basilea

Partnerships

Annual Report 2022

Our goal is to become a leading anti-infectives company to serve patients around the world.

Table of contents

2 marketed products

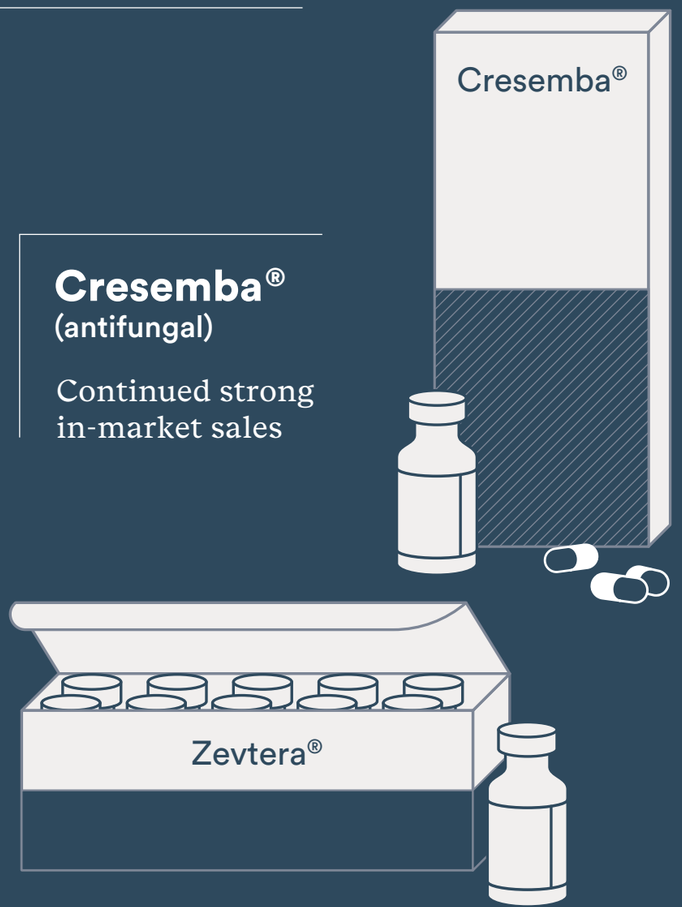
Zevtera®
(antibiotic)

Planned US NDA submission to be supported by

- two successfully completed phase 3 studies
  - Acute bacterial skin and skin structure infections
    - TARGET ABSSSI Study
  - *Staphylococcus aureus* bacteremia
    - ERADICATE SAB Study
- and one previously completed phase 3 study in community-acquired bacterial pneumonia (CABP)

Cresemba®
(antifungal)

Continued strong in-market sales



Commercial partnerships cover over

100 countries

Cresemba marketed in **63** countries

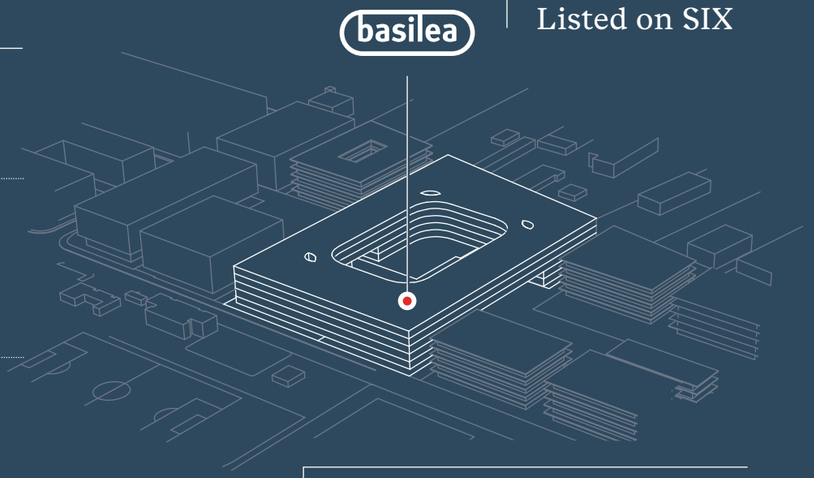
Zevtera marketed in **20** countries

Located in the new life science hub

Switzerland Innovation Park Basel Area Main Campus

Founded in **2000**

BSLN
Listed on SIX



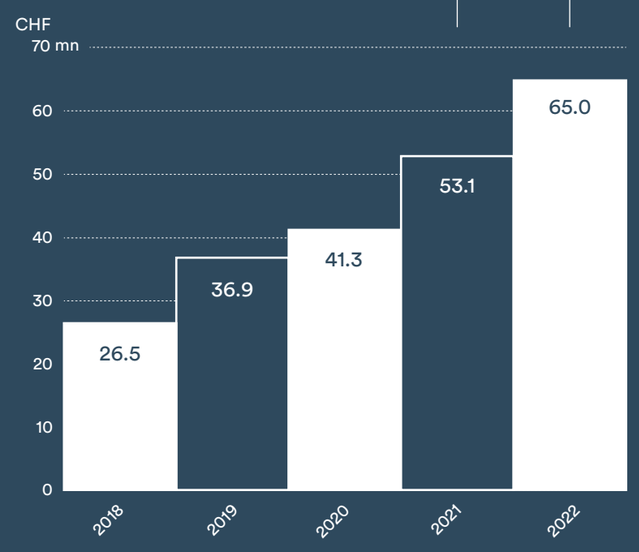
141 employees

Gender diversity

43% female **57%** male

Cultural diversity
employees from **15** different nationalities

22.4% year-on-year increase in Cresemba royalty income to CHF 65.0 mn in 2022



Strong financial performance: Operating profit and solid cash position

Total revenue of CHF **147.8** mn

Operating profit of CHF **18.5** mn

Net cash provided by operating activities of CHF **7.1** mn

Cash and restricted cash as of December 31, 2022 of CHF **108.6** mn

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 severe bacterial or fungal infections. We have successfully launched two hospital brands, Cresemba for the treatment of invasive fungal infections and Zevtera for the treatment of bacterial infections. In addition, we have preclinical anti-infective assets in our portfolio. Basilea is listed on the SIX Swiss Exchange (SIX: BSLN).

Please visit basilea.com.

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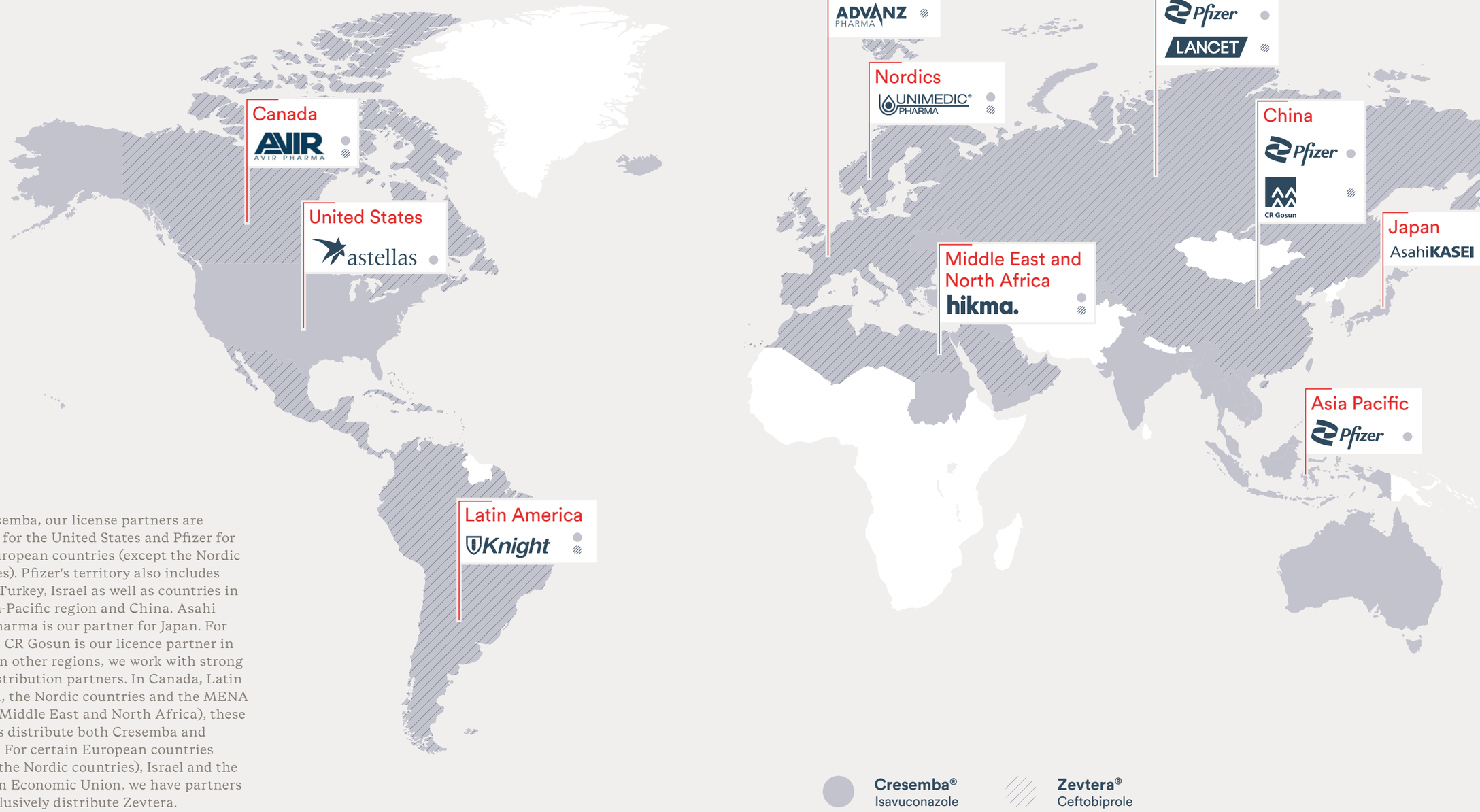
Our mission and vision

— 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 license partners are Astellas for the United States and Pfizer for most European countries (except the Nordic countries). Pfizer's territory also includes Russia, Turkey, Israel as well as countries in the Asia-Pacific region and China. Asahi Kasei Pharma is our partner for Japan. For Zevtera, CR Gosun is our licence partner in China. In other regions, we work with strong local distribution partners. In Canada, Latin America, the Nordic countries and the MENA region (Middle East and North Africa), these partners distribute both Cresemba and Zevtera. For certain European countries (except the Nordic countries), Israel and the Eurasian Economic Union, we have partners who exclusively distribute Zevtera.

Financial highlights

The strong commercial success of our two marketed brands continues. More than seven years after the start of commercialization, we continue to see double-digit percentage growth in the global annual in-market sales for Cresemba. This continued commercial success is most directly reflected in the royalty revenue contribution from our partners, which increased by 22.4 percent in 2022 compared to 2021, and the sales milestone payments from our partners. In addition, the significant proceeds related to our oncology transactions and a 15 percent reduction in our operating expenses year-on-year have contributed to our positive operating and net result in 2022.

Our financial strength and our good financial prospects enabled us to enter into a non-dilutive loan agreement of CHF 75 million, which we used, in addition to cash at hand, to fully repay our 2022 convertible bonds (ISIN CH0305398148), reducing our debt level without diluting our shareholders. With our strategy to exclusively focus on anti-infectives going forward now implemented, we will not incur material costs related to oncology activities in 2023. We closed the year with a significantly increased operating profit as well as a net profit. This is an important turning point for the company as we reached profitability one year ahead of our guidance, and we intend to maintain profitability. With growing revenues from our marketed products, in addition to our strong balance sheet, we are well positioned to complement our pipeline by in-licensing preclinical and clinical-stage anti-infectives and to push ahead towards our goal of becoming a leading anti-infectives company.

2022 Key financials
in CHF mn, rounding consistently applied

147.8
Total revenue

122.3
Cresemba and Zevtera related revenue

65.0
Royalty income

129.2
Total cost and operating expenses

18.5
Operating profit

108.6
Cash and restricted cash
as of December 31, 2022

Guidance 2023
in CHF mn

155–158
Total revenue

145–148
Cresemba and Zevtera related revenue

~74
Royalty income

105–108
Total cost and operating expenses

45–50
Operating profit

36–41
Net profit

Portfolio

¹ Studies to support US NDA. Phase 3 program is funded in part with federal funds from the US Department of Health and Human Services; Administration for Strategic Preparedness and Response; Biomedical Advanced Research and Development Authority (BARDA).

² CARB-X's funding for this project is sponsored by Cooperative Agreement Award No. IDSEP160030 from ASPR / BARDA and by awards from the Wellcome Trust and Germany's Federal Ministry of Education and Research. The content is solely the responsibility of the authors and does not necessarily represent the official views of CARB-X or any of its funders.

Portfolio milestones 2022

Products	Development stage	H1 2022	H2 2022
Cresemba (Isavuconazole) Antifungal	– Marketed – New Drug Application (NDA) filed in Japan by Asahi Kasei Pharma in 2021	– Launch in China	– Marketed in 63 countries – Marketing approval in Japan
Zevtera (Ceftobiprole) Antibiotic	– Marketed for bacterial lung infections – Phase 3 program (SAB[1], ABSSSI[2])	– Completed patient enrolment for phase 3 SAB study (ERADICATE) – Presented positive topline results from ERADICATE	– Marketing approval in Brazil
First-in-class antifungal program Antifungal	– Preclinical	– In-licensed from FCCDC[3]	– Decision to return rights to licensor[4]

Successfully completed oncology transactions in 2022

Derazantinib
FGFR kinase inhibitor

Development stage
Phase 1/2 (iCCA[5], urothelial cancer, gastric cancer)

→ Returned rights to Merck & Co.

BAL0891
Mitotic checkpoint inhibitor

Development stage
Phase 1 ready

→ Asset purchase and sub-licensing agreement with SillaJen

CLK inhibitors
DNA repair

Development stage
Preclinical

→ Asset purchase agreement with Redona Therapeutics[6]

PARG inhibitors
Aberrant RNA splicing

Development stage
Preclinical

→ Asset purchase agreement with Nodus Oncology

1 *Staphylococcus aureus* (MSSA/MRSA) bacteremia
2 Acute bacterial skin and skin structure infections
3 Fox Chase Chemical Diversity Center
4 Announced in January 2023
5 Intrahepatic cholangiocarcinoma
6 Formerly: Twentyeight-Seven Therapeutics

Our strategy

Foster an agile organization based on a dynamic and open culture by valuing diversity and transparency and offering equal employment opportunities

Focus on becoming a leading anti-infectives company, developing new and differentiated medicines for the treatment of severe bacterial and fungal infections to serve the medical need of patients all over the world

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

Innovate by applying our competencies and know-how in research and development of anti-infectives for the accelerated identification and development of the most promising drug candidates

Invest the continuously increasing cash flows from our two commercial-stage hospital anti-infective brands, Cresemba and Zevtera, into expanding our preclinical and clinical portfolio through advancing internal programs and in-licensing antibacterial and antifungal assets

Shareholder letter

Dear readers

2022 was a year of transition for Basilea: starting with the announcement of our strategic refocus on anti-infectives, followed by the move to our new headquarters in the emerging life sciences hub in Allschwil and the transactions of our oncology pipeline candidates. What has remained unchanged is the global success of Basilea's marketed products Cresemba (isavuconazole) and Zevtera (ceftobiprole) for the treatment of severe fungal and bacterial infections – and our vision and mission to become a leading provider of innovative medicines for the benefit of patients.

Tackling a major medical need by focusing on anti-infectives

Early last year, we announced our strategic decision to exclusively focus on anti-infectives in the future. Until the end of 2022, we had successfully implemented our new strategy and are now focusing on the research, development and commercialization of innovative treatments for severe bacterial and fungal infections. By doing so, Basilea is tackling a major medical need that affects millions of people every year and is likely to increase in the future: When pathogens become resistant to currently available antibacterial medications, this is called antimicrobial resistance (AMR). The prevalence of AMR is increasing and makes certain infections difficult to treat. This poses the risk that diseases that were previously easy to handle will become a deadly threat in the future. Basilea is one of the few companies still involved in the research and development of novel antibiotics and antifungals. We have the technical knowledge and experience to improve people's health. In addition, we also collaborate with various organizations at national and international level to create a better economic and political environment for companies investing in the development of new antibiotics.

Proven marketed products

Cresemba, our antifungal drug for the treatment of the two most common invasive mold infections, aspergillosis and mucormycosis, shows continued commercial success. Aspergillosis and mucormycosis were both recently classified by the World Health Organization as "priority" fungal infections that pose a major health risk. 2022 showed continued strong sales growth in many countries, including the USA, where Cresemba is now the leading antifungal brand for the treatment of invasive fungal infections with respect to in-market sales. Cresemba was also launched in China and approved in Japan in 2022. It is now approved in 73 countries and marketed in 63 countries. This global commercial success confirms the important role that Cresemba has in treating patients with severe, life-threatening mold infections.

In mid-2022, we announced positive topline results from the ERADICATE phase 3 study of our antibiotic Zevtera (ceftobiprole) in *Staphylococcus aureus* bacteremia (SAB). This was one of the big milestones we achieved. We are now working towards the submission of a New Drug Application (NDA) for ceftobiprole in the United States by March/April 2023. We believe that the US market represents around 80 to 90 percent of the global sales potential for Zevtera and hope that the drug will soon be available to patients in the US.

Successfully completed exit from oncology

Our broad partnering outreach last year led to many fruitful discussions and evaluations of a variety of possible partnering structures. Finally, we concluded separate transactions for our oncology assets to generate long-term potential value. We transacted one clinical and two preclinical assets with oncology-focused companies: the TTK/PLK1-inhibitor (BAL0891), our PARG inhibitor discovery program and our novel preclinical CLK kinase inhibitor. As previously reported, we have decided not to expand the studies for the tumor checkpoint controller lisavanbulin. We will continue to provide access to lisavanbulin for our patients and may explore partnering opportunities at a later date. With regard to the FGFR inhibitor derazantinib, we terminated the license agreement and returned the rights to Merck & Co.

Strong financial results and strengthened balance sheet

In 2022, we exceeded our guidance – again. We increased our operating profit from CHF 1.2 million to CHF 18.5 million and recorded a net profit on a full-year basis, amounting to CHF 12.1 million. The continued commercial success of our marketed brands contributed to this strong financial performance. Revenue from royalties on our partners' Cresemba sales increased by 22.4 percent year-on-year to CHF 65 million. Cresemba has been launched in more than 60 countries by the end of 2022. During 2022, Cresemba was launched in China and following approval in Japan in December 2022, we expect our partner Asahi Kasei Pharma to launch Cresemba soon. We expect China and Japan to contribute significantly to the continued sales growth in 2023 and beyond. These two countries currently represent around 25 percent of the global market for best-in-class antifungals. Zevtera, too, is on a good track with the successful phase 3 study completed in 2022 and our planned submission of a New Drug Application for the US in March/April this year. We are also working in parallel towards establishing a partnership for the commercialization of the drug in the US. Should Zevtera receive marketing approval in the US, we expect to see significantly growing revenue contributions from this antibiotic in the coming years.

In line with our strategic decision to focus exclusively on anti-infectives, we also transacted on our oncology assets, which resulted in upfront and milestone payments of CHF 15 million in 2022 while also maintaining an ongoing participation in their long-term value creation potential.

We also strengthened our balance sheet and fully repaid our 2022 convertible bonds with an outstanding nominal amount of approximately CHF 123 million at the beginning of 2022, using the CHF 75 million from the senior secured loan agreement entered into in the fall of 2022 with funds managed by Athyrium Capital Management, LP, plus cash at hand. By this we reduced

External video link to vimeo.com

our debt level and avoided dilution for our shareholders. Overall, our cash and restricted cash amounted to CHF 108.6 million at the end of the year.

The successful implementation of our new strategy and the operational progress achieved were also positively reflected in the Basilea share price on the SIX Swiss Exchange. The Basilea share price consistently outperformed the Swiss Performance Index Extra (SPI Extra) quarter by quarter and finished with a year-on-year gain of almost 12 percent.

Together in our new headquarters

Our work environment also changed a lot in 2022: We moved to our brand new offices and laboratories in Allschwil, which has allowed colleagues from two different locations to merge into one. We are tenants in the Switzerland Innovation Park Basel Area Main Campus building, close to many other life science companies, startups and public organizations in the field of healthcare and innovation. Our new offices and laboratories allow us to enhance and facilitate collaboration. Basilea's motto "People are at the heart of what we do" is reflected in our new working spaces. Togetherness has become our identity: The open space concept not only facilitates exchange and collaboration, but also offers areas for concentrated work. Please go to the pages 74–75 to read what our employees think of the new office.

Outlook 2023: Operating profitability and broadening of the anti-infectives R&D pipeline

As a result of our decision to focus exclusively on anti-infectives and the subsequent transactions for our oncology assets, we expect to no longer incur any material costs related to the oncology activities from now on. This contributes to achieving our goal to maintain profitability at the operational level. We are committed to the research and development of anti-infective assets. We will put all our efforts into advancing our clinical and preclinical assets, with a particular focus on scouting and acquiring new assets to in-license.

The significant progress made in 2022 and Basilea's promising long-term prospects are also reflected in the strong relative and absolute share price performance in 2022.

We would like to thank all our employees who have contributed to the significant success of Basilea and are committed to the well-being of patients.

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

Allschwil, February 2023

Domenico Scala
Chairman of the board

David Veitch
Chief Executive Officer

Feature

“I WANT TO MAKE CRESEMBA THE BEST-KNOWN DRUG FOR THE TREATMENT OF INVASIVE FUNGAL INFECTIONS WORLDWIDE.”

Beatrix Hübner is a trained scientist as well as a marketing and communications expert – the ideal combination to embody Basilea’s partnership model. Sports help her to find a balance from her demanding job.

“THE JOB WAS EXTREMELY DEMANDING AND REQUIRED INITIATIVE.”

Beatrix Hübner is passionate about science – and has been since her earliest childhood. “Even then I was interested in science and medicines,” she recalls. As a child, she loved “Dr. Bibber”, a game of skill that involved “doing surgery” on a patient, keeping your hands as steady as possible. If your hands slip, a buzzer will go off. Therefore, she decided to study pharmacy after graduating from high school. “However, it wasn’t really my thing – ultimately, there was too much focus on the laboratory for my taste.” In addition, Hübner increasingly realized how important it was to her to interact with people and to get to know them. So she left pharmacy after four semesters and graduated as an academic research technician at the University of Basel – a profession that supports researchers in science and medicine. “I wanted to understand more about pathological changes in the body. So it made sense to join the Swiss Tropical Institute in Basel, where I dealt with tropical diseases and also with patients. I found it absolutely exciting,” she says.

Trust takes time and many conversations

After two years as an academic research technician, she joined Pfizer as a “Sales representative for infectious diseases (antibiotics and antimycotics)”. “That was the right step for me,” says Hübner. “I wanted to exchange ideas with more people. And the new job made that possible”. As a sales representative, she had to deal with physicians. “The job was extremely demanding and required initiative,” explains Hübner. In order to gain the trust of a doctor, a lot of knowledge sharing and time are needed – as well as a certain amount of tenacity. Without the guarantee of success. “Once I was even kicked out of a doctor’s practice, because I was so persistent.”

“MY MAIN TASK IS TO MAXIMISE THE SUCCESS OF THE CRESEMBA BRAND – WORLDWIDE.”

She first became aware of Basilea shortly after the turn of the millennium, when she heard that the company had an antifungal drug in the pipeline that offered several advantages over the market’s existing products. “Since then, I have been watching closely what was happening at Basilea,” she recalls. When she was offered a position at Basilea in the field of anti-infectives in 2015, she jumped at the chance and became “Senior European Brand Manager, Infectious Diseases”. Hübner can no longer recall where her interest in anti-infectives stemmed from. “As a matter of fact, I am simply enthusiastic about them. Because anti-infectives save lives.”

Building the sales organization as a learning experience

Before taking up her post, Hübner perceived Basilea primarily as a research and development company. “Basilea’s decision to market Cresemba was a real bonus to me personally. It opened up the chance for me to help establishing the sales organization. A huge opportunity, and at the same time a great learning experience,” Hübner states. Pfizer noticed the successful launch of Cresemba in key European markets. Eventually, Basilea concluded that through a collaboration with Pfizer, Cresemba’s reach could be expanded much broader and faster and entered into a first partnership with Pfizer for Cresemba in Europe in 2017. So since November 2017, Beatrix Hübner has held two roles at Basilea – she is not only Global Cresemba Brand Director, but also Alliance Director. “As Global Cresemba Brand & Alliance Director, my main task is to maximise the success of the Cresemba brand – worldwide.”

Despite her broad experience in marketing Cresemba, Beatrix Hübner is still growing and learning continuously – something that is very important to her in private and at the workplace. From her point of view, Basilea's corporate culture is particularly distinguished by the fact that the company is very much oriented on employee's needs: "I really appreciate that in our company, every single colleague counts." The flat hierarchies are a real asset, too: "At our new location in Allschwil, CEO, David Veitch has his office just a few steps away from me. I can drop by and discuss my projects with him at any given time."

Cooperation with partners around the world

Basilea's organization is rather exceptional, says Beatrix Hübner: "We work with local partners to distribute our drugs in the different countries." One of her tasks is to ensure, together with these partners, that the Cresemba brand maintains its so-called brand equity – the value of the brand – everywhere. "To achieve this, Basilea is in constant dialogue with its partners to define joint strategies and content for communication. After all, our partners are the experts in their respective countries," Hübner explains.

Due to the fact that Basilea chooses to market its drugs via partners – who at times cover more than one country – the company has identified so-called "regional champions". "They gather the necessary information in the individual countries and then exchange information with us." For Basilea, this is essential – both for cooperation and for the development of the future strategy.

Contact and access point between Basilea and its partners

In her second role, as Alliance Director, Beatrix Hübner is responsible for the cooperation with various partners: "These are strategic Cresemba partners such as Pfizer, Astellas or Asahi Kasei Pharma," she explains. Twice a year, she invites these partners

to so-called steering committees, where strategic topics and questions are on the agenda. “As Alliance Director, I am the single point of contact between the partners and Basilea,” adds Hübner. The fact that she is not only a scientist, but also holds a master’s degree in marketing and communications management, is something she considers essential for her job. “Since I manage meetings that revolve around medical and commercial topics, I have to have the necessary expertise.” And what other qualities are essential for the job? “You have to stay focused. In addition, you should be a team player, but also be able to push certain things through.”

The partnership model evolves over time

Any successful partnership model depends not only on being well structured and aligned in terms of incentives, but also on trust, acceptance and transparency. This requires the development of a certain way of cooperation in which Basilea is recognised by the partner as an equal and things are being discussed on an equal footing. “In the process, it is important that things are addressed, listened to and also implemented,” Hübner knows. This kind of understanding evolves over time. The perseverance pays off, says Hübner: “I think the partnership model has worked extremely well for us – even with big partners like Astellas or Pfizer.”

Creating structures to share recipes for success

However, a partnership agreement alone does nothing for the brand if the partners in the different countries cannot benefit from each other. “This is where our concept of ‘Global Brand Stewardship’ comes into play,” explains Beatrix Hübner. “The idea behind it is to give our partners the opportunity to interact and exchange recipes for success.”

This is also where the “Cresemba Global Brand Plan” comes in, which sets the global direction of Cresemba for the partners. “The development of this plan takes several months and also involves our partners,” Hübner points out. As a result the partners receive a guideline

“AS ALLIANCE DIRECTOR, I AM THE SINGLE POINT OF CONTACT BETWEEN THE PARTNERS AND BASILEA.”

that is reviewed annually. “For some selected markets, we also obtain an outlook for the following year from our partners – based on the strategic orientation of the ‘Global Brand Plan’. This allows us to monitor whether the plan is actually being implemented.”

Partnerships for patients

When asked about the partnership model in relation to Cresemba, Hübner answers: “In the beginning, we marketed this brand in only a few countries.” But subsequently, Basilea decided to enter into a partnership with Pfizer. Today, Cresemba is available in more than 60 countries. “We could not have done it on our own,” Hübner points out. So the partnerships are what make Cresemba a success. “That’s what is really positive about these partnerships – they help patients by giving access to a life-saving drug,” she is convinced.

Bringing different cultures and markets together

When dealing with different languages, cultures, markets and market structures around the world, the most important thing according to Hübner is to actually listen to your partner, to define common goals and values and to try to understand what at first seems unfamiliar. “Otherwise, you never find a common ground. In decision-making processes, people all behave differently. Some attach great importance to formalities, others less so,” Hübner says. Consequently, it is important to stick to the agreed processes. “So far, we have succeeded in harmonising the different cultures in a good manner.” Hübner is convinced that in order to harmonise Basilea’s internal structures and rules with the ones of external partners, it is necessary to know and understand their structures, rules and values. “This requires dialogue and does take its time.”

Between dialogue and compromise

“We try to meet our partners in person regularly. This is important because a partnership is based on trust, which cannot be built in online meetings alone,” Hübner is convinced. Nevertheless, regular video sessions help to maintain contact.

Of course, Basilea also places great emphasis on collaboration within the company. “I am in daily contact with Juana Perdomo-Guiraudet, Global Brand Medical Affairs Director for Cresemba,” says Hübner. Naturally, they don’t agree on everything, but an alignment can always be found, says Hübner. “After all, we both want the best for Cresemba.”

Always on the move – at work and at home

What motivates Beatrix Hübner in her daily work is the fact that she can always learn something new. “Of course, I am also inspired by the success of the brand. Especially since this proves that we can really make a difference with Cresemba,” she says. In her spare time Hübner also likes to take on big challenges. She works out every day and describes herself as a sports fanatic: “I love to be always excercising.” To achieve this, she gets up at five o’clock in the morning and goes to the gym before driving from her home in Zurich (“my retreat”) to Allschwil for work.

Balancing job and life: working out, jogging and playing tennis

She goes jogging two or three times a week if possible. But above all, she loves tennis and is a member of two clubs. “That’s my tennis family, whom I meet weekly,” says Hübner. “The parallel between playing tennis and my job is focus. In both activities you have to believe in yourself, otherwise you can’t achieve your goal.” She admits that she sometimes tends to overperform. “When I do something, I not only want to get it right, but also very persistently. Maybe that’s why I get injured so often when I play tennis.”

Hübner’s second passion is travelling. “Asia attracts me again and again. I appreciate the culture there, which seems calm and pleasant to me. On top of that, I’m a big fan of far eastern cuisine.” In sports, Hübner finds her balance. It is both a challenge and really fun. One day, she would love to take part in international tennis tournaments – in the seniors category.

First, however, other professional milestones are in the foreground: “My goal is to make Cresemba the best-known drug for the treatment of invasive fungal infections worldwide. That has always been my ambition. And it seems that until I have succeeded in achieving that, I will stay with Basilea.”

WHAT OUR PARTNERS THINK ...

"Well-working cross-functional interactions within Basilea are key for being successful internally but also with our partners. Indeed, my internal collaboration with the commercial and alliance management team is built on mutual trust and complementing competencies."

Juana Perdomo-Guiraudet
Basilea, Global Brand Medical Affairs Director

"Basilea is a remarkably cooperative partner and always supports us with passion. It's collaborative attitude strengthens our partnership."

Shinichi Imazu
Asahi Kasei Pharma Corporation

"A collaboration with Basilea means incredible professionalism! For several years, I have had the privilege of working with Beatrix Hübner as Unimedic Pharma's Alliance manager, and have really appreciated our close collaboration and the knowledge Beatrix possesses. Beatrix is great in building a culture of cooperation and creating clarity. Our partnership is built on trust, empathy, positivity, clarity and accountability."

Ann Rydström
Unimedic Pharma

Marketed products

Marketed products

We research, develop and commercialize innovative medicines to treat severe bacterial and fungal infections. Resistance to currently available antibiotics and antifungals is a significant problem in healthcare. We focus on new and differentiated medicines that overcome resistance and meet the needs of patients.

Proven expertise in anti-infectives

We successfully launched two anti-infective brands, demonstrating our expertise in taking innovative new drugs from research through development to market. These are the antifungal Cresemba with the active substance isavuconazole and the antibiotic Zevtera with the active substance ceftobiprole. Both brands were developed by Basilea and have been launched by our commercial partners in a large number of markets worldwide. They are generating increasing in-market sales as more patients are prescribed our brands and the brands are 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 from fungal infections every year. Invasive fungal infections are particularly dangerous when the infections affect internal organs such as the lungs or brain.

In recognition of this major threat for public health, for the first time the World Health Organization (WHO) published in October 2022 a list of fungal pathogens that should be prioritized for antifungal drug development to combat the significant increase in fungal infections observed in COVID-19, for example. Many of them are invasive and potentially life threatening, and increasingly resistant against currently available antifungal drugs.

Cresemba is approved for the treatment of infections caused by *Aspergillus* and Mucorales molds, which are listed as priority pathogens by the WHO.

Aspergillus is a common mold that does not cause serious infections under normal circumstances. However, when people with a weakened immune system, for example due to cancer treatment, or after an organ transplant, breathe in airborne *Aspergillus* spores that are found everywhere in the environment, they can develop an invasive fungal infection called aspergillosis in the lungs. The WHO lists *Aspergillus* as a “critical priority” fungal pathogen, i.e. in the group with greatest public health importance.

The active drug substance in Cresemba, isavuconazole, belongs to the class of azoles, a group of antifungal compounds. Azoles block fungal growth and replication by inhibiting an essential enzyme.

Cresemba is approved for the treatment of invasive aspergillosis. It is also one of the few drugs approved for the treatment of infections with mucormycetes. These molds have emerged as the second most common cause of invasive mold infections. They belong to the order of Mucorales and are considered as “high priority” fungal pathogens by the WHO. Mucormycetes are found in soil, for example, and are responsible for


basilea

mucormycosis or "black fungus" infections that affected thousands of people in India, Brazil and other countries during the COVID-19 pandemic. The mortality of mucormycosis is high. Depending on the location and extent of the infection, more than 50 percent of mucormycosis patients can die from this infection.

Cresemba – a truly global brand

Cresemba was first launched in 2015 and we expect it to have market exclusivity in both the United States and the European Union until at least 2027. We have entered into licensing and distribution agreements covering approximately 115 countries, as shown on the map on pages 8 and 9. In 2022, our license partner Pfizer launched Cresemba in China, which we believe represents about 20 percent of the global sales potential. In addition, there was also good news for patients in Japan, as the regulatory authorities granted Cresemba the marketing approval in Japan in December 2022. To date, Cresemba has been approved in more than 70 countries and is marketed in more than 60 countries, making it a truly global brand.

Continued commercial success

The high demand for Cresemba resulted in royalty payments of approximately CHF 65 million to us in 2022, which is significantly higher than in the previous year. In addition, a total of approximately CHF 22 million in milestone payments was triggered by reaching certain sales thresholds.

Next milestone
Continue to strengthen Cresemba as global brand to fully realize its commercial potential

Zevtera

While fungal infections have only recently come to the attention of the WHO, the global threat to healthcare posed by bacterial infections has been recognized as a priority for years, especially when caused by drug-resistant bacteria. Antimicrobial resistance (AMR) is one of the greatest health threats of our time, and new effective drugs for the treatment of bacterial infections are urgently needed. According to current estimates on the global burden of bacterial AMR, infections with resistant bacteria caused 1.27 million deaths in 2019.

In November 2022, on the occasion of the annual World Antimicrobial Awareness Week, WHO called on the pharmaceutical industry, healthcare professionals, the public and policymakers to address the growing problem of resistance to antibiotics and other antimicrobial medicines in order to reduce the further emergence and spread of AMR. Basilea is one of the few companies that have successfully developed antimicrobial drugs in the recent past. In early 2022, we announced our intention to focus exclusively on anti-infectives to become a leading company in this sector.

Ceftobiprole, the active pharmaceutical ingredient in 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. Zevtera is primarily used to treat severe bacterial infections in hospitals.

Zevtera is currently approved for the treatment of bacterial lung infections (pneumonia) acquired in the community or in hospitals. So far, the drug is marketed in 20 countries. We have licensing and distribution agreements in place for Zevtera. These currently cover more than 80 countries, as shown in the map on pages 8 and 9.

Currently, Zevtera is not approved in the United States. However, we believe that the USA could become the largest commercial market for Zevtera, partly because the incidence of MRSA infections is particularly high across the country. In order to obtain the approval for the brand in the USA, we have conducted a phase 3 program with two successfully completed studies: TARGET, in bacterial skin infections (ABSSSI) and ERADICATE in *Staphylococcus aureus* bacteremia (SAB). Information about these studies can be found on ClinicalTrials.gov under the identifier NCT03137173 (TARGET) and NCT03138733

Cresemba® (isavuconazole)

A marketed intravenous and oral azole antifungal for the treatment of invasive mold infections*

Marketing authorization obtained in 73 countries

Launched in 63 countries

*In the USA and China, oral and intravenous isavuconazole is approved for patients 18 years of age and older for the treatment of invasive aspergillosis and invasive mucormycosis. In Japan, it is also approved for cryptococcosis, in addition to aspergillosis and mucormycosis. In the EU, isavuconazole is approved for the treatment of adult patients with invasive aspergillosis as well as for the treatment of adult patients with mucormycosis for whom amphotericin B is inappropriate. Isavuconazole is also approved in several other countries in Europe and beyond, although the registration status and approved indications may vary from country to country

(ERADICATE), respectively. Our phase 3 program was partially funded (up to USD 136.4 million, or approximately 70 percent of the total potential program cost) with federal funds from the US Department of Health and Human Services, Administration for Strategic Preparedness and Response, Biomedical Advanced Research and Development Authority (BARDA), under contract number HHSO100201600002C.

The most important indication from a positioning perspective in the United States is SAB, which is associated with significant morbidity and a 30-day mortality of approximately 20 percent. In 2017, nearly 120,000 SAB infections and 20,000 associated deaths occurred in the USA. There are limited treatment options available for the treatment of SAB, especially when MRSA is of concern.

If ceftobiprole was approved in the USA, it would be protected from generic competition for ten years due to the extended market exclusivity that comes with its Qualified Infectious Disease Product (QIDP) status granted by the FDA. QIDP status applies to drugs used to treat infections caused by the most dangerous pathogens. This extended exclusivity in the commercially most important market offers an attractive future business opportunity. In line with our business model, we plan to commercialize Zevtera in the USA with a partner.

Next milestones

- Submission of New Drug Application (NDA) for gaining marketing approval in the United States
- Execution of a commercialization partnership in the United States
- FDA decision on the NDA

Basilea is preparing an application for obtaining regulatory approval in the USA

In October 2022, we published the full results of the ERADICATE study, which highlighted the potential role of ceftobiprole in the treatment of SAB. We are currently preparing the regulatory dossier and plan to submit a New Drug Application (NDA) to the US regulatory authority, FDA, in March/April 2023. In addition to the SAB and ABSSSI data from the ERADICATE and TARGET studies, the submission will also include data to support approval for a third indication, community-acquired bacterial pneumonia (CABP), based on another previously conducted phase 3 study.

*Ceftobiprole is approved in major European countries and several non-European countries for the treatment of adult patients with hospital-acquired bacterial pneumonia (HABP, excluding ventilator-associated bacterial pneumonia, VABP) and community-acquired bacterial pneumonia (CABP). Not approved in the US.

Research and development


basilea

Research and development

We have a proven track record in research and development (R&D) of bringing anti-infective drugs from preclinical research through clinical development all the way to the market.

Building on this, we are expanding our pipeline of innovative drugs to achieve our mission of providing new effective and safe treatments to patients suffering from severe bacterial or fungal infections.

Our team of experienced research scientists is key to achieving this goal. It includes experts from all disciplines necessary for the successful development of new medicines. They are instrumental in evaluating potential in-licensing opportunities, optimizing lead compounds and profiling of our drug candidates during preclinical and clinical development, which is critical for their differentiation and successful positioning.

Since mid-2022, we have been operating from our new headquarters in the Switzerland Innovation Park Basel Area Main Campus in Allschwil, near Basel – one of the most modern life sciences hubs in Europe, providing a perfect environment for developing innovative drugs.

Anti-infectives

Given the continued increase in multidrug-resistant pathogens in recent decades and the urgent need for novel treatment options, we remain committed to the development of new drugs to treat severe bacterial and fungal infections for which there are no or only limited treatment options. In the area of bacterial infections, the focus is on treatment modalities targeting the most dangerous bacteria such as methicillin-resistant *Staphylococcus aureus* (MRSA), carbapenem-resistant Enterobacterales (CRE), *Acinetobacter baumannii* and *Pseudomonas aeruginosa*. For the area of fungal infections, our focus is on novel therapies to treat severe invasive fungal infections, including those caused by drug-resistant fungi and emerging molds such as Mucorales.

Development of a new drug against multidrug-resistant Gram-negative bacteria with non-dilutive funding by CARB-X

We are working on a number of programs currently in the preclinical stage aimed at novel drug targets and treatment approaches. It is noteworthy that for individual projects, although still at an early stage of development, we have received non-dilutive funding from renowned institutions such as CARB-X (Combating Antibiotic-Resistant Bacteria Biopharmaceutical Accelerator) and the US government, respectively.

In 2019, we in-licensed a program of selective small-molecule inhibitors of DXR, an enzyme in the bacterial isoprenoid biosynthesis pathway, that is essential for the survival of many multidrug-resistant Gram-negative bacteria listed by the WHO as priority pathogens. In May 2021, we were awarded a grant of up to USD 2.7 million for this program from CARB-X, a global partnership dedicated to supporting the early development of antibacterial products to diagnose, prevent and treat drug-resistant infections. CARB-X funding for this project is sponsored by Cooperative Agreement Number IDSEP160030 from ASPR/BARDA as well as by grants from Wellcome Trust and the German Federal Ministry of Education and Research. Work on this program has progressed and we expect to reach the next preclinical decision point in 2023.

In addition, we had in-licensed a preclinical program of broad-spectrum antifungals with a new mode of action against difficult-to-treat mold infections. By the end of the year, our R&D team had completed the profiling of a potential lead compound. The candidate did not meet our stringent criteria for progressing into the development stage and we therefore decided to return the program. Previous work on this antifungal program was supported by the US Office of the Assistant Secretary of Defense for Health Affairs under the Peer Reviewed Medical Research Program under Award No. W81XWH-18-1-0638.

Oncology

In February 2022, we announced the strategic decision to focus exclusively on anti-infectives going forward and to withdraw from oncology by the end of the year.

By November 2022, we had entered into three separate transactions with innovative oncology companies. Two of these related to novel preclinical stage inhibitors of PARG and CLK, enzymes that play important roles in DNA damage repair and aberrant processing of RNA in cancer, respectively. The third transaction related to BAL0891, a potential first-in-class mitotic checkpoint inhibitor.

The agreements were structured to provide not only upfront and near-term milestone payments, but also ensuring that we maintain an ongoing participation in the long-term value creation potential of these promising programs.

On the oncology assets which were not transacted, we transferred the rights for the FGFR inhibitor derazantinib back to Merck & Co. For the tumor checkpoint controller lisavanbulin, we concluded the study program in 2022, following a decision not to expand glioblastoma patient cohorts, retaining the option to explore partnering opportunities in the future.

Corporate governance report

Corporate governance report

Group structure and shareholders

Group structure

As of December 31, 2022, the Basilea group is composed of the parent company Basilea Pharmaceutica Ltd ("Basilea"), the Swiss operating subsidiary Basilea Pharmaceutica International Ltd, Allschwil ("Basilea International"), and wholly-owned subsidiaries in Germany and the United Kingdom (collectively the "Company").

Basilea subsidiaries (as of December 31, 2022)

- Basilea Pharmaceutica Deutschland GmbH, in Lörrach, Germany
- Basilea Pharmaceutica International Ltd, Allschwil, in Allschwil, Switzerland
- Basilea Medical Ltd., in Rickmansworth, U.K.
- Basilea Pharmaceuticals Ltd. (in voluntary liquidation), in 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 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 62.

For further information on the non-listed companies belonging to the Company, please refer to note 2 (investments, page 170) of the financial statements.

Basilea Pharmaceutica Ltd

Basilea is registered at Henric Petri-Strasse 35, 4051 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, 2022, the market capitalization of Basilea amounted to CHF 599,679,781 (13,093,445 registered shares issued with a nominal value of CHF 1.00 per share).

Significant shareholders

The Financial Market Infrastructure Act (FMIA) requires shareholders who hold more than 3% 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
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, Zurich, Switzerland	3.28
Nov. 4, 2021	Nov. 11, 2021	JPMorgan Chase & Co., New York, USA	3.097
Jan. 13, 2020	Jan. 17, 2020	René Braginsky, Susanne Braginsky, Zurich, Switzerland	3.03

As of December 31, 2022, 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 3% during 2022, are published on the website of the SIX Exchange Regulation disclosure office and can be accessed there (https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html?issuedBy=BSLN&dateFrom=20210928#/).

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, 2022.

Capital structure and shares

Share capital

As of December 31, 2022, Basilea's share capital amounts to CHF 13,093,445. The share capital is divided into 13,093,445 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, 2022, Basilea held 1,142,141 (8.72%) shares of Basilea, including the treasury shares.

Authorized capital

As of December 31, 2022, the authorized capital amounts to CHF 1,000,000 which equates to 7.64% 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/investor-center#c171).

Conditional capital

As of December 31, 2022, the conditional capital amounts to a maximum of CHF 5,666,696 (43.28% of the share capital as of that date) and is structured as follows:

In accordance with article 3a paragraph 1 of the articles of association, the share capital may be increased by a maximum of CHF 1,666,696 through the issuance of a maximum of 1,666,696 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 of the 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 1,607,909 rights/options to subscribe for new shares were outstanding under Basilea's employee stock option plan/long-term incentive plans as of December 31, 2022 (including 23,402 rights/options that will forfeit or vest 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 such 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.

In accordance with article 3a paragraph 3 of the articles of association approved by the annual general meeting on April 13, 2022, 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 new convertible bonds issued

by Basilea or one of its group companies. The aggregate principal amount of the convertible bonds backed by such conditional capital and/or treasury shares shall not exceed CHF 100,000,000 (in addition to the amount mentioned in article 3a paragraph 2 of the articles of association (see above)), and any convertible bonds issued and backed by such conditional capital shall not be issued later than December 22, 2022. However, Basilea decided not to make use of the conditional capital under article 3a paragraph 3 of the articles of association, and no convertible bonds have been issued by Basilea in 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 49.

Changes in capital

In 2022, 2021 and 2020, Basilea increased its share capital as follows:

In 2022, the share capital was increased by CHF 101,279 as a result of the exercise of stock options and vesting of RSUs (restricted share units) granted under Basilea's employee stock option and long-term incentive plan (101,279 registered shares with a par value of CHF 1.00 per share), which equates to 0.77% of the issued share capital as of December 31, 2022.

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.

For further information on changes in capital in 2022, 2021 and 2020, including changes in reserves and retained earnings, please refer to the consolidated statement of changes in shareholders' equity as well as to note 16 (shareholders' equity, page 154) to the consolidated financial statements and note 3 (share capital, page 170) to the financial statements of Basilea. Please also refer to the consolidated statement of changes in shareholders' equity included in the annual reports 2021 and 2020 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 the CO) and qualify as intermediated securities ("Bucheffekten", within the meaning of the Federal Act on Intermediated Securities (FISA)).

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.

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 2022.

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 nominal share capital registered with the commercial register. The limit of 3% applies correspondingly to nominees who are related to one another through capital ownership or voting rights, who 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 69.

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 was divided into securities with denominations of CHF 5,000 each. It carried 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 was 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 could have been converted 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 had a conversion price of CHF 126.1020.

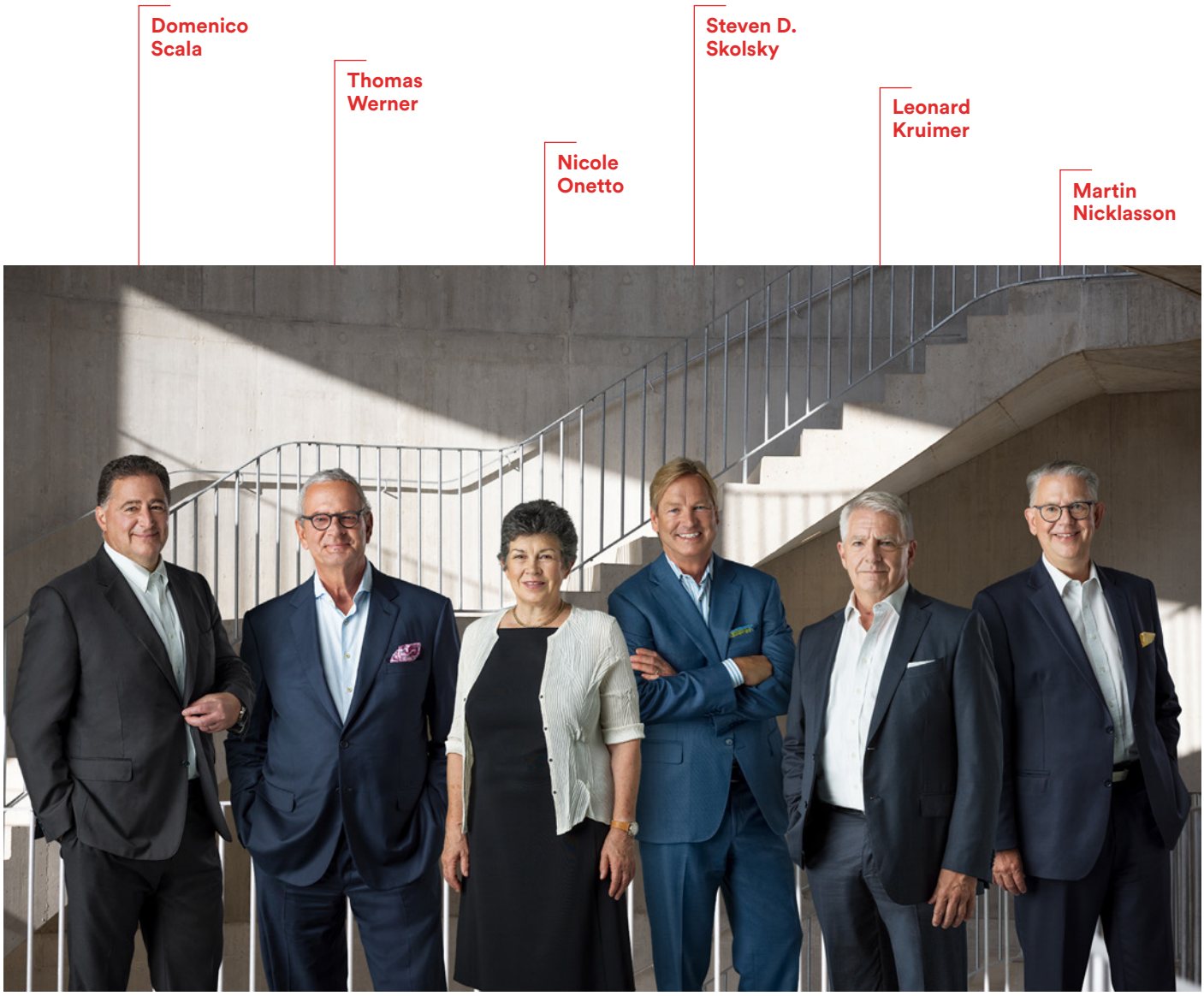
From July to December 2020, in connection with the issuance of the new convertible bonds due 2027 in the amount of CHF 97.085 million (see below), Basilea repurchased and cancelled CHF 53.320 million in nominal value of the 2022 Bond. In 2021, Basilea repurchased and cancelled further CHF 22.715 million in nominal value of the 2022 Bond. In 2022, Basilea repurchased and cancelled further CHF 10.160 million in nominal value of the 2022 Bond and on December 23, 2022, all outstanding 2022 Bond securities were repaid by Basilea and cancelled in full.

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 104 et seqq.) and to note 15 (stock-based compensation, page 151) 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, 2022

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 a member of the corporate governance & nomination 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, member of the bank council of the Basler Kantonalbank, president of Basel-Area, 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 and 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 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 and as chairman of the board of Pharmathen S.A. He was chairman of the board of Fertin Pharma A/S from 2017 to 2019 and senior independent non-executive director/vice-chairman of Vectura Group plc (previously SkyePharma plc) from 2009 to 2021.
Mr. Werner graduated with a doctorate in chemistry from the University of Göttingen, Germany.

Leonard Kruimer
Member of the board
Nationality: Dutch
Year of birth: 1958

Leonard Kruimer has been a member of the board since April 2022. He is also chairman of the audit committee.
Mr. Kruimer has more than 30 years of experience in corporate finance, planning, and strategy, including 20 years in senior executive positions in private and publicly listed biotechnology companies. Mr. Kruimer served as CFO of Crucell N.V. from 1997 to 2011. Prior to Crucell, he was managing director of Europe TIP Trailer, a GE Capital company. He was also a consultant with McKinsey & Co. and an auditor at Price Waterhouse & Company, New York.
Mr. Kruimer is chairman of the board of Swedish BioInvent International AB. In addition, he is board member of Pharming Group NV and of Zealand Pharma A/S. He is director of AI Global Investments (Netherlands) PCC Ltd. and serves on the investment advisory council of Karmijn Kapitaal.
Mr. Kruimer holds a master in business administration from Harvard Business School and is a certified public accountant in the State of New York.

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 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 and chairman of the board of Nykode Therapeutics ASA. 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 and 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., of Bolt Biotherapeutics, Inc., and of CDR-Life AG. 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 2021, and of Sunesis Pharmaceuticals, Inc. from 2019 to 2021.
Ms. Onetto holds a doctor of medicine from the University of Paris and a master in pharmacology from the University of Montréal.

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 and managing director and formerly as head of global clinical operations. From 2007 to 2011, Mr. Skolsky served as the president and 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 member of the foundation board of the Kenan-Flagler School of Business, of the foundation board of the UNC Health Foundation, of the board of visitors at the University of North Carolina at Chapel Hill and the Lineberger Comprehensive Cancer Center.
From 2017 to 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.

During the reporting period, Ronald Scott resigned from his function as member of the board with effective date April 13, 2022. 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 22 (related party transactions, page 162) 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 elected at the annual general meeting held on April 13, 2022.

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 the 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
- the filing of a request for debt restructuring moratorium and the notification of the court in the event of over-indebtedness.

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 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. Meetings are held in person, virtually or by telephone conference.

In 2022, the board of directors held seven board meetings, of which three were held in person and four as virtual meetings. The average duration per meeting was four hours.

The management committee reports to the board on the status of operations including the progress of research and clinical development, commercialization activities, including by its partners, the status of drug supply, licensing, financial activities, and human resources. In addition, an update on investor relations activities and the development of the Company's share price is provided. If required, the board of directors consults with external experts.

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. Starting in 2023, the annual self-evaluation process will be managed by a leading Swiss law firm. The process includes a detailed questionnaire in combination with individual interviews; the external experts will provide to the board a written report.

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 13, 2022, 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 13, 2022, 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
Leonard Kruimer (Chairman)	Martin Nicklasson (Chairman)	Thomas Werner (Chairman)
Martin Nicklasson	Nicole Onetto	Domenico Scala
Steven D. Skolsky	Thomas Werner	Steven D. Skolsky

Audit committee

In the meeting of the board subsequent to the annual general meeting on April 13, 2022, the following board members were appointed to the audit committee: Leonard Kruimer (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 2022, lasting two and a half hours on average. One meeting was held in person and two meetings were held virtually. The main topics at these meetings were the review of the year-end financial statements and annual report 2021; review of the half-year financial statements 2022; review of the annual budget 2023 as well as mid-term financial planning; financial and non-financial risk management; the scope of the external audit 2022 as well as the scope and results of the internal audit 2022. The external auditors attended all three audit committee meetings in 2022 to report on the results of the full-year 2021 audit, the half-year 2022 review and on the preparation of the full-year 2022 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 13, 2022, the following board members were re-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, development of the annual compensation report, 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, as well as the criteria relating to performance-related compensation elements.

The compensation committee held two meetings in 2022 of which one was held in person and one virtually. The meetings lasted three hours on average. The main topics at the meetings were the general remuneration of the board of directors, the management committee, and employees; annual general salary increases; the review of the long-term incentive plan; performance criteria and 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 2022 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 2022; the planning of the 2023 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 13, 2022, the following board members were appointed to the corporate governance & nomination committee: Thomas Werner (chairman), Domenico Scala, and Steven D. Skolsky.

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 2022, with an average duration of one hour. One meeting was held in person; two 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 2022

	Board	Audit committee	Compensation committee	Corporate governance & nomination committee
Number of meetings	7	3	2	3
Domenico Scala*	7	3	2	3
Thomas Werner	7	–	2	3
Leonard Kruimer**	6	2	–	–
Martin Nicklasson	7	3	2	–
Nicole Onetto	7	–	2	–
Ronald Scott***	1	–	–	1
Steven D. Skolsky	7	3	–	3

* Member of the audit committee until April 13, 2022 and member of the corporate governance & nomination committee since April 13, 2022.

** Member of the board and of the audit committee since April 13, 2022.

*** Member of the board and of the corporate governance & nomination committee until April 13, 2022.

During their respective term of office in 2022, all board members attended all of the board meetings and all committee members attended all of the respective committee meetings.

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 56) 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 the 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, the CEO provides to the board a monthly CEO report covering important operational activities. Additionally, management provides interim ad hoc updates to the board on the status of operations and other issues as necessary or if requested by the chairman and the board. The main components of the monthly CEO reports and 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 82 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 (CEO) 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, 2022. 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 and 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 Zurich) 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, 2022, the EMC comprises Peter Bielmeier, Head of Global Quality Management, Ursula Eberhardt, Head of Global Human Resources, and Damian Heller, General Counsel & Corporate Secretary.
A description of each EMC's member's nationality, business experience, and education is outlined below:

Peter Bielmeier, Ph.D.
Head of Global Quality Management
Nationality: German
Year of birth: 1967

Peter Bielmeier, Ph.D., has been Head of Global Quality Management since September 2022. He is a member of the extended management committee of Basilea.
Mr. Bielmeier joined Basilea from BeiGene Switzerland GmbH, where he served as head quality Europe from 2019 to 2022, responsible for defining and implementing the quality strategy for BeiGene Europe as well as for establishing and managing the quality management system. From 2004 to 2019, he held various positions including quality product leader and quality site head at F. Hoffmann-La Roche Ltd. Prior to that he held various positions in safety and quality management at Linde AG.
Mr. Bielmeier holds a master's degree in chemistry and a Ph.D. in pharmaceutical chemistry from the University of Regensburg.

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.
Mrs. Eberhardt holds a Swiss Federal Diploma in marketing communication and a Swiss Advanced Federal Diploma of higher education in human resources management.

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

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.

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 82 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 at the cut-off date determined by the board of directors. No exceptions from these restrictions were granted in 2022.

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 49 and "Registration in the share register" on page 69.

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 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;
- consolidation of shares;
- capital increase out of equity, against contributions in kind or by offsetting against a claim, and granting of special benefits;
- limiting or withdrawing shareholders' preemptive rights;
- creating conditional share capital or capital band;
- limitations on the transferability of registered shares;
- creating shares with preference rights;
- change of currency of the share capital;
- introduction of the deciding vote of the chairperson in the general meeting;
- introduction of a provision in the articles of association to conduct the general meeting abroad;
- delisting of the shares of the Company;
- changing the registered seat of the Company;
- introduction of an arbitration clause to the articles of association;
- liquidating the Company;
- the amendment of the articles of association with respect to the registration of shares in the share register with voting rights, 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 Merger, Demerger, Conversion and Transfer of Assets and Liabilities (Merger Act).

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, the Swiss Official Gazette of Commerce (SOGC), 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 5% of the share capital or voting rights request such general meeting of shareholders in writing. Such request must set forth the agenda items and the proposals to be acted upon. If, based on the Company's stand-alone annual statutory balance sheet, half of the sum of the (i) share capital, (ii) statutory capital reserve and (iii) statutory retained earnings are not covered by the difference between (i) the assets and (ii) the liabilities, the board of directors is required to initiate restructuring measures and call a shareholder's meeting in the event such measures need to be approved by the shareholder's meeting. Extraordinary general meetings of shareholders can be called as often as necessary, in particular, in all cases required by law.

Pursuant to Swiss law, one or more shareholders representing 0.5% of the share capital or voting rights may request that agenda items or proposals to agenda items 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. Such deadline is published by Basilea in the Swiss Official Gazette of Commerce and on the Company's website, usually in connection with the publication of the invitation to the general meeting of shareholders.

In 2022, the deadline for registration in the share register in order to participate and to vote at the ordinary general meeting of shareholders of April 13, 2022 was April 5, 2022. The registration deadline for the ordinary general meeting of shareholders to be held on April 26, 2023 has been set as April 18, 2023. 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 49.

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 33⅓% 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 33⅓% 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 13, 2022, 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 April 13, 2022, the lead auditor of Basilea is Mr. Daniel Anliker. The audit committee ensures that the position of the lead auditor is changed at least every seven years.

Auditing fees

In 2022, PricewaterhouseCoopers AG charged the Company auditing fees in the amount of CHF 172,650 (2021: CHF 177,500).

Additional fees

In 2022, PricewaterhouseCoopers AG charged the Company additional fees in the amount of CHF 6,600 for access to PwC's accounting knowledge platform (2021: CHF 5,500 related to the review of financial statements / costs in connection with a third-party-funded research project and CHF 2,700 for access to PwC's accounting knowledge platform).

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 2022, the audit committee met with the auditors three times (the meetings were held in person and virtually) to discuss the scope and results of their year-end audit for 2021, the scope of the 2022 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 (SOGC).

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.

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 investor 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 investor 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, Allschwil, Investor Relations, Hegenheimermattweg 167b, 4123 Allschwil, Switzerland. Additionally, investor relations inquiries may also be made by phone to +41 61 606 11 02.

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.

Analyst coverage

As of December 31, 2022, the firms listed below were covering Basilea. There may be other firms or analysts who have published reports or commentaries during 2022 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.	Alex Cogut
Calvine Partners LLP	Brian White
Cantor Fitzgerald & Co.	Louise Chen
Edison Investment Research Ltd.	Soo Romanoff and Harry Shrives
H. C. Wainwright & Co., LLC	Raghuram Selvaraju
Kepler Cheuvreux	Arsène Guekam
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 is committed to complying with the spirit and letter of all applicable laws and regulations where the Company engages in business.

We are Basilea: All together at our new headquarters

In summer 2022, we moved into our brand new headquarters in the new Switzerland Innovation Park Basel Area, Main Campus in Allschwil. This was a big advantage for Basilea's staff, as we are now all in one building, in close proximity to each other. This, combined with state-of-the-art equipment, makes our daily work easier. The area is also one of the fastest growing healthcare clusters in Europe and we are excited to be able to play a leading role in its development right from the start.
The open-plan office provides Basilea with the opportunity to communicate faster and work more efficiently as a team. We interviewed some of our Basilea colleagues and asked them for their perspective on their new workplace:

Gerda, Scientist

"I am happy about the move because I like to see my colleagues all together. Before, there were only two of us in the office, and now there is much more buzz and life around me. I like this open working environment where I feel that I am part of something bigger and where people from all departments work together towards a common goal. Approaching people is much easier in the new working environment."

Anne, Senior Controller & Procurement Lead

"Initially, it took my team and me some time to get used to the new flexible desk system, where you book your desk in advance and move if necessary. But the open office environment also made communication and collaboration much more efficient. If I am working with colleagues from another department on a specific task or project, I just sit next to them for a day or two. Our external guests and clients also feel welcome in the new office, which has a positive impact on our business. My personal office highlight of the past year? Having a Basilea Christmas tree for the first time – there was simply no room for it in our former office."

Andrew, Head of Supply Chain Management

"My first thought when Basilea announced the office move was: 'Now the rest of the company will notice how noisy the supply chain team is!' So noise, both from us and from others, was initially a cause for concern. But once I was in the new building, I realized that this was actually not a big problem. Our old office did not do much for teamwork, but here in Allschwil, it is much easier to collaborate across functions within the company, and the outdoor space is also more attractive than it used to be. I now feel like I know everyone at Basilea, whereas before I only saw a handful of faces every day. I like the different views and perspectives you get from the various rooms on our floor and at different times of the day."

Andrea, Lab Head

"I joined Basilea in 2019 after doing a postdoc at ETH Zurich. At the university, I enjoyed meeting up with my colleagues after work, both for the socializing and for scientific exchange. Here on the campus in Allschwil, I have had the same experience and think that this will increase once other companies and research institutions have moved here. Moving into such a community environment was the best thing that could have happened to Basilea, because the exchange of ideas is essential for science. And the architecture and overall concept of the building facilitate this. I also like the fact that I receive fewer e-mails in our open space: You just get to talk to people directly more often than you would have before at the two locations or on different floors."

Léa, Supply Chain Specialist

"When I joined Basilea in 2020, I only worked from home due to the pandemic. This was difficult because it was my first job after graduation and I had so many questions. It was already great to come back to the old office, and the new office is even better: I got to know colleagues in person who I previously only knew from the phone or video calls because they worked at a different location. My favorite spot in the new office is the cafeteria, where you can chat with your co-workers – an excellent way to get to know people from different departments. If it gets too noisy in the open space office and I need to concentrate on a tricky task, I just plug in my headphones – which, combined with the option of working from home up to two days a week, works pretty well."

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 the fair treatment of employees, in particular in terms of gender equality 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 (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 has significantly reduced our energy consumption and CO2 emissions (SDGs #9 and #12).

We believe that these focus areas support our corporate strategy and long-term success.

The global picture

The threat of antimicrobial resistance requires urgent action

The pharmaceutical industry fulfills an important role in society: developing and manufacturing safe and effective products to treat or prevent bacterial and fungal infections. Anti-infectives allow us to practice medicine as we know it today; treating infections in cancer patients, in patients undergoing limb replacements, or organ transplants; treating preterm babies with sepsis or complicated deliveries; treating abscesses or post-surgical wound infections, urinary tract infections, pneumonias or blood infections. Without antibiotics the practice of medicine would return to the pre-antibiotic era, where a small infection could potentially result in the death of the patient.

Antimicrobial resistance (AMR) are changes in fungi or bacteria that cause the drugs that are used to treat infections to become less effective. AMR has emerged as one of the leading public health threats of the 21st century, putting at risk the remarkable advances made in healthcare during the last century. Without intervention the annual death toll from AMR could reach ten million by 2050[1] and render many bacterial and fungal infections difficult to treat with profound effects on morbidity and associated increased healthcare costs.

The COVID-19 pandemic has had a significant impact on AMR and the emergence of difficult-to-treat infections. For example, the CDC reports that during the pandemic US healthcare facilities saw more healthcare associated antimicrobial resistant hospital-acquired infections with deaths increasing at least 15% from 2019 to 2020. In addition resistant fungal pathogens such as *Candida* species increased by 26%, whilst *Candida auris* a more virulent and multidrug resistant species, increased by 60%[2]. In Europe the incidence of *Acinetobacter* species causing blood stream infections (BSIs) documented between 2020 and 2021 rose by 57% compared to the period between 2018 and 2019. The increase was largely due to BSIs caused by carbapenem-resistant *Acinetobacter* species resistant to the most powerful antibiotics, the carbapenems. The case counts of *Acinetobacter spp.* rose by 114% and the percentage resistant to carbapenem rising from 48% between 2018 and 2019 to 66% between 2020 and 2021.[3]

To address the emerging global threat of AMR, many different 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.[4]

Developing innovative anti-infectives to meet the unmet medical need

Over the last two decades many of the large pharmaceutical companies have prioritized other therapeutic areas over anti-infectives. Basilea believes that the ever-growing need for new and effective anti-infectives provides a compelling business opportunity and during this time has maintained its focus on developing new compounds, driven by the successful development and commercialization of Zevtera® (ceftobiprole) and Cresemba® (isavuconazole). Our new headquarters in

References:

1 J. O'Neill. Review on Antimicrobial Resistance Antimicrobial Resistance: Tackling a crisis for the health and wealth of nations. London: Review on Antimicrobial Resistance; 2014. Available from: https://amr-review.org/sites/default/files/AMR%20Review%20Paper%20-%20Tackling%20a%20crisis%20for%20the%20health%20and%20wealth%20of%20nations_1.pdf

2 US Centers for Disease Control and Preventions (CDC). COVID-19 impact on HAIs in 2021: https://www.cdc.gov/hai/data/portal/covid-impact-hai.html [Accessed: February XX, 2023]

3 P. Kinross, C. Gagliotti, H. Merk, D. Plachouras, D. L. Monnet, L. D. Högberg, EARS-Net Study Group. Large increase in bloodstream infections with carbapenem-resistant Acinetobacter species during the first 2 years of the COVID-19 pandemic, EU/EEA, 2020 and 2021. Eurosurveillance 2022 (46), 2200845

4 R. Laxminarayan. The overlooked pandemic of antimicrobial resistance. The Lancet 2022 (399), 606-607

Allschwil are fitted with state-of-the-art laboratories and office space, supporting the research and development of new drugs and bringing together in one space all the cross-functional expertise required to successfully develop and commercialize new antimicrobials.

As there are still very few companies active in the field, Basilea is committed to be a leading actor in addressing the threat of AMR. This can only be achieved through collective action across the spectrum of stakeholders involved from Governments, Healthcare Industry, patient representative groups, etc. Therefore, Basilea is collaborating with various organizations on different levels to nurture a better economic environment, which will enable companies to invest in developing novel and effective new medicines to treat resistant pathogens, confident with the prospect of financial returns.

Economic incentives provided by governments and other organizations to support antimicrobial development

Basilea is an active member of several initiatives, both locally and globally, dedicated to nurturing the development of innovative antibacterial and antifungal agents. These initiatives include, among others, the Swiss Round Table for Antibiotics, the BEAM Alliance, which represents in Brussels and EU member states, the interests of small and medium European companies developing antimicrobials, and the Antimicrobial Industry Alliance (AIA), a US based organization, representing the interests of pharmaceutical companies committed to developing AMR solutions, in Washington DC.

Basilea has maintained a strong relationship with the US Government through BARDA (Biomedical Advanced Research and Development Authority), who have provided significant non-dilutive funding and expertise to support the development of ceftobiprole with the goal to obtain regulatory approval in the United States. The required phase 3 pivotal studies have been successfully completed, bringing ceftobiprole closer to the US market. In addition, in 2021, Basilea has been awarded a grant for another program, 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 supports the progression towards clinical candidate of a preclinical novel antibiotic which kills bacteria by inhibiting the DXR enzyme pathway. With the DXR program, Basilea aims to deliver an antibiotic which is active to treat serious infections caused by drug-resistant Gram-negative bacteria, listed by the US Centers for Disease Control as high priority unmet medical need pathogens.

In addition to Basilea partnering with BARDA and off-setting development costs through non-dilutive funding, Basilea also supports the implementation of so-called “PULL” incentives, which would be expected to make a significant contribution to stimulating pharmaceutical company investment in the therapeutic area. Some countries, such as the UK and Sweden are already trialling systems whereby new antibiotics are guaranteed a fixed revenue, delinked from the volume utilization. Similar delinked purchase models have been proposed in other regions, including the United States, where the US Generating Antibiotic Incentives Now (GAIN) act is already in place and provides additional years of market exclusivity for qualified new antimicrobials, including both of Basilea’s commercialized products: Cresemba and Zevtera.

Our contributions to CSR

Gender equality: making further progress

Basilea aims to remain an attractive employer, with the ability to engage and retain highly skilled and motivated professionals. Basilea values diversity and offers equal employment opportunities regardless of race, color, religion, gender, sexual orientation or other classification protected by applicable law. Our employees, currently comprising 15 nationalities, come from various backgrounds and bring unique experience and knowledge to Basilea.

A prerequisite for achieving our aim is gender equality. In Switzerland, as part of a federal effort to reduce the still existing pay gap between men and women, companies with more than 100 employees were required by law to conduct a gender pay gap analysis by June 2022. Basilea performed a first equal pay analysis in 2020, well ahead of the deadline, with the method and results audited by PricewaterhouseCoopers. The 2020 analysis showed a gender pay gap of 3.8% between men and women.

With this result, Basilea would have been exempted from further mandatory gender pay gap analyses. However, as transparency is key to achieving equal pay, Basilea voluntarily decided to repeat the pay gap analysis and publish the results on an annual basis.

For 2022, using the same methodology approved by the federal government, the analysis shows a gender pay gap of 3.1% between men and women. This result remains well below the 5% tolerance threshold defined by Swiss authorities. Basilea is committed to continue reviewing pay practices and ensuring fair and equal working conditions.

Team building: fostering a winning spirit

In 2022 Basilea employees again participated in the national inter-company challenge events B2Mission and B2Run, with both events being well supported by the company. After its start during the pandemic, the B2Mission event in particular has become extremely popular within Basilea. It is a Swiss-wide app-based event in which participants collect points for their company during one month by recording their individual cycling, walking and running activities using the GPS function in their phones. There is also the possibility to do “challenges” in various cities throughout Switzerland, in which participants have one hour to collect as many points as possible using the app.

As in the previous two years of the B2Mission, thanks to the high level of engagement, Basilea again finished #1 in its category, with nearly one third of all Basilea employees taking part. Notably, Basilea’s Jasna Sutara finished as first place among all female participants in Switzerland (second place overall) and uniquely amongst all people ranked in the top ten, she achieved all her points only from walking. This was an amazing achievement.

2022 was the first year since the start of the pandemic in which the B2Run event (a 6 kilometer intercompany one-day race) took place without any COVID-19-related restrictions. It was a really great feeling to experience the event again as a team building event in which colleagues create team spirit outside of the usual workplace environment. Basilea again fielded a strong team of twenty runners, including CEO David Veitch, with the team finishing in a very respectable position.

The Basilea team at the B2Run event

Moving headquarters: improving our environmental footprint

The COVID-19 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 had become clear that our previous HQ building, built in the late 1960s, would 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 HQ and in June 2022 relocated to a state-of-the-art office and laboratory building in the Switzerland Innovation Park Basel Area, Main Campus. The new facilities are built according to the latest standards for energy efficiency. It is very well connected to the local public transport system, and provides ample bicycle parking space as well as charging stations for electrical cars. The new building will help all of us at Basilea to work together more efficiently and reduce our environmental footprint.

What is more, the Switzerland Innovation Park Basel Area, Main Campus, 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.

Please also read the positive feedback from our employees on the new HQ on pages 74 and 75.

Outlook

Environmental-Social-Governance (ESG) reporting and performance management
Whilst we have been focusing so far on reporting our major corporate social responsibility activities and projects in the annual report, the board of directors and management evaluated in parallel the need and requirements for a broader and more standardized ESG reporting and the inclusion of ESG goals in the management committee's performance management.

As a result, Basilea has committed to publish, by the end of 2023, its first ESG report in accordance with the Global Reporting Initiative (GRI) standard. In addition to this reporting initiative, the board of directors set management the objective for 2023 to develop an ESG strategy for the company, which will include the identification of measurable ESG goals. The ESG strategy and goals will be approved by the board of directors. The identified ESG goals will form the basis for the future ESG goal setting process, by the board of directors, for the company and management.

Compensation report

Compensation report

Report of the statutory auditor

to the General Meeting of Basilea Pharmaceutica Ltd

Basel

Report on the audit of the compensation report

Opinion
We have audited the compensation report of Basilea Pharmaceutica Ltd (the Company) for the year ended 31 December 2022. The audit was limited to the information on compensation, loans and advances pursuant to Art. 14 to 16 of the Ordinance against Excessive Compensation in Listed Companies Limited by Shares (Ordinance) in the tables on pages 109 to 111 of the compensation report.

In our opinion, the information on compensation, loans and advances in the accompanying compensation report complies with Swiss law and article 14 to 16 of the Ordinance.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the compensation report' section of our report. We are independent of the Company 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.

Other information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables audited in the compensation report, the consolidated financial statements, the financial statements and our auditor's reports thereon.

Our opinion on the compensation report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the compensation report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the compensation report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the compensation report

The Board of Directors is responsible for the preparation of a compensation report 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 a compensation report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibilities for the audit of the compensation report

Our objectives are to obtain reasonable assurance about whether the information on compensation, loans and advances pursuant to article 14 to 16 of the Ordinance is 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 SA-CH 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 this compensation report.

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

- Identify and assess the risks of material misstatement in the compensation report, 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

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.

PricewaterhouseCoopers AG

Daniel Anliker

Daniel D. Miller

Audit expert
Auditor in charge

Basel, February 9, 2023

Letter from the chair of the compensation committee

Dear shareholders,

2022 was in many ways a year of changes and new beginnings for Basilea.

The company strategy announcement in February set us on a clear future course, focused on the treatment of patients with severe bacterial or fungal infections. This new direction had a direct impact on our priorities and operations for 2022. During the year we have partnered several oncology assets, closed a loan agreement for the non-dilutive repayment of convertible bonds which were due in December and licensed a novel first-in-class preclinical antifungal program. We have also reported positive phase 3 results for our antibiotic, ceftobiprole and continued the commercial success story of Cresemba, to name just a few of the milestones on the way to implementing our strategy. The positive share price development during the course of the year, exceeding that of the Swiss Performance Index Extra, is indicative of external recognition of our efforts and support for our future strategic direction.

In June, we moved the company headquarters to Allschwil in the Basel region. With all of Basilea now physically in the same location, the inspiring new environment opened up new ways of exchanging ideas and collaboration across the company. The relocation to a modern building has also significantly improved Basilea's environmental footprint, which was an important objective and is reflective of our increased focus on sustainability.

From a compensation perspective, we need to ensure that we can find, retain and motivate the right talent to deliver on our new strategy. Basilea is doing this from a unique position; we are a recognized leader in the anti-infectives area. We do though operate in the neighborhood of some of the largest pharmaceutical companies in Europe, resulting in pressure to ensure that our compensation offers are both fair and competitive.
One of the main aims of the compensation committee in 2022 was to ensure that the Basilea compensation system is able to support the company in the delivery of our long-term strategy within the competitive environment that we operate in.

Feedback from our shareholders remains a vital source of input for the compensation committee. At the annual general meeting (AGM) on April 13, 2022, shareholders approved the proposed compensation for the board of directors and the management committee. In a non-binding advisory vote, shareholders also endorsed the compensation report 2021. We have fine-tuned the structure of the board compensation and aim to provide more detail and transparency about our compensation system and decisions in this report.

For the board of directors, 2022 was the first year in which restricted share units (RSUs) have a vesting period of three years instead of one. This change was introduced by the compensation committee based on shareholder recommendation and will remain in effect for the 2023 RSU grant as well.

For the management committee, the annual performance-related cash bonus is determined based on achievement against corporate goals only. Following the strategy announcement, the compensation committee reviewed the corporate goals for 2022 and decided to introduce elements of the new strategy execution as an additional goal for the year. None of the 2022 corporate goals disclosed in the compensation report 2021 were removed. Instead, their content and relative weightings were adjusted for certain goals, so that the importance of strategy execution, an additional key objective for 2022, could also be reflected in the overall goal achievement.

Taking into consideration the feedback from our shareholders, the changes introduced in 2021 and 2022, and the Swiss market environment, the compensation committee does not propose structural amendments to the compensation model for 2023. However, to reflect Basilea's commitment to and increased focus on environmental, social and governance (ESG) topics, the 2023 corporate goals will include an ESG goal, directly linking a portion of the management committee's compensation to its ESG achievements.

Details of our compensation system and governance as well as more information on the activities of the compensation committee can be found on the following pages. With increased details, the compensation report 2022 aims to both comply with regulatory requirements and provide greater clarity on the way our compensation model operates.

We welcome our shareholders' feedback, as we continue to monitor our external environment and review the implementation of our compensation approach to ensure that we remain on the right track to achieve our strategic goals and create long-term sustainable value.

Martin Nicklasson
Chair of the compensation committee

This compensation report provides the information required by Swiss law and 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 at a glance

Our compensation philosophy

Basilea is committed to diversity and equality. The Basilea Code of Conduct states that all employment-related decisions, including decisions on compensation, are to be made without regard to race, color, religion, gender, sexual orientation, national origin, age, disability, marital status, or other classification protected by applicable law. Basilea does not tolerate any form of discriminatory conduct towards its employees.

Gender equality is important to Basilea. To ensure that all genders receive equal pay for comparable work, the company regularly reviews pay practices and conducts an equal pay analysis every year.

The Basilea compensation system aims to support sustainable value generation over the long term, aligning the interests of shareholders and employees, particularly senior managers.

What we do

- Board of directors and management committee compensation aligned to shareholder interests through share-based awards
- Share price performance included in the company's annual bonus plan and LTI plan
- Caps on variable compensation of management committee
- Malus and clawback provisions in place for variable compensation
- 3-year vesting period for share-based awards, with additional 1-year holding period for management committee

What we don't do

- No hedging or pledging of performance share units
- No stock option repricing without shareholder approval
- No dividends paid on unvested equity
- No discretionary benefits to management committee
- No discretionary bonus available for management committee
- No individual goals for management committee: all goals are corporate goals, with different weightings based on role

Compensation for board of directors does not fluctuate based on short-term performance but supports focus on strategic direction and long-term development of the company. Pay mix of the management committee is balanced, with a large portion of compensation linked to company performance. While annual achievements of the management committee are also recognized and rewarded, these rewards do not outweigh focus on long-term value creation. Through the provision of share-based awards, the interests of shareholders are reflected in the compensation of board and management committee.

Company performance in 2022

As announced in early 2022, Basilea aims to become a leading anti-infectives company backed by strong financial results. Implementation of the new strategy was ongoing throughout 2022, with several important milestones achieved. Related to the oncology portfolio, this includes the transaction of BAL0891 with SillaJen as well as the sale of preclinical oncology programs to partners Redona Therapeutics (formerly: Twentyeight-Seven Therapeutics) and Nodus Oncology. In April, a first-in-class preclinical antifungal program was in-licensed from Fox Chase Chemical Diversity Center.

Strong Cresemba (isavuconazole) sales in both the US and in the Asia-Pacific and China region triggered milestone payments to Basilea in the amount of CHF 20 million and USD 1.25 million, respectively. Additionally, Cresemba was launched in China, one of the major global markets for antifungals, and approved in Japan.

The positive results of the phase 3 ERADICATE study with Zevtera (ceftobiprole), announced in June, marked a major turning point in the history of Basilea. The study results confirmed that ceftobiprole met primary and secondary efficacy endpoints, underlining the potent activity of ceftobiprole for treating serious bacterial infections and laying the foundation for the planned regulatory filing in the US in 2023. Furthermore, Basilea's distribution partner for Latin America received a marketing authorization in Brazil, opening up the possibility of bringing Zevtera to a new market.

Basilea exceeded financial guidance in 2022 and is on track to achieve our goal of maintaining sustainable profitability at the operational level from 2023.

Compensation outcomes 2022

For the period from the AGM 2022 to the AGM 2023 the board of directors received a total of CHF 1,333,532, within the budget of CHF 1,430,000 approved by shareholders for this period. The annual fees and committee membership fees paid to the board remained unchanged compared to the previous period, while social security contributions decreased.

The management committee received a total of CHF 5,529,041 for 2022, which is 4.6% higher than for 2021. The increase is due to an average 1% increase in base salary from April, which matches the average base salary increase for other employees, an 18.9% increase in the annual bonus amount, due to 132.8% achievement of corporate goals and 0.9% change to the value of the long-term incentive grant. The overall 2022 compensation for the management committee was below the budget of CHF 6,280,000, which was approved by shareholders at the AGM 2021 as the maximum aggregate amount of compensation for financial year 2022.

The results of the voluntarily conducted Basilea equal pay analysis for 2022 showed that women earned 3.1% less than men, taking personal qualification and workplace characteristics into consideration. This result remains well below the 5% tolerance threshold defined by the Swiss authorities.

Compensation governance

Compensation committee

The compensation committee consists of three independent and non-executive members of the board of directors, as defined by the Swiss Code of Best Practice for Corporate Governance. All members of the committee are individually elected by the shareholders at each general meeting. The compensation committee currently consists of Martin Nicklasson as chair 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 of directors' and management committee's compensation, prepares the compensation report and proposes the budget for shareholders' say-on-pay vote at the annual general meeting.

After each meeting, the chair 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 2022

In addition to its standing agenda items, such as annual goal setting and performance assessment, the annual review of salary level etc., in 2022 the topics discussed by the compensation committee included:

- reviewing and approving grant of performance share units and performance criteria for the management committee and other senior personnel;
- reviewing and approving grant of restricted share units for the board of directors, with a vesting period of three years;
- approving restricted share unit grant for eligible employees;
- approving an amendment to the previously communicated corporate goals for the management committee, following the announcement of a new strategy in February 2022; and
- reviewing ways of integrating sustainability aspects into the compensation system.

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 annual general meeting to the following annual general meeting;
- 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 directors' 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

As a commercial stage biopharmaceutical company, Basilea operates in a highly regulated environment. Our focus on anti-infectives, a unique market segment, requires specialized skills and experience from our leadership and employees. Additionally, we compete for talent with pharmaceutical companies of all sizes in the Basel region, making the use of benchmarking and market data an important source of information.

The aim of our compensation design is to enable us to respond to these challenges and attract, motivate and retain the right talent for the company's continued success.

- We offer competitive compensation: we regularly review both compensation elements and levels against the market practice of our peers, with the median values used as our reference point.
- We provide a balanced pay mix: the ratio of fixed to variable compensation is aligned to the individual role and responsibilities.
- We link rewards to performance: our annual bonus and long-term incentive plans ensure that variable compensation is based on performance against predefined targets.
- We aim for long-term success: multi-year performance periods and share-based awards form part of our long-term incentive program, aligning the interests of shareholders and senior managers by supporting long-term value creation.

Board of directors

Members of the board of directors do not receive variable or performance-based compensation. To support their focus on the long-term development of the company as they carry out their supervisory duties, they receive only fixed, predetermined fees instead. The compensation of board members depends only on their role or roles as member, chair or vice-chair of the board and its committees.

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

Management committee and employees

Basilea employees may be eligible for a combination of fixed and variable compensation, as well as a benefits package including pension contribution, insurance and other elements. Both external factors (such as market practice) and internal factors (such as role within the organization) are considered when determining the level of compensation and the balance between fixed and performance-based elements. Base salaries are reviewed and employee performance is evaluated annually.

Base salary and annual bonus are paid in cash. Awards forming part of the long-term incentive plan for senior managers are paid in share-based awards, aligning the long-term interests of shareholders and senior managers.

Compensation evaluation

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 2022, the compensation committee reviewed compensation of the management committee. As part of the review process, the compensation committee considered the outcome of a benchmark analysis by Willis Towers Watson, where individual compensation of each management committee member was compared to compensation of similar roles at the selected companies. Willis Towers Watson selected a group of companies in the pharmaceutical and health science industry in Switzerland and used the Willis Towers Watson Global Grading Methodology to identify the comparable roles. For each management committee member, the reference point for the comparison was the median compensation of the comparable roles, with both base salary and target total direct compensation compared. Based on the review, the committee determined that no changes are needed to the current compensation model used by Basilea for the management committee.

Compensation of the board of directors was compared with selected companies as part of a benchmarking analysis performed by HCM International AG in its role as independent expert. For this comparison, companies with market capitalization ranging from CHF 350 million to CHF 800 million were used, selected from (i) the Swiss Performance Index (SPI), excluding finance and real estate, and (ii) SPI healthcare companies. The compensation committee took the analysis results as well as other factors into consideration when reviewing current board compensation and decided that no changes to the design or compensation levels are indicated at this time.

Compensation structure and design

Overview of 2022 compensation structure

	(Vice-) Chair of the board	Other board members	CEO	Management committee members	Comments
Fixed compensation					
Fixed cash compensation	●	●	●	●	
Restricted share units	●	●			Subject to three-year vesting period
Variable compensation					
Performance-related cash bonus			●	●	Based on achievement of corporate goals (with different individual weighting 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

Compensation for board members, as approved by shareholders at the annual general meeting 2022, is paid 75% in cash and 25% in restricted share units. The compensation consists of:

- a fee for the election term from one annual general meeting to the next;
- 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 three-year vesting period on a one-to-one basis. Board members who cease their board membership prior to the end of their term of office will receive a prorated number of RSUs. Board members chairing a committee do not receive any committee chair fees, in addition to their committee membership fees.

The compensation paid to the board in the period from AGM 2022 to AGM 2023, delivered 75% in cash and 25% in RSUs:

In CHF	AGM 2022 to AGM 2023
Chair of the board of directors	
Annual fee	285 238
Committee membership fee[1]	7 875
Vice-chair 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 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 109.

Management committee compensation

Compensation system

Compensation for 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. Shareholders approve a maximum aggregate compensation amount for the management committee at the annual general meeting each year. The actual total compensation for the management committee for the given period cannot exceed the approved amount.

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 and makes recommendations to the board. Any changes in base salaries become 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 in line with salary increases across the broader workforce.

Performance-related cash bonus

Management committee members are eligible for an annual performance-related cash bonus. The bonus amount is determined based on the achievement of the same corporate goals for all management committee members. However, the weighting of the corporate goals is different for each management committee member. For the CEO, the corporate goals are weighted exactly the same as for the overall company result. For other management committee members, the weightings are unique and reflect the main areas of focus and responsibility of each member.

The target bonus is expressed as a percentage of the annual base salary and ranges from 40% to 50%. The individual rate of the bonus is set down in each management committee member's employment contract.

The compensation committee assesses each management committee member's performance and contribution to achievement of the company's goals and makes recommendations on the individual bonus to the board. The board determines the final amount of each management committee member's bonus payment. When the compensation committee and the board of directors determine the bonus for the CEO, the CEO is not present. However, the CEO can propose to the board the bonus amount for other management committee members.

Caps on performance-related cash bonus

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.

Corporate goals

The corporate goals used for annual performance evaluation of the management committee and also all Basilea employees in 2022 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 preclinical and clinical product candidates, completion of clinical trials, milestones towards the submission of applications for regulatory approval of new drugs and product approvals.

Following the company strategy announcement in February 2022, a new corporate goal related to strategy execution was approved by the board in addition to the previously announced goals for 2022. While no previously set corporate goal was removed, the weighting of certain goals was amended.

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 without performance conditions are granted to employees in management positions who are not eligible to receive PSUs.

For 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 market fluctuations would result in an extraordinarily low fair value calculation of the PSUs on the AGM date, which would otherwise lead to the grant of a large number of share units. 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 plans shall not exceed 10% of the total outstanding share capital on a fully diluted basis.

Instead of PSUs, management-level employees are granted restricted share units with a three-year service condition. The intent of this component is to promote the retention of employees who 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.

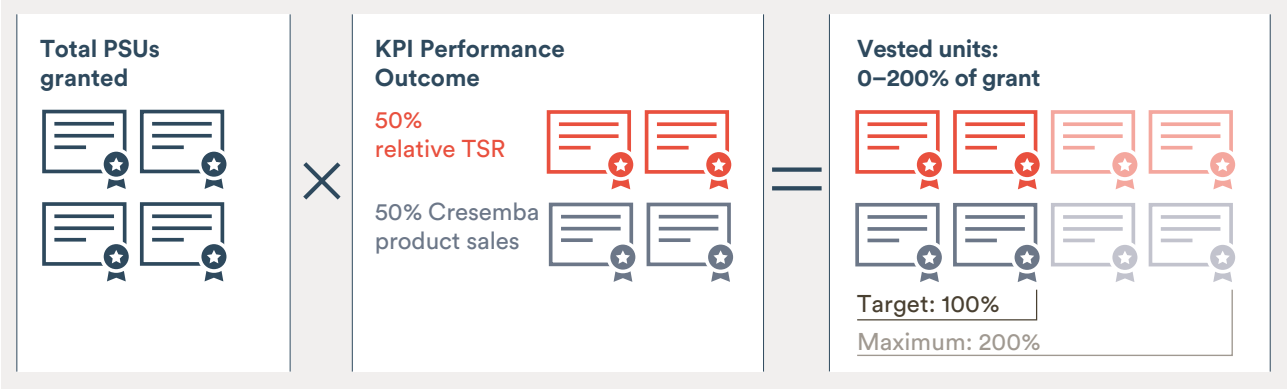
Vesting conditions

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:

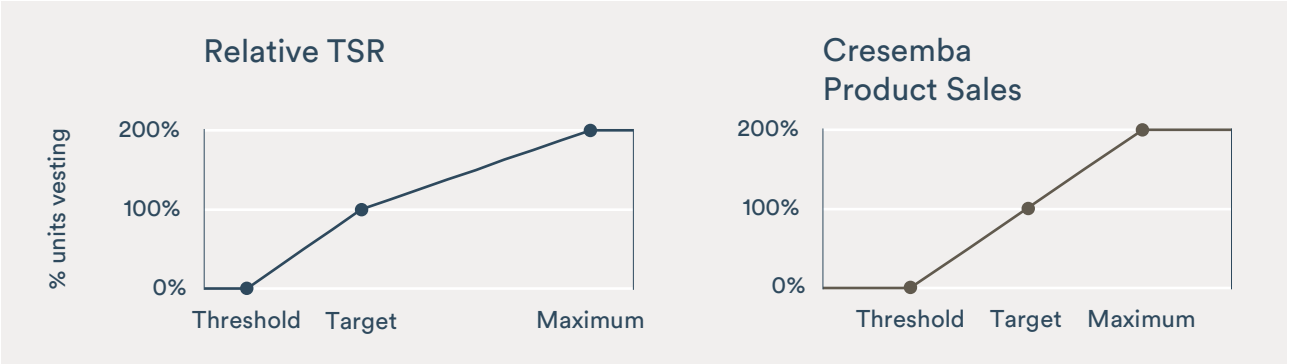
- In the event of a termination due to restructuring or redundancy, or upon retirement, PSUs that have not yet vested on the date of termination are prorated to reflect the shortened service period. These PSUs will continue to vest pursuant to the plan and convert into shares upon vesting based on calculated 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 2022 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.



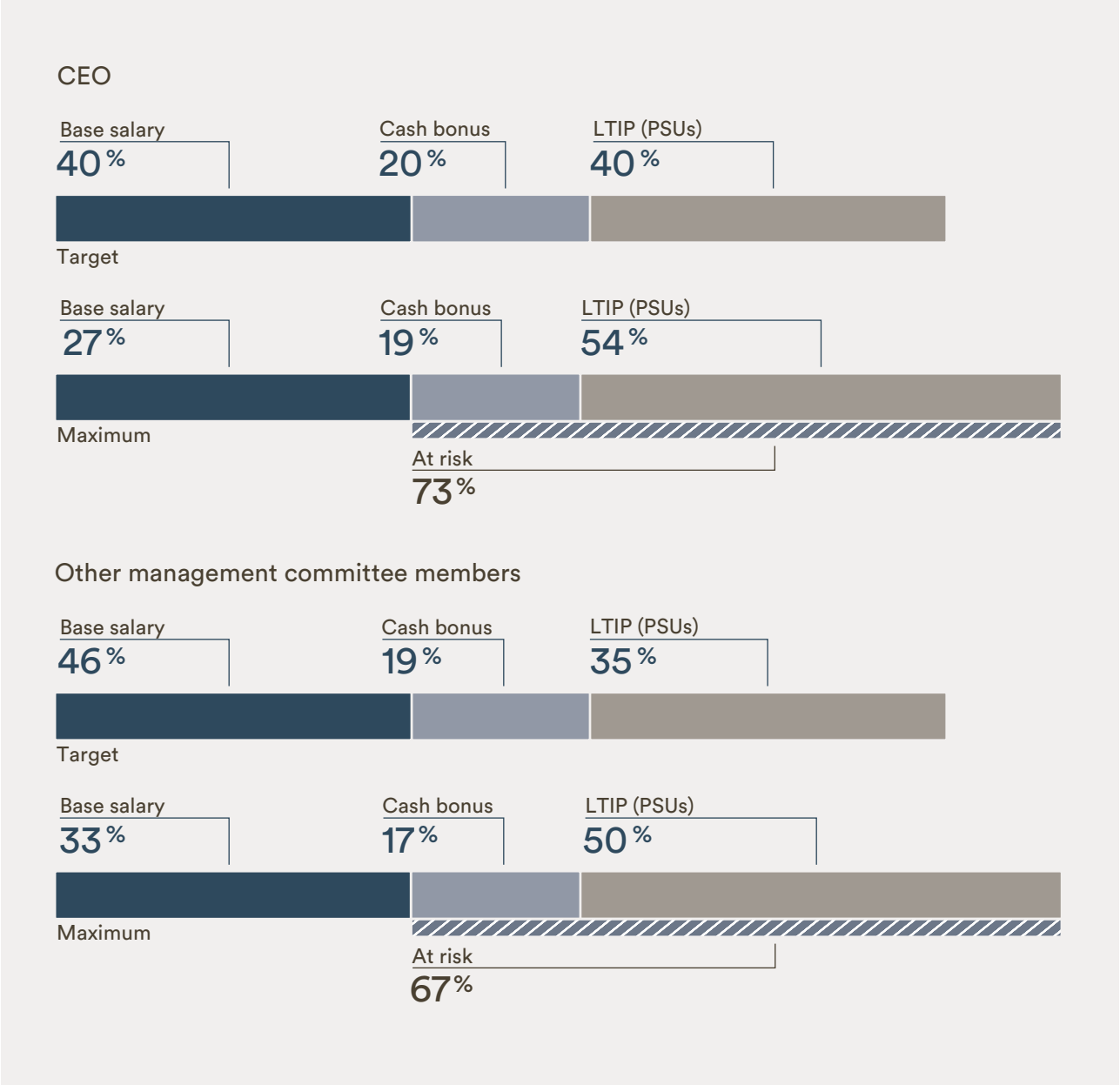
The rTSR KPI was chosen as an incentive for creating long-term shareholder value. This measure serves as an indicator of company performance. Taking into consideration its correlation to the Basilea share price and the beta coefficient, the SPI Extra was chosen as a benchmark for the rTSR. The rTSR calculation 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	Cresemba 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.

CEO and management committee 2022 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 annual or multi-year corporate goals.

2022 performance achievements

Basilea focuses on the research, development and commercialization of innovative drugs to meet the needs of patients with severe bacterial or fungal infections. In February 2022, Basilea announced an important strategic decision to become a leading anti-infectives company backed by strong financial results, with sustainable profitability expected from 2023. During the course of the year, several milestones were achieved and considerable progress made towards implementation of the new strategy.

Performance highlights 2022

Antifungal Cresemba (isavuconazole):
- Strong sales by Astellas in the US triggered CHF 20 million sales milestone payment to Basilea
- Launch in China
- Sales in Asia-Pacific and China triggered sales milestone payment from Pfizer
- Approval in Japan
- Completed patient enrollment in final pediatric study

Antibiotic Zevtera (ceftobiprole):
- Completion of patient enrollment in phase 3 ERADICATE study investigating ceftobiprole in *Staphylococcus aureus* bacteremia (SAB)
- Positive results of phase 3 ERADICATE study with ceftobiprole in SAB
- Obtained marketing authorization in Brazil
- Late breaking presentation on the phase 3 ERADICATE study results at IDWeek 2022

Oncology portfolio:
- Addition of new clinical candidate BAL0891 to oncology pipeline and clinical data read-outs for derazantinib and lisavanbulin
- Transaction of preclinical oncology program with Nodus Oncology
- Transaction of BAL0891 with SillaJen
- Transaction of preclinical oncology program with Redona Therapeutics (formerly: Twentyeight-Seven Therapeutics)

Other achievements:
- Licensing of a novel preclinical first-in-class antifungal program from Fox Chase Chemical Diversity Center
- Strong financial results exceeding financial guidance
- Closing of CHF 75 million senior secured loan agreement with Athyrium for non-dilutive refinancing of convertible bonds due in December 2022
- Full repayment of 2022 convertible bonds in cash

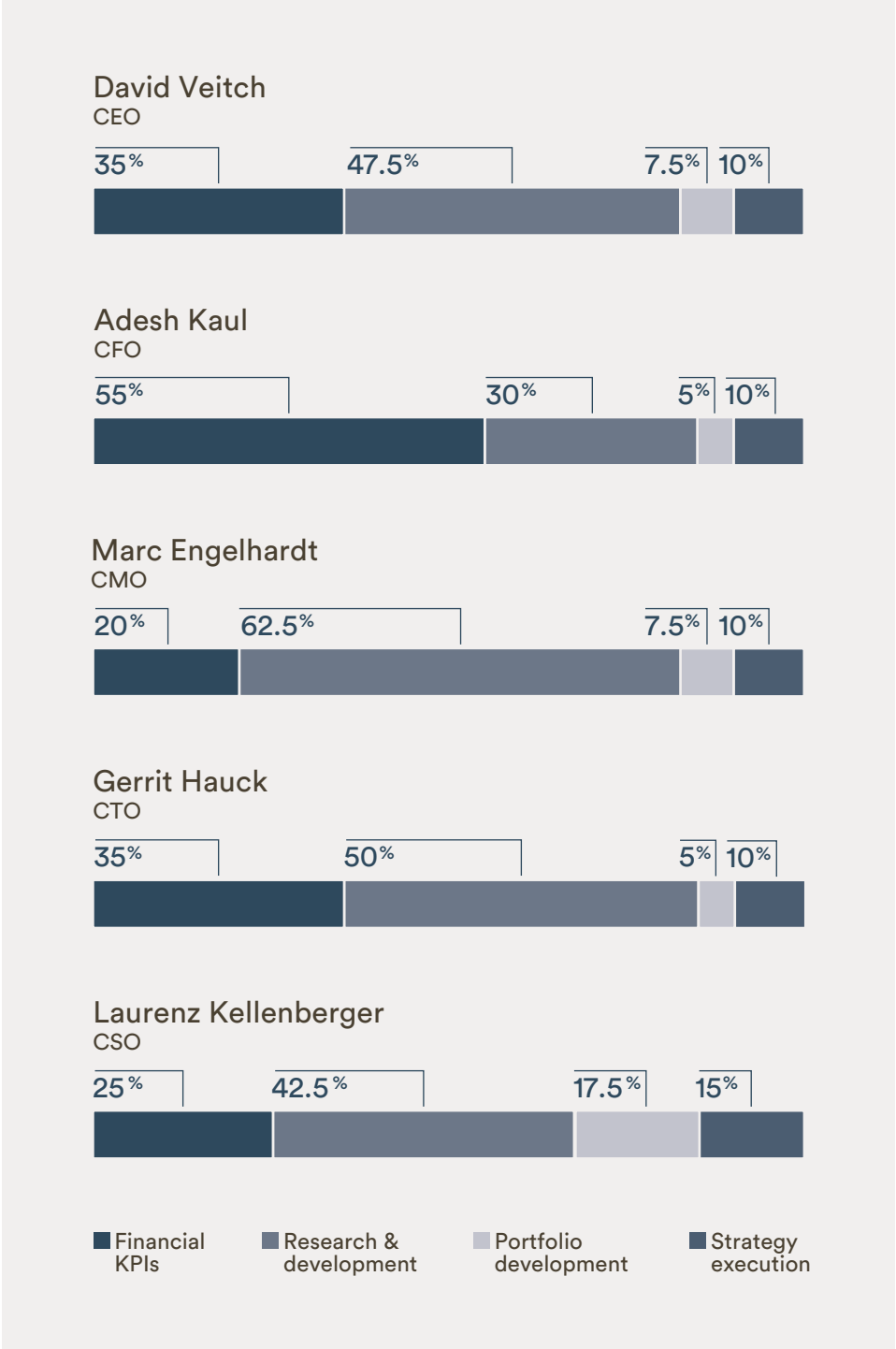
Achievement of 2022 corporate goals

The board reviews achievement against the corporate goals when determining the performance-related cash bonus for the management committee. For 2022 these consisted of financial and operating corporate goals that support the execution of Basilea's strategic priorities. Following the announcement on the change in company strategy in February 2022, a new corporate goal related to strategy execution was approved by the board in addition to the previously announced goals for 2022. While no previously set corporate goal was removed, the weighting of the goals was amended to appropriately reflect inclusion of the new additional goal related to strategy execution.

As shown in the following table, most corporate goals were met and achievement even exceeded the target for certain goals, resulting in an overall achievement level of 132.8%.

	Corporate goal	Weighting	Achievement
Financial KPIs	Revenues: achieve budgeted product and contract revenues		Above
	Share price performance: quarterly share price performance relative to Swiss Performance Index Extra (SPI Extra)		Above
	Access additional funding (e.g. through grants or cost sharing)		Above
	Manage debt level and maturity		Above
	Financial KPIs	**35.0%**	**82.0%**
Non-financial KPIs	Derazantinib: achieve planned data read-outs across ongoing clinical studies in the FIDES program and successfully complete planned stage-transition events		Below
	Lisavanbulin: successful clinical stage transition in glioblastoma study		Below
	Ceftobiprole: topline results from the *Staphylococcus aureus* bacteremia (SAB) phase 3 study		Met
	Additional goals related to supply, distribution and partnering		Below
	Isavuconazole: goals related to supply and distribution; support partner in the regulatory process to gain marketing approval in an additional market (Japan)		Met
	TTK / PLK1 inhibitor BAL0891: start patient enrolment in phase 1 clinical study and achieve dose-escalation targets; site initiation readiness established for IND transfer and transaction with partner		Met
	Research & development	**47.5%**	**35.0%**
	Expand R&D portfolio through in-licensing		Met
	Complete planned preclinical studies for research assets		Met
	Portfolio development	**7.5%**	**7.5%**
	Take decisions on the oncology assets derazantinib, lisavanbulin and BAL0891, either as a portfolio or as individual assets, by half-year financial report (that is, executed transactions, or terminated programs, if no transactions possible)		Below
	Strategy execution	**10.0%**	**8.3%**
Total		**100.0%**	**132.8%**

The weighting of the objectives shown on 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 better reflect each management committee member's main areas of responsibility. These weightings can change from year to year, with the weightings for 2022 shown as follows:



Performance against long-term incentive plan KPIs

LTIP 2021–2023

Two years into the three-year performance period, Basilea's performance against the two KPIs used to determine the vesting of the PSUs granted in 2021 may still differ from the final result. Nevertheless, with over half the performance period over, the current status provides an indication of the way in which both KPIs are trending. Cresemba product sales were strong in both 2021 and 2022, resulting in multiple sales milestone payments to Basilea during 2021 and 2022. Although 2021 and 2022 Cresemba product sales are not directly considered for the calculation of the three-year CAGR KPI, the current results provide confidence in the continued strength of the Cresemba revenues. However, similarly to the situation at the end of 2021, share price performance compared to the reference share prices at the start of the performance period did not yet reflect this positive sales result. Basilea's rTSR against the SPI Extra was still below the minimum threshold required for PSU vesting at the end of 2022.

LTIP 2022–2024

For the second Basilea LTIP grant, 2022 was only one third of the total performance period. While the two KPIs and threshold, target and maximum levels for the PSUs remained unchanged compared to the 2021 grant, market conditions and the baseline at the beginning of 2022 were different. Based on 2022 Cresemba product sales, performance for this KPI was between minimum and target levels at the end of the year. However, Basilea share price performance was very favorable compared to the SPI Extra in 2022 and would result in maximum payout for this component if the performance period were to end at the end of 2022.

Other compensation topics

Malus and clawback clause

All shares and PSUs are subject to a malus/clawback provision, which enables the board to withhold or recover compensation from management committee members if they are found to have engaged in behavior such as acts of fraud, gross negligence or willful misconduct. Under the malus provision, the board reserves the right to cancel some or all outstanding PSUs. Under the clawback provision, during the additional one-year holding period, the board may recover the value of some or all shares delivered under the plan by requiring management committee members to transfer such converted shares back to the company or to make a cash payment.

Previous LTI plans

Until 2020, Basilea granted stock options to its management committee and management-level employees to incentivize long-term shareholder value creation. This plan was discontinued in 2021 and replaced with the plan that is currently in place, where long-term incentives are provided in the form of PSUs and RSUs. Stock options granted under the previous long-term incentive plan have not been canceled 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 maintains certain disability insurance for the management committee and provides various other benefits, such as allowances or contribution to the pension plan. The terms and conditions of these other benefits are the same for the management committee as for all other Basilea employees.

New management committee 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 2022 or 2021.

Employment conditions

Members of the management committee have a notice period of twelve months set down in their employment agreements. They may receive variable compensation during the notice period, depending on company performance and in line with the applicable caps and conditions detailed above. Members of the management committee are subject to the standard Basilea terms and conditions for Basilea employees. There is no accelerated vesting of outstanding LTI awards in the event of termination (except due to retirement, disability or death), in accordance with the plan rules. Basilea has no contractual termination payment obligations to members of the management committee.

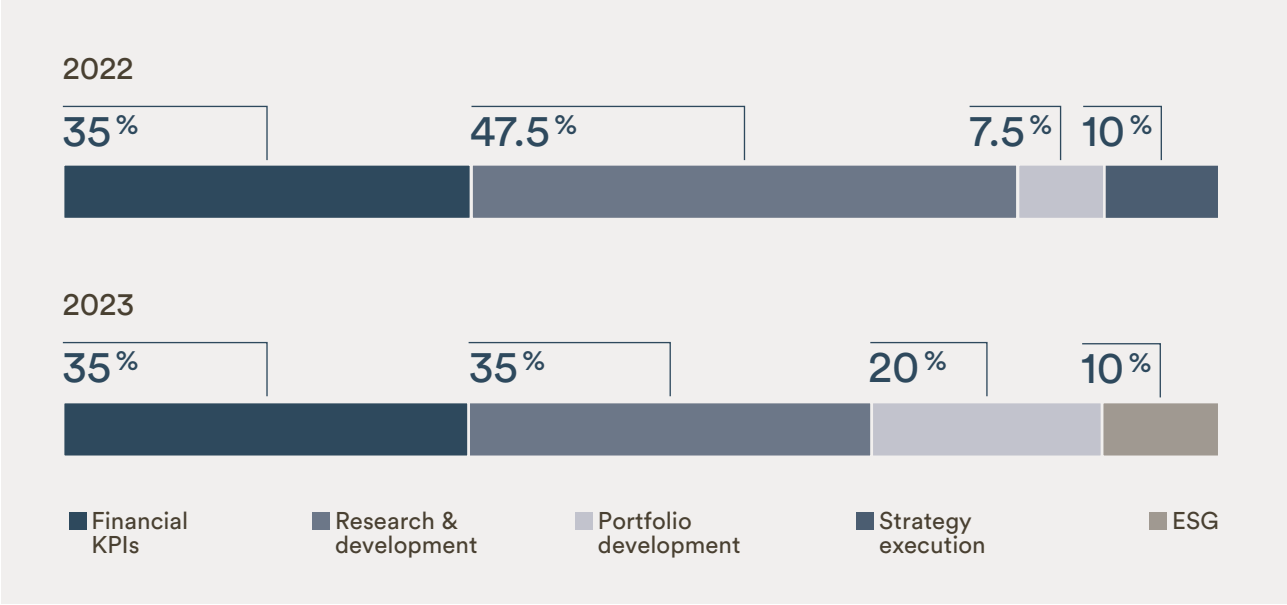
For further information on the compensation for the management committee, please refer to the section “Disclosure of the compensation for the members of the management committee” on page 111.

Forward-looking compensation topics

The compensation committee reviewed the current compensation model during the course of 2022 and determined that no structural changes are indicated for 2023. Through regular review and setting of appropriate performance goals as part of the annual bonus as well as the long-term incentive system, the current compensation tools are well suited to support implementation of the strategic direction announced in February 2022.

Key corporate goals 2023

A key strategic priority for Basilea in 2022 was the achievement of financial targets such as product-related revenues, access to additional funding and non-dilutive refinancing of the maturing convertible bonds as well as continuing to create value from the existing R&D portfolio as a prerequisite for supporting continued growth and sustainable shareholder value creation. The breakdown of 2023 corporate goals remains similar as compared to 2022, but with a slightly greater emphasis on the development of the anti-infectives portfolio in 2023.



The focus during 2023 will be on implementing the next steps on Basilea's path to become a leading anti-infectives company. Implementation of the strategy will no longer be a separate goal, but its content will become part of all other corporate goals for 2023.

Financial metrics continue to be of key importance, with continued revenue growth from our two marketed products, Cresemba and Zevtera, as a base for sustainable financial strength, being the main goal for the year. Further development of the anti-infectives pipeline, through licensing of assets is also crucial for long-term value generation. Additionally, Basilea will introduce a new ESG goal for 2023 to reflect our growing focus on sustainability and directly link environmental, social and governance aspects of our operations to compensation outcomes.

Further details about achievement of the corporate goals will be shared in the compensation report 2023.

	Corporate goal	Weighting
Financial KPIs	Revenues: achieve budgeted product and contract revenues	
	Share price performance: quarterly share price performance relative to Swiss Performance Index Extra (SPI Extra)	
	Access additional funding (e.g. through grants, cost sharing)	
	Financial KPIs	**35.0%**
Non-financial KPIs	Ceftobiprole: NDA approval for the US market; goals related to commercialization and manufacturing partnerships	
	Isavuconazole: closure of pediatric development program and submission of data to the European Medicines Agency (EMA); further supply chain optimization	
	Research & development	**35.0%**
	Expand R&D portfolio through in-licensing anti-infective compounds	
	Portfolio development	**20.0%**
	Development of an ESG strategy including measurable ESG goals in accordance with the Global Reporting Initiative standards and publication of an ESG Report	
	ESG	**10.0%**
Total		**100.0%**

Long-term incentive plan 2023

For the 2023 PSU grant, the KPIs will remain unchanged. It is the view of the board that the rTSR KPI is a key metric to align the interests of shareholders and the management committee. Until any future product launches or the approval for Zevtera in new markets, Cresemba is still the main driver of Basilea's revenues and the corresponding product sales KPI reflects its critical importance for the company's long-term financial success.

ESG in compensation

Although ESG topics have always been in focus for Basilea, as reflected in the company values and through the company's role in the fight against antimicrobial resistance, simply stating the importance of ESG is not enough. In 2023, Basilea will introduce specific initiatives to ensure that the focus on ESG is made explicit and reflected in our activities.

As an external commitment to transparency, Basilea will opt in to the SIX sustainability reporting and commit to publishing a sustainability report annually. The first Basilea sustainability report will be shared on the company website during the course of 2023 and will be prepared in line with an internationally recognized standard, the Global Reporting Initiative (GRI). To highlight the importance of this commitment, the compensation committee determined that a portion of the 2023 annual bonus for the management committee will be linked to its achievement, as described above.

Additionally, a new ESG committee will be established during the course of the year, as the first step of setting up internal governance around sustainability. The committee's charter will describe its mandate in ensuring that ESG remains a focus topic at Basilea and serving as a central hub for reviewing further ways to advance the company's ESG agenda.

Compensation disclosure

Disclosure of the compensation for the board of directors

The total compensation of the members of the board for the AGM period 2022/2023 and the AGM period 2021/2022 are outlined as follows:

At the annual general meeting of April 13, 2022, 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 2022 to the AGM 2023. The total actual compensation for this period is CHF 1,333,532.

In CHF 2022[1]	Board-member-ship	Audit committee	Compen-sation committee	Corporate gover-nance & nomina-tion 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			●	219 832	73 281 *(1 962)*	293 113	36 683	329 796
Thomas Werner	Vice-chair		●	Chair	153 074	51 057 *(1 367)*	204 131	21 960	226 091
Leonard Kruimer	●	Chair			140 158	46 725 *(1 251)*	186 883	–	186 883
Martin Nicklasson	●	●	Chair		144 062	48 069 *(1 287)*	192 131	19 617	211 748
Nicole Onetto	●		●		140 158	46 725 *(1 251)*	186 883	–	186 883
Steven D. Skolsky	●	●		●	144 062	48 069 *(1 287)*	192 131	–	192 131
Total					**941 346**	**313 926**	**1 255 272**	**78 260**	**1 333 532**

1 The table above shows the annual compensation paid semi-annually in June and December during the year 2022 covering the twelve-month period from the AGM 2022 until AGM 2023.

2 Based on the grant-date fair value per RSU of CHF 37.35 (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 2022 (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 2022 are not included.

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 payout frequency from quarterly to bi-annually, compensation relating to the previous board term in the first 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.

Disclosure of the compensation for the members of the management committee

At the annual general meeting of April 21, 2021, the shareholders approved CHF 6,280,000 as the maximum aggregate amount of total compensation (fixed and variable compensation combined) for the calendar year 2022. The total actual compensation for this period is CHF 5,529,041.

In CHF	Cash compensation fixed	Cash compensation variable	Value of long-term incentives[1]	Social security and other fringe benefits[2 3]	Total
2022					
Chief Executive Officer David Veitch	599 333	398 945	599 295	200 535	1 798 108
Total management committee	**2 056 152**	**1 140 698**	**1 691 837**	**640 355**	**5 529 041**
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**

1 Based on the grant-date fair value per PSU of CHF 41.20 (2022) and CHF 43.66 (2021); calculated by using a Monte Carlo simulation.

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 2022 and 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 2022 and 2021 no severance payments were made and no payments occurred to former members of the management committee.

Granting of performance share units

The development of PSU holdings for the total management committee and the CEO in 2022 and 2021:

For year 2022	Chief Executive Officer David Veitch	Total management committee
Number of PSUs granted during the year	14 546	**41 064**

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

Financial report

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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 US 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, Allschwil ("Basilea International"), is a commercial-stage biopharmaceutical company committed to discovering, developing and commercializing innovative drugs to meet the needs of patients with severe bacterial or fungal infections.

The Company recognized revenue of CHF 147.8 million in 2022 (2021: CHF 148.1 million). Total revenue in 2022 included CHF 122.3 million (2021: CHF 131.4 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 25.4 million (2021: CHF 16.6 million).

In 2022, the Company invested CHF 73.8 million (2021: CHF 93.2 million) in research and development activities related to ceftobiprole, isavuconazole, its oncology activities, which were largely transferred or ceased as per the end of 2022, 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 30.8 million in 2022 (2021: CHF 29.7 million).

Cash and cash equivalents, investments and restricted cash amounted to CHF 108.6 million as of December 31, 2022, compared to CHF 150.0 million at year-end 2021.

The Company paid back the 2022 convertible bonds in December, 2022, which amounted to nominal CHF 123.5 million as of December 31, 2021. The repayment was partially financed with a new third party loan of CHF 75.0 million with a duration of two years.

Results of operations

The following table outlines the Company's consolidated results of operations for the fiscal years 2022 and 2021:

In CHF million	2022	2021
Product revenue	32.7	26.2
Contract revenue	89.6	105.2
Revenue from research & development services	-	0.2
Other revenue	25.4	16.6
Total revenue*	**147.8**	**148.1**
Cost of products sold	(24.6)	(24.1)
Research & development expenses, net	(73.8)	(93.2)
Selling, general & administrative expenses	(30.8)	(29.7)
Total cost and operating expenses	**(129.2)**	**(147.0)**
Profit from sale of assets	-	0.0
Operating result	**18.5**	**1.2**
Interest income	0.3	0.1
Interest expense	(9.8)	(8.2)
Other income	2.0	1.7
Other expenses	(1.2)	(2.9)
Losses from senior unsecured bonds transactions	0.0	(0.5)
Other components of net periodic pension cost	2.3	1.8
Income taxes	0.0	0.0
Net profit/loss	**12.1**	**(6.8)**

Note: Consistent rounding was applied.

* Revenue included CHF 1.2 million (2021: CHF 2.5 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 32.7 million (2021: CHF 26.2 million) and contract revenue in the amount of CHF 89.6 million (2021: CHF 105.2 million). Product revenue mainly resulted from sales to Pfizer in the amount of CHF 16.9 million (2021: CHF 14.8 million) and product sales to other distribution and license partners of CHF 15.8 million (2021: CHF 11.4 million).

Contract revenue resulted from royalty payments from Astellas of CHF 42.8 million (2021: CHF 33.2 million) and a sales milestone payment of CHF 20.0 million (2021: CHF 15.0 million). Furthermore, the Company recognized contract revenue from Pfizer of CHF 23.4 million (2021: CHF 47.3 million), including royalty payments of CHF 22.2 million (2021: CHF 19.9 million) and a sales milestone payment of CHF 1.2 million (2021: CHF 27.3 million). Finally, the Company recognized contract revenue in the amount of CHF 3.5 million (2021: CHF 9.6 million) from upfront, sales and regulatory milestone payments from other distribution and license agreements.

In other revenue, the Company recognized CHF 8.4 million related to its agreement with BARDA (2021: CHF 14.0 million) and CHF 15.0 million related to oncology transactions (2021: CHF 0.0 million).

Cost of products sold

The Company recognized cost of products sold of CHF 24.6 million for Cresemba and Zevtera (2021: CHF 24.1 million).

Research and development expenses, net

Research and development expenses amounted to CHF 73.8 million (2021: CHF 93.2 million), representing 57% of total operating expenses (2021: 63%).

Research and development expenses in 2022 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 19.6 million as compared to 2021 is mainly driven by the completion of patient recruitment and treatment for the clinical studies with ceftobiprole and derazantinib as well as lower capacity costs to manage the clinical programs.

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 2022 (2021: CHF 1.6 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 and depreciation of equipment. 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 30.8 million (2021: CHF 29.7 million). Selling, general and administrative expenses included costs related to the general management of the Company, the commercialization of Cresemba and Zevtera and the long-term incentive plan of CHF 1.7 million (2021: CHF 1.6 million).

The increase of CHF 1.1 million as compared to 2021 is mainly driven by one-time costs for the move of operations from Basel to Allschwil.

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, 2022, the Company had subsidiaries in Germany and the United Kingdom.

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

Net other income/expenses, excluding interest, amounted to CHF 0.9 million income (2021: CHF 1.2 million expenses) and other components of net periodic pension cost to CHF 2.3 million (2021: CHF 1.8 million).

Net interest expenses amounted to CHF 9.5 million (2021: CHF 8.1 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, 2022 and December 31, 2021. The Company incurred income taxes of CHF 0.0 million in 2022 and CHF 0.0 million in 2021 related to its operations in certain jurisdictions outside of Switzerland.

Liquidity and capital resources

Cash and cash equivalents, short-term investments and restricted cash, available as of December 31, 2022, amounted to CHF 108.6 million (December 31, 2021: CHF 150.0 million).

The cash used by the Company in 2022 was primarily related to its operating activities and debt extinguishment.

The Company's policy is to invest its available funds in low risk investments, including interest-bearing deposits, bonds and other debt instruments.

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.

On September 6, 2022, the Company entered into a senior secured loan agreement with Athyrium Capital Management, LP, amounting to CHF 75.0 milion to partially pay back the 2022 convertible bonds. The Company intends to repay the CHF 75.0 million senior secured loan within two years from expected cash flows from its growing commercial business.
With the loan the 2022 convertible bonds have been paid back on December 23, 2022, amounting to CHF 113.8 million at that point in time.

None of the subsidiaries had any significant third-party debt outstanding as of December 31, 2021.

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Report of the statutory auditor

to the General Meeting of Basilea Pharmaceutica Ltd

Basel

Report of the statutory auditor on the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Basilea Pharmaceutica Ltd and its subsidiaries (the “Group”), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, consolidated statements of comprehensive income/loss, consolidated statements of cash flows and consolidated statements of changes in shareholders' equity (deficit) for the years 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 accompanying consolidated financial statements (122-162) present fairly, in all material respects, the financial position of the Group as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years 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 audits in accordance with auditing standards generally accepted in the United States of America (US GAAS), Swiss law and Swiss Standards on Auditing (SA-CH). 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 US GAAP and the provisions 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 to going concern; and to use the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities 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 US GAAS, Swiss law and SA-CH 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 US GAAS, Swiss law and SA-CH, 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, 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.
- 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 Group’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 consolidated 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 Group to cease to continue as a going concern.
- 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 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 safe-guards 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 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.

Other information

The Board of Directors is responsible for the other information included in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of Basilea Pharmaceutica Ltd, the compensation report of Basilea

Pharmaceutica Ltd and our auditor's reports thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 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

Daniel Anliker

Audit expert
Auditor in charge

Daniel D Miller

Basel, February 9, 2023

Consolidated financial statements

Basilea Pharmaceutica Ltd and subsidiaries

Consolidated balance sheets as of December 31, 2022 and 2021
(in CHF thousands, except for number of shares)

	Footnote	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	7	84 659	53 700
Investments	6	-	95 000
Restricted cash	1	1 908	1 253
Accounts receivable	5	33 152	24 947
Other receivables	8	28 552	39 500
Inventories, net	9	24 244	22 783
Other assets		2 848	3 883
Total current assets		**175 364**	**241 066**
Non-current assets			
Restricted cash	1	22 000	-
Property, plant and equipment, net	2	4 277	2 018
Operating lease right-of-use assets, net	19	17 294	905
Intangible assets, net	3	578	632
Loans		1 266	2 390
Other assets		69	256
Total non-current assets		**45 484**	**6 201**
TOTAL ASSETS		**220 848**	**247 267**
LIABILITIES			
Current liabilities			
Convertible senior unsecured bonds	11	-	123 505
Accounts payable		191	10 617
Senior secured loan	12	37 467	-
Deferred revenue	10	1 233	1 233
Operating lease liabilities	19	1 988	896
Accruals and other current liabilities	13	33 971	38 157
Total current liabilities		**74 850**	**174 408**
Non-current liabilities			
Convertible senior unsecured bonds	11	95 000	94 544
Senior secured loan	12	36 360	-
Deferred revenue	10	10 693	11 926
Operating lease liabilities	19	16 323	10
Other liabilities	18	8 338	24 986
Total non-current liabilities		**166 713**	**131 466**
Total liabilities		**241 563**	**305 874**
Commitments and contingencies	23	-	-
SHAREHOLDERS' EQUITY (DEFICIT)			
Share capital[1]	16	13 093	12 992
Treasury shares[2]	16	(56 071)	(56 559)
Additional paid-in capital		1 037 120	1 029 796
Accumulated other comprehensive loss	16	(3 784)	(21 617)
Accumulated deficit:			
Loss carried forward		(1 023 219)	(1 016 388)
Net profit/loss for the year		12 147	(6 831)
Total shareholders' deficit		**(20 715)**	**(58 607)**
TOTAL LIABILITIES AND EQUITY		**220 848**	**247 267**

1 As of December 31, 2022, 13,093,445 shares (December 31, 2021: 12,992,166) were issued and 11,951,304 shares (December 31, 2021: 11,842,034) outstanding with a par value of CHF 1.00 per share.
2 As of December 31, 2022, 1,142,141 shares (December 31, 2021: 1,150,132) 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, 2022 and 2021 (in CHF thousands, except per share amounts)

	Footnote	2022	2021
Product revenue	4, 10	32 678	26 221
Contract revenue	4, 10	89 637	105 161
Revenue from research & development services	4, 10	-	181
Other revenue	4, 10	25 450	16 559
Total revenue		**147 765**	**148 122**
Cost of products sold		(24 603)	(24 072)
Research & development expenses, net		(73 804)	(93 157)
Selling, general & administrative expenses		(30 815)	(29 721)
Total cost and operating expenses		**(129 223)**	**(146 950)**
Profit from sale of assets		-	15
Operating result		**18 543**	**1 187**
Interest income		326	66
Interest expense	11, 12	(9 848)	(8 151)
Other income		2 015	1 676
Other expenses		(1 163)	(2 912)
Losses from senior unsecured bonds transactions		(41)	(497)
Other components of net periodic pension cost		2 270	1 836
Profit/loss before taxes		**12 102**	**(6 794)**
Provision for income taxes	14	45	(37)
Net profit/loss		**12 147**	**(6 831)**

Earnings/loss per share	17	**2022**	2021
Basic earnings/loss per share, in CHF		1.02	(0.58)
Diluted earnings/loss per share, in CHF		1.02	(0.58)

Basilea Pharmaceutica Ltd and subsidiaries

Consolidated statements of comprehensive income/loss for the years ended December 31, 2022 and 2021 (in CHF thousands)

	Footnote	2022	2021
Net income/loss		**12 147**	**(6 831)**
Currency translation adjustments		(253)	(28)
Currency translation adjustments transferred to statement of operations		-	1 203
Actuarial gain		18 089	4 460
Other comprehensive income/loss, net of tax	16	**17 836**	**5 635**
Comprehensive income/loss		**29 983**	**(1 196)**

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, 2022 and 2021 (in CHF thousands)

	Footnote	2022	2021
Cash flow from operating activities			
Net profit/loss		12 147	(6 831)
Adjustments to reconcile net profit/loss to net cash used in/provided by operating activities:			
Non-cash pension costs		1 441	1 598
Depreciation and amortization		1 097	754
Gain from sale of assets		-	(15)
Gain on disposal of subsidiaries		-	(56)
Stock-based compensation		3 598	4 322
Interest and accretion of debt issuance cost	11	456	1 096
Debt extinguishment loss		41	497
Change in operating assets/liabilities:			
Accounts receivable		(8 242)	(16 251)
Other receivables		10 829	(15 813)
Inventories		(1 461)	(1 590)
Accounts payable		(10 427)	(2 538)
Deferred revenue		(1 233)	(2 556)
Accruals and other current liabilities		(846)	5 440
Other operating cash flow items		(343)	(77)
Net cash provided by/used in operating activities		**7 056**	**(32 020)**
Cash flow from investing activities			
Payments for short-term investments	6	-	(35 000)
Maturities of short-term investments	6	94 951	41 023
Proceeds from sale of assets		-	15
Investments in tangible assets	2	(3 138)	(581)
Investments in intangible assets	3	(165)	(279)
Proceeds from disposal of subsidiaries, net	19	-	(1 603)
Net cash provided by investing activities		**91 649**	**3 575**
Cash flow from financing activities			
Proceeds from exercise of stock options	14	3 520	1 866
Net proceeds from capital increase		250	42 240
Net proceeds from treasury shares transactions		656	(4 254)
Proceeds from debt issuance, net	12	73 875	-
Debt extinguishment	11	(123 547)	(23 212)
Net cash used in/provided by financing activities		**(45 246)**	**16 640**
Effect of exchange rate changes on cash, cash equivalents and restricted cash		**155**	**501**
Net change in cash, cash equivalents and restricted cash		**53 614**	**(11 304)**
Cash, cash equivalents and restricted cash, beginning of period		**54 953**	**66 256**
Cash, cash equivalents and restricted cash, end of period		**108 567**	**54 953**
Supplemental information			
Cash paid for interest		6 334	7 074
Cash paid for income taxes		4	35

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

The following table shows the components of cash, cash equivalents and restricted cash as of December 31, 2022 and 2021:

In CHF thousands	2022	2021
Cash and cash equivalents	84 659	53 700
Restricted cash	23 908	1 253
Total cash, cash equivalents and restricted cash	**108 567**	**54 953**

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, 2022 and 2021
(in CHF thousands, except for number of shares)**

	Footnote	Share capital		Treasury shares		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	**Total**
		Number of shares	Amount	Number of shares	Amount				
Balance at December 31, 2020		**11 922 205**	**11 922**	**(1 054899)**	**(52 766)**	**982 438**	**(27 252)**	**(1 016 388)**	**(102 046)**
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[1]		-	-	(95 233)	(3 793)	-	-	-	(3 793)
Exercise of stock options		69 961	70	-	-	1 796	-	-	1 866
Stock-based compensation		-	-	-	-	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)**
Net profit		-	-	-	-	-	-	12 147	12 147
Capital increase		-	-	-	-	250	-	-	250
Other comprehensive income		-	-	-	-	-	17 833	-	17 833
Treasury shares transactions[1]		-	-	7 991	488	168	-	-	656
Exercise of stock options		101 279	101	-	-	3 419	-	-	3 520
Stock-based compensation	14	-	-	-	-	3 487	-	-	3 487
Balance at December 31, 2022		**13 093 445**	**13 093**	**(1 142 141)**	**(56 071)**	**1 037 120**	**(3 784)**	**(1 011 072)**	**(20 715)**

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 severe bacterial and fungal infections.

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

Basis of presentation

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

The following change in the presentation of the consolidated statements of cash flows was applied in 2022 affecting the prior year:
The pension costs are presented as separate line item. To conform with the current year presentation, the 2021 pension costs were reclassed from other operating cash flow items.

The following change in the presentation of the consolidated balance sheet in the current year is affecting the published half-year report as per June 30, 2022:
Revenue of CHF 1.0 million reported as other revenue was reclassed to other income.

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 US 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, measurement of right-of-use assets and lease liabilities 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.

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.

Cash and cash equivalents

The Company considers all highly liquid investments purchased with original final maturities of 90 days or less from the date of purchase to be cash equivalents. Cash equivalents comprise marketable securities with maturities of less than 90 days when purchased. Cash equivalents are reported at fair value.

Restricted cash

Restricted cash includes bank accounts reserved for the purchase of treasury shares and for the security package of the senior secured loan.

Foreign currencies

The presentation currency of the Consolidated Financial Statements is the Swiss Franc (CHF). The functional currency, which is the currency that best reflects the economic environment in which the Company operates and conducts its

transactions, is separately determined for the Company's subsidiaries and is used to measure their financial position and operating results.

Transactions in currencies other than the functional currency of a subsidiary are recorded at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities in currencies other than the functional currency are remeasured at the rates of exchange prevailing on the date of the consolidated statements of financial position and the related translation gains and losses are recognized in the consolidated statements of operations in other income and other expense. Non-monetary items that are carried at cost are remeasured using the rate of exchange prevailing at the date of the transaction. Non-monetary items that are carried at fair value are measured using the exchange rate prevailing when the fair value was determined and the related remeasurement gains and losses are reported in the consolidated statements of comprehensive income.

Upon consolidation, the results of operations of subsidiaries whose functional currency is other than the CHF are translated into CHF at the monthly average exchange rates and assets and liabilities are translated at the month-end exchange rates. Translation adjustments are recognized directly in other comprehensive income.

Short-term investments

Short-term investments include time deposits with banks with original maturities of more than three months and remaining maturities of up to twelve months. 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 due to their short term nature. 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 income or other 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.

Property, plant and equipment

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

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

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

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 three years for software.

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

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 at amortized cost and are presented net of issuance costs incurred. The issuance costs are amortized using the effective interest method over the life of the debt instrument resulting in the accretion of the liability of the convertible senior unsecured bonds until maturity. The Company concluded that exercise contingencies will not prevent the embedded conversion feature from being considered indexed to the entity's own stock, and the embedded conversion feature was therefore not bifurcated.

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.

Senior secured loan agreement

The senior secured loans are recorded at amortized cost and are presented net of issuance costs incurred. The issuance costs are amortized as interest expense

using the effective interest method over the life of the debt instrument resulting in the accretion of the liability of the senior secured loans until maturity.

Leases

Effective January 1, 2020, the Company adopted ASC 842 using the required modified retrospective approach and utilizing the effective date as its date of initial application.

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on the unique facts and circumstances present in the arrangement. Leases with a term greater than one year are recognized on the balance sheet as right-of-use assets (ROU) and current and non-current lease liabilities, as applicable.

Operating lease liabilities and their corresponding right-of-use assets are initially recorded based on the present value of lease payments over the expected remaining lease term. Certain adjustments to the right-of-use asset may be required for items such as incentives received. The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Company utilizes its incremental borrowing rate to discount lease payments, which reflects the fixed rate at which the Company could borrow on a collateralized basis the amount of the lease payments in the same currency, for a similar term, in a similar economic environment. To estimate its incremental borrowing rate, a credit rating applicable to the Company is estimated using a synthetic credit rating analysis since the Company does not currently have a rating agency-based credit rating. Prospectively, the Company will adjust the right-of-use assets for straight-line rent expense or any incentives received and remeasure the lease liability at the net present value using the same incremental borrowing rate that was in effect as of the lease commencement or transition date.

The Company has elected not to recognize leases with an original term of one year or less on the balance sheet. The Company typically only includes an initial lease term in its assessment of a lease arrangement. Options to renew a lease are not included in the Company's assessment unless there is reasonable certainty that the Company will renew.

Assumptions made by the Company at the commencement date are re-evaluated upon occurrence of certain events, including a lease modification. A lease modification results in a separate contract when the modification grants the lessee an additional right of use not included in the original lease and when lease payments increase commensurate with the standalone price for the additional right of use. When a lease modification results in a separate contract, it is accounted for in the same manner as a new lease.

In accordance with ASC 842, components of a lease should be split into three categories: lease components, non-lease components, and non-components. The fixed and in-substance fixed contract consideration (including any consideration related to non-components) must be allocated based on the respective relative fair values to the lease components and non-lease components.

Entities may elect not to separate lease and non-lease components. Rather, entities would account for each lease component and related non-lease component together as a single lease component. The Company has elected to account for lease and non-lease components together as a single lease component for all underlying assets and allocate all of the contract consideration to the lease component only.

ASC 842 allows for the use of judgment in determining whether the assumed lease term is for a major part of the remaining economic life of the underlying asset and whether the present value of lease payments represents substantially all of the fair value of the underlying asset. The Company applies the bright line thresholds referenced in ASC 842-10-55-2 to assist in evaluating leases for appropriate classification. The aforementioned bright lines are applied consistently to the Company's entire portfolio of leases.

Revenue recognition

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

The Company derives its revenues primarily from products and contractual arrangements. The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

Product revenue

Product revenue is recognized net of any sales and value-added taxes and sales deductions based on contractually agreed payment terms. Control passes according to contractual shipment terms. The amount of consideration the Company receives and revenue the Company recognizes varies based on estimated rebates, discounts, returns and charge backs. The Company adjusts its estimate of revenue at the earlier of when the most likely amount of consideration the Company expects to receive changes or when the consideration becomes fixed. Sales returns are generally estimated and recorded based on historical sales and returns information. Sales returns allowances represent a reserve for products that may be returned due to expiration, destruction in the field or potential other reasons, and the returns reserve is based on historical return trends by product and by market as a percent of gross revenues.

Contract revenue

To determine the proper revenue recognition method for contracts, the Company evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment, and the decision to combine a group of contracts or separate the combined or single contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period. For certain contracts, the Company provides a service of combining a license and related tasks into a single performance obligation. Hence, the entire contract is accounted for as one performance obligation. The Company may, however, promise to provide a distinct license with distinct services within a contract, in which case the Company separates the contract into more than one performance obligation. If a contract is separated into more than one performance obligation, the Company allocates the total transaction price to each performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation.
Non-refundable upfront payments and substantive development and sales milestones will be recognized at a point in time, or over the remaining

performance period based on the Company's progress towards satisfying its identified performance obligation. The Company infrequently sells licenses with observable standalone sales. In these cases, the observable standalone sales are used to determine the standalone selling price. More frequently, the Company sells a unique license for a specific drug, and in these cases the Company typically uses the expected cost plus a margin approach to estimate the standalone selling price of each performance obligation.

The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

Following the guidance in ASC 808 "Collaborative Arrangements", the Company presents the results of activities for which it acts as the principal on a gross basis and reports any payments received from (or made to) other collaborators based on respective applicable 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.

Further other revenue includes all realized revenue related to the oncology transactions completed in 2022.

Arrangements with multiple performance obligations
Contracts with customers may include multiple performance obligations. For these contracts, the Company accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis. The Company determines the standalone selling prices based on its overall pricing objectives, taking into consideration market conditions and other factors, including the value of the contracts and customer geographic locations or using expected cost-plus margin.

Practical expedients and exemptions
The Company excludes from the transaction price all sales taxes that are assessed by a governmental authority and that are imposed on and concurrent with a specific revenue-producing transaction and collected by the Company from a customer (e.g., sales, use, value added, and some excise taxes).

The Company applies the general variable consideration guidance to estimate the transaction price if the license to the intellectual property is not the predominant item. With regard to royalties where the license is the sole or predominant item to which the royalty relates, for example when the customer would ascribe significantly more value to the license than to other goods or services provided

under an arrangement the sale- and usage-based royalty exemption applies and royalties are recognized once earned.

The Company does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less and contracts for which the Company recognizes revenue at the amount for which the Company has the right to invoice for services performed.

Cost of products sold

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 on the share price performance and in-market sales of certain products, are met and are therefore accounted for as market based awards. The Company estimates the fair value of its market based awards using the Monte Carlo Model.

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

The Company records the RSUs and PSUs expense as stock-based compensation. The RSUs are recorded using the straightline method over the vesting period adjusted by the expected forfeiture rate. The PSUs expense is recorded over the derived service period.

Income taxes

The Company applies the asset and liability method for the determination of provisions for income taxes. The income taxes for the reporting period consist of the current taxes (taxes paid and taxes payable) plus the change in the deferred taxes for the respective period. Deferred taxes represent the estimated future tax consequences of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. 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.

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.

2 Property, plant and equipment

In CHF million	Land/Land-use rights	Buildings	Equipment	Leasehold improvements	**Total**
2022					
Cost					
January 1, 2022	-	-	16.6	-	16.6
Additions	-	-	1.6	1.6	3.2
Disposals / Reclassifications	-	-	(5.0)	-	(5.0)
Transfers	-	-	(0.2)	0.2	0.0
Disposals of consolidated companies	-	-	-	-	0.0
Currency effect	-	-	-	-	0.0
December 31, 2022	-	-	13.0	1.8	14.8
Accumulated depreciation					
January 1, 2022	-	-	14.6	-	14.6
Additions	-	-	0.7	0.2	0.9
Disposals & Depr. Transfers	-	-	(5.0)	-	(5.0)
Disposals of consolidated companies	-	-	-	-	0.0
Currency effect	-	-	-	-	0.0
December 31, 2022	-	-	10.3	0.2	10.5
Net book value as of December 31, 2022	**-**	**-**	**2.7**	**1.6**	**4.3**
2021					
Cost					
January 1, 2021	0.2	1.9	24.6	-	26.7
Additions	-	-	1.0		1.0
Disposals / Reclassifications / Transfers	-	-	(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	-	-	(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**

3 Intangible assets

The intangible assets as of December 31, 2022 and 2021 consist of software for internal use:

In CHF million	2022	2021
Cost		
January 1	**5.6**	**5.8**
Additions	0.2	0.3
Disposals	(0.4)	-
Disposals of consolidated companies	-	(0.5)
Currency effect	-	0.0
December 31	**5.4**	**5.6**
Accumulated amortization		
January 1	**4.9**	**5.1**
Additions	0.2	0.2
Disposals	(0.3)	-
Disposals of consolidated companies	-	(0.4)
Currency effect	-	0.0
December 31	**4.8**	**4.9**
Net book value as of December 31	**0.6**	**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 tangible assets of the Company is presented in the following table:

In CHF million	2022	2021
Switzerland	4.3	2.0
Total	**4.3**	**2.0**

As of December 31, 2022, the Company recorded operating lease ROU assets of CHF 17.3 million (December 31, 2021: CHF 0.9 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	2022		2021	
Japan	64.0	43%	56.5	38%
Ireland	41.3	28%	62.1	42%
Republic of Korea	13.5	9%	-	0%
USA	9.8	7%	14.5	10%
Uruguay	7.4	5%	3.4	2%
Sweden	3.2	2%	2.8	2%
Canada	2.8	2%	2.2	2%
Jordan	2.7	2%	2.2	2%
Switzerland	2.4	2%	3.7	2%
Other	0.7	0%	0.7	0%
Total	**147.8**	**100%**	**148.1**	**100%**

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

In 2022, the Company recognized total revenue in the amount of CHF 63.4 million (2021: CHF 62.1 million) with Astellas, CHF 41.3 million (2021: CHF 48.6 million) with Pfizer Inc. and CHF 8.4 million (2021: CHF 14.0 million) with BARDA.

5 Accounts receivable

The accounts receivable primarily consist of receivables against Astellas for a milestone related to activities for Cresemba. As of December 31, 2022 and 2021, the Company recorded no allowance for estimated uncollectible receivables.

6 Short-term investments

The short-term investments (three months to twelve months) contain fixed-term deposits with banks, denominated in Swiss Francs, in the amount of CHF 0.0 million (December 31, 2021: CHF 95.0 million).

7 Cash and cash equivalents

Cash and cash equivalents consisted of the following components:

In CHF million	2022	2021
Cash	34.7	53.7
Short-term time deposits (less than three months)	50.0	-
Total	**84.7**	**53.7**

As of December 31, 2022, the Company had outstanding bank guarantees in the amount of CHF 2.5 million (December 31, 2021: CHF 2.3 million).

8 Other receivables

The following table shows the components of other receivables as of December 31, 2022 and 2021:

In CHF million	2022	2021
VAT receivables	5.2	5.4
Royalty receivables (see Note 10 Agreements)	21.4	12.0
Contractual milestone receivables (see Note 10 Agreements)	-	15.0
Receivables from BARDA (see Note 10 Agreements)	0.6	3.8
Other	1.4	3.3
Total	**28.6**	**39.5**

9 Inventories

The following table shows the components of inventories as of December 31, 2022 and 2021:

In CHF million	2022	2021
Raw materials	2.0	2.0
Semi-finished products	38.9	32.4
Finished products	1.1	0.2
Inventory provisions	(17.7)	(11.9)
Total	**24.2**	**22.8**

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 amount of CHF 13.3 million (2021: 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, 2022, the Company recorded additional provisions for inventory in the total amount of CHF 4.4 million (2021: CHF 5.2 million).

10 Agreements

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

Revenue from agreements excluding deferred revenue components:

Partner	Total Revenue		Product Revenue		Contract Revenue						Other Revenue	
In CHF million	2022	2021	2022	2021	2022			2021			2022	2021
						ROY	Other		ROY	Other		
Pfizer	41.3	62.1	16.9	14.8	23.4	22.2	1.2	47.3	19.9	27.3	1.1	-
Astellas	63.4	48.6	0.4	-	62.8	42.8	20.0	48.2	33.2	15.0	0.3	0.4
Asahi	0.6	6.5	0.4	-	-	-	-	5.0	-	5.0	0.2	1.5
BARDA	8.4	14.0	-	-	-	-	-	-	-	-	8.4	14.0
Gosun	0.1	0.5	-	0.3	-	-	-	-	-	-	0.1	0.2
Distributors	17.2	13.3	15.0	11.1	2.2	-	2.2	2.1	-	2.1	-0.0	0.1
Oncology transactions	15.0	-	-	-	-	-	-	-	-	-	15.0	-
Others	0.5	0.6	-	-	-	-	-	-	-	-	0.5	0.6
	146.5	145.6	32.7	26.2	88.4	65.0	23.4	102.6	53.1	49.4	25.5	16.8

In 2022, deferred revenue amounted to CHF 1.2 million (2021: CHF 2.5 million)

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 the obligation to support the CTA for China represent one combined 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 Amendments 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 2022, the Company recognized CHF 16.9 million (2021: CHF 14.8 million) as product revenue and CHF 22.2 million royalties (2021: CHF 19.9 million) as contract revenue.

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 May 2022, the Company recognized a USD 1.3 million sales milestone payment related to the extended Territory 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 account, 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 account since they do not have value to Astellas on an individual standalone 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 standalone 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 million less withholding tax of CHF 7.5 million) from Astellas.

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.

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.

In 2022, the Company recognized royalties in contract revenue in the total amount of CHF 42.8 million (2021: CHF 33.2 million). In addition, in December 2022, the Company recognized a sales milestone payment of CHF 20.0 million (2021: CHF 15.0 million) in contract revenue. Furthermore, the Company recognized CHF 0.3 million (2021: CHF 0.4 million) related to services provided by the Company to Astellas related to isavuconazole in other revenue.

License agreement with Asahi Kasei Pharma related to isavuconazole

In March 2016, the Company entered into a development and commercialization agreement with Asahi Kasei Pharma Corporation (Asahi Kasei Pharma) to develop, register and commercialize isavuconazole in Japan. Asahi Kasei Pharma is responsible for conducting clinical studies necessary to apply for a marketing authorization for isavuconazole in Japan for the treatment of invasive aspergillosis and mucormycosis and for applying for such authorization. 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 with the Ongoing Documentation and Information Transfer Obligation). Because the separation criterion is not met, the license and the Ongoing Documentation and Information Transfer Obligation are accounted for as one unit of account and the entire upfront payment was allocated to the unit of account. The related revenue was recognized over the period over which the Ongoing Documentation and Information Transfer Obligation was provided up to 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.

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 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 account and the entire upfront payment was allocated to one unit of account. 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.

Distribution agreements

In 2017 and 2016, the Company entered into exclusive distribution agreements for Basilea's antifungal isavuconazole and antibiotic ceftobiprole with Avir Pharma Inc. for Canada, Knight Therapeutics (Knight) (formerly Grupo Biotoscana S.L.) for Latin and South America and Unimedic Pharma AB (Unimedic) for the Nordic countries, respectively. In 2017, the Company also entered into an exclusive distribution agreement for Basilea's antibiotic ceftobiprole with Advanz Pharma (Advanz) (formerly Correvio Pharma Corp.) for Europe (excluding the Nordic countries) and Israel. In addition, the Company expanded its existing distribution agreement for ceftobiprole in 2016 with Hikma Pharmaceuticals LLC (Hikma) for the Middle East and North Africa for isavuconazole and as per December 1, 2022 for Egypt.

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, 2022, the Company presented deferred revenue of CHF 12.1 million (December 31, 2021: CHF 13.2 million) on its balance sheet, of which CHF 1.2 million (December 31, 2021: CHF 1.2 million) is presented as current liabilities.

In 2022, the Company recognized CHF 1.2 million (2021: CHF 1.2 million) as contract revenue related to these payments and product revenue in the total amount of CHF 15.0 million (2021: CHF 11.1 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 ceftobiprole 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 Knight and a sales milestone payment of CHF 0.4 million from Unimedic in contract revenue. In August 2022, the Company recognized a regulatory milestone payment of CHF 1.0 million from Knight in contract revenue. In December 2022, the Company realized a sales milestone of CHF 0.5 million from Unimedic and a sales milestone of CAD 1.0 million (CHF 0.7 million) from Avir.

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

In April 2016, the Company entered into a contract with BARDA for the clinical phase 3 development of ceftobiprole aiming to gain regulatory approval for the drug in the U.S. As of December 31, 2022, the Company was awarded a total amount of USD 111.9 million (December 31, 2021: USD 108.7 million) under this contract to support the phase 3 development of ceftobiprole. In 2022, the Company received a total of USD 12.1 million or CHF 11.4 million, respectively (December 31, 2021: USD 13.6 million or CHF 12.5 million, respectively) in payments from BARDA under the contract. The Company considers the arrangement to be part of its ongoing major operations. Hence, other revenue is recorded when recoverable costs are incurred.

In 2022, the Company recognized CHF 8.4 million (2021: CHF 14.0 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.

The licence agreement was terminated in June 2022 with a six-month notice period until December, 27, 2022.

Oncology transactions

In February 2022, the Company announced its intention to focus on becoming a leading anti-infectives company and therefore to separate its oncology assets. The Company has largely completed the transition process by the end of 2022 and does not expect to incur any material expenses related to oncology activities beyond 2022.

Nodus Oncology:
In September 2022, the Company entered into an agreement with Nodus Oncology to sell the novel poly (ADP-ribose) glycohydrolase (PARG) inhibitor discovery program.

Under the terms of the agreement, the Company has received an upfront payment of CHF 0.5 million and is eligible for a potential near-term research milestone payment of CHF 0.5 million. The Company is also eligible to receive further payments of up to CHF 241 million upon achievement of predefined development, regulatory and sales milestones, in addition to receive approximately 5% of net sales.

SillaJen:
In September 2022, the Company entered into an agreement and a sub-license agreement with SillaJen, Inc., for the Company's novel kinase inhibitor, BAL0891, a potential first-in-class mitotic checkpoint inhibitor.

The Company in-licensed BAL0891 in 2018 from the Dutch precision medicine company NTRC. Under the agreement the Company is selling its intellectual property rights generated under the license and collaboration agreement with NTRC. In addition, the Company is sub-licensing its rights and obligations under the license and collaboration agreement with NTRC to SillaJen.

Under the terms of the agreement, the Company has received upfront and near-term milestone payments of USD 14.0 million. The Company is also eligible to receive further payments of up to approximately USD 320 million upon achievement of predefined development, regulatory and sales milestones and tiered royalties on net sales starting in the single-digit range going up to double-digits. The Company remains responsible for making milestone and royalty payments to NTRC according to the license and collaboration agreement with NTRC.

Redona Therapeutics (formerly Twentyeight-Seven Therapeutics):
In November 2022, the Company entered into an agreement with Twentyeight-Seven Therapeutics, Inc., to sell the intellectual property for novel inhibitors of CLK kinases that target aberrant splicing of RNA in cancer.

Under the terms of the agreement, the Company has received an upfront payment of CHF 1.0 million and is eligible for a potential near-term milestone payment of CHF 2.0 million. The Company is eligible to receive further payments of up to CHF 351 million upon the achievement of predefined development, regulatory and sales milestones.

11 Convertible senior unsecured bonds

The convertible senior unsecured bonds are accounted for at amortized cost. The following table shows the carrying amount of the convertible senior unsecured bonds as of December 31, 2022 and 2021:

In CHF million	Maturity date	2022	2021
2022 convertible senior unsecured bonds	December 23, 2022	-	123.5
2027 convertible senior unsecured bonds	July 28, 2027	95.0	94.5
Total		**95.0**	**218.0**

On December 23, 2022, the Company paid back the outstanding balance of the 2022 bonds on their maturity date amounting to CHF 113.8 million.

The 2022 bonds extinguishment amounted to CHF 10.2 million in 2022 (2021: CHF 23.2 million). The loss on the extinguishment was immaterial.

For the year ended December 31, 2022, the Company recognized interest expense of CHF 6.3 million (2021: CHF 6.8 million) and CHF 0.9 million (2021: CHF 1.1 million) based on the effective interest rate method for recognition of the issuance costs for its 2022 bonds and 2027 bonds, respectively. The remaining unamortized debt issuances costs of CHF 2.1 million will be recognized over the remaining term of the convertible senior unsecured bonds, which is approximately 4.5 years for the 2027 bonds.

The table below outlines the amortization and repayment related to the convertible senior unsecured bonds as of December 31, 2022 as follows:

Amount in CHF million	2027 bonds	Total
2023	3.2	3.2
2024	3.2	3.2
2025	3.2	3.2
2026	3.2	3.2
2027	98.9	98.9
Total minimum payments	**111.5**	**111.5**
Less amount representing interest	(14.4)	(14.4)
Convertible senior unsecured bonds, gross	**97.1**	**97.1**
Unamortized issuance costs on convertible senior unsecured bonds	(2.1)	(2.1)
Convertible senior unsecured bonds, including unamortized issuance costs	**95.0**	**95.0**

The fair value was estimated based on quoted market prices:

In CHF million	2022	2021
Convertible senior unsecured bonds (Level 1)	99.1	224.6

In accordance with ASC 260, Earnings per Share, the issuance of the convertible senior unsecured bonds requires the use of the "if-converted" basis when calculating the Company's dilutive net income (loss) per share. Net income is adjusted to exclude, or add-back, all convertible senior unsecured bonds related earnings effects including interest charges and amortization of debt issuance costs. Weighted average shares are adjusted using the conversion ratio as if the convertible senior unsecured bonds had been converted at the date of issuance which corresponds to 1,553,360 shares of common stock. See Note 17 to these consolidated financial statements for a computation of diluted loss per share.

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, 2022, amounted to CHF 45.8 million. These shares are deducted in the calculation of the weighted average shares outstanding.

2022 bonds

The 2022 bonds were issued bearing interest at a fixed rate of 2.75% per year (payable semi-annually in arrears on December 23 and June 23 of each year) and matured on December 23, 2022 (maturity date), unless earlier redeemed or converted.

Until the payback date on December 23, 2022, there were no conversions of the 2022 bonds.

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

Total issuance costs of CHF 5.3 million related to the 2022 bonds include legal fees and other issuance-related costs and were deducted from the proceeds of the 2022 bonds. The Company recognizes the issuance costs as interest expense over the contractual term of the 2022 bonds.

2027 bonds

The 2027 bonds were issued bearing interest at a fixed rate of 3.25% per year (payable semi-annually in arrears on July 28 and January 28 of each year) and will mature on July 28, 2027 (maturity date), unless earlier redeemed or converted.

Holders may convert their 2027 bonds at any time at their option into shares fourty-one calendar days after the payment date (July 28, 2020) up to and including seven trading days before the maturity date.

In the event of conversion of the 2027 bonds, the Company will deliver shares of the Company's common stock. The conversion ratio is initially 80 shares per bond representing CHF 5,000, the principal amount of one bond (equivalent to an initial conversion price of CHF 62.50 per share of the Company's common stock). 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.

12 Senior secured loan agreement

On September 6, 2022, the Company entered into a CHF 75.0 million senior secured loan (the Loan) agreement with Athyrium Opportunities IV Acquisition LP (the Holder). The Loan was funded on September 19, 2022. The Company received total net proceeds from the Loan of CHF 73.9 million. Total issuance costs amounted to CHF 1.5 million. The maturity date for the Loan is approximately two years after the funding date, or September 19, 2024 (maturity date). The Loan bears an interest rate per annum equal to 7.75% plus the lesser of the Swiss Average Rate Overnight (SARON) or 3% per annum, but a minimum of 1.5% per annum. Interest is payable quarterly commencing December 31, 2022.

The Loan was used by the Company for the partial repayment of its 2022 convertible bonds, which were due on December 23, 2022 (the Convertible Bonds). The Convertible Bonds had an outstanding nominal amount of approximately CHF 113.8 million at maturity.

The Company accounted for the Loan at amortized cost and is amortizing the original issue discount and the issuance costs over the term of the Loan using the effective interest rate method, which is recorded as part of interest expense in the Company's statement of operations. For the period ended December 31, 2022, the effective interest rate was 10.7% and the Company recorded CHF 2.3 million of interest and amortization. In the year 2023, the Company will make payments of CHF 44.0 million and in the year 2024 estimated payments of CHF 38.4 million.

Under the terms of the Loan, if the Company undergoes a change in control within eighteen months of the funding date, the holder may require the Company to prepay the outstanding amount of the Loan with all accrued and unpaid interest plus a repayment premium equal to 2% of the principal amount outstanding at that date. If the change in control/prepayment of the Loan occurs after eighteen months of the funding date, the Company is required to pay a repayment premium of 1% of the principal amount outstanding at that date. The Company may also repay the Loan prior to the maturity date in whole or in part. Principal repayment amounts must be at least CHF 5.0 million with increments above this amount of at least CHF 1.0 million; such repayments are also subject to the repayment premium as described above. In the event of a repayment or prepayment, the Company is also required to pay an exit fee equal to 1.5% of the principal amount of the Loan repaid or prepaid at the date of the re- or prepayment in addition to the repayment premium.

13 Accruals and other current liabilities

Accruals and other current liabilities as of December 31, 2022 and 2021 consisted of the following:

In CHF million	2022	2021
Accrued research & development expenses	9.4	16.8
Accrued personnel and compensation costs	7.8	8.3
Accrued sales and marketing expenses	0.3	0.7
Accrued payables for goods received	5.7	4.2
VAT payables	0.1	1.0
Accrued taxes and consultant fees	0.9	0.5
Accrued royalties	1.7	1.1
Other current liabilities	8.1	5.6
Total accruals and other current liabilities	**34.0**	**38.2**

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

14 Income taxes

As of December 31, 2022, the Company has tax loss carry forwards of CHF 328.7 million (December 31, 2021: CHF 398.9 million) of which CHF 273.9 million will expire within the next five years and CHF 46.9 million will expire within six to eight years. In 2022, tax loss carry forwards of CHF 55.1 million expired and CHF 23.0 million (2021: none) were used.

The significant components of net deferred taxes as of December 31, 2022 and 2021, are shown in the following table:

In CHF million	2022	2021
Deferred tax assets:		
Net benefit from tax loss carry forwards[1]	40.6	52.0
Deferred revenue	1.6	1.7
Stock-based compensation cost	11.5	11.5
Other, net	-1.1	1.1
Valuation allowance	(52.6)	(66.3)
Net deferred taxes	**0.0**	**0.0**

1 As of December 31, 2022, the position includes CHF 1.4 million (December 31, 2021: 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 2022 and 2021, 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 2022 was 0.7% (2021: 0.5%). The following table shows the income taxes in 2022 and 2021:

In CHF million	2022	2021
Income tax expenses	0.0	0.0
Total income tax expenses	**0.0**	**0.0**

The current tax expenses in 2022 and 2021, are solely related to foreign taxable income.

The expected tax rate for 2022 was 12.1% (2021: 12.8%). The following table shows the reconciliation between expected and effective tax rate:

As a percentage	2022	2021
Expected tax rate [1]	12.1	12.8
Effect of not-taxable differences [2]	(1.0)	(0.4)
Valuation allowance on deferred tax assets	(10.4)	(11.9)
Effective tax rate	**0.7**	**0.5**

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 2021.

As of December 31, 2022 and 2021, there were no unrecognized tax benefits. The Company did not incur any significant interest or penalties in connection with income taxes in the years 2022 and 2021.

15 Stock-based compensation and Restricted/Performance Share Units

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

As of December 31, 2022, CHF 1.7 million of conditional capital remain available for stock options, PSUs and RSUs, which were issued and outstanding as of December 31, 2022 and for future grants.

Stock option plan

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

The vesting periods of the stock options outstanding as of December 31, 2022, 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, 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**
Options granted	0.00	-
Options forfeited	47.60	(30 126)
Options exercised	37.91	(94 377)
Options expired	63.26	(8 470)
Balance at December 31, 2022	**80.92**	**1 319 454**

The following table provides information on the stock options outstanding and the stock options exercisable as of December 31, 2022:

	Options exercisable plus options expected to vest[1]	Options exercisable
Number of options	1 307 020	1 091 243
Weighted average exercise price, in CHF	81.24	88.02
Weighted average remaining contractual life, in years	3.8	3.2

1 Number of options considers expected forfeitures.

Based on (a) the stock options exercisable as of December 31, 2022, including stock options expected to vest in the future and (b) the stock options exercisable as of December 31, 2022, the aggregate intrinsic values of such number of options were CHF 0.0 million and CHF 0.0 million (December 31, 2021: CHF 0.3 million and CHF 0.3 million), respectively.

In 2022, no options were granted. The total aggregate intrinsic value of stock options exercised during 2022 was CHF 0.7 million (2021: CHF 1.2 million).

The unrecognized compensation cost as of December 31, 2022, related to stock options amounts to CHF 0.5 million and is expected to be recognized over a weighted average period of 0.9 years.

The Company recorded total stock option-based compensation expenses of CHF 1.3 million in 2022, related to its stock-based compensation award programs (2021: CHF 3.3 million), of which CHF 0.7 million was recorded in research & development expenses (2021: CHF 1.6 million) and CHF 0.6 million as part of selling, general & administrative expenses (2021: CHF 1.7 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 fully paid-in registered share with a par value of CHF 1.00 upon vesting. Each PSU may convert into up to two fully paid-in registered shares with a par value of CHF 1.00 upon vesting. The conversion ratio depends on the relative total shareholder return (rTSR) of the Company's share price against a

Swiss share index called Swiss Performance Index Extra (SPI Extra) (market-based performance condition) and on the compounded annual growth rate (CAGR) of in-market sales of Cresemba (non-market-based performance condition). PSUs vest after three years, RSUs vest after three years for employees or after one year or three years for the Board of Directors.

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**
Share units granted	41.20	54 166	37.35	40 741	37.35	8 405
Share units forfeited	43.66	(4 351)	41.93	(14 107)	-	-
Share units exercised	-	-	44.27	(281)	47.42	(6 621)
Share units vested	-	-	43.67	(3 568)	-	-
Balance at December 31, 2022	**42.37**	**103 096**	**41.34**	**52 396**	**37.35**	**8 405**

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 Sales-CAGR, whereas each KPI fair value is weighted with 50%. The rTSR fair value is calculated by using a Monte Carlo simulation of the Company's share price and the SPI Extra index price. The expected volatility for the Company's share was 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.

In April 2022, the Company granted 54,166 PSUs, 40,741 RSUs and 8,405 Board of Directors RSUs. The PSU fair value as of the grant date was CHF 41.20 per unit and in total CHF 2.2 million. The RSU fair value at grant date was CHF 37.35 per unit and amounts to CHF 1.5 million and CHF 0.3 million for the Board of Directors RSU, respectively.
The PSU fair value for the 2022 granted share units is based on the fair value of the two key performance indicators (KPIs) rTSR and Sales-CAGR, whereas each KPI fair value is weighted with 50%. The rTSR fair value is calculated by using a Monte Carlo simulation of the Company's share price and the SPI Extra index price. The expected volatility for the Company's share was 37.48% and for the SPI Extra index 17.31%. The risk-free interest rate was 0.60% and the expected correlation 0.48. The RSU fair value is equal to the Company's share price on the grant date.

As of December 31, 2022, there are 163,897 share units outstanding with a weighted average remaining life of 1.9 years. As of December 31, 2021, there were 89,513 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, 2022:

in CHF million	2023	2024	2025	Total
PSU	1.5	0.8	0.1	2.4
RSU	0.6	0.4	0.1	1.0
Board of Directors RSU	0.1	0.1	0.0	0.2
Total	**2.1**	**1.2**	**0.2**	**3.5**

In 2022, the Company presented the following expenses in its consolidated statements of operations related to its share units plan:

in CHF million	PSU	RSU	Board of Directors RSU	Total
Research & development expenses, net	0.6	0.4	-	0.9
Selling, general & administrative expenses	0.7	0.2	0.2	1.1
Total expenses 2022	**1.3**	**0.6**	**0.2**	**2.1**

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

16 Shareholders' equity

As of December 31, 2022, Basilea had 13,093,445 registered shares (Namenaktien) issued with a par value of CHF 1.00 per share. As of December 31, 2021, Basilea had 12,992,166 registered shares issued with a par value of CHF 1.00 per share.

In 2022, a total of 103,500 stock options and RSUs were exercised which resulted in the issuance of 101,279 registered shares from conditional capital with a par value of CHF 1.00 per share. In 2021, a total of 69,961 stock options were exercised resulting in the issuance of 69,961 registered shares with a par value of CHF 1.00 per share.

As of December 31, 2022, the conditional capital amounts to a maximum of CHF 5,666,696 (43.28% of the share capital as of that date) and is structured as follows: In accordance with article 3a paragraph 1 of the articles of association, the share capital may be increased by a maximum of CHF 1,666,696 through the issuance of a maximum of 1,666,696 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 of the 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 1,607,909 rights/options to subscribe for new shares were outstanding under Basilea's employee stock option plan/long-term incentive plans as of December 31, 2022 (including 23,402 rights/options that will forfeit or vest 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 such 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. In accordance with article 3a paragraph 3 of the articles of association approved by the annual general meeting on April 13, 2022, 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 new convertible bonds issued by Basilea or one of its group companies. The aggregate principal amount of the convertible bonds backed by such conditional capital and/or treasury shares shall not exceed CHF 100,000,000 (in addition to the amount mentioned in article 3a paragraph 2 of the articles of association (see above)), and any convertible bonds issued and backed by such conditional capital shall not be issued later than December 22, 2022. However, Basilea decided not to make use of the conditional capital under article 3a paragraph 3 of the articles of association, and no convertible bonds have been issued by Basilea in 2022.

As of December 31, 2022, the Company held treasury shares in the total amount of CHF 56.1 million (December 31, 2021: CHF 56.6 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 142,141 (December 31, 2021: 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 1.0 million and an increase of the additional paid-in capital of CHF 44.8 million gross. Capital increase costs 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, 2022 and 2021:

In CHF million	Currency translation adjustment	Unrecognized pension cost	Reclassification into P&L	Total
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)**
Change during the period	(0.3)	18.1	0.0	17.8
Total change during the period	**(0.3)**	**18.1**	**0.0**	**17.8**
December 31, 2022	**(2.3)**	**(2.7)**	**1.2**	**(3.8)**

17 Earnings/loss per share

The calculation of the basic and diluted earnings/loss per share in 2022 and 2021 is shown in the table below:

	2022		2021	
	Basic	Diluted	Basic	Diluted
Numerator				
Net profit/loss, in CHF million	12.1	12.1	(6.8)	(6.8)
Net profit/loss for loss per share calculation, in CHF million	12.1	12.1	(6.8)	(6.8)
Denominator				
Weighted average shares outstanding, including actual conversion of stock options, PSUs, RSUs	11 860 958	11 860 958	11 681 975	11 681 975
Incremental shares according to treasury stock method for assumed conversion of stock options, PSUs, RSUs	-	82 567	-	-
Weighted average shares outstanding, including actual and assumed conversion of stock options, PSUs, RSUs	11 860 958	11 943 525	11 681 975	11 681 975
Earnings/loss per share in CHF	**1.02**	**1.02**	**(0.58)**	**(0.58)**

As of December 31, 2022, there were 1,319,454 stock options outstanding with a weighted average exercise price of CHF 80.92.

The calculation of the diluted earnings per share included 78,025 shares from PSU/RSU plans and 4,543 shares from stock option plan. There were 1,553,360 shares issuable upon conversion of convertible senior unsecured bonds which were not included in the calculation of earnings per share, as the effect of such shares would have been antidilutive.

As of December 31, 2021, there were 1,354,909 stock options, RSUs, and PSUs 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 antidilutive.

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.

18 Pension plan

The pension plan is operated by an insurance company. The plan is fully reinsured and it participates in a collective investment scheme. The Company and the participants provide monthly contributions to the pension plan which are based on the covered salary. The respective saving parts of premium are credited to employees' accounts. In addition, interest is credited to employees' accounts at the rate provided in the plan. The pension plan provides retirement benefits as well as benefits on long-term disability and death.

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

The following table provides information on the pension plan for the years 2022 and 2021:

In CHF million	2022	2021
Service cost	3.9	3.4
Interest cost	0.2	0.1
Expected return on plan assets	(1.2)	(0.9)
Amortization of pension-related net loss	0.9	2.1
Amortization of prior service cost	0.6	(0.1)
Settlements	(0.2)	-
Gross benefit expense	4.2	4.6
Participant contributions	(1.2)	(1.2)
Net periodic pension cost	3.0	3.4

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	2022	2021
Projected benefit obligation, beginning of period	**72.5**	**91.1**
Service cost	5.1	4.7
Interest cost	0.2	0.1
Benefits paid, net	4.6	(1.4)
Settlements	(6.3)	(18.7)
Actuarial (gain)/loss	(16.4)	(9.8)
Plan amendment	(0.5)	6.5
Projected benefit obligation, end of period	**59.2**	**72.5**
Plan assets, beginning of period	**47.5**	**63.3**
Actual return on plan assets	1.1	0.1
Employer contributions	2.8	3.0
Participant contributions	1.2	1.2
Benefits paid, net	4.6	(1.4)
Settlements	(6.3)	(18.7)
Plan assets, end of period	**50.9**	**47.5**
Accrued pension liability	**(8.3)**	**(25.0)**

As of December 31, 2022, the Company recorded an accrued pension liability of CHF 8.3 million in other non-current liabilities (December 31, 2021: CHF 25.0 million).

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

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

As of December 31, 2022, accumulated other comprehensive income/loss includes unrecognized pension cost of CHF 2.5 million, consisting of a net loss of CHF 2.2 million, determined using actuarial assumptions, and a prior service cost of CHF 4.7 million that have not yet been recognized as a component of net periodic pension cost. As of December 31, 2021, the accumulated other comprehensive income/loss included unrecognized pension cost of CHF 20.6 million, consisting of a net loss of CHF 14.8 million and a prior service cost of CHF 5.8 million, that have not yet been recognized as a component of net periodic pension cost. The Company expects that a net amount of CHF 0.4 million will be reclassified from accumulated other comprehensive income/loss and recognized as a component of net periodic pension cost in 2023 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	2022	2021
Net loss, beginning of period	**(14.8)**	**(26.0)**
Other gain/loss during the period	16.3	9.1
Amortization of pension-related net loss	0.9	2.1
Settlements	(0.2)	-
Net loss, end of period	2.2	(14.8)
Prior service cost, beginning of period	**(5.8)**	**0.8**
Amortization of prior service cost	0.6	(0.1)
Plan amendment	0.5	(6.5)
Prior service cost end of period	(4.7)	(5.8)
Total unrecognized pension cost, end of period	**(2.5)**	**(20.6)**

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

	2022	2021
Discount rate	2.10%	0.30%
Rate of increase in compensation level	1.75%	1.50%
Expected long-term rate of return on plan assets	3.40%	2.50%

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, 2022 and 2021, amounts to CHF 55.7 million and CHF 66.1 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 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	
2023	3.2
2024	3.0
2025	3.6
2026	3.7
2027	3.2
2028-2032	21.5

In addition to the defined benefit plan described above, the Company recognized no expenses related to defined contribution plans of Basilea's subsidiaries in 2022 (2021: none).

19 Lease commitments

Financing lease contracts

The Company had no finance leases for the financial years ending on December 31, 2022 and 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, 2022, the Company recorded total operating lease expenses of CHF 2.4 million in the operating expense section.

The Company is recognizing lease expense on a straight-line basis throughout the remaining term of the lease. The Company's incremental borrowing rate is 2.2%. Under the terms of the lease, non-lease components such as utilities and maintenance, are not part of the lease payments and are expensed as incurred.

For the year ending on December 31, 2022, CHF 2.0 million of the right-of-use (ROU) asset was amortized. The lease payment resulted in a decrease of the lease liability by CHF 2.1 million. There is approximately nine years of the lease term remaining.

On June 30, 2020, the Company entered into a lease agreement commencing on June 1, 2022, for office and laboratory space in Allschwil, in the canton of Basel-Landschaft. The lease term is ten years and the lease is accounted for as an operating lease, consequently a lease liability and a ROU asset were recognized at commencement date. The term of the lease is ten years and the annual lease payments are approximately CHF 2.2 million. Lease incentives are approximately CHF 1.8 million, of which CHF 0.6 million are payable to the Company over the term of the lease. The Company has the option to extend the

lease two times by five years, however, the Company concluded they are not reasonably certain to exercise the option.

The table below shows the operating lease ROU assets recorded:

In CHF million	2022	2021
Cost	**Buildings**	Buildings
January 01	4.1	4.1
Additions	18.2	-
Disposals	-	-
December 31	22.3	4.1
Accumulated depreciation		
January 01	(3.2)	(1.5)
Additions	(1.8)	(1.7)
December 31	(5.0)	(3.2)
Total operating lease right-of-use assets	**17.3**	**0.9**

As of December 31, the following operating lease liabilities are recorded:

In CHF million	2022	2021
Buildings	2.0	0.9
Total current operating lease liabilities	**2.0**	**0.9**
Buildings	16.3	-
Total non-current operating lease liabilities	**16.3**	**-**

As of December 31, 2022, the future minimum commitments under ASC 842 for the operating lease were as follows:

Amount in CHF million	
2023	2.2
2024	2.2
2025	2.2
2026	2.2
2027	2.2
2028 and thereafter	9.9
Total lease payments	**21.1**
Less: imputed interest	-2.8
Total operating lease liabilities	**18.3**

20 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 three tranches over the next three 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	3/31/2021	12/31/2020
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	3/31/2021
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	3/31/2021
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**

21 Concentration of risk

The Company is generally subject to credit risk related to financial investments. The Company mitigates such credit risk by depositing and investing the funds only with counterparties, which are rated as high-quality investment grade by a major rating agency or are fully guaranteed by Swiss cantons at the time of the Company's investment.

Cash and cash equivalents as of December 31, 2022, amounted to CHF 84.7 million, primarily held with five different banks.
As of December 31, 2022, the highest total amount of cash and cash equivalents and investments held at one bank amounted to CHF 30.4 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, 2022, was from Astellas in the amount of CHF 20.0 million in connection with a milestone payment related to isavuconazole.

22 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, 2022 and 2021.

In 2022 and 2021, the Company paid no fees to its board members for consulting services.

23 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, 2022, there are no significant contingencies.

24 Subsequent events

There were no significant events between the balance sheet date and the approval of the report by the Board of Directors on February 9, 2023.

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 (the Company), which comprise the balance sheet as at 31 December 2022, and the statement of operations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 166-173) 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 Standards on Auditing (SA-CH). 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 Company 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.

Key audit matters

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 19 million. We consider the recoverability of the carrying value of these balances to be a key audit matter based on given their magnitude and based on the significant judgement and estimates made in the determination of the recoverable value relating to the recoverability of the carrying value of the investment in subsidiaries, net and the accounts receivables affiliates balances. Refer to note 1 summary of significant accounting policies and note 2 investments to 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, 2022. We obtained Management's valuation of the group. We assessed the reasonableness of the key parameters of the valuation being the forecasted cash flows and the discount rate. We discussed the key assumptions applied in the valuation with Management and the Audit Committee. Further, we compared Management's valuation with analysts' reports and assessed the sensitivity of the valuation to certain parameters. We read the minutes of the meetings of the Board of Directors and discussed their contents and the strategic initiatives with Management and the Audit Committee focusing on the relevant judgments relating to the future value of the

development projects and the current contractual agreements.

We considered the market capitalization of Basilea Pharmaceutica Ltd at the balance sheet date as a relevant indicator of the value of the investments in subsidiaries, net and accounts receivables affiliates.

We consider the approach used by Management for the purpose of supporting the recoverability of the carrying value of the investments in subsidiaries, net and accounts receivables affiliates to be reasonable.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities 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 Company'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 Company 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 SA-CH 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 SA-CH, 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 Company'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 Company'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 Company 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 PS-CH 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 complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Daniel Anliker

Audit expert
Auditor in charge

Daniel D Miller

Basel, 9 February 2023

Financial statements of Basilea Pharmaceutica Ltd

Basilea Pharmaceutica Ltd

Balance sheets as of December 31, 2022 and 2021 (in CHF thousands)

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	37 058	21 374
Investments	-	40 000
Restricted cash	1 908	1 253
Other receivables	180	62
Other assets	35	1 195
Total current assets	**39 181**	**63 884**
Non-current assets		
Accounts receivable, affiliates	18 647	120 446
Investment in subsidiaries, net	483 426	483 426
Loans	2 461	2 390
Total non-current assets	**504 534**	**606 262**
TOTAL ASSETS	**543 715**	**670 146**
LIABILITIES		
Current liabilities		
Accounts payable, affiliates	257	698
Accounts payable, third party	-	9
Other liabilities	1 941	2 070
Accruals	238	328
Convertible senior unsecured bonds	-	123 505
Total current liabilities	**2 436**	**126 610**
Non-current liabilities		
Convertible senior unsecured bonds	95 000	94 544
Total non-current liabilities	**95 000**	**94 544**
Total liabilities	**97 436**	**221 154**
SHAREHOLDERS' EQUITY		
Share capital [1]	13 093	12 992
General reserve:		
Reserve from capital contributions	521 814	517 251
Treasury shares [2]	(56 071)	(56 559)
Accumulated deficit	(24 692)	(20 999)
Net loss	(7 865)	(3 693)
Total shareholders' equity	**446 279**	**448 992**
TOTAL LIABILITIES AND EQUITY	**543 715**	**670 146**

1 As of December 31, 2022, 13,093,445 shares (December 31, 2021: 12,992,166) were issued and 11,951,304 shares (December 31, 2021: 11,842,034) outstanding with a par value of CHF 1.00 per share.
2 As of December 31, 2022, 1,142,141 shares (December 31, 2021: 1,150,132) 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, 2022 and 2021 (in CHF thousands)

	2022	2021
Administrative expenses	(750)	(877)
Total operating expenses	**(750)**	**(877)**
Operating loss	**(750)**	**(877)**
Financial income	467	7 751
Financial expenses	(7 582)	(10 566)
Loss before taxes	**(7 865)**	**(3 693)**
Direct taxes	-	-
Net loss	**(7 865)**	**(3 693)**

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

Basilea Pharmaceutica Ltd

Notes to the financial statements as of December 31, 2022

1 Summary of significant accounting policies

General information

The financial statements of the Company for the year ended 31 December, 2022, 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) is registered in Basel, Switzerland. In 2022 and 2021, the Company had no employees.

Basilea Pharmaceutica Ltd. prepares its consolidated financial statements in accordance with generally accepted accounting principles in the United States of America (US GAAP). It further includes a management report (Financial Review) in its annual report. In accordance with Swiss law 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, 2022 and 2021.

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, 2022, 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). On December 23, 2022, the Company paid back the remaining outstanding balance of the 2022 bonds on their maturity date amounting to CHF 113.8 million.

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.

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, 2022, the Company holds the following investments[1]:

Company	Location	Ownership interest/ Voting rights	Share capital	Purpose
Basilea Pharmaceutica International Ltd, Allschwil[2]	Switzerland, Allschwil	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[3]	UK, Rickmansworth	100%	GBP 700 000	Distribution
Basilea Pharmaceutica Deutschland GmbH	Germany, Lörrach	100%	EUR 25 000	Distribution

1 In 2022, the Company subordinated accounts receivable against an affiliate in the amount of CHF 18.6 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 The shares of Basilea Pharmaceutical International Ltd, Allschwil are pledged
3 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, 2022, Basilea had 13,093,445 registered shares (Namenaktien) issued with a par value of CHF 1.00 per share. As of December 31, 2021, Basilea had 12,992,166 registered shares issued with a par value of CHF 1.00 per share.

In 2022, a total of 103,500 stock options and RSUs were exercised which resulted in the issuance of 101,279 registered shares from conditional capital with a par value of CHF 1.00 per share. In 2021, a total of 69,961 stock options were exercised resulting in the issuance of 69,961 registered shares with a par value of CHF 1.00 per share.

As of December 31, 2022, the conditional capital amounts to a maximum of CHF 5,666,696 (43.28% of the share capital as of that date) and is structured as follows: In accordance with article 3a paragraph 1 of the articles of association, the share capital may be increased by a maximum of CHF 1,666,696 through the issuance of a maximum of 1,666,696 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 of the 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 1,607,909 rights/options to subscribe for new shares were outstanding under Basilea's employee stock option plan/long-term incentive plans as of December 31, 2022 (including 23,402 rights/options that will forfeit or vest 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 such 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.
In accordance with article 3a paragraph 3 of the articles of association approved by the annual general meeting on April 13, 2022, 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 new convertible bonds issued by Basilea or one of its group companies. The aggregate principal amount of the convertible bonds backed by such conditional capital and/or treasury shares shall not exceed CHF 100,000,000 (in addition to the amount mentioned in article 3a paragraph 2 of the articles of association (see above)), and any convertible bonds issued and backed by such conditional capital shall not be issued later than December 22, 2022. However, Basilea decided not to make use of the conditional capital under article 3a paragraph 3 of the articles of association, and no convertible bonds have been issued by Basilea in 2022.

As of December 31, 2022, the Company held treasury shares in the total amount of CHF 56.1 million (December 31, 2021: CHF 56.6 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 142,141 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, 2020	**50.02**	**1 054 899**
Purchases	46.73	400 616
Sales	47.37	(305 383)
December 31, 2021	**49.18**	**1 150 132**
Purchases	38.51	318 830
Sales	39.81	(326 821)
December 31, 2022	**48.88**	**1 142 141**

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 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.

4 Shareholdings and stock options

As of December 31, 2022, 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	1 936
Thomas Werner, Vice-Chairman	1 192
Nicole Onetto, Director	737
Leonard Kruimer, Director	-
Martin Nicklasson, Director	1 757
Steven D. Skolsky, Director	757
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, 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

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, 2022:

	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	1 962	-
Thomas Werner, Vice-Chairman	2 200	-	2 200	1 367	-
Nicole Onetto, Director	-	-	-	1 251	-
Martin Nicklasson, Director	2 401	-	2 401	1 287	-
Steven D. Skolsky, Director	2 200	-	2 200	1 287	-
Leonard Kruimer, Director	-	-	-	1 251	-
David Veitch, Chief Executive Officer	72 652	30 148	102 800	-	28 147
Marc Engelhardt, Chief Medical Officer	41 888	16 415	58 303	-	14 582
Gerrit Hauck, Chief Technology Officer	5 187	16 263	21 450	-	11 614
Adesh Kaul, Chief Financial Officer	29 042	17 976	47 018	-	13 445
Laurenz Kellenberger, Chief Scientific Officer	67 467	14 904	82 371	-	11 672

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, 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

5 Significant shareholders

There are no ownership percentage of shareholders which held a significant percentage of shares of the Company as of December 31, 2022 and 2021, according to the share register of the Company.

The ownership percentages are based on 13,093,445 shares issued as of December 31, 2022, and 12,992,166 shares issued as of December 31, 2021.

Proposal of the Board of Directors for the appropriation of loss carried forward as of December 31, 2022:

In CHF thousands	Proposed by the Board of Directors
Accumulated deficit beginning of the year	(24 692)
Net loss of the year	(7 865)
Balance to be carried forward	**(32 557)**

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Annual general meeting

The annual general meeting of shareholders for the financial year 2022 will take place on April 26, 2023, in Basel, Switzerland.

The full Annual Report 2022 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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