basilea

Committed

Annual Report 2021

Antimicrobial resistance (AMR) has the potential to become the next global health crisis.

For more insights into AMR, see pages 89–90.

2 marketed products

Zevtera® (antibiotic)

two phase 3 studies:

TARGET ABSSSI Study
successfully completed

ERADICATE SAB Study
patient enrolment completed in early January 2022

Cresemba® (antifungal)

continued strong in-market sales uptake

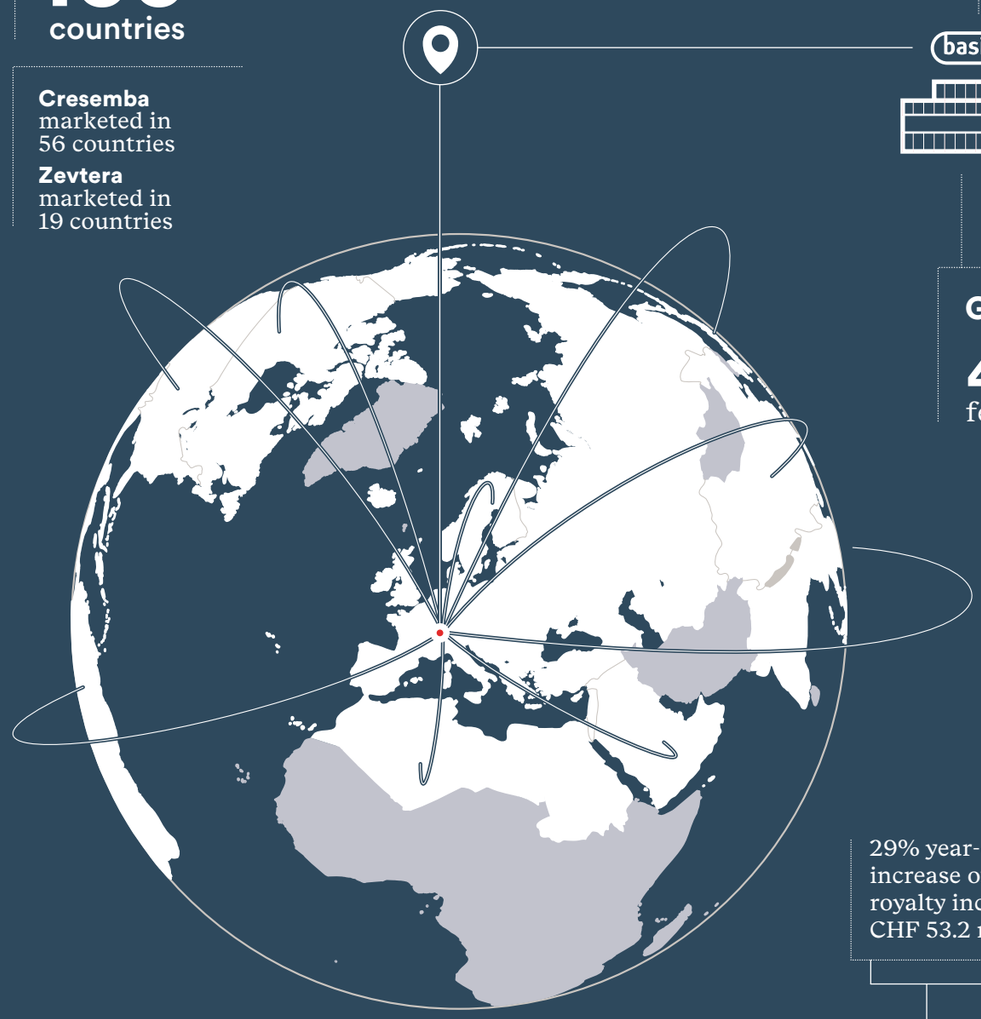
Commercial partnerships cover over **100** countries

Cresemba marketed in 56 countries
Zevtera marketed in 19 countries

HQ in **Basel** Switzerland

Founded in **2000**

BSLN
Listed on SIX since 2004



154 employees

Gender diversity
41% female **59%** male

Cultural diversity
employees from **14** different nationalities

3 oncology product candidates in clinical development

Derazantinib (FGFR-driven tumors)

3 clinical studies ongoing:

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

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

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

Fides

Lisavanbulin (glioblastoma)

2 clinical studies ongoing:

Phase 2 biomarker-driven study in recurrent or progressive glioblastoma

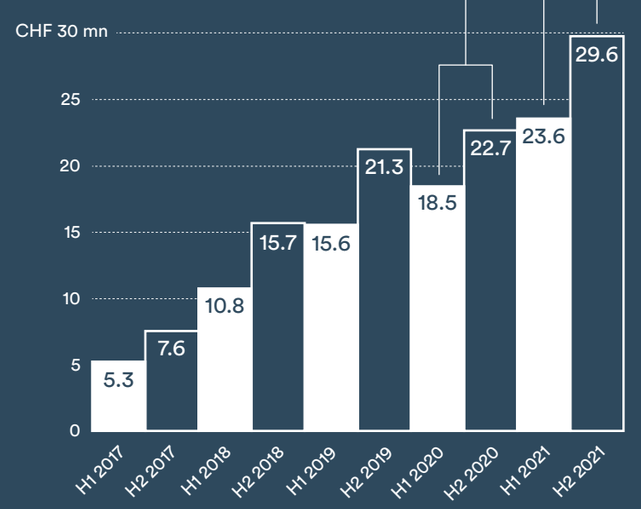
Phase 1 study in newly diagnosed glioblastoma

BAL0891 (solid tumors)

Preparing start of phase 1 study

Strong financial performance – operating profit and solid cash position

29% year-on-year increase of royalty income to CHF 53.2 mn in 2021



Total revenue of CHF **148** mn

Operating profit of CHF **1.2** mn

Cash and investments at year-end 2021 of CHF **150** mn

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Overview

Our company

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

Please visit basilea.com.

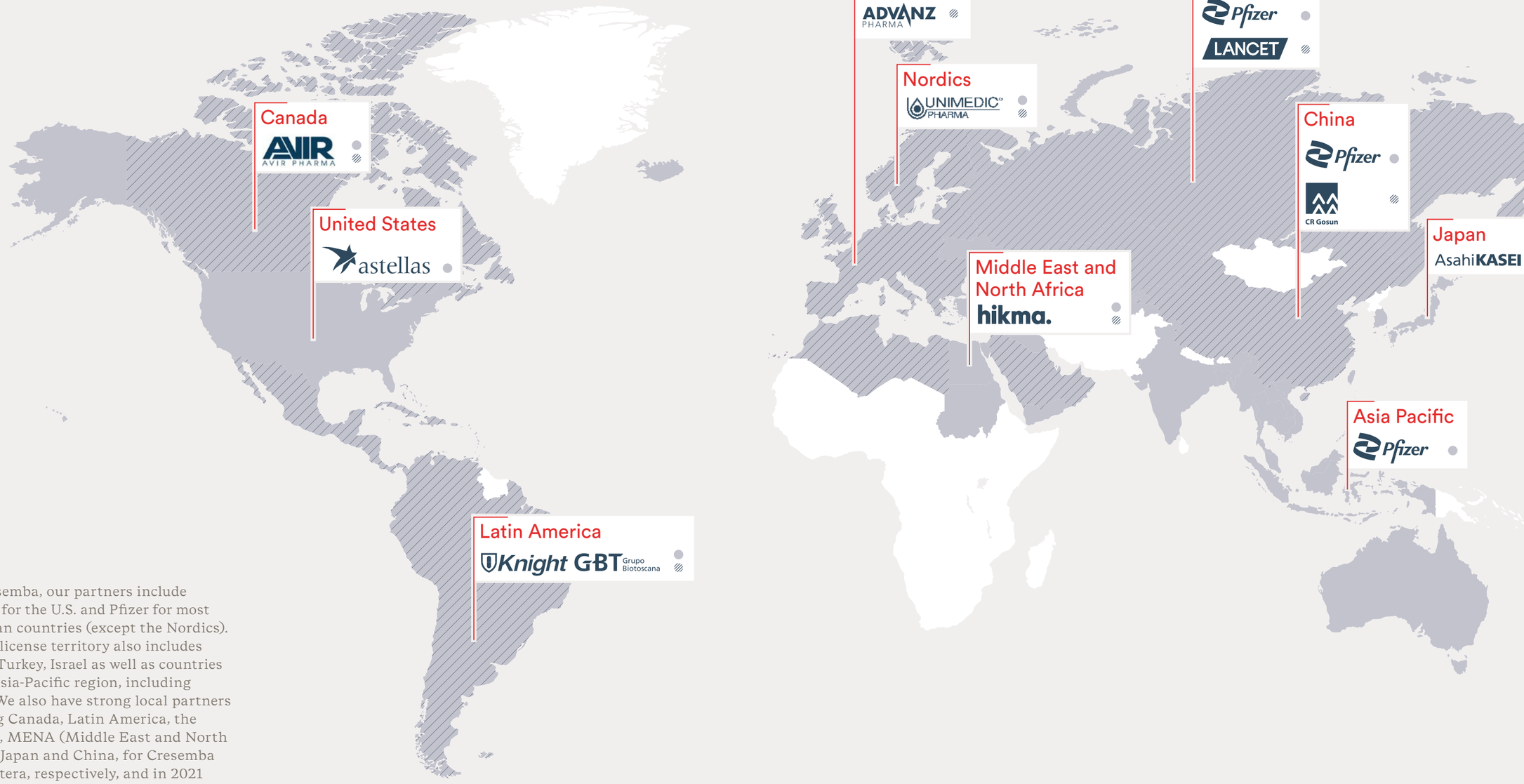
Our mission and vision

— People are at the heart of everything we do.

— We strive towards making a difference to patients. With expertise, care and persistence.

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

Global commercial partnerships



For Cresemba, our partners include Astellas for the U.S. and Pfizer for most European countries (except the Nordics). Pfizer's license territory also includes Russia, Turkey, Israel as well as countries in the Asia-Pacific region, including China. We also have strong local partners covering Canada, Latin America, the Nordics, MENA (Middle East and North Africa), Japan and China, for Cresemba and Zevtera, respectively, and in 2021 added a distribution partner for Zevtera in Russia and the other members of the Eurasian Economic Union.

Financial highlights

We keep broadening the global commercial reach of our two marketed brands. Six years after the start of commercialization, we see impressive double-digit percentage annual in-market sales growth for Cresemba. This is reflected in a 65% increase of our Cresemba and Zevtera non-deferred revenue in 2021 compared to 2020 and in particular the 29% growth in royalty income, which reflects the continued commercial progress of Cresemba in the key territories. Together with stable expenses, this contributes to our strong overall financial performance.

We have also continued to significantly improve our cost structure and the financial strength of the company in 2021. We raised CHF 45.75 million in gross proceeds in a private placement to institutional shareholders, providing us with further financial flexibility and opening up a number of strategic opportunities. Over the course of the year, we have continued to reduce the convertible bond, which matures in December 2022 (ISIN CH0305398148), by CHF 23 million. In addition, we also divested our Chinese subsidiary providing us with more flexibility to align our expenses with the needs of our R&D projects.

Following a year of high revenue growth related to Cresemba and Zevtera, with approximately CHF 49 million in regulatory and sales milestone payments, we expect 2022 to be a year of continued double-digit growth in royalty income, underscoring the continued strength of our commercial business. Many milestones were achieved in 2021. This number is expected to decrease again somewhat in 2022 to the level of previous years. We remain eligible however, for up to approximately USD one billion in milestone payments over the lifetime of our existing partnering agreements.

2021 Key financials
in CHF mn, rounding consistently applied

148.1
Total revenue

131.4
Cresemba and Zevtera related revenue

53.2
Royalty income

147.0
Total cost and operating expenses

1.2
Operating profit

150.0
Cash, restricted cash and investments
at year-end

Guidance 2022
in CHF mn

106–112
Total revenue

98–104
Cresemba and Zevtera related revenue

~59
Royalty income

131–134
Total cost and operating expenses

20–25
Operating loss

10–15
Net cash used in operating activities

Key development milestones 2021

Products	Clinical studies	H1 2021	H2 2021
Isavuconazole (Cresemba), antifungal	Phase 3 study in Japan in patients with deep-seated mycoses (conducted by partner Asahi Kasei Pharma)	Completed patient enrolment	Filed New Drug Application (NDA) for gaining regulatory approval in Japan
Ceftobiprole (Zevtera), antibiotic	ERADICATE phase 3 study in patients with *Staphylococcus aureus* bacteremia (SAB)		(Completed patient enrolment in early January 2022)
Derazantinib FGFR kinase inhibitor	Cohort 1 of FIDES-01 phase 2 study in patients with intrahepatic cholangiocarcinoma (iCCA) and FGFR2 fusions	Presented topline results	
	Cohort 2 of FIDES-01 phase 2 study in patients with iCCA and FGFR2 mutations/amplifications	Presented interim results	
BAL0891 mitotic checkpoint inhibitor	New clinical candidate		Filing and Food and Drug Administration (FDA) approval of Investigational New Drug application (IND) in the U.S.

Foster an agile organization based on a dynamic and open culture

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

Our strategy

Foster

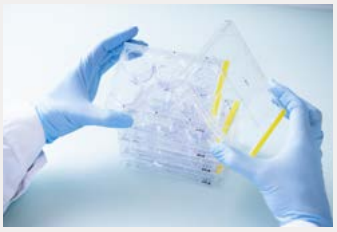
Focus

Invest

Innovate

Leverage

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



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

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

Shareholder letter

Dear shareholders

In 2021, Basilea continued to successfully deliver within the unpredictable environment caused by the ongoing coronavirus pandemic. Global sales of our two marketed brands developed very strongly. This is particularly true for Cresemba (isavuconazole), our medicine for the treatment of life-threatening fungal infections. Cresemba also reached several sales and regulatory milestones across our partnerships during the year. Our revenue contributions from Cresemba and Zevtera (ceftobiprole) increased significantly over the previous year, exceeding the guidance that had already been increased at half-year.

The need for anti-infective treatments is growing worldwide. This is not only due to the increasing number of people who fall ill from infections due to a weakened immune system, such as cancer or transplant patients. At the same time, resistance to currently available antibiotics is increasing. This poses the risk of diseases that were previously easy to treat, becoming a deadly threat in the future. Many governments and organizations have recognized the problem and are promoting the development of new antibiotics against resistant bacteria. For example, the pivotal clinical studies with our antibiotic Zevtera are being financially supported by BARDA, which is part of the U.S. Department of Health and Human Services. To date, BARDA has awarded a total of around USD 109 million to the phase 3 program that is necessary for a potential approval of Zevtera in the U.S. In early January, the last patient was enrolled into the final study and we expect topline results on efficacy, safety and tolerability of Zevtera in mid-2022. If the results are positive, just as those for the first phase 3 study already completed in 2019, we will submit a New Drug Application in the U.S. If then approved, Zevtera would have 10 years of market exclusivity in the U.S. These are good prospects for us finding a partner for the U.S. and would enable us to access the world's commercially most important market for hospital antibiotics with activity against the well-known "superbug", methicillin-resistant *Staphylococcus aureus* (MRSA).

Cresemba addressing the pandemic

Our partnerships are key to the commercial success of our marketed drugs. For Cresemba, these include Astellas in the U.S. and Pfizer in many countries in Europe and Asia, including China. Thanks to these partners, we continue to see double-digit sales growth six years after the first launch. Although Cresemba is not a treatment for coronavirus infections, COVID-19 led to an increase in demand for Cresemba in certain markets. In some countries, such as in India and Brazil, COVID-19 led to an increase in other infections such as the so-called "black fungus". This disease, mucormycosis, is a usually rare, but often life-threatening fungal infection that can affect the eyes, sinuses and also the brain. In their attempt to fight COVID-19, patients took high doses of corticosteroids, which weakened their immune system, making them vulnerable to mucormycosis, leading to a sharp increase in the number of reported cases. Complicating the situation for patients and their physicians, there are only very few drugs approved for this indication and supply was initially scarce. Moreover, Cresemba is the only approved treatment that can be given orally. During the global coronavirus health crisis, we therefore worked even more closely with our partners to ensure the access to Cresemba for mucormycosis patients. We believe that through this, we are making an important contribution in combating the pandemic.

Better than expected financial results

Total revenue for 2021 exceeded our guidance. Revenue from royalties on our partners' Cresemba sales increased by 29% year-on-year to CHF 53 million. The continued global sales growth also triggered a number of Cresemba sales milestone payments: In total we received USD 20 million from our partner Pfizer, during 2021 and CHF 15 million from our partner Astellas. In addition, regulatory milestone payments of CHF 5 million and USD 10 million were triggered in September and December respectively, for the submission of the marketing authorization application for Cresemba in Japan by our partner Asahi Kasei Pharma and the granting of the first marketing authorization for Cresemba in China by our partner Pfizer. We also received smaller milestone payments from our distribution partners in the total amount of about CHF 2 million.

In the first half of 2021, we also simplified the corporate structure by divesting our Chinese subsidiary. This transaction increases our flexibility in the procurement of external services in the areas of research and development and thus helps us to better adapt our cost structure to the needs of the respective projects.

As a result of these factors and keeping our expense base under close control, our operating result improved significantly allowing us to report an operating profit for 2021, exceeding our guidance, too. At the same time, we further reduced our debt level in 2021. From January to December 2021, we reduced our convertible bonds with maturity in December 2022, by CHF 23 million. In February 2021, we also raised gross proceeds of CHF 45.75 million in a strategic private placement with institutional investors, thereby further strengthening our financial position. Overall, our cash and investments amounted to CHF 150 million at the end of the year.

On the stock markets, however, 2021 was not a good year for biotech. The NASDAQ Biotech Index, which in past years went from one all-time high to the next, could just about hold flat in the course of the year. The performance of the index turns negative, if one excludes stocks that are directly related to the prophylaxis or treatment of COVID-19. Furthermore, the S&P Biotech Exchange Traded Fund, XBI, was down 20% year-on-year, which is a 47% underperformance compared to the S&P 500. Unfortunately, Basilea's share price was also affected by the negative sector performance and closed lower at year-end than at the beginning of the year. While our share price performance was comparable to that of many other biotech and pharma companies from Switzerland and the U.S., it is our clear goal to create positive shareholder return. Therefore, we will continue to work hard towards making financial progress and achieving project milestones, believing that success in these areas will also be reflected positively in the share price development.

2022 will be a decisive year for our oncology pipeline

Patients are at the heart of everything we do. We are therefore particularly pleased when we hear about encouraging patient stories. One of these is about a young father from the UK, who participated in one of the early clinical trials with our cancer drug candidate lisavanbulin. He has been on lisavanbulin treatment for more than three years now and his brain tumor has shrunk by more than 80%. He is now fully participating in life with his family again. As his tumor showed a particular biomarker signature, we hope to be able to help other brain tumor patients with the same signature and started a clinical trial in 2020 for which we expect initial results in the first half of 2022.

2022 will also determine the direction for the further development of our other clinical-stage oncology candidate, derazantinib. The positive final results for the first cohort in the FIDES-01 study in patients with bile duct cancer (intrahepatic cholangiocarcinoma, iCCA) show that derazantinib is effective in this disease. However, demonstrating further positive differentiation from other similar medicines requires the final results from the second cohort of the FIDES-01 study, too. These are expected in the first half of 2022. In principle, iCCA can be considered a proof-of-concept indication, allowing us to prove derazantinib's potential for treating cancer. For determining the full commercial potential, the demonstration of meaningful clinical benefit in broader cancer indications is needed. To this end, we are looking forward to the outcome of the FIDES-03 (gastric cancer) study. In this study, we are also exploring combination therapies of derazantinib with other anticancer drugs. The first interim results from various cohorts in this study should become available in the first half of 2022, with more data to follow in the course of the year.

Finally, we have added another drug candidate to our oncology pipeline, BAL0891. At the end of 2021, the U.S. Food and Drug Administration (FDA) approved the start of clinical trials with BAL0891. We are in preparations to enable the start of a phase 1 study with solid tumor patients mid-2022.

Tailwinds for anti-infectives from the coronavirus pandemic

Since the beginning of the coronavirus pandemic, it is evident that the fight against infectious diseases is far from over. Although vaccinations and the first antiviral drugs appear to be showing a way out of the coronavirus pandemic, many experts fear that the world is already facing the next health crisis, caused by resistant bacterial infections. A recent study about the global burden of bacterial antimicrobial resistance (AMR) estimates 1.27 million deaths directly caused by infections with antibiotic resistant bacteria in 2019. If this development continues, many people will suffer from infections that may still be easily treatable today, but not so in the future, unless pharmaceutical companies like us succeed in developing new, effective drugs against resistant pathogens. With Zevtera, a drug active against relevant resistant bacteria, we have already proven our expertise in the field. In addition, we are also carrying out research on new antibacterial drugs and are also working closely with other like-minded small and mid-sized companies as a member of the Swiss "Round Table Antibiotics" and the "Biotech companies in Europe combating AntiMicrobial Resistance" (BEAM) Alliance. Moreover, for one of our preclinical antibacterial projects, we received a grant of up to USD 2.7 million from the international non-profit partnership, CARB-X, in 2021. This also underlines our role as one of the leading companies in the development of novel drugs for the treatment of severe bacterial and fungal infections.

We would like to thank all our employees who, in the year 2021, were committed to the benefit of patients and contributed to the success of Basilea, through their untiring efforts despite the continuing challenges caused by the coronavirus pandemic. In 2022, we will move to our new company headquarters, uniting our employees in one location and working together to bring our projects to future success.

Our sincere thanks also go to you, our shareholders, for the confidence you have placed in us and for your continued support in our mission to improve the lives of patients.

Basel, February 2022

Domenico Scala
Chairman of the Board

David Veitch
Chief Executive Officer

Feature

“Developing new antibiotics to save humankind from untreatable bacterial infections seems like a really good cause.”

Mark Jones originally joined the industry so he could be involved in the discovery and development of new anti-infectives. But there is more to his job as Head of Project Management and Preclinical Development at Basilea. Today, he also fights for raising awareness for the urgent need for new antibiotics and is involved in global initiatives that search for the right incentives to promote the development and appropriate use of new antibiotics. Apart from that, he finds balance to his job in living on a farm.

It all started with his early fascination for biology. "Maybe because I grew up in a setting with lots of nature in rural England, not too far from Bristol," Mark Jones (54) speculates. His interest in science was further nurtured by his secondary school, which had a dynamic biology department full with plants and animals including terrapins and iguanas. And although there were no other scientists in his family, Mark Jones soon dreamt of becoming one — a goal he pursued determinedly. After his A-levels, he decided to study Microbiology and Genetics at the University of Sheffield. "I was focused on the genetics of antibiotic resistance. It was at the Hallamshire Hospital in Sheffield that I first discovered the fascinating world of clinical microbiology. But I also learned about the problems of antibacterial resistance, epidemiology and the challenge of taking part in the never-ending race to develop new drugs, as bacteria inevitably evolve resistance against current therapies."

Bringing research to the patient

During his PhD in Bristol, Jones collaborated with researchers at the Bristol Royal Infirmary, where he was confronted directly with the morbidity and mortality of patients suffering from infections. "I saw patients with morbidly infected wounds. This brought my academic research directly to the patient." He remembers learning about people coming to the hospital for cancer treatments or even routine surgeries like hip replacements. "But during their treatment they developed an infection on top of their original problem, and suddenly the original reason for their hospital stay became secondary. On one occasion staff were struggling to keep the patient alive." A powerful memory that has stayed with him ever since.

Joining the industry for a more direct impact

Ultimately, Jones decided to join the pharmaceutical industry. "Doing the same thing really, but with a more direct impact and on a larger scale. Because you actually take on the responsibility to develop a new drug that may help millions of patients," he explains. In 1995, after securing funding from an Erasmus program, Jones moved to the Netherlands, where he led an AMR (antimicrobial resistance)-related research project funded by the EU at the University Hospital of Utrecht. "During congresses and scientific meetings I started to interact with representatives from the pharmaceutical industry. They were very keen on using my groups' scientific expertise and our unique bacterial strain collection to support the development of new antibiotics." So he started cooperating with different pharmaceutical companies on several projects within his hospital. "This is how I started to understand the pharmaceutical industry and their role in developing new antibiotics."

“I wanted to make a more direct impact.”

“Basilea was the next step up.”

Basilea was the next step up

In 1997, Mark Jones established the European head office for a U.S. company in the Netherlands, which provided expert research and development laboratory services for industry — all to do with antibiotic development and antibiotic resistance. About 10 years later, he joined Basilea, relocating to Basel. "They had an exciting portfolio and it was really the next step up in terms of drug development." In other words: he was thrilled to become part of Basilea. And he still is: "All these years later, I have not only gained broad experience across the company, but I have also directly contributed to the achievement of some of our most important development milestones."

Providing a strong matrix structure

Quite soon after starting at Basilea, he was assigned to lead the development of Basilea's antifungal drug Cresemba. "The company was growing and needed a much stronger approach to cross-functional management. I established a Project Management Office for drugs in development and then set up the way we work — from the cross-functional project teams to the dedicated project leads — thus defining roles, responsibilities, how we communicate with each other, with corporate functions and with executive management." Today, Basilea manages projects within a very organized matrix structure. In 2018, Mark Jones also became Head of Preclinical Development. He points out that a significant amount of effort from this group supports Basilea's drug discovery and research activities, a capability that is today uncommon with smaller pharmaceutical companies.

Fighting the market failure of antibiotics

Jones' daily schedule is full of meetings. "And in between there is writing, reviewing and editing documents." Communication within the company, but also with current and future partners is another one of his core activities. "Basilea is interested in partnering with university research centers, spin-offs and biotechs in order to effectively discover and develop new drugs. And at the commercial end of our business we sell our products through big and small sized pharma partners around the world, rather than directly. Excellent communication at all stages of the product lifecycle, with all our partners is key to our long-term success."

A very important issue for Mark Jones is the fight against the market challenge of antibiotics. "Antibiotics allow us to practice medicine, and this is being eroded by the emergence of bacterial resistance. However, if you develop a new antibiotic that is effective against multi-resistant bacteria, then it will rarely be used — unless it is absolutely necessary, as you have to preserve its efficacy. This concept of antibiotic stewardship is certainly good medical practice, but it is clearly not going to create meaningful revenues for a new antibiotic, if it is kept in reserve". It's a real dilemma: hardly any company is willing to invest hundreds of millions for the development of a new drug that could be used only sparingly. This is excacerbated by the expectation that antibiotics have to be cheap; antibiotics clearly are undervalued medicines considering that the outcome of an infection can be binary - life or death. "If there is no appropriate return on investment, then there is no business rationale to discover and develop new antibiotics, despite the acute need for new drugs," Jones explains.

Investing in increasing awareness

Lobby groups, organizations and governments have been working together with the pharmaceutical industry and patient groups to create awareness for this problem and to ensure the implementation of financial incentives that can help resolve the market challenge. “I am a board member of the BEAM (Biotech companies in Europe combating AntiMicrobial Resistance) Alliance. We want to make sure that the voices of small and medium sized pharmaceutical companies like Basilea are heard,” Jones clarifies. In addition, he is also involved in the Swiss “Round Table Antibiotics”. “After all, antibiotics and antifungals are a key strategic pillar of our company. We have tremendous expertise because we have developed drugs like Zevtera and Cresemba and brought them to the market.” Jones knows that Basilea also has a rich preclinical pipeline of potential new antibiotics. “But we need the market to change so that we can accelerate their development and bring them faster to patients.” Jones highlights that Basilea is also actively involved in the review and public consultancy of the European Union’s pharmaceutical strategy which commits to implementing financial incentives in Europe to enourage development of new antibiotics. “We see long-term value in investing in increasing awareness.”

“It is just wonderful to switch off the computer, go home and work in the fields.”

“Being part of the solution”

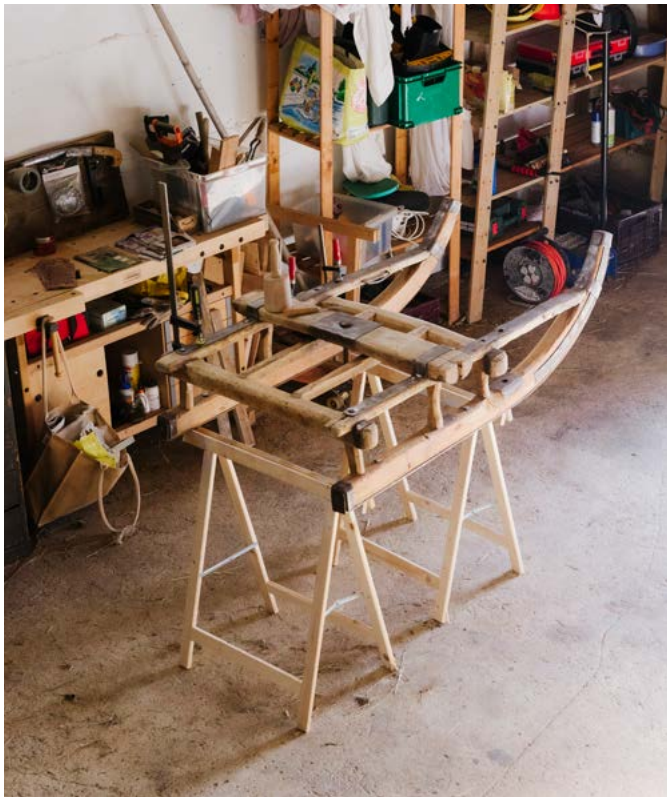
Creating new financial incentives across Europe …

Which bacteria are currently the most dangerous? "Basilea and its pipeline focus on the WHO Global Priority Pathogens List," says Jones. "*Acinetobacter baumannii*, *Pseudomonas aeruginosa* and Enterobacterales – these are the bad bugs which are causing multi-resistant infections that require extended hospital care and can often be difficult to treat. Methicillin-resistant *Staphylococcus aureas*, which we are targeting with our antibiotic Zevtera, also remains a pathogen of high concern in severe infections such as bloodstream or heart valve infections."

Stimulated by the Covid pandemic, the Health Emergency Preparedness and Response Authority (HERA) has been established in Europe. "Initially HERA will mainly focus on Covid and on the procurement of vaccines. But there is the potential that part of the agency will also focus on implementing and managing financial incentives across our continent in order to facilitate innovation in the AMR sector" Jones explains. One possible approach being considered is a transferable exclusivity voucher. This is how these vouchers could work: If a company like Basilea develops a new antibiotic for one of the priority pathogens mentioned above, the company would receive a voucher for six months' of market exclusivity. Basilea could use this voucher for one of its products, or sell it to another pharmaceutical company, who would use it to extend exclusivity on a product of their choice. Such a voucher could easily be worth a few hundred million dollars if applied to a blockbuster. This system would allow the company to include the future value of the exclusivity voucher in the business case calculations of the development of a new antibiotic. In turn, that would attract new investors or business partners.

… and the USA

The fact of the matter is: Europe is a relatively small market – especially compared to the world's biggest pharmaceutical market, the United States. Mark Jones is only too aware of this: "If something doesn't work in the U.S., you still haven't resolved the issue." In comes the PASTEUR act, which is currently being discussed in the U.S. congress. "The concept of PASTEUR is very different from the European approach – it is a subscription model. Basically, the U.S. government would create market incentives for the development of lifesaving antimicrobial drugs by paying developers agreed-upon amounts annually. The subscription contract value is supposed to be based on the clinical need and novelty of the drug. Both PASTEUR and transferable exclusivity vouchers are examples of delinked incentives. Meaning the money that you get as a company is not linked to the volume of drug usage," says Jones. "Investing a few hundred million dollars for developing new antibiotics to save humankind from untreatable bacterial infections seems like a really good cause. Most governments around the world understand this now and have made it a priority." At their last meeting at the end of 2021, the G7 committed to reinvigorating antibiotic development.



Offsetting the costs with the right product

Another exciting development according to Jones are the upcoming results of the ERADICATE phase III study where Basilea's drug, ceftobiprole, is tested in patients with *Staphylococcus aureus* bacteremia, a form of complicated bacterial bloodstream infection and with limited treatment options. Patient enrolment was just completed and topline results are expected around mid-year 2022. "If the study is a success we are going to file a New Drug Application (NDA) in the U.S. Our goal is to build on our successful commercilization model and to access that market through a partner. The U.S. market is the commercially most important and this would be a proud milestone for Basilea."

The ERADICATE study was also supported and partly funded by the U.S. Biomedical Advanced Research and Development Agency (BARDA), a relationship which has been led by Mark Jones over the last years. "Basilea is really successful in accessing non-dilutive funding" he states. This means receiving money without giving up any equity. "The U.S. is committed to developing new antibacterials — and if you have the right product and the right capabilities, you can work with BARDA to offset development costs." Jones thinks that the U.S. has understood long before the rest of the world that by paying a company a hundred million dollars to take a drug through Phase III development, they may spend a lot of money, but they also get a new effective antibiotic approved for U.S. patients. "A societal benefit that is worth much more than the 100 million dollars."

Being part of the solution

Everyone is only too familiar with the impact of Covid on our society. "Therefore, politicians and policy makers now know what it means not to be ready for an infectious disease pandemic," Jones states. "On top of Covid, there is also the so-called silent pandemic — the emerging resistance in bacteria." The number of patients in hospitals with pneumonia or invasive fungal diseases on top of Covid has been significant. "Basilea has been part of the solution," Jones states proudly. "We have invested a great deal of effort with our global commercial partners ensuring continued supply of our drugs around the world." For example, the company has diverted resources to India, which has been hit hard by Covid and catastrophic secondary fungal infections, following Covid infections in patients with uncontrolled diabetes.

Living in the country

His many tasks, jobs and responsibilities more than just hint at the fact that Mark Jones doesn't exclusively work from 9 to 5 — on the contrary. "My workload at Basilea is intense, there is always a lot to do with limited resources. You think you have your day planned and suddenly new challenges crop up that need resolving — pretty much every day," he admits. So how does he make sure his work does not overwhelm his life? "It is critical to take time out in order to be able to come back to your desk with the feeling that you are refreshed." His solution: together with his wife and three children he lives in an old farmhouse in a small village in the Swiss Jura, in Canton Solothurn. "Getting out of town and living away from my job in Basel was a family choice," says Jones.

A knack for scythes and hayforks

Life in the Jura mountains is very different from the city. "You immediately see green, the views and all the rustic, rural beauty that Switzerland is known for." Jones, who recently got his Swiss passport, enjoys the small village community of just 500 people. "Here nobody cares what I do for a living." He actively takes part in the village life, he sings in the local men's choir and is also a member of the local nature conservation association. On top of that he loves to work with wood — from a walnut tree that he recently felled he has crafted a couple of solid stools. "In my spare time I am also trying to create a healthy breeding herd of sheep," he elaborates. Not just any sheep, but Valais Blacknose, which were still an endangered Swiss breed only a few years ago. "All in all we currently have nine animals." Mark Jones is also quite fond of using old farm equipment. "I use a scythe to cut the grass and also old hayforks. And on a summer's evening after work, when the weather permits, I meet a couple of village friends to cut and bring in the hay, which feeds the sheep in winter," he explains. "It is just wonderful to switch off the computer, go home and work in the fields," he muses. "It certainly keeps me fit and active."

All this ensures that Mark Jones is perfectly able to find balance in his stressful job. Especially since it's a job he loves. "I am very proud to be part of Basilea. And one day when I look back at my career, I think I shall feel some satisfaction that my work has helped to bring lifesaving drugs to patients. That is a good feeling."


Barbour
Barbour

Marketed products and clinical pipeline

Portfolio


Products / Product candidates / Indications
Preclinical
Phase 1
Phase 2
Phase 3
Market
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)
TARGET study
intravenous
Staphylococcus aureus (MSSA/MRSA) bacteremia
ERADICATE study
intravenous
Oncology
Derazantinib
FGFR kinase inhibitor
Intrahepatic cholangiocarcinoma (iCCA) – monotherapy
FIDES-01 study
oral
Urothelial cancer – monotherapy and combination with atezolizumab
FIDES-02 study
oral
Gastric cancer – monotherapy and combination with ramucirumab/paclitaxel or atezolizumab
FIDES-03 study
oral
Lisavanbulin BAL101553
Tumor checkpoint controller
Glioblastoma – monotherapy, targeted, biomarker-driven patient selection
oral
Glioblastoma – combination with radiotherapy
oral
BAL0891
TTK/PLK1 kinase inhibitor
Advanced solid tumors
intravenous
Internal & external innovation
Research
Development

Marketed products and clinical pipeline

We discover, develop and commercialize innovative medicines to treat bacterial and fungal infections and cancer. In both areas, we have the capabilities to progress new drugs from research through development to the market. Resistance and non-response to currently available drugs is a significant problem in healthcare. We are focused on developing new and differentiated medicines that are able to overcome resistance and meet the needs of patients.

Anti-infectives

We have successfully launched two anti-infective brands: the antifungal Cresemba, with the active substance isavuconazole, and the antibiotic Zevtera, with the active substance ceftobiprole. Both brands have been developed by Basilea. These brands have been launched in a growing number of markets worldwide by our commercial partners. They are generating increasing in-market sales year on year, as more patients are being prescribed our brands and as the brands are being launched in new countries. Our commercial partnerships cover well over 100 countries worldwide.

Cresemba

It is estimated that more than 1.5 million people die of fungal infections every year. Invasive fungal infections are particularly dangerous, when the infections affect internal organs such as the lungs, or the brain.

Invasive fungal infections are a growing global health problem, as the number of people who are immunocompromised, for example when undergoing cancer treatments or after organ transplantation, is increasing year on year. A weakened immune system increases the risk of developing life-threatening invasive fungal infections. For instance, if immunocompromised patients inhale airborne fungal spores, which exist everywhere in the environment, they may develop an invasive fungal infection in their lungs. When *Aspergillus* species, a common mold, cause these infections, they are referred to as aspergillosis. Another important group of fungal pathogens is the so-called Mucormycetes molds found, for example, in soil. They have emerged as the second most common cause of invasive mold infections. The mortality from infections with Mucormycetes, called mucormycosis, is high, and depending on the location and extent of the infection, more than 50% of mucormycosis patients may die from this infection.

Cresemba's commercial success story continues

Mucormycosis drew a lot of attention during the current COVID-19 pandemic, mainly in India and some other countries such as Brazil, as the broad use of corticosteroids in the attempt to fight COVID-19 led to immunosuppression and made people more vulnerable to secondary infections, such as mucormycosis. Due to

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

*Isavuconazole is approved in the United States for patients 18 years of age and older for the treatment of invasive aspergillosis and invasive mucormycosis. In the EU, isavuconazole is approved for the treatment of adult patients with invasive aspergillosis and for the treatment of adult patients with mucormycosis for whom amphotericin B is inappropriate. Isavuconazole is also approved in several additional countries in Europe and beyond, where the registration status and approved indications may vary from country to country.

the extensive tissue necrosis caused by invasive mucormycosis, the disease was dubbed "black fungus." There are only very few drugs available to treat mucormycosis, with Cresemba being the only approved treatment that can be given orally.

The active drug substance in Cresemba, isavuconazole, belongs to the azole class of antifungal compounds. Azoles block fungal growth and replication through inhibition of an essential enzyme. Isavuconazole is approved to treat both invasive aspergillosis and mucormycosis. This is an important feature because the two infections are challenging to differentiate clinically. Cresemba was first launched in 2015, and we expect it to have market exclusivity until at least 2027, both in the U.S. and in the European Union. We have entered into licensing and distribution agreements covering about 115 countries, as shown on the map on pages 8 and 9.

Cresemba has been approved in more than 60 countries to date and is currently marketed in 56 countries, including the United States, most EU member states, and additional countries inside and outside of Europe. The high demand for Cresemba in our partner's territories led to significantly increased royalty payments to us in 2021 compared to the previous year. In addition, we received a total of about CHF 35 million in sales milestone payments triggered by crossing certain sales thresholds and about CHF 15 million in further milestone payments related to the achievement of regulatory milestones.

In 2021, our partners made significant progress toward making Cresemba available to patients in China and Japan, two commercially very important countries. In December 2021, the Chinese health authorities granted the regulatory approval to orally administered Cresemba for the treatment of adult patients with invasive aspergillosis and mucormycosis. Additionally, in September 2021, our partner Asahi Kasei Pharma had filed a New Drug Application (NDA) for the marketing authorization of Cresemba in Japan.

Next milestones

- ~10% growth in royalty income year-on-year.
- During 2022, the granting of further marketing authorizations is expected in China for the intravenous formulation.
- The decision on the NDA, i.e. a marketing authorization, for Japan is expected in the second half of 2022.

Zevtera

Bacterial infections continue to pose a serious threat to health, particularly when caused by drug-resistant bacteria. Amidst the COVID-19 pandemic, the World Health Organization (WHO) has renewed its warning that growing antimicrobial resistance is one of the greatest health threats of our time and that the world is running out of effective drugs for the treatment of several common infections.

According to current estimates for the EU and the European Economic Area (EAA), more than 2.6 million people fall ill each year from six common infections resulting from a stay in an acute care hospital. These result in about 91 000 deaths, of which pneumonia and primary bloodstream infections together account for about 56%.

Ceftobiprole, the active drug substance of Zevtera, is a cephalosporin. Cephalosporins are structurally derived from the well-known penicillin antibiotics. Ceftobiprole is particularly effective against methicillin-resistant *Staphylococcus aureus* (MRSA), a Gram-positive bacterium responsible for many deaths from antibiotic-resistant infections. Ceftobiprole is also active against many Gram-negative bacteria. This broad-spectrum activity supports the use of ceftobiprole in various types of infections caused by a broad range of pathogens. Zevtera is primarily used to treat severe bacterial infections in the hospital.

Zevtera is currently marketed in 19 countries for the treatment of community- and hospital-acquired pneumonia. In line with our commercialization strategy for Cresemba, we have entered into license and distribution agreements for Zevtera with a number of regional partners. These currently cover more than 80 countries, with Russia and the other countries of the Eurasian Economic Union added in 2021. We therefore expect that the number of countries in which Zevtera is marketed will continue to increase in the coming years.

The potentially commercially largest market for Zevtera is the U.S., partly because the incidence of MRSA infections in the U.S. is particularly high. Therefore, we are making great efforts to obtain the approval for the brand in the U.S.

In alignment with the U.S. regulatory authority, FDA, we initiated two phase 3 studies in 2018 to support the U.S. approval of ceftobiprole. The first of the two studies, called TARGET and treating patients with acute bacterial skin and skin structure infections, was successfully completed in 2019. Information on the study is available at ClinicalTrials.gov under identifier NCT03137173.

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

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

ERADICATE phase 3 study close to completion

In the second phase 3 study, called ERADICATE (NCT03138733), we are currently investigating ceftobiprole in the treatment of patients with bloodstream infections caused by *Staphylococcus aureus*, also referred to as *Staphylococcus aureus* bacteremia (SAB). With its broad spectrum of activity, including MRSA, ceftobiprole is well-positioned to meet the current unmet medical need of patients with SAB, for which only very few antibiotics are approved. Patient enrolment into the ERADICATE study was completed in January 2022. With 390 patients enrolled, this is the largest phase 3 study ever conducted for registrational purposes of a new antibiotic in SAB.

If ERADICATE is successful, like TARGET before, an NDA will be submitted to the FDA. Should ceftobiprole be approved in the U.S., it would be protected from generic competition for ten years, based on the extended market exclusivity that comes with its Qualified Infectious Disease Product (QIDP) status granted by the FDA. The QIDP status is available for drugs that treat infections caused by the most dangerous pathogens. This extended exclusivity in the most important market provides an attractive future commercial opportunity for Basilea and a potential partner.

The phase 3 program is funded in part (up to USD 134.2 million, which is approximately 70% of the total potential program costs) with federal funds from the U.S. Department of Health and Human Services; Office of the Assistant Secretary for Preparedness and Response; Biomedical Advanced Research and Development Authority (BARDA), under contract number HHSO100201600002C.

Next milestone
Topline results from the ERADICATE study are expected to become available around mid-year 2022.

Oncology

The development of our drug candidates integrates the identification and application of biomarkers at a very early stage of the process. Biomarkers are indicators for abnormal processes and specific drivers of diseases. They can be measured and allow us to identify the patients who are most likely to respond to a specific treatment. Biomarkers provide the basis for optimizing the development strategy and defining the positioning and differentiation of our drug candidates. We currently have three drug candidates for the treatment of cancer in our clinical development pipeline.

Derazantinib

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

Derazantinib belongs to the drug class of fibroblast growth factor receptor (FGFR) kinase inhibitors. FGFRs are important for regulating biological processes including the transmission of growth signals. If this process is not regulated tightly, this may lead to uncontrolled cell proliferation, i.e., the development and promotion of cancer. Changes in the FGFR genes, such as fusions, amplifications and mutations, have been identified as important disease drivers in various types of cancer.

Derazantinib provides the potential for a “pipeline in a product.”

Derazantinib is an inhibitor of FGFR1, 2, and 3 kinases and has demonstrated initial proof-of-concept in a phase 1/2 clinical study in patients with intrahepatic cholangiocarcinoma (iCCA), a form of biliary duct cancer. Compared to published data on other FGFR inhibitors at a similar stage of development, derazantinib appears to stand out positively in terms of specific side effects, such as retinal events, nail toxicities, hand-foot syndrome (associated with painful swelling and redness), and inflammation of the oral mucosa. A more manageable safety and tolerability profile could be a relevant clinical benefit for patients, important for positioning derazantinib as monotherapy and may provide additional flexibility in pursuing combination therapies.

Under the name of FIDES, Basilea is currently conducting three clinical studies to investigate derazantinib in different cancer types with a focus on supporting the potential differentiation and positioning of derazantinib versus other FGFR inhibitors.

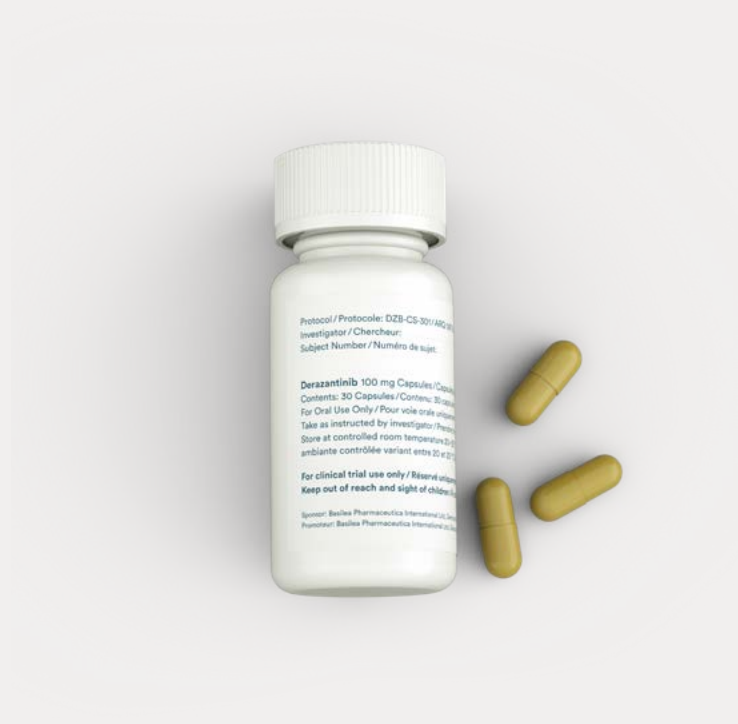
The first of these studies, FIDES-01, is a registrational phase 2 study in iCCA. More details on the study can be found on ClinicalTrials.gov under identifier number NCT03230318. The study comprises two cohorts of patients. First, patients with FGFR2 fusions, i.e. a patient population comparable to patients included in the previously completed phase 1/2 proof-of-concept study. In the second cohort, derazantinib is being investigated in iCCA patients with other FGFR2 aberrations, namely mutations and amplifications.

We presented topline results for the first cohort in February 2021, and mature data were presented at the ESMO congress in September 2021. The results provide the clinical proof-of-concept for derazantinib monotherapy in this patient population. The objective response rate, reflecting the proportion of patients with confirmed partial responses, was 21%, with a disease control rate (DCR) of 76%, reflecting the proportion of patients with an objective response or stable disease. The median progression-free survival (PFS) was 8 months. In March 2021, we also reported positive interim results for the second cohort, including a DCR of 79% and an initial PFS estimate of about 7 months.

The other two FIDES studies, FIDES-02 in urothelial (bladder) cancer (NCT04045613), which started in 2019, and FIDES-03 in gastric (stomach) cancer (NCT04604132), which started in 2020, are focused on testing derazantinib as a single agent as well as in combination with other anticancer drugs, such as Roche's immune-oncology drug atezolizumab, a PD-L1 checkpoint inhibitor, or with Lilly's anti-angiogenic agent ramucirumab, in combination with paclitaxel. We decided in May 2021 to increase the dose explored in FIDES-02 and FIDES-03 to the previously determined maximum tolerated dose to maximize the efficacy at acceptable safety and tolerability in this patient population.

Next milestones

- Presentation of FIDES-01 topline results in patients with iCCA and non-fusion FGFR2 genetic aberrations is expected in the first half of 2022.
- For FIDES-03, interim results in monotherapy with the intensified dosing regimen are expected in the first half of 2022, as well as the determination of the recommended phase 2 dose for the combination with ramucirumab/paclitaxel.
- Interim efficacy results for the combination with ramucirumab/paclitaxel in FIDES-03 are expected in the second half of 2022.



Lisavanbulin

The second drug candidate in our oncology portfolio is lisavanbulin. Lisavanbulin interferes with the division of tumor cells by binding to microtubules involved in the alignment of chromosomes prior to cell division.

The drug candidate can cross the blood-brain barrier, which is a rare property for this class of anticancer medicines, supporting the potential utility of lisavanbulin in treating brain cancer. We have demonstrated activity against brain cancer in preclinical models and have seen profound responses or clinical benefits in a small number of patients with glioblastoma, a particularly aggressive form of brain cancer. Moreover, end-binding protein 1 (EB1) was identified as a potential response-predictive biomarker for lisavanbulin. In a phase 1 study, long-lasting clinical benefit was observed in two patients with EB1-positive recurrent glioblastoma. One of these patients experienced a reduction of the tumor surface area by more than 80%. In 2020, we therefore initiated a phase 2 study (NCT02490800), which exclusively enrols glioblastoma patients whose tumors tested positive for EB1.

In parallel, another phase 1 study is ongoing in the U.S. with patients with newly diagnosed glioblastoma (NCT03250299). The study evaluates lisavanbulin in combination with radiotherapy after the tumor has been surgically removed to the extent possible. This study is conducted in collaboration with the Adult Brain Tumor Consortium (ABTC).

Next milestones

- Interim results of the biomarker-driven phase 2 study in recurrent glioblastoma are expected in the first half of 2022.
- The recommended phase 2 dose in the ABTC study is expected in the first half of 2022.
- Topline results from the biomarker-driven phase 2 study are expected in the second half of 2022.

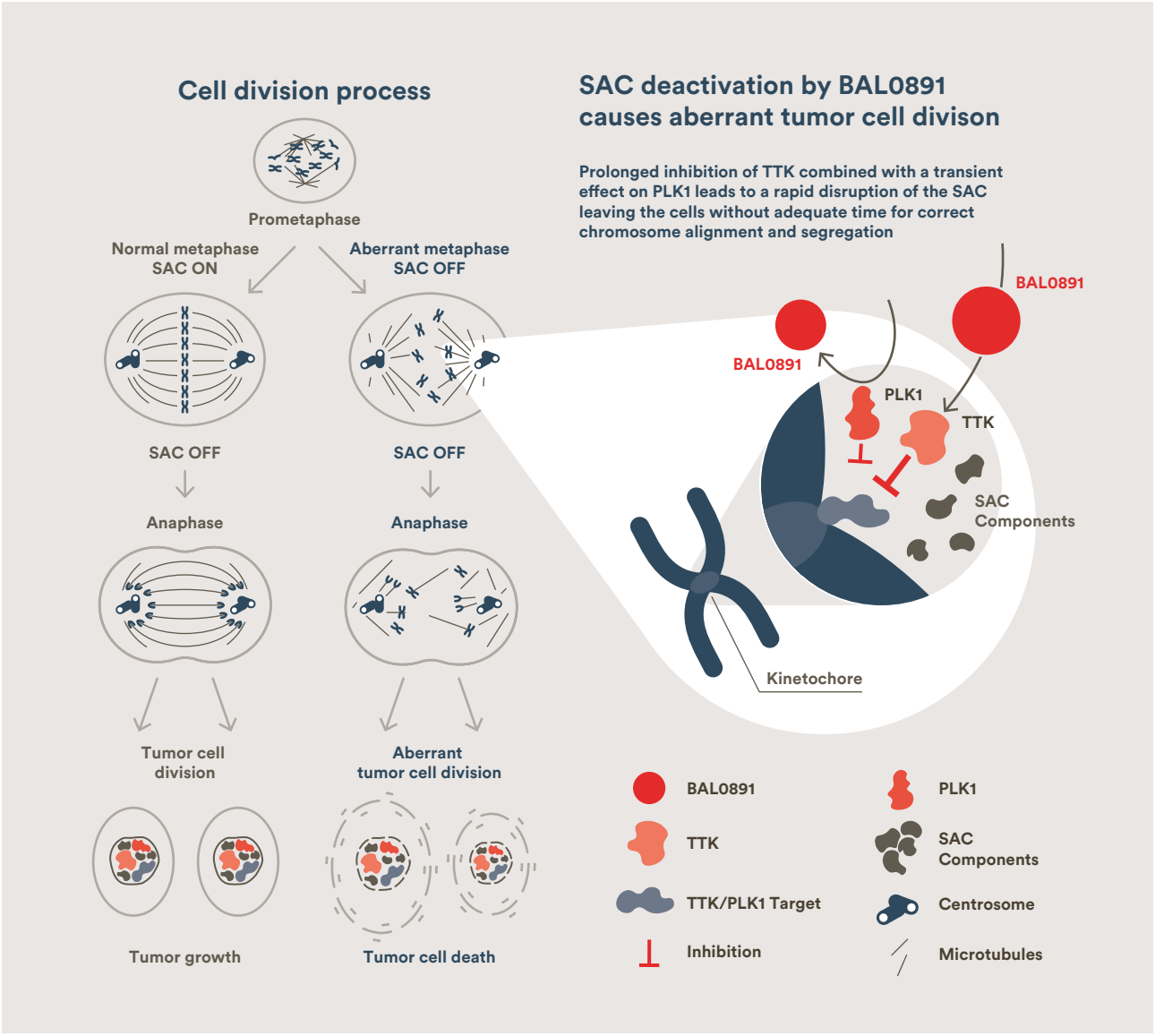
BAL0891

BAL0891 is the latest addition to our oncology pipeline. It is a first-in-class mitotic checkpoint inhibitor (MCI).

The compound is a unique dual inhibitor of threonine tyrosine kinase (TTK) and polo-like kinase 1 (PLK1). Both kinases collaborate in activating the mitotic spindle assembly checkpoint (SAC), a cell division mechanism regulating correct chromosome alignment and segregation. The dual action of BAL0891 leads to a rapid disruption of the SAC, driving the cells through mitosis before the chromosomes are correctly aligned. This leads to premature cell division and tumor cell death. BAL0891 has shown anti-proliferative activity across diverse tumor cell lines in vitro and single-agent efficacy in in-vivo models of solid human cancers.

We in-licensed BAL0891 from the Dutch precision medicine company NTRC in 2018. In December 2021, an Investigational New Drug (IND) application for BAL0891 was approved by the U.S. FDA, allowing us to progress the drug candidate to clinical development.

Next milestone
Preparations to enable start of phase 1 study in patients with advanced solid tumors mid-2022




basilea

Research and development

Research and development

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

Our experienced scientists are key for Basilea's success. Our team includes experts from all disciplines necessary for successful drug discovery and development. They profile our drug candidates throughout preclinical and clinical development, which is key for their differentiation and successful positioning. Additionally, the team is instrumental in the evaluation of potential in-licensing candidates.

Drug candidates from our internal drug discovery, together with programs in-licensed from external partners, allow us to expand our pipeline of innovative drugs and achieve our mission to provide patients with new efficacious and safe treatments.

Embedded in one of the most innovative life sciences clusters in Europe and connected to renowned universities, our scientists find the perfect environment for the development of innovative drugs. In 2022, we will move to our new headquarters in the Switzerland Innovation Park, Basel Area Main Campus in Allschwil, with state-of-the-art laboratory technology, infrastructure and a science network. This will move the company even closer to the center of innovation.

In 2021 we divested our research and development (R&D) subsidiary, Basilea Pharmaceutica China Ltd., but we ensured continued seamless support for our ongoing R&D projects from the acquiring company.

Anti-infectives

Basilea's R&D team has successfully demonstrated their expertise in anti-infectives with the regulatory approval and commercialization of the antifungal Cresemba and the antibiotic Zevtera in a growing number of countries.

Considering the rise of multi-drug resistant pathogens over the last decades and the urgent need for novel treatment options, we remain committed to developing new drugs for the treatment of severe bacterial and fungal infections, where there are no or only limited treatment options available. In the area of bacterial infections, the focus is on treatment modalities targeting the most dangerous bacteria such methicillin-resistant *Staphylococcus aureus* (MRSA), carbapenem-resistant Enterobacterales (CRE), *Acinetobacter baumannii* and *Pseudomonas aeruginosa*. In the area of fungal infections the focus is on novel treatments to treat serious invasive fungal infections, including those caused by drug-resistant fungi and emerging molds. Using our expertise, we are working on preclinical programs aimed at novel drug targets and treatment approaches. Basilea has been awarded a grant of up to USD 2.7 million from CARB-X (Combating Antibiotic-Resistant Bacteria Biopharmaceutical Accelerator), a global partnership dedicated to supporting the early development of antibacterial products to diagnose, prevent and treat drug-resistant infections. CARB-X's funding for this project is sponsored by Cooperative Agreement Number IDSEP160030 from ASPR/BARDA and by awards from Wellcome Trust and Germany's Federal Ministry of Education and Research. It will support the development of selective small-molecule inhibitors of DXR, an enzyme in the bacterial isoprenoid biosynthesis pathway, that is essential for the survival of many multi-drug resistant Gram-negative bacteria, including those listed by the U.S. Centers for Disease Control (CDC) and the World Health Organization (WHO) as urgent and serious threats.

Oncology

The focus of our oncology R&D is on compounds targeting dysregulated signaling and cell division processes. Cell division is key for the proliferation of tumors and therefore a vulnerability of cancer cells. Signaling pathways are important for normal cell growth and are tightly controlled by e.g. kinases. In cancer, such kinases can be overly active and their inhibition by drugs may stop tumor growth. There is extensive evidence of a successful use of kinase inhibitors in the treatment of cancer.

One example for such a kinase inhibitor is our drug candidate derazantinib. Derazantinib is an inhibitor of the FGFR (fibroblast growth factor receptor) family of kinases. Our research team has mapped out derazantinib's unique kinase inhibition profile in order to fully leverage the potential for differentiation compared to other drugs on the market or in development. This also resulted in the selection of potential partners for combination treatment, namely Roche's immuno-oncology drug, atezolizumab, and Lilly's anti-angiogenic drug, ramucirumab, and gastric cancer as a key additional indication.

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

In 2021, we have successfully progressed our newest oncology drug candidate BAL0891, a unique dual inhibitor of threonine tyrosine kinase (TTK) and polo-like kinase 1 (PLK1), through late preclinical development to IND approval, which allows us to initiate clinical studies with this first-in-class mitotic checkpoint inhibitor (MCI).

In addition to contributing to the development of the clinical-stage drugs, Basilea's research team is also advancing our preclinical oncology portfolio. These programs exploit novel approaches in the treatment of cancer that we consider competitive and with the potential to bring real benefits for patients, based on improved efficacy or tolerability.

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Corporate governance report

Corporate governance report

Group structure and shareholders

Group structure

As of December 31, 2021, the Basilea group is composed of the parent company Basilea Pharmaceutica Ltd. ("Basilea"); the Swiss operating subsidiary Basilea Pharmaceutica International Ltd. ("Basilea International"); and wholly-owned subsidiaries in Germany, and the United Kingdom (collectively the "Company").

Basilea subsidiaries and subholdings (as of December 31, 2021)

- Basilea Pharmaceutica Deutschland GmbH, Lörrach, Germany
- Basilea Pharmaceutica International Ltd., Basel, Switzerland
- Basilea Medical Ltd., Rickmansworth, U.K.
- Basilea Pharmaceuticals Ltd. (in voluntary liquidation), Rickmansworth, U.K.

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

The operating activities of the Company are focused on research, development and commercialization of pharmaceutical products. The Company's operating activities are directed by and primarily undertaken by Basilea International. The Chief Executive Officer leads the management committee, consisting of the Chief Financial Officer, the Chief Medical Officer, the Chief Scientific Officer, and the Chief Technology Officer. The members of the extended management committee, representing the legal, human resources and quality management functions, also report to the Chief Executive Officer. For further information, please refer to the section "Management committee/extended management committee" on page 76.

For further information on the non-listed companies belonging to the Company, please refer to note 2 (investments, page 179) of the financial statements.

Basilea Pharmaceutica Ltd.

Basilea is located at Grenzacherstrasse 487, 4058 Basel, Switzerland, and Basilea's shares were first listed on the SIX Swiss Exchange on March 25, 2004, under the Swiss security number ("Valorennummer") 1143244. The ISIN is CH0011432447. The Common Code is 018859220. The ticker symbol is BSLN. Basilea's LEI is 391200TTZP8EIPSJ5J20.

As of December 31, 2021, the market capitalization of Basilea amounted to CHF 531,639,433 (12,992,166 registered shares issued with a nominal value of CHF 1.00 per share).

Significant shareholders

According to the Company's share register, RBC Investor & Treasury Services, Swane Lane, Riverbank House 2, London EC4R 3AF, U.K., held 513,408 Basilea shares as of December 31, 2021, corresponding to 3.95% of the issued share capital. Such shares were registered without voting rights.

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

Date of obligation to notify	SIX publication date	Shareholder/ beneficial owner	% of voting rights reported
Dec. 15, 2021	Dec. 23, 2021	UBS Group AG, Zürich, Switzerland	8.72
Mar. 5, 2020	Mar. 11, 2020	Black Creek Investment Management Inc., Toronto, Canada	4.91
Dec. 10, 2019	Dec. 18, 2019	CI Investments Inc., Toronto, Canada	4.91
Feb. 21, 2017	Mar. 1, 2017	Credit Suisse Funds AG, Zürich, Switzerland	3.28
Nov. 04, 2021	Nov. 11, 2021	JPMorgan Chase & Co., New York, USA	3.097
Jan. 13, 2020	Jan. 17, 2020	René Braginsky, Susanne Braginsky, Zürich, Switzerland	3.03

As of December 31, 2021, Basilea has not received any notification that the above listed shareholdings crossed any relevant reporting thresholds.

All disclosures of significant shareholdings, including those of shareholders that fell below three percent during 2021, are published on the website of the SIX Exchange Regulation disclosure office and can be accessed there (https://www.ser-ag.com/de/resources/notifications-market-participants/significant-shareholders.html?issuedBy=BSLN#/).

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

Cross-shareholdings

No cross-shareholdings existed as of December 31, 2021.

Capital structure and shares

Share capital

As of December 31, 2021, Basilea's share capital amounts to CHF 12,992,166. The share capital is divided into 12,992,166 common registered shares with a nominal value of CHF 1.00 each. There are no preferred shares. The share capital is fully paid-in. In January 2016 CHF 1,000,000 shares were created out of authorized capital in connection with the conversion rights attached to the convertible bonds issued in December 2015 by Basilea. These shares are held by Basilea as treasury shares. As of December 31, 2021, Basilea held 1,150,132 (8.85%) shares of Basilea, including the treasury shares.

Authorized capital

As of December 31, 2021, the authorized capital amounts to CHF 1,000,000 which equates to 7.70% of the existing share capital. In accordance with article 3b of the articles of association, the board of directors is authorized at any time until April 21, 2023, to increase the share capital by a maximum aggregate amount of CHF 1,000,000 through the issuance of not more than 1,000,000 registered shares with a nominal value of CHF 1.00 each. Such shares would have to be fully paid-in. Increases in partial amounts are permitted. The board of directors has the power to determine the type of contributions, the issue price and the date on which the dividend entitlement starts (Basilea's articles of association are available on the Basilea website at https://www.basilea.com/articles-of-association).

Conditional capital

As of December 31, 2021, the conditional capital amounts to a maximum of CHF 3,767,975, which equates to 29.00% of the existing share capital as of that date.

In accordance with article 3a paragraph 1 of the articles of association, the share capital may be increased by a maximum of CHF 1,767,975 through the issuance of a maximum of 1,767,975 registered shares, which would have to be fully paid-in, with a nominal value of CHF 1.00 each, to cover the exercise of rights to subscribe for new shares within the meaning of article 653 paragraph 1 Swiss Code of Obligations granted to employees of Basilea or of group companies and/or members of the board of directors of Basilea. A maximum of 1,603,621 rights/options to subscribe for new shares were outstanding under Basilea's employee stock option plan/long term incentive plans as of December 31, 2021 (including 17,481 rights/options that will forfeit after that date due to termination of employment).

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

Any shares issued under authorized or conditional capital are subject to the transfer restrictions set forth under "Limitations on transferability of shares and nominee registrations" on page 63.

Changes in capital

In 2021, 2020 and 2019, Basilea increased its share capital as follows:

In 2021, the share capital was increased by CHF 69,961 as a result of the exercise of stock options granted under Basilea's employee stock option plan (69,961 registered shares with a par value of CHF 1.00 per share) and by CHF 1,000,000 as a result of a private placement out of authorized capital (1,000,000 registered shares with a par value of CHF 1.00 per share); the total capital increase of CHF 1,069,961 equates to 8.24% of the issued share capital as of December 31, 2021.

In 2020, the share capital was increased by CHF 40,260 as a result of the exercise of stock options granted under Basilea's employee stock option plan (40,260 registered shares with a par value of CHF 1.00 per share), which equates to 0.34% of the issued share capital as of December 31, 2020.

In 2019, the share capital was increased by CHF 3,389 as a result of the exercise of stock options granted under Basilea's employee stock option plan (3,389 registered shares with a par value of CHF 1.00 per share), which equates to 0.03% of the issued share capital as of December 31, 2019.

For further information on changes in capital in 2021, 2020 and 2019, including changes in reserves and retained earnings, please refer to the consolidated statement of changes in shareholders' equity, as well as note 15 (shareholders' equity, page 163) to the consolidated financial statements and note 3 (share capital, page 179) to the financial statements of Basilea. Please also refer to the consolidated statement of changes in shareholders' equity included in the annual reports 2020 and 2019 for information on changes in equity in the respective years (available online at https://www.basilea.com/financial-reports-archive).

Shares, participation and profit sharing certificates

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

Limitations on transferability of shares and nominee registrations

Basilea's shares are uncertificated securities ("Wertrechte", within the meaning of art. 973c of the CO) and, when administered by a financial intermediary ("Verwahrungsstelle", within the meaning of the Federal Act on Intermediated Securities (FISA)), qualify as intermediated securities ("Bucheffekten", within the meaning of the FISA). In accordance with art. 973c of the CO, Basilea maintains a non-public register of uncertificated securities ("Wertrechtebuch").

Basilea may at any time convert uncertificated securities into share certificates (including global certificates), one kind of certificate into another, or share certificates (including global certificates) into uncertificated securities. Following entry in the share register, a shareholder may at any time request a written confirmation in respect of the shares. Basilea may print and deliver certificates for shares at any time. Shareholders are not entitled, however, to request the printing and delivery of certificates.

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

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

Failing registration by the deadline set by the board of directors, a shareholder or usufructuary ("Nutzniesser") may neither vote at nor participate in a general meeting of shareholders, but is still entitled to receive dividends and other rights of financial value. No exemptions were granted from the above restrictions in 2021.

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

Basilea's articles of association do not further limit the transferability of shares. A qualified majority of at least two-thirds of the share votes represented as well as the majority of the par values of shares represented at a general meeting of shareholders are required for resolutions on transfer restrictions of Basilea's shares. For further information on the registration in the share register, please refer to the section "Registration in the share register" on page 82.

Convertible bonds and options

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

giving of notice of redemption is at least 130% of the prevailing conversion price; or (ii) at any time provided that less than 15% of the aggregate principal amount of the bonds originally issued is outstanding. From July to December 2020, in connection with the issuance of the new convertible bonds due 2027 in the amount of CHF 97.085 million (see below), Basilea repurchased and cancelled CHF 53.320 million in nominal value of the 2022 Bond. In 2021, Basilea repurchased and cancelled further CHF 22.715 million in nominal value of the 2022 Bond. As a consequence, as of December 31, 2021, the principal nominal amount of the 2022 Bond is CHF 123.965 million. The 2022 Bond is thus convertible into a total number of 983,053 shares.

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

For information on the employee stock option plan/long term incentive plans and on the number of options/rights granted thereunder, please refer to Basilea's compensation report (pages 110 et seqq.), and note 14 (stock-based compensation, page 161) to the consolidated financial statements included in this annual report.

Board of directors

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

Board of directors as of December 31, 2021

Members, functions and other activities

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

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

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

Thomas Werner, Ph.D., has been a member of the board since 2011 and has been serving as the vice-chairman of the board since 2018. He is also chairman of the corporate governance & nomination committee and a member of the compensation committee.
Mr. Werner served as senior vice president & managing director of Glaxo SmithKline Germany from 2001 to 2008. From 1997 to 2000, he was managing director for Glaxo Wellcome Germany and director of the Central European Region. Previously he was managing director of Bristol-Myers Squibb Germany and of Convatec Germany/ Central Europe.
Mr. Werner serves as the chairman of the investment advisory committee of the Health for Life Capital Fund (HFL I and II) of Seventure Partners. He was chairman of the board of Fertin Pharma A/S from 2017 to 2019 and senior independent non-executive director of Vectura Group plc (previously SkyePharma plc) from 2009 to May 2021.
Mr. Werner graduated with a doctorate in chemistry from the University of Göttingen, Germany.

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

Martin Nicklasson, Ph.D., has been a member of the board since 2013. He is also chairman of the compensation committee and a member of the audit committee.
Mr. Nicklasson was chairman of the board of Kymab Group Ltd. from 2017 to April 2021, a member of the board of Orexo AB from 2012 to 2020 and served as president and CEO of Biovitrum AB and Swedish Orphan Biovitrum AB from 2007 to 2010. From 1999 to 2007 he held various executive vice president positions and was a member of the executive committee of AstraZeneca Plc.
Mr. Nicklasson is chairman of the board of Zealand Pharma A/S, chairman of the board of Nykode Therapeutics AS and member of the board of IRLAB Therapeutics AB. He also serves as consultant at Excore Consulting KB.
Mr. Nicklasson is a certified pharmacist and holds a doctorate in pharmaceutical technology from the University of Uppsala. He is an honorary associate professor at the Pharmaceutical Faculty of the University of Uppsala.

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

Nicole Onetto, M.D., has been a member of the board since 2017. She is also a member of the compensation committee.
Ms. Onetto is an independent consultant in oncology, drug development and translational research. She was deputy director & chief scientific officer at the Ontario Institute for Cancer Research from 2009 to 2016. From 2005 to 2009 she was senior vice president and chief medical officer at ZymoGenetics Inc. From 2002 to 2005, she served at OSI Pharmaceuticals, Inc., first as executive vice president Oncology, and then as chief medical officer and executive vice president. Her career in the pharmaceutical industry also includes senior management positions at Bristol-Myers Squibb and Nexstar Pharmaceuticals, which was acquired by Gilead Sciences, Inc.
Ms. Onetto is a member of the board of Viracta Therapeutics, Inc. and of Bolt Biotherapeutics, Inc. She served as member of the board of ImmunoGen Inc. from 2005 to 2016, of YM BioSciences Inc. from 2014 to 2015, of Sierra Oncology, Inc. from 2015 to 2019, of NBE-Therapeutics AG from 2017 to January 2021, and of Sunesis Pharmaceuticals, Inc. from 2019 to February 2021.
Ms. Onetto holds a doctor of medicine from the University of Paris and a master of pharmacology from the University of Montréal.

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

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

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

Steven D. Skolsky has been a member of the board since 2008 and has previously served as vice-chairman. He is also a member of the corporate governance & nomination committee and of the audit committee.
Mr. Skolsky is principal at Expis Partners, a life science consultancy. He served as a senior executive at Quintiles Transnational Holdings from 2011 to 2016, most recently as senior vice president & managing director and formerly, head of global clinical operations. From 2007 to 2011, Mr. Skolsky served as the president & CEO of Sequoia Pharmaceuticals Inc. and from 2004 to 2006 as CEO of Trimeris Inc. Mr. Skolsky joined Trimeris from GlaxoSmithKline, where he had served for more than 20 years in a range of senior leadership roles, including senior vice president, head of global clinical development and commercial strategy, and managing director of GlaxoSmithKline's operations in Australia and New Zealand.
Mr. Skolsky serves on the board of Novan, Inc. and of Elligo Health Research. He is also on the foundation board of the Kenan-Flagler School of Business, the board of visitors at the University of North Carolina at Chapel Hill and the Lineberger Comprehensive Cancer Center.
From 2017 to June 2021, he was member of the board of Clinipace Clinical Research.
Mr. Skolsky holds a B.A. in biology from the University of North Carolina at Chapel Hill.

The board is fully composed of non-executive and independent members (in accordance with section 14 of the Swiss Code of Best Practice for Corporate Governance).

There are no significant business connections between the board members and Basilea or any of its subsidiaries. For further information, please refer to note 21 (related party transactions, page 171) to the consolidated financial statements.

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

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

Elections and terms of office

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

The current board members were re-elected at the annual general meeting held on April 21, 2021.

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

Areas of responsibility

Responsibilities of the board

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

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

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

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

Internal organization

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

Working methods of the board and its committees

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

During 2020 Basilea implemented several measures which have been upheld in 2021 to curb the spread of the coronavirus. As a result all of the meetings of the board and the board committees were held virtually or by telephone conference.

In 2021, the board of directors held five virtual board meetings and two telephone conferences. The average duration per virtual meeting was four and a half hours; the average duration per telephone conference was one hour.

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

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

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

Chairman of the board

The chairman of the board is elected by the general meeting of shareholders. He calls, prepares, and chairs the meetings of the board. The chairman also chairs the general meetings of shareholders. He supervises the implementation of the resolutions of the board and regularly supervises the CEO and the management committee. The CEO regularly reports to the chairman on the meetings of the management committee and on all important matters of the Company. The chairman is also entitled to attend the meetings of the management committee. For urgent matters that do not allow for the board to take resolutions in time, the chairman is entitled to take decisions that fall within the competencies of the board. At the annual general meeting on April 21, 2021, Domenico Scala was re-elected as chairman of the board.

Vice-chairman of the board

The vice-chairman of the board is designated by the board and exercises the powers of the chairman in the chairman's absence. In the meeting of the board subsequent to the annual general meeting on April 21, 2021, Thomas Werner was re-elected as vice-chairman.

Board committees

The board can set up specialized committees to analyze specific issues and advise the board on those issues. The committees are advisory bodies only and decision making remains with the board. The board determines each committee's organization, procedures, policies and activities. The board has established an audit committee, a compensation committee and a corporate governance & nomination committee. The members of the compensation committee are elected by the shareholders at each annual general meeting. In the meeting of the board subsequent to each annual general meeting, the board appoints the members of the audit and of the corporate governance & nomination committee.

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

Audit committee

In the meeting of the board subsequent to the annual general meeting on April 21, 2021, the following board members were reappointed to the audit committee: Domenico Scala (chairman), Martin Nicklasson, and Steven D. Skolsky. All audit committee members are independent and non-executive in accordance with section 23 of the Swiss Code of Best Practice for Corporate Governance.

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

The audit committee held three meetings in 2021, lasting three hours on average. All meetings were held virtually. The main topics at these meetings were review of the year-end financial statements and annual report 2020; review of the half-year financial statements 2021; review of the annual budget 2022 as well as mid-term financial planning; financial and non-financial risk management; the scope of the external audit 2021 as well as the scope and results of the internal audit 2021. The external auditors attended all three audit committee meetings in 2021 to report on the results of the full-year 2020 audit, the half-year 2021 review and on the preparation of the full-year 2021 audit. The recommendations of the audit committee were then provided to the full board of directors.

Compensation committee

At the annual general meeting on April 21, 2021, the following board members were elected as members of the compensation committee: Martin Nicklasson (chairman), Nicole Onetto and Thomas Werner. All compensation committee members are independent and non-executive in accordance with the Swiss Code of Best Practice for Corporate Governance.

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

The compensation committee held two meetings in 2021, lasting three hours on average. All meetings were held virtually. The main topics at these meetings were the review of the long-term incentive plan; the general remuneration of the board of directors, the management committee, and employees; annual general salary increases; grant of PSUs (performance share units) and RSUs (restricted share units); review of budgets for the maximum aggregate amount of compensation for the board of directors and the management committee for shareholder approval; review of the Company's achievements against the 2021 goals and determination of the performance-related bonus pool; evaluation of the achievements of the CEO and the management committee and determination of their variable compensation; review of the compensation report 2021; the planning of the 2022 corporate goals. The recommendations of the compensation committee were then provided to the full board of directors.

Corporate governance & nomination committee

In the board meeting following the annual general meeting of shareholders on April 21, 2021, the following board members were appointed to the corporate governance & nomination committee: Thomas Werner (chairman), Steven D. Skolsky, and Ronald Scott.

The corporate governance & nomination committee is responsible for developing, updating and recommending to the board corporate governance principles and policies applicable to the Company, and for monitoring compliance with such principles and policies. The committee is also responsible for board succession planning, board member recruiting and board self-evaluation.

The corporate governance & nomination committee held three meetings in 2021, with an average duration of one and a half hours. All meetings were held virtually. The main topics at these meetings were the Company's governance principles, policies, and ongoing compliance activities.

Attendance at board and committee meetings in 2021

	Board	Audit Committee	Compensation Committee	Corporate Governance & Nomination Committee
Number of meetings/conference calls	**7**	**3**	**2**	**3**
Domenico Scala	7	3	–	2
Thomas Werner	7	–	2	3
Martin Nicklasson	7	3	2	–
Nicole Onetto*	7	–	1	1
Ronald Scott	7	–	–	3
Steven D. Skolsky**	7	3	1	2

* Member of corporate governance & nomination committee until April 21, 2021 and member of compensation committee since April 21, 2021.

** Member of compensation committee until April 21, 2021 and member of corporate governance & nomination committee since April 21, 2021.

During 2021 all board members attended all of the board meetings/conference calls and all committee members attended all of the respective committee meetings/conference calls.

Delegation to the management committee

In accordance with the articles and the organizational regulation (available online at https://www.basilea.com/organizational-regulations), the board has delegated all areas of management of Basilea that are not reserved to the board by law, the articles of association or the organizational regulations (see section "Responsibilities of the board" on page 70), to the CEO and the management committee reporting to the CEO. The main duty of the CEO with the assistance of the management committee is to manage the business operations, to implement the strategies and other decisions of the board, to make proposals to the board regarding matters within the decision making competency of the board, and to set the operative focus and priorities as well as to procure the necessary resources.

Information and control instruments of the board

The board is responsible for the oversight of the Company's risk management activities and has delegated the responsibility of assisting the board in this task to the audit committee. While the board oversees risk management, the management committee is responsible for day-to-day risk management processes. The board has directed the management committee to consider risk and risk management in each business decision, to proactively develop and monitor risk management strategies and processes for day-to-day activities and to effectively implement risk management strategies. Basilea has outsourced internal audit activities to Ernst & Young Ltd, Basel, who provides a written report once a year summarizing the results of its internal audit related to Basilea's risk and control processes. In addition, the external statutory auditor provides to the board a written report about their audit related to the existence of the internal control system.

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

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

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

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

Board compensation

For the content and method of determining the board compensation please see the compensation report on pages 95 et seqq.

Management committee / extended management committee

Members, functions and other activities

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

All management committee and extended management committee members have extensive experience in the pharmaceutical industry. The following table sets forth the name, date of appointment and position of the members of the management committee as of December 31, 2021. A description of each member's nationality, business experience, education, and activities is outlined further below.

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

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

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

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

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

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

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

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

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

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

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

Extended management committee

In addition to the above-mentioned management committee members, the extended management committee (EMC, not part of the management committee as per the SIX Swiss Exchange Directive on Information relating to Corporate Governance) is appointed by and reports to the CEO. As of December 31, 2021, the EMC comprises Ursula Eberhardt, Head of Global Human Resources, Damian Heller, General Counsel & Corporate Secretary, and Savitha Ram Moorthi, Head of Global Quality Management.
A description of each EMC's member's nationality, business experience, and education is outlined below:

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

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

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

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

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

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

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

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

Management contracts

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

Compensation, shareholdings and loans

For content and method of determining board and management compensation and Basilea's long-term incentive plan please see the compensation report on pages 95 et seqq.

Shareholder participation

Voting rights and representation restrictions

Each share entitles a holder to one vote, regardless of the share's nominal value. The shares are not divisible. The right to vote and the other rights of share ownership may only be exercised by shareholders (including any nominees) or usufructuaries ("Nutzniesser") who are entered in the share register ("Aktienbuch") at the cut-off date determined by the board of directors. No exceptions from these restrictions were granted in 2021.

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

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

For further information on the conditions for registration in the share register (including in relation to nominees) and for attending and voting at a general meeting of shareholders, please refer to the sections "Limitations on transferability of shares and nominee registrations" on page 63 and "Registration in the share register" on page 82.

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

Statutory quorums

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

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

- amending the Company's corporate purpose;
- creating or cancelling shares with preference rights or amending rights attached to such shares;
- cancelling or amending the transfer restrictions of shares;
- creating authorized or conditional share capital ("genehmigte oder bedingte Kapitalerhöhung");
- increasing the share capital out of equity, against contributions in kind ("Kapitalerhöhung aus Eigenkapital gegen Sacheinlage") or for the purpose of acquiring specific assets ("zwecks Sachübernahme") and granting specific benefits;
- limiting or withdrawing shareholders' pre-emptive rights;
- changing the domicile of the Company;
- dissolving or liquidating the Company; or
- the amendment of the articles of association with respect to the limitation of the acquisition of own shares with voting right, the transformation of
- registered shares into bearer shares, and the amendment of the provision that provides for the increased voting requirements for these two matters.

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

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

Convening of shareholders meetings and agenda items

The general meeting of shareholders is the supreme corporate body of Basilea. The ordinary general meeting of shareholders must be held annually on or before June 30.

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

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

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

Registration in the share register

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

In 2021, the deadline for registration in the share register in order to participate and to vote at the ordinary general meeting of shareholders of April 21, 2021 was April 13, 2021. The registration deadline for the ordinary general meeting of shareholders to be held on April 13, 2022 has been set as April 5, 2022. Basilea has not enacted any rules on the granting of exceptions to these deadlines.

For further information on the registration in the share register, please refer to the section "Limitations on transferability of shares and nominee registrations" on page 63.

Changes of control and defense measures

Duty to make an offer

The shares are listed on the SIX Swiss Exchange. Therefore, the Financial Market Infrastructure Act (FMIA) applies to the shares. The FMIA provides that any person that acquires the shares, directly or indirectly, and thereby exceeds the threshold of 33 ⅓% of the voting rights (whether exercisable or not) attributable to all of the shares, must submit a takeover bid to acquire all of the shares. This rule also applies to persons acting in concert to acquire the shares, and their holding is aggregated to measure whether they reached the mandatory bid threshold. Basilea's articles of association do not provide for an exemption (opting out or opting up) from such mandatory bid rules.

Clauses on changes of control

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

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

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

Basilea's long-term incentive plans related to PSUs (performance share units) and RSUs (restricted share units) provide that in the event of a change of control the board shall have the full authority to determine in its sole discretion the effect of a change of control on the vesting, settlement, payment, PSU performance conditions and/or lapse of restrictions, including, that all outstanding awards granted under the plans vest in part or in full.

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

Auditors

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

At the annual general meeting held on April 21, 2021, PricewaterhouseCoopers AG was re-elected as the statutory and group auditor of Basilea. PricewaterhouseCoopers AG has held the function of statutory auditor since inception of Basilea on October 17, 2000, and acts as group auditor since 2002. Since September 1, 2015, the lead auditor of Basilea is Mr. Bruno Rossi. The audit committee ensures that the position of the lead auditor is changed at least every seven years.

Auditing fees

In 2021, PricewaterhouseCoopers AG charged the Company auditing fees in the amount of CHF 177,500 (2020: CHF 167,190).

Additional fees

In 2021, PricewaterhouseCoopers AG charged the Company additional fees in the amount of CHF 5,500 related to the review of financial statements/costs in connection with a third party funded research project and CHF 2,700 license fees for accounting software (2020: CHF 117,000 related to the sale of Company's building, the issuance of the convertible senior unsecured bonds due July 28, 2027, and the audit of the gender pay gap analysis).

Information instruments of the auditors

The board of directors has delegated the task of supervising the auditors to the audit committee. The audit committee meets with the external auditors at least twice a year related to the half-year review and the full-year audit. In 2021, the audit committee met with the auditors three times (all meetings were held virtually) to discuss the scope and results of their year-end audit for 2020, the scope of the 2021 audit as well as the scope and results of their review of the half-year financial statements.

Information policy

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

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

Annual reports, interim reports, ad hoc announcements and press releases are made available on the Company's website and can be obtained free of charge upon request.

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

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

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

A subscription service to Basilea's ad hoc announcements and press releases is provided at https://www.basilea.com/subscription.

Quiet periods

Basilea has established general quiet periods prior to the release of the financial half-year and annual results. The quiet periods start on the first day after the end of the reporting period of either the half-year results (i.e. on July 1) or the annual results (i.e. on January 1) and end on the date of the public release of such results. During these quiet periods Basilea might communicate with the investment community but will, unless previously communicated via an ad hoc announcement or press release, not have any communication regarding financial information which could give an indication as to the expected half-year or annual results.

Basilea has established fixed close periods during which the members of the board, the members of the management/extended management committee, and employees and consultants who are involved in the establishment of or have substantial insight into the half-year or annual results are not allowed to trade in any Basilea securities. The fixed close periods start one month prior to the end day of the reporting period of either the half-year results (i.e. on June 1) or the annual results (i.e. on December 1) and (i) end on the close of the trading day on which the public release of such results is made, or, (ii) if the public release of results is made after market close or on a non-trading day, end at the close of the first trading day following the release.

Analysts coverage

As of December 31, 2021, the firms listed below were covering Basilea. There may be other firms or analysts who have published reports or commentaries during 2021 that are not referenced below. Any opinions, estimates or forecasts regarding Basilea's performance made by these firms/analysts are theirs alone and do not represent opinions, forecasts or predictions of Basilea or its board/executive management. Basilea does not by its reference below imply any endorsement of or concurrence with information, conclusions or recommendations published by these firms/analysts.

Firm	Analyst
Bryan Garnier & Co.	Dylan Van Haaften
Calvine Partners LLP	Brian White
Cantor Fitzgerald (U.S.)	Louise Chen
Edison	Jacob Thrane
H. C. Wainwright & Co.	Raghuram Selvaraju
Kepler Cheuvreux	Arsene Guekam
Research Partners AG	Paul Verbraeken
valuationLAB AG	Bob Pooler

Ethical business conduct

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

Corporate social responsibility: Making a difference

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

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

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

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

1. Sustainable business success: We focus on what we do best, which is to bring innovative medicines to patients with life-threatening diseases. In doing so, we ensure the well-being and healthy lives of people at all ages (SDG #3), build a resilient infrastructure to make sure that patients in need have access to our medicines and in addition foster innovation in our field (SDG #9).

2. Fair treatment of all employees: We strive to achieve gender equality (SDG #5) by ensuring equal pay and equal opportunities, and by fostering a healthy work-life balance (SDG #8).

3. Improving our environmental footprint: The sale of our structurally and environmentally outdated HQ building and the relocation to a state-of-the-art office and laboratory building in 2022 will significantly reduce our energy consumption and CO2 emissions (SDGs #9 and #12).

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

Urgent action required: the global threat of antimicrobial resistance

The pharmaceutical industry fulfills an important function in society: providing safe and effective medicines to patients in need. However, bacterial antimicrobial resistance (AMR), which occurs when changes in bacteria cause the drugs that are used to treat infections to become less effective, has emerged as one of the leading public health threats of the 21st century. AMR is an extremely serious global problem that can threaten the remarkable advances made in healthcare so far. A systematic analysis of the global burden of bacterial AMR in 2019 (cf. https://doi.org/10.1016/S0140-6736(21)02724-0) estimates 4.95 million deaths associated with AMR in 2019, including 1.27 million deaths attributable to AMR. This study is the most comprehensive analysis of the burden of AMR to date, producing estimates for 204 countries and territories, 23 bacterial pathogens, and 88 pathogen–drug combinations, in 2019. The estimates indicate that AMR is a health problem whose magnitude is at least as large as major diseases such as HIV and malaria, and potentially much larger. To address this overlooked global threat of AMR, experts advocate to increase global spending on AMR by discovering and developing novel antibiotics, by preventing infections in the first place and by making sure existing antibiotics are used appropriately and judiciously (cf. https://doi.org/10.1016/S0140-6736(22)00087-3.

The challenge of the antibiotics business case

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

Engaging in collective action

Basilea is one of the few companies still working on the discovery and development of novel antibiotics. We are convinced that the need for new antibiotics is an ever-growing unmet medical need, which cannot be ignored. We therefore intend to remain committed to the cause. We have the technical knowledge and experience it takes to make an impact. However, we are equally convinced that new business models need to be found in order to fix the challenging business case. This can only be achieved through collective action. Therefore, Basilea is collaborating with various organizations on different levels to nurture a better economic environment, which will enable companies to invest in developing antibiotics, confident with the prospect of a sustainable business case.

Push incentives

One strategy supported by governments are so-called “push” incentives that provide funding for the development of new antibiotics. In the USA, for example, BARDA (Biomedical Advanced Research and Development Authority) reimburses part of the development cost of new products. BARDA supports Basilea’s phase 3 program for ceftobiprole, which is conducted to gain a regulatory approval in the USA. Following successful completion of a clinical study in patients with acute bacterial skin and skin structure infections, a second study has recently completed patient enrolment. This second study is treating patients with *Staphylococcus aureus* bacteremia, a disease with a high mortality rate and few therapeutic options.

In 2021, Basilea has been awarded a grant from CARB-X (Combating Antibiotic-Resistant Bacteria Biopharmaceutical Accelerator), a global partnership dedicated to supporting the early development of antibacterial products to diagnose, prevent and treat drug-resistant infections. The funding will support an ongoing Basilea research program to develop an antibiotic from a novel class for the treatment of serious infections caused by drug-resistant Gram-negative bacteria, which are listed by the U.S. Centers for Disease Control as urgent and serious threats and by the World Health Organization as critical pathogens, against which new antibiotics are urgently needed. The grant includes provisions addressing the topic of facilitating access to medicine in low- and middle-income countries.

Pull incentives

In addition, so-called "pull" incentives are expected to play a key role in re-energizing the antibiotic pharmaceutical business sector. Some countries such as the UK and Sweden are already trialing systems whereby new antibiotics are guaranteed a fixed revenue, delinked from the volume utilization. Similar delinked purchase models are expected to be trialed in other regions, including the U.S. where the recently submitted PASTEUR Act proposes such a scheme. In the U.S., the Generating Antibiotic Incentives Now (GAIN) act has been introduced, which provides additional years of market exclusivity for qualified new antibiotics including both of Basilea's commercialized products: isavuconazole and ceftobiprole.

Working together for a good cause

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

Since early 2020, the COVID-19 pandemic has provided a clear illustration of what can happen in the face of the uncontrolled spread of a pathogen with limited or no treatment options. The emerging threat of antibiotic resistant bacterial infections is another example of a serious infection-related healthcare problem, and it will continue to grow. Using our expertise and experience, we will keep searching for solutions to fight the emerging antibiotic resistance crisis by developing novel and effective antibiotics.

Gender equality: making progress

Basilea wants to be a good employer, attracting and retaining highly skilled and motivated professionals. Basilea values diversity and offers equal employment opportunities. Our employees come from various backgrounds and comprise 14 nationalities. A prerequisite for achieving our aims is gender equality. In Switzerland, women on average still earn about 18% less than men. To reduce this gap, companies with more than 100 employees are obliged to conduct a gender pay gap analysis, according to an amendment in federal law that came into force in 2020. Basilea performed a first analysis in 2020, which was audited by PricewaterhouseCoopers. The 2020 analysis resulted in a gender pay gap of 3.8% between men and women.

With this result, Basilea would have been exempted from further gender pay gap analyses. However, as transparency is key to achieving equal pay, Basilea decided to repeat the pay gap analysis on an annual basis. For 2021, using the same methodology, the analysis resulted in a gender pay gap of 0.4% between men and women. This is an encouraging result for 2021 and Basilea is committed to continue being a good employer, with fair and equal working conditions.

Keeping employees engaged and fit during the COVID-19 pandemic

In 2020 Basilea participated in and came first in its category in the B2Mission event (cf. www.b2mission.ch). This is a Swiss-wide app-based event in which participants collect points for their company during one month by recording their individual walks and runs using the GPS function in their phones. In 2021 the event was expanded to include cycling and the categories were changed to reflect the number of team members participating rather than the number of people in the company. This made individual efforts decisive for winning rather than the sheer number of employees.

Thanks to the high level of engagement Basilea rose to the challenge and again achieved first position in its category (50-100 participants), with more than one third of all Basilea employees taking part. It was a really tough battle throughout the entire month with three teams in contention for first place and the winner being decided only on the last day of the competition.

Overall, Basilea's employees achieved more than 18,000 km of running, hiking and biking in the B2Mission 2021, equivalent to crossing Switzerland more than 50 times. Notable individual efforts came from Mahmoud El Shemerly who finished second overall in the whole of Switzerland and Jasna Sutara who was the second woman and fourth overall. All in all, a tremendous achievement.

In addition, Basilea fielded a strong team in the B2Run competition (cf. www.b2run.ch), which returned in 2021 after a pause due to the COVID-19 pandemic. This annual event involves a 6 km run in the Basel area, people compete for their company and the shared activity facilitates employee team-building and engagement.

Source: B2Run Swiss Company Run

Moving headquarters: improving our environmental footprint

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

Over the past years, it has become clear that our current HQ building, built in the late 1960s, will not fulfill the rising standards of energy efficiency and CO2 emissions and a costly renovation would not have had a lasting effect.

So, instead, we decided in 2020 to move Basilea to a state-of-the-art office and laboratory building in the Switzerland Innovation Park (SIP) Basel Area, Main Campus. The new facilities are built according to the latest standards for energy efficiency. The SIP is very well connected to the local public transport system, and provides ample bicycle parking space as well as charging stations for electrical cars. The move to the SIP will help all of us at Basilea to work together more efficiently and reduce our environmental footprint.

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

In 2021 we have been preparing for relocating our whole organization without business interruption. We are now looking forward to finally moving to our new premises in June 2022.

Outlook: Environmental-Social-Governance (ESG) reporting

Whilst we have been focusing so far on reporting our major corporate social responsibility activities and projects in the Annual Report, we evaluated in parallel the need and requirements for a more standardized ESG reporting. For that purpose, we have been engaged with a project team of students from the University of Applied Sciences and Arts, Northwestern Switzerland, School of Business. The research team focused primarily on a comparison of available standards and ratings for ESG reporting, as well as ESG criteria most relevant for Basilea. These topics were explored through literature search and analysis, through an analysis of comparable companies, and internal interviews. Concrete recommendations for action were derived from this analysis. The Board of Directors and management will evaluate these recommendations in order to decide about the company's future ESG reporting.

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Compensation report

Compensation report

Report of the statutory auditor

to the General Meeting of Basilea Pharmaceutica Ltd.

Basel

We have audited pages 114–116 of the compensation report of Basilea Pharmaceutica Ltd. for the year ended December 31, 2021.

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

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

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

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

Opinion
In our opinion, the compensation report of Basilea Pharmaceutica Ltd. for the year ended December 31, 2021 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Bruno Rossi

Audit expert
Auditor in charge

Daniel D. Miller

Basel, February 10, 2022

Letter from the chairman of the compensation committee

Dear Shareholders,

After 2020 and the turbulence of the Covid pandemic, 2021 again presented the company with the same set of challenges.

Despite this and to support our business objectives, Basilea's management has led a company-wide initiative to encourage, reward and recognize behaviors, which are consistent with our corporate strategy – namely focus, innovation and collaboration. Similarly, the compensation committee has continued to challenge, review and align Basilea's remuneration model, to drive both successful business results and long-term growth and profitability.

2021 saw the first grant under the new long-term incentive plan, which is based on share units, with performance share units (PSUs) for the company's management committee and a handful of key roles and restricted share units (RSUs) for members of the board and management-level employees. This is the most commonly applied method of rewarding long-term performance in Switzerland.

The compensation committee continues to monitor the pay levels and practices of the wider Swiss market and to listen to the feedback received from shareholders and other stakeholders. As of the AGM 2021 board fees are paid as a mix of cash and Basilea equity in the form of RSUs with a one-year vesting period to match the one-year term of the board members appointment. The board decided later in 2021, to increase the vesting period of its RSUs from one year to three years. This will affect future grants as of the AGM 2022.

We have also focused on increasing transparency and as of 2021 members of the management committee have their annual bonuses entirely contingent on the achievement of corporate goals, as for the CEO. To reflect the areas of focus and responsibility for each management committee member's role, the weighting of the corporate goals differs per member.

Another topic that has been gaining traction in recent years is that of Environmental, Social and Governance (ESG). Companies are increasingly assessed, amongst other aspects on the contributions they are making to ensure that our planet and our local communities remain clean, fair and livable for generations to come. We are playing our part in the fight against the threat of antimicrobial resistance. However, Basilea is also currently reviewing the ways in which it can best fulfill its ESG responsibilities and assessing how these can be incorporated into the compensation strategy. I look forward to providing more concrete information on this topic in our 2022 compensation report.

At our AGM 2021, our shareholders approved the board's compensation proposals for 2021/2022 by approving the proposed compensation budgets for the board of directors and the management committee. The compensation report 2020 was also approved by shareholders in a non-binding advisory vote. We have further increased transparency in the present compensation report 2021 and we will keep working on an on-going basis to implement further improvements.

Further information on the activities of the compensation committee and on the overall compensation system and governance can be found on the following pages. Basilea strives to maintain a high level of transparency by disclosing to shareholders detailed and comprehensive information on company business goals, performance criteria and compensation, without disclosing business sensitive information.

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

Martin Nicklasson
Chairman of the compensation committee

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

Compensation governance

Compensation committee

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

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

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

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

Activities in 2021

In addition to its standing agenda items, in 2021 the additional topics discussed by the compensation committee included:

- Reviewing and approving the first grant of performance share units and performance criteria for the CEO, management committee members and other senior personnel.
- Reviewing and approving the first grant of restricted share units for the board of directors, and a decision to change the vesting period from one year to three years for grants as of 2022.
- Changing the payout frequency of the board of directors' compensation from quarterly to bi-annual, aligning the payments of the fees to the calendar year.
- Reviewing the impact of COVID-19 on the company's operations, particularly in the areas affecting the 2021 corporate goals.

Compensation approval process

Topic	CEO	Compensation committee	Board of directors	AGM
Compensation policy and guidelines in line with Basilea's articles of association		P	✓	
Maximum aggregate amount of compensation for the board of directors and the management committee		P	E	✓
Compensation report		P	✓	AV
Individual compensation of the members of the board of directors		P	✓	
Individual compensation of the CEO		P	✓	
Individual compensation of the other members of the management committee	P	E	✓	
Plan design and grant of long-term incentives	P	E	✓	

P Proposes E Endorses ✓ Approves AV Advisory Vote (non-binding)

Articles of association

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

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

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

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

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

Compensation principles

Board of directors

In order to maintain the independence of the board of directors in their supervisory duties, members are not entitled to compensation that is variable or performance-based. Instead, all fees are fixed, differing only where additional responsibilities are held (i.e. chairmanship and vice-chairmanship) and the number of committees a board member belongs to.

To strengthen the alignment between the interests of board members and shareholders, 25% of the fees paid to members are in the form of Basilea RSUs that are subject to a one-year vesting period.

Management committee and employees

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

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

Compensation evaluation & benchmarking practice

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

In 2021, the compensation level of the CEO and management committee members was evaluated by Willis Towers Watson according to its Global Grading System (GGS), taking into consideration company criteria such as size, complexity, responsibility and geographic scope. This independent evaluation found that the base salary and the total direct compensation of the CEO and the management committee members were generally at the median of the peer group. The main difference is related to the compensation mix: compared to the peer group, Basilea's proportion of salary attributable to the annual bonus is slightly lower than the proportion seen in the peer group median. After reviewing the data, the committee recommended no further changes to the compensation model used by Basilea for its management committee and will revisit the topic in 2022.

An additional analysis was performed by HCM International on the pay practices of the board of directors in the overall Swiss market and within a peer group of comparable Swiss companies. The outcome of this analysis supported the recommendation by the compensation committee to introduce a three-year vesting period for RSUs as of the grant 2022.

Compensation structure & design

Overview of 2021 compensation structure

	(Vice)-Chairman of the board	Other board members	CEO	Management committee members	Comments
Fixed compensation					
Fixed cash compensation	•	•	•	•	
Restricted Share Units	•	•			Subject to one-year vesting period
Variable compensation					
Performance-related cash bonus			•	•	Based on achievement of corporate goals (with different individual weigthing for management committee members)
Performance Share Units			•	•	Subject to three-year vesting period, followed by one-year sales restriction and contingent on performance against two KPIs
Social security and other fringe benefits					
Social security	•	•	•	•	Employer contributions to social security; company takes over board members' contributions where such contributions occur (except contributions related to stock option exercises)
Pension and other fringe benefits			•	•	Employer contributions to pension plans, disability insurance

Board of directors compensation

The change of the compensation system for board members was approved by shareholders at the general meeting of shareholders 2021 (AGM 2021) with 75% of the compensation paid in cash and 25% in restricted share units (RSUs). The compensation consists of:

— a fee for the election term of one year;
— a committee membership fee;
— the payment of social security contributions, where such contributions apply; and
— reimbursement of reasonable out-of-pocket travel-related expenses.

The members of the board are not entitled to any performance-based, variable compensation. The RSUs contain no performance element and will vest into Basilea shares following a one-year vesting period on a one-to-one basis. Any board members who cease their membership prior to the end of their term of office will receive a prorated number of RSUs. No committee chairmanship fees are paid in addition to the committee membership fees.

The compensation paid to the board in the period from AGM 2021 to AGM 2022; paid 75% in cash and 25% in RSUs:

In CHF	AGM 2021 to AGM 2022
Chairman of the board of directors	
Annual fee	285 238
Committee membership fee [1]	7 875
Vice-Chairman of the board of directors	
Annual fee	193 632
Committee membership fee [1]	5 250
Members	
Annual fee	181 632
Committee membership fee [1]	5 250

1 Fee per board committee membership.

For the period from January 1, 2021 until the date of the AGM 2021 the compensation of the board of directors included no equity component but was paid in cash only and consisted of a fixed compensation, meeting fees, committee fees, the payment of social security contributions (if applicable) and the reimbursement of reasonable out-of-pocket travel-related expenses.

For further information on the compensation for the members of the board of directors, please refer to the section “Disclosure of the compensation for the board of directors” on page 114.

Management committee compensation

Compensation system

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

Compensation elements

Base salary

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

Performance-related cash bonus

Performance-related cash bonuses vary annually and are based on the achievement of corporate goals. The CEO goals are the same as the corporate goals and their corresponding weighting. Management committee members are also measured against the corporate goals, albeit with different weightings per goal to reflect the main areas of focus and responsibility of each member.

Target bonuses ranging from 40% to 50% of the respective base salaries are included in each management committee member's employment contract. Actual cash bonuses are capped at 140% of the target bonus for the CEO and 130% of the target bonus for other management committee members.

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

Corporate goals

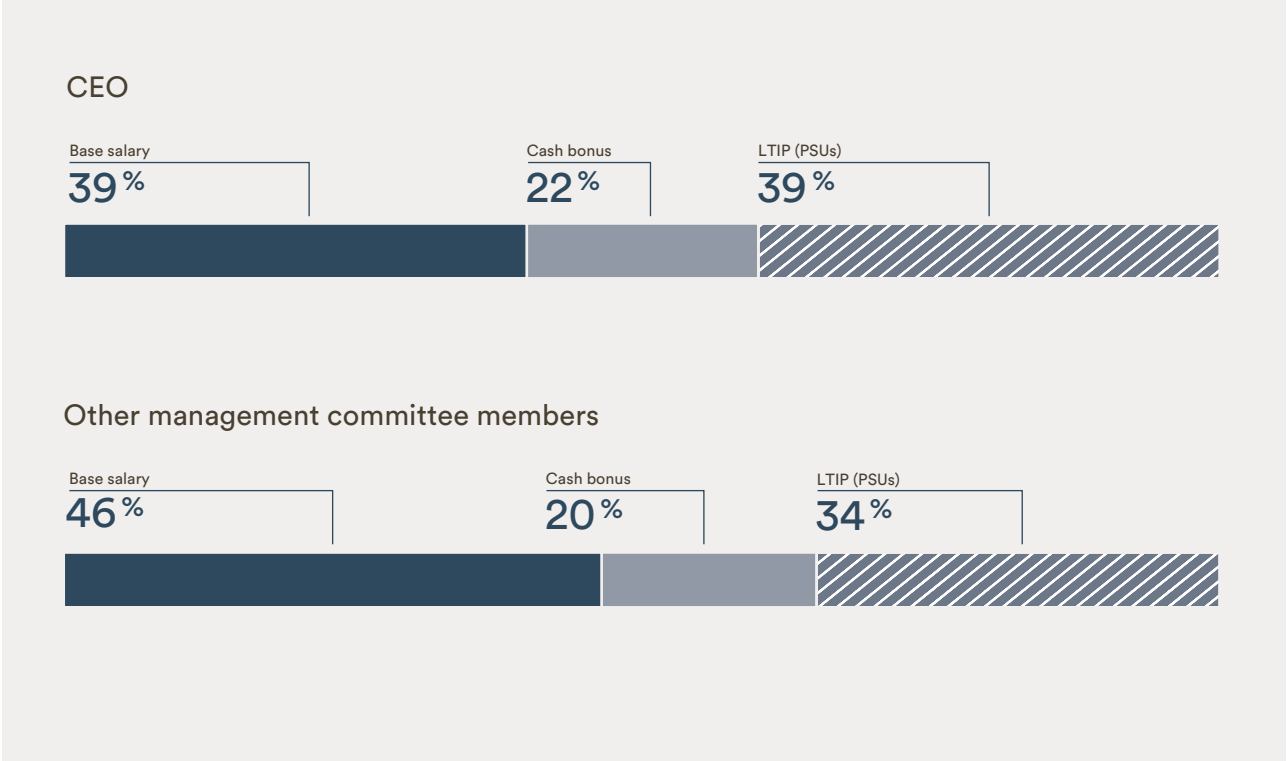
The corporate goals used for performance evaluation of all Basilea employees in 2021 are linked to key value drivers with a combination of financial and non-financial key performance indicators (KPIs):

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

Capping

In the event that the board of directors determines that certain upside corporate goals were achieved, the performance may be rated above 100%. The overall bonus achievement level is capped at a maximum of 140% of the target amount for the CEO and 130% of the target amount for the rest of the management committee.

CEO and management committee 2021 pay mix



The majority of the direct compensation (without social security and other benefits) for the CEO and other management committee members is at risk and dependent on the achievement of corporate goals. This variable compensation is paid in the form of PSUs and a performance-related cash bonus.

2021 performance achievements

Basilea focuses on discovering, developing and commercializing innovative drugs to meet the needs of patients with bacterial and fungal infections and patients with cancer. For 2021, goal setting and goal achievement were not subject to any special evaluation or resetting due to Covid and Basilea did not claim any government subsidies. The board of directors considered the achievement of the following financial and operating corporate goals that support the execution of Basilea's strategic priorities when determining the performance-related cash bonus for the management committee members:

Achievements 2021 corporate goals

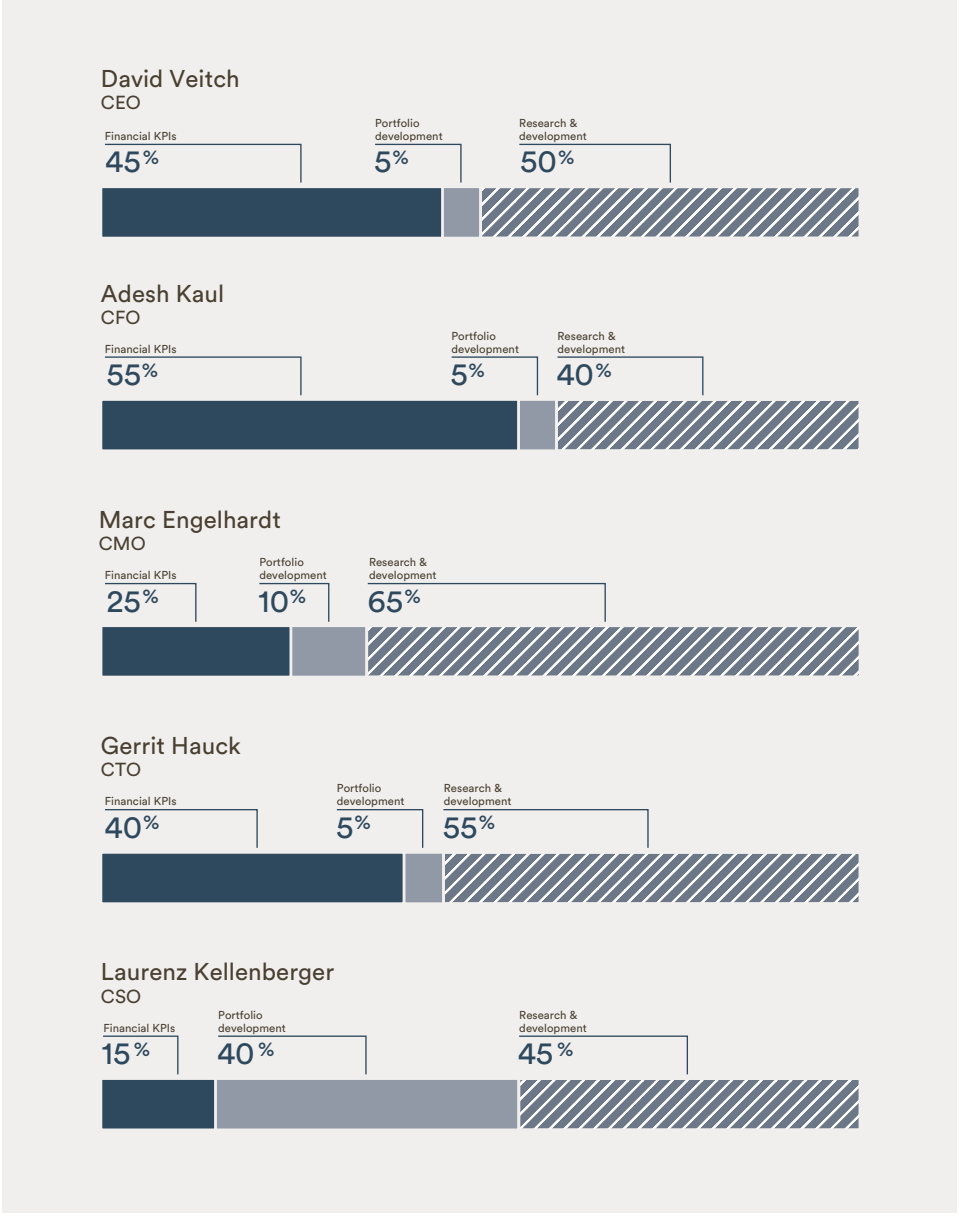
Financial KPIs

Goal	Allocation	Achievement
Revenues — Achieve budgeted product and contract revenues		Above
Share price performance — Quarterly share price performance relative to SPI Extra (Swiss Performance Index Extra)		Below
Private Investment in Public Equity (PIPE) — Execute a PIPE to access an increased number of institutional investors and raise additional funds		Met
Additional new funding — Access new external funding during the year		Above
Result	**45.0%**	**78.2%**

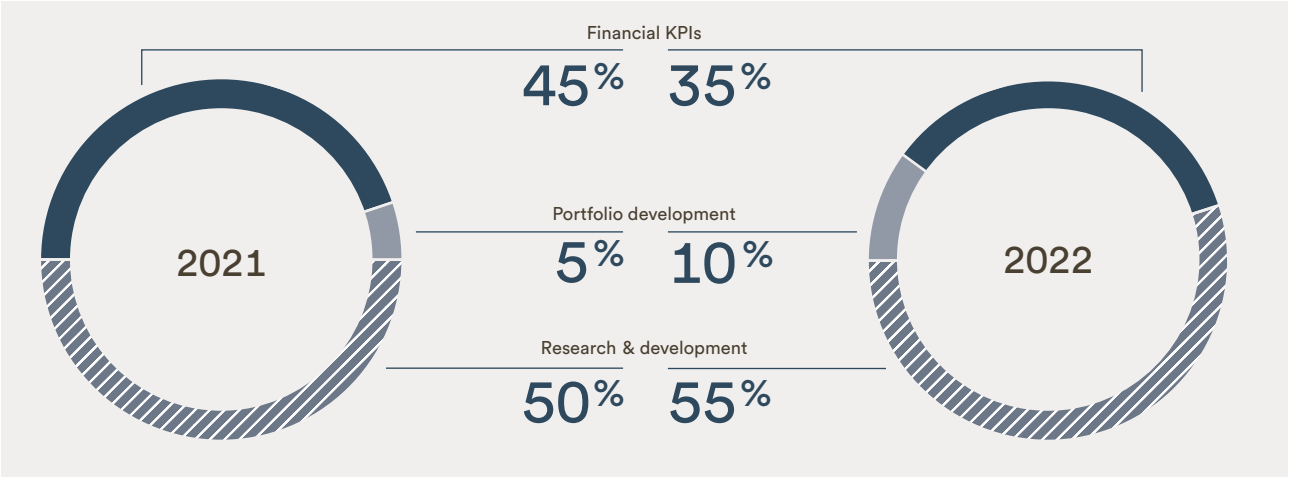
Non-financial KPIs

Goal	Allocation	Achievement
Research & development		
Derazantinib — Achieve planned clinical data read-outs across all ongoing clinical studies in the FIDES program and successfully complete planned stage-transition events		Below
Lisavanbulin — Successful clinical stage-transition in glioblastoma study		Below
Isavuconazole — Complete patient enrolment in the pediatric investigation program study		Met
Ceftobiprole — Complete patient enrolment in phase 3 *Staphylococcus aureus* bacteremia (SAB) study		Met
Result	**50.0%**	**22.5%**
Portfolio development		
— Expand R&D portfolio through in-licensing		Below
— Complete planned preclinical studies for research assets		Above
— Nomination of one new clinical candidate ready to start "IND enabling" studies		Below
Result	**5.0%**	**12.5%**
Total	**100.0%**	**113.2%**

The weighting of the objectives shown on the previous page is the standard corporate weighting, used to calculate the bonus of the CEO and the corporate component of employee bonuses. For other members of the management committee, the weighting of each KPI differed to place additional emphasis on areas which fall under the member's main areas of responsibility. These weightings can change year-on-year, with the weightings for 2021 shown as follows:



A key strategic priority for Basilea in 2021 was the achievement of financial targets such as product-related revenues and access to additional funding as well as a continued emphasis on creating value from the existing R&D portfolio as a prerequisite for supporting continued growth and sustainable shareholder value creation. The breakdown of 2022 corporate goals remains similar as compared to 2021, but with a slightly greater emphasis on creating value from new and existing R&D assets in 2022.



Key corporate goals 2022

Financial KPIs	Non-financial KPIs
Revenues — Achieve budgeted product and contract revenues Share price performance — Quarterly share price performance relative to SPI Extra (Swiss Performance Index Extra) Access additional funding (e.g. through grants or cost sharing) Manage debt level and maturity	Research & development — Derazantinib: Achieve planned data read-outs across ongoing clinical studies in the FIDES program and successfully complete planned stage-transition events — Lisavanbulin: Successful clinical stage-transition in glioblastoma study — Ceftobiprole: Topline results from the *Staphylococcus aureus* bacteremia (SAB) phase 3 study; additional goals related to supply and distribution — Isavuconazole: Goals related to supply and distribution; support partner in the regulatory process to gain marketing approval in an additional market — TTK/PLK1 inhibitor BAL0891: Start patient enrolment in phase 1 clinical study and achieve dose-escalation targets Portfolio development — Expand R&D portfolio through in-licensing — Complete planned preclinical studies for research assets

Long-term incentive plan

General terms

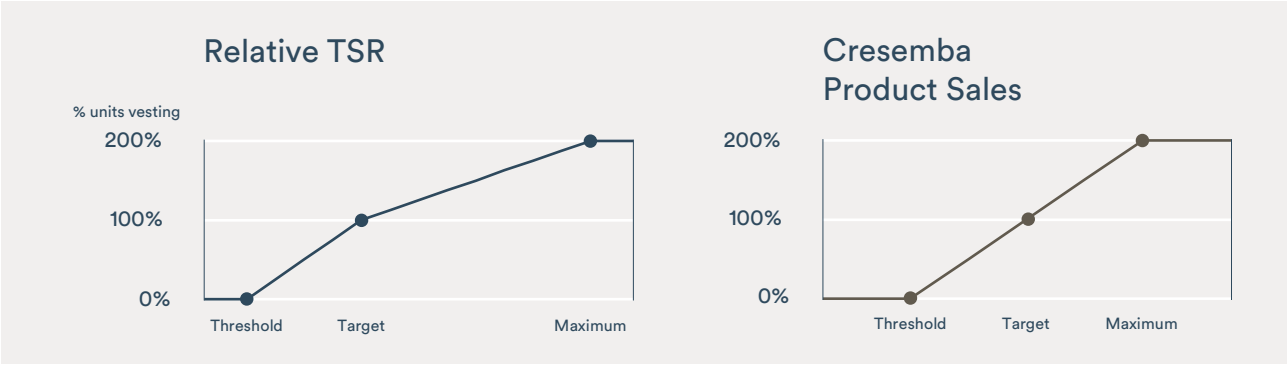
Members of the management committee as well as a small number of senior managers in key positions are granted performance share units (PSUs) whose vesting is contingent on the performance measured by two KPIs. Restricted share units (RSUs) without performance conditions are granted to employees in management positions that are not eligible to receive PSUs.

For members of the management committee, the target value of the PSU grant is expressed as a function of base salary. This target grant value is equal to 100% of base salary for the CEO and 75% for other members of the management committee. To calculate the resulting number of granted PSUs, this target value is divided by the higher of a) the fair value of a PSU as of the AGM date or b) CHF 35. The minimum price of CHF 35 limits dilution to shareholders in the event of market fluctuations resulting in an extraordinarily low fair value calculation on the AGM date. Any new grants under the long-term incentive plan are limited by the guiding principle that at the grant date the total potential dilution from outstanding stock options and share units under the long-term incentive plan shall not exceed 10% of the total outstanding share capital on a fully diluted basis.

Management-level employees are instead granted Restricted Share Units (RSUs) with a three-year service condition. The intent of this component is to promote the retention of employees that are critical to the fulfilment of Basilea's key objectives, with a lower level of direct influence on the achievement of key objectives than senior management. These RSUs vest into Basilea shares on a one-to-one basis after the end of the three-year vesting period.

Vesting conditions

PSUs vest into Basilea shares following the completion of a three-year performance period. The shares delivered upon vesting after the three-year-performance period are then subject to an additional one-year holding period.



PSUs only vest if a management committee member is in continuous employment during the performance period, subject to certain exceptions:

- In the event of a termination due to restructuring or redundancy, or upon retirement, PSUs that have not yet vested on the date of termination are prorated to reflect the shortened service period. These PSUs will continue to vest pursuant to the plan and convert into shares upon vesting based on calculated performance. The remainder of the PSUs will forfeit as of the date of termination.
- In the event of death or disability, all unvested PSUs shall vest immediately as per the date of death or disability at target level (100%, irrespective of actual achievement).

— Basilea's long-term incentive plans related to PSUs and RSUs provide that in the event of a change of control the board shall have the full authority to determine in its sole discretion the effect of a change of control on the vesting, settlement, payment, PSU performance conditions and/or lapse of restrictions, including, that all outstanding awards granted under the plans vest in part or in full.

The number of shares delivered for each vesting PSU depends on the achievement level of two equally weighted KPIs. If the targets for both KPIs are achieved at 100% (target value), each PSU vests into one Basilea share. If the targets for both KPIs are overachieved and reach or exceed a predefined maximum cap, each PSU vests into two Basilea shares. If the targets for the KPIs are underachieved and are below or at a predefined threshold, the PSUs will expire with no value and will not vest into any Basilea shares. In case of an achievement level between the performance target and the maximum cap, or between the performance target and the performance threshold, respectively, the actual ratio for converting PSUs into Basilea shares is calculated on a linear basis.

KPIs

The KPIs of the PSUs granted in 2021 are relative Total Shareholder Return ("rTSR") against the Swiss Performance Index Extra ("SPI Extra") and Cresemba in-market product sales. Both KPIs are weighted equally.

The rTSR KPI was chosen as an incentive for creating long-term shareholder value. This measure serves as an indicator of company performance. Taking into consideration its correlation to the Basilea share price and the beta coefficient, the SPI Extra was chosen as a benchmark for the rTSR. Other indices and peer groups of biotech companies were also considered but were found to be less well suited. The rTSR calculation compares Basilea's share price with that of the SPI Extra at the start and at the end of the three-year performance period, and factors in any dividends paid. The starting price for the Basilea share and the SPI Extra is their average closing price of the last sixty trading days of the year preceding the start of the performance period. The ending price is their average closing price of the last sixty trading days of the final year of the performance period.

The Cresemba product sales KPI measures the Compounded Annual Growth Rate ("CAGR") of Cresemba in-market sales measured as patient days over the same three-year performance period. A patient day in this context is defined as the equivalent of a 200 mg daily maintenance dose of Cresemba. By using patient days, progress in providing global access to this important drug plays an important role in determining the performance. At the same time, this limits the influence of factors that are unrelated to performance, such as exchange rate fluctuations. The calculation of the KPI is based on the comparison of the patient days recorded in the twelve months prior to the start of the performance period with the patient days recorded in the last twelve months of the performance period. The long-term volume growth of Cresemba was selected as KPI for the PSUs due to its critical importance for the long-term financial success of the company.

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

The target and threshold for rTSR were based on historical data and for Cresemba product sales on internal forecasts and financial analyst expectations, taking into consideration typical vesting curves.

Basilea's performance against the two KPIs used to determine the vesting of the PSUs granted in 2021 and when comparing the status at the end of the performance period against that at the start, the actual performance at the end of the three-year period may differ significantly from that after the first year. It nevertheless provides an indication of the way in which both KPIs are trending. Cresemba product sales were particularly strong in 2021 thanks to a continued strong underlying performance in most markets and benefitting from special circumstances in certain markets such as India. The 2021 Cresemba product sales are not directly considered for the calculation of the three-year CAGR KPI but they provide confidence in the strength of the Cresemba franchise. This strong sales performance did however not translate into a positive relative share price performance in 2021. Especially given the strong share price performance in certain sectors that drove up the value of the overall SPI Extra index in 2021, Basilea's rTSR against the index at the end of 2021 was below the minimum threshold required for PSU vesting.

For the 2022 PSU grant, the KPIs will remain unchanged. It is the view of the board and management that the rTSR KPI is a key metric to align the interests of shareholders, board members and senior management. Until any future product launches or the approval for Zevtera in new markets, the Cresemba product sales KPI is still the main driver of Basilea's revenues and regarded as critically important for the company's long-term financial success.

Clawback clause

All shares and PSUs are furthermore subject to a malus/clawback provision. Under this provision, the board reserves the right to cancel some or all outstanding PSUs if a management committee member is found to have engaged in behavior such as acts of fraud, gross negligence or willful misconduct. In addition, during the additional one-year holding period, the board may require that management committee members make a cash payment in respect of some or all shares delivered under the plan or to transfer such converted shares back to the company.

Previous LTI plans

Until 2020, Basilea granted stock options to its management committee and management-level employees to incentivize shareholder value creation. This plan was discontinued in 2021 and replaced with a share units-based plan. Any stock options granted under the previous long-term incentive plan have not been cancelled, but will continue to be held and vest as per the plan conditions. For more details, please refer to the Compensation Report 2020.

Indirect benefits

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

Loans and credits

The company did not grant any loans, quasi-loan credits or guarantees to members of the board of directors or of the management committee in 2021 or 2020.

Employment conditions

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

For further information on the compensation for the members of the management committee, please refer to the section "Disclosure of the compensation for the members of the management committee" on page 116.

Forward-looking compensation topics

Given the changes made to Basilea's remuneration model in 2021, no additional fundamental changes to the compensation structure are envisioned in the coming year. Instead, the compensation committee is reviewing any improvements that can be made utilizing the existing structure. Considering feedback from shareholders, the board decided to change the vesting period from one year to three years for the RSUs for board members as of the grant 2022.

To date, the bonuses paid to Basilea's management committee members have rewarded actions that drove financial performance and advanced the company's product portfolio. For future years, the compensation committee is assessing effective ways in which Basilea's bonus plan can be used to incentivize progress against the company's Environmental, Social and Governance (ESG) agenda in addition to the traditional metrics of company performance. Through its company values and given the role played by Basilea in the fight against antimicrobial resistance, ESG topics have always been a priority to the management committee, albeit on an informal basis. By formalizing this priority in the form of impactful, quantifiable metrics under the bonus plan, it allows for the management committee to be held more accountable against these topics and recognize and reward success against our ESG agenda.

Basilea is currently in the process of evaluating different actions that can be taken to increase the company's ESG impact. Identifying suitable metrics and targets to incorporate into the bonus plan will be a key outcome of this evaluation. As this is still ongoing, any further details about ESG-related metrics will be disclosed in the 2022 compensation report. Further details on the steps taken by Basilea to advance its ESG agenda can be found on pages 88–92.

Compensation disclosure

Disclosure of the compensation for the board of directors

The total compensation of the members of the board for the AGM period 2021/2022 and calendar year 2020 are outlined below:

At the Annual General Meeting (AGM) of April 21, 2021, the shareholders approved CHF 1,430,000 as the maximum aggregate amount of compensation for the board of directors for the period from the AGM 2021 to the AGM 2022. The total actual compensation for this period is CHF 1,375,902.

In CHF 2021[1]	Board-membership	Audit Committee	Compensation Committee	Corporate governance & nomination committee	Cash	Value restricted share units *(number of RSUs)*[2]	Total cash and RSUs	Social security and other fringe benefits[3]	Total
Domenico Scala	Chair	Chair			219 802	73 311 *(1 546)*	293 113	44 766	337 879
Thomas Werner	Vice Chair		•	Chair	153 061	51 071 *(1 077)*	204 132	28 557	232 689
Martin Nicklasson	•	•	Chair		144 096	48 036 *(1 013)*	192 132	23 723	215 855
Nicole Onetto	•		•		140 126	46 756 *(986)*	186 882	–	186 882
Ronald Scott	•			•	140 126	46 756 *(986)*	186 882	23 583	210 465
Steven D. Skolsky	•	•		•	144 096	48 036 *(1 013)*	192 132	–	192 132
Total					**941 307**	**313 966**	**1 255 273**	**120 629**	**1 375 902**

1 The table above shows the annual compensation paid semi-annually in June and December during the year 2021 covering the twelve-month period from the AGM 2021 until AGM 2022. Due to a change in pay-out frequency from quarterly to bi-annually, compensation relating to the previous board term in the 1st quarter of 2021 is not included

2 Based on the grant-date fair value per RSU of CHF 47.42 (closing price of the Basilea share at grant date)

3 Includes the company's and the board members' contributions to social security in respect of their cash and RSU compensation for the calendar year 2021 (where applicable). For RSU grants, the social security contributions included in the above table are based on the fair value at grant to align the timing of the disclosure of social security contributions. Mandatory employer contributions to social security for stock options granted prior to 2014 and exercised during calendar year 2021 are not included.

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

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

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

Disclosure of the compensation for the members of the management committee

At the Annual General Meeting (AGM) of April 8, 2020, the shareholders approved CHF 6,280,000 as the maximum aggregate amount of total compensation (fixed plus variable compensation combined) for the calendar year 2021. The total actual compensation for this period is CHF 5,285,784.

In CHF	Cash compensation fixed	Cash compensation variable	Value of long-term incentives[1]	Social security and other fringe benefits[2 3]	Total
2021					
Chief Executive Officer David Veitch	593 834	336 695	593 820	183 475	1 707 824
Total Management Committee	**2 037 295**	**959 764**	**1 676 369**	**612 356**	**5 285 784**
2020					
Chief Executive Officer David Veitch	589 271	407 310	327 799	151 531	1 475 911
Total Management Committee	**2 022 433**	**1 139 683**	**1 100 571**	**522 920**	**4 785 607**

1 Based on the grant-date fair value per PSU of CHF 43.66 (2021) and calculated by using a Monte Carlo simulation; based on the grant-date fair value per stock option of CHF 17.52 (2020) and calculated by using a binomial valuation model.

2 Includes employers' contributions to pension plans, social security, life insurance etc. Mandatory employer contributions to social security for stock options granted prior to 2014 and exercised during the period are not included.

3 For 2021, the amounts include estimated social security contributions related to the PSU grants based on the fair value at grant and 100% target achievement to align the timing of the disclosure of social security contributions and the PSU grants triggering the respective social security contributions.

Payments to former management committee members

In 2021 and 2020 no severance payments were made and no payments occurred to former members of the management committee.

Granting of performance share units (PSU)

The development of PSU holdings for the total management committee and the CEO in 2021:

For year 2021	Chief Executive Officer David Veitch	Total Management Committee
Number of PSUs granted during the year	13 601	**38 396**

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Financial report

Financial review

Overview

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

Basilea Pharmaceutica Ltd., through its operating company Basilea Pharmaceutica International Ltd. ("Basilea International"), is a commercial-stage biopharmaceutical company committed to discovering, developing and commercializing innovative drugs to meet the needs of patients with bacterial and fungal infections and cancer.

The Company recognized revenue of CHF 148.1 million in 2021 (2020: CHF 127.6 million). Total revenue in 2021 included CHF 131.4 million (2020: CHF 111.8 million) from Basilea's two marketed products, the antifungal Cresemba (isavuconazole) and the antibiotic Zevtera (ceftobiprole). Moreover, total revenue included other revenue in the amount of CHF 16.6 million (2020: CHF 15.2 million) and revenue from R&D services in the amount of CHF 0.2 million (2020: CHF 0.4 million).

In 2021, the Company invested CHF 93.2 million (2020: CHF 97.4 million) in research and development activities related to its antibiotic ceftobiprole, its oncology drug candidates derazantinib, lisavanbulin (BAL101553) and BAL0891, the antifungal isavuconazole and further projects in the Company's research portfolio.

Selling, general and administrative expenses including costs for the commercialization of Cresemba and Zevtera amounted to CHF 29.7 million in 2021 (2020: CHF 29.4 million).

Cash and cash equivalents, investments and restricted cash amounted to CHF 150.0 million as of December 31, 2021, compared to CHF 167.3 million at year-end 2020.

Results of operations

The following table outlines the Company's consolidated results of operations for the fiscal years 2021 and 2020:

In CHF million	2021	2020
Product revenue	26.2	48.7
Contract revenue	105.2	63.3
Revenue from R&D services	0.2	0.4
Other revenue	16.6	15.2
Total revenue*	**148.1**	**127.6**
Cost of products sold	(24.1)	(24.1)
Research & development expenses, net	(93.2)	(97.4)
Selling, general & administrative expenses	(29.7)	(29.4)
Total cost and operating expenses	**(147.0)**	**(150.9)**
Profit from sale of assets	0.0	15.0
Operating result	**1.2**	**(8.2)**
Interest income	0.1	0.1
Interest expense	(8.2)	(7.6)
Other financial income	1.7	3.8
Other financial expenses	(2.9)	(4.3)
Losses from senior unsecured bonds transactions	(0.5)	(0.3)
Other components of net periodic pension cost	1.8	1.8
Income taxes	0.0	(0.1)
Net loss	**(6.8)**	**(14.7)**

Note: Consistent rounding was applied.

* Revenue included CHF 2.5 million (2020: CHF 33.6 million) deferred revenue recognized for upfront, development and regulatory milestone payments received in prior years from partners.

Revenues

Total revenue included product revenue in the amount of CHF 26.2 million (2020: CHF 48.7 million) and contract revenue in the amount of CHF 105.2 million (2020: CHF 63.3 million). Product revenue mainly resulted from sales to Pfizer in the amount of CHF 14.8 million (2020: CHF 38.1 million).
Contract revenue resulted from royalty payments from Astellas of CHF 33.2 million (2020: CHF 28.8 million) and a commercial milestone payment of CHF 15.0 million (2020: none).
Furthermore, the Company recognized contract revenue from Pfizer of CHF 47.3 million (2020: CHF 18.4 million), including royalty payments of CHF 19.9 million (2020: CHF 12.4 million) and regulatory and commercial milestone payments of CHF 27.3 million (2020: CHF 6.0 million).
Finally, the Company recognized contract revenue in the amount of CHF 9.6 million (2020: CHF 7.1 million) from upfront, sales and regulatory milestone payments from other distribution and license agreements.
In other revenue, the Company recognized CHF 14.0 million related to its agreement with BARDA in 2021 (2020: CHF 13.2 million).

Cost of products sold

The Company recognized cost of products sold of CHF 24.1 million for Cresemba and Zevtera in 2021 and 2020.

Research and development expenses, net

Research and development expenses amounted to CHF 93.2 million (2020: CHF 97.4 million), representing 63% of total cost and operating expenses (2020: 65%).

Research and development expenses in 2021 were mainly related to activities for the phase 1/2 development program of the FGFR-inhibitor derazantinib, the phase 3 program of the antibiotic ceftobiprole, the preclinical development of the TTK/PLK1 inhibitor BAL0891, the phase 1/2a development of checkpoint controller lisavanbulin, optimizing the commercial supply chain for ceftobiprole, the pediatric development programs for isavuconazole and ceftobiprole as well as for activities on compounds in the Company's research portfolio.

The decrease of CHF 4.2 million as compared to 2020 is mainly driven by lower expenses for derazantinib and ceftobiprole due to initial set-up and scale-up costs in 2020.

Payments which the Company makes or receives related to its co-development arrangement with Astellas for isavuconazole are recorded in research and development expenses. The research and development expenses also included long-term incentive plan expenses of CHF 1.6 million in 2021 (2020: CHF 1.7 million).

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

Selling, general and administrative expenses

Selling, general and administrative expenses amounted to CHF 29.7 million (2020: CHF 29.4 million). Selling, general and administrative expenses included costs related to the general management of the Company, the commercialization of isavuconazole and ceftobiprole and the long-term incentive plan of CHF 1.6 million (2020: CHF 1.8 million).

The increase of CHF 0.3 million as compared to 2020 is mainly driven by higher sales and marketing activities.

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

As of December 31, 2021, the Company had subsidiaries in Germany and the United Kingdom.

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

Net financial expenses, excluding interest, amounted to CHF 1.2 million (2020: CHF 0.5 million) and other components of net periodic pension cost to CHF 1.8 million in 2021 and 2020.

Net interest expenses amounted to CHF 8.1 million (2020: CHF 7.5 million).

Income taxes

Due to the losses incurred to date and the insufficient evidence related to the ability to realize deferred tax assets, the Company has not recognized any deferred tax assets as of December 31, 2021 and December 31, 2020. The Company incurred income taxes of CHF 0.0 million in 2021 and CHF 0.1 million in 2020 related to its operations in certain jurisdictions outside of Switzerland.

Liquidity and capital resources

In 2021, the Company received net proceeds from capital increases of CHF 44.1 million. In 2021, the Company purchased nominal CHF 22.7 million existing convertible bonds.

The cash used by the Company in 2021 was primarily related to its operating activities, in particular the development programs and debt extinguishment.

Cash and cash equivalents, investments and restricted cash, available as of December 31, 2021, amounted to CHF 150.0 million (December 31, 2020: CHF 167.3 million).

The Company's policy is to invest its available funds in low risk investments, including interest-bearing deposits, bonds and other debt instruments. As of December 31, 2021, CHF 95.0 million were invested in short-term bank deposits.

The Company has not entered and has not planned to enter into any commitments for any material investments other than for investments in the normal course of the business. The financial needs of Basilea's wholly-owned and fully consolidated subsidiaries are exclusively covered by the Company. None of the subsidiaries had any significant third-party debt outstanding as of December 31, 2021 and 2020.

Critical accounting policies

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

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

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

Non-refundable upfront payments and substantive development and sales milestones will be recognized at a point in time, or over the remaining performance period based on the Company's progress towards satisfying its identified performance obligation. Royalty revenue is recognized when earned as the license is the predominant item of the contract.

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

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

In 2010, the Company received an upfront payment of CHF 67.5 million net. The entire upfront payment was allocated to the unit of accounting composed of

co-development services, the grant of the license, the participation in the Committee and the PIP studies. The related revenue is recognized over the period where the performance obligation is satisfied, being the period over which the services are rendered. The Company satisfied its contractual performance obligations in October 2020.

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

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

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

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

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

The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The Company recorded total expenses related to the long-term incentive plan of CHF 3.3 million in 2021 (2020: CHF 3.5 million).

Research and development costs are expensed as incurred. Costs of research and development equipment with alternative future use are capitalized and depreciated over its respective useful life. Payments that the Company makes or receives related to its co-development arrangement for isavuconazole are

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

In 2015 and 2020, the Company received total net proceeds from the sale of Convertible Senior Unsecured Bonds of CHF 194.7 million and CHF 93.9, after deducting issuance costs of CHF 5.3 million and CHF 3.2 million, respectively. In 2021, nominal CHF 22.7 million of the bonds issued in 2015 were repurchased. The Convertible Senior Unsecured Bonds are accounted for at amortized costs. The Convertible Senior Unsecured Bonds were issued bearing interest at a fixed rate of 2.75% and 3.25% per year, respectively. In 2021, the Company recognized interest expense of CHF 6.8 million (2020: CHF 6.3 million) for contractual coupon interest and CHF 1.1 million (2020: CHF 1.2 million) for accretion of the issuance costs. The remaining unamortized debt issuances costs of CHF 3.2 million will be accreted over the remaining term of the Convertible Senior Unsecured Bonds, which is approximately 1 year and 5.5 years, respectively.

The Company assesses deferred taxes regularly and provides for a valuation allowance on deferred tax assets if it is more likely than not that deferred tax assets are not realized. As a consequence, the Company has recorded a valuation allowance on net deferred tax assets in the amount of CHF 66.3 million as of December 31, 2021, mainly due to the history of operating losses and the uncertainty related to the ability to realize such deferred tax assets.

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

Foreign currency exchange rate risk

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

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

Subsequent events

The Company decided to explore strategic options to maximise the value of its oncology assets. Subsequent events have been evaluated up to February 10, 2022, the date on which the financial statements were available to be issued.

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Report of the statutory auditor

to the General Meeting of Basilea Pharmaceutica Ltd.

Basel

Report of the statutory auditor on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Basilea Pharmaceutica Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as of December 31, 2021, and the related consolidated statement of operations, consolidated statement of comprehensive income/loss, consolidated statement of changes in shareholders' equity (deficit) and consolidated statement of cash flows for the year then ended, and the related notes, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements (pages 132-172) present fairly, in all material respects, the financial position of the Group as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (US GAAP) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those provisions and standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP) and the requirements of Swiss law, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group's ability to continue as a going concern for one year after the date the financial statements are available to be issued; to disclose, as applicable, matters related go going concern; and to use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with Swiss law, Swiss Auditing Standards and US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial

likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with Swiss law, Swiss Auditing Standards and US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group’s ability to continue as a going concern for a reasonable period of time.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

We are required to communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

We also provide the Board of Directors and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safe-guards applied.

From the matters communicated with the Board of Directors and the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

Bruno Rossi

Audit expert
Auditor in charge

Daniel D Miller

Basel, February 10, 2022

Consolidated financial statements

Basilea Pharmaceutica Ltd. and subsidiaries

Consolidated balance sheets as of December 31, 2021 and 2020
(in CHF thousands, except for number of shares)

	Footnote reference	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	7	53 700	60 749
Short-term investments	6	95 000	101 023
Restricted cash		1 253	5 507
Accounts receivable	5	24 947	8 710
Other receivables	8	39 500	23 684
Inventories	9	22 783	21 192
Other current assets		3 883	2 663
Total current assets		**241 066**	**223 528**
Non-current assets			
Tangible assets, net	2	2 018	2 627
Operating lease Right-of-Use assets, net	18	905	2 648
Intangible assets, net	3	632	672
Long-term loans	6, 19	2 390	-
Other non-current assets		256	319
Total non-current assets		**6 201**	**6 266**
TOTAL ASSETS		**247 267**	**229 794**
LIABILITIES			
Current liabilities			
Convertible senior unsecured bonds short-term	11	123 505	-
Accounts payable		10 617	13 151
Deferred revenue	10	1 233	2 556
Current operating lease liabilities	18	896	1 752
Accruals and other current liabilities	12	38 157	32 702
Total current liabilities		**174 408**	**50 161**
Non-current liabilities			
Convertible senior unsecured bonds long-term	11	94 544	239 668
Deferred revenue, less current portion	10	11 926	13 158
Non-current operating lease liabilities	18	10	896
Other non-current liabilities	17	24 986	27 957
Total non-current liabilities		**131 466**	**281 679**
Total liabilities		**305 874**	**331 840**
Commitments and contingencies	22	-	-
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital[1]	15	12 992	11 922
Treasury shares[2]	15	(56 559)	(52 766)
Additional paid-in capital		1 029 796	982 438
Accumulated other comprehensive loss	15	(21 617)	(27 252)
Accumulated deficit:			
Loss carried forward		(1 016 388)	(1 001 666)
Net loss for the year		(6 831)	(14 722)
Total shareholders' equity (deficit)		**(58 607)**	**(102 046)**
TOTAL LIABILITIES AND EQUITY (DEFICIT)		**247 267**	**229 794**

1 As of December 31, 2021, 12,992,166 shares (December 31, 2020: 11,922,205) were issued and 11,842,034 shares (December 31, 2020: 10,867,306) outstanding with a par value of CHF 1.00 per share
2 As of December 31, 2021, 1,150,132 shares (December 31, 2020: 1,054,899) with a par value of CHF 1.00.

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

Basilea Pharmaceutica Ltd. and subsidiaries

Consolidated statements of operations for the years ended December 31, 2021 and 2020 (in CHF thousands, except per share amounts)

	Footnote reference	2021	2020
Product revenue	4	26 221	48 746
Contract revenue	4, 10	105 161	63 286
Revenue from research & development services	4	181	387
Other revenue	4	16 559	15 210
Total revenue		**148 122**	**127 629**
Cost of products sold		(24 072)	(24 054)
Research & development expenses, net		(93 157)	(97 410)
Selling, general & administrative expenses		(29 721)	(29 422)
Total cost and operating expenses		**(146 950)**	**(150 886)**
Profit from sale of assets	2	15	15 035
Operating result		**1 187**	**(8 222)**
Interest income		66	104
Interest expense	11	(8 151)	(7 589)
Other financial income		1 676	2 057
Other financial expenses		(2 912)	(2 549)
Losses from senior unsecured bonds transactions		(497)	(314)
Other components of net periodic pension cost		1 836	1 846
Loss before taxes		**(6 794)**	**(14 667)**
Income taxes	13	(37)	(55)
Net loss		**(6 831)**	**(14 722)**

Loss per share	16	**2021**	2020
Basic loss per share, in CHF		(0.58)	(1.43)
Diluted loss per share, in CHF		(0.58)	(1.43)

Basilea Pharmaceutica Ltd. and subsidiaries

Consolidated statements of comprehensive income/loss for the years ended December 31, 2021 and 2020 (in CHF thousands)

	Footnote reference	2021	2020
Net loss		**(6 831)**	**(14 722)**
Currency translation adjustments		(28)	(291)
Currency translation adjustments transferred to statement of operations		1 203	-
Unrecognized pension costs		2 541	(4 057)
Amortization of unrecognized pension costs		1 919	1 651
Other comprehensive loss/income, net of tax	15	**5 635**	**(2 697)**
Comprehensive loss		**(1 196)**	**(17 419)**

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

Basilea Pharmaceutica Ltd. and subsidiaries

Consolidated statements of cash flows for the years ended December 31, 2021 and 2020 (in CHF thousands)

	Footnote reference	2021	2020
Cash flow from operating activities			
Net loss		(6 831)	(14 722)
Adjustments to reconcile net loss to net cash used in/provided by operating activities:			
Depreciation and amortization		754	1 190
Gain from sale of assets		(15)	(15 035)
Gain on disposal of subsidiaries		(56)	-
Stock-based compensation		4 322	3 525
Interest and Accretion of debt issuance cost	11	1 096	1 356
Debt extinguishment loss		497	314
Change in operating assets/liabilities:			
Accounts receivable		(16 251)	(2 465)
Other receivables		(15 813)	(1 657)
Inventories		(1 591)	(2 618)
Accounts payable		(2 538)	6 394
Deferred revenue		(2 556)	(33 630)
Accruals and other current liabilities		5 440	(1 425)
Other operating cash flow items		1 522	4 639
Net cash used in operating activities		**(32 020)**	**(54 134)**
Cash flow from investing activities			
Payments for short-term investments	6	(35 000)	(81 023)
Maturities of short-term investments	6	41 023	30 000
Proceeds from sale of assets		15	18 325
Investments in tangible assets	2	(581)	(1 823)
Investments in intangible assets	3	(279)	(442)
Proceeds from disposal of subsidiaries, net	19	(1 603)	-
Net cash provided by / used in investing activities		**3 575**	**(34 963)**
Cash flow from financing activities			
Net proceeds from exercise of stock options	14	1 866	1 322
Net proceeds from capital increase		42 240	-
Net proceeds from treasury shares transactions		(4 254)	3 487
Proceeds from debt issuance		-	97 085
Debt issuance costs		-	(3 193)
Debt extinguishment		(23 212)	(53 634)
Net cash provided by financing activities		**16 640**	**45 067**
Effect of exchange rate changes on cash, cash equivalents and restricted cash		**501**	**(758)**
Net change in cash, cash equivalents and restricted cash		**(11 304)**	**(44 788)**
Cash, cash equivalents and restricted cash, beginning of period		**66 256**	**111 044**
Cash, cash equiv. and restricted cash, end of period		**54 953**	**66 256**
Supplemental information			
Cash paid for interest		7 074	4 843
Cash paid for income taxes		35	26

The following table shows the components of cash, cash equivalents and restricted cash as of December 31, 2021 and 2020:

In CHF thousands	2021	2020
Cash and cash equivalents	53 700	60 749
Restricted cash	1 253	5 507
Total cash, cash equivalents and restricted cash	**54 953**	**66 256**

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

Basilea Pharmaceutica Ltd. and subsidiaries

**Consolidated statements of changes in shareholders' equity (deficit)
for the years ended December 31, 2021 and 2020
(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 loss		-	-	-	-	-	-	(14 722)	(14 722)
Other comprehensive income		-	-	-	-	-	(2 697)	-	(2 697)
Treasury shares transactions[1]		-	-	53 142	(46 803)	50 289	-	-	3 486
Exercise of stock options, net		40 260	40	-	-	1 282	-	-	1 322
Stock-based compensation, net		-	-	-	-	3 525	-	-	3 525
Balance at December 31, 2020		**11 922 205**	**11 922**	**(1 054 899)**	**(52 766)**	**982 438**	**(27 252)**	**(1 016 388)**	**(102046)**
Net loss		-	-	-	-	-	-	(6 831)	(6 831)
Capital increase		1 000 000	1 000	-	-	41 240	-	-	42 240
Other comprehensive income		-	-	-	-	-	5 635	-	5 635
Treasury shares transactions		-	-	(95 233)	(3 793)	-	-	-	(3 793)
Exercise of stock options, net		69 961	70	-	-	1 796	-	-	1 866
Stock-based and restricted/performance share based compensation, net	14	-	-	-	-	4 322	-	-	4 322
Balance at December 31, 2021		**12 992 166**	**12 992**	**(1 150 132)**	**(56 559)**	**1 029 796**	**(21 617)**	**(1 023 219)**	**(58 607)**

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

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

Basilea Pharmaceutica Ltd. and subsidiaries

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

1 Summary of significant accounting policies

Business purpose and history

Basilea Pharmaceutica Ltd., Basel, Switzerland (Basilea), together with its subsidiaries (together, the Company), is a commercial-stage biopharmaceutical company committed to discovering, developing and commercializing innovative drugs to meet the needs of patients with bacterial and fungal infections and cancer.

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

Basis of presentation

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

Principles of consolidation

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

Use of estimates

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

Fair value measurements

The Company applies the Accounting Standard Codification (ASC) 820 "Fair Value Measurements and Disclosures". ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In measuring fair value, the Company evaluates valuation approaches such as the market approach, the income approach and the cost approach. A three-level valuation hierarchy, which prioritizes the inputs to valuation approaches that are

used to measure fair value, is based upon whether such inputs are observable or unobservable.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions made by the Company. The three-level hierarchy for the inputs to valuation approaches is briefly summarized as follows:

Level 1— Observable inputs such as quoted prices (unadjusted) for identical instruments in active markets;
Level 2— Observable inputs such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-derived valuations whose significant inputs are observable for substantially the full term of the assets or liabilities; and
Level 3— Unobservable inputs that reflect the Company's estimate of assumptions that market participants would use in pricing the asset or liability.

The Company’s financial instruments consist mainly of short-term and long-term financial assets and liabilities, including cash and cash equivalents, short-term and long-term investments, accounts receivable, other receivables, other current assets, accounts payable, accruals and other current liabilities and the Company’s convertible senior unsecured bonds.

The fair value of the financial instruments included in working capital approximate their carrying value due to the short-term nature of these positions. The carrying values of the long-term investments approximate their fair values, since they bear interest at rates close to the prevailing market rates.

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

In CHF million	2021	2020
Convertible senior unsecured bonds (Level 1)	224.6	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.

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

For consolidation purposes, income, expenses and cash flows are translated at the average exchange rate during the period. Assets and liabilities are translated at the period-end exchange rate. The resulting translation adjustment is recorded

as accumulated other comprehensive income/loss in shareholders' equity (deficit).

Short- and long-term investments

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

Accounts receivable and other receivables

Accounts receivable and other receivables are recorded at net realizable value after consideration of an allowance for doubtful accounts. The Company maintains allowances for estimated uncollectible receivables based on historical experience and specifically identified at-risk accounts. The adequacy of the allowance is evaluated on an ongoing and periodic basis and adjustments are made in the period in which a change in condition occurs. Other receivables mainly include various prepayments as well as unbilled revenue, which consists of revenue earned but not yet invoiced.

Inventories

Costs related to the manufacturing of inventories are expensed as research and development expenses when incurred prior to obtaining regulatory approval or evidence being available that regulatory approval for the respective product can reasonably be expected. If regulatory approval is subsequently obtained, the recorded expenses are not reversed.

Costs related to the manufacturing of inventories which occurred after the receipt of regulatory approval for the respective product or evidence being available that regulatory approval can reasonably be expected are capitalized. Inventories are valued at the lower of cost and net realizable value. Cost is determined based on the first-in first-out principle. If inventory costs exceed the net realizable value, a provision is recorded. In addition, provisions are recorded due to obsolescence or lack of demand.

Tangible assets

Tangible assets are recorded at cost less accumulated depreciation and impairment. Depreciation is determined on a straight-line basis over the estimated useful lives of the assets of approximately 20 years for buildings, 5 years for research & development equipment, 3 years for furniture and office equipment and 3 years for IT hardware and equipment. Leasehold improvements are depreciated over the shorter of 5-10 years or the lease term. Land is recorded at cost and is not depreciated. Land-use rights are depreciated over the term of the granted right.

Expenditures for major renewals and improvements that extend the asset life are capitalized, while expenditures for maintenance and repairs are charged to the statement of operations as incurred.

The cost and related accumulated depreciation of assets sold or otherwise disposed of are removed from the related accounts, and resulting gains or losses are reflected in the statement of operations.

Intangible assets

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

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

The cost and related accumulated amortization of assets sold or otherwise disposed of are removed from the related accounts, and resulting gains or losses are reflected in the statement of operations.

Impairment of long-lived assets

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

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

Convertible senior unsecured bonds

The convertible senior unsecured bonds were initially measured as a liability based on the proceeds received and are presented net of issuance costs incurred. The issuance costs are amortized as interest expense over the life of the debt instrument resulting in the accretion of the liability of the convertible senior unsecured bonds until maturity.

Treasury shares

Treasury shares are recognized at the acquisition costs of the shares. Shares issued from treasury are recognized using the first-in first-out method.

Leases

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

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

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

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

Revenue recognition

Revenue is recognized when control of the promised goods or services is transferred to the customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

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

In CHF million	2021	2020
Product revenue	26.2	48.7
Contract revenue	105.2	63.3
Revenue from research & development services	0.2	0.4
Other revenue:		
BARDA revenue	14.0	13.2
Others	2.5	2.0
Total	**148.1**	**127.6**

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 Share Units and Performance Share Units

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

The stock-based compensation expenses are allocated over the vesting period of the award. For awards which consist of portions with different vesting periods, the compensation expense is recognized pro rata for each portion of the award over the respective vesting period of such portion.

The Company applies ASC 718 "Compensation – Stock Compensation" for its Restricted Share Units (RSUs) and its Performance Share Units (PSUs). Management and certain key employees are eligible to receive PSUs. For RSUs certain employees are eligible to receive them only.

PSUs represent a promise to deliver shares to employees after the vesting period if certain vesting conditions, 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 in-market 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.

Earnings/Loss per share

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

Diluted earnings/loss per share include the effect of all potential shares, consisting of stock options using the treasury-stock method, as well as shares issuable upon conversion of the convertible senior unsecured bonds, determined on an "if-converted" basis. For purposes of the loss per share calculation, potentially dilutive securities consisting of stock options and the convertible senior unsecured bonds are considered to be potential shares and, for each loss period presented in these consolidated financial statements, are excluded in the calculation of diluted net loss per share because their effect would be antidilutive.

Pension plans

The Company applies ASC 715 "Compensation – Retirement Benefits" related to its pension plan. According to ASC 715, the projected benefit obligation for defined benefit pension plans is calculated annually by independent actuaries using the projected unit credit method. The projected benefit obligation at period end represents the actuarial present value of the estimated future payments required to settle the obligation that is attributable to employee services rendered before that date.

The Company records net gains/losses, consisting of actuarial gains/losses, curtailment gains/losses and differences between expected and actual returns on plan assets, in other comprehensive income/loss. Such net gains/losses are recorded directly in the consolidated statements of operations to the extent that they exceed 10% of the greater of projected benefit obligations or pension assets. The Company further records prior service costs/credits from plan amendments in other comprehensive income/loss in the period of the respective plan amendment and amortizes such amounts to the consolidated statement of operations over the future service period of the plan participants.

The Company records the service cost component of the net benefit costs with the other employee compensation costs within the result from operations. The other components will be reported separately outside of the result of operations.

In case the cost of all settlements is less than the sum of the service cost and interest cost components of net periodic pension cost for the plan for the year, the respective loss will not be recognized in the statement of operations.

Certain risks and uncertainties

The Company is subject to risks common to companies in its industry including but not limited to: uncertainty of results of clinical trials for its compounds; ability to achieve regulatory approval for its compounds; acceptance of Company's products by the market in case they obtained regulatory approval; ability to market its products; ability to manufacture its products at reasonable costs; protection of proprietary technology and intellectual property; development of new technological innovations by its competitors; dependence on key personnel; dependence on key suppliers; changes in foreign currency rates and compliance with governmental and other regulations.

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

New accounting pronouncements

As new accounting pronouncements are released, the Company reviews such pronouncements for the potential impact on the Company's financial statements. The new accounting pronouncements below may have an impact on the financial statements of the Company.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses" (Topic 326). This topic introduces the current expected credit loss (CECL) model for assets that are measured at amortized cost and certain other instruments. The CECL impairment model requires an estimate of expected credit losses, measured over the contractual life of an instrument, that considers forecasts of future economic conditions in addition to information about past events and current conditions. This update will be effective for fiscal years beginning after December 15, 2022 and requires a cumulative-effect adjustment

to the statement of financial position as of the beginning of the first reporting period in which the guidance is effective. Periods prior to the adoption date that are presented for comparative purposes are not adjusted. The Company does currently not expect that the adoption of this guidance will have a material impact on the financial statements.

In August 2018, the FASB issued ASU No. 2018-14, "Compensation-Retirement Benefits-Defined Benefit Plans-General" (Subtopic 715-20). The amendment modified the disclosure requirements for employers that sponsor defined benefit pension or other post-retirement 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 was presented in the 2020 consolidated financial statements.

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

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

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

2 Tangible assets

In CHF million	Land/Land-use rights	Buildings	Equipment	Total
2021				
Cost				
January 1, 2021	0.2	1.9	24.6	26.7
Additions	-	-	1.0	1.0
Disposals / Reclassifications	-	-	(3.6)	(3.6)
Disposals of consolidated companies	(0.2)	(1.9)	(5.5)	(7.6)
Currency effect	0.0	0.0	0.1	0.1
December 31, 2021	-	-	16.6	16.6
Accumulated depreciation				
January 1, 2021	0.0	1.7	22.4	24.1
Additions	0.0	0.0	0.5	0.5
Disposals & Depr. Transfers	-	-	(3.2)	(3.2)
Disposals of consolidated companies	0.0	(1.7)	(5.2)	(6.9)
Currency effect	0.0	0.0	0.1	0.1
December 31, 2021	-	-	14.6	14.6
Net book value as of December 31, 2021	**-**	**-**	**2.0**	**2.0**
2020				
Cost				
January 1, 2020	1.5	19.0	23.7	44.2
Additions	0.0	0.0	1.8	1.8
Disposals	(1.3)	(17.1)	(0.8)	(19.2)
Currency effect	0.0	0.0	(0.1)	(0.1)
December 31, 2020	0.2	1.9	24.6	26.7
Accumulated depreciation				
January 1, 2020	0.0	16.2	22.8	39.0
Additions	0.0	0.5	0.5	1.0
Disposals	0.0	(15.1)	(0.8)	(15.9)
Currency effect	0.0	0.1	(0.1)	0.0
December 31, 2020	0.0	1.7	22.4	24.1
Net book value as of December 31, 2020	**0.2**	**0.2**	**2.2**	**2.6**

3 Intangible assets

The intangible assets as of December 31, 2021 and 2020 consist of software for internal use:

In CHF million	2021	2020
Cost		
January 1	**5.8**	**5.3**
Additions	0.3	0.5
Disposals	-	-
Disposals of consolidated companies	(0.5)	-
Currency effect	0.0	0.0
December 31	**5.6**	**5.8**
Accumulated amortization		
January 1	**5.1**	**5.0**
Additions	0.2	0.1
Disposals	-	-
Disposals of consolidated companies	(0.4)	-
Currency effect	0.0	0.0
December 31	**4.9**	**5.1**
Net book value as of December 31	**0.6**	**0.7**

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

Amount in CHF million	
2022	0.3
2023	0.2
2024	0.1
Thereafter	-
Total	**0.6**

4 Segment and geographic information

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

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

In CHF million	2021	2020
Switzerland	2.0	1.9
China	-	0.7
Total	**2.0**	**2.6**

As of December 31, 2021, the Company recorded operating lease ROU assets of CHF 0.9 million (December 31, 2020: CHF 2.6 million) in operating lease Right-of-Use assets. The ROU asset is geographically allocated to Switzerland and not presented in the table above.

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

In CHF million	2021
Republic of Ireland	62.1
Japan	56.5
USA	14.5
Switzerland	3.7
Uruguay	3.4
Sweden	2.8
Jordan	2.2
Canada	2.2
Other	0.7
Total	**148.1**

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

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

In 2021, the Company recognized total revenue in the amount of CHF 62.1 million (2020: CHF 56.9 million) with Pfizer Inc., CHF 48.7 million (2020: CHF 38.4 million) with Astellas and CHF 14.0 million (2020: CHF 13.2 million) with BARDA.

5 Accounts receivable

The accounts receivable primarily consist of receivables from Pfizer for milestones related to activities for isavuconazole. As of December 31, 2021 and 2020, the Company recorded no allowance for estimated uncollectible receivables.

6 Short- and long-term investments

The short-term investments as of December 31, 2021, contain short-term time deposits with banks, denominated in Swiss Francs, in the amount of CHF 95.0 million (December 31, 2020: CHF 101.0 million). As of December 31, 2021 the Company had CHF 2.4 million in long-term investments (December 31, 2020: none).

7 Cash and cash equivalents

Cash and cash equivalents consisted of the following components:

In CHF million	2021	2020
Cash	53.7	50.1
Short-term time deposits (less than 3 months)	-	10.7
Total	**53.7**	**60.8**

As of December 31, 2021, the Company had outstanding bank guarantees in the amount of CHF 2.3 million (December 31, 2020: CHF 1.0 million).

8 Other receivables

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

In CHF million	2021	2020
VAT receivables	5.4	6.0
Royalty receivables (see Note 10 Agreements)	12.0	13.4
Contractual milestone receivables (see Note 10 Agreements)	15.0	-
Receivables from BARDA (see Note 10 Agreements)	3.8	2.2
Other	3.3	2.1
Total	**39.5**	**23.7**

9 Inventories

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

In CHF million	2021	2020
Raw materials	2.0	7.1
Semi-finished products	32.4	26.5
Finished products	0.2	1.2
Inventory provisions	(11.9)	(13.6)
Total	**22.8**	**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 6.7 million reflect that material was produced prior to approval. The Company intends to use such material to manufacture products for commercialization. In addition, as of December 31, 2021, the Company recorded additional provisions for inventory in the total amount of CHF 5.2 million.

10 Agreements

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

Total revenue from agreements:

Partner	Total Revenue		Product Revenue		Contract Revenue						Other Revenue[1]	
In CHF million	2021	2020	2021	2020	2021			2020			2021	2020
						ROY	Other		ROY	Other		
Pfizer	62.1	56.8	14.8	38.1	47.3	19.9	27.3	18.4	12.4	6.0	-	0.4
Astellas	48.6	38.4	-	-	48.2	33.2	15.0	37.8	28.8	9.0	0.4	0.6
Asahi	7.8	1.8	-	-	6.3	-	6.3	1.3	-	1.3	1.5	0.5
BARDA	14.0	13.2	-	-	-	-	-	-	-	-	14.0	13.2
Gosun	0.5	5.3	0.3	0.5	-	-	-	4.1	-	4.1	0.2	0.7
Distributors	14.5	11.7	11.1	10.2	3.3	-	3.3	1.5	-	1.5	0.1	0.1
Others	0.6	0.4	-	-	-	-	-	-	-	-	0.6	0.4
	148.1	**127.6**	**26.2**	**48.7**	**105.1**	**53.2**	**51.9**	**63.0**	**41.2**	**21.8**	**16.8**	**15.8**

Revenue from agreements excluding deferred revenue components:

Partner	Total Revenue		Product Revenue		Contract Revenue						Other Revenue[1]	
In CHF million	2021	2020	2021	2020	2021			2020			2021	2020
						ROY	Other		ROY	Other		
Pfizer	62.1	36.1	14.8	17.3	47.3	19.9	27.3	18.4	12.4	6.0	-	0.4
Astellas	48.6	29.4	-	-	48.2	33.2	15.0	28.8	28.8	-	0.4	0.6
Asahi	6.5	0.5	-	-	5.0	-	5.0	-	-	-	1.5	0.5
BARDA	14.0	13.2	-	-	-	-	-	-	-	-	14.0	13.2
Gosun	0.5	3.9	0.3	0.5	-	-	-	2.7	-	2.7	0.2	0.7
Distributors	13.3	10.5	11.1	10.2	2.1	-	2.1	0.3	-	0.3	0.1	0.1
Others	0.6	0.4	-	-	-	-	-	-	-	-	0.6	0.4
	145.6	**94.0**	**26.2**	**28.0**	**102.6**	**53.2**	**49.4**	**50.2**	**41.2**	**9.0**	**16.8**	**15.8**

1 Includes R&D services revenue of CHF 0.2 million which is separately disclosed in the statement of operations (2020: CHF 0.4 million)

Deferred revenue components only:

Partner	Total		Product Revenue		Contract Revenue	
In CHF million	2021	2020	2021	2020	2021	2020
Pfizer	-	20.7	-	20.7	-	-
Astellas	-	9.0	-	-	-	9.0
Asahi	1.3	1.3	-	-	1.3	1.3
Gosun	-	1.4	-	-	-	1.4
Distributors	1.2	1.2	-	-	1.2	1.2
	2.5	**33.6**	**-**	**20.7**	**2.5**	**12.8**

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 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's sales in the Territories.

The original agreement consists of three deliverables: grant of an exclusive commercial license, obligation to supply isavuconazole to Pfizer 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 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 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 based on the estimated standalone selling price of each unit during the Supply Service Term. The Company concluded that the Amendment results in a separate performance obligation based on the contract modification which is treated as a separate contract.

In 2018, under the Amendment, the Company received a non-refundable upfront payment of USD 3.0 million (CHF 2.9 million) from Pfizer. 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 are recorded gross and recognized in product revenue upon delivery. Any milestone payments are being recognized as contract revenue over the remaining performance period based on the progress towards satisfying its identified performance obligation. Royalty revenue is recognized when earned as the license is the predominant item of the contract.

In 2020, the Supply Service Term ended and in June 2020, the Company entered into a Supply Service Agreement with Pfizer Under the terms of the agreement the Company shall deliver Active Pharmaceutical Ingredient (API) and certain semi-finished products to Pfizer 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.

In 2021, the Company recognized CHF 14.8 million (2020: CHF 38.1 million) as product revenue, thereof no revenue (2020: CHF 20.7 million) is related to the upfront payment for the Territory and CHF 14.8 million (2020: CHF 17.3 million) to product sales. In 2021 the Company recognized royalty revenue of CHF 19.9 million (2020: CHF 12.4 million).

In January 2021 and in November 2021, the Company recognized two sales milestone payments related to the Territory of USD 10.0 million (CHF 8.9 million) and USD 10.0 million (CHF 9.2 million), respectively, as contract revenue. In December 2021, the Company recognized a regulatory milestone payment for the grant of a Drug Approval License for Cresemba in China of USD 10.0 million (CHF 9.2 million) as contract revenue.

In June 2020, the Company recognized a regulatory milestone payment related to the Territory of total CHF 5.0 million and in February and July 2020 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 fully 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.

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 fully 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.

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 fully 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.

In 2021, the Company recognized no revenue (2020: CHF 9.0 million) as contract revenue related to the upfront and milestone payments and recognized royalties in contract revenue in the total amount of CHF 33.2 million (2020: CHF 28.8 million). In addition, in December 2021, the Company recognized a sales milestone payment of CHF 15.0 million (2020: none). Furthermore, the Company recognized CHF 0.4 million (2020: CHF 0.6 million) related to services provided by the Company to Astellas related to isavuconazole in other revenue.

In 2021, the Company reported CHF 2.4 million (2020: CHF 2.0 million) research and development expenses for isavuconazole net of cost reimbursements from Astellas of CHF 0.8 million (2020: CHF 0.3 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 was recognized over the period over which the Ongoing Documentation and Information Transfer Obligation was provided up to submission of the NDA in September 2021.

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 was recognized as contract revenue over the service period in line with the period over which the Ongoing Documentation and Information Transfer Obligation was provided up to submission of the NDA in September 2021. As of December 31, 2021, the Company presented no deferred revenue (December 31, 2020: CHF 1.3 million) on its balance sheet, of which no revenue (December 31, 2020: CHF 1.3 million) is presented as current liabilities.

In 2021, the Company recognized CHF 1.3 million (2020: CHF 1.3 million) as contract revenue related to this upfront payment and CHF 1.5 million (2020: CHF 0.5 million) related to services provided by the Company to Asahi for isavuconazole.

In September 2021, the Company recognized a regulatory milestone payment related to the market authorization application of isavuconazole in Japan of total CHF 5.0 million as contract revenue.

License agreement with Shenzhen China Resources Gosun Pharmaceuticals Co. Ltd. related to ceftobiprole

In September 2017, the Company entered into a development, manufacturing and commercialization agreement with Shenzhen China Resources Gosun Pharmaceuticals Co. Ltd. (Gosun) to develop, manufacture and commercialize 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. 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 China and the service period ended. Therefore the Company decided to recognize the remaining deferred revenue of the non-refundable net upfront payment.

In 2021, the Company recognized no revenue (2020: CHF 1.4 million) as contract revenue related to the upfront payment. In November 2020, the Company recognized a regulatory milestone payment of CHF 3.0 million gross (CHF 2.7 million net of withholding tax as contract revenue).

Distribution agreements

In 2017 and 2016, the Company entered into exclusive distribution agreements for Basilea's antifungal isavuconazole and antibiotic ceftobiprole with Avir Pharma Inc. for Canada, Grupo Biotoscana S.L. (GBT) for Latin and South America and Unimedic Pharma AB (Unimedic) for the Nordic countries, respectively. In 2017, the Company also entered into an exclusive distribution agreement for Basilea's antibiotic ceftobiprole with Correvio Pharma Corp. (Correvio) for Europe (excluding the Nordic countries) and Israel. In addition, the Company expanded its existing distribution agreement for ceftobiprole in 2016 with Hikma Pharmaceuticals LLC (Hikma) for the Middle East and North Africa for isavuconazole.

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

In 2017 and 2016, the Company received non-refundable upfront payments of CHF 6.3 million and CHF 12.1 million, respectively, in connection with these distribution agreements. In 2015, the Company received a non-refundable upfront payment of CHF 1.0 million. Thereof, CHF 6.3 million and CHF 12.0 million were recorded as deferred revenue in 2017 and 2016, respectively. In 2015, CHF 1.0 million was recorded as deferred revenue. The deferred revenue is recognized as contract revenue over the remaining performance period, approximately until 2032. As of December 31, 2021, the Company presented deferred revenue of CHF 13.2 million (December 31, 2020: CHF 14.5 million) on its balance sheet, of which CHF 1.3 million (December 31, 2020: CHF 1.3 million) is presented as current liabilities.

In 2021, the Company recognized CHF 1.2 million (2020: CHF 1.2 million) as contract revenue related to these payments and product revenue in the total amount of CHF 11.1 million (2020: CHF 10.2 million) related to these distribution agreements. In July 2021, the Company recognized an upfront payment of EUR 0.2 million (CHF 0.2 million) from JSC Lancet for the exclusive right to register, distribute and commercialize Zevtera in Russia and other countries of the Eurasian Economic Union in contract revenue. In September 2021, the Company recognized a sales milestone payment of CAD 0.6 million (CHF 0.4 million) from Avir in contract revenue. In December 2021, the Company recognized a compensation payment of CHF 1.0 million from GBT and a sales milestone payment of CHF 0.4 million from Unimedic in contract revenue.

Contract with BARDA for ceftobiprole U.S. phase 3 development program

In April 2016, the Company entered into a contract with BARDA for the clinical phase 3 development of ceftobiprole aiming to gain regulatory approval for the drug in the U.S. As of December 31, 2021, the Company was awarded a total amount of USD 108.7 million (December 31, 2020: USD 104.4 million) under this contract to support the phase 3 development of ceftobiprole. In 2021, the Company received a total of USD 13.6 million or CHF 12.5 million, respectively (December 31, 2020: USD 14.0 million or CHF 13.1 million, respectively) in payments from BARDA under the contract. The Company considers the arrangement to be part of its ongoing major operations. Hence, other revenue is recorded when recoverable costs are incurred.

In 2021, the Company recognized CHF 14.0 million (2020: CHF 13.2 million) as other revenue related to the BARDA contract.

License agreement with ArQule Inc. related to derazantinib

In April 2018, the Company has in-licensed the oncology drug candidate ARQ 087 (derazantinib) from ArQule Inc., a wholly-owned subsidiary of Merck & Co., Inc., Kenilworth, N.J., U.S.A. The exclusive license is worldwide, excluding China, Hong Kong, Macau and Taiwan.

Under the terms of the agreement, ArQule 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 of USD 10.0 million (CHF 9.6 million) upon execution of the agreement. ArQule 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.

11 Convertible senior unsecured bonds

On December 23, 2015, the Company issued CHF 200 million aggregate principal amount of convertible senior unsecured bonds due December 23, 2022 (2022 bonds), which were sold to existing shareholders and certain institutional investors (Holders). The Company received total net proceeds from the sale of the 2022 bonds of approximately CHF 194.7 million, after deducting issuance costs of CHF 5.3 million.

In July 2020, the Company placed a repurchase offer for 2022 bonds. On July 28, 2020 (payment date), the Company issued CHF 97.1 million aggregate principal amount of convertible senior unsecured bonds due July 28, 2027 (2027 bonds). The Company received total net proceeds from the sale of the 2027 bonds of approximately CHF 93.9 million, after deducting issuance costs of CHF 3.2 million. Part of the net proceeds have been used to repurchase CHF 47.1 million of the nominal value of the 2022 bonds. In June 2020, in connection with the issuance of the 2027 bonds, the Company entered into a share lending agreement for 1,000,000 registered treasury shares until 2027. The fair value of the issued loaned shares as of December 31, 2021, amounted to CHF 40.9 million. These shares are deducted in the calculation of the weighted average shares outstanding.

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

In CHF million	Maturity date	2021	2020
2022 convertible senior unsecured bonds	December 23, 2022	123.5	145.6
2027 convertible senior unsecured bonds	July 28, 2027	94.5	94.1
Total		**218.0**	**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 current number of underlying shares is 983,052 shares. The conversion ratio and the corresponding conversion price will be subject to adjustment upon the occurrence of certain events, but will not be adjusted for any accrued and unpaid interest. If the Company undergoes a fundamental change, Holders may require the Company to purchase 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 since 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 paymant date (July 28, 2020) up to and including seven trading days before the maturity date.

In the event of conversion of the 2027 bonds, the Company will deliver shares of the Company's common stock. The conversion ratio is initially 80 shares per bond representing CHF 5,000, the principal amount of one bond (equivalent to an initial conversion price of CHF 62.50 per share of the Company's common stock). For all 2027 bonds together the current number of underlying shares is 1,553,360 shares. The conversion ratio and the corresponding conversion price will be subject to adjustment upon the occurrence of certain events, but will not be adjusted for any accrued and unpaid interest.

The 2027 bonds will be redeemable at the Company's option on or after August 12, 2025, if the volume weighted average price of a share on each of at least 20 out of 30 consecutive trading days is at least 130% of the prevailing conversion price or at any time if less than 15% of the aggregate principal amount is outstanding.

The 2027 bondholders may redeem the 2027 bonds at the principal amount plus accrued and unpaid interest (optional put) in the event the Company’s shares are delisted or on the fifth anniversary of the payment date.

The Company may issue a share settlement on the fifth anniversary of the payment date or on the maturity date subject to certain conditions.

Total issuance costs of CHF 3.1 million related to the 2027 bonds include legal fees and other issuance-related costs and were deducted from the proceeds of the 2027 bonds. The Company will accrete the issuance costs as interest expense over the contractual term of the 2027 bonds.

For the year ended December 31, 2021, the Company recognized interest expense of CHF 6.8 million (2020: CHF 6.3 million) for contractual coupon interest and CHF 1.1 million (2020: CHF 1.2 million) for recognition of the issuance costs for its 2022 bonds and 2027 bonds. The remaining unamortized debt issuances costs of CHF 3.0 million will be recognized over the remaining term of the convertible senior unsecured bonds, which is approximately 1 year for the 2022 bonds and 5.5 years for the 2027 bonds.

The table below outlines the amortization and repayment related to the convertible senior unsecured bonds as of December 31, 2021, is as follows:

Amount in CHF million	2022 bonds	2027 bonds	**Total**
2022	127.8	3.2	131.0
2023	-	3.2	3.2
2024	-	3.2	3.2
2025	-	3.2	3.2
2026	-	3.2	3.2
Thereafter	-	98.6	98.6
Total minimum payments, including unamortized issuance costs	**127.8**	**114.6**	**242.4**
Less amount representing interest	(3.8)	(17.6)	(21.4)
Convertible senior unsecured bonds, gross	**124.0**	**97.0**	**221.0**
Unamortized issuance costs on convertible senior unsecured bonds	(0.5)	(2.5)	(3.0)
Convertible senior unsecured bonds, including unamortized issuance costs	**123.5**	**94.5**	**218.0**

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 2,536,412 shares of common stock. See Note 16 to these consolidated financial statements for a computation of diluted loss per share.

12 Accruals and other current liabilities

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

In CHF million	**2021**	2020
Accrued research & development expenses	16.8	9.6
Accrued personnel and compensation costs	8.3	9.4
Accrued sales and marketing expenses	0.7	0.5
Accrued payables for goods received	4.2	5.2
VAT payables	1.0	0.8
Accrued taxes and consultant fees	0.5	0.8
Accrued royalties	1.1	1.0
Other current liabilities	5.6	5.4
Total accruals and other current liabilities	**38.2**	**32.7**

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

13 Income taxes

As of December 31, 2021, the Company has tax loss carry forwards of CHF 398.9 million (December 31, 2020: CHF 478.0 million) of which CHF 287.6 million will expire within the next five years and CHF 111.3 million will expire within six to eight years. In 2021, tax loss carry forwards of CHF 83.7 million expired.

The significant components of net deferred taxes as of December 31, 2021 and 2020 are shown in the following table:

In CHF million	2021	2020
Deferred tax assets:		
Net benefit from tax loss carry forwards [1]	52.0	59.5
Deferred revenue	1.7	2.0
Stock-based compensation cost	11.5	11.2
Other, net	1.1	1.4
Valuation allowance	(66.3)	(74.1)
Net deferred taxes	**0.0**	**0.0**

1 As of December 31, 2021, the position includes CHF 1.5 million (December 31, 2020: 1.4 million) related to windfall tax benefits from stock-based compensation that would be credited to shareholders' equity, if realizable.

The Company established a valuation allowance in 2021 and 2020, to reduce the net deferred taxes, as the Company deemed it to be not more likely than not that the future deferred tax assets would be realized in the future based on the lack of sufficient positive evidence in the jurisdictions related to the realization of the deferred tax assets.

The effective tax rate for 2021 was 0.5 % (2020: 0.4 %). The following table shows the income taxes in 2021 and 2020:

In CHF million	2021	2020
Current tax expenses	0.0	0.1
Total income tax expenses	**0.0**	**0.1**

The current tax expenses in 2021 and 2020, are solely related to foreign taxable income.

The expected tax rate for 2021 was 12.8 % (2020: 10.3 %). The following table shows the reconciliation between expected and effective tax rate:

As a percentage	2021	2020
Expected tax rate [1]	12.8	10.3
Effect of not-taxable differences [2]	(0.4)	(0.4)
Valuation allowance on deferred tax assets	(11.9)	(9.5)
Effective tax rate	**0.5**	**0.4**

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

Basilea and its subsidiaries file income tax returns in Switzerland and in foreign jurisdictions. Basilea's income tax position in Switzerland is finally assessed up to the fiscal year 2020.

As of December 31, 2021 and 2020, there were no unrecognized tax benefits. The Company did not incur any significant interest or penalties in connection with income taxes in the years 2021 and 2020.

14 Stock-based compensation and Restricted / Performance Share Units

The Company established a stock option plan effective on December 13, 2000, to incentivize executives and certain employees and provide an opportunity to obtain stock options on registered shares of Basilea. In order to minimize a potential dilution of shareholders, stock option granted after 2015 are net settled. Any new grants under the long-term incentive plan are limited by the guiding principle that the total potential dilution at the grant date shall not exceed 10% of the total outstanding share capital on a fully diluted basis. In April, 2021, the Company replaced its stock option plan by a new long-term incentive plan (LTIP). Under this LTIP the Company granted Performance Share Units (PSUs) and Restricted Share Units (RSUs) in 2021.

The shareholders have approved conditional capital for the issuance of shares related to the LTIP, of which CHF 1.8 million remain available as of December 31, 2021. CHF 1.5 million of this remaining available conditional capital is reserved for stock options, PSUs and RSUs, which were issued and outstanding as of December 31, 2021.

Stock option plan

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

The vesting periods of the stock options outstanding as of December 31, 2021, which represent the requisite service periods, range from one to three years with contractual terms of the stock options being ten years. The stock option plan foresees accelerated vesting if there is a change of control as defined by the stock option plan.

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

	Weighted average exercise price (in CHF)	Number of options
Balance at December 31, 2019	**75.75**	**1 519 410**
Options granted	47.60	178 238
Options forfeited	51.18	(10 850)
Options exercised	33.41	(40 260)
Options expired	63.34	(102 090)
Balance at December 31, 2020	**74.60**	**1 544 448**
Options granted	0.00	-
Options forfeited	48.56	(19 850)
Options exercised	27.17	(69 961)
Options expired	25.00	(2 210)
Balance at December 31, 2021	**77.33**	**1 452 427**

The following table provides information on the stock options outstanding and the stock options exercisable as of December 31, 2021:

	Options exercisable plus options expected to vest[1]	Options exercisable
Number of options	1 402 346	859 346
Weighted average exercise price, in CHF	78.39	90.92
Weighted average remaining contractual life, in years	4.5	3.0

1 Number of options considers expected forfeitures.

Based on (a) the stock options exercisable as of December 31, 2021, including stock options expected to vest in the future and (b) the stock options exercisable as of December 31, 2021, the aggregate intrinsic values of such number of options were CHF 0.3 million and CHF 0.3 million, respectively.

In 2021 no options were granted. The total aggregate intrinsic value of stock options exercised during 2021 was CHF 1.2 million (2020: CHF 0.9 million).

The unrecognized compensation cost as of December 31, 2021, related to stock options amounts to CHF 1.8 million and is expected to be recognized over a weighted average period of 1.5 years.

The Company recorded total stock-based compensation expenses of CHF 3.3 million in 2021, related to its stock-based compensation award programs (2020: CHF 3.5 million), of which CHF 1.6 million was recorded in research & development expenses (2020: CHF 1.7 million) and CHF 1.7 million as part of selling, general & administrative expenses (2020: CHF 1.8 million) in the statement of operations.

Restricted and Performance Share Units plan

Under the LTIP certain employees are entitled to receive RSUs or PSUs. Each RSU converts into one full paid-in registered share with a par value of CHF 1.00 upon vesting. Each PSU may convert into up to two fully paid-in registered shares with a par value of CHF 1.00 upon vesting. The conversion ratio depends on the relative total shareholder return (rTSR) of the Company's share price against a Swiss share index calles Swiss Performance Index Extra (SPI Extra) and on the compounded annual growth rate (CAGR) of in-market sales of Cresemba. PSUs vest after three years, RSUs vest after three years for employees or after one year for the Board of Directors.

The following table summarizes the activity under the Company's restricted and performance share units plan:

	PSU		RSU		Board of Directors RSU	
	Weighted average grant date fair value	Number of share units	Weighted average grant date fair value	Number of share units	Weighted average grant date fair value	Number of share units
Share units granted	43.66	53 281	47.42	30 875	47.42	6 621
Share units forfeited	-	-	47.42	(1 264)	-	-
Share units vested	-	-	-	-	-	-
Balance at December 31, 2021	**43.66**	**53 281**	**47.42**	**29 611**	**47.42**	**6 621**

In April 2021, the Company granted the first time 53,281 PSUs, 30,875 RSUs and 6,621 Board of Directors RSUs. 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 and CHF 0.3 million for the Board of Directors RSU.
The PSU fair value for the 2021 granted share units is based on the fair value of the two key performance indicators (KPIs) rTSR and CAGR, whereas each KPI fair value is weighted with 50%. The rTSR fair value is calculated by using a monte carlo simulation of the Company's share price and the SPI Extra index price. The expected volatility for the Company's share was 37.23% and for the SPI Extra index 16.45%. The risk-free interest rate was -0.56% and the expected correlation 0.49.
The RSU fair value is equal to the Company's share price on the grant date.
As of December 31, 2021, there are 89,513 share units outstanding with a weighted average remaining life of 2.2 years. As of December 31, 2020, there were no share units outstanding.

The following table represents the unrecognized share unit cost that will be recognized over the weighted average remaining life as of December 31, 2021:

in CHF million	2022	2023	2024	Total
PSU	0.9	0.9	0.3	2.1
RSU	0.4	0.4	0.1	0.9
Board of Directors RSU	0.1	-	-	0.1
Total	**1.4**	**1.3**	**0.4**	**3.1**

In 2021, the Company presented following expenses in it's consolidated statements of operations related to its share units plan:

in CHF million	PSU	RSU	Board of Directors RSU	Total
Research & development expenses, net	0.3	0.2	-	0.5
Selling, general & administrative expenses	0.3	0.1	0.2	0.6
Total expenses 2021	**0.6**	**0.3**	**0.2**	**1.1**

The expenses are distributed over the vesting period of 3 years for PSUs and RSUs and 1 year for Board of Directors RSUs, adjusted by expected forfeitures and effective forfeitures.

15 Shareholders' equity

As of December 31, 2021, Basilea had 12,992,166 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.

In 2021, a total of 69,961 stock options were exercised which resulted in the issuance of 69,961 registered shares from conditional capital with a par value of CHF 1.00 per share. In 2020, a total of 40,260 stock options were exercised resulting in the issuance of 40,260 registered shares with a par value of CHF 1.00 per share.

The Company had a total approved conditional capital of CHF 3,767,975 as of December 31, 2021, for the issuance of a maximum of 3,767,975 registered shares with a par value of CHF 1.00 per share. This conditional capital contained CHF 1,767,975 (1,767,975 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 December 31, 2021, the Company held treasury shares in the total amount of CHF 56.6 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 subject to a share lending agreement and held by Basilea Pharmaceutica Ltd. for the potential conversion of the outstanding convertible senior unsecured bonds and further 150,132 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. As described below, CHF 1,000,000 was used for the capital increase. For the remaining CHF 1,000,000 this authorization was extended until April 2023, by shareholder approval at the 2021 ordinary general meeting of shareholders.

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 from this transaction was CHF 42.4 million.

Changes in accumulated other comprehensive income/loss as of December 31, 2021 and 2020:

In CHF million	Currency translation adjustment	Unrecognized pension cost	Reclassification into P&L	Total
December 31, 2019	**(1.8)**	**(22.8)**	**0.0**	**(24.6)**
Change during the period	(0.3)	(2.4)	0.0	(2.7)
Total change during the period	**(0.3)**	**(2.4)**	**0.0**	**(2.7)**
December 31, 2020	**(2.1)**	**(25.2)**	**0.0**	**(27.3)**
Change during the period	0.1	4.4	1.2	5.7
Total change during the period	**0.1**	**4.4**	**1.2**	**5.7**
December 31, 2021	**(2.0)**	**(20.8)**	**1.2**	**(21.6)**

16 Earnings/Loss per share

The calculation of the basic and diluted loss per share in 2021 and 2020 is shown in the table below:

	2021		2020	
	Basic	Diluted	Basic	Diluted
Numerator				
Net loss, in CHF million	(6.8)	(6.8)	(14.7)	(14.7)
Net loss for loss per share calculation, in CHF million	(6.8)	(6.8)	(14.7)	(14.7)
Denominator				
Weighted average shares outstanding, including actual conversion of stock options	11 681 975	11 681 975	10 281 483	10 281 483
Incremental shares according to treasury stock method for assumed conversion of stock options	-	-	-	-
Shares issuable upon conversion of convertible senior unsecured bonds	-	-	-	-
Weighted average shares outstanding, including actual and assumed conversion of stock options	11 681 975	11 681 975	10 281 483	10 281 483
Loss per share in CHF	**(0.58)**	**(0.58)**	**(1.43)**	**(1.43)**

As of December 31, 2021, there were 1,354,909 stock options outstanding with a weighted-average exercise price of CHF 80.17 and 2,536,413 shares issuable upon conversion of convertible senior unsecured bonds, which were not included in the calculation of loss per share for 2021, as the effect of such stock options and shares would have been anti-dilutive. In June 2020, the Company entered into a share lending agreement for 1,000,000 registered treasury shares. These shares are deducted in the calculation of the weighted average shares outstanding.

As of December 31, 2020, there were 1,006,623 stock options outstanding with a weighted-average exercise price of CHF 91.75 and 2,716,545 shares issuable upon conversion of convertible senior unsecured bonds, which were not included in the calculation of loss per share for 2020, as the effect of such stock options and shares would have been anti-dilutive.

17 Pension plan

The Company joined a collective pension plan operated by an insurance company as of January 1, 2012, which covers the employees of Basilea Pharmaceutica International Ltd., Basel, Switzerland. The regulations under the former pension foundation were fully integrated in the collective pension plan. The pension plan is fully reinsured and provides a guaranteed minimum return. As of January 1, 2022, the Company moved to another insurance company for the active participants changing to a partially autonomous pension plan.

The Company and the participants provide monthly contributions to the pension plan which are based on the covered salary. The respective saving parts of premium are credited to employees' accounts. In addition, interest is credited to employees' accounts at the rate provided in the plan. The pension plan provides retirement benefits as well as benefits on long-term disability and death.

The pension plan qualifies as a defined benefit plan in accordance with U.S. GAAP.

The following table provides information on the pension plan for the years 2021 and 2020:

In CHF million	2021	2020
Service cost	3.4	3.3
Interest cost	0.1	0.3
Expected return on plan assets	(0.9)	(0.9)
Amortization of pension related net loss	2.1	1.8
Amortization of prior service cost	(0.1)	(0.2)
Settlements	-	-
Gross benefit expense	4.6	4.3
Participant contributions	(1.2)	(1.2)
Net periodic pension cost	3.4	3.1

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

In CHF million	2021	2020
Projected benefit obligation, beginning of period	**91.1**	**82.0**
Service cost	4.7	4.4
Interest cost	0.1	0.3
Benefits paid, net	(1.4)	(1.0)
Settlements	(18.7)	-
Actuarial (gain)/loss	(9.8)	5.4
Plan Amendment	6.5	-
Projected benefit obligation, end of period	**72.5**	**91.1**
Plan assets, beginning of period	**63.3**	**58.0**
Actual return on plan asset	0.1	2.2
Employer contributions	3.0	2.9
Participant contributions	1.2	1.2
Benefits paid, net	(1.4)	(1.0)
Settlements	(18.7)	-
Plan assets, end of period	**47.5**	**63.3**
Accrued pension liability	**(25.0)**	**(27.8)**

As of December 31, 2021, the Company recorded an accrued pension liability of CHF 25.0 million in other non-current liabilities (December 31, 2020: CHF 27.8 million).

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

The Company records net gains/losses, consisting of actuarial gains/losses, curtailment gains/losses and differences between expected and actual returns on plan assets, in other comprehensive income/loss.

As of December 31, 2021, accumulated other comprehensive income/loss includes unrecognized pension cost of CHF 20.6 million, consisting of a net loss of CHF 14.8 million, determined using actuarial assumptions, and a prior service cost of CHF (5.8) million, that have not yet been recognized as a component of net periodic pension cost. As of December 31, 2020, the accumulated other

comprehensive income/loss included unrecognized pension cost of CHF 25.2 million, consisting of a net loss of CHF 26.0 million and a prior service cost of CHF (0.8) million, that have not yet been recognized as a component of net periodic pension cost. The Company expects that a net amount of CHF 1.7 million will be reclassified from accumulated other comprehensive income/loss and recognized as a component of net periodic pension cost in 2022 as a result of the amortization of the pension-related net loss and the amortization of the prior service cost.

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

In CHF million	2021	2020
Net loss, beginning of period	**(26.0)**	**(23.8)**
Other gain/loss during the period	9.1	(4.0)
Amortization of pension related net loss	2.1	1.8
Settlements	0.0	-
Net loss, end of period	(14.8)	(26.0)
Prior service cost, beginning of period	**0.8**	**1.0**
Amortization of prior service cost	(0.1)	(0.2)
Plan amendment	(6.5)	-
Prior service cost end of period	(5.8)	0.8
Total unrecognized pension cost, end of period	**(20.6)**	**(25.2)**

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

	2021	2020
Discount rate	0.30%	0.15%
Rate of increase in compensation level	1.50%	1.50%
Expected long-term rate of return on plan assets	2.50%	1.45%

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

The accumulated benefit obligation (ABO) as of December 31, 2021 and 2020, amounts to CHF 66.1 million and CHF 84.7 million, respectively.

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

The expected amount of employer contributions to the Company's defined benefit pension plan in 2021 is CHF 2.9 million.

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

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

Amount in CHF million	
2022	3.1
2023	2.9
2024	3.0
2025	3.4
2026	3.5
2027-2031	18.9

In addition to the defined benefit plan described above, the Company recognized no expenses related to defined contribution plans of Basilea's subsidiaries in 2021 (2020: none).

18 Lease commitments

Financing lease contracts

There are no financing ROU assets to be recognized for the financial year ending on December 31, 2021.

Operating lease contracts

The Company entered into operating lease contracts for office spaces. The aggregate minimum operating lease payments are expensed on a straight-line basis over the term of the related lease. For the year ending on December 31, 2021, the Company recorded total operating lease expenses of CHF 1.7 million.

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

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

The Company is recognizing lease expense on a straight-line basis throughout the remaining term of the lease. Given the short duration of the lease, the Company determined that application of the Company's incremental borrowing rate to the future lease payments would not be material. Under the terms of the lease, non-lease components such as utilities and maintenance are not part of the lease payments and are expensed as incurred. Costs incurred for noncomponents

such as taxes and insurance are also paid by the Company and are expensed as incurred.

For the year ending on December 31, 2021, depreciation of the operating lease ROU assets as presented in the statement of operations amounts to CHF 1.7 million. The lease payment resulted in a decrease of the lease liability by CHF 1.7 million. There is approximately half a year of the lease term remaining.

In addition, on June 30, 2020, the Company entered into a lease agreement commencing on June 1, 2022, for office and laboratory space in Allschwil, in the canton of Basel-Landschaft. The lease will be accounted for as an operating lease, consequently a lease liability and a right-of-use asset will be recognized at commencement date. The term of the lease is 10 years and the annual lease payment is estimated to be CHF 2.2 million. Lease incentives estimated to be CHF 1.8 million are payable to the Company over the term of the lease. The Company has the option to extend the lease two times by 5 years.

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

In CHF million	2021	2020
Cost	**Buildings**	Buildings
January 01	4.1	1.3
Additions	-	2.8
Disposals	-	-
December 31	4.1	4.1
Accumulated depreciation		
January 01	(1.5)	(0.4)
Charge	(1.7)	(1.1)
December 31	(3.2)	(1.5)
Total operating lease Right-of-Use assets	**0.9**	**2.6**

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

In CHF million	2021	2020
Buildings	0.9	1.8
Total current operating lease liabilities	**0.9**	**1.8**
Buildings	0.0	0.9
Total non-current operating lease liabilities	**0.0**	**0.9**

The future minimum payments as of December 31, 2021, for operating leases with initial or remaining non-cancellable terms in excess of one year are as follows:

Amount in CHF million	
2022	3.4
2023	2.3
2024	2.3
2025	2.3
2026 and after	14.4
Total	**24.7**

19 Disposal of Subsidiaries

On February 15, 2021, the Company announced that it had entered into a sales agreement with PHT International Inc. (PHT) based in the U.S. The Company divested 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 consisted 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 the 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 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)
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**

20 Concentration of risk

The Company is generally subject to credit risk related to financial investments. The Company mitigates such credit risk by investing the funds only with counterparties, which are rated as high quality investment grade by a major rating agency or are fully guaranteed by Swiss cantons at the time of the Company's investment. As of December 31, 2021, all investments were invested short-term with two banks and amounted to CHF 95.0 million. As of December 31, 2020, all investments were invested short-term with four banks and amounted to CHF 101.0 million.

Cash and cash equivalents as of December 31, 2021, amounted to CHF 53.7 million, of which CHF 53.2 million were held with three 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 December 31, 2021, the highest total amount of cash and cash equivalents and investments held at one bank amounted to CHF 64.6. million. As of December 31, 2020, the highest total amount of cash and cash equivalents and investments held at one bank amounted to CHF 55.0 million.

The Company is also subject to credit risk related to accounts receivable. The highest total amount of accounts receivable with an individual counterparty as of December 31, 2021, was from Pfizer Inc. in the amount of CHF 22.6 million in connection with the license agreement related to isavuconazole. As of December 31, 2020, the highest total amount of accounts receivable with an individual counterparty is from Pfizer Inc. in the amount of CHF 4.5 million in connection with the license agreement related to isavuconazole.

21 Related party transactions

The accounts receivable, accounts payable and accruals and other current liabilities do not include positions due to or from related parties as of December 31, 2021 and 2020.

In 2021 and 2020, the Company paid no fees to its board members for consulting services.

22 Commitments and contingencies

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

As of December 31, 2021, there are no significant contingencies.

23 Subsequent events

The Company decided to explore strategic options to maximise the value of its oncology assets. Subsequent events have been evaluated up to February 10, 2022, the date on which the financial statements were available to be issued.

Report of the statutory auditor

to the General Meeting of Basilea Pharmaceutica Ltd.

Basel

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Basilea Pharmaceutica Ltd., which comprise the balance sheet as at December 31, 2021, statement of operations and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 176-183) as at December 31, 2021 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

Recoverability of investments in subsidiaries, net and accounts receivables affiliates

Key audit matter	How our audit addressed the key audit matter
Basilea Pharmaceutica Ltd. reports investments in subsidiaries, net of CHF 483 million and accounts receivables affiliates of CHF 120 million. We consider the recoverability of the carrying value of these balances to be a key audit matter based on their magnitude and the significant estimates made in the determination of the recoverable value. Refer to note 1 summary of significant accounting policies and note 2 investments of the financial statements.	We assessed whether the recoverability of the carrying value of the investments in subsidiaries, net and the accounts receivables affiliates is supported as per December 31, 2021. We considered the market capitalization of Basilea Pharmaceutica Ltd. at the balance sheet date as an impairment indicator to the value of the investments in subsidiaries, net and accounts receivables affiliates. We obtained Management's valuation of the group. We assessed the reasonableness of the key parameters of the valuation being the forecasted cash flows and the discount rate. We discussed the key assumptions applied in the valuation with Management and the Audit Committee. Further, we compared Management's valuation with analysts' reports and assessed the sensitivity of the valuation to certain parameters. We read the minutes of the meetings of the Board of Directors and discussed their contents and the strategic initiatives with Management and the Audit

	Committee focusing on the relevant judgments relating to the future value of the development projects and the current agreements. We consider the approach used by Management for the purpose of supporting the recoverability of the carrying value of the investments in subsidiaries, net and accounts receivables affiliates to be reasonable.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

We further confirm that the proposed appropriation of loss carried forward complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Bruno Rossi

Audit expert
Auditor in charge

Daniel D Miller

Basel, February 10, 2022

Financial statements of Basilea Pharmaceutica Ltd.

Basilea Pharmaceutica Ltd.

Balance sheets as of December 31, 2021 and 2020 (in CHF thousands)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	21 374	23 133
Short-term investments	40 000	36 023
Restricted cash	1 253	5 507
Other receivables	62	117
Other current assets	1 195	-
Total current assets	**63 884**	**64 780**
Non-current assets		
Accounts receivable:		
Affiliates	120 446	381 531
Investment in subsidiaries, net	483 426	207 450
Long-term loans	2 390	-
Total non-current assets	**606 262**	**588 981**
TOTAL ASSETS	**670 146**	**653 761**
LIABILITIES		
Current liabilities		
Payables, affiliates[1]	698	276
Payables, third party	9	-
Other current liabilities	2 070	2 196
Accruals	328	409
Convertible senior unsecured bonds short-term [1]	123 505	-
Total current liabilities	**126 610**	**2 881**
Non-current liabilities		
Convertible senior unsecured bonds long-term [1]	94 544	239 668
Total non-current liabilities	**94 544**	**239 668**
Total liabilities	**221 154**	**242 549**
SHAREHOLDERS' EQUITY		
Share capital[2]	12 992	11 922
General reserve:		
Reserve from capital contributions	517 251	473 055
Treasury shares[3]	(56 559)	(52 766)
Accumulated deficit	(20 999)	(18 675)
Net loss	(3 693)	(2 324)
Total shareholders' equity	**448 992**	**411 212**
TOTAL LIABILITIES AND EQUITY	**670 146**	**653 761**

1 Interest-bearing.
2 As of December 31, 2021, 12,992,166 shares (December 31, 2020: 11,922,205) were issued and 11,842,034 shares (December 31, 2020: 10,867,306) outstanding with a par value of CHF 1.00 per share.
3 As of December 31, 2021, 1,150,132 shares (December 31, 2020: 1,054,899) with a par value of CHF 1.00.

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

Basilea Pharmaceutica Ltd.

Statements of operations for the years ended December 31, 2021 and 2020 (in CHF thousands)

	2021	2020
Administrative expenses	(877)	(933)
Total operating expenses/income	**(877)**	**(933)**
Operating loss/profit	**(877)**	**(933)**
Financial income	7 751	6 682
Financial expenses	(10 566)	(8 073)
Loss before taxes	**(3 693)**	**(2 324)**
Income taxes	-	-
Net loss	**(3 693)**	**(2 324)**

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

Basilea Pharmaceutica Ltd.

Notes to the financial statements as of December 31, 2021

1 Summary of significant accounting policies

General information

The financial statements of the Company for the year ended 31 December, 2021, have been prepared in accordance with Swiss law. Where not prescribed by law, the significant accounting and valuation policies applied are described below.

Basilea Pharmaceutica Ltd. (the Company) was founded on October 17, 2000, and is registered in Basel, Switzerland. In 2021 and 2020, the Company had no employees.

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

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

Cash and cash equivalents

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

Accounts receivable

Accounts receivable and other receivables are recorded at net realizable value after consideration of an allowance for doubtful accounts. The Company generally maintains allowances for estimated uncollectible receivables based on historical experience and specifically identified at-risk accounts. The adequacy of the allowance is evaluated on an ongoing and periodic basis and adjustments are made in the period in which a change in condition occurs. The Company did not record a valuation allowance as of December 31, 2021 and 2020.

Investment in subsidiaries

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

As per December 31, 2021, Management made an assessment of the recoverability of the non-current assets and concluded that these are fully recoverable.

Convertible senior unsecured bonds

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

In July, 2020, the Company placed a repurchase offer to holders of the 2022 bonds. On July 28, 2020, the Company issued CHF 97.1 million aggregate principal amount of convertible senior unsecured bonds due July 28, 2027 (2027 bonds). The Company received total net proceeds from the sale of the 2027 bonds of approximately CHF 93.9 million, after deducting issuance costs of CHF 3.2 million. Part of the net proceeds have been used to repurchase CHF 47.1 million of the nominal value of the 2022 bonds. In 2021 further CHF 22.7 million of the nominal value of the 2022 bonds have been repurchased.

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

Treasury shares
Treasury shares are recognized at the acquisition costs of the shares. Shares issued from treasury are recognized using the first-in first-out method.

Financial Income
This position includes interest income on receivables from group companies and on bank balances, as well as the result of disposal of investments.

Financial expenses
Financial expenses mainly include transaction cost and interest related to the 2022 and 2027 bonds, as well as the result of revaluation of investments.

2 Investments
As of December 31, 2021, the Company holds the following investments[1]:

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

1 In 2021, the Company subordinated accounts receivable from an affiliate in the amount of CHF 47.7 million (2020: CHF 330.0 million). In 2021 the Company made a capital contribution in the amount of CHF 282.3 million to Basilea Pharmaceutica International Ltd. through previously subordinated receivables.
2 In members' voluntary liquidation

On March 31, 2021, the Company sold its indirectly held 100% ownership interest in Basilea Pharmaceutica China Ltd., Haimen, China, to PHT International Inc. based in the U.S.

3 Share capital
As of December 31, 2021, Basilea had 12,992,166 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.

In 2021, a total of 69,961 stock options were exercised which resulted in the issuance of 69,961 registered shares from conditional capital with a par value of CHF 1.00 per share. In 2020, a total of 40,260 stock options were exercised resulting in the issuance of 40,260 registered shares with a par value of CHF 1.00 per share.

The Company had a total approved conditional capital of CHF 3,767,975 as of December 31, 2021, for the issuance of a maximum of 3,767,975 registered shares with a par value of CHF 1.00 per share. This conditional capital contained CHF 1,767,975 (1,767,975 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 December 31, 2021, the Company held treasury shares in the total amount of CHF 56.6 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 Ltd. for the potential conversion of the outstanding convertible senior unsecured bonds and further 150,132 registered shares with a par value of CHF 1.00 per share.

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

	Average price (in CHF)	Number of shares
December 31, 2019	**5.38**	**1 108 041**
Purchases	51.96	1 552 002
Sales	48.06	(1 605 144)
December 31, 2020	**50.02**	**1 054 899**
Purchases	46.73	400 616
Sales	47.37	(305 383)
December 31, 2021	**49.18**	**1 150 132**

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. CHF 1,000,000 was used for a capital increase. For the remaining CHF 1,000,000 this authorization was extended until April 2023, by shareholder approval at the 2021 ordinary general meeting of shareholders.

4 Shareholdings and stock options

As of December 31, 2021, the shareholdings in the Company of members of the Board of Directors and the Management Committee are outlined below:

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

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

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

The following table shows the holdings of stock options and PSU/RSU in the Company of members of the Board of Directors and the Management Committee as of December 31, 2021:

	Number of vested stock options	Number of unvested stock options	Total number of stock options	Number of restricted share units	Number of performance share units
Domenico Scala, Chairman	2 200	-	2 200	1 546	-
Thomas Werner, Vice-Chairman	2 200	-	2 200	1 077	-
Nicole Onetto, Director	-	-	-	986	-
Ronald Scott, Director	133 768	20 970	154 738	986	-
Martin Nicklasson, Director	2 401	-	2 401	1 013	-
Steven D. Skolsky, Director	4 000	-	4 000	1 013	-
David Veitch, Chief Executive Officer	52 308	50 492	102 800	-	13 601
Marc Engelhardt, Chief Medical Officer	33 200	27 353	60 553	-	7 046
Gerrit Hauck, Chief Technology Officer	-	21 450	21 450	-	5 612
Adesh Kaul, Chief Financial Officer	18 650	29 468	48 118	-	6 497
Laurenz Kellenberger, Chief Scientific Officer	66 829	24 370	91 199	-	5 640

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

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

5 Significant shareholders

There are no ownership percentage of shareholders which held a significant percentage of shares of the Company as of December 31, 2021 and 2020, according to the share register of the Company.

The ownership percentages are based on 12,992,166 shares issued as of December 31, 2021, and 11,922,205 shares issued as of December 31, 2020.

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

Date of obligation to notify	SIX publication date	Shareholder / beneficial owner	% of voting rights reported
December 15, 2021	December 23, 2021	UBS Group AG, Zürich, Switzerland	8.72%

Proposal of the Board of Directors for the appropriation of loss carried forward as of December 31, 2021:

In CHF thousands	Proposed by the Board of Directors
Accumulated deficit beginning of the year	(20 999)
Net loss of the year	(3 693)
Balance to be carried forward	**(24 692)**

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

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

At the ordinary general meeting of shareholders on April 21, 2021, the shareholders of the Company approved to carry forward the net loss of the year of CHF 2.3 million.

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Annual general meeting

The annual general meeting of shareholders for the financial year 2021 will take place on April 13, 2022, in Basel, Switzerland.

The full Annual Report 2021 of Basilea Pharmaceutica Ltd. consists of a business review, the corporate governance section, the compensation report, and the financial report and is published in English. A short version is available in German. In case of discrepancies the English version prevails.

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