of December 31, 2020, 11,922,205 shares (December 31, 2019: 11,881,945) were issued and 10,867,306 shares (December 31, 2019: 10,773,904) outstanding with a par value of CHF 1.00 per share.
[2] As of December 31, 2020, 1,054,899 shares (December 31, 2019: 1,108,041) with a par value of CHF 1.00.

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

Basilea Pharmaceutica Ltd. and subsidiaries

Consolidated statements of operations for the years ended December 31, 2020 and 2019 (in CHF thousands, except per share amounts)

	Footnote reference	2020	2019
Product revenue	4	48 746	50 938
Contract revenue	4, 10	63 286	63 523
Revenue from research & development services	4	387	325
Other revenue	4	15 210	19 595
Total revenue		**127 629**	**134 381**
Cost of products sold		(24 054)	(18 868)
Research & development expenses, net		(97 410)	(102 662)
Selling, general & administrative expenses		(29 422)	(30 051)
Total cost and operating expenses		**(150 886)**	**(151 581)**
Profit from sale of assets	2	15 035	-
Operating loss		**(8 222)**	**(17 200)**
Interest income		104	28
Interest expense	11	(7 589)	(6 424)
Other financial income		2 057	1 583
Other financial expenses		(2 549)	(1 904)
Losses from senior unsecured bonds transactions		(314)	-
Other components of net periodic pension cost		1 846	1 535
Loss before taxes		**(14 667)**	**(22 382)**
Income taxes	13	(55)	(40)
Net loss		**(14 722)**	**(22 422)**

Loss per share	16	**2020**	2019
Basic loss per share, in CHF		(1.43)	(2.08)
Diluted loss per share, in CHF		(1.43)	(2.08)

Basilea Pharmaceutica Ltd. and subsidiaries

Consolidated statements of comprehensive income/loss for the years ended December 31, 2020 and 2019 (in CHF thousands)

	Footnote reference	2020	2019
Net loss		**(14 722)**	**(22 422)**
Currency translation adjustments		(291)	(183)
Unrecognized pension costs		(4 057)	(8 890)
Amortization of unrecognized pension costs		1 651	801
Other comprehensive loss, net of tax	15	**(2 697)**	**(8 272)**
Comprehensive loss		**(17 419)**	**(30 694)**

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

Basilea Pharmaceutica Ltd. and subsidiaries

Consolidated statements of cash flows for the years ended December 31, 2020 and 2019 (in CHF thousands)

	Footnote reference	2020	2019
Cash flow from operating activities			
Net loss		(14 722)	(22 422)
Adjustments to reconcile net loss to net cash used in/provided by operating activities:			
Depreciation and amortization		1 190	1 639
Gain from sale of assets		(15 035)	-
Stock-based compensation		3 525	3 048
Interest and accretion of debt issuance cost	11	1 356	758
Debt extinguishment loss		314	-
Change in operating assets/liabilities:			
Accounts receivable		(2 465)	(2 457)
Other receivables		(1 657)	8 909
Inventories		(2 618)	(4 142)
Accounts payable		6 394	378
Deferred revenue		(33 630)	(45 626)
Accruals and other current liabilities		(1 425)	693
Other operating cash flow items		4 639	(4 614)
Net cash used in operating activities		**(54 134)**	**(63 836)**
Cash flow from investing activities			
Payments for short-term investments	6	(81 023)	(20 000)
Maturities of short-term investments	6	30 000	50 000
Payments for long-term investments	6	-	(30 000)
Proceeds from sale of assets		18 325	-
Investments in tangible assets	2	(1 823)	(294)
Investments in intangible assets	3	(442)	(110)
Net cash used in investing activities		**(34 963)**	**(404)**
Cash flow from financing activities			
Net proceeds from exercise of stock options	14	1 322	37
Net proceeds from treasury shares		3 487	1 272
Proceeds from debt issuance		97 085	-
Debt issuance costs		(3 193)	-
Debt extinguishment		(53 634)	-
Net cash provided by financing activities		**45 067**	**1 309**
Effect of exchange rate changes on cash, cash equivalents and restricted cash		**(758)**	**67**
Net change in cash, cash equivalents and restricted cash		**(44 788)**	**(62 864)**
Cash, cash equivalents and restricted cash, beginning of period		**111 044**	**173 908**
Cash, cash equivalents and restricted cash, end of period		**66 256**	**111 044**
Supplemental information			
Cash paid for interest		4 843	5 666
Cash paid for income taxes		26	141

The following table shows the components of cash, cash equivalents and restricted cash as of December 31, 2020 and 2019:

In CHF thousands	2020	2019
Cash and cash equivalents	60 749	109 024
Restricted cash	5 507	2 020
Total cash, cash equivalents and restricted cash	**66 256**	**111 044**

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

Basilea Pharmaceutica Ltd. and subsidiaries

**Consolidated statements of changes in shareholders' equity (deficit)
for the years ended December 31, 2020 and 2019
(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, 2018	**11 878 556**	**11 879**	**(1 133 852)**	**(7 235)**	**924 194**	**(16 281)**	**(979 244)**	**(66 687)**
Net loss	-	-	-	-	-	-	(22 422)	(22 422)
Other comprehensive income	-	-	-	-	-	(8 274)	-	(8 274)
Treasury shares transactions	-	-	25 811	1 272	-	-	-	1 272
Exercise of stock options, net	3 389	3	-	-	100	-	-	103
Stock-based compensation, net	-	-	-	-	3 048	-	-	3 048
Balance at December 31, 2019	**11 881 945**	**11 882**	**(1 108 041)**	**(5 963)**	**927 342**	**(24 555)**	**(1 001 666)**	**(92 960)**
Net loss	-	-	-	-	-	-	(14 722)	(14 722)
Other comprehensive income	-	-	-	-	-	(2 697)	-	(2 697)
Treasury shares transactions[1]	-	-	53 142	(46 803)	50 289	-	-	3 486
Exercise of stock options, net	40 260	40	-	-	1 282	-	-	1 322
Stock-based compensation, net	-	-	-	-	3 525	-	-	3 525
Balance at December 31, 2020	**11 922 205**	**11 922**	**(1 054 899)**	**(52 766)**	**982 438**	**(27 252)**	**(1 016 388)**	**(102 046)**

[1] Includes one sale and repurchase transaction of 1,000,000 shares to a bank for CHF 50.0 million. 1,000,000 of these treasury shares are subject to a share lending agreement.

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

Basilea Pharmaceutica Ltd. and subsidiaries

Notes to the consolidated financial statements
(all amounts in CHF unless stated otherwise)

1 Summary of significant accounting policies

Business purpose and history

Basilea Pharmaceutica Ltd., Basel, Switzerland (Basilea), together with its subsidiaries (together, the Company), is a commercial stage biopharmaceutical company focusing on the development of products that address the medical challenges in the therapeutic areas of oncology and anti-infectives.

Basilea owns 100% of the shares of BPh Investitionen Ltd., Baar, Switzerland, a subholding company, which holds a 100% investment in Basilea Pharmaceutica China Ltd., Haimen, China, which supports the Company's key research and development projects with medicinal chemistry, analytical development and process research and development.

Supporting its commercial organization, the Company has operating subsidiaries in the United Kingdom and Germany. All subsidiaries are wholly-owned and fully consolidated.

Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounted principles in the United States of America (U.S. GAAP). The financial statements are presented in Swiss Francs (CHF).

Principles of consolidation

Subsidiaries in which Basilea has a controlling financial interest directly or indirectly are consolidated. Investments in which the Company exercises significant influence (generally between 20% and 50% of the voting rights), but which the Company does not control, are accounted for applying the equity method of accounting. Investments in which the Company does not exercise significant influence (generally ownership of less than 20% of the voting rights) are accounted for at cost. Intercompany balances and transactions have been eliminated in consolidation. The Company holds only wholly-owned subsidiaries.

Use of estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions which have an effect on the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and on the reported amounts of revenues and expenses during the reporting period. Management evaluates these estimates on an ongoing basis, including those related to revenue recognition, accrued expenses, stock-based compensation, pension accounting and income taxes. These estimates are based on historical experience and management's knowledge of current events and actions the Company may undertake in the future; however, actual results ultimately may differ from those estimates.

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 and the Company’s convertible senior unsecured bonds.

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.

Financial instruments measured on a basis other than fair value are mostly comprised of the Company’s convertible senior unsecured bonds and are presented in the table below in terms of fair value. The fair value was estimated based on quoted market prices:

Estimated fair value

In CHF million	2020	2019
Convertible senior unsecured bonds (Level 1)	258.0	201.9

Cash and cash equivalents

The Company considers cash equivalents to be highly liquid investments which are readily convertible to cash with original maturities of not more than three months.

Restricted cash

Restricted cash includes bank accounts reserved for the purchase of treasury shares.

Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses from the settlement of such foreign currency balances and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized as a component of other financial income or other financial expenses in the statement of operations.

For consolidation purposes, income, expenses and cash flows are translated at the average exchange rate during the period. Assets and liabilities are translated at the period-end exchange rate. The resulting translation adjustment is recorded as accumulated other comprehensive income/loss in shareholders' equity (deficit).

Short- and long-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. Long-term investments include time deposits with banks with original maturities of more than twelve months. These investments are carried at nominal value which approximates fair value. They are classified as level 2 instruments in the fair value hierarchy according to ASC 820. Gains and losses resulting from such investments are included as a component of other financial income or other financial expenses in the statement of operations.

Accounts receivable and other receivables

Accounts receivable and other receivables are recorded at net realizable value after consideration of an allowance for doubtful accounts. The Company maintains allowances for estimated uncollectible receivables based on historical experience and specifically identified at-risk accounts. The adequacy of the allowance is evaluated on an ongoing and periodic basis and adjustments are made in the period in which a change in condition occurs. 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 the 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.

Tangible assets

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 20 years for buildings, 5 years for research & development equipment, 3 years for furniture and office equipment and 3 years for IT hardware and equipment. Leasehold improvements are depreciated over the shorter of 5-10 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.

Intangible assets
Intangible assets with finite lives are recorded at cost less accumulated amortization and impairment. Intangible assets with finite lives consist of external direct costs of materials and services consumed in developing or obtaining internal use software. Intangible assets are amortized on a straight-line basis over their estimated useful lives, which is 3 years for software.

Expenditures for maintenance are charged to the statement of operations as incurred.

The cost and related accumulated amortization 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.

Impairment of long-lived assets
Long-lived assets are reviewed for impairment indicators throughout the year. Whenever events or changes in circumstances indicate that the carrying amounts of long-lived assets held for use, including tangible assets as well as intangible assets, may not be recoverable, the Company assesses such long-lived assets for impairment.

If the assessment indicates that a long-lived asset is not recoverable (i.e. the carrying amount is higher than the future projected undiscounted cash flows), its carrying amount would be reduced to the fair value.

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.

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.

Leases
At inception of a contract, the Company determines whether an arrangement is or contains a lease. For all leases, the Company determines the classification as either operating or financing. Operating leases are recorded in operating lease Right-of-Use (ROU) assets and current and non-current operating lease liabilities in the Company's Consolidated balance sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments under the lease. Lease recognition occurs at the commencement date. ROU assets also include any lease payments made prior to the commencement date and exclude lease incentives received. In determining the present value of the lease payments, the implicit rate in the lease agreement is used when readily determinable. Alternatively, when the implicit rate is not determinable, the incremental borrowing rate is used based on the information available at the commencement date. The Company determined the impact of discounting was not material to the present value of the lease payments.

For its operating lease, the Company's lease expense is recorded on a straightline basis over the lease term.

The Company elected for real estate leases to not separate the nonlease components from their related lease components.

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 following table presents the Company's revenue disaggregated by revenue source. Sales and usage-based taxes are excluded from revenues:

In CHF million	2020	2019
Product revenue	48.7	50.9
Contract revenue	63.3	63.5
Revenue from research & development services	0.4	0.3
Other revenue:		
BARDA revenue	13.2	18.5
Others	2.0	1.2
Total	**127.6**	**134.4**

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 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.

Revenue from research & development services
Revenue from research and development services provided by the Company is recorded as earned based on the performance requirements of the underlying contracts. The costs related to these services are primarily included in research and development expenses.

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 U.S. 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.

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 (for example, 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

Expenses 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

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 estmation 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.

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. 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 potential shares, consisting of stock options 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.

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.

In December 2019, a novel strain of coronavirus, COVID-19, was identified. This virus continues to spread globally and, as of December 2020, has spread to over 200 countries and territories. The spread has resulted in the World Health Organization declaring the outbreak of COVID-19 as a “pandemic,” or a worldwide spread of a new disease, on March 11, 2020. Many countries around the world have imposed quarantines and restrictions on travel and mass gatherings to slow

the spread of the virus. Employers are also required to increase, as much as possible, the capacity and arrangement for employees to work remotely. Although, to date, these restrictions have not significantly impacted the Company's abilty to conduct its business, the effect on its business, from the spread of COVID-19 and the actions implemented by the governments across the globe, may worsen over time.

Any outbreak of contagious diseases, or other adverse public health developments, could have a material and adverse effect on Company's business operations. These could include disruptions or restrictions on Company's ability to travel, pursue partnerships and other business transactions, receive shipments of biologic materials, as well as be impacted by the temporary closure of the facilities of suppliers. The spread of an infectious disease, including COVID-19, may also result in the inability of our suppliers to deliver supplies to Company on a timely basis. In addition, health professionals may reduce staffing and reduce or postpone meetings with clients in response to the spread of an infectious disease. Though the Company has not yet experienced such events, if they would occur, they could result in a period of business disruption, and in reduced operations, any of which could materially affect Company's business, financial condition and results of operations. However, as of the date these annual financial statements, the Company have not experienced a material adverse effect on its business nor the need for reduction in its work force; and, currently, do not expect any material impact on its long-term activity. The extent to which COVID-19 impacts Company's business will depend on future developments which are highly uncertain and cannot be predicted, including, but not limited to, new information which may emerge concerning the increased severity of COVID-19, the actions to contain COVID-19, or treat its impact.

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.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses" (Topic 326). This topic introduces the current expected credit loss (CECL) model for assets that are measured at amortized cost and certain other instruments. The CECL impairment model requires an estimate of expected credit losses, measured over the contractual life of an instrument, that considers forecasts of future economic conditions in addition to information about past events and current conditions. This update will be effective for fiscal years beginning after December 15, 2022 and requires a cumulative-effect adjustment to the statement of financial position as of the beginning of the first reporting period in which the guidance is effective. Periods prior to the adoption date that are presented for comparative purposes are not adjusted. The Company does currently not expect that the adoption of this guidance will have a material impact on the financial statements.

In August 2018, the FASB issued ASU No. 2018-14, "Compensation-Retirement Benefits-Defined Benefit Plans-General" (Subtopic 715-20). The amendment modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The amendment is effective for fiscal years ending after December 15, 2020 and must be applied retrospectively to all periods presented. The application of this new standard is presented in 2020 consolidated financial statements.

There are no other pronouncements or interpretations which are not yet effective which would be expected to have a material impact on the Company.

The following accounting pronouncements were effective for reporting periods beginning after December 15, 2019:

ASU No. 2018-18, “Collaborative Arrangements” (Topic 808) - the implementation of this accounting pronouncement did not have a significant impact on these consolidated financial statements.

2 Tangible assets

In CHF million	Land/Land-use rights	Buildings	Equipment	Total
2020				
Cost				
January 1, 2020	1.5	19.0	23.7	44.2
Additions	0.0	0.0	1.8	1.8
Disposals	(1.3)	(17.1)	(0.8)	(19.2)
Currency effect	0.0	0.0	(0.1)	(0.1)
December 31, 2020	0.2	1.9	24.6	26.7
Accumulated depreciation				
January 1, 2020	0.0	16.2	22.8	39.0
Additions	0.0	0.5	0.5	1.0
Disposals	0.0	(15.1)	(0.8)	(15.9)
Currency effect	0.0	0.1	(0.1)	0.0
December 31, 2020	0.0	1.7	22.4	24.1
Net book value as of December 31, 2020	**0.2**	**0.2**	**2.2**	**2.6**
2019				
Cost				
January 1, 2019	1.5	19.0	24.5	45.0
Additions	0.0	0.0	0.3	0.3
Disposals	0.0	0.0	(1.0)	(1.0)
Currency effect	0.0	0.0	(0.1)	(0.1)
December 31, 2019	1.5	19.0	23.7	44.2
Accumulated depreciation				
January 1, 2019	0.0	15.2	23.4	38.6
Additions	0.0	1.0	0.5	1.5
Disposals	0.0	0.0	(1.0)	(1.0)
Currency effect	0.0	0.0	(0.1)	(0.1)
December 31, 2019	0.0	16.2	22.8	39.0
Net book value as of December 31, 2019	**1.5**	**2.8**	**0.9**	**5.2**

3 Intangible assets

The intangible assets as of December 31, 2020 and 2019 consist of software for internal use:

In CHF million	2020	2019
Cost		
January 1	**5.3**	**5.2**
Additions	0.5	0.1
Disposals	-	-
Currency effect	0.0	0.0
December 31	**5.8**	**5.3**
Accumulated amortization		
January 1	**5.0**	**4.8**
Additions	0.1	0.1
Disposals	-	-
Currency effect	0.0	0.0
December 31	**5.1**	**4.9**
Net book value as of December 31	**0.7**	**0.4**

The expected future annual amortization of intangible assets is as follows:

Amount in CHF million	
2021	0.3
2022	0.3
2023	0.1
Thereafter	-
Total	**0.7**

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

The geographical allocation of the long-lived assets of the Company is presented in the following table:

In CHF million	2020	2019
Switzerland	1.9	4.4
China	0.7	0.8
Total	**2.6**	**5.2**

As of December 31, 2020 the Company recorded operating lease ROU assets of CHF 2.6 million in operating lease Right-of-Use assets. The ROU asset is geographically allocated to Switzerland and not presented in the table above.

The revenues with external customers were realized in the following geographies:

In CHF million	2020
Republic of Ireland	56.9
Japan	40.1
USA	13.2
China	5.3
Uruguay	4.8
Sweden	2.9
Other	4.4
Total	**127.6**

In CHF million	2019
Republic of Ireland	64.7
Japan	40.2
USA	18.6
Uruguay	3.9
Other	7.0
Total	**134.4**

The attribution of revenues to geography was done according to the location of the customer.

In 2020, the Company recognized total revenue in the amount of CHF 56.9 million (2019: CHF 64.7 million) with Pfizer Inc., CHF 38.4 million (2019: CHF 38.7 million) with Astellas and CHF 13.2 million (2019: CHF 18.5 million) with BARDA.

5 Accounts receivable

The accounts receivable primarily consist of receivables from product revenue as well as receivables related to activities for isavuconazole for Astellas. As of December 31, 2020, the Company recorded no allowance for estimated uncollectible receivables (December 31, 2019: CHF 0.0 million).

6 Short- and long-term investments

The short-term investments as of December 31, 2020 contain short-term time deposits with banks, denominated in Swiss Francs, in the amount of CHF 101.0 million (December 31, 2019: CHF 20.0 million). As of December 31, 2020 the Company had no long-term investments (December 31, 2019: CHF 30.0 million).

7 Cash and cash equivalents

Cash and cash equivalents consisted of the following components:

In CHF million	2020	2019
Cash	50.1	52.5
Short-term time deposits (less than 3 months)	10.6	56.5
Total	**60.7**	**109.0**

As of December 31, 2020, the Company had outstanding bank guarantees in the amount of CHF 1.0 million (December 31, 2019: CHF 1.0 million).

8 Other receivables

The following table shows the components of other receivables as of December 31, 2020 and 2019:

In CHF million	2020	2019
VAT receivables	6.0	5.3
Royalty receivables (see Note 10 Agreements)	13.4	12.8
Contractual milestone receivables (see Note 10 Agreements)	-	0.6
Receivables from BARDA (see Note 10 Agreements)	2.2	2.2
Other	2.1	1.2
Total	**23.7**	**22.1**

9 Inventories

The following table shows the components of inventories as of December 31, 2020 and 2019:

In CHF million	2020	2019
Raw materials	7.1	6.2
Semi-finished products	26.5	26.3
Finished products	1.2	0.6
Inventory provisions	(13.6)	(14.5)
Total	**21.2**	**18.6**

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 7.6 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 December 31, 2020, the Company recorded additional provisions for inventory in the total amount of CHF 6.0 million.

10 Agreements

License agreement with Pfizer related to isavuconazole

In June 2017, the Company entered into a license agreement with Pfizer Inc. for isavuconazole. The transaction was completed on July 19, 2017. Under the agreement Pfizer Inc. 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 license 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 original agreement, the Company was eligible for a non-refundable upfront payment of CHF 70 million and up to USD 427 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 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 range on Pfizer Inc.'s sales in the Territories.

The original agreement consists of three deliverables: grant of an exclusive commercial license, obligation to supply isavuconazole to Pfizer Inc. during the supply service period (the Supply Service Term) and execution of the pediatric investigation plan (PIP) studies. The Company determined that the grant of the exclusive commercial license and obligation to supply isavuconazole to Pfizer Inc. represents one combined performance obligation, whereas the PIP studies represent a separate one.

The Amendment consists of two deliverables: grant of an exclusive commercial license and services to support the Clinical Trial Application (CTA) for China. The Company determined that the grant of the exclusive commercial license and obligation to support the CTA for China represent one combined performance obligation.

In 2017, the Company received a non-refundable upfront payment of CHF 70.0 million from Pfizer Inc. The execution of the PIP studies is covered by a separate contractual milestone reflecting its standalone selling price. The non-refundable upfront payment was deferred and is recognized as product revenue as each unit of isavuconazole is sold to Pfizer Inc. based on the estimated standalone selling price of each unit during the Supply Service Term. The Company concluded that the Amendment results in a separate performance obligation based on the contract modification which is treated as a separate contract.

In 2018, under the Amendment, the Company received a non-refundable upfront payment of USD 3.0 million (CHF 2.9 million) from Pfizer Inc. The entire non-refundable upfront payment was allocated to the combined performance obligation for the grant of the exclusive commercial license and obligation to support the CTA for China. The non-refundable upfront payment was fully recognized as contract revenue in 2018 upon fulfilling the performance obligation.

As the Company acts as principal for the sale of the product during the Supply Service Term, the sales of product to Pfizer Inc. are recorded gross and recognized in product revenue upon delivery. Any milestone payments are being recognized as contract revenue over the remaining performance period based on the progress towards satisfying its identified performance obligation. Royalty revenue is recognized when earned as the license is the predominant item of the contract.

In 2020 the Supply Service Term ended and in June 2020, the Company entered into a Supply Service Agreement with Pfizer Inc. Under the terms of the agreement the Company shall deliver Active Pharmaceutical Ingredient (API) and certain semi-finished products to Pfizer Inc. until December 2021 or November 2023, depending on the product. The Company concluded that the Supply Service Agreement is distinct from the Agreement and its Amendements and results in a separate performance obligation that is treated as a separate contract. Due to the additional performance obligation that is not priced at its standalone selling price, the Company concluded that the modification should be accounted for prospectively. Therefore all revenues collected under the Supply Service Agreement are presented in product revenues.

As of December 31, 2020, the Company presented no deferred revenue (December 31, 2019: CHF 20.7 million) on its consolidated balance sheet, of which none (December 31, 2019: CHF 20.7 million) is presented as current liabilities.

In 2020, the Company recognized CHF 38.1 million (2019: CHF 43.1 million) as product revenue, thereof CHF 20.7 million (2019: CHF 31.7 million) is related to the upfront payment for the Territory and CHF 17.3 million (2019: CHF 11.4 million) to product sales to Pfizer Inc. In 2020 the Company

recognized royalty revenue of CHF 12.5 million (2019: CHF 9.0 million). In February and June 2020, the Company recognized a regulatory milestone payment related to the Territory of total CHF 5.0 million and commercial milestone payments related to the extended Territory of total USD 1.0 million (CHF 1.0 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 million and non-refundable milestone payments of up to CHF 478 million based on the achievement of milestones related to regulatory filing, regulatory approval and commercialization of isavuconazole. In addition, the Company was also 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 U.S. and Canada in return for foregoing the Company's right to co-promote the product in the U.S. 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 U.S. 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 million, sales milestone payments of up to CHF 290 million and tiered double-digit royalty payments from Astellas relating to its territory.

The agreement is a multiple-element arrangement with several deliverables, mainly the grant of an exclusive license, compensation for co-payment of development services, participation in the joint steering committee or coordination committee (the Committee), development-related manufacturing services and the PIP studies. The arrangement provides separate pricing for commercial-related manufacturing services and sale of clinical supplies.

The agreement consists of several deliverables: the co-development services, the commercial-related manufacturing services, the grant of the license to Astellas, the PIP studies and participation in the Committee. The co-development services, the grant of the license and the participation in the Committee consist of one unit of accounting, with the PIP studies and the commercial-related manufacturing services consisting of two others. The co-development services, the grant of the license and the participation in the Committee consist of one unit of accounting since they do not have value to Astellas on an individual stand-alone basis. The commercial-related manufacturing services and the PIP studies are other units of accounting since they have value to Astellas and there is evidence of the stand-alone selling price for these obligations in the arrangement. All upfront payments were allocated to the units of accounting composed of the co-development services, the grant of the license, the participation in the Committee and the PIP studies. The related revenue is recognized over the period where the performance obligation is satisfied, being

the period over which the services are rendered. The Company satisfied its contractual performance obligations in October 2020.

In 2010, the Company received a non-refundable net upfront payment of CHF 67.5 million (gross payment of CHF 75.0 million less withholding tax of CHF 7.5 million) from Astellas. This net upfront payment was recognized as deferred revenue. The upfront payment covered the grant of an exclusive license, compensation for co-development services and the participation in the Committee. As of December 31, 2020, the Company presented no deferred revenue (December 31, 2019: CHF 3.8 million) on its balance sheet, of which none (December 31, 2019: CHF 3.8 million) is presented as current liabilities. In 2020, the Company recognized CHF 3.8 million as contract revenue related to this upfront payment for the grant of license (2019: CHF 4.5 million).

In September 2014, the U.S. Food and Drug Administration (FDA) accepted the filing of Astellas' New Drug Application (NDA) for isavuconazole, seeking approval of isavuconazole for the treatment of invasive aspergillosis and invasive mucormycosis in adults. Based on this acceptance, the Company received a non-refundable milestone payment of CHF 12.0 million from Astellas. This milestone payment was recognized as deferred revenue. The milestone payment covered the grant of an exclusive license, compensation for co-development services, the participation in the Committee and the PIP studies. As of December 31, 2020, the Company presented no deferred revenue (December 31, 2019: CHF 1.5 million) on its balance sheet, of which none (December 31, 2019: CHF 1.5 million) is presented as current liabilities. In 2020, the Company recognized CHF 1.5 million as contract revenue related to this additional milestone payment received upon acceptance of filing (2019: CHF 1.8 million).

In March 2015, the FDA approved Astellas' NDA for the use of isavuconazole for patients 18 years of age and older in the treatment of invasive aspergillosis and invasive mucormycosis. Based on the approval, the Company received a non-refundable milestone payment of CHF 30.0 million from Astellas. This milestone payment was recognized as deferred revenue. The milestone payment covered the grant of an exclusive license, compensation for co-development services, the participation in the Committee and the PIP studies. As of December 31, 2020, the Company presented no deferred revenue (December 31, 2019: CHF 3.7 million) on its balance sheet, of which none (December 31, 2019: CHF 3.7 million) is presented as current liabilities. In 2020, the Company recognized CHF 3.7 million as contract revenue related to this additional milestone payment received upon approval (2019: CHF 4.4 million).

In 2020, the Company recognized CHF 9.0 million (2019: CHF 10.7 million) as contract revenue related to the upfront and milestone payments and recognized royalties in contract revenue in the total amount of CHF 28.8 million (2019: CHF 28.0 million). In addition the Company recognized CHF 0.6 million (2019: CHF 0.0 million) related to services provided by the Company to Astellas related to isavuconazole in other revenue.

In 2020, the Company reported CHF 2.0 million (2019: CHF 2.0 million) research and development expenses for isavuconazole net of cost reimbursements from Astellas of CHF 0.3 million (2019: CHF 0.1 million) in research and development expenses, net since the Company does not have the risks and rewards as principal based on the terms of the arrangement and the nature of the activities carried out, and therefore acts as an agent for these transactions.

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 Basilea's antifungal drug 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. Once isavuconazole is authorized, 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 million and up to approximately CHF 60 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 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 accounting and the entire upfront payment was allocated to the unit of accounting. The related revenue is recognized over the period over which the Ongoing Documentation and Information Transfer Obligation is provided up to submission of the NDA.

The Company concluded that the commercial manufacturing service is not a deliverable because the service is dependent on the clinical results, the approval of the NDA, and the agreement of specific commercial manufacturing terms. The further milestone payments will be recognized as contract revenue upon satisfaction of the criteria associated with the milestone. Royalty revenue will be recognized when earned.

In 2016, the Company received a non-refundable upfront payment of CHF 7.0 million from Asahi Kasei Pharma. This upfront payment was deferred and is recognized as contract revenue over the remaining service period, expected to be until the fourth quarter of 2021 in line with the period over which the Ongoing Documentation and Information Transfer Obligation is provided up to submission of the NDA. As of December 31, 2020, the Company presented deferred revenue of CHF 1.3 million (December 31, 2019: CHF 2.6 million) on its balance sheet, of which CHF 1.3 million (December 31, 2019: CHF 1.3 million) is presented as current liabilities.

In 2020 the Company recognized CHF 1.3 million (2019: CHF 1.3 million) as contract revenue related to this upfront payment and CHF 0.5 million (2019: CHF 0.1 million) related to services provided by the Company to Asahi for isavuconazole.

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 Basilea's antibiotic 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. Once ceftobiprole is authorized, Basilea will initially supply the product to Gosun at a transfer price and will be eligible for tiered double-digit royalties on product sales once Gosun manufactures ceftobiprole itself.

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 million and up to approximately CHF 145 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 accounting and the entire upfront payment was allocated to one unit of accounting. The related revenue is recognized 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 is recognized as contract revenue over the remaining service period, 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, Gosun received a Drug Approval License in the Territory and the service period ended. Therefore the Company decided to recognize the remaining deferred revenue of the non-refundable net upfront payment.

As of December 31, 2020, the Company presented no deferred revenue (December 31, 2019: CHF 1.4 million) on its balance sheet, of which none (December 31, 2019: CHF 0.6 million) is presented as current liabilities.

In 2020, the Company recognized CHF 1.4 million (2019: CHF 0.6 million) as contract revenue related to this upfront payment. In November 2020, the Company recognized a regulatory milestone payment of CHF 3.0 million gross respectively CHF 2.7 million net of tax as contract 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, Grupo Biotoscana S.L. (GBT) 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 Correvio Pharma Corp. (Correvio) for Europe (excluding the Nordic countries) and Israel. In addition, the

Company expanded its existing distribution agreement for ceftobiprole in 2016 with Hikma Pharmaceuticals LLC (Hikma) for the Middle East and North Africa for isavuconazole.

Under these distribution agreements, the Company was eligible for non-refundable upfront payments of CHF 19.4 million and for sales and regulatory milestone payments of up to CHF 132.7 million related to the commercialization of isavuconazole and ceftobiprole in these territories. In addition, the Company sells the products to these distributors for the commercialization in the territories, and recognizes the related revenue in product revenue.

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. In 2015, the Company received a non-refundable upfront payment of CHF 1.0 million. 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 December 31, 2020, the Company presented deferred revenue of CHF 14.5 million (December 31, 2019: CHF 15.7 million) on its balance sheet, of which CHF 1.3 million (December 31, 2019: CHF 1.3 million) is presented as current liabilities.

In 2020, the Company recognized CHF 1.2 million (2019: CHF 1.2 million) as contract revenue related to these payments and product revenue in the total amount of CHF 10.7 million (2019: CHF 7.8 million) related to these distribution agreements. In December 2020, the Company recognized sales milestone payments of CAD 0.4 million (CHF 0.3 million) from Avir.

Contract with BARDA for ceftobiprole U.S. 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 U.S. As of December 31, 2020, the Company was awarded a total amount of USD 104.4 million (December 31, 2019: USD 94.9 million) under this contract to support the phase 3 development of ceftobiprole. In 2020, the Company received a total of USD 14.0 million or CHF 13.1 million, respectively (December 31, 2019: USD 24.2 million or CHF 24.1 million, respectively) in payments from BARDA under the contract. The Company considers the arrangement to be part of its ongoing major operations. Hence, other revenue is recorded when recoverable costs are incurred.

In 2020, the Company recognized CHF 13.2 million (2019: CHF 18.5 million) as other revenue related to the BARDA contract.

License agreement with ArQule Inc. (owned by Merck & Co., Inc.) related to derazantinib

In April 2018, the Company entered into a license agreement with ArQule Inc. owned by Merck & Co., Inc. (ArQule Inc.) for the oncology drug candidate ARQ 087 (derazantinib). The exclusive license is worldwide, excluding China, Hong Kong, Macau and Taiwan.

Under the terms of the agreement, ArQule Inc. grants the Company rights to research, develop, manufacture and exclusively commercialize derazantinib worldwide, excluding China, Taiwan, Hong Kong and Macau. The Company made an upfront payment to ArQule Inc. of USD 10.0 million (CHF 9.6 million) upon execution of the agreement. ArQule Inc. was eligible for regulatory and sales mile-

stone payments of up to USD 326 million upon reaching certain clinical, regulatory and commercial milestones over the term of the agreement as well as to staggered single to double-digit royalties on sales upon commercialization.

In 2020, the Company recognized CHF 27.5 million (2019: CHF 26.1 million) in research and development expenses, net related to this agreement.

11 Convertible senior unsecured 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.

In July, 2020 the Company placed a repurchase offer for 2022 bonds. 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 outstanding loaned shares as of December 31, 2020 amounted to CHF 53.2 million.

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 December 31, 2020 and 2019:

In CHF million	Maturity date	2020	2019
2022 convertible senior unsecured bonds	December 23, 2022	145.6	197.7
2027 convertible senior unsecured bonds	July 28, 2027	94.1	-
Total		**239.7**	**197.7**

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 will mature on December 23, 2022 (Maturity Date), unless earlier redeemed or converted.

Holders may convert their 2022 bonds at their option into shares up to and including the earlier of seven trading days before the Maturity Date, or ten trading days prior to an early redemption. In the event of conversion of the 2022 bonds, the Company will deliver shares of the Company's common stock. The conversion ratio is initially approximately 39.6504 shares per bond representing CHF 5,000, the principal amount of one bond (equivalent to an initial conversion price of CHF 126.1020 per share of the Company's common stock). For all 2022 bonds together the current number of underlying shares is 1,163,185 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. If the Company undergoes a fundamental change, Holders may require the Company to purchase for cash all or part of their convertible senior unsecured bonds at a purchase price equal to 100% of the principal amount of the 2022 bonds to be purchased, plus accrued and unpaid interest. In addition, if certain make-whole fundamental changes occur, the Company will, in certain

circumstances, adjust the conversion price for any 2022 bonds converted in connection with such make-whole fundamental change. The 2022 bonds will be redeemable at the Company's option on or after January 7, 2021, if the volume weighted average price of a share on each of at least 20 out of 30 consecutive trading days ending not earlier than five trading days prior to the giving of the notice of redemption is at least 130% of the prevailing conversion price; or at any time if less than 15% of the aggregate principal amount is outstanding.

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 recognizes the issuance costs as interest expense over the contractual term of the 2022 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). 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 2027 bondholders 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 maturity date or on the fifth anniversary of the payment date whereby each 2027 bondholder has the right to request conversion of the 2027 bonds into shares at the conversion price of CHF 62.50, 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.

For the years ended December 31, 2020 and 2019, the Company recognized interest expense of CHF 6.3 million for contractual coupon interest and CHF 1.2 million for recognition of the issuance costs. The remaining unamortized debt issuances costs of CHF 4.1 million will be recognized over the remaining term of the convertible senior unsecured bonds, which is approximately 2 years for the 2022 bonds and 6.5 years for the 2027 bonds.

The below table outlines the amortization and repayment related to the convertible senior unsecured bonds as of December 31, 2020 is as follows:

Amount in CHF million	2022 bonds	2027 bonds	**Total**
2021	4.6	3.2	7.8
2022	151.2	3.2	154.4
2023	-	3.2	3.2
2024	-	3.2	3.2
2025	-	3.2	3.2
Thereafter	-	102.0	102.0
Total minimum payments, including unamortized issuance costs	**155.8**	**118.0**	**273.8**
Less amount representing interest	(9.1)	(20.9)	(30.0)
Convertible senior unsecured bonds, gross	**146.7**	**97.1**	**243.8**
Unamortized issuance costs on convertible senior unsecured bonds	(1.1)	(3.0)	(4.1)
Convertible senior unsecured bonds, including unamortized issuance costs	**145.6**	**94.1**	**239.7**

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 2,716,545 shares of common stock. See Note 16 to these consolidated financial statements for a computation of diluted loss per share.

12 Accruals and other current liabilities

Accruals and other current liabilities as of December 31, 2020 and 2019 consisted of the following:

In CHF million	**2020**	2019
Accrued research & development expenses	9.6	14.8
Accrued personnel and compensation costs	9.4	8.0
Accrued sales and marketing expenses	0.5	0.6
Accrued payables for goods received	5.2	4.8
VAT payables	0.8	1.1
Accrued taxes and consultant fees	0.8	0.5
Accrued royalties	1.0	1.0
Other current liabilities	5.4	4.7
Total accruals and other current liabilities	**32.7**	**35.5**

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

13 Income taxes

As of December 31, 2020, the Company has tax loss carry forwards of CHF 478.0 million (December 31, 2019: CHF 422.2 million) of which CHF 283.4 million will expire within the next five years and CHF 194.6 million will expire between in six and eight years. In 2020, tax loss carry forwards of CHF 0.0 million expired.

The significant components of net deferred taxes as of December 31, 2020 and 2019 are shown in the following table:

In CHF million	2020	2019
Deferred tax assets:		
Net benefit from tax loss carry forwards [1]	59.5	54.3
Deferred revenue	2.0	6.8
Stock-based compensation cost	11.2	10.8
Other, net	1.4	1.3
Valuation allowance	(74.1)	(73.2)
Net deferred taxes	**0.0**	**0.0**

[1] As of December 31, 2020 the position includes CHF 1.4 million (December 31, 2019: 1.4 million) related to windfall tax benefits from stock-based compensation that would be credited to shareholders' equity, if realizable.

The Company established a valuation allowance in 2020 and 2019 to reduce the net deferred taxes, as the Company deemed it to be not more likely than not that the future deferred tax assets would be realized in the future based on the lack of sufficient positive evidence in the jurisdictions related to the realization of the deferred tax assets.

In 2019, the Company revised its estimated annual effective tax rate to reflect a change in the statutory rate for Switzerland from 20% to 13%, effective January 1, 2019, resulting from legislation that was enacted on March 2, 2019. As a result, income tax expenses reported for the period ended December 31, 2019 included the effects of the change in the tax law. The deferred taxes, and the respective allowance to deferred taxes decreased by CHF 43.5 million due to the application of the new rates.

The effective tax rate for 2020 was 0.4 % (2019: 0.2 %). The following table shows the income taxes in 2020 and 2019:

In CHF million	2020	2019
Current tax expenses	0.1	0.0
Total income tax expenses	**0.1**	**0.0**

The current tax expenses in 2020 and 2019 are solely related to foreign taxable income.

The expected tax rate for 2020 was 10.3 % (2019: 12.4 %). The following table shows the reconciliation between expected and effective tax rate:

As a percentage	2020	2019
Expected tax rate [1]	10.3	12.4
Effect of not-taxable differences [2]	(0.4)	0.0
Valuation allowance on deferred tax assets	(9.5)	(12.2)
Effective tax rate	**0.4**	**0.2**

[1] Weighted average tax rate of Basilea and its subsidiaries.
[2] Items not deductible for tax purposes and items that are tax deductible, but do not represent expenses for financial reporting purposes.

Basilea and its subsidiaries file income tax returns in Switzerland and in foreign jurisdictions. Basilea's income tax position in Switzerland is finally assessed up to the fiscal year 2019.

As of December 31, 2020 and 2019, there were no unrecognized tax benefits. The Company did not incur any significant interest or penalties in connection with income taxes in the years 2020 and 2019.

14 Stock-based compensation

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 2018, the stock option plan was amended to allow for gross and/or net settlement of stock options, which will be applied by the Company to ensure that the maximum potential dilution related to all outstanding options will stay below 10% of the share capital on a fully diluted basis. The shareholders approved conditional capital necessary for the issuance of shares upon the exercise of stock options, of which CHF 1.8 million remain available as of December 31, 2020. CHF 1.5 million of this remaining available conditional capital is reserved for stock options, which were issued and outstanding as of December 31, 2020.

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 vesting periods of the stock options outstanding as of December 31, 2020, which represent the requisite service periods, range from one to four 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.

The following table summarizes the activity under the Company stock option plan:

	Weighted average exercise price (in CHF)	Number of options
Balance at December 31, 2018	**79.51**	**1 471 695**
Options granted	45.80	204 148
Options forfeited	72.91	(51 420)
Options exercised	30.86	(3 389)
Options expired	73.00	(101 624)
Balance at December 31, 2019	**75.75**	**1 519 410**
Options granted	47.60	178 238
Options forfeited	51.18	(10 850)
Options exercised	33.41	(40 260)
Options expired	63.34	(103 440)
Balance at December 31, 2020	**74.60**	**1 543 098**

The following table provides information on the stock options outstanding and the stock options exercisable as of December 31, 2020:

	Options exercisable plus options expected to vest[1]	Options exercisable
Number of options	1 408 791	930 167
Weighted average exercise price, in CHF	76.66	85.98
Weighted average remaining contractual life, in years	5.2	3.8

[1] Number of options considers expected forfeitures.

Based on (a) the stock options exercisable as of December 31, 2020, including stock options expected to vest in the future and (b) the stock options exercisable as of December 31, 2020, the aggregate intrinsic values of such number of options were CHF 4.4 million and CHF 3.4 million, respectively. The exercise prices of the options granted in 2020 and 2019 equalled the market price of the shares at the respective grant date.

The weighted average grant-date fair value of options granted in 2020 was CHF 17.51 per option (2019: CHF 17.02). The total aggregate intrinsic value of stock options exercised during 2020 was CHF 0.9 million (2019: CHF 0.1 million).

The fair value of the stock options granted in 2020 and 2019 was determined at the grant date using a binomial model. The weighted average assumptions used for these determinations are outlined in the table below:

	2020	2019
Risk-free interest rate	(0.16%)	0.06%
Expected term of stock options	7 to 8 years	7 to 8 years
Expected volatility	36%	36%
Expected dividend	-	-

The expected volatility was determined based on the indicative historic volatility of Basilea's share price. The expected term of stock options granted was determined based on management's best estimate of assumed future exercise patterns, considering both the historic exercise patterns and the expected future development of the Company.

The unrecognized compensation cost as of December 31, 2020 related to stock options amounts to CHF 3.6 million and is expected to be recognized over a weighted average period of 2.0 years.

The Company recorded total stock-based compensation expenses of CHF 3.5 million in 2020 related to its stock-based compensation award programs (2019: CHF 3.0 million), of which CHF 1.7 million was recorded in research & development expenses (2019: CHF 1.4 million) and CHF 1.8 million as part of selling, general & administrative expenses (2019: CHF 1.6 million) in the statement of operations.

15 Shareholders' equity

As of December 31, 2020, Basilea had 11,922,205 registered shares (Namenaktien) issued with a par value of CHF 1.00 per share. As of December 31, 2019, Basilea had 11,881,945 registered shares issued with a par value of CHF 1.00 per share.

In 2020, a total of 40,260 stock options were exercised which resulted in the issuance of 40,260 registered shares from conditional capital with a par value of CHF 1.00 per share. In 2019, a total of 3,389 stock options were exercised resulting in the issuance of 3,389 registered shares with a par value of CHF 1.00 per share.

The Company had a total approved conditional capital of CHF 3,837,936 as of December 31, 2020 for the issuance of a maximum of 3,837,936 registered shares with a par value of CHF 1.00 per share. This conditional capital contained CHF 1,837,936 (1,837,936 registered shares with a par value of CHF 1.00 per share) reserved for the issuance of shares under the stock option plan available to directors, executives and certain employees. In addition, the shareholders approved conditional capital of CHF 2,000,000, consisting of 2,000,000 registered

shares with a par value of CHF 1.00 each, available for the potential conversion of the outstanding convertible senior unsecured bonds.

As of December 31, 2020, the Company held treasury shares in the total amount of CHF 52.8 million (December 31, 2019: CHF 6.0 million), comprising of 1,000,000 registered shares with a par value of CHF 1.00 per share subject to a share lending agreement and held by Basilea Pharmaceutica Ltd. for the potential conversion of the outstanding convertible senior unsecured bonds and further 54,899 registered shares with a par value of CHF 1.00 per share.

By shareholder approval at the 2017 ordinary general meeting of shareholders, Basilea was authorized to increase its share capital by a maximum of CHF 2,000,000 by issuing a maximum of 2,000,000 registered shares with a par value of CHF 1.00 per share. By shareholder approval at the 2019 ordinary general meeting of shareholders, this authorization was extended until April 2021.

Changes in accumulated other comprehensive income/loss as of December 31, 2020 and 2019:

In CHF million	Currency translation adjustment	Unrecognized pension cost	**Total**
December 31, 2018	**(1.5)**	**(14.8)**	**(16.3)**
Change during the period	(0.3)	(8.0)	(8.3)
Total change during the period	**(0.3)**	**(8.0)**	**(8.3)**
December 31, 2019	**(1.8)**	**(22.8)**	**(24.6)**
Change during the period	(0.3)	(2.4)	(2.7)
Total change during the period	**(0.3)**	**(2.4)**	**(2.7)**
December 31, 2020	**(2.1)**	**(25.2)**	**(27.3)**

16 Earnings/Loss per share

The calculation of the basic and diluted loss per share in 2020 and 2019 is shown in the table below:

	2020		2019	
	Basic	Diluted	Basic	Diluted
Numerator				
Net loss, in CHF million	(14.7)	(14.7)	(22.4)	(22.4)
Net loss for loss per share calculation, in CHF million	(14.7)	(14.7)	(22.4)	(22.4)
Denominator				
Weighted average shares outstanding, including actual conversion of stock options	10 281 483	10 281 483	10 755 724	10 755 724
Incremental shares according to treasury stock method for assumed conversion of stock options	-	-	-	-
Shares issuable upon conversion of convertible senior unsecured bonds	-	-	-	-
Weighted average shares outstanding, including actual and assumed conversion of stock options	10 281 483	10 281 483	10 755 724	10 755 724
Loss per share in CHF	**(1.43)**	**(1.43)**	**(2.08)**	**(2.08)**

As of December 31, 2020, there were 1,006,623 stock options outstanding with a weighted-average exercise price of CHF 91.75 and 2'716'545 shares issuable upon

conversion of convertible senior unsecured bonds, which were not included in the calculation of loss per share for 2020, as the effect of such stock options and shares would have been anti-dilutive. In June 2020, the Company entered into a share lending agreement for 1,000,000 registered treasury shares. These shares are deducted in the calculation of the weighted average shares outstanding.

As of December 31, 2019, there were 1,309,461 stock options outstanding with a weighted-average exercise price of CHF 82.55 and 1,586,017 shares issuable upon conversion of convertible senior unsecured bonds, which were not included in the calculation of loss per share for 2019, as the effect of such stock options and shares would have been anti-dilutive.

17 Pension plan

The Company joined a collective pension plan operated by an insurance company as of January 1, 2012, which covers the employees of Basilea Pharmaceutica International Ltd., Basel, Switzerland. The regulations under the former pension foundation were fully integrated in the collective pension plan. The pension plan is fully reinsured and provides a guaranteed minimum return.

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 U.S. GAAP.

The following table provides information on the pension plan for the years 2020 and 2019:

In CHF million	2020	2019
Service cost	3.3	4.0
Interest cost	0.3	0.7
Expected return on plan assets	(0.9)	(1.3)
Amortization of pension related net loss	1.8	1.1
Amortization of prior service cost	(0.2)	(0.3)
Settlements	0.0	1.0
Gross benefit expense	4.3	5.2
Participant contributions	(1.2)	(1.2)
Net periodic pension cost	3.1	4.0

The reconciliation of the projected benefit obligation and the changes to the fair value of the plan assets of the pension plan are shown in the following table:

In CHF million	2020	2019
Projected benefit obligation, beginning of period	**82.0**	**71.9**
Service cost	4.4	4.0
Interest cost	0.3	0.7
Benefits paid, net	(1.0)	(1.6)
Settlements	-	(3.4)
Actuarial (gain)/loss	5.4	10.4
Projected benefit obligation, end of period	**91.1**	**82.0**
Plan assets, beginning of period	**58.0**	**57.2**
Actual return on plan asset	2.2	1.8
Employer contributions	2.9	2.8
Participant contributions	1.2	1.2
Benefits paid, net	(1.0)	(1.6)
Settlements	-	(3.4)
Plan assets, end of period	**63.3**	**58.0**
Accrued pension liability	**(27.8)**	**(24.0)**

As of December 31, 2020, the Company recorded an accrued pension liability of CHF 27.8 million in other non-current liabilities (December 31, 2019: CHF 24.0 million).

The collective pension plan operated by an insurance company invests its plan assets mainly in cash and cash equivalents, equity funds, equity securities, corporate bonds, government bonds, real estate funds classified as Level 1 and Level 2 under the fair value hierarchy. The pension assets are measured at fair value.

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.

As of December 31, 2020, accumulated other comprehensive income/loss includes unrecognized pension cost of CHF 25.2 million, consisting of a net loss of CHF 26.0 million, determined using actuarial assumptions, and a prior service cost of CHF (0.8) million, that have not yet been recognized as a component of net periodic pension cost. As of December 31, 2019, the accumulated other comprehensive income/loss included unrecognized pension cost of CHF 22.8 million, consisting of a net loss of CHF 23.8 million and a prior service cost of CHF (1.0) million, that have not yet been recognized as a component of net periodic pension cost. The Company expects that a net amount of CHF 1.7 million will be reclassified from accumulated other comprehensive income/loss and recognized as a component of net periodic pension cost in 2021 as a result of the amortization of the pension-related net loss and the amortization of the prior service cost.

The following table shows the components of unrecognized pension cost in accumulated other comprehensive income/loss that have not yet been recognized as components of net periodic pension cost:

In CHF million	2020	2019
Net loss, beginning of period	**(23.8)**	**(16.1)**
Other gain/loss during the period	(4.0)	(9.8)
Amortization of pension related net loss	1.8	1.1
Settlements	0.0	1.0
Net loss, end of period	(26.0)	(23.8)
Prior service cost, beginning of period	**1.0**	**1.3**
Amortization of prior service cost	(0.2)	(0.3)
Prior service cost end of period	0.8	1.0
Total unrecognized pension cost, end of period	**(25.2)**	**(22.8)**

The weighted average of the key assumptions used to compute the benefit obligations were as follows:

	2020	2019
Discount rate	0.15%	0.40%
Rate of increase in compensation level	1.50%	1.50%
Expected long-term rate of return on plan assets	1.45%	1.65%

The assumption of the expected long-term rate of return on plan assets was based on the long-term historical rates of returns for the different investment categories which were adjusted, where appropriate, to reflect financial market developments.

The accumulated benefit obligation (ABO) as of December 31, 2020 and 2019 amounts to CHF 84.7 million and CHF 75.9 million respectively.

The investment risk is borne by the insurer and the reinsurer respectively, and the investment decision is taken by the board of trustees of the collective insurance.

The expected amount of employer contributions to the Company's defined benefit pension plan in 2020 is CHF 2.9 million.

The following table provides information on all estimated future undiscounted benefit payments under the Company's pension plan for each of the next five years and the aggregate for the five years thereafter. Besides the retirement benefit payments, these amounts also include payments resulting from death, disability and transfers-out of transportable amounts during the relevant period.

Potential payments transferred into the pension plan resulting from the hiring of employees are excluded from the amounts below:

Amount in CHF million	
2021	4.6
2022	4.1
2023	3.9
2024	3.9
2025	4.3
2026-2030	22.4

In addition to the defined benefit plan described above, the Company recognized no expenses related to defined contribution plans of Basilea's subsidiaries in 2020 (2019: none).

18 Lease commitments

Financing lease contracts

There are no financing ROU assets to be recognized for the financial year ending on December 31, 2020.

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 year ending on December 31, 2020, the Company recorded total operating lease expenses of CHF 1.1 million.

As of June 30, 2020, the Company entered into a sales and leaseback agreement with the Pension fund of UBS (UBS) for the Company's buildings, land and facility located at Grenzacherstrasse 487, Basel. The purchase price for the ground lease including the building and the land was CHF 19.2 million of which CHF 13.6 million was for the ground lease including the building and CHF 5.6 million was for the land. The purchase price was settled in two payments. A first tranche of CHF 18.0 million was paid on June 30, 2020 and a second tranche of CHF 1.2 million was paid on November 13, 2020. As part of the transaction, the Company derecognized the carrying amount of the ground lease including the building and the land. The Company recognized a transaction gain of CHF 15.0 million that was recorded in income from continuing operations before income taxes in the Company's statement of operations.

The payment of certain transaction costs such as notary fees and land register were borne equally by the Company and UBS. Property gains tax will be settled with losses carried forward of the Company. In conjunction with the sale, the Company executed a lease with UBS, for a period of two years for the land use rights and the facility. The Company classified this lease as an operating lease because the Company has the right to control the asset. The Company recorded a ROU asset of CHF 2.8 million and lease liability of CHF 2.8 million on June 30, 2020, the lease commencement date. There were no lease incentives.

The Company is recognizing lease expense on a straight-line basis throughout the remaining term of the lease. Given the short duration of the lease, the Company determined that application of the Company's incremental borrowing rate to the future lease payments would not be material. 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. Costs incurred for noncomponents such as taxes and insurance are also paid by the Company and are expensed as incurred.

For the year ending on December 31, 2020, depreciation of the operating lease ROU assets as presented in the statement of operations amounts to CHF 1.1 million. The lease payment resulted in a decrease of the lease liability by CHF 1.1 million. There are approximately two years of the lease term remaining.

In addition, 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. The lease will be accounted for as an operating lease. The term of the lease is 10 years and the annual lease payment is estimated to be CHF 2.2 million. Lease incentives estimated to be CHF 1.8 million are payable to

the Company over the term of the lease. The Company has the option to extend the lease two times by 5 years.

The table below shows the operating lease ROU assets recorded in Company's consolidated financial statements:

In CHF million	2020	2019
Cost	**Buildings**	Buildings
January 01	1.3	1.2
Additions	2.8	0.1
Disposals	-	-
December 31	4.1	1.3
Accumulated depreciation		
January 01	(0.4)	-
Charge	(1.1)	(0.4)
December 31	(1.5)	(0.4)
Total operating lease Right-of-Use assets	**2.6**	**0.9**

As of December 31, the following operating lease liabilities are recorded in Company's consolidated financial statements:

In CHF million	2020	2019
Buildings	1.8	0.4
Total current operating lease liabilities	**1.8**	**0.4**
Buildings	0.9	0.6
Total non-current operating lease liabilities	**0.9**	**0.6**

The future minimum payments as of December 31, 2020 for operating leases with initial or remaining non-cancellable terms in excess of one year are as follows:

Amount in CHF million	
2021	1.7
2022	0.9
2023	0.0
Total	**2.6**

19 Concentration of risk

The Company is generally subject to credit risk related to financial investments. The Company mitigates such credit risk by 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. As of December 31, 2020, all investments were invested short-term with four banks and amounted to CHF 101.0 million. As of December 31, 2019, short-term investments amounted to CHF 20.0 million and long-term amounted to CHF 30.0 million both with one bank.

Cash and cash equivalents as of December 31, 2020, amounted to CHF 60.7 million, of which CHF 40.1 million were held with two different banks. The cash and cash equivalents as of December 31, 2019 amounted to CHF 109.0 million, of which CHF 104.6 million were held with three different banks. As of December 31, 2020, the highest total amount of cash and cash equivalents and investments held at one bank amounted to CHF 55.0 million. As

of December 31, 2019, the highest total amount of cash and cash equivalents and long-term investments held at one bank amounted to CHF 52.3 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 December 31, 2020, is from Pfizer Inc. in the amount of CHF 4.5 million in connection with the license agreement related to isavuconazole. As of December 31, 2019, the highest total amount of accounts receivable with an individual counterparty is from Pfizer Inc. in the amount of CHF 4.3 million in connection with the license agreement related to isavuconazole.

20 Related party transactions

The accounts receivable, accounts payable and accruals and other current liabilities do not include positions due to or from related parties as of December 31, 2020 and 2019.

In 2020 and 2019, the Company paid no fees to its board members for consulting services.

21 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 December 31, 2020, there are no significant contingencies.

22 Subsequent events

The Company has evaluated subsequent events through February 11, 2021, the date on which the financial statements were available to be issued.

In February 2021 Basilea entered into an agreement to sell BPh Investitionen Ltd. and its wholly-owned subsidiary Basilea Pharmaceutica China Ltd. Closing of the transaction is expected to take place in the second quarter of 2021.

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Report of the statutory auditor

to the General Meeting of Basilea Pharmaceutica AG

Basel

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Basilea Pharmaceutica Ltd., which comprise the balance sheet, statement of operations and notes, for the year ended December 31, 2020.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2020 comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the matter
Recoverability of investments in subsidiaries, net and accounts receivables affiliates Basilea Pharmaceutica Ltd. reports investments in subsidiaries, net of CHF 207 million and accounts receivables affiliates of CHF 382 million, of which CHF 330 million is subordinated. We consider the recoverability of the carrying value of these balances to be a key audit matter given their magnitude and based on the significant judgement and estimates relating to the recoverability of the carrying value of the investment in subsidiaries, net and the accounts receivables affiliates balances. Refer to note 1 summary of significant accounting policies and note 2 investments to the financial statements.	We assessed whether the recoverability of the carrying value of the investments in subsidiaries, net and the accounts receivables affiliates is supported as per December 31, 2020. We obtained Management's valuation of the group. We assessed the reasonableness of the key parameters of the valuation being the forecasted cash flows and the discount rate. We discussed the key assumptions applied in the valuation with Management and the Audit Committee. Further, we compared Management's valuation with analysts' reports and assessed the sensitivity of the valuation to certain parameters. We read the minutes of the meetings of the Board of Directors and discussed their contents and the strategic initiatives with Management and the Audit Committee focusing on the relevant judgments relating to the future value of the development projects and the current contractual agreements. We considered the market capitalization of Basilea Pharmaceutica Ltd. at the balance sheet date as a relevant indicator of the value of the investments in subsidiaries, net and accounts receivables affiliates. We consider the approach used by Management for the purpose of supporting the recoverability of the carrying value of the investments in subsidiaries, net and accounts receivables affiliates to be reasonable.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Bruno Rossi

Audit expert
Auditor in charge

Carrie Rohner

Basel, February 11, 2021

Financial statements of Basilea Pharmaceutica Ltd.

Basilea Pharmaceutica Ltd.

Balance sheets as of December 31, 2020 and 2019 (in CHF thousands)

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	23 133	45 814
Short-term investments	36 023	-
Restricted cash	5 507	2 020
Other receivables	117	68
Total current assets	**64 780**	**47 902**
Non-current assets		
Accounts receivable:		
Affiliates	381 531	352 225
Investment in subsidiaries, net	207 450	207 450
Total non-current assets	**588 981**	**559 675**
TOTAL ASSETS	**653 761**	**607 577**
LIABILITIES		
Current liabilities		
Payables, affiliates [1]	276	790
Other current liabilities	2 196	1 113
Accruals	409	143
Total current liabilities	**2 881**	**2 046**
Non-current liabilities		
Convertible senior unsecured bonds [1]	239 668	197 740
Total non-current liabilities	**239 668**	**197 740**
Total liabilities	**242 549**	**199 786**
SHAREHOLDERS' EQUITY		
Share capital [2]	11 922	11 882
General reserve:		
Reserve from capital contributions	473 055	420 547
Treasury shares [3]	(52 766)	(5 963)
Accumulated deficit	(18 675)	(146 326)
Net loss / profit	(2 324)	127 651
Total shareholders' equity	**411 212**	**407 791**
TOTAL LIABILITIES AND EQUITY	**653 761**	**607 577**

1 Interest-bearing.
2 As of December 31, 2020, 11,922,205 shares (December 31, 2019: 11,881,945) were issued and 10,867,306 shares (December 31, 2019: 10,773,904) outstanding with a par value of CHF 1.00 per share.
3 As of December 31, 2020, 1,054,899 shares (December 31, 2019: 1,108,041) with a par value of CHF 1.00.

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

Basilea Pharmaceutica Ltd.

Statements of operations for the years ended December 31, 2020 and 2019 (in CHF thousands)

	2020	2019
Administrative expenses	(933)	(671)
Reversal of Impairment	-	128 136
Total operating expenses/income	**(933)**	**127 465**
Operating loss/profit	**(933)**	**127 465**
Financial income	6 682	6 660
Financial expenses	(8 073)	(6 474)
Loss/profit before taxes	**(2 324)**	**127 651**
Income taxes	-	-
Net loss/profit	**(2 324)**	**127 651**

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

Basilea Pharmaceutica Ltd.

Notes to the financial statements as of December 31, 2020

1 Summary of significant accounting policies

General information

The financial statements of the Company for the year ended 31 December 2020 have been prepared in accordance with Swiss law. Where not prescribed by law, the significant accounting and valuation policies applied are described below.

Basilea Pharmaceutica Ltd. (the Company) was founded on October 17, 2000 and is registered in Basel, Switzerland. In 2020 and 2019, the Company had no employees.

Basilea Pharmaceutica Ltd. prepares its consolidated financial statements in accordance with generally accepted accounted principles in the United States of America (U.S. GAAP), a recognised standard. It further includes a management report (Financial Review) in its annual report. In accordance with Swiss law (Art. 961d Para 1 CO), the Company has therefore elected not to include in its financial statements a cash flow statement and a management report.

There are no further items to disclose according to Art. 959c Swiss Code of Obligations.

Cash and cash equivalents

The Company considers cash equivalents to be highly liquid investments which are readily convertible to cash with original maturities of not more than three months.

Accounts receivable

Accounts receivable and other receivables are recorded at net realizable value after consideration of an allowance for doubtful accounts. The Company generally maintains allowances for estimated uncollectible receivables based on historical experience and specifically identified at-risk accounts. The adequacy of the allowance is evaluated on an ongoing and periodic basis and adjustments are made in the period in which a change in condition occurs. The Company did not record a valuation allowance as of December 31, 2020 and 2019.

Investment in subsidiaries

Investments in subsidiaries include those companies in which the Company has an interest of more than 20%. The investments are valued at acquisition cost less valuation allowances. Valuation allowances are recorded as impairment in the statement of operations to reflect the recoverable value of the group at the balance sheet date.

Convertible senior unsecured bonds

In December 2015, the Company issued a convertible senior unsecured bond in the amount of CHF 200.0 million due on December 23, 2022 (2022 bonds). The 2022 bonds carry a coupon of 2.75% per annum and the conversion price is CHF 126.1020. The 2022 bonds were issued at 100% of the principal amount and will also mature at 100% of that amount on December 23, 2022, unless previously redeemed, converted or repurchased and cancelled.

In July, 2020 the Company placed a repurchase offer to holders of the 2022 bonds. On July 28, 2020, 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.

The 2027 bonds carry a coupon of 3.25% per annum and the conversion price is CHF 62.50. The 2027 bonds were issued at 100% of the principal amount and will also mature at 100% of that amount on July 28, 2027, unless previously redeemed, converted or repurchased and cancelled.

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.

Financial Income
This position includes interest income on receivables from group companies and on bank balances.

Financial expenses
Financial expenses mainly include transaction cost and interest related to the 2022 and 2027 bonds.

2 Investments
As of December 31, 2020, the Company holds the following investments[1]:

Company	Location	Ownership interest/ Voting rights	Share capital	Purpose
Basilea Pharmaceutica International Ltd.	Switzerland, Basel	100%	CHF 10 000 000	Research, development, manufacturing, marketing, distribution
Basilea Medical Ltd.	UK, Rickmansworth	100%	GBP 200 000	Marketing authorization holder (EU), regulatory services
Basilea Pharmaceuticals Ltd.[2]	UK, Rickmansworth	100%	GBP 700 000	Distribution
Basilea Pharmaceutica Deutschland GmbH	Germany, Lörrach	100%	EUR 25 000	Distribution
BPh Investitionen Ltd.	Switzerland, Baar	100%	CHF 131 950	Holding company

1 In 2020, the Company subordinated accounts receivable from an affiliate in the amount of CHF 330.0 million (2019: CHF 330.0 million).
2 In members' voluntary liquidation

In addition to the direct investments, the Company indirectly holds 100% of Basilea Pharmaceutica China Ltd., Haimen, China, which supports the Company's key research and development projects with medicinal chemistry, analytical development and process research and development.

3 Share capital

As of December 31, 2020, Basilea had 11,922,205 registered shares (Namenaktien) issued with a par value of CHF 1.00 per share. As of December 31, 2019, Basilea had 11,881,945 registered shares issued with a par value of CHF 1.00 per share.

In 2020, a total of 40,260 stock options were exercised which resulted in the issuance of 40,260 registered shares from conditional capital with a par value of CHF 1.00 per share. In 2019, a total of 3,389 stock options were exercised resulting in the issuance of 3,389 registered shares with a par value of CHF 1.00 per share.

The Company had a total approved conditional capital of CHF 3,838,561 as of December 31, 2020 for the issuance of a maximum of 3,838,561 registered shares with a par value of CHF 1.00 per share. This conditional capital contained CHF 1,838,561 (1,838,561 registered shares with a par value of CHF 1.00 per share) reserved for the issuance of shares under the stock option plan available to directors, executives and certain employees. In addition, the shareholders approved conditional capital of CHF 2,000,000, consisting of 2,000,000 registered shares with a par value of CHF 1.00 each, available for the potential conversion of the outstanding convertible senior unsecured bonds.

As of December 31, 2020, the Company held treasury shares in the total amount of CHF 52.8 million (December 31, 2019: CHF 6.0 million), comprising of 1,000,000 registered shares with a par value of CHF 1.00 per share subject to a share lending agreement and held by Basilea Pharmaceutica Ltd. for the potential conversion of the outstanding convertible senior unsecured bonds and further 54,899 registered shares with a par value of CHF 1.00 per share.

The following table provides information on the Company's treasury shares transactions:

	Average price (in CHF)	Number of shares
December 31, 2018	**5.40**	**1 133 852**
Purchases	44.54	354 339
Sales	44.53	(380 150)
December 31, 2019	**5.38**	**1 108 041**
Purchases	51.96	1 552 002
Sales	48.06	(1 605 144)
December 31, 2020	**50.02**	**1 054 899**

By shareholder approval at the 2017 ordinary general meeting of shareholders, Basilea was authorized to increase its share capital by a maximum of CHF 2,000,000 by issuing a maximum of 2,000,000 registered shares with a par value of CHF 1.00 per share. By shareholder approval at the 2019 ordinary general meeting of shareholders, this authorization was extended until April 2021.

4 Shareholdings and stock options

As of December 31, 2020, the shareholdings in the Company of members of the Board of Directors and the Management Committee are outlined below:

	Number of shares
Domenico Scala, Chairman	390
Thomas Werner, Vice-Chairman	400
Nicole Onetto, Director	-
Ronald Scott, Director	7 750
Martin Nicklasson, Director	1 000
Steven D. Skolsky, Director	-
David Veitch, Chief Executive Officer	1 300
Marc Engelhardt, Chief Medical Officer	-
Gerrit Hauck, Chief Technology Officer	-
Adesh Kaul, Chief Financial Officer	500
Laurenz Kellenberger, Chief Scientific Officer	500

As of December 31, 2019, the shareholdings in the Company of members of the Board of Directors and the Management Committee are outlined below:

	Number of shares
Domenico Scala, Chairman	390
Thomas Werner, Vice-Chairman	-
Nicole Onetto, Director	-
Ronald Scott, Director	7 750
Martin Nicklasson, Director	-
Steven D. Skolsky, Director	-
David Veitch, Chief Executive Officer	1 300
Marc Engelhardt, Chief Medical Officer	-
Gerrit Hauck, Chief Technology Officer	-
Adesh Kaul, Chief Financial Officer since April 11, 2019	500
Donato Spota, Chief Financial Officer until April 10, 2019*	1 000
Laurenz Kellenberger, Chief Scientific Officer	500

*Number of shares as of April 10, 2019

The following table shows the holdings of stock options in the Company of members of the Board of Directors and the Management Committee as of December 31, 2020:

	Number of vested stock options	Number of unvested stock options	Total number of stock options
Domenico Scala, Chairman	4 150	-	4 150
Thomas Werner, Vice-Chairman	4 150	-	4 150
Nicole Onetto, Director	-	-	-
Ronald Scott, Director	111 709	43 029	154 738
Martin Nicklasson, Director	2 401	-	2 401
Steven D. Skolsky, Director	5 800	-	5 800
David Veitch, Chief Executive Officer	38 014	64 786	102 800
Marc Engelhardt, Chief Medical Officer	25 575	35 853	61 428
Gerrit Hauck, Chief Technology Officer	-	21 450	21 450
Adesh Kaul, Chief Financial Officer	11 150	37 968	49 118
Laurenz Kellenberger, Chief Scientific Officer	65 755	33 936	99 691

The following table shows the holdings of stock options in the Company of members of the Board of Directors and the Management Committee as of December 31, 2019:

	Number of vested stock options	Number of unvested stock options	Total number of stock options
Domenico Scala, Chairman	4 150	-	4 150
Thomas Werner, Vice-Chairman	4 150	-	4 150
Nicole Onetto, Director	-	-	-
Ronald Scott, Director	90 802	63 936	154 738
Martin Nicklasson, Director	2 401	-	2 401
Steven D. Skolsky, Director	7 600	-	7 600
David Veitch, Chief Executive Officer	27 289	56 801	84 090
Marc Engelhardt, Chief Medical Officer	19 825	30 626	50 451
Gerrit Hauck, Chief Technology Officer	-	10 373	10 373
Adesh Kaul, Chief Financial Officer since April 11, 2019	6 600	31 384	37 984
Donato Spota, Chief Financial Officer until April 10, 2019*	47 557	-	47 557
Laurenz Kellenberger, Chief Scientific Officer	66 983	34 138	101 121

*Number of options as of April 10, 2019

5 Significant shareholders

There are no ownership percentage of shareholders which held a significant percentage of shares of the Company as of December 31, 2020 and 2019 according to the share register of the Company.

The ownership percentages are based on 11,922,205 shares outstanding as of December 31, 2020 and 11,881,945 shares outstanding as of December 31, 2019.

In addition, the Company received notifications in accordance with the Swiss Federal Act on Stock Exchanges and Securities related to shareholdings of more than 5% (the significant shareholdings were disclosed on the basis of the number of total outstanding shares according to the entry in the Commercial Register at that time).

Date of obligation to notify	SIX publication date	Shareholder / beneficial owner	% of voting rights reported
December 4, 2020	December 12, 2020	UBS Group AG, Zürich, Switzerland	7.68%
August 18, 2020	August 27, 2020	Credit Suisse Group AG, Zürich, Switzerland	7.08%

6 Subsequent events

In February 2021 Basilea entered into an agreement to sell BPh Investitionen Ltd. and its wholly-owned subsidiary Basilea Pharmaceutica China Ltd. Closing of the transaction is expected to take place in the second quarter of 2021.

Proposal of the Board of Directors for the appropriation of loss carried forward as of December 31, 2020:

In CHF thousands	Proposed by the Board of Directors
Accumulated deficit beginning of the year	(18 675)
Net loss of the year	(2 324)
Balance to be carried forward	**(20 999)**

Proposal of the Board of Directors for the appropriation of loss carried forward as of December 31, 2019:

In CHF thousands	Proposed by the Board of Directors
Accumulated deficit beginning of the year	(146 326)
Net profit of the year	127 651
Balance to be carried forward	**(18 675)**

At the ordinary general meeting of shareholders on April 8, 2020, the shareholders of the Company approved to carry forward the profit of CHF 127.7 million.

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Annual general meeting

The annual general meeting of shareholders for the financial year 2020 will take place on April 21, 2021, in Basel, Switzerland.

The full Annual Report 2020 of Basilea Pharmaceutica Ltd. consists of a business review, the corporate governance section, the compensation report, and the financial report and is published in English. A short version is available in German. In case of discrepancies the English version prevails.

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