Half-Year Report 2021

HQ in

Basel

Switzerland

160 employees
(June 30, 2021)

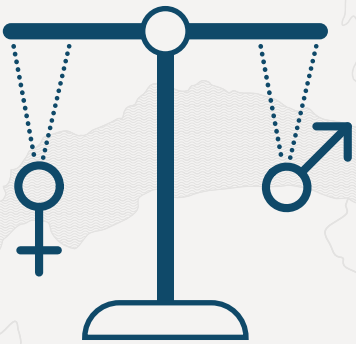
Cultural diversity
employees from

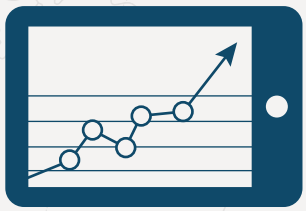
17 different nationalities

Gender diversity

41% female

59% male

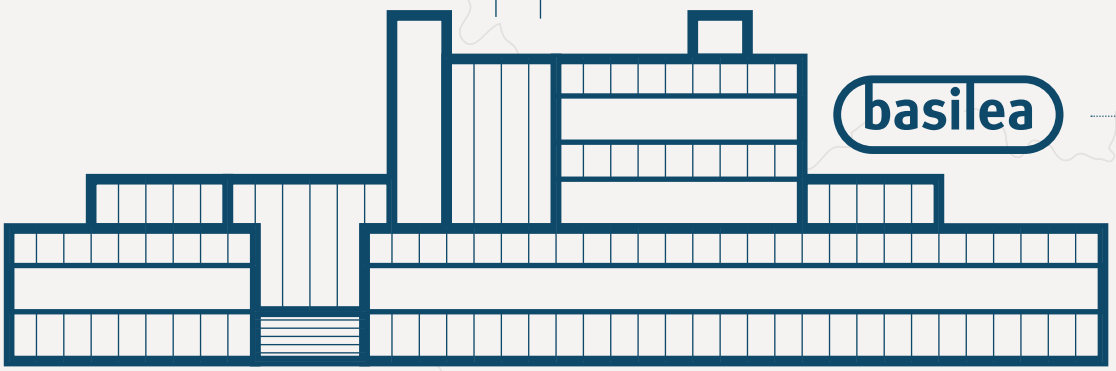




BSLN

Listed on SIX since 2004

Founded in 2000



2020
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1994

2 marketed anti-infective brands

2 clinical oncology product candidates

Derazantinib
(FGFR-driven tumors)
3 clinical studies ongoing

Fides

Lisavanbulin
(glioblastoma)
2 clinical studies ongoing

Partnerships cover over
100
countries

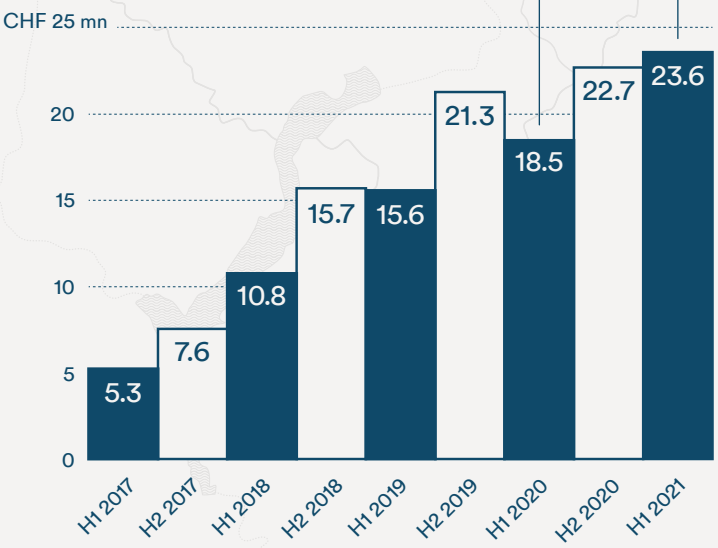
Cresemba
marketed in 53 countries

Zevtera
marketed in 19 countries

ERADICATE
SAB Study
Phase 3 study ongoing for U.S. filing

Strong financial performance – solid cash position

27 % year-on-year increase of royalty income from Cresemba to CHF 23.6 mn in H1 2021



Total revenue of CHF
54.2 mn

Operating loss of CHF
15.4 mn

Cash and investments at half-year 2021 of CHF
164.7 mn

Dear shareholders

The first half year of 2021 was characterized by the ongoing coronavirus pandemic. The associated measures taken in Switzerland and neighboring countries, including "working from home" demanded a high degree of flexibility from our employees. However, we were able to maintain our operations throughout the period without any significant disruptions.

Our two key focus areas have been to progress our clinical development programs, whilst in addition ensuring patients have access to our two marketed drugs Cresemba and Zevtera. This has become even more critical in the light of the possibility of secondary infections to COVID-19, such as bacterial pneumonia or infections with the so-called "black fungus" (mucormycosis) that caused many deaths among COVID-19 patients in India and received particular media attention during the year. Opportunistic fungal infections, such as mucormycosis, associated with COVID-19 have also been reported in Brazil and Europe. Cresemba is one of few approved therapies for the treatment of mucormycosis and we are working closely with our partners to ensure that Cresemba is available in sufficient quantities to treat increasing numbers of patients affected by mucormycosis. We are very pleased to be able to make a contribution with our products also in the coronavirus pandemic.

Increasing "in-market" Cresemba sales & increasing guidance

The demand for Cresemba and Zevtera continues to increase, and we participate in the commercial success of our products through royalty income, product sales to our partners and milestone payments. Royalty income, reflecting most directly the commercial progress of Cresemba, had already developed favorably last year. This positive development continued in the first half of 2021. Compared to the same period last year, royalty income increased by 27 % to CHF 23.6 million and, as in previous years, we continue to expect a further significant increase in the second half of this year. In addition, we expect several milestone events resulting in milestone payments to Basilea in the second half of the year. As a result of the strong revenues in the first half of the year and the positive outlook for the rest of 2021, we have increased our revenue guidance and expect an improved operating result for the full year 2021.

We were able to reduce cost and operating expenses by 3 % to CHF 69.6 million in the first half of 2021. The operating result in the first half of 2020 was positively impacted by the one-off effect from the sale of our headquarters property and deferred revenue recognition from our collaborations with Astellas, Pfizer and Gosun. Excluding these effects, our operating result improved by 40 % year-on-year. The continued strong operational performance resulted in a 18 % reduction to CHF 27.2 million in net cash used in operating activities in the first half of the year compared to the same period in 2020. Since the beginning of the year, we have reduced the convertible bond maturing in December 2022 (ISIN CH0305398148) by more than CHF 12 million, thus further improving our debt ratio. Overall, we had CHF 164.7 million in cash and investments at the end of the first half of the year. With this solid financial position, we are well positioned to achieve the next potential value-creating inflection points in our clinical development programs.

The strategic capital increase carried out in February, in the form of a private placement with institutional investors, generated gross proceeds of around CHF 46 million. We are convinced that we have the basis for sustainable value creation, in part also because of the capital increase. This has provided us further financial flexibility and opened up a number of strategic opportunities for the further development of our oncology drug candidates, should we see positive results in the ongoing clinical studies over the next twelve months. These could range from full out-licensing, to collaborative further development with a partner, to moving on to the next development milestone on our own.

Clinical programs progressing according to plan

Cresemba (isavuconazole) and Zevtera (ceftobiprole)

We continue to report positive news from our development programs. After completion of patient enrolment in the phase 3 study with Cresemba earlier this year, our partner Asahi Kasei Pharma in July announced that the study was successfully completed and based on the results, they are now preparing a marketing authorization application for Cresemba in Japan.

For Zevtera, patient enrolment into the ERADICATE phase 3 study in patients with *Staphylococcus aureus* bacteremia (SAB), which is necessary for a filing in the U.S., is progressing well, so that we expect patient enrolment to complete around the end of the year and anticipate that topline results of the study will become available as planned in the first half of 2022.

Derazantinib

With a total of three ongoing clinical studies, we are pursuing our goal of further strengthening the differentiated efficacy and safety profile of our FGFR inhibitor derazantinib in a number of indications. In the first half of the year, we published a number of new data at scientific congresses, including final results for cohort 1 of the phase 2 FIDES-01 study. These provide an encouraging picture: at 7.8 months, the progression-free survival for patients with bile duct cancer (iCCA) and FGFR2 fusions, is in the upper range of results reported for this endpoint with FGFR inhibitors in this patient population – and with a safety profile that remains very well manageable. This supports the clinically relevant efficacy of derazantinib as monotherapy for iCCA. In addition, already presented interim results for cohort 2 of the FIDES-01 study, exploring iCCA patients with FGFR2 mutations and amplifications, are also encouraging, so we look forward to the topline results for this cohort expected in the first half of 2022. In the indications of urothelial (bladder) and gastric cancer, which are being investigated in the FIDES-02 and FIDES-03 studies respectively, we decided in the first half of the year, based on interim efficacy data, the results seen to date in iCCA and further analyses, to explore higher daily doses for mono- as well as combination therapy. We believe patients may benefit from such an intensified dose regimen. Initial results from these cohorts are expected in the first half of 2022. Prior to this, in the second half of 2021, we expect interim results for the initial dose regimen in patients with urothelial cancer, who failed to respond to other FGFR inhibitors, both as monotherapy and in combination. Based on the totality of these upcoming data read-outs across the different indications and treatment modalities, we will determine our regulatory strategy for derazantinib.

Lisavanbulin

We are currently focused on investigating our tumor checkpoint controller lisavanbulin in glioblastoma, the most common type of primary brain cancer and one of the most lethal types of cancer. In July 2021, the U.S. Food and Drug Adminstration (FDA) granted lisavanbulin Orphan Drug Designation for the treatment of malignant glioma, which includes glioblastoma. This designation qualifies for various incentives, including longer regulatory market exclusivity for lisavanbulin.

Two patients from the phase 1 part of the ongoing clinical study are showing a long-lasting clinical benefit and have been successfully treated for more than two years. One of these patients even experienced a reduction of tumor size by more than 80 %. Tumor tissue from both patients tested positive for EB1, a potential response-predictive biomarker for lisavanbulin. Therefore, in the phase 2 part of the study, only EB1-positive patients will be enrolled and we expect to present interim results from this part of the study at the end of 2021. Approximately 5 % of all glioblastoma patient samples were shown to be EB1-positive. However, EB1 may also pave the way for expansion to other indications, as other tumor types have also been shown to be EB1-positive, such as medulloblastomas and neuroblastomas, which are cancers that occur predominantly in the pediatric population, but also metastatic skin cancer (melanoma). Slightly lower levels of EB1-positivity were observed in a number of other cancers, including non-small cell lung cancer, colorectal cancer and triple-negative breast cancer.

Award of research grant for new antibiotic & novel cancer drug candidate about to enter clinical testing

Despite the focus on our marketed products and ongoing clinical studies, the development of our earlier pipeline is also important. With Zevtera, we have proven that we are one of the leading companies for the development of antibiotics. We are also working in the preclinical stage on new antibiotics to combat drug-resistant bacteria and were pleased to receive a grant of up to USD 2.7 million from CARB-X for one of our projects. CARB-X is a global non-profit organization with financial participation from European and U.S. partners, to foster early-stage development of new antibacterial drugs.

Another positive development for our future pipeline: A new drug candidate for cancer treatment is now in final preclinical studies with the aim of filing an application for the authorization to evaluate the drug candidate in patients by the end of this year. This would result in us starting a first clinical study in early 2022.

In summary, we remain well positioned, financially and operationally, to achieve our next milestones and potentially create long term sustainable value. The sale of our Chinese subsidiary in the first half-year should also be seen in this context. This transaction increases our flexibility in the procurement of external research and development services and helps us to better adapt our cost structure to our respective projects.

We thank all our employees for their hard work and dedication in developing and commercializing our brands, despite the continuing challenges caused by the COVID-19 restrictions in the first half of the year. To our shareholders, we thank you for your confidence in us and your continued support so that we can continue to develop innovative important medicines for patients who urgently need them.

Basel, August 2021

David Veitch
Chief Executive Officer

Portfolio

Products / Product candidates / Indication	Preclinical
Antifungals	
Cresemba® isavuconazole	
Invasive aspergillosis and mucormycosis (U.S. and EU and other countries)	intravenous and oral
Deep-seated mycoses, including invasive aspergillosis, chronic pulmonary aspergillosis (CPA), mucormycosis and cryptococcosis (Japan)	intravenous and oral
Antibiotics	
Zevtera® ceftobiprole	
Hospital- and community-acquired bacterial pneumonia (HABP, CABP) (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
Novel kinase inhibitor	
Internal & external innovation	Research


Phase 1
Phase 2
Phase 3
Market
Development

Oncology

Building the basis for future growth

Basilea's oncology portfolio comprises two clinical-stage drug candidates plus a preclinical pipeline with potential first-in-class or best-in-class programs.

The global healthcare burden of cancer continues to grow. A 47 % increase in new annual cancer cases is expected from 2020 to more than 28 million cases in 2040.*

Basilea takes a biomarker-driven approach at a very early stage of development. Biomarkers allow identification of those patients who are most likely to respond to treatment. Basilea's drugs are specifically designed as targeted therapies. Additionally, the company focuses on small molecules, i.e. substances with a comparatively low molecular weight. Small molecules have the advantage that they are usually chemically synthesized unlike protein-based drugs, such as antibodies, that are manufactured using complex biotechnological processes.

Basilea has two oncology drug candidates in clinical development, derazantinib and lisavanbulin. Derazantinib is being studied in bile duct cancer, urothelial cancer and gastric cancer. Lisavanbulin is being studied in glioblastoma (brain cancer).

Pipeline expansion

Basilea is currently conducting preclinical studies with a potential first-in-class small-molecule kinase inhibitor in oncology, which was in-licensed in 2018. The progress in these studies is encouraging and if successfully completed, Basilea plans to file an IND (Investigational New Drug) application later this year. If granted, this would allow to start first-in-human phase 1 clinical studies in early 2022. The new compound would then become the third clinical drug candidate in Basilea's oncology portfolio.

* GLOBOCAN 2020 estimates

Derazantinib

An orally administered FGFR kinase inhibitor with strong activity against FGFR1, 2, and 3, which are key drivers of cell proliferation, differentiation and migration.*

Derazantinib is studied in the FIDES clinical study program (**F**ibroblast growth factor **I**nhibition with **DE**razantinib in **S**olid tumors), which comprises three studies:

- The FIDES-01 phase 2 study (NCT03230318) reported positive topline results in 2021 for the first cohort of patients with bile duct cancer (intrahepatic cholangiocarcinoma, iCCA) and with FGFR2 fusions. The second cohort, comprising iCCA patients with FGFR2 mutations and amplifications, reported positive interim results in 2021 and Basilea expects topline results to become available in the first half of 2022.
- The FIDES-02 phase 1/2 study (NCT04045613) in patients with urothelial cancer and FGFR genetic aberrations, explores derazantinib as monotherapy and in combination with Roche's PD-L1 checkpoint inhibitor atezolizumab. The derazantinib-atezolizumab combination was well tolerated and no dose-limiting toxicities were observed. First interim efficacy results for patients refractory to prior FGFR-inhibitor treatment, in both monotherapy and in combination with atezolizumab, are expected in the second half of 2021. In addition, based on the available clinical data and supported by pharmacological data, Basilea decided to explore an intensified dose regimen of 400 mg per day in several substudies (versus previously 300 mg per day) to maximize the efficacy of derazantinib.
- The FIDES-03 phase 1/2 study in patients with gastric cancer was also amended in 2021 to explore a dose of 400 mg per day going forward. Derazantinib is currently explored as monotherapy and in combination with Lilly's anti-VEGFR2 antibody ramucirumab and paclitaxel.

Initial results from FIDES-02 and FIDES-03 cohorts utilizing the intensified dose regimen are expected in the first half of 2022.

Lisavanbulin

A novel microtubule-targeting drug candidate that is able to cross the blood-brain barrier, which makes it a promising candidate for the treatment of brain cancer.

Two ongoing clinical studies in glioblastoma:

- Two patients with recurrent glioblastoma, whose tumors tested positive for the biomarker EB1, showed long-lasting clinical benefit in the phase 1 portion of a phase 1/2 study with daily oral lisavanbulin (NCT02490800). This includes one patient with a more than 80 % reduction in tumor size. Basilea subsequently initiated a targeted EB1 biomarker-driven phase 2 study, which is expected to report interim results by the end of 2021. Studies showed that approximately 5 % of all glioblastoma patients are EB1-positive and EB1-positivity was also reported in other tumor types, most prominently in medulloblastoma, neuroblastoma and metastatic melanoma.**
- A phase 1 study is ongoing in the U.S. with patients with newly diagnosed glioblastoma (NCT03250299), in which lisavanbulin is evaluated in combination with radiotherapy, after the tumor has been surgically removed to the extent possible. The study is conducted in collaboration with the Adult Brain Tumor Consortium (ABTC) and Basilea expects that the recommended phase 2 dose for this treatment regimen could become available in the second half of 2021.

* Basilea in-licensed derazantinib from ArQule Inc., a wholly-owned subsidiary of Merck & Co., Inc., Kenilworth, N.J., U.S.A.
** Skowronska et al. 2021

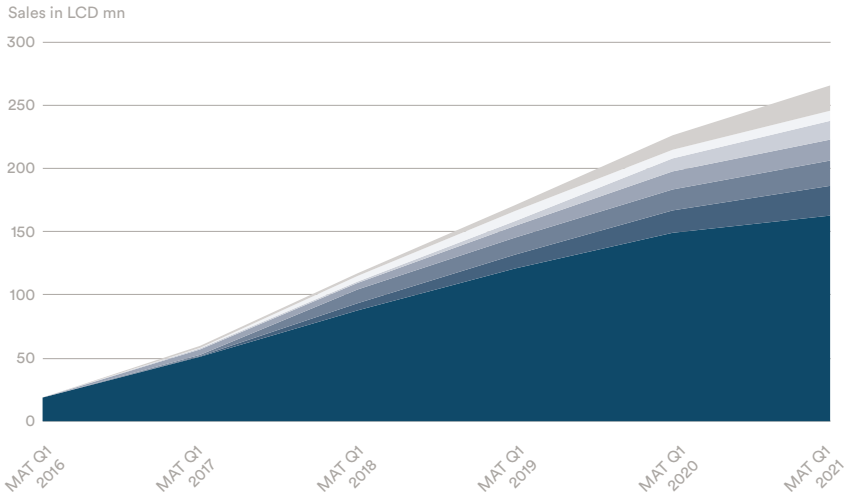
Antifungals

Cresemba® isavuconazole

Basilea has established license and distribution agreements for its two anti-infective brands, Cresemba® (isavuconazole) and Zevtera® (ceftobiprole), with several partners covering over 100 countries and participation in the commercial success is through royalties from the license partners and by selling the drugs at a transfer price to its distribution partners. In both cases there are additionally milestone payments.

Invasive fungal infections are emerging as a major healthcare threat

Invasive fungal diseases are an increasing global health issue, due to the growing number of immunocompromised patients, who are at a higher risk of these infections. Invasive mold infections are mainly caused by airborne *Aspergillus* species. Lately, the mold infection, mucormycosis, has gathered particular attention because thousands of cases have been reported as an opportunistic infection associated with COVID-19, especially in India. Cresemba is the only azole antifungal approved for the treatment of both invasive aspergillosis and mucormycosis.



Cresemba "in-market" sales reached **USD 266 million** in the twelve month period to the end of March 2021, which was 18 % more than in the previous twelve month period.

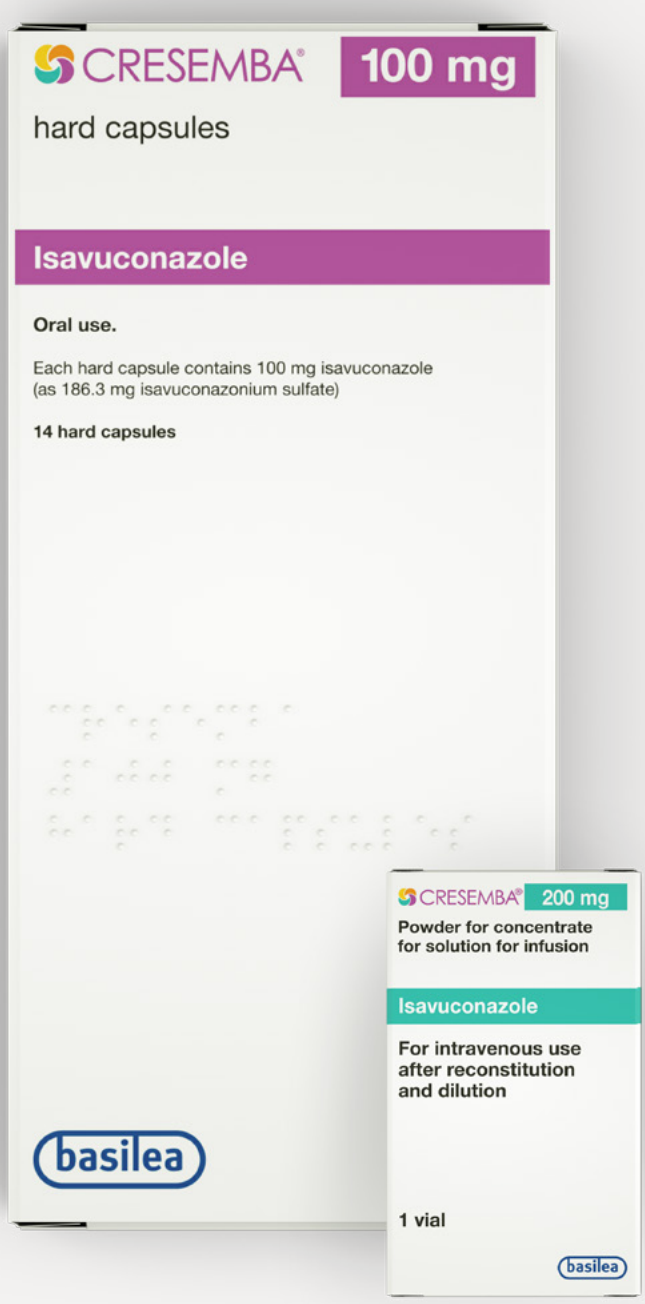
LCD: U.S. dollar corrected for currency fluctuations.
MAT: Moving annual total.
Source: IQVIA, March 2021.

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

5 mn patient days
(oral & i.v.) since launch

Marketing authorization obtained
in almost 60 countries

Launched in
53 countries



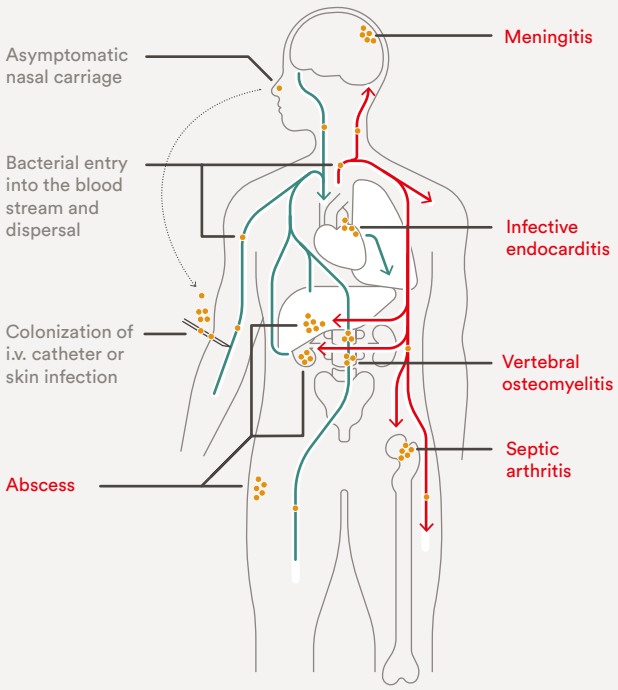
*Isavuconazole is approved in the United States for patients 18 years of age and older for the treatment of invasive aspergillosis and invasive mucormycosis. In the EU, isavuconazole is approved for the treatment of adult patients with invasive aspergillosis and for the treatment of adult patients with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

Antibiotics

Zevtera® ceftobiprole

Ceftobiprole has demonstrated rapid bactericidal activity against a wide spectrum of clinically relevant Gram-positive and Gram-negative bacteria, including methicillin-resistant *Staphylococcus aureus* (MRSA). Patients with MRSA infections are more than twice as likely to die from this infection as patients with methicillin-susceptible strains.

Staphylococcus aureus bacteremia is a key indication for the U.S. market



Causes and consequences of SAB
The ERADICATE phase 3 study targets complicated SAB, characterized by concomitant or metastatic infections such as bone, joint or heart valve infections; persistent bacteremia; or bacteremia in patients on dialysis.

Adapted from Edwards et al. 2011

Zevtera is currently approved for the treatment of bacterial pneumonia. However, for gaining market access in the United States, which is commercially the most important region for branded anti-MRSA antibiotics, Basilea had agreed with the U.S. FDA to study Zevtera in *Staphylococcus aureus* bacteremia (SAB) and acute bacterial skin and skin structure infections (ABSSSI) as indications for the phase 3 program. The most relevant indication of these is SAB, which is associated with substantial morbidity and a 30-day mortality of approximately 20 %.* Nearly 120,000 SAB infections and 20,000 associated deaths occurred in the United States in 2017.**

The first of the two phase 3 studies that had been agreed with the U.S. FDA under Special Protocol Assessments, the TARGET study (NCT03137173), evaluated ceftobiprole in the treatment of patients with ABSSSI and was successfully completed in 2019. The second study, ERADICATE (NCT03138733), is exploring ceftobiprole in patients with SAB and is expected to report topline results in the first half of 2022. Both studies are required for filing a New Drug Application (NDA) to obtain a marketing authorization in the U.S.

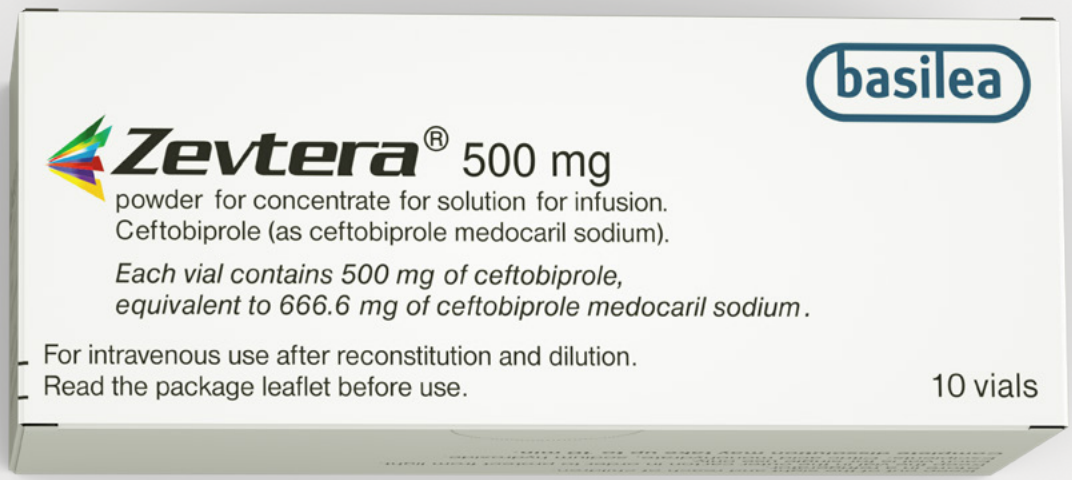
The ceftobiprole phase 3 program is funded (up to USD 134 million of non-dilutive funding, which is approximately 70 % of the total estimated program costs) with U.S. federal funds from the Biomedical Advanced Research and Development Authority (BARDA), under Contract No. HHSO100201600002C. BARDA is a division within the Office of the Assistant Secretary for Preparedness and Response in the U.S. Department of Health and Human Services.

* Hamed et al. 2020
** CDC 2019

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)*

Marketing authorization obtained in 29 countries

Launched in 19 countries



*Ceftobiprole is approved for the treatment of adult patients with hospital-acquired bacterial pneumonia (HABP) and community-acquired bacterial pneumonia (CABP), excluding ventilator-associated bacterial pneumonia (VABP). Not approved in the United States.

Outlook

For 2021 and 2022, Basilea will focus on these upcoming milestones:

- Cresemba® (isavuconazole) & Zevtera® (ceftobiprole) — Increasing cash flows
- By the end of 2022, Cresemba to be on the market in ~70 countries

Products	H2 2021	H1 2022	H2 2022
Isavuconazole	File NDA in Japan		
Ceftobiprole	Complete patient enrolment in SAB phase 3 study	Topline results from SAB phase 3 study	
Derazantinib			
FIDES-01 (iCCA)		Topline results (other FGFR2 genetic aberrations)	
FIDES-02 (urothelial cancer)	Interim results in monotherapy and combination therapy with atezolizumab in patients refractory to prior FGFR inhibitors	Interim results in monotheraphy (400 mg/day) in 2nd-line FGFR-inhibitor naïve patients and atezolizumab combination in 1st-line cisplatin-ineligible patients	
FIDES-03 (gastric cancer)		Interim results in monotherapy (400 mg/day) and recommended phase 2 dose with ramucirumab/paclitaxel	Interim efficacy results in combination with ramucirumab/paclitaxel
Lisavanbulin	Interim results from phase 2 biomarker-driven glioblastoma study	Topline results from phase 2 biomarker-driven glioblastoma study	
	Recommended phase 2 dose in phase 1 study in newly-diagnosed glioblastoma in combination with radiotherapy		
Novel kinase inhibitor (for cancer therapy)	File IND application	Initiate phase 1 study	

Financial report

Updated financial guidance 2021

in CHF mn

134–144
Total revenue

115–125
Cresemba and Zevtera
non-deferred revenue

2.5
Cresemba and Zevtera
deferred revenue

149–154
Total cost and operating expenses

7–17
Operating loss

165–170
Cash and financial investments
at year-end
(excluding any impact from a reduction of the outstanding convertible bonds)

Condensed Consolidated Interim Financial Statements

Basilea Pharmaceutica Ltd. and subsidiaries

Condensed consolidated balance sheets as of June 30, 2021 and December 31, 2020 (unaudited, in CHF thousands, except for number of shares)

	Footnote reference	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents		82 849	60 749
Short-term investments	7	80 000	101 023
Restricted cash		1 813	5 507
Accounts receivable	6	6 618	8 710
Other receivables	8	22 833	23 684
Inventories	9	20 940	21 192
Other current assets		5 136	2 663
Total current assets		**220 189**	**223 528**
Non-current assets			
Tangible assets, net	3	1 995	2 627
Operating lease, Right-of-Use assets, net		1 772	2 648
Intangible assets, net	4	467	672
Long-term financial assets	17	2 390	-
Other non-current assets		363	319
Total non-current assets		**6 987**	**6 266**
TOTAL ASSETS		**227 176**	**229 794**
LIABILITIES			
Current liabilities			
Accounts payable		5 378	13 151
Deferred revenue	5	1 894	2 556
Current operating lease liabilities		1 684	1 752
Accruals and other current liabilities	11	28 751	32 702
Total current liabilities		**37 707**	**50 161**
Non-current liabilities			
Convertible senior unsecured bonds	10	227 869	239 668
Deferred revenue, less of current portion	5	12 542	13 158
Non-current operating lease liabilities		88	896
Other non-current liabilities	15	27 722	27 957
Total non-current liabilities		**268 221**	**281 679**
Total liabilities		**305 928**	**331 840**
Commitments and contingencies	19		
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital[1]	13	12 931	11 922
Additional paid-in capital		1 025 878	982 438
Accumulated other comprehensive loss	13	(24 973)	(27 252)
Treasury shares	13	(56 309)	(52 766)
Accumulated deficit		(1 036 279)	(1 016 388)
Total shareholders' equity (deficit)		**(78 752)**	**(102 046)**
TOTAL LIABILITIES AND EQUITY (DEFICIT)		**227 176**	**229 794**

[1] As of June 30, 2021, 12,931,173 (December 31, 2020: 11,922,205) shares were issued and 11,793,218 shares (December 31, 2020: 10,867,306) outstanding with a par value of CHF 1.00 per share.

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

Basilea Pharmaceutica Ltd. and subsidiaries

Condensed consolidated statements of operations for the six months ending June 30, 2021 and June 30, 2020 (unaudited, in CHF thousands, except per share amounts)

	Footnote reference	2021	2020
Product revenue	5	13 576	30 493
Contract revenue	5	33 767	31 471
Revenue from research & development services		181	201
Other revenue	5	6 674	7 163
Total revenue		**54 198**	**69 328**
Cost of products sold		(13 525)	(13 085)
Research & development expenses, net		(41 689)	(43 939)
Selling, general & administrative expenses		(14 339)	(14 449)
Total cost and operating expenses		**(69 553)**	**(71 473)**
Profit from sale of assets	3	-	14 959
Operating loss/profit		**(15 355)**	**12 814**
Interest income		54	14
Interest expense	10	(4 129)	(3 149)
Other financial income		1 287	2 694
Other financial expenses		(2 363)	(3 286)
Losses from senior unsecured bonds transactions		(255)	-
Other components of net periodic pension cost		884	886
Loss/Profit before taxes		**(19 877)**	**9 973**
Income taxes		(14)	(32)
Net loss/profit		**(19 891)**	**9 941**

Loss/Earnings per share	14	**2021**	2020
Basic loss/earnings per share, in CHF		(1.84)	0.92
Diluted loss/earnings per share, in CHF		(1.84)	0.91

Basilea Pharmaceutica Ltd. and subsidiaries

Condensed consolidated statements of comprehensive income/loss for the six months ending June 30, 2021 and June 30, 2020 (unaudited, in CHF thousands)

	Footnote reference	2021	2020
Net loss/profit		**(19 891)**	**9 941**
Currency translation adjustments		116	(412)
Currency translation adjustments transferred to P&L		1 203	-
Amortization of unrecognized pension costs		960	826
Other comprehensive income, net of tax	13	**2 279**	**414**
Comprehensive loss/profit		**(17 612)**	**10 355**

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

Basilea Pharmaceutica Ltd. and subsidiaries

Condensed consolidated statements of cash flows for the six months ending June 30, 2021 and June 30, 2020 (unaudited, in CHF thousands)

	Footnote reference	2021	2020
Cash flow from operating activities			
Net loss/profit		(19 891)	9 941
Adjustments to reconcile net loss/profit to net cash used in/provided by operating activities:			
Depreciation and amortization		399	817
Gain from sale of assets		-	(14 959)
Gain on disposal of subsidiaries		(56)	-
Stock-based compensation		1 935	1 932
Interest and accretion of debt issuance cost	10	571	370
Debt extinguishment loss		255	-
Change in operating assets/liabilities:			
Accounts receivable		2 098	1 099
Other receivables		2 105	479
Inventories		257	5 386
Accounts payable		(7 778)	(5 036)
Deferred revenue		(1 278)	(25 487)
Accruals and other current liabilities		(3 941)	(8 083)
Other operating cash flow items		(1 827)	370
Net cash used in operating activities		**(27 151)**	**(33 171)**
Cash flow from investing activities			
Payments for short-term investments	7	(10 000)	(33 022)
Maturities of short-term investments	7	31 023	-
Proceeds from sale of assets		-	17 662
Investments in tangible assets	3	(278)	(581)
Investments in intangible assets	4	(29)	(290)
Cash-out from disposed subsidiaries, net		(1 603)	-
Net cash provided by/used in investing activities		**19 113**	**(16 231)**
Cash flow from financing activities			
Net proceeds from exercise of stock options		273	1 250
Net proceeds from capital increase		42 241	-
Net proceeds from treasury shares transactions		(3 694)	(153)
Debt extinguishment		(12 625)	-
Net cash provided by financing activities		**26 195**	**1 097**
Effect of exchange rate changes on cash, cash equivalents and restricted cash		**249**	**(1 093)**
Net change in cash, cash equivalents and restricted cash		**18 406**	**(49 398)**
Cash, cash equivalents and restricted cash, beginning of period		**66 256**	**111 044**
Cash, cash equivalents and restricted cash, end of period		**84 662**	**61 646**

The following table shows the components of cash, cash equivalents and restricted cash as of June 30, 2021 and June 30, 2020:

In CHF thousands	2021	2020
Cash and cash equivalents	82 849	59 779
Restricted cash	1 813	1 867
Total cash, cash equivalents and restricted cash	**84 662**	**61 646**

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

Basilea Pharmaceutica Ltd. and subsidiaries

**Condensed consolidated statements of changes in shareholders' equity (deficit)
for the six months ending June 30, 2021 and June 30, 2020
(unaudited in CHF thousands, except for number of shares)**

	Footnote reference	Share capital		Treasury shares		Additional paid-in capital	Accumulated other comprehensive income/ loss	Accumulated deficit	**Total**
		Number of shares	Amount	Number of shares	Amount				
Balance at December 31, 2019		**11 881 945**	**11 882**	**(1 108 041)**	**(5 963)**	**927 342**	**(24 555)**	**(1 001 666)**	**(92 960)**
Net income		-	-	-	-	-	-	9 941	9 941
Other comprehensive income		-	-	-	-	-	414	-	414
Treasury shares transactions		-	-	(10 935)	(912)	759	-	-	(153)
Exercise of stock options, net		37 807	38	-	-	1 212	-	-	1 250
Stock-based compensation, net	12	-	-	-	-	1 932	-	-	1 932
Balance at June 30, 2020		**11 919 752**	**11 920**	**(1 118 976)**	**(6 875)**	**931 245**	**(24 141)**	**(991 725)**	**(79 576)**
Balance at December 31, 2020		**11 922 205**	**11 922**	**(1 054 899)**	**(52 766)**	**982 438**	**(27 252)**	**(1 016 388)**	**(102 046)**
Net loss		-	-	-	-	-	-	(19 891)	(19 891)
Capital increase		1 000 000	1 000	-	-	41 241	-	-	42 241
Other comprehensive income		-	-	-	-	-	2 279	-	2 279
Treasury shares transactions		-	-	(83 056)	(3 543)	-	-	-	(3 543)
Exercise of stock options, net		8 968	9	-	-	264	-	-	273
Stock-based and restricted/performance share based compensation, net	12	-	-	-	-	1 935	-	-	1 935
Balance at June 30, 2021		**12 931 173**	**12 931**	**(1 137 955)**	**(56 309)**	**1 025 878**	**(24 973)**	**(1 036 279)**	**(78 752)**

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

Basilea Pharmaceutica Ltd. and subsidiaries

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

1 Basis of presentation

The condensed consolidated interim financial statements of Basilea Pharmaceutica Ltd. (Basilea) and its subsidiaries (together the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for interim financial information and accordingly do not include all information and disclosures as required by U.S. GAAP for complete financial statements. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. The condensed consolidated interim financial statements should be read in conjunction with the 2020 consolidated financial statements contained in the Annual Report 2020. The financial statements are presented in Swiss Francs (CHF).

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

2 Summary of significant accounting policies and new accounting pronouncements

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 of June 30, 2021 and December 31, 2020:

Estimated fair value

In CHF million	**2021**	2020
Convertible senior unsecured bonds (Level 1)	241.3	258.0

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.

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 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.

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.

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.

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 for the six months ending June 30, 2021 and June 30, 2020. Sales and usage-based taxes are excluded from revenues.

In CHF million	**2021**	2020
Product revenue	13.6	30.5
Contract revenue	33.8	31.5
Revenue from research & development services	0.2	0.2
Other revenue:		
BARDA revenue	5.5	6.6
Others	1.1	0.5
Total	**54.2**	**69.3**

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 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, restricted stock units and performance share units

The Company applies ASC 718 "Compensation – Stock Compensation" related to its stock-based compensation awards. According to ASC 718, the Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award taking into consideration an 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.

The Company applies ASC 718 "Compensation – Stock Compensation" for its restriced stock units (RSUs) and its performance share units (PSUs). Management and certain key employees are eligible to receive PSUs. For RSUs certain employees are eligible to receive them only.

PSUs represent a promise to deliver shares to employees after the vesting period if certain vesting conditions, mainly based on the share price performance and in market sales of certain products, are met.

RSUs represent a promise to deliver shares to employees after the vesting period.

The Company accounts for its RSUs and PSUs similar as for its stock-based compensation. The RSUs and PSUs compensation expenses are allocated over the vesting period deducted by an expected forfeiture rate. The expenses calculated at grant date are based on the Company's share price and certain expectations of the future performance of the share price and product sales.

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.

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.

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 had no significant impact on these interim 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.

3 Tangible assets

In CHF million	Land/Land-use rights	Buildings	Equipment	Total
H1 2021				
Cost				
January 1, 2021	0.2	1.9	24.6	26.7
Additions	-	-	0.3	0.3
Disposals	(0.2)	(1.8)	(6.0)	(8.0)
Currency effect	0.0	(0.1)	0.1	0.0
June 30, 2021	-	-	19.0	19.0
Accumulated depreciation				
January 1, 2021	0.0	1.7	22.4	24.1
Additions	-	-	0.2	0.2
Disposals	0.0	(1.7)	(5.7)	(7.4)
Currency effect	0.0	0.0	0.1	0.1
June 30, 2021	-	-	17.0	17.0
Net book value as of June 30, 2021	**-**	**-**	**2.0**	**2.0**
H1 2020				
Cost				
January 1, 2020	1.5	19.0	23.7	44.2
Additions	0.0	0.0	0.6	0.6
Disposals	(1.3)	(17.1)	(0.6)	(19.0)
Currency effect	0.0	(0.1)	(0.2)	(0.3)
June 30, 2020	0.2	1.8	23.5	25.5
Accumulated depreciation				
January 1, 2020	0.0	16.2	22.8	39.0
Additions	0.0	0.5	0.3	0.8
Disposals	0.0	(15.1)	(0.6)	(15.7)
Currency effect	0.0	(0.1)	(0.2)	(0.3)
June 30, 2020	0.0	1.5	22.3	23.8
Net book value as of June 30, 2020	**0.2**	**0.3**	**1.2**	**1.7**

4 Intangible assets

The intangible assets as of June 30, 2021 and June 30, 2020 consist of software for internal use:

In CHF million	H1 2021	H1 2020
Cost		
January 1	**5.8**	**5.3**
Additions	0.0	0.3
Disposals	(4.0)	-
Currency effect	(0.1)	0.0
June 30	**1.7**	**5.6**
Accumulated amortization		
January 1	**5.1**	**5.0**
Additions	0.1	0.1
Disposals	(3.9)	-
Currency effect	0.1	0.0
June 30	**1.2**	**5.0**
Net book value as of June 30	**0.5**	**0.6**

5 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). 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 separate 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 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.

For the six months ending June 30, 2021, the Company recognized CHF 6.2 million (six months ending June 30, 2020: CHF 26.5 million) as product revenue, thereof none (six months ending June 30, 2020: CHF 18.5 million) related to the upfront payment for the Territory and CHF 6.2 million (six months ending June 30, 2020: CHF 8.0 million) related to product sales to Pfizer Inc. For the six months ending June 30, 2021 the Company recognized CHF 9.9 million (six months ending June 30, 2020: CHF 5.8 million) royalty revenue in contract revenue.

In February 2021, the Company recognized a sales milestone payment related to the Territory of USD 10.0 million (CHF 8.9 million) as contract revenue. 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. For the six months ending on June 30, 2021, the Company recognized

no revenue as contract revenue related to this upfront payment for the grant of license (six months ending June 30, 2020: CHF 2.3 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 European PIP studies. For the six months ending on June 30, 2021 the Company recognized no deferred revenue (six months ending June 30, 2020: CHF 0.9 million) as contract revenue related to this additional milestone payment received upon acceptance of filing.

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. For the six months ending on June 30, 2021 the Company recognized no deferred revenue (six months ending June 30, 2020: CHF 2.2 million) as contract revenue related to this additional milestone payment received upon approval.

For the six months ending June 30, 2021, the Company recognized no revenue (six months ending June 30, 2020: CHF 5.4 million) as contract revenue related to the upfront and milestone payments and recognized additional contract revenue in the total amount of CHF 13.7 million (six months ending June 30, 2020: CHF 12.8 million) comprising of CHF 13.7 million (six months ending June 30, 2020: CHF 12.8 million) related to royalties and no revenue (six months ending June 30, 2020: CHF 0.0 million) related to services provided by the Company to Astellas related to isavuconazole.

For the six months ending June 30, 2021, the Company reported CHF 0.8 million (six months ending June 30, 2020: CHF 1.2 million) research and development expenses for isavuconazole net of cost reimbursements from Astellas of CHF 0.6 million (six months ending June 30, 2020: 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 June 30, 2021, the Company presented deferred revenue of CHF 0.7 million (December 31, 2020: CHF 1.3 million) on its balance sheet, of which CHF 0.7 million (December 31, 2020: CHF 1.3 million) is presented as current liabilities.

For the six months ending June 30, 2021 and June 30, 2020, the Company recognized CHF 0.7 million as contract revenue related to this upfront payment.

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, initially expected to be until the first quarter of 2022 in line with the period over which the Ongoing Clinical Supply and Information Transfer Obligation is provided up to grant of the IDL or approval of DDA. In November 2020, 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.

For the six months ending June 30, 2021, the Company recognized no revenue (six months ending June 30, 2020: CHF 0.3 million) as contract revenue related to this upfront payment.

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 June 30, 2021, the Company presented deferred revenue of CHF 13.7 million (December 31, 2020: CHF 14.5 million) on its balance sheet, of which

CHF 1.2 million (December 31, 2020: CHF 1.3 million) is presented as current liabilities.

For the six months ending June 30, 2021, the Company recognized CHF 0.6 million (six months ending June 30, 2020: CHF 0.5 million) as contract revenue related to these payments and product revenue in the total amount of CHF 7.1 million (six months ending June 30, 2020: CHF 4.0 million) related to these distribution agreements.

Contract with BARDA for ceftobiprole phase 3 development program

In April 2016, the Company entered into a contract with BARDA for the clinical phase 3 development of ceftobiprole aiming to gain regulatory approval for the drug in the U.S. As of June 30, 2021, the Company was awarded a total amount of up to USD 104.4 million (December 31, 2020: USD 104.4 million) under this contract to support the phase 3 development of ceftobiprole. For the six months ending June 30, 2021, the Company received a total of USD 5.7 million or CHF 5.1 million, respectively (six months ending June 30, 2020: USD 6.7 million or CHF 6.5 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.

For the six months ending June 30, 2021, the Company recognized CHF 5.5 million (six months ending June 30, 2020: CHF 6.6 million) as other revenue related to the BARDA contract.

License agreement with ArQule 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 milestone 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.

For the six months ending June 30, 2021, the Company reported CHF 7.6 million (six months ending June 30, 2020: CHF 8.4 million) in research and development expenses, net related to this agreement.

6 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 June 30, 2021 and December 31, 2020, the Company recorded no allowance for estimated uncollectible receivables.

7 Short- and long-term investments

As of June 30, 2021, the short-term investments contain short-term time deposits with banks, denominated in Swiss Francs, in the amount of CHF 80.0 million (December 31, 2020: CHF 101.0 million). As of June 30, 2021 and December 31, 2020, the Company had no long-term investments.

8 Other receivables

The following table shows the components of other receivables as of June 30, 2021 and December 31, 2020:

In CHF million	2021	2020
VAT receivables	6.5	6.0
Royalty receivables (see Note 5 Agreements)	10.0	13.4
Receivables from subsidiary disposal	1.2	-
Receivables from BARDA (see Note 5 Agreements)	2.6	2.2
Other	2.5	2.1
Total	**22.8**	**23.7**

9 Inventories

The following table shows the components of inventories as of June 30, 2021 and December 31, 2020:

In CHF million	2021	2020
Raw materials	2.0	7.1
Semi-finished products	30.7	26.5
Finished products	0.2	1.2
Inventory provisions	(12.0)	(13.6)
Total	**20.9**	**21.2**

The Company owns manufacturing material valued at cost which was partly produced prior to obtaining regulatory approval for ceftobiprole and isavuconazole. As ceftobiprole and isavuconazole obtained regulatory approval in 2013 and 2015 respectively, the ceftobiprole and isavuconazole inventory is presented gross in the inventory table above. Inventory provisions in the total amount of CHF 6.3 million reflect that material was produced prior to approval. The Company intends to use such material to manufacture products for commercialization. In addition, as of June 30, 2021, the Company recorded additional provisions for inventory in the total amount of CHF 5.7 million.

10 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 the 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 June 30, 2021 amounted to CHF 45.2 million.

The convertible senior unsecured bonds are accounted for at amortized costs. The following table shows the carrying amount of the convertible senior unsecured bonds as of June 30, 2021 and December 31, 2020:

In CHF million	Maturity date	2021	2020
2022 convertible senior unsecured bonds	December 23, 2022	133.6	145.6
2027 convertible senior unsecured bonds	July 28, 2027	94.3	94.1
Total		**227.9**	**239.7**

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 number of underlying shares is 1,065,089 shares as per June 30, 2021. 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 are 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 number of underlying shares is 1,553,360 shares as of June 30, 2021. 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 six months ending June 30, 2021, the Company recognized interest expense of CHF 3.5 million (six months ending June 30, 2020: CHF 2.7 million) for contractual coupon interest and CHF 0.5 million (six months ending June 30, 2020: CHF 0.4 million) for accretion of the issuance costs for the 2022 and 2027 bonds. The remaining unamortized debt issuances costs of CHF 3.5 million will be accreted over the remaining term of the convertible senior unsecured bonds, which is approximately 1.5 years for the 2022 bonds and 6 years for the 2027 bonds.

The amortization table related to the convertible senior unsecured bonds as of June 30, 2021 is as follows:

Amount in CHF million	2022 Bonds	2027 Bonds	Total
Remainder 2021	1.9	1.6	3.5
2022	137.9	3.2	141.1
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	**139.8**	**116.4**	**256.2**
Less amount representing interest	(5.5)	(19.3)	(24.8)
Convertible senior unsecured bonds, gross	**134.3**	**97.1**	**231.4**
Unamortized issuance costs on convertible senior unsecured bonds	(0.7)	(2.8)	(3.5)
Convertible senior unsecured bonds, including unamortized issuance costs	**133.6**	**94.3**	**227.9**

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 2,618,449 shares of common stock. See Note 14 to these consolidated interim financial statements for a computation of diluted loss per share.

11 Accruals and other current liabilities

Accruals and other current liabilities as of June 30, 2021 and December 31, 2020 consisted of the following:

In CHF million	2021	2020
Accrued research & development expenses	7.4	9.6
Accrued personnel and compensation costs	7.0	9.4
Accrued sales and marketing expenses	0.5	0.5
Accrued payables for goods received	6.0	5.2
VAT payables	1.3	0.8
Accrued taxes and consultant fees	0.4	0.8
Accrued royalties	1.0	1.0
Other current liablities	5.2	5.4
Total accruals and other current liabilities	**28.8**	**32.7**

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

12 Stock-based compensation and Restricted / Performance Share Units

The Company established a stock option plan effective on December 13, 2000 to incentivize executives and certain employees with an opportunity to obtain stock options on registered shares of Basilea. Starting with the options granted in 2018, the stock option plan was amended to allow for gross and/or net settlement of stock options. The net share settlement of stock options will help 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 shareholders approved conditional capital necessary for the issuance of shares upon the exercise of stock options, PSUs and RSUs, of which CHF 1.8 million remain available as of June 30, 2021. CHF 1.5 million of this remaining available conditional capital is reserved for stock options and PSUs and RSUs, which were issued and outstanding as of June 30, 2021.

Each stock option entitles the participant to the purchase of one registered share at the strike price pursuant to the terms of the stock option plan. At the end of the option term, all unexercised stock options expire without value. The last grant under this stock option plan was made in 2020.

For the six months ending June 30, 2021, the Company recognized stock-based compensation expenses of CHF 1.6 million (six months ending June 30, 2020: CHF 1.9 million) related to this stock option plan.

In April 2021, the Company granted first time 53,281 PSUs and 37,496 RSUs to certain employees, management and board members. The PSU fair value as of the grant date was CHF 43.66 per Unit and in total CHF 2.3 million. The RSU fair value at grant date was CHF 47.42 per Unit and amounts to CHF 1.5 million in total. The expenses are distributed over the vesting period of 3 years for employees and 1 year for board members, adjusted by expected forfeitures and effective forfeitures. For the six months ending on June 30, 2021 the Company presented CHF 0.3 million in its statement of operations related to PSU and RSU expenses.

13 Shareholders' equity

As of June 30, 2021, Basilea had 12,931,173 registered shares (Namenaktien) issued with a par value of CHF 1.00 per share. As of December 31, 2020, Basilea had 11,922,205 registered shares issued with a par value of CHF 1.00 per share.

For the six months ending June 30, 2021, a total of 8,968 stock options were exercised, using conditional capital, which resulted in the issuance of 8,968 registered shares with a par value of CHF 1.00 per share. For the six months ending June 30, 2020, a total of 37,807 stock options were exercised resulting in the issuance of 37,807 registered shares with a par value of CHF 1.00 per share.

The Company had a total approved conditional capital of CHF 3,828,968 as of June 30, 2021 for the issuance of a maximum of 3,828,968 registered shares with a par value of CHF 1.00 per share. This conditional capital contained CHF 1,828,968 (1,828,968 registered shares with a par value of CHF 1.00 per share) reserved for the issuance of shares under the long-term incentive plan available to directors, executives and certain employees. 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 June 30, 2021, the Company held treasury shares in the total amount of CHF 56.3 million (December 31, 2020: CHF 52.8 million), comprising of 1,000,000 registered shares with a par value of CHF 1.00 per share held by Basilea Pharmaceutica International Ltd. for the potential conversion of the outstanding convertible senior unsecured bonds and further 137,955 registered shares with a par value of CHF 1.00 per share.

By shareholder approval at the 2019 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 2021 ordinary general meeting of shareholders, the authorization was extended until April 2023.

In February 2021, the Company increased its equity by placing 1 million newly registered shares with a par value of CHF 1.00 for CHF 45.75 per share which resulted in an increase of the share capital of CHF 1 million and an increase of the additional paid in capital of CHF 44.8 million gross. Capital increase cost like financing fee, discretionary fee or taxes are deducted and booked into additional paid in capital amounting to CHF 3.4 million. Net cash inflow of this transaction was CHF 42.4 million.

Changes in accumulated other comprehensive income/loss for the six months ending June 30, 2021 and June 30, 2020:

In CHF million	Currency translation adjustment	Unrecognized pension cost	Total
December 31, 2019	**(1.8)**	**(22.8)**	**(24.6)**
Change during the period	(0.3)	0.8	0.5
Total change during the period	**(0.3)**	**0.8**	**0.5**
June 30, 2020	**(2.1)**	**(22.0)**	**(24.1)**
December 31, 2020	**(2.1)**	**(25.2)**	**(27.3)**
Change during the period	1.4	0.9	2.3
Total change during the period	**1.4**	**0.9**	**2.3**
June 30, 2021	**(0.7)**	**(24.3)**	**(25.0)**

14 Earnings/Loss per share

For the six months ending June 30, 2021 there was no difference between the basic and diluted loss per share. For June 30, 2020, the basic profit per share was CHF 0.92 and the diluted profit per share CHF 0.91. The weighted average number of shares outstanding and the loss/earnings for the six months ending June 30, 2021 and June 30, 2020 were as follows:

	2021	2020
Net loss/profit, in CHF million	**(19.9)**	**9.9**
Weighted average number of shares outstanding, basic	11 565 346	10 768 337
Weighted average number of shares outstanding, diluted	11 615 438	10 859 169
Basic loss/profit per share in CHF	**(1.84)**	**0.92**
Diluted loss/profit per share in CHF	**(1.84)**	**0.91**

For the six months ending June 30, 2021, 50,092 incremental shares (six months ending June 30, 2020: none incremental shares) relating to potential exercises of stock options and 2,618,449 shares issuable upon conversion of the convertible senior unsecured bonds (six months ending June 30, 2020: 1,586,017 shares) were excluded, as the effect 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.

15 Pension plan

As of June 30, 2021, the Company recorded an accrued pension liability of CHF 27.7 million in other non-current liabilities (December 31, 2020: CHF 27.8 million). The following table provides information on the pension expenses related to the Company's defined benefit pension plan for the six months ending June 30, 2021 and June 30, 2020:

In CHF million	2021	2020
Service cost	1.7	1.6
Interest cost	0.1	0.2
Expected return on plan assets	(0.4)	(0.5)
Amortization of pension related net loss	1.0	0.9
Amortization of prior service cost	(0.1)	(0.1)
Gross (benefit)/expense	2.3	2.1
Participant contributions	(0.6)	(0.6)
Net periodic pension cost	1.7	1.5

16 Segment and geographic information

The Company operates in one segment, which is the discovery, development and commercialization of innovative pharmaceutical products. The Company's CEO, who is the chief operating decision maker (CODM) of the Company, reviews the statement of operations of the Company on a consolidated basis and makes decisions and manages the operations of the Company as a single operating segment.

17 Disposal of Subsidiaries

On February 15, 2021 the Company announced that it entered into a sales agreement with PHT International Inc. (PHT) based in the United States of America. The Company sold its China business consisting of the subsidiaries Basilea Pharmaceutica China Ltd. (BPC) based in China and BPh Investitionen Ltd. (BPh) based in Switzerland (disposal group). The closing of this transaction was on March 31, 2021 (closing date).

The purchase price consists of an initial payment of USD 2.5 million (CHF 2.3 million) due on the closing date of the transaction and future payments of USD 3.8 million (CHF 3.6 million) due in 3 tranches over the next 3 years.

The financial performance and cash flow information presented are for the three months ended on closing date and the year ended on December 31, 2020:

In CHF million	2021	2020
Revenue (third party)	0.2	0.7
Cost and operating expenses (third party)	(1.2)	(4.6)
Financial result	(0.1)	0.0
Loss before taxes	**(1.1)**	**(3.9)**
Taxes	(0.0)	(0.0)
Net loss	**(1.1)**	**(3.9)**
Currency translation adjustments	0.0	0.0
Other comprehensive income	**0.0**	**0.0**
Net cash used in/provided by operating activities	(0.8)	0.9
Net cash provided by/used in investing activities (includs an inflow of CHF 2.3 million from the sale of the disposal group and disposed cash of CHF 3.9 million)	(1.6)	(0.3)
Net cash used in financing activities	-	-
Effect of exchange rate changes on cash, cash equivalents and restricted cash	0.3	(0.1)
Net change in cash, cash equivalents and restricted cash	**(2.1)**	**0.5**

The table below shows the assets and liabilities sold to PHT on closing date:

In CHF million	2021
Cash	3.9
Accounts receivable	0.1
Other receivables	0.1
Other current assets	0.2
Tangible assets	0.7
Intangible assets	0.1
Other non-current assets	0.1
Total assets	**5.2**
Accounts payable	(0.1)
Accrued liabilities and provisions	(0.2)
Other current liabilities	(0.2)
Other non-current liabilities	(0.1)
Total liabilities	**(0.6)**
Total net assets disposed	**4.6**

The table below shows the transaction result on the disposed subsidiaries as of closing date:

In CHF million	2021
Consideration received:	
Cash	2.3
Receivables	3.6
Total disposal consideration	**5.9**
Net assets sold	(4.6)
Reclassification of currency translation reserve	(1.2)
Gain on sale	**0.1**

18 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 June 30, 2021 the investments were only invested short-term with two banks and amounted to CHF 80.0 million (December 31, 2020: CHF 101.0 million with four banks).

The cash and cash equivalents as of June 30, 2021, amounted to CHF 82.8 million of which CHF 82.3 million were held with four different banks. The 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. As of June 30, 2021, the highest total amount of cash and cash equivalents and investments held at one bank amounted to CHF 88.0 million (December 31, 2020: CHF 55.0 million).

The Company is also subject to credit risk related to accounts receivable. The highest total amount of accounts receivable with an individual counterparty as of June 30, 2021, is from Pfizer Inc. in the amount of CHF 3.3 million in connection with the licence agreement related to isavuconazole (December 31, 2020, Pfizer Inc.: CHF 4.5 million).

19 Commitments and contingencies

The Company entered into various purchase commitments for services and materials as well as for equipment as part of the ordinary business. In the opinion of management, these commitments are not in excess of current market prices in all material respects, reflect normal business operations and will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

As of June 30, 2021, there are no significant contingencies.

20 Subsequent events

The Company has evaluated subsequent events through August 12, 2021, the date on which the condensed consolidated interim financial statements were available to be issued.

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The full Basilea Pharmaceutica Ltd. Half-Year Report 2021 is published in English. A short version is available in German. In case of discrepancies the English version prevails.

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