Financial Report

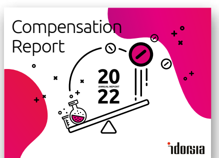
2022 ANNUAL REPORT

idorsia

The purpose of Idorsia is to discover, develop, and commercialize innovative medicines to help more patients.

We have more ideas, we see more opportunities, and we want to transform the horizon of therapeutic options.

Further parts of the Idorsia Annual Report 2022



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Financial Review

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Idorsia measures and reports its non-GAAP operating performance, which management believes more accurately reflects the underlying business performance. The Group believes that these non-GAAP financial measurements provide useful supplementary information for investors. These non-GAAP measures are reported in addition to, not as a substitute for, US GAAP financial performance.

Rounding differences may occur
nm = not meaningful

Idorsia's key numbers

Profit and loss

(in CHF millions, except EPS)	Twelve months ended Dec 31, US GAAP 2022	US GAAP 2021	Non-GAAP 2022	Non-GAAP 2021	Fourth quarter US GAAP 2022	US GAAP 2021	Non-GAAP 2022	Non-GAAP 2021
Net revenue								
Product sales	51	-	51	-	23	-	23	-
Contract revenue – royalties	-	-	-	-	-	-	-	-
Contract revenue – milestones	45	35	45	35	30	5	30	5
Contract revenue – others	2	0	2	0	1	0	1	0
Operating expenses								
Cost of sales	(6)	-	(6)	-	(3)	-	(3)	-
Research and development	(384)	(414)	(357)	(390)	(105)	(127)	(97)	(120)
Selling, general and administrative	(510)	(234)	(492)	(221)	(139)	(107)	(134)	(103)
Net results								
Operating income (loss)	(803)	(613)	(757)	(576)	(193)	(228)	(180)	(219)
Net income (loss)	(828)	(635)	(782)	(575)	(193)	(252)	(186)	(228)
Basic EPS	(4.67)	(3.77)	(4.41)	(3.41)	(1.09)	(1.46)	(1.05)	(1.32)
Diluted EPS	(4.67)	(3.77)	(4.41)	(3.41)	(1.09)	(1.46)	(1.05)	(1.32)

Cash flow

(in CHF millions)	Twelve months ended Dec 31, 2022	2021	Fourth quarter 2022	2021
Cash flow				
Operating cash flow	(859)	(590)	(221)	(198)
Cash raise	162	594	-	(1)
Capital expenditure	(27)	(31)	(4)	(8)

Shares

(in millions)	Dec 31, 2022	Sep 30, 2022	Dec 31, 2021
Share count			
Issued common shares	177.6	177.5	177.0
Equity derivatives	54.0	54.0	54.0
Equity instruments	14.3	14.2	9.0
Total potential issued shares	**245.9**	**245.8**	**240.0**

Liquidity and indebtedness

(in CHF millions)	Dec 31, 2022	Sep 30, 2022	Dec 31, 2021
Liquidity			
Cash and cash equivalents	146	315	101
Short-term deposits	320	380	927
Long-term deposits	-	-	160
Total liquidity	**466**	**695**	**1,188**
Indebtedness			
Convertible loan	335	335	298
Convertible bonds	795	795	794
Other financial debt	162	162	-
Total indebtedness	**1,292**	**1,291**	**1,093**

Revenue

Revenue

(in CHF millions)	Twelve months ended Dec 31, 2022	2021	Fourth quarter 2022	2021
Revenue				
Product sales	51	-	23	-
Contract revenue - royalties	-	-	-	-
Contract revenue - milestones	45	35	30	6
Contract revenue - others	2	0	1	-
US GAAP revenue	**97**	**35**	**54**	**6**

Product sales comprised of the first sales of the two approved products:

- PIVLAZ™ (clazosentan) - which was launched on April 20th in Japan - achieved CHF 44 m net sales
- QUVIVIQ™ (daridorexant) - which was launched in May in the US and in November in Germany and Italy - achieved CHF 6.5 m net sales (net sales do not fully reflect the volumes of the products dispensed in the US due to coupon and co-pay programs)

Contract revenue from milestones mainly consisted of Simcere (daidorexant China: CHF 28 m), Janssen (aprocitentan: CHF 8 m), Mochida (daridorexant Japan: CHF 5 m) and Neurocrine (license and research & development collaboration: CHF 4 m).

Operating expenses

Operating expenses

(in CHF millions)	Twelve months ended Dec 31, 2022	2021	Fourth quarter 2022	2021
Operating expenses				
Cost of sales	6	-	3	-
Research	117	112	30	30
Development	240	274	67	90
Selling	394	144	106	79
General and administrative	97	77	28	25
Milestones paid	-	5	-	-
Non-GAAP operating expenses	**854**	**612**	**234**	**224**
Depreciation and amortization	20	18	6	4
Share-based compensation	26	19	7	5
Other	-	-	-	-
Other operating expenses	**46**	**37**	**13**	**9**
US GAAP operating expenses	**900**	**648**	**247**	**233**

US GAAP operating expenses of CHF 900 m comprised Non-GAAP operating expenses (CHF 854 m), depreciation and amortization (CHF 20 m) and share-based compensation (CHF 26 m).

Cost of sales

(in CHF millions)	Twelve months ended Dec 31, 2022	2021	Fourth quarter 2022	2021
Cost of sales				
Cost of goods sold	2	-	1	-
Royalty paid	4	-	2	-
Non-GAAP cost of sales	**6**	**-**	**3**	**-**
Other	-	-	-	-
US GAAP cost of sales	**6**	**-**	**3**	**-**

Cost of sales of CHF 6 m mainly comprised of sales-based royalty expenses. The cost of goods sold do not reflect the actual manufacturing costs, as prior to product approval, the manufacturing and related costs were expensed.

Research and development ("R&D") expenses

(in CHF millions)	Twelve months ended Dec 31, 2022	Twelve months ended Dec 31, 2021	Fourth quarter 2022	Fourth quarter 2021
R&D expenses				
Research	117	112	30	30
Development	240	274	67	90
Milestones paid	-	5	-	-
Non-GAAP R&D expenses	**357**	**390**	**97**	**120**
Depreciation and amortization	15	15	5	4
Share-based compensation	12	9	3	2
Other	-	-	-	-
US GAAP R&D expenses	**384**	**414**	**105**	**127**

Non-GAAP research expenses of CHF 117 m, comprised biology (CHF 26 m), chemistry (CHF 36 m) and preclinical activities (CHF 54 m).

Non-GAAP development expenses of CHF 240 m, comprised CHF 144 m for clinical activities (including CHF 83 m study costs, mainly driven by late stage studies for selatogrel, cenerimod, clazosentan, daridorexant, lucerastat, aprocitentan) and CHF 95 m for chemical and pharmaceutical development activities (including CHF 36 m for drug substance and CHF 32 m for drug product).

Selling, general and administrative ("SG&A") expenses

(in CHF millions)	Twelve months ended Dec 31, 2022	Twelve months ended Dec 31, 2021	Fourth quarter 2022	Fourth quarter 2021
SG&A expenses				
Selling	394	144	106	79
General and administrative	97	77	28	25
Non-GAAP SG&A expenses	**492**	**221**	**134**	**103**
Depreciation and amortization	5	3	1	1
Share-based compensation	14	10	4	3
Other	-	-	-	-
US GAAP SG&A expenses	**510**	**234**	**139**	**107**

Non-GAAP SG&A expenses of CHF 492 m, comprised of commercial activities (CHF 394 m), information systems (CHF 50 m) and for other support functions (CHF 47 m).

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Operating results

Non-GAAP and US GAAP operating results

(in CHF millions)	Twelve months ended Dec 31, 2022	2021	Fourth quarter 2022	2021
Operating results				
Revenues	97	35	54	5
Operating expenses	(854)	(612)	(234)	(224)
Non-GAAP operating income (loss)	**(757)**	**(576)**	**(180)**	**(219)**
Operating results				
Revenues	97	35	54	5
Operating expenses	(900)	(648)	(247)	(233)
US GAAP operating income (loss)	**(803)**	**(613)**	**(193)**	**(228)**

US GAAP operating loss of CHF 803 m included Non-GAAP operating loss (CHF 757 m), depreciation and amortization (CHF 20 m) and share-based compensation (CHF 26 m).

Financial results

Financial results

(in CHF millions)	Twelve months ended Dec 31, 2022	2021	Fourth quarter 2022	2021
Financial results				
Interest income (expense), net	(16)	(7)	(5)	(4)
Other financial income (expense), net	(0)	12	1	(5)
Non-GAAP financial income (expense)	**(16)**	**5**	**(3)**	**(9)**
Accretion expense	(1)	(21)	(0)	(14)
Gain (loss) on securities	0	(6)	6	(2)
US GAAP financial income (expense)	**(17)**	**(22)**	**2**	**(25)**

US GAAP financial expense of CHF 17 m included Non-GAAP financial expense (CHF 16 m) and amortization charges of accretion expense (CHF 1 m).

Non-GAAP financial expense of CHF 16 m mainly consisted of interest expenses on the convertible bonds (CHF 14 m) and interest expense resulting from the sales and lease back transaction (CHF 2 m). Refer to Note 15. Leases of the Consolidated Financial Statements.

Accretion expense of CHF 1 m related to the issuance costs of the convertible bonds due in 2024 and 2028. No further accretion expense occured in connection with the convertible loan with J&J due to the implementation of ASU 2020-06 as of January 1, 2022 (2021: CHF 20 m). Refer to Note 16. Borrowings of the Consolidated Financial Statements.

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Income tax

Income tax

(in CHF millions)	Twelve months ended Dec 31, 2022	2021	Fourth quarter 2022	2021
Income tax				
Income tax benefit (expense)	(9)	(3)	(3)	(1)
Non-GAAP tax benefit (expense)	**(9)**	**(3)**	**(3)**	**(1)**
Other tax benefit (expense)	1	4	0	2
US GAAP income tax benefit (expense)	**(8)**	**0**	**(3)**	**1**

US GAAP income tax expense of CHF 8 m mainly included the Non-GAAP tax expense of foreign affiliates (CHF 4 m) and a withholding tax payment (CHF 3 m).

Both US- and Non-GAAP income tax expense included an increase of the valuation allowance of CHF 103 m that related to deferred tax assets arising from operating losses which can be carried forward for 7 years.

Net results, EPS and shares

Net results

(in CHF millions)	Twelve months ended Dec 31, 2022	2021	Fourth quarter 2022	2021
Non-GAAP operating income (loss)	**(757)**	**(576)**	**(180)**	**(219)**
Financial income (expense)	(16)	5	(3)	(9)
Income tax benefit (expense)	(9)	(3)	(3)	(1)
Non-GAAP net income (loss)	**(782)**	**(575)**	**(186)**	**(228)**
US GAAP operating income (loss)	**(803)**	**(613)**	**(193)**	**(228)**
Financial income (expense)	(17)	(22)	2	(25)
Income tax benefit (expense)	(8)	0	(3)	1
US GAAP net income (loss)	**(828)**	**(635)**	**(193)**	**(252)**

US GAAP net loss of CHF 828 m mainly included the Non-GAAP net loss (CHF 782 m), depreciation and amortization (CHF 19 m) and share-based compensation (CHF 26 m).

Contents

Shares

(in millions)	Issued	Potentially dilutive equity instruments: Derivatives	Potentially dilutive equity instruments: Awards	Total potential issued shares
Dec 31, 2021	**177.0**	**54.0**	**9.0**	**240.0**
Issued	0.1	-	6.1	6.2
Vested	0.4	-	(0.4)	-
Exercised	0.0	-	(0.0)	-
Forfeited	-	-	(0.3)	(0.3)
Expired	-	-	(0.0)	(0.0)
Dec 31, 2022	**177.6**	**54.0**	**14.3**	**245.9**

Issued shares increased to 177.6 million mainly due to the vesting of equity awards.

Equity derivatives of 54.0 million related to the Group's outstanding convertible debts of which 29.1 million related to convertible loan from J&J, 19.0 million related to the convertible bonds due in 2028 and 5.9 million related to the convertible bonds due in 2024. Refer to Note 16. Borrowings of the Consolidated Financial Statements.

Equity awards of 14.3 million consisted of 9.4 million share options with a weighted average strike price of CHF 20.29 granted to eligible employees and 4.8 million unvested share units granted to eligible employees.

On January 6, 2023 Idorsia Ltd issued 10.0 million new shares out of the authorized capital. These shares have been subscribed by Idorsia Pharmaceuticals Ltd, a wholy owned subsidiary of Idorsia Ltd and are kept as treasury shares.

Earnings per share (EPS)

(in CHF millions, unless otherwise indicated)	Twelve months ended Dec 31, 2022	Twelve months ended Dec 31, 2021	Fourth quarter 2022	Fourth quarter 2021
Non-GAAP net income (loss)	**(782)**	**(575)**	**(186)**	**(228)**
Weighted-average number of basic shares (in millions)	177.4	168.5	177.5	172.9
Non-GAAP basic EPS (in CHF)	**(4.41)**	**(3.41)**	**(1.05)**	**(1.32)**
Weighted-average number of dilutive shares (in millions)	177.4	168.5	177.5	172.9
Non-GAAP diluted EPS (in CHF)	**(4.41)**	**(3.41)**	**(1.05)**	**(1.32)**
US GAAP net income (loss)	**(828)**	**(635)**	**(193)**	**(252)**
Weighted-average number of basic shares (in millions)	177.4	168.5	177.5	172.9
US GAAP basic EPS (in CHF)	**(4.67)**	**(3.77)**	**(1.09)**	**(1.46)**
Weighted-average number of dilutive shares (in millions)	177.4	168.5	177.5	172.9
US GAAP diluted EPS (in CHF)	**(4.67)**	**(3.77)**	**(1.09)**	**(1.46)**

There is no difference between basic and diluted EPS since no shares were considered dilutive due to the net loss.

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Cash flow and liquidity

Operating cash flow

(in CHF millions)	Twelve months ended Dec 31, 2022	2021	Fourth quarter 2022	2021
Operating cash flow				
US GAAP net income (loss)	(828)	(635)	(193)	(252)
Deferred contract revenue and accrued income	(14)	(12)	(2)	(5)
Deferred taxes	1	(5)	(1)	(3)
Depreciation and amortization	20	18	6	4
Accretion of convertible debt	1	21	0	14
Share-based compensation	26	19	7	5
Other non cash items	(0)	6	(6)	2
Net outflows from operations	**(794)**	**(589)**	**(189)**	**(235)**
Net change in receivables	(34)	(6)	(26)	(5)
Net change in inventories	(43)	-	(16)	-
Net change in trade and other payables	1	15	8	13
Net change in other operating assets and liabilities	11	(10)	2	29
Change in working capital	**(65)**	**(1)**	**(32)**	**37**
Operating cash flow	**(859)**	**(590)**	**(221)**	**(198)**

Net outflows from operations of CHF 794 m were mainly driven by the Non-GAAP operating loss (CHF 757 m), interest expenses (CHF 16 m) and income tax expenses (CHF 6 m) .

The net cash outflows in working capital of CHF 65 m were mainly driven by inventory build up (CHF 43 m), an increase in receivables and prepayments (CHF 45 m), which was partially compensated by an increase in accruals (CHF 19 m).

Cash flow

(in CHF millions)	Twelve months ended Dec 31, 2022	2021	Fourth quarter 2022	2021
Cash flow				
Operating cash flow	(859)	(590)	(221)	(198)
Acquisition of tangible, intangible and other assets	(27)	(34)	(4)	(8)
Free cash flow	**(886)**	**(624)**	**(225)**	**(206)**
Cash raise	162	(0)	-	(0)
Issuance of convertible bonds	-	595	-	(0)
Other items	2	19	(4)	(5)
Cash flow[1]	**(722)**	**(12)**	**(229)**	**(211)**

[1]Cash flow is reconciled with the liquidity movements shown below.

The negative cash flow of CHF 722 m was mainly driven by the operating cash outflow (CHF 859 m), a net cash inflow from the sale and leaseback transaction at the swiss headquarters (CHF 162 m), the acquisition of tangible assets (CHF 16 m) and intangible assets (CHF 10 m).

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Liquidity

(in CHF millions)	Liquidity
Liquidity Dec 31, 2021	**1,188**
Liquidity movements Q1	(249)
Liquidity Mar 31, 2022	**940**
Liquidity movements Q2	(207)
Liquidity Jun 30, 2022	**733**
Liquidity movements Q3	(38)
Liquidity Sep 30, 2022	**695**
Liquidity movements Q4	(229)
Liquidity Dec 31, 2022	**466**

As of December 31, 2022, liquidity of CHF 466 m consisted of cash (CHF 146 m) and short-term deposits (CHF 320 m).

Liquidity of CHF 466 m was mainly held in Swiss francs (CHF 336 m) and in US dollars (equivalent of CHF 116 m).

Material uncertainty to continue as a going concern

The accompanying consolidated financial statements have been prepared on the basis that the Group will continue as a going concern. This will require to secure additional funding as the liquidity (CHF 466 m as of December 31, 2022) does not cover the negative cashflow for the next twelve months based on our current business plan.

While the Group is actively seeking to raise additional cash, there can be no assurance the necessary funding will be available.

If the Group is unable to obtain adequate resources to fund the operations, the operations will need to be modified. If such measures are not sufficient, and/or additional funding is not obtained in due course, the Group may be forced to discontinue its operations entirely.

Refer to Note 1. Description of business and summary of significant accounting policies of both the consolidated as well as statutory financial statements for further details regarding the going concern assessment.

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Balance sheet

Balance sheet

(in CHF millions)	Dec 31, 2022	Sep 30, 2022	Dec 31, 2021
Assets			
Liquidity[1]	466	695	1,188
Tangible assets	245	220	223
Other assets	193	110	71
Total assets	**904**	**1,025**	**1,483**
Liabilities and equity			
Financial debt	1,292	1,291	1,093
Deferred revenue	5	7	19
Other liabilities	268	269	268
Total liabilities	**1,565**	**1,568**	**1,379**
Total equity	**(661)**	**(543)**	**104**
Total liabilities and equity	**904**	**1,025**	**1,483**

[1] Liquidity includes cash, cash equivalents, short- and long-term deposits

Tangible assets of CHF 245 m mainly consisted of real-estate (CHF 107 m) and right-of-use assets (CHF 98 m).

Other assets of CHF 193 m comprised prepayments (CHF 34 m), receivables (CHF 49 m), inventories (CHF 36 m), marketable securities (CHF 10 m), intangible assets (CHF 15 m), pension asset (CHF 31 m) and other assets (CHF 17 m).

Financial debt of CHF 1,292 m comprised the convertible loan (CHF 335 m), the convertible bonds (CHF 795 m) and a sale and leaseback transaction (CHF 162 m).

Deferred revenue of CHF 5 m related to the collaborations with Mochida (CHF 4 m) and Neurocrine Biosciences (CHF 2 m).

Other liabilities of CHF 268 m included current and noncurrent liabilities . Current liabilities of CHF 166 m mainly comprised accrued expenses (CHF 132 m), payables (CHF 25 m) and a short-term lease liability (CHF 9 m). Noncurrent liabilities of CHF 103 m mainly comprised a long-term lease liability (CHF 89 m) and other noncurrent liabilities (CHF 14 m).

Sale and leaseback transaction:

The Group entered into a sale and leaseback transaction of the main buildings at the swiss headquarters (net proceeds of CHF 162 m). The Group has an option to repurchase the buildings. Therefore, the transaction does not qualify as a sale for US GAAP purposes. The assets remain recorded in Tangible assets and the related liability was recorded under Financial debt. Refer to Note 15. Leases of the Consolidated Financial Statements.

Impact and implementation of ASU 2020-06 Accounting for Convertible Instruments and Contracts in an Entity's Own Equity:

The Group adopted ASU 2020-06 as of January 1, 2022 by applying the modified retrospective approach. The implementation had a material impact on the opening balances of the balance sheet as follows:

(in CHF millions)	Jan 1, 2022 reported	Effect	Reclass Deferred tax asset	Valuation allowance on Deferred tax asset	Jan 1, 2022 adopted
ASSETS					
Noncurrent assets					
Other noncurrent assets [1]	16	-	4	(4)	16
LIABILITIES					
Noncurrent liabilities					
Convertible loan	298	36			335
Deferred tax liability	1	(5)	4		-
EQUITY					
Accumulated profit (loss)	(1,982)	(31)		(4)	(2,017)

[1] Includes Deferred tax assets.

The book value of the convertible loan with J&J increased from CHF 298 m as of December 31, 2021 to its nominal amount of CHF 335 m as of January 1, 2022. This increase was recognized in equity.

As a consequence no further accretion expense occurs over the remaining term of the convertible loan.

The adoption did not have a material impact on the statement of cash flows.

The implementation of ASU 2020-06 does not impact the accounting treatment of the convertible bonds due in 2024 and 2028 (refer to Note 16. Borrowings of the Consolidated Financial Statements).

Reconciliation of US GAAP to non-GAAP results

Reconciliation of US GAAP to non-GAAP results for the twelve months ended December 31, 2022

(in CHF millions, unless otherwise indicated)	US GAAP results	Depreciation, amortization, impairment	Share-based compensation	Other items	Non-GAAP results
Net revenue					
Product sales	51	-	-	-	51
Contract revenue – royalties	-	-	-	-	-
Contract revenue – milestones	45	-	-	-	45
Contract revenue – others	2	-	-	-	2
Total net revenue	**97**	**-**	-	-	**97**
Operating expenses					
Cost of sales	(6)	-	-	-	(6)
Research and development	(383)	15	12	-	(357)
Selling, general and administrative	(509)	4	14	-	(492)
Amortization of intangible assets	(1)	1	-	-	-
Total operating expenses	**(900)**	20	26	-	**(854)**
Operating results	**(803)**	20	26	-	**(757)**
Total financial income (expense)	(17)	-	-	1	(16)
Income before income tax benefit (expense)	**(820)**	20	26	1	**(774)**
Income tax benefit (expense)	(8)	(1)	-	-	(9)
Net income (loss)	**(828)**	19	26	1	**(782)**
Basic net income (loss) per share (CHF)	**(4.67)**	0.11	0.15	0.00	**(4.41)**
Weighted-average number of basic shares (in millions)	177.4	-	-	-	177.4
Diluted net income (loss) per share (CHF)	**(4.67)**	0.11	0.15	0.00	**(4.41)**
Weighted-average number of dilutive shares (in millions)	177.4	-	-	-	177.4

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Reconciliation of US GAAP to non-GAAP results for the fourth quarter 2022

(in CHF millions, unless otherwise indicated)	US GAAP results	Depreciation, amortization, impairment	Share-based compensation	Other items	Non-GAAP results
Net revenue					
Product sales	23	-	-	-	23
Contract revenue – royalties	-	-	-	-	-
Contract revenue – milestones	30	-	-	-	30
Contract revenue – others	1	-	-	-	1
Total net revenue	**54**	**-**	**-**	**-**	**54**
Operating expenses					
Cost of sales	(3)	-	-	-	(3)
Research and development	(105)	4	3	-	(97)
Selling, general and administrative	(138)	1	4	-	(134)
Amortization of intangible assets	(0)	0	-	-	-
Total operating expenses	**(247)**	6	7	-	**(234)**
Operating results	**(193)**	6	7	-	**(180)**
Total financial income (expense)	2	-	-	(6)	(3)
Income before income tax benefit (expense)	**(190)**	6	7	(6)	**(183)**
Income tax benefit (expense)	(3)	(0)	-	-	(3)
Net income (loss)	**(193)**	6	7	(6)	**(186)**
Basic net income (loss) per share (CHF)	**(1.09)**	0.03	0.04	(0.03)	**(1.05)**
Weighted-average number of basic shares (in millions)	177.5	-	-	-	177.5
Diluted net income (loss) per share (CHF)	**(1.09)**	0.03	0.04	(0.03)	**(1.05)**
Weighted-average number of dilutive shares (in millions)	177.5	-	-	-	177.5

The non-GAAP metrics are reported in addition to, not as a substitute for, US GAAP financial performance, as management believes that they provide useful supplementary information to investors and more accurately reflect the underlying business performance.

Consolidated Financial Statements

Contents

Consolidated Income Statement

(in CHF thousands, except per share amounts)	Notes	Twelve months ended December 31, 2022	2021
Net revenue			
Product sales	2/23	50,524	-
Contract revenue	4/23	46,578	35,349
Total net revenue		**97,102**	**35,349**
Operating (expenses)[1]			
Cost of sales		(6,266)	-
Research and development		(383,331)	(414,208)
Selling, general and administrative		(509,032)	(233,669)
Amortization of intangible assets	12	(1,437)	(476)
Total operating (expenses)		**(900,067)**	**(648,353)**
Operating income (loss)		**(802,965)**	**(613,004)**
Interest income (expense), net		(16,065)	(7,244)
Accretion of convertible debt	16	(1,107)	(20,693)
Other financial income (expense), net		48	6,135
Total financial income (expense)		**(17,124)**	**(21,801)**
Income (loss) before income tax benefit (expense)		**(820,089)**	**(634,805)**
Income tax benefit (expense)	5	(7,807)	210
Net income (loss) attributable to Idorsia's shareholders		**(827,896)**	**(634,595)**
Basic net income (loss) per share attributable to Idorsia's shareholders	6	**(4.67)**	**(3.77)**
Weighted-average number of common shares (in thousands)		177,434	168,498
Diluted net income (loss) per share attributable to Idorsia's shareholders	6	**(4.67)**	**(3.77)**
Weighted-average number of common shares (in thousands)		177,434	168,498

[1]Includes share-based compensation as follows:		
Research and development	12,032	9,195
Selling, general and administrative	13,817	9,532
Total share-based compensation	**25,849**	**18,726**

The accompanying notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

(in CHF thousands)	Twelve months ended December 31, 2022	2021
Net income (loss)	**(827,896)**	**(634,595)**
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(500)	(1,096)
Change of unrecognized components of net periodic benefit costs	71,706	16,389
Other comprehensive income (loss), net of tax	**71,206**	**15,294**
Comprehensive income (loss)	**(756,690)**	**(619,301)**

The accompanying notes form an integral part of these Consolidated Financial Statements.

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Consolidated Balance Sheet (1/2)

(in CHF thousands, except number of shares)	Notes	Dec 31, 2022	Dec 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents	7/8	145,998	101,352
Short-term deposits	8	320,000	926,822
Trade and other receivables, net	9	45,025	13,007
Receivables from related parties	24	4,323	4,611
Inventories	10	35,840	-
Marketable securities	8	10,326	9,951
Other current assets	11	34,925	21,718
Total current assets		**596,438**	**1,077,462**
Noncurrent assets			
Long-term deposits	8	-	160,000
Property, plant and equipment, net	13	147,097	149,862
Right-of-use assets	15	98,371	73,573
Intangible assets, net	12	14,756	6,131
Pension asset	17	30,985	-
Other noncurrent assets		16,533	15,931
Total noncurrent assets		**307,742**	**405,497**
TOTAL ASSETS		**904,180**	**1,482,958**

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Consolidated Balance Sheet (2/2)

(in CHF thousands, except number of shares)	Notes	Dec 31, 2022	Dec 31, 2021
LIABILITIES			
Current liabilities			
Trade and other payables	15	25,435	26,860
Payables and accrued payables to related parties	24	-	20
Deferred revenue	4	5,205	15,078
Lease liability	15	8,921	10,312
Sales related liabilities	2	6,010	-
Accrued expenses	14	124,794	112,869
Total current liabilities		**170,364**	**165,140**
Noncurrent liabilities			
Convertible loan	16	334,575	298,445
Convertible bonds	16	795,219	794,164
Other financial liabilities	15	162,001	-
Deferred revenue	4	-	3,518
Lease liability	15	88,639	60,563
Pension liability	17	-	48,517
Deferred tax liability	5	6,468	1,008
Other noncurrent liabilities		7,870	7,400
Total noncurrent liabilities		**1,394,773**	**1,213,615**
Total liabilities		**1,565,137**	**1,378,754**
EQUITY			
Idorsia's shareholders' equity			
Common shares (par value CHF 0.05 per share, issued and outstanding 177,558,532 and 176,966,995 in 2022 and 2021 respectively; total number of authorized shares, including issued, authorized and conditional, 301,384,831 and 295,041,148 in 2022 and 2021 respectively)	19	8,878	8,848
Additional paid-in capital		2,126,859	2,100,237
Accumulated profit (loss)		(2,845,098)	(1,982,079)
Accumulated other comprehensive income (loss)	20	48,403	(22,802)
Total Idorsia's shareholders' equity		**(660,958)**	**104,204**
TOTAL LIABILITIES AND EQUITY		**904,180**	**1,482,958**

The accompanying notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows (1/2)

(in CHF thousands)	Twelve months ended December 31, 2022	2021
Cash flow from operating activities		
Net income (loss)	(827,896)	(634,595)
Adjustments to reconcile net income (loss) to net cash provided from operating activities:		
Depreciation and amortization	19,829	18,033
Share-based compensation	25,849	18,726
Accretion of convertible debt	1,107	20,693
Fair value changes on securities	(443)	5,651
Release of deferred revenue and accrued income	(14,022)	(12,176)
Deferred taxes	1,166	(5,386)
Changes in operating assets and liabilities:		
Other receivables	(33,896)	(6,273)
Prepayments	(11,132)	(8,694)
Inventories	(42,542)	-
Trade and other payables	892	15,044
Accrued expenses	18,826	22,129
Changes in other operating cash flow items	3,155	(23,047)
Net cash flow provided by (used in) operating activities	**(859,108)**	**(589,895)**
Cash flow from investing activities		
Purchase of marketable securities	(111)	(3,500)
Purchase of short-term deposits	(410,000)	(870,928)
Proceeds from short-term deposits	1,181,071	1,012,102
Purchase of long-term deposits	-	(160,000)
Purchase of property, plant and equipment	(16,614)	(25,527)
Purchase of intangible assets	(10,444)	(5,404)
Net cash flow provided by (used in) investing activities	**743,901**	**(53,257)**
Cash flow from financing activities		
Issuance of new shares, net	-	(418)
Proceeds from exercise of share options	360	10,000
Proceeds from sale and leaseback transactions, net	161,950	-
Proceeds from issuance of convertible bonds, net	-	594,564
Net cash flow provided by (used in) financing activities	**162,310**	**604,146**

Consolidated Statement of Cash Flows (2/2)

(in CHF thousands)	Twelve months ended December 31, 2022	2021
Net effect of exchange rates on cash and cash equivalents	(2,457)	(452)
Net change in cash and cash equivalents	**44,647**	**(39,458)**
Cash and cash equivalents at beginning of period	101,352	140,810
Cash and cash equivalents at end of period	**145,998**	**101,352**

Supplemental disclosures of cash flow information

Cash paid during the year for:		
Interest	(15,926)	(1,624)
Tax	(8,152)	(2,577)

The accompanying notes form an integral part of these Consolidated Financial Statements.

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Consolidated Statement of Changes in Equity

(in CHF thousands, except number of shares)	Idorsia's shareholders: Common shares: Shares	Amount	Additional paid-in capital	Accum. profit (loss)	Accum. other comprehensive income (loss)	Total equity
At January 1, 2021	**166,482,328**	**8,324**	**1,962,739**	**(1,347,485)**	**(38,096)**	**585,483**
Comprehensive income (loss):						
Net income (loss)				(634,595)		(634,595)
Other comprehensive income (loss)					15,294	15,294
Comprehensive income (loss)						**(619,301)**
Exercise of share options	564,018	28	9,972			10,000
Share-based compensation transactions	338,767	17	19,153			19,170
Conversion of loan, net	9,581,882	479	108,373			108,852
At December 31, 2021	**176,966,995**	**8,848**	**2,100,237**	**(1,982,079)**	**(22,802)**	**104,204**
Comprehensive income (loss):						
Net income (loss)				(827,896)		(827,896)
Other comprehensive income (loss)					71,206	71,206
Comprehensive income (loss)						**(756,690)**
Exercise of share options	20,320	1	359			360
Share-based compensation transactions	571,217	29	26,263			26,291
Other [1]				(35,123)		(35,123)
At December 31, 2022	**177,558,532**	**8,878**	**2,126,859**	**(2,845,098)**	**48,403**	**(660,958)**

[1] Impact on opening balance caused by the adoption of ASU 2020-06 as of January 1, 2022. Refer to Note 16. Borrowings.

The accompanying notes form an integral part of these Consolidated Financial Statements.

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Notes to the Consolidated Financial Statements

(CHF thousands, except share and per share amounts)

Note 1.
Description of business and summary of significant accounting policies

Idorsia Ltd ("Idorsia" or the "Group"), a biopharmaceutical company headquartered in Allschwil, Switzerland, aims to discover, develop and commercialize innovative drugs for high unmet medical needs.

Basis of presentation

The Group's consolidated financial statements ("Consolidated Financial Statements") have been prepared under United States Generally Accepted Accounting Principles ("US GAAP"). All US GAAP references relate to the Accounting Standards Codification ("ASC" or "Codification") established by the Financial Accounting Standards Board ("FASB") as the single authoritative source of US GAAP to be applied by non-governmental entities. All amounts are presented in Swiss francs ("CHF"), unless otherwise indicated. Rounding differences may occur.

Material uncertainty and ability continue as a going concern

The accompanying consolidated financial statements have been prepared on the basis that the Group will continue as a going concern. The financial statements do not include any adjustments that might be necessary should the Group be unable to continue as a going concern.

The Group has not yet reached breakeven and has incurred, since its inception in 2017, an accumulated deficit of CHF 2,845 m as of December 31, 2022. For the twelve months ended December 31, 2022, the Group incurred a net loss of CHF 828 m (2021: CHF 635 m) and negative cash flows from operations of CHF 859 m (2021: CHF 590 m).

The Group has so far funded its operations with CHF 1 billion cash at inception, (CHF 420 m cash from the demerger from Actelion and CHF 580 m from the issuance of a convertible loan to J&J) and through various funding instruments, mainly by the issuance of equity (2018: CHF 305 m, 2020: CHF 330 m; 2020: CHF 535 m), convertible bonds (2018: CHF 200 m; 2021: CHF 600 m), as well as revenues generated from collaborations, license agreements, and out-licensing transactions (2017: CHF 227 m; 2018: CHF 35 m, 2019: CHF 5 m, 2020: CHF 61 m, 2021: CHF 11 m, 2022: CHF 3 m).

Despite the launch of two drugs in 2022 (Pivlaz ™ in Japan, Quviviq ™ in the US, Germany and Italy) and upcoming launches in other territories, the Group has not yet reached revenues that cover all of the operating expenses across the globe. Therefore, the Group's operations will continue to require significant amounts of capital, at least until 2025, at which time the Group expects to reach breakeven.

The Group determined that there are currently insufficient financial resources to fund its operations for at least twelve months from the publication of its 2022 annual financial statements on February 7, 2023, based on the funds available as of December 31, 2022 in the amount of CHF 466 m (with cash and cash equivalents of CHF 146 m, and short-term cash deposits of CHF 320 m) and the expected negative cashflow for the next twelve months based on the Group's current business plan.

The Group remains confident that it can secure additional funding in the next few months. If ongoing discussions for non-equity dilutive funding instruments would not be successful, the Group will consider equity or debt financing transactions. The potential issuance of equity would result in dilution to shareholders. The potential issuance of debt securities may include rights, preferences, and privileges senior to those of common shareholders, and the terms and conditions of debt securities or borrowings could potentially impose significant restrictions on the Group's operations. While the Group is actively seeking to raise additional funding, there can be no assurance the necessary financing will be available.

Shareholders should note that whilst Management and Board of Directors consistently continue to apply best efforts to evaluate and execute all available options, there is no guarantee that any transaction can be realized or that such transaction would generate sufficient funds to finance operations for twelve months from the publication date of the 2022 annual financial statements. This material uncertainty may cast significant doubts about the going concern of the Group. If the Group is unable to obtain adequate capital resources to fund the operations, the Group will modify the operations by reducing spending or increasing revenues, for example by monetizing assets through outlicensing transactions. Among other things, this would imply delaying, scaling back or putting on hold some of our ongoing or planned investments in sales and marketing, research and development, and other activities. If such measures are not sufficient, and/or additional funding is not obtained in due course, the Group may be forced to discontinue its operations entirely.

Changes in accounting policies

The Group adopted the requirements of ASU 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity ("ASU 2020-06")*

The updated guidance was early adopted as of January 1, 2022 as permitted under ASU 2020-06, using the modified retrospective approach (see note 16. Borrowings for further details on the effect on the Groups' financial position and results of operations). The adoption did not have a material impact on cash flows.

Scope of consolidation

The Consolidated Financial Statements include the accounts of the Group and its subsidiaries in which the Group has a direct or indirect controlling financial interest and exercises control over their operations (generally more than 50% of the voting rights). Investments in common stock of entities other than subsidiaries where the Group has the ability to exercise significant influence over the operations of the investee (generally between 20% and 50% of the voting rights) are accounted for under the equity method.

Variable interest entities ("VIE"), irrespective of their legal structure, are consolidated if the Group has been determined to be the primary beneficiary, as defined in the *Variable Interest Entities* subsection of FASB ASC ("ASC 810-10-25-20 to 59") and thus has the power to direct the activities that most significantly impact the VIE's economic performance and will also absorb the majority of the VIE's expected losses or receive the majority of the VIE's expected residual returns, or both. In determining whether or not an entity is a VIE, the Group considers if the equity at risk for the entity is sufficient to support its operations, if the voting rights of the equity holders are disproportionate to their risk and rewards, or if substantially all of the entity's activities are conducted on behalf of the Group. Fees for services provided on customary terms and conditions are not considered variable interests. Fees related to the provision of asset value guarantees, to the obligation to fund losses of the VIE or similar arrangements that protect other variable interest holders from losses in the VIE are included in the primary beneficiary evaluation. The Group did not identify any VIE where the Group is the primary beneficiary.

Ownership interests not attributable, directly or indirectly, to the Group and related to entities where the Group exercises control through a majority of the voting rights or through contract are allocated to noncontrolling interest holders and presented separately within the consolidated balance sheet and the consolidated statement of shareholders' equity. Net income (loss) and other comprehensive income (loss) of such entities are attributed to the Group and to the noncontrolling interests in proportion to their ownership rights, even if that attribution results in a deficit noncontrolling interest balance.

Principles of consolidation

Businesses acquired or disposed of during the period are included in the Consolidated Financial Statements from the date of acquisition or until the date of disposal. The acquisition method of accounting follows the guidance codified in FASB ASC Topic, *Business Combinations*. Intercompany transactions and balances are eliminated.

Use of estimates

The preparation of Consolidated Financial Statements in conformity with US GAAP requires management to make judgments, assumptions and estimates that affect the amounts and disclosures reported in the Consolidated Financial Statements. On an ongoing basis, management evaluates its estimates, including those related to revenue recognition for contract revenue, share-based compensation, clinical trial accruals, provisions, loss contingencies and income taxes. The Group bases its estimates on historical information and on various market-specific and other relevant assumptions that are believed to be reasonable under the circumstances. The Group bases some estimates on experience from its predecessor, namely in the area of share-based compensation. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ significantly from these estimates.

Revenue from contracts with customers (Product sales)

Revenue is recognized when control of the promised goods or services is transferred to the customers in an amount that reflects the consideration the Group expects to be entitled to in exchange for those goods or services. Transfer of control is based on when the product is shipped or delivered, and title passes to the customer.

Sales on credit are typically under short-term contracts. Collections are based on market payment cycles common in various markets. Certain customers are offered a cash discount for which the estimated discounts are recorded as contra-revenue when sales are recognized.

Revenue for product sales are not adjusted for the effects of a financing component as at contract inception it is expected that the period between when control of the product is transferred and when payment is received will be one year or less.

The Group initially invoices its customers at contractual list prices. Contracts with direct and indirect customers may provide for various rebates and discounts that may differ in each contract and which are estimated and recorded in the same period that the revenues are recognized. As a consequence, to determine the appropriate transaction price for product sales at the time a sale to a direct customer is recognized, any rebates or discounts that ultimately will be due to the direct customer and other customers in the distribution chain under the terms of our contracts are estimated. Significant judgments are required in making these estimates. These rebate and discount amounts are recorded as a deduction of sales to reflect net product sales and presented as sales related liabilities on the balance sheet.

Such variable consideration represents chargebacks, rebates, and discounts. These deductions represent estimates of the related obligations and, as such, knowledge and judgment is required when estimating the impact of these revenue deductions on gross sales for a reporting period. Sales rebates and discounts in connection with the Group's product sales in the United States of America ("United States", "US") that require the use of significant judgments include managed care, Medicare, Medicaid, chargebacks, coupon and copay programs. These obligations are estimated using an expected value approach.

Pharmaceutical products are sold principally to wholesalers or directly to mailorder or specialty pharmacies. Prescription pharmaceutical products that ultimately are used by patients are generally covered under governmental programs, managed care programs and insurance programs, including those managed through pharmacy benefit managements, and are subject to discounts and/or rebates payable directly to those programs. These products can be supported by coupon and co-pay programs which are also payable directly to those programs. Those discounts and rebates are generally negotiated, but government programs may have legislated amounts by type of product (e.g., patented, or unpatented). In the United States provisions for Medicare, Medicaid, are recorded based upon experience ratio of rebates paid and actual prescriptions written during earlier periods. The experience ratio is applied to the respective period's sales to determine the rebate accrual and related contra-revenue amount. Discounts on drug sales to Medicare Part D participants in the Medicare "coverage gap," also known as the "doughnut hole" are estimated based on the historical experience of beneficiary prescriptions and consideration of the utilization that is expected to result from the discount in the coverage gap. The Group evaluates these estimates regularly to ensure that the historical trends and future expectations are as current as practicable.

In other jurisdictions, the majority of pharmaceutical discounts are contractual or legislatively mandated. Estimates are based on actual invoiced sales within each period, which reduces the risk of variations in the estimation process. In some large European countries, government rebates are based on the anticipated budget for pharmaceutical payments in the country. An estimate of these rebates, updated as governmental authorities revise budgeted deficits, is recognized in the same period as the related sale.

Provisions for pharmaceutical chargebacks (primarily reimbursements to wholesalers in the United States for honoring contracted prices and legislated discounts to third parties) closely approximate actual amounts incurred, as these deductions are generally settled within two to five weeks of incurring the liability.

Products are generally shipped shortly after orders are received and therefore there are only a few days of orders received but not yet shipped at the end of any reporting period. Shipping and handling activities are considered to be fulfillment activities and are not considered to be a separate performance obligation.

Provisions for pharmaceutical sales returns are based on a calculation for each market that incorporates the following, as appropriate: local returns policies and practices; historical returns as a percentage of sales; an understanding of the reasons for past returns; estimated shelf life by product; an estimate of the amount of time between shipment and return or lag time; estimated levels of inventory in the wholesale and retail channels; and any other factors that could impact the estimate of future returns, such as loss of exclusivity, product recalls or a changing competitive environment. Generally, returned products are destroyed, and customers are refunded the sales price in the form of a credit. The return amounts are recorded as a deduction from product sales to reflect net product sales.

Taxes collected from customers and remitted to governmental authorities such as sales taxes and VAT are deducted directly from gross sales without recording them in revenue.

Revenue from collaborations (Contract revenue)

The Group accounts for revenue from collaborations in accordance with FASB ASC Topic 808, *Collaborative Arrangements.*

Upfront and milestone payments

Research milestone payments are recognized as revenues when the performance obligation has been satisfied, control has been transferred, and the Group has the unconditional right to the consideration. For milestone payments received where there are several performance obligations, including continuing involvement in the R&D process according to contractual terms, the consideration is allocated to each separately identifiable performance obligation on a relative standalone selling price basis. The portion of the consideration allocated to the R&D services are recognized as the R&D services performance obligations are satisfied, i.e. generally over the requisite service period.

Research and development ("R&D")

R&D expense consists primarily of compensation and other expenses related to R&D personnel; costs associated with preclinical testing and clinical trials of the Group's product candidates, including the costs of manufacturing the product candidates; expenses for research and services rendered under co-development agreements; and facilities expenses. All R&D costs are charged to expense when incurred following the guidance codified in FASB ASC Topic 730, *Research and Development*.

Payments made to acquire individual R&D assets, including those payments made under licensing agreements, that are deemed to have an alternative future use or are related to proven products are capitalized as intangible assets. Payments made to acquire individual R&D assets that do not have an alternative future use are expensed as R&D costs. R&D costs for services rendered under collaborative agreements are charged to expense when incurred. Reimbursements for R&D activities received from other collaborators are classified as reduction of the Group's R&D expense (see Note 4. Collaborative agreements).

Advertising and promotional costs

The Group expenses the costs of advertising, including promotional expenses, as incurred and includes those in selling, general and administrative expenses. Advertising and promotional costs were CHF 173.4 m in 2022 and CHF 57.7 m in 2021.

Shipping and handling costs

The Group recognized expenses relating to shipping and handling costs related to the sale of its products in cost of sales.

Legal fees

Legal fees related to loss contingencies are expensed as incurred and included in selling, general and administrative expenses.

Patents and trademarks

Costs associated with the filing and registration of patents and trademarks are expensed in the period in which they occur and included in selling, general and administrative ("S,G&A") expenses.

Share-based compensation

Share-based compensation expense is recognized and measured based on the guidance codified in FASB ASC Topic 718, *Compensation – Stock Compensation*. Consequently, costs are recognized in earnings over the requisite service period based on the grant-date fair value of these options and awards.

The grant date fair value of restricted share units ("RSU") granted under the Restricted Share Plan ("the RSP") and of performance share units ("PSU") granted under the Performance Share Plan ("the PSP") is determined based on the closing share price of the Group's share at the grant date, adjusted for expected dividend distributions and discounted over the requisite service period. The discount rates are derived from Reuters and match the maturity of the expected service period. The dividend yield corresponds to the expected dividend yield over the expected term of the restricted share units granted.

The grant-date fair value of options granted under the Standard Share Option Plans ("the SSOP") is estimated at the grant date using a Black-Scholes option pricing model. The model input assumptions are determined based on available internal and external data sources. The closing share price on the date of grant is used for the valuation. The expected term of an option is the remaining time from the grant date until options are expected to be exercised by participants. For options where participants are able to exercise in a set period after vesting, the most relevant historical share option exercise experience from the Group's predecessor is used. The risk-free rate used in the model is based on the rate of interest obtainable from Swiss government bonds over a period commensurate with the expected term of the option. Expected volatility is based on average peer group volatility. The dividend yield is based on the expected dividend yield over the expected term of the options granted. The Group recognizes share-based compensation costs considering actual forfeitures.

Compensation costs for the RSP, for the PSP and the SSOP are recognized on a straight-line basis over the requisite service period for the entire award. Share-based compensation costs related to employees engaged in the production process are not capitalized as part of inventory due to the immateriality of such cost in the periods presented. Share option exercises are settled out of the conditional capital or with treasury shares, which the Group purchases on the market. Payroll taxes in all jurisdictions are recognized only upon exercise or vesting of the respective share-based compensation awards.

Taxes

The Group accounts for income taxes in accordance with FASB ASC Topic 740, *Income Taxes*. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using enacted tax rules and laws that will be in effect when differences are expected to reverse. The Group performs periodic evaluations of recorded tax assets and liabilities and maintains a valuation allowance if deemed necessary. Uncertain tax positions are evaluated for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on tax audit, including resolution of related appeals or litigation processes, if any. The recognized tax benefits are measured based on the largest benefit that has a greater than fifty percent likelihood of being sustained upon settlement. Interest and penalties related to uncertain tax positions are recognized as income tax expense.

Unrecognized tax benefits are presented as a reduction to deferred tax assets if they relate to net operating loss carryforwards or tax credit carryforwards. If the net operating loss carryforwards or tax credit carryforwards are not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes, or the tax law of the applicable jurisdiction does not require the Group to use, and the Group does not intend to use, the deferred tax assets for such a purpose, the unrecognized tax benefit is presented as a liability in the consolidated balance sheets and is not offset against deferred tax assets. All deferred tax liabilities and assets are classified as noncurrent in the balance sheet.

Significant estimates are required in determining income tax expense and benefits. Various internal and external factors may have favorable or unfavorable effects on the future effective tax rate, which would directly impact the Group's financial position or results of operations. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, changing interpretations of existing tax laws or regulations, future levels of capital expenditures, and changes in overall levels of pre-tax earnings.

Earnings per share ("EPS")

In accordance with FASB ASC Topic 260, *Earnings per Share*, basic EPS are computed by dividing net income available to common shareholders by the weighted-average common shares outstanding for the period. Diluted EPS reflect the potential dilution that could occur if dilutive securities, such as share options, restricted share units or convertible debt, were exercised or converted into common shares or resulted in the issuance of common shares that would participate in net income. Basic and diluted EPS exclude common share equivalents that would have had an antidilutive effect if they had been included in the calculation of weighted-average common shares for the periods presented. In accordance with ASC 260-10-45-19, the Group does not consider any potential common shares in the computation of diluted EPS if there is a loss from continuing operations (see Note 6. Earnings per share).

Dividends

The Group may declare dividends upon the recommendation of the Board of Directors and the approval of shareholders at their Annual General Meeting. Under Swiss corporate law, the Holding Company's right to pay dividends may be limited in specific circumstances.

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Cash and cash equivalents

The Group considers all highly liquid investments with a contractual maturity of three months or less at inception to be cash equivalents.

Short-term deposits

Short-term deposits with contractual maturities greater than three months at inception are separated from cash and cash equivalents and reported in a separate line in the consolidated balance sheet.

Derivative instruments and foreign currency exchange risk

Part of the Group's operations is denominated in foreign currencies, principally in US dollars ("USD"), Euros ("EUR") and Japanese yen ("JPY"). Exposure to fluctuations in foreign currencies may adversely impact the Group's net income and net assets. The Group may use derivatives to partially offset these risks.

The Group records all derivatives on the balance sheet at fair value. Changes in fair value as well as gains and losses realized on derivative financial instruments are reported in "Other financial income (expense), net" in the consolidated income statement. The Group determines the fair value of these derivative contracts using an income-based industry standard valuation model which utilizes counterparty information and other observable inputs, including foreign currency spot rates, forward points, and stated maturities. Fair value amounts recognized for the right to reclaim and the obligation to return cash collateral arising from derivative instruments recognized at fair value and executed with the same counterparty under a master netting arrangement are not offset. Recognized financial instruments subject to an enforceable master netting arrangement are presented gross in the consolidated balance sheet.

The Group does not regularly enter into agreements containing embedded derivatives. However, when such agreements are executed, an assessment is made based on the criteria set out in ASC 815 to determine whether the derivative is required to be bifurcated and accounted for as a standalone derivative instrument. If the derivative is bifurcated, changes in the fair value of the instrument are reported in "Other financial income (expense), net" in the consolidated income statement.

Fair value measurements

The Group follows the guidance included in FASB Topic 820, *Fair Value Measurements and Disclosures*. 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. There are three levels of inputs to fair value measurements – Level 1, meaning the use of quoted prices for identical instruments in active markets; Level 2, meaning the use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable; and Level 3, meaning the use of unobservable inputs. Observable market data is used when available. When a quoted price in an active market for a liability is not available, the Group uses one of the following approaches: a) quoted prices for identical liabilities when traded as assets; b) quoted prices for similar liabilities when traded as assets; or c) another valuation technique consistent with the principles of ASC 820, such as the price which the Group would pay to transfer (or receive to enter into) an identical liability at the measurement date. The Group does not consider the existence of contractual restrictions that prevent the transfer of a liability when estimating the fair value of a liability. The fair value of own equity instruments is determined from the perspective of a market participant that holds such instruments as assets. Transfers between Levels 1, 2 or 3 within the fair value hierarchy are recognized at the end of the reporting period when the respective transaction occurred.

Financial instruments indexed to own shares

The costs of contracts indexed to own shares which meet all of the applicable criteria for equity classification as outlined in FASB ASC Subtopic 815-40, *Contracts in Entity's Own Equity* are classified in shareholder's equity. The Group applies settlement date accounting to such instruments.

Contract balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on the balance sheet. Milestones are billed in accordance with agreed-upon contractual terms. Generally, billing occurs subsequent to revenue recognition, resulting in contract assets.

Deferred revenue

For milestone payments accounted for as contract revenue under ASC 808 which require continuing involvement of the Group, part of the revenue is deferred and recognized over a period of time.

Trade accounts receivable

Trade accounts receivable are stated at their net realizable value. The allowance for credit losses reflects the best estimate of expected credit losses of the receivables portfolio determined on the basis of historical experience, current information, and forecasts of future economic conditions. In developing the estimate for expected credit losses, trade accounts receivables are segmented into pools of assets depending on market, delinquency status, and customer type (high risk versus low risk and government versus non-government) See discussion on concentrations of credit risk in Note 22. Concentrations. The Group does not generally require collateral on receivables.

Inventories

Inventory costs are determined by the first-in first-out method and are stated at the lower of cost or net realizable value. Inventories consist of raw materials, semi-finished and finished products. The Group periodically reviews the composition of its inventories in order to identify obsolete, slow-moving or otherwise unsalable items. The review is based on gross margin analyses per product. If unsalable items are observed and there are no alternate uses for the inventory, the Group adjusts inventory to net realizable value.

Prior to receiving new drug approval, the Group expensed inventories (pre-launch inventories). As a result the Group's gross margin percentage is expected to decrease as the Group depletes these inventories.

Property, plant and equipment

Property, plant and equipment are recorded at historical cost less accumulated depreciation. Repairs and maintenance costs are expensed as incurred.

The estimated useful lives are as follows:

Group of assets	Useful life
Computers	3 years
Furniture and fixtures	5 years
Laboratory equipment	5 years
Leasehold improvements	5 to 10 years
Technical installations	10 to 20 years
Buildings	20 to 40 years

Depreciation expense is recorded utilizing the straight-line method over the estimated useful life of the assets to their estimated residual value. If material, capitalized interest on construction in progress is included in property, plant and equipment.

Leases

The Group determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets and lease liabilities in the Consolidated Balance Sheet. Finance leases are included in property and equipment and lease liabilities in the Consolidated Balance Sheet.

Right-of-use assets represent the right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Leases with a lease term of 12 months or less at inception are not recorded on the balance sheet. Instead, the Group recognizes lease expense for these leases on a straight-line basis over the lease term.

Intangible assets

Intangible assets with definite lives consist primarily of internally used software and acquired existing licenses, which are amortized on a straight-line basis over the useful lives of the respective assets ranging from three to fifteen years. Software licenses included in cloud computing arrangements are capitalized and amortized over the shorter of three years or the duration of the agreement. The Group develops its own assumptions about renewal or extension options used to determine the amortization period of a recognized intangible asset, consistent with its expected use of the asset. Intangible assets with definite lives are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Intangible assets with indefinite lives are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the assets might be impaired. Costs incurred to renew or extend the term of a recognized intangible asset are expensed and classified as selling, general and administrative expenses.

Impairment of long-lived assets

Long-lived assets to be held and used are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Potential indicators of impairment include but are not limited to: a significant decrease in the fair value of an asset, a significant change in the extent or manner in which an asset is used or a significant physical change in an asset, a significant adverse change in legal factors or in the business climate that affects the value of an asset, an adverse action or assessment by the US Food and Drug Administration ("FDA") or another regulator, an accumulation of costs significantly in excess of the amount originally expected to acquire or construct an asset, and operating or cash flow losses combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with an income-producing asset. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. The cash flow estimates applied in such calculations are based on management's best estimates, using appropriate and customary assumptions and projections at the time. In the event that such cash flows are not expected to be sufficient to recover the carrying amount of the assets, the assets are written down to their estimated fair values. Long-lived assets to be disposed of are not depreciated and are reported at the lower of carrying amount or fair value less cost to sell.

Long-term deposits

Long-term deposits with contractual maturities greater than one year at inception are separated from short-term deposits and reported in a separate line in the consolidated balance sheet.

Loss contingencies

The Group records accruals for loss contingencies, asserted or unasserted, to the extent that their occurrence is deemed to be probable, and the related damages are estimable. If a range of liability is probable and estimable and some amount within the range appears to be a better estimate than any other amount within the range, the Group accrues that amount. If a range of liability is probable and estimable and no amount within the range appears to be a better estimate than any other amount within the range, the Group accrues the minimum of such probable range. Interest on litigation is accrued on a prospective basis. Litigation claims that the Group might be involved in entail highly complex issues which are subject to substantial uncertainties and, therefore, the probability of loss and an estimation of damages are difficult to ascertain. Consequently, the Group cannot reasonably estimate the maximum potential exposure or the range of possible loss in excess of amounts accrued for loss contingencies. These assessments can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions. The Group's assessments are based on estimates and assumptions that have been deemed reasonable by management. Litigation is inherently unpredictable, and excessive verdicts do occur.

Convertible debt

The Group accounts for its convertible debt in accordance with the guidance primarily codified in FASB ASC Topic 470-20, *Debt with Conversion and Other Options*.

Convertible bonds

The Group's outstanding senior unsecured convertible bonds have been recorded as a liability at initial recognition. Debt issuance costs are presented as a reduction from the carrying amount of the convertible bonds in the consolidated balance sheet and are amortized and recognized as additional interest expense over the contractual life of the senior unsecured convertible bonds, using the effective interest method.

Convertible loan

The Group's outstanding convertible loan has been recorded for its nominal amount as a liability.

Pension accounting

The majority of the Group's employees worldwide are covered by defined benefit pension plans, defined contribution plans or both. The Group accounts for pension assets and liabilities in accordance with FASB ASC Topic 715, *Compensation – Retirement Benefits*, which requires the recognition of the funded status of pension plans in the Group's balance sheet. The liability in respect to defined benefit pension plans is the projected benefit obligation calculated annually by independent actuaries using the projected unit credit method. The projected benefit obligation ("PBO") as of December 31 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. Service costs for such pension plans, represented in the net periodic benefit cost, are included in the personnel expenses of the various functions where the employees are engaged. The other components of net benefit cost are included in the income statement separately from the service cost component, in "Other financial income (expense), net". Plan assets are recorded at their fair value. Unvested prior service costs arising from retroactive amendments to pension plans are originally reflected in "Accumulated other comprehensive income (loss)" ("AOCI") and distributed to income over the employees' remaining service period. Vested prior service costs, including those related to retirees, are immediately recognized in the consolidated income statement. Gains or losses arising from plan curtailments or settlements are accounted for at the time they occur. Any net pension asset is limited to the present value of the future economic benefits available to the Group in the form of refunds from the plan or expected reductions in future contributions to the plan. In interim periods, a net pension asset reflects the Group's prepayments of annual employee and employer plan contributions. Actuarial gains and losses arising from differences between the actual and the expected return on plan assets are recognized in AOCI and amortized over the requisite service period (see Note 17. Pension plans) by applying the corridor approach. For the majority of the defined contribution plans, a portion of the employees' salaries and bonuses is contributed to the plans, and the Group matches the employee contributions to the plans.

The service cost component is reported in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period (wages/salaries/employee benefits). The other components of net benefit cost are presented in the income statement separately from the service cost component and outside a subtotal of income from operations.

Comprehensive income (loss)

Comprehensive income (loss) is comprised of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains/losses on available-for-sale debt securities, currency translation adjustments, actuarial gains (losses) and prior service costs resulting from retroactive amendments of defined benefit plans. The components of comprehensive income (loss) are shown net of related taxes where the underlying assets or liabilities are held in jurisdictions that are expected to generate a future tax benefit or liability (see Note 20. Accumulated other comprehensive income (loss)).

Foreign currencies

The Group follows the guidance included in FASB ASC Topic 830, *Foreign Currency Matters*. The reporting currency of the Group is the Swiss franc. The functional currency of the Group's subsidiaries is generally the respective local currency.

Income, expense, and cash flows of foreign subsidiaries are translated into the Group's reporting currency at monthly average exchange rates and the corresponding balance sheets at the period-end exchange rate. Exchange differences arising from the translation of the net investment in foreign subsidiaries and intercompany foreign currency transactions of a long-term investment nature are recorded in "Foreign currency translation adjustments" ("CTA") in shareholders' equity. Translation gains and losses accumulated in CTA are included in the consolidated income statements when the foreign operation is completely liquidated or sold.

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary assets and liabilities denominated in foreign currencies are recognized in the subsidiary's income statements in the corresponding period.

Segment information

The Group follows the guidance established in FASB ASC Topic 280, *Segment Reporting,* for reporting information on operating segments in interim and annual financial statements. The Group operates in one segment, which primarily focuses on discovery, development, and commercialization of innovative medicines for unmet medical needs. The Group's chief operating decision-makers, comprising the Group's executive committee, review the profit and loss of the Group on an aggregated basis and manage the operations of the Group as a single operating segment.

Subsequent events

The Group evaluates subsequent events in accordance with FASB ASC Topic 855, *Subsequent Events,* through the date the financial statements are available to be issued (see Note 25. Subsequent events).

Note 2.
Revenue recognition

Revenue is primarily recognized from two different types of contracts, revenue from contracts with customers (product sales) and contract revenue from collaborations. Contract revenue recognized from collaborations will include revenue sharing from the collaborations, as well as royalties, upfront and milestone payments received under these types of contracts. See Note 4. Collaborations for additional information related to our collaborations.

The Group's accruals for sales returns, rebates, and discounts are reasonable and appropriate based on current facts and circumstances. Sales return, rebate and discount liabilities are included in Sales related liabilities in the consolidated balance sheet. All sales return, rebate, and discount liabilities relate to sales of our products in the US and Europe for the period ended December 31, 2022.

The following represents a roll-forward of the most significant US sales return, rebate, and discount liability balances, including managed care, coupon and co-pay programs, Medicare, Medicaid and related state program, chargebacks, discounts and cash discounts:

	2022
Sales related liabilities, beginning of the period	-
Reduction of net sales	17,130
Cash payments of sales related liabilities	(11,120)
Sales related liabilities, end of the period	**6,010**

Although rebate accruals are recorded at the time the sale is recorded, some specific rebates related to that sale are typically paid up to six months later. Because of this time lag, in any particular period rebate adjustments may incorporate revisions of accruals for several periods.

The Group currently does not hold any contract liabilities related to product sales which may result from arrangements where the Group would receive payment in advance of performance under a contract with a customer.

For contract liabilities related to contract revenue from collaborations, see Note 4. Collaborations.

Note 3. Licensing agreements

In-licensing agreements

Former shareholders of Axovan Ltd (“Axovan sellers”) / F. Hoffman-La Roche Ltd (“Roche”)

As a result of the demerger of Idorsia from Actelion, Idorsia holds a license agreement to develop and commercialize clazosentan from a share purchase agreement between Actelion and Axovan sellers.

Following the acquisition in 2020 of claims from some Axovan sellers for a one-time cash consideration of CHF 9 m, the remaining Axovan sellers and Roche are entitled to receive milestones up to CHF 71 m (CHF 14 m at filing, CHF 39 m at approval and CHF 17 m sales milestones). Roche is also entitled to high-single-digit royalties.

The Group paid milestones of CHF 6 m in 2022 related to the clazosentan market approval in Japan and acquired claims from some additional Axovan sellers for a one-time consideration of CHF 2 m. In addition, the Group recognized a royalty expense of CHF 3.8 m, which has been included in cost of sales for the twelve months ended December 31, 2022.

Out-licensing agreements

Neuro Pharma LLC (“Neuro”)

As part of the Demerger of Idorsia from Actelion, Idorsia holds a worldwide exclusive license agreement with Neuro to develop and commercialize almorexant, a dual orexin receptor antagonist which was discontinued by Actelion prior to the demerger. The Group will be eligible to receive potential milestone payments of up to USD 39.8 m upon achievement of clinical milestones and approval in the first indication. The Group will also be entitled to receive high-single-digit royalties.

Hainan Simcere Pharmaceutical Co., Ltd. (“Simcere”)

In November 2022, the Group entered into an exclusive licensing agreement with Simcere to develop and commercialize daridorexant for insomnia in the Greater China region (Mainland China, Hong Kong and Macau). Upon signing of the agreement, the Group received an upfront payment of USD 30 m (CHF 27.8 m), which has been recognized as contract revenue in 2022. Furthermore, the Group will be eligible to receive additional potential payments of up to USD 235 m pending achievement of regulatory approval and achievement of commercial milestones. The Group will also be entitled to receive low double-digit royalties.

Note 4.
Collaborative agreements

Janssen Biotech Inc. ("Janssen")

In connection with the acquisition of Actelion by Johnson & Johnson ("J&J"), Janssen, an affiliate of J&J, and the Group have entered into a collaboration agreement giving Janssen the option to collaborate with the Group to jointly develop and to solely commercialize aprocitentan and any of its derivative compounds or products worldwide.

Janssen opted in the collaboration agreement by paying a one-time milestone payment of USD 230 m (CHF 227 m) in December 2017. The Group recognized USD 160 m (CHF 158 m) as contract revenue in December 2017, and the remainder USD 70m (CHF 69m) was deferred and was recognized on a straight-line basis until September 2022 (initially ending in 2021, before a reassessment in 2020), with CHF 8 m recognized in 2022.

The Group is in charge of the ongoing development of aprocitentan in the initial indication of resistant hypertension management. Janssen and the Group equally share the costs relating to the Phase 3 program, the marketing approval applications and the marketing approvals in the initial indication. In 2022, the cost-sharing reimbursements by Janssen to the Group for the initial indication Phase 3 studies (CHF 12.9 m net) were recognized as a cost reduction in R&D expenses.

Janssen will be in charge of the development for any additional indications that the parties unanimously agree to conduct. Janssen will fund 100% of such costs relating to Phase 3 programs (including Phase 2b study), marketing approval applications and marketing approvals for any collaboration indication and will be entitled to recoup 50% of such costs from any royalty payments that become due by Janssen to the Group with respect to any collaboration indication. If no, or insufficient, royalties become due to the Group for Janssen to recoup the relevant portion of the Group's 50% share for the additional indications that have been funded by it, Janssen will be responsible for the shortfall. No additional clinical studies for additional indications have been initiated so far.

The Group is also entitled to receive tiered royalties on annual net sales in each calendar year (20% up to USD 500 m, 30% from USD 500 m up to USD 2,000 m, and 35% above USD 2,000 m) for the licensed products in the collaboration indications.

Revenue sharing agreement with J&J

In connection with the acquisition of Actelion by J&J, Actelion and the Group entered into a revenue sharing agreement that entitles Idorsia to receive 8% of the aggregate net sales of ponesimod.

J&J launched a ponesimod product in the US, Canada and some European countries in 2021 following its approval by the US Food and Drug Administration and the European Commission for relapsing forms of multiple sclerosis.

The Group has recognized CHF 2.0 m as contract revenue in 2022 from this revenue sharing agreement.

Santhera Pharmaceuticals (Switzerland) Ltd (“Santhera”)

The Group entered in a sublicense option agreement in September 2018, which was replaced in November 2020 by the assignment to Santhera of the collaboration agreement with ReveraGen, whereby Santhera directly obtained an exclusive license for vamorolone in all indications and all territories.

As of December 31, 2022, Idorsia owns 7,482,259 shares in Santhera. In addition, the Group was granted warrants, which entitle the holder to purchase 1,093,750 Santhera shares at a strike price of CHF 2.00 within five years from the grant.

Idorsia is also entitled to contingent considerations based on the achievement of development and sales milestones up to USD 85 m, as well as low single-digit royalty on net sales of vamorolone.

F. Hoffman-La Roche Ltd / Hoffman-La Roche Inc. (“Roche”)

Roche and the Group entered in December 2017 into a research collaboration that provided Roche with an exclusive option right to develop and market compounds for a new approach in the field of cancer immunotherapy. Roche made an upfront payment of CHF 15 m that was recognized on a straight-line basis from January 2018 until December 2020. Roche terminated the research collaboration in March 2021 with a final payment of CHF 2.7 m.

Mochida Pharmaceutical Co., Ltd. (“Mochida”)

Mochida and the Group have entered into an exclusive license agreement for the supply, co-development and co-marketing of daridorexant, Idorsia’s dual orexin receptor antagonist, for insomnia and related disorders in Japan.

Idorsia received an initial payment of JPY 1 bn (CHF 9 m) in 2020, which will be recognized as contract revenue on a straight-line basis from January 2020 until August 2023 (initially ending in June 2022, before a reassessment in 2020) with CHF 2 m being recognized in 2022. The remainder of the deferred revenue (CHF 1 m) will be recognized in 2023.

Idorsia received a second milestone payment of JPY 1 bn (CHF 8 m) in 2021, which will be recognized as contract revenue on a straight-line basis from January 2021 until August 2023, with CHF 3 m being recognized in 2022. The remainder of the deferred revenue (CHF 2 m) will be recognized in 2023.

The Group will be eligible to receive additional development and regulatory milestones of up to JPY 6.2 bn and commercial milestones of up to JPY 12 bn, and sales milestones and variable considerations based on net sales achieved by Mochida.

A Joint Development Committee oversees the development program in Japan and Idorsia is responsible for the design and conduct of additional preclinical and clinical studies, and the registration with relevant Japanese health authorities. Costs associated with the co-development of daridorexant will be shared. In 2022, the Group recognized net CHF 7.3 m of cost-sharing reimbursements as a cost reduction in R&D expenses.

Neurocrine Biosciences, Inc. (“Neurocrine”)

In May 2019 the Group entered into an optional license and/or research & development collaboration agreement with Neurocrine to jointly develop and commercialize ACT-709478, and/or to collaborate in a research program to discover, identify and develop novel calcium channel blocker compounds for follow-on compounds to ACT-709478, with an initial payment of USD 5 m (CHF 5 m).

Neurocrine exercised in May 2020 its option to enter into the license and research collaboration with a payment of USD 57 m (CHF 56 m), of which CHF 48 m have been recorded as contract revenue in 2020, and the remaining CHF 7 m was recognized on a straight-line basis from July 2020 until June 2022, with CHF 2 m being recognized in 2022.

In 2022 Neurocrine opted for the extension of the research period by one year, which triggered an additional payment of USD 3.6 m (CHF 3.4 m) to Idorsia, which will be recognized as contract revenue on a straight-line basis from July 2022 until June 2023 with CHF 2 m being recognized in 2022. The remainder of the deferred revenue (CHF 2 m) will be recognized in 2023. In 2022, the Group recognized CHF 0.6 m of reimbursements as a cost reduction in R&D expenses.

Under the potential license of ACT-709478, the Group will be eligible to receive one-time payments of up to USD 365 m contingent upon the achievement of certain development and regulatory milestones, of which USD 200 m / USD 110 m / USD 55 m relate to the first, second and third indication, respectively. ACT-709478 was investigated in a Phase 2 study for the treatment of a rare form of pediatric epilepsy. The study did not meet the primary endpoint. ACT-709478 was generally well tolerated. Neurocrine continues to analyze the data generated in the study to determine the next steps. The Group would also be entitled to one-time milestones based on sales thresholds, as well as tiered royalties on annual net sales.

Under the potential license of each, up to two, follow-on compound(s), the Group would be eligible to receive one-time payments of up to USD 310 m, contingent upon the achievement of certain development and regulatory milestones, of which USD 195 m / USD 115 m relate to the first and second indication, respectively. The Group would also be entitled to one-time milestones based on sales thresholds, as well as tiered royalties on annual net sales of each product

Other

The Group holds several other collaborative agreements, of which currently none are material to the Group.

Note 5. Income taxes

	Twelve months ended December 31,	
	2022	**2021**
Current tax (expense)	(6,642)	(5,176)
Deferred tax benefit (expense)	(1,166)	5,386
Total income tax benefit (expense)	**(7,807)**	**210**

Income taxes payable and accrued as of December 31, 2022, amounted to CHF 1.5 m (December 31, 2021: CHF 3.2 m).

The significant components of the Group's gross deferred tax assets and deferred tax liabilities as of December 31, are shown in the table below:

Deferred tax assets	**2022**	**2021**
Net benefit from operating loss carryforwards	350,798	257,441
Pension liability	-	6,378
Lease liability and prepaid leases	17,761	15,096
Other financial liabilities	21,789	-
Other temporary differences	4,541	4,128
Deferred tax assets	**394,889**	**283,043**
Valuation allowance for deferred tax assets	(359,850)	(257,266)
Total deferred tax assets	**35,039**	**25,777**

Deferred tax liabilities	**2022**	**2021**
Convertible loan	-	4,860
Convertible bonds	643	785
Share-based compensation	2,162	1,676
Right-of-use assets	17,665	15,097
Property, plant and equipment	11,553	-
Pension	4,820	-
Other temporary differences	633	434
Total deferred tax liabilities	37,475	22,852

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The Group incurred operating losses which may be carried forward and utilized within the coming seven fiscal years. The Group recorded a valuation allowance against the deferred tax assets due to the lack of sufficient positive evidence related to the realization of these deferred tax assets. The valuation differences on Other financial liabilities and Property, plant and equipment resulted from a sale and lease back transaction (see Note 15. Leases). The change in valuation difference on pension mainly resulted from actuarial gains due to an increase in the discount rate (see Note 17. Pension plans).

As of December 31, 2022, the gross value of unused tax loss carryforwards, with their expiry dates is as follows:

	Total
One year	16,665
Two years	6,144
Three years	370,856
Four years	505,685
Five years	452,495
Six years	562,787
Seven years	694,104
More than seven years	-
Total tax losses	**2,608,736**

The following table provides a reconciliation between the effective income tax benefit (expense) and the tax expense computed using the net Swiss statutory tax rate of 17.97%. The latter corresponds to a gross tax rate of 22%.

	Twelve months ended December 31,	
	2022	**2021**
Tax at net Swiss statutory tax rate	147,370	114,074
Tax rates different from the net Swiss statutory rate	(4,116)	(4,477)
Change in valuation allowance	(148,237)	(109,234)
Non-recoverable withholding taxes	(2,052)	-
Other items	(772)	(153)
Effective income tax benefit (expense)	**(7,807)**	**210**

The difference between the “Change in valuation allowance” of CHF 148 m and the movement of “Valuation allowance for deferred tax assets” CHF 103 m is mainly due to difference between current tax rates and future tax rates that are expected to apply to taxable income in the periods in which temporary differences are expected to be realized or settled and operating loss carryforwards are expected to be used. The statute of limitations for assessment in the major jurisdiction in which the Group operates is open for the years 2020, 2021 and 2022.

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Note 6.
Earnings per share

The following table sets forth the basic and diluted earnings per share (EPS) calculations at December 31:

	2022		2021	
	Basic	Diluted	Basic	Diluted
Numerator				
Net income (loss) attributable to Idorsia's shareholders	(827,896)	(827,896)	(634,595)	(634,595)
Net income (loss) available for EPS calculation	**(827,896)**	**(827,896)**	**(634,595)**	**(634,595)**
Denominator				
Weighted-average number of common shares	177,433,934	177,433,934	168,498,048	168,498,048
Total average equivalent shares	**177,433,934**	**177,433,934**	**168,498,048**	**168,498,048**
Earnings (loss) per share attributable to Idorsia's shareholders	**(4.67)**	**(4.67)**	**(3.77)**	**(3.77)**

For the twelve months ended December 31, 2022, 68,348,613 shares that would have had an antidilutive effect were excluded from the diluted EPS calculation (December 31, 2021: 63,043,340 shares).

Note 7.
Cash and cash equivalents

Cash and cash equivalents consisted of the following at:

	December 31, 2022	December 31, 2021
Cash	145,998	101,352
Total	**145,998**	**101,352**

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Note 8.
Financial assets and liabilities

The following table states the Group's financial assets and liabilities carried at fair value:

	December 31, 2022			December 31, 2021		
	Total	**Level 1**	**Level 2**	**Total**	**Level 1**	**Level 2**
Financial assets carried at fair value						
Cash and cash equivalents	145,998	145,998	-	101,352	101,352	-
Derivative financial instruments[1]	886	-	886	817	-	817
Short-term marketable securities	10,326	10,326	-	9,951	9,951	-
Long-term marketable securities[2]	148	-	148	50	-	50
Total	**157,358**	**156,324**	**1,034**	**112,170**	**111,303**	**867**

[1] Included in other current assets.
[2] Included in other noncurrent assets.

As of December 31, 2022, short-term deposits of CHF 320 m (December 31, 2021: short- and long-term deposits of CHF 1,087 m) are not included in the table above as they are carried at amortized cost, which approximates their fair value. Short-term deposits have a duration of more than three and up to twelve months, while long-term deposits have a duration exceeding twelve months.

Ordinary shares in Santhera Pharmaceuticals Holding Ltd ("Santhera Holding")

On November 20, 2018, the Group and Santhera Pharmaceuticals (Switzerland) Ltd ("Santhera") entered into an agreement under which Santhera acquired the option to obtain an exclusive sublicense for vamorolone in all indications and all territories except Japan and South Korea (see Note 4. Collaborative agreements).

As non-refundable consideration for entering into the agreement, the Group received 1,000,000 new registered shares from Santhera Holding's existing authorized share capital (SIX: SANN), with an initial value of CHF 14.5 m. These initial 1,000,000 shares were subject to a lock-up which expired in November 2022.

On December 14, 2018, Santhera Holding announced the completion of the placement of 3,133,334 new shares at CHF 7.50 per share. Under the private placement, the Group acquired an additional 333,333 shares.

In September 2020, the Group assigned the collaboration agreement with ReveraGen to Santhera, whereby Santhera replaced the Group as a party to the agreement. In exchange for the assignment and transfer of the agreement, the Group received a non-refundable consideration of 366,667 shares of Santhera at a fair market value of CHF 6.45 per share (CHF 2.4 m) and a CHF 10 m exchangeable note.

In September 2021, Idorsia received another 3,594,759 shares at a fair market value of CHF 2.27 per share (CHF 8.2 m) as part of the settlement of an exchangeable note, which was granted to the Group in September 2020.

On September 22, 2021, Santhera Holding issued 9,972,502 new shares at CHF 1.60 per share to investors. The Group acquired an additional 2,187,500 shares. In addition, the Group was granted by Santhera Holding 1,093,750 warrants on the Santhera Holding share, which entitle the holder to purchase Santhera Holding shares at a strike price of CHF 2.00 within five years from the grant. One warrant entitles the holder to purchase one Santhera Holding share.

The fair value of these instruments was CHF 0.9 m as of December 31, 2022 (December 31, 2021: CHF 0.8 m).

The Group currently owns a total of 7,482,259 shares in Santhera Holding, representing 10.1% of the ordinary share capital of Santhera Holding as of December 31, 2022. The market value of the Santhera shares was CHF 10.3 m as of December 31, 2022 (December 31, 2021: CHF 10 m). All shares are held as short-term securities.

Financial liabilities carried at amortized cost

The Group's financial liabilities carried at amortized cost relate to its convertible debt (see Note 16. Borrowings) and other financial liabilities arising from a sale and leaseback transaction which did not qualify as a sale (see Note 15. Leases):

	December 31, 2022	December 31, 2021
Long-term financial debt	1,129,795	1,092,609
Other financial liabilities	162,001	-
Total	**1,291,796**	**1,092,609**

Interest income (expense), net for the twelve months ended December 31, 2022, includes accrued interest expense of CHF 5.9 m (December 31, 2021: CHF 5.9 m), which is paid to the bondholders on a yearly basis. Interest income for the twelve months ended December 31, 2022 amounts to CHF 0.1 m negative (December 31, 2021: CHF 0.5 m negative), which includes negative interest income mainly related to the various cash accounts of the Group.

The aggregate foreign currency translation loss included in other financial income (expense), net, in 2022 amounts to CHF 2.0 m (December 31, 2021: foreign currency translation gain CHF 7.7 m).

For the twelve months ended December 31, 2022, the Group recorded an unrealized gain on marketable securities of CHF 0.4 m (December 31, 2021: unrealized loss of CHF 6.5 m) and a gain on other components of net periodic pension cost of CHF 1.7 m (December 31, 2021: CHF 3.5 m).

Note 9.
Trade and other receivables

Trade and other receivables consisted of the following at December 31:

	2022	2021
Trade receivables	30,185	-
Other receivables	14,840	13,007
Trade and other receivables, gross	**45,025**	**13,007**
Allowance for doubtful accounts	-	-
Total trade and other receivables, net	**45,025**	**13,007**

For concentrations of credit risk related to the Group's trade receivables see Note 22. Concentrations.

Note 10.
Inventories

Inventories consisted of the following at December 31:

	2022	2021
Raw materials	6,881	-
Semi-finished products	27,208	-
Finished products	1,752	-
Total	**35,840**	**-**

Semi-finished products primarily include active pharmaceutical ingredients used in the production of finished goods.

Note 11.
Other current assets

Other current assets consisted of the following at December 31:

	2022	2021
Prepaid expenses and accrued income	33,223	20,845
Other current assets	1,702	873
Other current assets	**34,925**	**21,718**

Note 12.
Intangible assets

Intangible assets consisted of the following at December 31:

	2022		
	Gross carrying amount	**Accumulated amortization**	**Net carrying amount**
Acquired licenses	8,137	(890)	7,247
Acquired software and other	12,094	(4,585)	7,509
Total	20,231	(5,475)	14,756

	2021		
	Gross carrying amount	**Accumulated amortization**	**Net carrying amount**
Acquired software and other	10,187	(4,056)	6,131
Total	**10,187**	**(4,056)**	**6,131**

The aggregate amortization expense of intangible assets amounted to CHF 1.4 m (2021: CHF 0.5 m). The weighted-average amortization period for acquired licenses amounts to eight years and for acquired software to three years (see Note 1. Description of business and summary of significant accounting policies).

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

For the year ending December 31,	Amortization expense
2023	3,667
2024	3,598
2025	3,350
2026	1,035
2027	1,035
Thereafter	2,071
Total expected future amortization	**14,756**

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Note 13.
Property, plant and equipment

Property, plant and equipment consisted of the following at December 31:

	2022	2021
At cost:		
Land	17,902	17,902
Buildings	133,846	126,373
Furniture, fixtures and lab equipment	69,972	60,307
Computers	3,802	2,848
Construction in progress	18,468	24,346
Less: Accumulated depreciation	(96,893)	(81,913)
Property, plant and equipment, net	**147,097**	**149,862**

For the twelve months ended December 31, 2022, the Group invested CHF 17.0 m (2021: CHF 25.9 m) in tangible assets. As of December 31, 2022, CHF 0.1 m (December 31, 2021: CHF 0.6 m) of those were unpaid and appropriately excluded from presentation in the consolidated statement of cash flows. Depreciation expense of property, plant and equipment was CHF 18.4 m in 2022 (2021: CHF 17.6 m).

Note 14.
Accrued expenses

Accrued expenses consisted of the following at December 31:

	2022	2021
Personnel and compensation costs	37,918	44,996
Research and development goods and services	47,555	37,005
Site running costs	1,818	973
Professional and IT services	11,122	5,309
Fixed assets	888	1,549
Interest accruals	6,122	6,857
Accrued royalty expenses on sales	2,781	-
Other accruals	16,589	16,179
Total	**124,794**	**112,869**

Note 15. Leases

The Group has several noncancelable operating leases for its office space, R&D facilities and equipment of various kinds in Switzerland and on international sites. The Group determines if an arrangement contains a lease at inception. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of the lease payments over the lease term, which is the noncancelable period stated in the contract, adjusted for any options to extend or to terminate when it is reasonably certain that the option will be exercised. Right-of-use assets include any prepaid leases and exclude lease incentives and initial direct costs incurred. The leases expire between 2023 and 2038; most leases have options to extend the initial lease period.

The Group does not have material finance leases. As most of the operating leases do not provide an implicit interest rate, the Group uses a portfolio approach to determine a collateralized incremental borrowing rate based on the information available at the commencement date to determine the lease liability. Operating lease expense is recognized on a straight-line basis over the lease term. Operating lease expense for the twelve months ended December 31, 2022 was CHF 15.7 m (December 31, 2021: CHF 14.2 m).

Sale and leaseback transaction:
The Group entered into a sale and leaseback agreement for its research and development building at its headquarters. The transaction generated gross proceeds of CHF 164 m (net proceeds after transaction costs: CHF 162 m). The transaction does not qualify as a sale for US GAAP purposes as there is an option to repurchase the building. The assets associated with this transaction remain on the balance sheet within Property, plant and equipment, net and the related liability is recorded under Other financial liabilities. The cash proceeds are treated as financing inflows on the cash flows statement.

The following table summarizes other information related to our operating leases as of December 31:

	2022	2021
Weighted-average remaining lease term	11.25 years	5.92 years
Weighted-average discount rate	4.97%	3.89%
Cash paid for amounts included in the measurement of lease liabilities	15,670	14,153
Right-of-use assets obtained in exchange for lease liabilities	75,054	27,111

The following table summarizes a maturity analysis of the operating lease liabilities, showing the undiscounted lease payments as of December 31:

	2022
2023	13,646
2024	14,602
2025	14,025
2026	13,120
2027	13,013
Thereafter	63,146
Total undiscounted lease payments	**131,552**
Less: imputed interest	(33,992)
Total discounted lease payments	**97,560**

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Note 16. Borrowings

Convertible loan

On June 15, 2017, Cilag Holding AG ("Cilag") provided a loan of CHF 580 m to the Group, which was convertible into ordinary shares of the Group up to an aggregate of 32% of the share capital at the time that the loan was provided. The loan does not carry interest, has a term of 10 years and matures on June 15, 2027.

On June 19, 2017, a first tranche of the convertible loan of CHF 135 m was mandatorily converted and Cilag acquired 11.8 m shares of the Group. These shares were sold by Cilag in a secondary offering on July 8, 2020.

On November 9, 2021, a second tranche of the convertible loan of CHF 110 m was converted and Cilag acquired 9.6 m shares of the Group (representing 5% of the issued shares as of December 31, 2022).

The remaining amount of CHF 335 m outstanding as of December 31, 2022, may be converted into 29.1 m shares of the Group by Cilag (which would result in a total shareholding of 19% on a diluted basis) as follows:

- up to an aggregate shareholding of 16% if another shareholder holds more than 20% of the issued shares of the Group (this condition was fulfilled with Jean-Paul and Martine Clozel owning more than 25% of the Group's issued shares as of December 31, 2022), and
- up to the balance of the remaining amount within 20 business days of the maturity date of the convertible loan. In case of a takeover of the Group, Cilag has the right to convert the convertible loan in full.

At maturity of the convertible loan, if the remaining amount has not yet been converted, the Group may elect to settle the remaining amount in cash or in ordinary shares of the Group. The shares to be issued under the convertible loan will be created from conditional capital and/or authorized capital of the Group. The loan is potentially convertible into 29.1 m shares at a conversion price of CHF 11.48, subject to customary antidilution provisions and dividend protection.

The Group adopted ASU 2020-06 as of January 1, 2022 by applying the modified retrospective approach. The implementation had a material impact on the opening balances of the balance sheet as follows:

	Jan 1, 2022 reported	Effect	Reclass Deferred tax asset	Valuation allowance on Deferred tax asset	Jan 1, 2022 adopted
ASSETS					
Noncurrent assets					
Other noncurrent assets [1]	15,931	-	3,852	(3,852)	15,931
LIABILITIES					
Noncurrent liabilities					
Convertible loan	298,445	36,131			334,575
Deferred tax liability	1,008	(4,860)	3,852		-
EQUITY					
Accumulated profit (loss)	(1,982,079)	(31,271)		(3,852)	(2,017,202)

[1] Inculdes Deferred tax assets.

The book value of the convertible loan with J&J increased from CHF 298 m as of December 31, 2021 to its nominal amount of CHF 335 m as of January 1, 2022. This increase was recognized in equity. The carrying amount of the convertible loan on December 31, 2022 is CHF 335 m (December 31, 2021: CHF 298 m).

As a consequence, no further accretion expense occurs over the remaining term of the convertible loan.

The adoption has a material impact on the results of operation of the current and future reporting periods as outlined below:

Reduction of amortization expense net of deferred tax effect	Amount
2022	5,466
2023	5,581
2024	5,715
2025	5,820
2026	5,944
2027	2,745
Total impact on consolidated income statements	**31,271**

The adoption will not have a material impact on the consolidated statement of cash flows.

The implementation of ASU 2020-06 does not impact the accounting treatment of the convertible bonds due in 2024 and 2028.

Senior unsecured convertible bonds due in 2024

On July 17, 2018, the Group issued CHF 200 m (1,000 bonds with a denomination of CHF 200,000 per bond) of senior unsecured convertible bonds. The bonds were issued at par.

The bonds have an interest rate of 0.75% per annum (paid annually in arrears) and a conversion price of CHF 33.95, subject to customary antidilution provisions and dividend protection.

The bonds have a term of six years, maturing on July 17, 2024, and will be redeemed at 100% of the principal amount. The Group may redeem the bonds before the maturity date (i) at any time after August 7, 2022, if the volume-weighted average price of the Idorsia share is at least 150% of the prevailing conversion price during a specified period or (ii) if less than 15% in aggregate of the principal amount of the bonds is outstanding.

The bonds are convertible into registered shares of the Group on or after August 27, 2018. The conversion ratio is currently 5,891.0162 shares per bond. The shares are sourced from the Group's conditional capital. Assuming full conversion, the number of shares to be issued amounts to 5,891,016 registered shares, which represented 4.5% of the outstanding shares at the time of the issuance of the bonds (i.e. 131,042,140 outstanding shares).

The debt obligations with respect to the bonds, which are due subsequent to December 31, 2022, are as follows:

Payable on July 17,	Type of payment	Amount
2023	Annual interest	1,500
2024	Repayment of debt incl. annual interest	201,500

The bonds are listed on the SIX Swiss Exchange. As of December 31, 2022, the fair market value of the bonds amounted to 89.0% of the principal amount (Level 1).

The Group accounts for the bonds at amortized cost. The debt issuance costs of CHF 1.7 m are deducted from the liability and are amortized and recognized as additional interest expense over the life of the bonds using the effective interest method.

As of December 31, 2022, the total book value of the bonds was CHF 199.6 m (December 31, 2021: CHF 199.3 m). For the twelve months ended December 31, 2022, the Group recognized CHF 1.5 m of interest cost (2021: CHF 1.5 m) and CHF 0.3 m (2021: CHF 0.3 m) related to the amortization of debt issuance costs.

Senior unsecured convertible bonds due in 2028

On August 4, 2021, the Group issued CHF 600 m (3,000 bonds with a denomination of CHF 200,000 per bond) of senior unsecured convertible bonds. The bonds were issued at par.

The bonds have an interest rate of 2.125% per annum (paid annually in arrears) and a conversion price of CHF 31.54, subject to customary antidilution provisions and dividend protection.

The bonds have a term of seven years, maturing on August 4, 2028, and will be redeemed at 100% of the principal amount. The Group may redeem the bonds before the maturity date (i) at any time after August 24, 2025, if the volume-weighted average price of the Idorsia share is at least 150% of the prevailing conversion price during a specified period or (ii) if less than 15% in aggregate of the principal amount of the bonds is outstanding. The investors may request redemption of the bonds on the 5th anniversary of the settlement date or upon a change of control and in case of a delisting of shares.

The bonds became convertible into registered shares of the Group on or after September 13, 2021. The conversion ratio is currently 6,341.15409 shares per bond. The shares are sourced from the Group's conditional capital. Assuming full conversion, the number of shares to be issued amounts to 19,023,462 registered shares, which represented 11.4% of the outstanding shares at the time of the issuance of the bonds (i.e. 167,339,231 outstanding shares).

The debt obligations with respect to the bonds, which are due subsequent to December 31, 2022, are as follows:

	Type of payment	Amount
Payable on Aug 4,		
2023	Annual interest	12,750
2024	Annual interest	12,750
2025	Annual interest	12,750
2026	Annual interest	12,750
2027	Annual interest	12,750
2028	Repayment of debt incl. annual interest	612,750

The bonds are listed on the SIX Swiss Exchange. As of December 31, 2022, the fair market value of the bonds amounted to 68.5% of the principal amount (Level 1).

The Group accounts for the bonds at amortized cost. The debt issuance costs of CHF 5.4 m are deducted from the liability and are amortized and recognized as additional interest expense over the life of the bonds using the effective interest method.

As of December 31, 2022, the total book value of the bonds was CHF 595.7 m (December 31, 2021: CHF 594.9 m). For the twelve months ended December 31, 2022, the Group recognized CHF 12.8 m (2021: CHF 5.2 m) of interest cost and CHF 0.8 m (2021: CHF 0.3 m)related to the amortization of debt issuance costs.

Credit facilities

The Group had a credit line of CHF 243 m from Cilag which was terminated in 2021 as a result of the issuance of the CHF 600 m convertible bonds. This credit facility was undrawn by Idorsia.

Note 17. Pension plans

Swiss employee pension plan

The Group maintains a pension plan (the "Basic Plan") covering all of its employees in Switzerland. The Basic Plan insures base salary and annual incentives up to an aggregate maximum of CHF 860,400. In addition to retirement benefits, the Basic Plan provides benefits on death or long-term disability of its employees.

The Basic Plan is organized under the legal form of a pension foundation covering all risks associated with the Swiss pension plan. The Group and its employees pay retirement contributions, which are defined as a percentage of the employees' covered salaries. For the twelve months ended December 31, 2022, the Group made contributions of CHF 23.1 m. Interest is credited to the employees' accounts at the minimum rate provided for in the Basic Plan. In 2022, the guaranteed interest rate for withdrawal benefits amounts to 1.0% for the mandatory portion and 0.25% for the non-mandatory portion of the contributions paid. Future benefit payments are managed by the insurance company. The Foundation entered into an insurance contract with a third-party insurance company to minimize the risk associated with the pension obligation and as a means to reduce the uncertainty and volatility of the Basic Plan's assets for the Group. Investment strategy and policies of the Foundation are determined by the insurance company. The Foundation Council's decision power in relation to investment strategies and asset allocation is limited to the amount of available unappropriated foundation reserves as determined by Swiss pension law. In 2021 under the Swiss pension scheme, the Group has implemented an additional plan which qualifies as defined contribution plan. The new plan includes the pension contributions on bonus payments for employees with an insured salary of more than CHF 129'060. Existing pension assets which arose from pension contributions on bonus payments of those employees were transferred into the new defined contribution plan on January 1, 2022.

The implementation of this new plan led to a settlement under the existing defined benefit plan, releasing CHF 13.6 m from the projected benefit obligation and CHF 13.1 m from the plan assets in 2021. The gain realized is recorded in the other comprehensive income and will be amortized over 10.5 years.

The targeted allocation for the unappropriated foundation reserves (if any) is as follows:

	Targeted allocation
Asset category	**Ranges in %**
Cash and cash equivalents	0-100%
Equity securities Switzerland	0-30%
Equity securities foreign issuers	0-20%
Debt securities in CHF	0-100%
Debt securities in foreign currencies	0-20%
Real estate[1]	0-30%
Alternative investments[2]	0-100%

[1]Investments in foreign countries are limited to a maximum of 33% of the total investments in real estate
[2]Only receivables and prepayments from insurance companies

The Group uses a measurement date of December 31 for all its pension plans.

Net periodic benefit costs for the Group's defined benefit pension plans include the following components:

	Twelve months ended December 31,	
	2022	**2021**
Service cost	14,545	14,769
Interest cost	1,188	695
Expected return on plan assets	(2,913)	(4,201)
Amortization of prior year service costs (benefit)	(1,517)	(755)
Amortization of net actuarial (gain) loss	326	1,082
Amortization of settlement	(48)	-
Net periodic benefit cost	**11,581**	**11,590**

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The following table provides the weighted-average assumptions used to calculate net periodic benefit cost, as well as the actuarial present value of projected benefit obligations and plan assets on December 31:

	2022	2021
Weighted-average assumptions used in calculation		
Mortality and disability assumptions	BVG 2020	BVG 2020
Discount rate	2.10%	0.20%
Salary increase	1.50%	1.50%
Long-term rate of return on assets	1.50%	1.50%

For active plan participants, the projected benefit obligation ("PBO") corresponds to the present value of retirement, survivors', disability and termination benefits on the measurement date and considers future salary and pension increases as well as service termination probabilities. For retirees, the PBO corresponds to the present value of the current annuity, including future pension increases.

The weighted-average discount rate applied for the calculation of the PBO as at December 31, 2022, is 2.10%. A decrease of the discount rate by 0.25% would increase the PBO by CHF 9.9 m.

The expected long-term rate of return on plan assets corresponds to the return on benefits expected to be provided under the insurance contract.

The Group's subsidiaries in Japan and Italy sponsor additional defined benefit pension plans, which are not material to the Group. Pension liability, funded status and net periodic benefit costs of the Japanese and Italian pension plans are included in the following tables.

The following tables set forth the change in present value of obligations and changes in fair value of plan assets for the Group's pension plans:

	2022	2021
Projected benefit obligation, at January 1,	**327,348**	**335,201**
Service cost	14,545	14,769
Interest cost	1,188	695
Plan participants' contributions	10,914	9,225
Benefits (paid) / deposited	(343)	252
Actuarial loss (gain)	(76,810)	(11,433)
Prior year service cost (credit)	(996)	(7,700)
Settlement	-	(13,619)
Foreign currency exchange rate changes	(78)	(42)
Projected benefit obligation at December 31,	**275,768**	**327,348**

	2022	2021
Fair value of plan assets, at January 1,	**278,831**	**268,775**
Actual return on plan assets	2,869	643
Employer contributions	14,482	13,069
Plan participants' contributions	10,914	9,225
Benefits (paid) / deposited	(343)	252
Settlement	-	(13,133)
Foreign currency exchange rate changes	-	-
Fair value of plan assets at December 31,	**306,753**	**278,831**
Accumulated benefit obligation	**268,568**	**317,268**

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The following table provides information about the fair value of the plan assets per asset category as of December 31:

	2022		
Asset category	Total	as % of total plan assets	Level 2
Assets from insurance contract	306,754	100%	306,754
Total plan assets	**306,754**	**100%**	**306,754**

	2021		
Asset category	Total	as % of total plan assets	Level 2
Assets from insurance contract	278,831	100%	278,831
Total plan assets	**278,831**	**100%**	**278,831**

The fair value of the Basic Plan's assets is the estimated cash surrender value of the insurance contract at the respective balance sheet date. The cash surrender value consists of the withdrawal benefits of the Basic Plan's members determined in accordance with the requirements of Swiss pension law, benefits derived from surplus sharing by the insurance company of CHF 13.0 m (2021: CHF 11.1 m), and premiums paid in excess of premiums owed by the Group of CHF 0.8 m (2021: CHF 2.3 m).

The movement in the net asset or liability and the amounts recognized in the balance sheet as of December 31, were as follows:

	2022	2021
Present value of obligations	(275,768)	(327,348)
Fair value of plan assets	306,753	278,831
Funded status	**30,985**	**(48,517)**

The main reason for actuarial gains of CHF 76.8 m in 2022 (actuarial gains of CHF 11.4 m in 2021) on the projected benefit obligation are due to changes in financial assumptions, mainly an increase in the discount rate from 0.35% to 2.10% (an increase in the discount rate from 0.20% to 0.35% for 2021).

As of December 31, 2022, CHF 50.7 m (December 31, 2021: CHF 21 m) net of tax related to the pension plans was recognized in other comprehensive income (loss). Amounts recognized in accumulated other comprehensive income represent not yet amortized actuarial losses. The actuarial losses outside of the corridor will be amortized over the expected service period of 10 years.

	2022	2021
Components of net periodic benefit costs, at January 1,	**(20,958)**	**(37,346)**
Net gain (loss) arising during the period	77,761	15,575
Amortization of prior period service cost	(1,517)	(755)
Amortization of actuarial gain (loss)	326	1,082
Amortization of settlement	(48)	486
Taxes	(4,816)	-
Total included in other comprehensive income (loss) at December 31,	**50,748**	**(20,958)**

The expected future cash flows to be paid by the Group in respect of the pension plans as of December 31, 2022, were as follows:

Expected employer contributions	
2023[1]	14,069
Expected future payments to beneficiaries	
2023	7,764
2024	3,709
2025	4,437
2026	4,236
2027	5,912
Thereafter	36,470

[1] Either paid or offset against existing prepayment

Certain of the Group's subsidiaries sponsor defined contribution plans with Group's contributions fixed at 2% to 9% of the employee's annual salary or bonus. These plans are structured as a saving schemes without further obligation of the Group. Total expense of these defined contribution plans was CHF 2.7 m for 2022 (2021: CHF 0.8 m).

Significant concentrations of risk and uncertainties.
The Group is exposed to a credit loss in the event of non-performance by the insurance company, which has an S&P rating of A+ with a stable outlook. A portion of this credit risk is mitigated by the BVG Guarantee Fund Foundation ("Sicherheitsfonds"), as stipulated by Swiss pension law. In the event of default of a Swiss pension plan, this institution will cover the minimum benefits mandatorily required by Swiss pension law.

The Group is also exposed to the impact of significant interest rate changes and yields in the context of the current economic environment. If the long-term interest rates were to decrease, this might lead to a significant increase in the PBO and to a significant decrease in both the fair value of the Plan's assets and expected asset returns.

Note 18.
Share-based compensation

Share-based payment arrangements ("SBPA")
The Group has several share-based payment plans for employees and members of the Board of Directors. The Board regularly reviews the allocation and conditions of the various SBPA of the Group.

The following table summarizes the number of outstanding share-based payment awards allocated under the various SBPA of the Group at December 31:

	2022	2021
Outstanding share equivalents under SBPA		
Restricted share units granted under the RSP	3,295,206	1,244,814
Performance share units granted under the PSP	1,577,747	-
Share options granted under the ESOP	9,427,949	7,750,816
Total outstanding share equivalents under SBPA	**14,300,902**	**8,995,630**
Thereof exercisable	5,283,639	4,208,746

Total compensation costs recognized in the Consolidated Financial Statements with respect to the Group's SBPA for the twelve months ended December 31, 2022, were CHF 25.8 m (December 31, 2021: CHF 18.7 m). No gross tax benefits were recognized in the period ended December 31, 2022 (December 31, 2021: CHF 0.1 m).

Restricted Stock Plan ("RSP")

Under the RSP, the Group allocates restricted share units ("RSU") of its publicly traded shares to permanent employees in addition to other share-based awards distributed under the various SBPA of the Group. An RSU corresponds to a right to one Group share. RSUs granted under the RSP vest on the third anniversary of the grant date.

The following assumptions have been applied in the valuation model of the RSUs:

	Twelve months ended December 31,	
	2022	**2021**
Expected term	3 years	3 years
Interest rate	0.00%	0.00%
Expected dividend yield	0.00%	0.00%

The following table summarizes activities under the RSUs for the twelve months ended December 31:

	2022		2021	
	RSUs	**Weighted-average grant date fair values**	**RSUs**	**Weighted-average grant date fair values**
Outstanding at January 1,	**1,244,814**	**22.70**	**1,042,482**	**21.90**
Granted	1,011,355	17.65	514,100	25.41
Forfeited	(106,360)	21.65	(80,458)	22.42
Vested	(432,350)	17.56	(231,310)	25.23
Outstanding nonvested at December 31,	**1,717,459**	**21.08**	**1,244,814**	**22.70**

The Group recorded share-based compensation expense for the RSP of CHF 10.9 m for the twelve months ended December 31, 2022 (December 31, 2021: CHF 8.1 m). As of December 31, 2022, the total unrecognized compensation cost related to nonvested RSUs was CHF 17.6 m (December 31, 2021: CHF 12.9 m) which is expected to be recognized over a weighted-average period of 1.88 years (December 31, 2021: 1.92 years).

The weighted-average exercise price of RSUs granted, outstanding and forfeited is zero. Total fair value of RSUs vested and converted into shares amounted to CHF 7.6 m for the twelve months ended December 31, 2022 (December 31, 2021: CHF 5.8 m). The total intrinsic value of RSUs vested and converted into shares amounted to CHF 8 m for the twelve months ended December 31, 2022 (December 31, 2021: CHF 5.7 m). The aggregate intrinsic value of nonvested RSUs amounts to CHF 23.2 m as of December 31, 2022 (December 31, 2021: CHF 23.3 m).

During the second half year of 2022, the Group granted restricted share units as share-based compensation to its permanent employees (excluding the CEO and all other members of the Idorsia Executive Committee) as an exceptional one-time grant (with the possibility to grant additional RSUs to new employees joining the Group). For these RSU awards the normal vesting dates will be staggered with 20% of the shares subject to the award vesting on 1 July 2025, 30% of the shares subject to the award vesting on 1 July 2026 and the remaining balance of the shares subject to the award vesting on 1 July 2027.

The following assumptions have been applied in the valuation model of the RSUs:

	Twelve months ended December 31, **2022**
Expected term	3-5 years
Interest rate	0.00%
Expected dividend yield	0.00%

The following table summarizes activities under the RSUs for the twelve months ended December 31:

	2022	
	RSUs	**Weighted-average grant date fair values**
Outstanding at January 1,	**-**	**-**
Granted	1,604,590	13.45
Forfeited	(26,843)	13.47
Outstanding nonvested at December 31,	**1,577,747**	**13.45**

The Group recorded share-based compensation expense for the RSP of CHF 2.5 m for the twelve months ended December 31, 2022 (December 31, 2021: none). As of December 31, 2022, the total unrecognized compensation cost related to nonvested RSUs was CHF 18.7 m (December 31, 2021: none) which is expected to be recognized over a weighted-average period of 3.82 years (December 31, 2021: n/a).

The aggregate intrinsic value of nonvested RSUs amounts to CHF 21.3 m as of December 31, 2022 (December 31, 2021: none).

Performance Share Plan ("PSP")

Under the PSP, the Group allocates performance share units ("PSU") of its publicly traded shares to permanent employees in addition to other share-based awards distributed under the various SBPA of the Group. Employees were granted additional 1,604,590 performance share units matching their first grant explained above (with the possibility to grant additional PSUs to new employees joining the Group). These additional PSUs are based on a performance-driven incentive plan with four performance criteria, which strictly relate to the Group's achievements in the areas of revenues, profitability as well as research and product development success for the years of measurement (one goal for each of the years 2025 and 2026 and two goals for the year 2027). Based on the achievement of the performance conditions, the PSUs will vest prorated and be converted into Group's shares in a range of 0% - 100% in March 2028.

The following assumptions have been applied in the valuation model of the PSUs:

	Twelve months ended December 31,
	2022
Expected term	6 years
Interest rate	0.00%
Expected performance condition achievement	75%
Expected dividend yield	0.00%

The following table summarizes activities under the PSUs for the twelve months ended December 31:

	2022	
	PSUs	**Weighted-average grant date fair values**
Outstanding at January 1,	**-**	**-**
Granted	1,604,590	13.45
Forfeited	(26,843)	13.47
Outstanding nonvested at December 31,	**1,577,747**	**13.45**

The Group recorded share-based compensation expense for the PSP of CHF 1.4 m for the twelve months ended December 31, 2022 (December 31, 2021: none). As of December 31, 2022, the total unrecognized compensation cost related to nonvested PSUs was CHF 14.5 m (December 31, 2021: none) which is expected to be recognized over a weighted-average period of 5.16 years (December 31, 2021: n/a).

The aggregate intrinsic value of nonvested PSUs amounts to CHF 21.3 m as of December 31, 2022 (December 31, 2021: none).

Standard Share Option Plans ("SSOP")

The SSOP comprise the employee share option plan ("ESOP") and the directors' share option plan ("DSOP"). The conditions of the SSOP are regularly reviewed and modified by the Board of Directors for new option grants. Vesting conditions of standard share options granted to employees and directors may differ depending on the timing of option allocation and the results of the Board's review of the SSOP conditions. Standard share options granted to employees under the ESOP generally vest and become exercisable three years after the grant date. Standard share options granted to non-executive Directors under the DSOP vested at the 2018 AGM. Each option entitles the holder to purchase one share. Options generally expire ten years after the grant date.

The following assumptions have been applied in the valuation model of the ESOP:

	Twelve months ended December 31,	
	2022	**2021**
Expected term	6.25 years	6.25 years
Interest rate	0.00%	0.00%
Expected volatility	33.38% - 34.81%	33.38% - 34.81%
Expected dividend yield	0.00%	0.00%

The following table summarizes activities under the ESOP for the twelve months ended December 31:

	2022			**2021**		
	Share options	Weighted-average grant date fair value	**Weighted-average exercise price**	**Share options**	Weighted-average grant date fair value	**Weighted-average exercise price**
Outstanding at January 1,	**7,750,816**	**6.78**	**20.85**	**6,625,269**	**6.37**	**19.77**
Granted	1,875,060	5.53	18.17	1,417,990	8.50	25.25
Forfeited	(161,220)	7.39	22.22	(3,425)	7.40	22.59
Exercised	(20,320)	5.74	17.73	(289,018)	5.74	17.73
Expired	(16,387)	7.11	23.34	-	-	-
Outstanding at December 31,	**9,427,949**	**6.52**	**20.29**	**7,750,816**	**6.78**	**20.85**
Vested and exercisable at December 31,	5,283,639	6.06	18.89	4,208,746	6.08	19.12

The following table summarizes activities under the DSOP for the twelve months ended December 31:

	2022			**2021**		
	Share options	Weighted-average grant date fair value	**Weighted-average exercise price**	**Share options**	Weighted-average grant date fair value	**Weighted-average exercise price**
Outstanding at January 1,	**-**	**-**	**-**	**275,000**	**5.67**	**17.73**
Exercised	-	-	-	(275,000)	5.67	17.73
Outstanding at December 31,	**-**	**-**	**-**	**-**	**-**	**-**
Exercisable at December 31,	-	-	-	-	-	-

The following is a summary of options outstanding and exercisable under the SSOP at December 31, 2022:

	Share options outstanding			Share options exercisable		
Range of exercise prices	Share options	Weighted-average remaining contractual life in years	Weighted-average exercise price	Share options exercisable	Weighted-average remaining contractual life in years	Weighted-average exercise price
12.72 - 17.57	925,110	6.21	17.36	912,690	6.17	17.41
17.58 - 17.76	3,311,449	4.50	17.73	3,311,449	4.50	17.73
17.77 - 18.37	1,897,810	8.99	18.16	117,260	6.25	17.79
18.38 - 25.38	1,389,120	7.24	23.99	299,980	5.91	22.73
25.39 - 30.36	1,904,460	7.16	25.61	642,260	5.16	25.42
Total	**9,427,949**	**6.51**	**20.29**	**5,283,639**	**4.99**	**18.89**

The Group recorded share-based compensation expense for the SSOP of CHF 9.3 m for the twelve months ended December 31, 2022 (December 31, 2021: CHF 8.5 m). As of December 31, 2022, the total unrecognized compensation cost related to nonvested options was CHF 13 m (December 31, 2021: CHF 12.9 m) which is expected to be recognized over a weighted-average period of 1.74 years (December 31, 2021: 1.93 years). The aggregate intrinsic value of options outstanding at December 31, 2022, was zero (December 31, 2021: CHF 4.5 m).

The total intrinsic value of options exercised during 2022 was CHF 0.1 m (2021: CHF 3.9 m). The aggregate intrinsic value of options exercisable at December 31, 2022, was zero (December 31, 2021: CHF 3.2 m). 16,387 options expired in 2022 (2021: none).

A summary of the status of nonvested share options distributed under SSOP and changes during the year is presented below:

	2022	
	Share options	Weighted-average grant date fair values
Outstanding nonvested at January 1,	**3,542,070**	**7.61**
Granted	1,875,060	5.53
Forfeited	(139,260)	7.65
Vested	(1,133,560)	5.96
Outstanding nonvested at December 31,	**4,144,310**	**7.12**

In 2022 the Group provided 20,320 newly issued shares from conditional capital in exchange for option exercises under SSOP (2021: 564,018 shares). Additionally, the Group provided 81,147 newly issued shares from conditional capital with a fair value of CHF 1.4 m (2021: 69,498 newly issued shares with a fair value CHF 1.8 m) to eligible permanent employees as a payout of the 2021 annual bonus (65% of 2021 annual bonus was granted in shares, 35% was paid in cash) and recorded a net accrual of CHF 1.1 m (2021: CHF 1.3 m) as share-based compensation expense for a potential payout of 65% of the 2022 annual bonus in shares for certain eligible permanent employees in 2023. The shares granted are blocked for two years.

During 2022, the Group provided 57,720 newly issued shares from conditional capital with a fair value of CHF 0.8 m to members of the Board of Directors ("BoD") as compensation (2021: 37,959 newly issued shares with a fair value of CHF 0.8 m). At December 31, 2022, 54,525,679 conditional shares were available for grant of future share-based awards under the Group's SBPA. For changes in conditional capital approved to be used in connection with SBPA and similar share-based compensation awards, see Note 17 ("Share capital").

Note 19.
Share capital

The following table illustrates Idorsia's shares and the share capital of the Group:

(all numbers in thousands)	Shares[1] Issued	Authorized	Conditional	Total
As of January 1, 2021	**166,482**	**30,200**	**64,559**	**261,241**
Change in Idorsia's Articles of Association based on the AGM resolution dated May 12, 2021	-	33,800	-	33,800
Shares issued for share-based compensation	339	-	(339)	-
Exercise of share options	564	-	(564)	-
Issuance of new registered shares	9,582	(9,582)	-	-
At December 31, 2021	**176,967**	**54,418**	**63,656**	**295,041**
Change in Idorsia's Articles of Association based on the AGM resolution dated April 14, 2022	-	-	6,344	6,344
Shares issued for share-based compensation	571	-	(571)	-
Exercise of share options	20	-	(20)	-
At December 31, 2022	**177,559**	**54,418**	**69,408**	**301,385**

[1]Fully paid-in registered shares with a nominal value of CHF 0.05 per share

Issuance of new registered shares

On November 9, 2021, the Group issued 9,581,882 new shares from its existing authorized share capital, to convert a second tranche of CHF 110 m of the convertible loan with Cilag (see Note 16. Borrowings).

Authorized capital

As set forth in Article 3b of Idorsia's Articles of Association, authorized capital can be used for purposes of strategic partnering and financing of business transactions. The Board of Directors ("BoD") is authorized to increase the Group's share capital at any time until May 12, 2023, and to exclude or restrict the pre-emptive rights of existing shareholders in connection with mergers, acquisitions, strategic partnering or cooperation transactions, research and clinical development programs and other strategic projects of the Group.

Conditional capital

As set forth in Article 3a of Idorsia's Articles of Association, conditional capital can be used for capital increases upon the exercise of option rights or in connection with similar rights regarding shares granted to officers and employees and upon exercise of conversion rights or options in relation to convertible debt instruments, bonds, loans and similar forms of financing.

The BoD is authorized to increase the Group's share capital at any time. The pre-emptive rights and the advance subscriptions rights of the shareholders are excluded if the convertible debt instruments, bonds, loans and similar forms of financing are used (i) in connection with the financing or refinancing of the business of the company or its subsidiaries, (ii) in connection with the financing or refinancing of the acquisition (including takeover) of companies, enterprises, parts of enterprises, participations or joint ventures or strategic partnerships, or (iii) if the conversion rights are used in connection with the issuance of shares for conversions under the convertible loan granted by Cilag.

Note 20.
Accumulated other comprehensive income (loss)

Movements in accumulated other comprehensive income (loss) consist of the following:

	Accumulated OCI (loss), net of tax		
	Jan 1, 2022	**Changes arising during period**	**Dec 31, 2022**
Foreign currency translation adjustments[1]	(1,845)	(500)	(2,344)
Actuarial gains (losses)[2]	(20,958)	71,706	50,748
Total accumulated OCI (loss)	**(22,802)**	**71,206**	**48,403**

[1]Income taxes are not provided for foreign currency translation adjustments relating to permanent investments in international subsidiaries.

[2]Actuarial gains (losses) and prior year service costs (benefits) on the Group's defined benefit plans. The amounts disclosed include income tax expenses gross of CHF 6.9 m for which a full valuation allowance has been recorded.

	Accumulated OCI (loss), net of tax		
	Jan 1, 2021	**Changes arising during period**	**Dec 31, 2021**
Foreign currency translation adjustments[1]	(751)	(1,096)	(1,845)
Actuarial gains (losses)[2]	(37,346)	16,389	(20,958)
Total accumulated OCI (loss)	**(38,096)**	**15,294**	**(22,801)**

[1]Income taxes are not provided for foreign currency translation adjustments relating to permanent investments in international subsidiaries.

[2]Actuarial gains (losses) and prior year service costs (benefits) on the Group's defined benefit plans. The amounts disclosed include income tax benefits gross of CHF 2.8 m for which a full valuation allowance has been recorded.

Note 21.
Commitments, contingent liabilities and guarantees

Commitments

The Group has entered into capital commitments of CHF 2.4 m related to the maintenance of the Group's own facilities, which are expected to be paid within the next twelve months.

In the ordinary course of business, the Group entered into purchase commitments related to long-term manufacturing and supply agreements in the total amount of CHF 47.5 m for 2023 and CHF 6.3 m per year from 2024 until 2027. There are no material commitments thereafter.

Contingent liabilities

In May 2020 the Group acquired all remaining outstanding shares and debt of Vaxxilon AG from the minority shareholders for a cash consideration of CHF 1.5 m, and up to CHF 3.6 m potential development milestones that will forfeit if such milestones are not reached within seven years.

The Group has recognized contingent consideration of CHF 1.1 m included in noncurrent liabilities relating to the achievement of such milestones. The fair value is based on management's estimate of the probability of reaching such milestones and remains unchanged as of December 31, 2022.

Guarantees

To secure any potential obligations resulting from overdraft facilities, forward and derivative transactions in foreign currencies and unpaid interest, the Group has issued guarantees to two financial institutions, amounting in total to CHF 11.9 m.

In the ordinary course of business, the Group has entered into certain guarantee contracts and letters of credit in the aggregate amount of CHF 1.3 m.

To date, the Group has not been required to make payments under these contracts and does not expect any potential future payments to be material.

Note 22. Concentrations

Cash, cash equivalents and short- and long-term deposits, at December 31, 2022, were primarily invested with two financial institutions with an S&P rating of A+ , and on December 31, 2021, with four financial institutions with an S&P rating of AA- to A+. As of December 31, 2022 these two holding cumulatively 90% of which one holds 72% and the other one 18% (December 31, 2021: 94% of which one hold 50% and the other one 43%) of the Group's cash and cash equivalents and short- and long-term deposits.

The Group could experience credit losses in the event of default or non-performance of these counterparties. Concerning risk mitigation, the Group reviews on an ongoing basis the creditworthiness of counterparties to such contracts. The Group has not experienced to date, and does not expect to incur, any significant losses from failure of counterparties to perform under such agreements.

For the period ended December 31, 2022, one distributor in Japan accounted for approximately 46% of total net product sales. At December 31, 2022, CHF 12 million of trade receivables related to this distributor. Net assets of operations located in Japan amount to CHF 6 million at December 31, 2022. Management believes other distributors could be identified, which would purchase the Group's products on comparable terms; however, the establishment of new distributor relationships could take several months. The Group performs ongoing credit evaluations of such distributors. Note 23. Segment and geographic information outlines the concentrations in geographic areas where the Group operates.

The Group is dependent upon toll manufacturers to manufacture its commercial products. For the twelve months ended December 31, 2022, one supplier accounted for approximately 59% of total purchases. Management believes other suppliers could provide similar products on comparable terms. A change in suppliers, however, could cause a delay in fulfilment of customer orders and a possible loss of sales, which could adversely affect operating results. Management believes that the Group maintains sufficient inventory levels to minimize the impact that a change in suppliers would have on operating results.

Note 23.
Segment and geographic information

The Group operates in one segment, discovering, developing and commercializing drugs. The Group currently derives product revenue from sales of QUVIVIQ™ (daridorexant) and PIVLAZ™ (clazosentan). Product revenue attributable to individual countries is based on the location of the customer. Contract revenue is derived from collaboration and service agreements with third parties.

The Group's geographic information is as follows:

	Switzerland	United States	Japan	Rest of world	Total
December 31, 2022					
Product sales	-	5,543	43,977	1,004	50,524
Contract revenue	46,578	-	-	-	46,578
Property, plant and equipment	141,380	1,034	3,379	1,303	147,097

	Switzerland	United States	Japan	Rest of world	Total
December 31, 2021					
Product sales	-	-	-	-	-
Contract revenue	35,349	-	-	-	35,349
Property, plant and equipment	146,166	116	2,652	928	149,862

Note 24.
Related party transactions

J&J and its affiliates Actelion, Janssen and Cilag are considered related parties of the Group with the following material transactions:

- In 2017, the Group, Actelion and Cilag entered into a demerger agreement which, among other things, sets forth the steps necessary to effect the reorganization of the group and the demerger distribution and listing of the Idorsia shares and to govern the separation of the R&D business from the commercial activities and operations of Actelion ("Demerger Agreement").

- In addition to the demerger agreement, the Group and Cilag also entered into a shareholders' agreement.

- As of December 31, 2022 the Group has a convertible loan from Cilag in the nominal amount of CHF 335 m (noncurrent liability of CHF 335 m) (December 31, 2021: nominal amount of CHF 335 m of which 298 m as noncurrent liability and CHF 36 m remaining loan discount due to the beneficial conversion feature at inception).The loan is convertible into 29,133,232 shares (December 31, 2021: 29,133,232 shares) of the Group, which would represent 14% of the total share capital of the Group on a diluted basis (see Note 16. Borrowings).

- On December 1, 2017, Janssen opted in to a collaboration with the Group to jointly develop and solely commercialize aprocitentan (see Note 4. Collaborative agreements).

- Actelion is liable to pay 8% of the aggregate annual net sales of products containing ponesimod. In 2022, the Group recorded a revenue share amounting to CHF 2.0 m (2021: CHF 0.5 m) as contract revenue (see Note 4. Collaborative agreements).

The Group and Actelion entered into a series of transitional and long-term service agreements. Under these agreements and the above-mentioned collaboration agreement with Janssen, during 2022, the Group received services from J&J and its affiliates of CHF 0.3 m (2021: CHF 1 m) and provided services of CHF 12.9 m (2021: CHF 18 m). As of December 31, 2022, the Group had receivables and accrued income of CHF 4.3 m (December 31, 2021: CHF 5 m) and no material payables and accruals with J&J and its affiliates (December 31, 2021: None).

The Group entered into a service contract with Owkin Inc. under which research & development services were rendered amounting to CHF 0.6 m (2021: CHF 0.6 m). One executive Board member owns 6% of the shares in Owkin Inc. and is the father of its CEO. As of December 31, 2022 and 2021, the Group had no material payables and accruals with Owkin Inc.

The Group is a shareholder of Santehra and holds an option and sublicense agreement and service agreement with Santhera, in 2022, the Group provided services of CHF 0.02 m (2021: CHF 0.02 m). As of December 31, 2022 and 2021, the Group had no material receivables and accrued income with Santhera (see Note 4. Collaborative agreements).

During the twelve months ended December 31, 2022, the Group did not enter into any additional material related party transactions.

Note 25.
Subsequent events

The Group has evaluated subsequent events through February 6, 2023, the date these Consolidated Financial Statements were available to be issued. These events have been disclosed in the respective notes to these Consolidated Financial Statements.

Report of the statutory auditor on the consolidated financial statements

To the General Meeting of Idorsia Ltd, Allschwil

Opinion

We have audited the consolidated financial statements of Idorsia Ltd and subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income, consolidated statements of comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and the related notes, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 18 to 65) present fairly, in all material respects, the financial position of the Group at 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 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 in accordance with the provisions of Swiss law, together with the requirements of the United States of America, the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards (IESBA Code), 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.

Substantial Doubt About the Group's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Group will continue as a going concern. As discussed in Note 1 to the financial statements, the Group has suffered recurring losses from operations, has a net capital deficiency, and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. In addition to the matters described in the "Substantial Doubt About the Group's Ability to Continue as a Going Concern" section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements (pages 18 to 65).

Sale and leaseback transaction

Area of focus	In the year ended December 31, 2022, the Group entered into a sale and leaseback transaction, which generated net proceeds of CHF 162 million. Refer to Note 8 (Financial assets and liabilities) and Note 15 (Leases) in the consolidated financial statements for further details. The financing transaction is considered significant to our audit due to both its magnitude and complexity in particular with regard to the accounting for sale and leaseback transactions.
Our audit response	Our audit procedures included assessing the Group's accounting for the sale and leaseback transaction as well as evaluating the Group's related disclosures. Our audit procedures did not lead to any reservations concerning the recognition, measurement and disclosures of the sale and leaseback transaction as of December 31, 2022.

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Sales related liabilities

Area of focus	As discussed in Note 2 (Revenue recognition) the Group establishes provisions for sales related liabilities for variable consideration in the same period the related product is sold. At December 31, 2022 the Group had CHF 6.0 million in sales related liabilities accrued. These relate primarily to US sales returns, rebate, and discount liabilities balances, including managed care, Medicare, Medicaid, chargebacks, coupon and copay programs. Sales related liabilities are considered significant to our audit due to the range and complexity of underlying contractual arrangements and the degree of estimation involved in their computation.
Our audit response	Our audit procedures included, among others, assessing the application of the Group's accounting policy for revenue recognition, including the recognition and measurement of deductions to gross sales relating to sales related liabilities and related disclosures. We obtained management's calculations for sales related liabilities, recalculated the amounts and validated the assumptions used by reference to internal and external sources, including the terms of the applicable contracts. Additionally, our procedures included reviewing a sample of contracts, testing a sample of credits against sales related liabilities and testing the underlying data used in management's evaluation. Our audit procedures did not lead to any reservations concerning the recognition and measurement of sales related liabilities as of December 31, 2022.

Board of Directors' responsibilities 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 the accounting principles generally accepted in the United States of America and the provisions of Swiss law, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 that the consolidated 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 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. Misstatements can arise from fraud or error and 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. We also:

- 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, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- 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 for a reasonable period of time. 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.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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.

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From the matters communicated to 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. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether a material inconsistency exists between the other information and the consolidated 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 an uncorrected material misstatement of the other information exists, we are required to describe it in our report. We have nothing to report in this respect.

Report on other legal requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

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

Ernst & Young Ltd

/s/Frederik Schmachtenberg
Licensed audit expert
(Auditor in charge)

/s/Michaela Held
Licensed audit expert

Basle, February 6, 2023

Holding Company Financial Statements

Contents

Balance sheet

(in CHF thousands)	Notes	December 31, 2022	December 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents		5,639	10,241
Other receivables from Group companies		3	29
Other current assets		234	780
Total current assets		**5,876**	**11,049**
Noncurrent assets			
Long-term loans to Group companies	2	24,738	238,675
Long-term loans to Group companies (subordinated)	2	2,525,000	2,300,000
Investments in Group companies	2	278,057	276,951
Total noncurrent assets		**2,827,795**	**2,815,626**
TOTAL ASSETS		**2,833,671**	**2,826,676**
LIABILITIES			
Current liabilities			
Other payables to Group companies	1	-	329
Accrued interest		5,894	5,894
Other current liabilities		381	1,679
Total current liabilities		**6,275**	**7,902**
Noncurrent liabilities			
Noncurrent financial debt	3	1,134,575	1,134,575
Total noncurrent liabilities		**1,134,575**	**1,134,575**
Total liabilities		**1,140,850**	**1,142,478**
Shareholders' equity	4		
Common shares		8,878	8,848
Legal reserves:			
Legal capital contribution reserve		1,690,655	1,680,078
Other legal reserves		30,363	30,314
Legal retained earnings:			
Accumulated profit (loss)		(37,076)	(35,042)
Total shareholders' equity		**1,692,820**	**1,684,198**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,833,671**	**2,826,676**

Income Statement

(in CHF thousands)	Notes	Twelve months ended December 31, 2022	2021
Financial income		15,300	5,451
Total income		**15,300**	**5,451**
Financial (expense)		(14,285)	(6,764)
Administrative (expense)		(3,050)	(8,870)
Total income/ (expense)		**(17,335)**	**(15,634)**
Income (loss) before taxes		**(2,034)**	**(10,183)**
Income tax benefit (expense)		-	-
Net income (loss)		**(2,034)**	**(10,183)**

Notes to the Holding Company Financial Statements

Note 1.
Summary of significant accounting policies

Idorsia Ltd (the "Company") is the Holding Company of the Idorsia Group and has its registered office at Hegenheimermattweg 91, 4123 Allschwil, Switzerland. The Company does and did not have any employees.

Basis of presentation

The financial statements of Idorsia Ltd have been prepared in accordance with generally accepted accounting principles, as set out in the Swiss Code of Obligations ("SCO") Art. 957 to 963b. All amounts are presented in Swiss francs ("CHF"), unless otherwise indicated. Group companies include all legal entities which are directly or indirectly owned and controlled by the Company. Current account balances due from or payable to such legal entities are presented as other receivables from or other payables to Group companies in the balance sheet.

Material uncertainty to continue as a going concern

The accompanying financial statements have been prepared on the basis that the Company will continue as a going concern. The financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

The Company and its affiliates have so far funded its operations with CHF 1 billion cash at inception (CHF 420 m cash from the demerger from Actelion and CHF 580 m from the issuance of a convertible loan to J&J) and through various funding instruments, mainly by the issuance of equity (2018: CHF 305 m, 2020: CHF 330 m; 2020: CHF 535 m), convertible bonds (2018: CHF 200 m; 2021: CHF 600 m), as well as revenues generated from collaborations, license agreements, and out-licensing transactions (2017: CHF 227 m; 2018: CHF 35 m, 2019: CHF 5 m, 2020: CHF 61 m, 2021: CHF 11 m, 2022: CHF 3 m).

Despite the launch of two drugs in 2022 (Pivlaz ™ in Japan, Quviviq ™ in the US, Germany and Italy) and upcoming launches in other territories, the Company and its affiliates have not yet reached revenues that cover all of the operating expenses across the globe. Therefore, the Company and its affiliate's operations will continue to require significant amounts of capital, at least until 2025, at which time the Company and its affiliates expect to reach breakeven.

The Company determined that there are currently insufficient financial resources to fund its affiliates and their operations and the expected negative cashflow for the financial year 2023 based on the current business plan.

The Company and its affiliates remain confident that they can secure additional funding in the next few months. If ongoing discussions for non-equity dilutive funding instruments would not be successful, the Company will consider equity or debt financing transactions. The potential issuance of equity would result in dilution to shareholders. The potential issuance of debt securities may include rights, preferences, and privileges senior to those of common shareholders, and the terms and conditions of debt securities or borrowings could potentially impose significant restrictions on the Company and its affiliate's operations. While the Company and its affiliates are actively seeking to raise additional funding, there can be no assurance the necessary financing will be available.

Shareholders should note that whilst Management and Board of Directors consistently continue to apply best efforts to evaluate and execute all available options, there is no guarantee that any transaction can be realized or that such transaction would generate sufficient funds to finance operations for the financial year 2023. This material uncertainty may cast significant doubts about the going concern of the Company. If the Company or its affiliates are unable to obtain adequate capital resources to fund their operations, the Company and its affiliates will modify the operations by reducing spending or increasing revenues, for example by monetizing assets through outlicensing transactions. Among other things, this would imply delaying, scaling back or putting on hold some of our ongoing or planned investments in sales and marketing, research and development, and other activities. If such measures are not sufficient, and/or additional funding is not obtained in due course, the Company and its affiliates may be forced to discontinue its operations entirely.

Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the remeasurement of current assets and current liabilities denominated in foreign currencies are recognized in financial income and financial (expense). Net unrealized gains on noncurrent assets and liabilities are deferred in noncurrent liabilities, and net unrealized losses are recognized in financial expense.

Investments in and loans to Group companies

Investments in and loans to Group companies are valued at cost. The Company reviews the carrying amount of these investments and loans annually and if events and circumstances suggest that the carrying amount may not be recoverable, a valuation adjustment is recognized in the income statement

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Note 2.
Investments in and loans to group companies

The following table shows all direct and the material indirect investments of the Company as of December 31, 2022 and 2021:

Company	Country	Ownership & voting interest	Investment	Share Capital	Function
Idorsia Pharmaceuticals Ltd	Switzerland	100%	direct	CHF 1,000,000	R&D
Idorsia US Holding Company Inc.	United States	100%	direct	USD 1,000,000	US Holding
Idorsia Pharmaceuticals US Inc.	United States	100%	indirect	USD 1,000,000	Sales
Idorsia Clinical Development US Inc.	United States	100%	indirect	USD 1,000,000	Clinical Development
Idorsia Pharmaceuticals Deutschland GmbH	Germany	100%	direct	EUR 25,000	Clinical Development
Idorsia (Shanghai) Pharmaceuticals Co., Ltd	China	100%	direct	RMB 1,000,000	R&D
Idorsia Pharmaceuticals Japan Ltd	Japan	100%	direct	JPY 95,000,000	R&D, Sales
Idorsia (Berlin) Pharmaceuticals GmbH [2]	Germany	100%	indirect	EUR 25,000	R&D
Idorsia (Beijing) Pharmaceuticals Co., Ltd.	China	100%	direct	RMB 1,000,000	Clinical Development
Idorsia Pharmaceuticals Germany GmbH	Germany	100%	direct	EUR 25,000	Sales
Idorsia Pharmaceuticals Italy S.r.l.	Italy	100%	direct	EUR 10,000	Sales
Idorsia Pharmaceuticals UK Limited	United Kingdom	100%	direct	GBP 25,000	Marketing
Idorsia Pharmaceuticals France SAS	France	100%	direct	EUR 25,000	Marketing
Idorsia Pharmaceuticals Spain S.L.	Spain	100%	direct	EUR 25,000	Marketing
Idorsia Pharmaceuticals Canada Ltd. [1]	Canada	100%	direct	CAD 50,000	Marketing
Idorsia Pharmaceuticals Korea Co Ltd [1]	South Korea	100%	direct	KRW 100,000,000	Marketing
Idorsia Pharmaceuticals Nordics AB. [1]	Sweden	100%	direct	SEK 25,000	Marketing

[1] Subsidiary was established during 2021.

[2] Formerly known as Vaxxilon Deutschland GmbH.

Idorsia Pharmaceuticals Ltd was overindebted as of December 31, 2022. The Company provided subordinated loans of CHF 2,525 m (December 31, 2021: CHF 2,300 m) to Idorsia Pharmaceuticals Ltd. All operations are conducted by Idorsia Pharmaceuticals Ltd whereas Idorsia Ltd has no operations. In order to fund the Idorsia Groups' operations, Idorsia Ltd grants loans to Idorsia Pharmaceuticals Ltd. The recoverability of the investment and intercompany loans is dependent on the future commercial success of Idorsia Groups' products on the market.

Note 3.
Noncurrent financial debt

Convertible Loan

On June 15, 2017, Cilag Holding AG (“Cilag”) provided a loan of CHF 580 m to the Group, which was convertible into ordinary shares of the Group up to an aggregate of 32% of the share capital at the time that the loan was provided. The loan does not carry interest, has a term of 10 years and matures on June 15, 2027.

On June 19, 2017, a first tranche of the convertible loan of CHF 135 m was mandatorily converted and Cilag acquired 11.8 m of the shares of the Company. These shares were sold by Cilag in a secondary offering on July 8, 2020.

On November 9, 2021, a second tranche of the convertible loan of CHF 110 m was converted and Cilag acquired 9.6 m shares of the Group (representing 5% of the issued shares as of December 31, 2022).

The remaining amount of CHF 335 m outstanding as of December 31, 2022 may be converted into 29.1 m shares of the Company at a conversion price of CHF 11.48 per share by Cilag (which would result in a total shareholding of 19% on a diluted basis) as follows:

- up to an aggregate shareholding of 16% if another shareholder holds more than 20% of the issued shares of the Company (this condition was fulfilled with Jean-Paul and Martine Clozel owning more than 25% of the Group’s issued shares as of December 31, 2022), and

- up to the balance of the remaining amount within 20 business days of the maturity date of the convertible loan. In case of a takeover of the Company, Cilag has the right to convert the convertible loan in full.

At maturity of the convertible loan, if the remaining amount has not yet been converted, the Company may elect to settle the remaining amount in cash or in ordinary shares of the Company. The shares to be issued under the convertible loan will be created from conditional capital and/or authorized capital of the Company.

Senior Unsecured Convertible Bonds due in 2024

On July 17, 2018, the Company issued CHF 200 m of senior unsecured convertible bonds (the “Bonds”) divided into 1,000 bonds with a denomination of CHF 200,000 each. The Bonds were issued at par.

The bonds have a coupon of 0.75% per annum and are convertible into shares in the Company at a conversion price of CHF 33.95 per share, subject to customary antidilution provisions and dividend protection. Interest is payable annually in arrears.

The bonds have a term of six years, maturing on July 17, 2024, and will be redeemed at 100% of the principal amount. The Company may redeem the bonds before the maturity date (i) at any time after August 7, 2022, if the volume-weighted average price of the Idorsia share is at least 150% of the prevailing conversion price during a specified period or (ii) if less than 15% in aggregate of the principal amount of the bonds is outstanding.

The bonds are convertible into registered shares of the Company on or after August 27, 2018. The shares are sourced from the Company’s conditional capital.

The bonds are listed on the SIX Swiss Exchange.

Contents

Senior unsecured convertible bonds due in 2028

On August 4, 2021, the Company issued CHF 600 m (3,000 bonds with a denomination of CHF 200,000 per bond) of senior unsecured convertible bonds. The bonds were issued at par.

The bonds have an interest rate of 2.125% per annum and a conversion price of CHF 31.54, subject to customary antidilution provisions and dividend protection. Interest is payable annually in arrears.

The bonds have a term of seven years, maturing on August 4, 2028, and will be redeemed at 100% of the principal amount. The Company may redeem the bonds before the maturity date (i) at any time after August 24, 2025, if the volume-weighted average price of the Idorsia share is at least 150% of the prevailing conversion price during a specified period or (ii) if less than 15% in aggregate of the principal amount of the bonds is outstanding. The investors may request redemption of the bonds on the 5th anniversary of the settlement date or upon a change of control and in case of delisting of shares.

The bonds are convertible into registered shares of the Company on or after September 13, 2021. The shares are sourced from the Company's conditional capital.

The bonds are listed on the SIX Swiss Exchange.

Credit facilities

The Company had a credit line of CHF 243 m from Cilag which was terminated as a result of the issuance of the CHF 600 m convertible bonds in 2021. This credit facility was undrawn by Idorsia.

Note 4. Shareholders' equity

The following table illustrates Idorsia's shares and the share capital of the Company:

(all numbers in thousands)	Shares[1] Issued	Authorized	Conditional	Total
As of January 1, 2021	**166,482**	**30,200**	**64,559**	**261,241**
Change in Idorsia's Articles of Association based on the AGM resolution dated May 12, 2021	-	33,800	-	33,800
Shares issued for share-based compensation	339	-	(339)	-
Exercise of share options	564	-	(564)	-
Issuance of new registered shares	9,582	(9,582)	-	-
At December 31, 2021	**176,967**	**54,418**	**63,656**	**295,041**
Change in Idorsia's Articles of Association based on the AGM resolution dated April 14, 2022	-	-	6,344	6,344
Shares issued for share-based compensation	571	-	(571)	-
Exercise of share options	20	-	(20)	-
At December 31, 2022	**177,559**	**54,418**	**69,408**	**301,385**

[1]Fully paid-in registered shares with a nominal value of CHF 0.05 per share.

Issuance of new registered shares

On November 9, 2021, the Group issued 9,581,882 new shares from its existing authorized share capital, to convert a second tranche of CHF 110 m of the convertible loan with Cilag (see Note 3. Noncurrent financial debt).

Legal capital contribution reserve

As at December 31, 2022, the legal capital contribution reserve amounted to CHF 1,690.7 m (December 31, 2021: CHF 1,680.1 m). The amount of legal capital contribution reserve is subject to ongoing re-assessment and discussions with the Swiss tax authorities.

Authorized capital

As set forth in Article 3b of Idorsia's Articles of Association, authorized capital can be used for purposes of strategic partnering and financing of business transactions. The Board of Directors ("BoD") is authorized to increase the Company's share capital at any time until May 12, 2023, and to exclude or restrict the pre-emptive rights of existing shareholders in connection with mergers, acquisitions, strategic partnering or cooperation transactions, research and clinical development programs and other strategic projects of the Company.

Conditional capital

As set forth in Article 3a of Idorsia's Articles of Association, conditional capital can be used for capital increases upon the exercise of option rights or in connection with similar rights regarding shares granted to officers and employees and upon exercise of conversion rights or options in relation to convertible debt instruments, bonds, loans and similar forms of financing.

The BoD is authorized to increase the Group's share capital at any time. The pre-emptive rights and the advance subscriptions rights of the shareholders are excluded if the convertible debt instruments, bonds, loans and similar forms of financing are used (i) in connection with the financing or refinancing of the business of the company or its subsidiaries, (ii) in connection with the financing or refinancing of the acquisition (including takeover) of companies, enterprises, parts of enterprises, participations or joint ventures or strategic partnerships, or (iii) if the conversion rights are used in connection with the issuance of shares for conversions under the convertible loan granted by Cilag.

Note 5. Significant shareholders

According to the information available to the Board of Directors, the following shareholders held above three percent of the Company's issued shares at December 31:

	2022				2021			
	Percentage of share capital	Percentage of voting rights	Percentage of purchase positions	Percentage of sale positions	Percentage of share capital	Percentage of voting rights	Percentage of purchase positions	Percentage of sale positions
Jean-Paul & Martine Clozel[1]	>25%	>25%	>30%	-	>25%	>25%	>30%	-
Rudolf Maag	>5%	>5%	>5%	-	>5%	>5%	>5%	-
FMR LLC	<3%	<3%	<3%	-	>3%	>3%	>3%	-
Cilag Holding AG	>5%	>5%	>20%	-	>5%	>5%	>20%	-
Lazard Asset Management LLC	3%	3%	3%	-	-	-	-	-
The Capital Group Companies, Inc.	>3%	>3%	>3%	-	-	-	-	-

[1] According to information provided to the company. The percentage of purchase positions includes 7,189,851 shares that may be issued from the convertible bond and 1,909,500 shares that may be issued from the exercise of employee options.

Information on significant shareholders is available at SIX Swiss Exchange. For more information, please refer to https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

Note 6.
Shareholdings of the Members of the Board of Directors and the Idorsia Executive Committee

The tables below represent the share-based instruments held by the members of the Board of Directors and the Idorsia Executive Committee ("IEC") as per Art. 663c of SCO. Only members of the IEC are members of the executive board within the meaning of Art. 663c SCO.

Investments and options held by the members of the Board of Directors

The members of the BoD held the following investments and share-based instruments at December 31:

		Number of shares	
		thereof granted in the respective period[1]	
Name	Functions	**2022**	**2021**
Mathieu Simon	Chairman Member of the Nominating, Governance & Compensation Committee	65,452 *18,091*	47,361 *11,927*
Joern Aldag	Member of the Finance & Audit Committee Member of the Nominating, Governance & Compensation Committee	14,593 *7,092*	7,501 *4,677*
Felix R. Ehrat	Chairman of the Nominating, Governance & Compensation Committee	70,527 *8,788*	55,739 *5,652*
Srishti Gupta	Member of the Nominating, Governance & Compensation Committee (since 12 May 2021)	18,803 *7,754*	4,049 *4,049*
Peter Kellogg	Member of the Finance & Audit Committee (since 12 May 2021)	10,969 *7,207*	3,762 *3,762*
Sandy Mahatme	Chairman of the Finance & Audit Committee	25,941 *8,788*	9,153 *5,759*
Michel de Rosen	Member (until 12 May 2021)	N/A *N/A*	N/A *1,070*
Viviane Monges	Member (until 12 May 2021)	N/A *N/A*	N/A *1,063*
Jean-Paul Clozel	CEO and executive member of the Board	See table "Investments and options held by the members of the IEC"	
Total		**206,285** ***57,720***	**127,565** ***37,959***

[1]Granted at an average price of CHF 14.35 (2021: CHF 21.73).

Investments and options held by the members of the IEC

The members of the IEC held the following investments and share-based instruments at December 31:

Name	Functions	Number of shares 2022	Number of shares 2021	Number of options 2022	Number of options 2021
		thereof granted in the respective period[1]		*thereof granted in the respective period[2]*	
Jean-Paul Clozel	Chief Executive Officer	35,827,293	35,800,945	1,326,550	1,081,090
		26,348	*25,723*	*245,460*	*194,420*
Guy Braunstein	Chief Medical Officer (since 2022) Head of Global Clinical Development (until 2021)	194,958	185,725	628,590	519,490
		9,233	*9,015*	*109,100*	*86,410*
Martine Clozel	Chief Scientific Officer	12,769,479	12,760,621	582,950	473,850
		8,858	*8,648*	*109,100*	*86,410*
Alberto Gimona	Head of Global Clinical Development (since 2022)	4,743	N/A	297,770	N/A
		4,743	*N/A*	*109,100*	*N/A*
Simon Jose	Chief Commercial Officer	32,217	23,083	406,230	297,130
		9,134	*8,918*	*109,100*	*86,410*
André C. Muller	Chief Financial Officer	94,707	81,006	655,860	519,490
		13,701	*8,918*	*136,370*	*86,410*
Total		48,923,397	48,851,380	3,897,950	2,891,050
		72,017	***61,222***	***818,230***	***540,060***

[1]Granted at an average price of CHF 17.83 (2021: CHF 25.70).

[2]The Company has an employee share option plan ("ESOP"). Options granted in 2022 have an average exercise price of CHF 18.19 and a vesting period of 3 years (2021: CHF 25.60). Note 18 ("Share-based compensation") to the Consolidated Financial Statements provides details on the ESOP conditions and valuation.

Not included in the table above are conversion rights from the convertible bonds. As of December 31, 2022, Jean-Paul Clozel held 5,295,901 conversion rights (December 31, 2021: 5,295,901 conversion rights) and Martine Clozel held 1,893,950 conversion rights (December 31, 2021: 1,893,950 conversion rights) from the convertible bonds. Note 16 ("Borrowings") to the Consolidated Financial Statements provides details on the conditions and valuation of the convertible bonds.

Note 7.
Commitments, contingencies and guarantees

Guarantees

To secure any potential obligations resulting from overdraft facilities, forward and derivative transactions in foreign currencies and interest rates, the Company has issued a guarantee to a financial institution in the total amount of CHF 11.9 m.

In the ordinary course of business, the Company has entered into certain guarantee contracts and letters of credit in the amount of CHF 0.5 m.

To date the Company has not been required to make payments under these contracts and does not expect any potential future payments to be material.

The Company belongs to the Swiss value-added tax (VAT) group of Idorsia Pharmaceuticals Ltd, and thus carries joint liability to the Swiss federal tax authority for value-added tax.

PROPOSED APPROPRIATION OF ACCUMULATED PROFIT (LOSS)

	2022	2021
Accumulated profit (loss) at beginning of period	**(35,042)**	**(24,858)**
Net income (loss) for the period	(2,034)	(10,183)
Balance to be carried forward	**(37,076)**	**(35,042)**

Report of the Statutory Auditor on the Financial Statements

To the General Meeting of Idorsia Ltd, Allschwil

Opinion

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

In our opinion, the financial statements (pages 72 to 83) 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.

Material uncertainty related to going concern

We draw attention to Note 1 of the financial statements, which indicates the existence of a material uncertainty which casts significant doubt about the Company's ability to continue as a going concern in connection with the ability to raise additional funds. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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. For each matter below, our description of how our audit addressed the matter is provided in that context. In addition to the matters described in the "Material uncertainty related to going concern" section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements (pages 72 to 83).

Valuation of investments in and loan receivables due from group companies

Area of focus	As at December 31, 2022, the investment in group companies of Idorsia Ltd amounts to CHF 278 million and loans receivables due from group companies amount to CHF 2,549.7 million. Investments and loan receivables are valued at historical cost less adjustment for impairment of value, if events and circumstances suggest that the historical cost may not be recoverable. Refer to notes 1 (Summary of significant accounting policies) and 2 (Investments in and loans to group companies) in the holding company financial statements for further details. The investments in group companies and loan receivables due from group companies are significant to our audit due to the judgment involved in the Company's impairment testing methodology.
Our audit response	Our audit procedures included gaining an understanding of the Company's impairment testing methodology for investments in group companies and loan receivables due from group companies and the determination of indicators of impairment. We evaluated the Company's assessment and corroborated key elements based on internally and externally available evidence and underlying data. Our audit procedures did not lead to any reservations concerning the valuation of investments in group companies.

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 consolidated financial statements, the stand-alone financial statements, the compensation 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.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

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

Ernst & Young Ltd

/s/Frederik Schmachtenberg Licensed audit expert (Auditor in charge)	/s/Michaela Held Licensed audit expert

Basle, February 6, 2023

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Reach out to us.

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