Financial Report

idonsia

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

We have more ideas, we see more opportunities and we want to help more patients.

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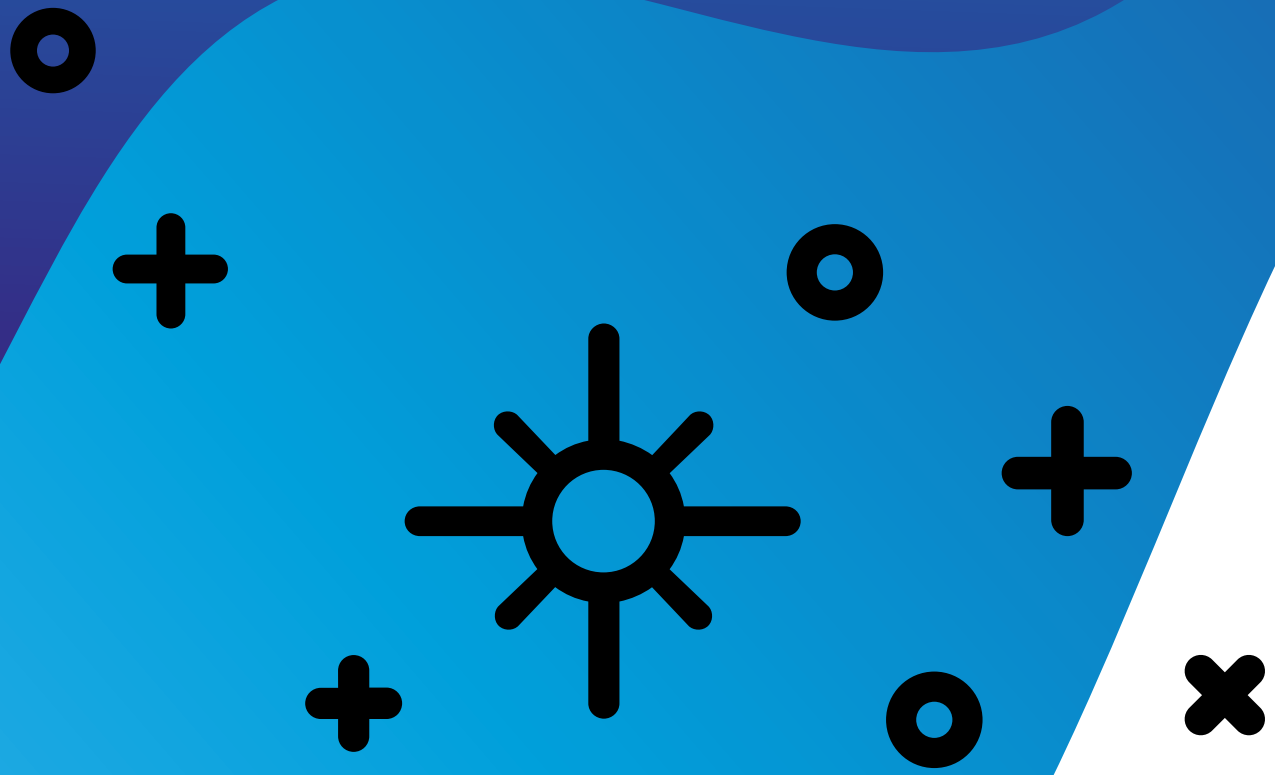

Idorsia measures and reports its non-GAAP operating performance, which management believes more accurately reflects the underlying business performance. The Group believes that these non-GAAP financial measurements provide useful supplementary information to investors. These non-GAAP measures are reported 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)	Six months ended Jun 30, US GAAP 2020	US GAAP 2019	Non-GAAP 2020	Non-GAAP 2019	Second quarter US GAAP 2020	US GAAP 2019	Non-GAAP 2020	Non-GAAP 2019
Net revenue								
Product sales	-	-	-	-	-	-	-	-
Contract revenue – royalties	-	-	-	-	-	-	-	-
Contract revenue – milestones	58	13	58	13	53	7	53	7
Contract revenue – others	-	-	-	-	-	-	-	-
Operating expenses								
Research and development	(197)	(220)	(159)	(207)	(100)	(110)	(69)	(103)
Selling, general and administrative	(40)	(33)	(34)	(28)	(20)	(17)	(17)	(14)
Net results								
Operating income (loss)	(178)	(239)	(134)	(221)	(67)	(121)	(33)	(111)
Net income (loss)	(189)	(232)	(138)	(222)	(69)	(126)	(36)	(115)
Basic EPS	(1.41)	(1.77)	(1.03)	(1.69)	(0.51)	(0.96)	(0.26)	(0.87)
Diluted EPS	(1.41)	(1.77)	(1.03)	(1.69)	(0.51)	(0.96)	(0.26)	(0.87)

Cash flow

(in CHF millions)	Six months ended Jun 30, 2020	2019	Second quarter 2020	2019
Cash flow				
Operating cash flow	(150)	(211)	(44)	(102)
Cash raise	323	-	323	-
Capital expenditure	(4)	(6)	(2)	(4)

Shares

(in millions)	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019
Share count			
Issued common shares	142.4	131.3	131.2
Equity derivatives	44.6	44.6	44.6
Equity instruments	8.1	8.1	7.1
Total potential issued shares	**195.0**	**184.0**	**183.0**

Liquidity and indebtedness

(in CHF millions)	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019
Liquidity			
Cash and cash equivalents	381	95	263
Short-term deposits	348	357	476
Long-term deposits	180	180	-
Total liquidity	**908**	**632**	**739**
Indebtedness			
Convertible loan	384	382	380
Convertible bonds	199	199	199
Other financial debt	-	-	-
Total indebtedness	**583**	**581**	**579**

Revenue

Revenue

(in CHF millions)	Six months ended Jun 30, 2020	2019	Second quarter 2020	2019
Revenue				
Product sales	-	-	-	-
Contract revenue - royalties	-	-	-	-
Contract revenue - milestones	58	13	53	7
Contract revenue - others	-	-	-	-
US GAAP revenue	**58**	**13**	**53**	**7**

Revenue of CHF 58 m consisted of contract revenue recognized in connection with the collaboration agreements with Neurocrine (license and research & development collaboration: CHF 48.4 m), Janssen (aprocitentan: CHF 5.5 m), Roche (research collaboration: CHF 2.5 m) and Mochida (research collaboration: CHF 1.8 m).

Operating expenses

Operating expenses

(in CHF millions)	Six months ended Jun 30, 2020	2019	Second quarter 2020	2019
Operating expenses				
Research	49	56	24	28
Development	101	151	36	75
Selling	7	5	4	3
General and administrative	26	23	14	11
Milestones paid	9	-	9	-
Non-GAAP operating expenses	**193**	**234**	**86**	**118**
Depreciation and amortization	10	10	5	5
Share-based compensation	11	8	6	5
Other	24	-	24	-
Other operating expenses	**44**	**18**	**34**	**10**
US GAAP operating expenses	**236**	**252**	**120**	**127**

US GAAP operating expenses of CHF 236 m comprised non-operating expenses of CHF 193 m, depreciation and amortization of CHF 10 m, share-based compensation of CHF 11 m and an accrual of CHF 24 million that may or may not cover the potential award granted by arbitration panel to the Claimants from the arbitration (see Note 12. – Commitments, contingencies and guarantees of the Unaudited Interim Consolidated Financial Statements).

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Research and development ("R&D") expenses

(in CHF millions)	Six months ended Jun 30, 2020	2019	Second quarter 2020	2019
R&D expenses				
Research	49	56	24	28
Development	101	151	36	75
Milestones paid	9	-	9	-
Non-GAAP R&D expenses	**159**	**207**	**69**	**103**
Depreciation and amortization	8	8	4	4
Share-based compensation	7	5	4	3
Other	24	-	24	-
US GAAP R&D expenses	**197**	**220**	**100**	**110**

Non-GAAP research expenses amounted to CHF 49 m, comprising biology (CHF 12 m), chemistry (CHF 18 m) and preclinical activities (CHF 19 m).

Non-GAAP development expenses amounted to CHF 101 m, comprising CHF 65 m for clinical activities (including CHF 41 m study costs, mainly driven by Phase 2 and 3 studies for cenerimod, daridorexant, aprocitentan, clazosentan and lucerastat) and CHF 35 m for pharmaceutical development activities (including CHF 13 m for drug substance and CHF 6 m for drug product).

Non-GAAP milestones amounted to CHF 9 m for a payment to certain Axovan vendors who assigned their potential milestones relating to Clazosentan (see Note 12. Commitments, contingent liabilities and guarantees of the Unaudited Interim Consolidated Financial Statements).

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

(in CHF millions)	Six months ended Jun 30, 2020	2019	Second quarter 2020	2019
SG&A expenses				
Selling	7	5	4	3
General and administrative	26	23	14	11
Non-GAAP SG&A expenses	**34**	**28**	**17**	**14**
Depreciation and amortization	2	2	1	1
Share-based compensation	4	3	2	2
Other	-	-	-	-
US GAAP SG&A expenses	**40**	**33**	**20**	**17**

Non-GAAP SG&A expenses amounted to CHF 34 m, comprising CHF 7 m for commercial activities, CHF 14 m for Global Information Systems and CHF 13 m for other support functions. The increase of SG&A expenses mainly relates to the preparation for commercial launch of potential products.

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Operating results

Non-GAAP and US GAAP operating results

(in CHF millions)	Six months ended Jun 30, 2020	2019	Second quarter 2020	2019
Operating results				
Contract revenues	58	13	53	7
Operating expenses	(193)	(234)	(86)	(118)
Non-GAAP operating income (loss)	**(134)**	**(221)**	**(33)**	**(111)**
Operating results				
Contract revenues	58	13	53	7
Operating expenses	(236)	(252)	(120)	(127)
US GAAP operating income (loss)	**(178)**	**(239)**	**(67)**	**(121)**

The CHF 44 m difference between the non-GAAP and the US GAAP operating loss related to depreciation and amortization of CHF 10 m, share-based compensation of CHF 11 m and and an accrual of CHF 24 million related to the arbitration.

Financial results

Financial results

(in CHF millions)	Six months ended Jun 30, 2020	2019	Second quarter 2020	2019
Financial results				
Interest income (expense), net	(1)	(0)	(1)	(0)
Other financial income (expense), net	(1)	1	(2)	(3)
Non-GAAP financial income (expense)	**(2)**	**0**	**(2)**	**(3)**
Accretion expense	(4)	(4)	(2)	(2)
Gain (loss) on marketable securities	(4)	12	2	1
US GAAP financial income (expense)	**(10)**	**8**	**(2)**	**(4)**

US GAAP financial expense comprised of non-cash accretion expense of CHF 4 m relating to the convertible debt and an unrealized loss of CHF 4 m on marketable securities.

Income tax

Income tax

(in CHF millions)	Six months ended Jun 30, 2020	Six months ended Jun 30, 2019	Second quarter 2020	Second quarter 2019
Income tax				
Income tax benefit (expense)	(1)	(1)	(0)	(0)
Non-GAAP tax benefit (expense)	**(1)**	**(1)**	**(0)**	**(0)**
Other tax benefit (expense)	(0)	(0)	0	(1)
US GAAP income tax benefit (expense)	**(1)**	**(1)**	**0**	**(1)**

The reconciliation between non-GAAP and US GAAP income tax expense results from an effect on share-based compensation (CHF 2 m) and is offset by other items (CHF 2 m).

Both US- and non-GAAP tax expense included an increase of the valuation allowance of CHF 26 m, mainly related to deferred tax assets arising from operating losses which can be carried forward and utilized for up to 7 years.

Net results, EPS and shares

Net results

(in CHF millions)	Six months ended Jun 30, 2020	Six months ended Jun 30, 2019	Second quarter 2020	Second quarter 2019
Non-GAAP operating income (loss)	**(134)**	**(221)**	**(33)**	**(111)**
Financial income (expense)	(2)	0	(2)	(3)
Income tax benefit (expense)	(1)	(1)	(0)	(0)
Non-GAAP net income (loss)	**(138)**	**(222)**	**(36)**	**(115)**
US GAAP operating income (loss)	**(178)**	**(239)**	**(67)**	**(121)**
Financial income (expense)	(10)	8	(2)	(4)
Income tax benefit (expense)	(1)	(1)	0	(1)
US GAAP net income (loss)	**(190)**	**(232)**	**(69)**	**(126)**
Net loss attributable to noncontrolling interests	0	0	0	0
US GAAP net income (loss) attributable to Idorsia's shareholders	**(189)**	**(232)**	**(69)**	**(126)**

The CHF 52 m difference between the non-GAAP and the US GAAP net loss was mainly due to depreciation and amortization of CHF 10 m, share-based compensation of CHF 11 m, an accrual of CHF 24 m related to the arbitration, the financial accretion expense of CHF 4 m relating to the convertible debt, and an unrealized loss of CHF 4 m on marketable securities.

Shares

(in millions)	Issued	Potentially dilutive equity instruments		Total potential issued shares
		Derivatives	Awards	
Dec 31, 2019	**131.2**	**44.6**	**7.1**	**183.0**
Issuance	0.1	-	1.1	1.1
Exercised	0.1	-	(0.1)	-
Forfeitures	-	-	(0.1)	(0.1)
Capital increase	11.0	-	-	11.0
Jun 30, 2020	**142.4**	**44.6**	**8.1**	**195.0**

Issued shares of 142.4 million as of June 30, 2020 included 11 million issued in connection with the equity raise in May 2020 (see Note 10. Share capital of the Unaudited Interim Consolidated Financial Statements). Cilag, an affiliate of J&J, held 11.8 million shares that were sold in a secondary offering on July 8, 2020. Cilag no longer holds any equity but the full conversion, which is subject to some limitations, of its convertible loan would entitle Cilag to hold 21% equity on a fully diluted basis (see Note 8. Borrowings and Note 15. Related party transactions of the Unaudited Interim Consolidated Financial Statements).

Equity derivatives of 44.6 million as at June 30, 2020 comprised of 38.7 million issued to Cilag in connection with the convertible loan and 5.9 million shares in connection with the convertible bonds.

Equity awards of 8.1 million as at June 30, 2020 consisted of 7.0 million share options with an average strike price of 19.44 granted to eligible employees and non-executive directors of the Board and 1.1 million restricted share units granted to eligible employees.

Earnings per share (EPS)

(in CHF millions, unless otherwise indicated)	Six months ended Jun 30,		Second quarter	
	2020	2019	2020	2019
Non-GAAP net income (loss)	**(138)**	**(222)**	**(36)**	**(115)**
Weighted-average number of basic shares (in millions)	133.8	131.1	136.4	131.2
Non-GAAP basic EPS (in CHF)	**(1.03)**	**(1.69)**	**(0.26)**	**(0.87)**
Weighted-average number of dilutive shares (in millions)	133.8	131.1	136.4	131.2
Non-GAAP diluted EPS (in CHF)	**(1.03)**	**(1.69)**	**(0.26)**	**(0.87)**
US GAAP net income (loss)	**(189)**	**(232)**	**(69)**	**(126)**
Weighted-average number of basic shares (in millions)	133.8	131.1	136.4	131.2
US GAAP basic EPS (in CHF)	**(1.41)**	**(1.77)**	**(0.51)**	**(0.96)**
Weighted-average number of dilutive shares (in millions)	133.8	131.1	136.4	131.2
US GAAP diluted EPS (in CHF)	**(1.41)**	**(1.77)**	**(0.51)**	**(0.96)**

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)	Six months ended Jun 30, 2020	2019	Second quarter 2020	2019
Operating cash flow				
US GAAP net income (loss)	(190)	(232)	(69)	(126)
Deferred contract revenue	1	(8)	(3)	(2)
Deferred taxes	0	0	(1)	1
Depreciation and amortization	10	10	5	5
Accretion of convertible debt discount	4	4	2	2
Share-based compensation	11	8	6	5
Other non cash items	4	(12)	(2)	(1)
Funds from operations	**(160)**	**(230)**	**(62)**	**(116)**
	-	-		
Net change in receivables	(4)	1	(4)	3
Net change in trade and other payables	(1)	11	(1)	(5)
Net change in other operating assets and liabilities	16	7	23	15
Change in working capital	**10**	**19**	**18**	**14**
Operating cash flow	**(150)**	**(211)**	**(44)**	**(102)**

Operating cash flow for the first half of 2020 was negative at CHF 150 m, mainly driven by the non-GAAP operating expenses of CHF 193 m, an increase of CHF 10 m in net working capital requirements, cash inflow of CHF 59 m from milestones received, an increase in the accrual in relation with the arbitration of CHF 24 m and cash outflow of CHF 3 m from other items.

Cash flow

(in CHF millions)	Six months ended Jun 30, 2020	2019	Second quarter 2020	2019
Cash flow				
Operating cash flow	(150)	(211)	(44)	(102)
Acquisition of tangible, intangible and other assets	(4)	(6)	(2)	(4)
Free cash flow	**(153)**	**(218)**	**(46)**	**(107)**
Cash raise	323	-	323	-
Other items	(0)	-	(0)	-
Cash flow[1]	**169**	**(218)**	**277**	**(107)**

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

Free cash flow is reconciled with liquidity of CHF 908 m as at June 30, 2020. Liquidity in the first half of 2020 increased by CHF 169 m mainly driven by the cash raise of net CHF 323 m and a negative operating cash flow of CHF 150 m.

Liquidity

(in CHF millions)	Liquidity
Liquidity Dec 31, 2019	**739**
Liquidity movements Q1	(108)
Liquidity Mar 31, 2020	**632**
Liquidity movements Q2	277
Liquidity Jun 30, 2020	**908**

As of June 30, 2020, liquidity consisted of cash and cash equivalents of CHF 381 m, short-term deposits of CHF 348 m and long-term deposits of CHF 180 m.

Liquidity of CHF 908 m as of June 30, 2020 was mainly held in Swiss francs (CHF 750 m) and in US dollars (equivalent of CHF 146 m).

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Balance sheet

Balance sheet

(in CHF millions)	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019
Assets			
Liquidity[1]	908	632	739
Tangible assets	198	203	207
Other assets	52	47	58
Total assets	**1,159**	**882**	**1,004**
Liabilities and equity			
Financial debt	583	581	579
Deferred revenue	40	43	39
Other liabilities	215	208	222
Total liabilities	**839**	**832**	**840**
Total equity	**320**	**50**	**164**
Total liabilities and equity	**1,159**	**882**	**1,004**

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

Tangible assets (CHF 198 m) mainly consisted of real-estate, R&D equipment and right-of-use assets.

Other assets (CHF 52 m) comprised prepayments of CHF 11 m, receivables of CHF 19 m, marketable securities of CHF 11 m (long-term CHF 9 m, short-term CHF 3 m) and other assets of CHF 11 m.

Financial debt (CHF 583 m) comprised the debt component (CHF 384 m) of the outstanding convertible loan (nominal amount of CHF 445 m) and CHF 199 m relating to the convertible bonds (nominal amount of CHF 200 m).

Deferred revenue (CHF 40 m) related to the collaborations with Janssen (CHF 23 m), Roche (CHF 3 m) and Mochida (CHF 7 m) and Neurocrine Biosciences (CHF 7 m).

Other liabilities (CHF 215 m) included current and noncurrent liabilities of CHF 109 m and CHF 106 m respectively. Current liabilities mainly comprised accrued expenses of CHF 70 m, provisions of CHF 24 m, payables of CHF 9 m and a short-term lease liability of CHF 7 m. Noncurrent liabilities mainly comprised a lease liability of CHF 43 m, pension obligations of CHF 43 m, deferred tax liabilities of CHF 13 m and other noncurrent liabilities of CHF 7 m.

Reconciliation of US GAAP to non-GAAP results

Reconciliation of US GAAP to non-GAAP results for the six months ended June 30, 2020

(in CHF millions, unless otherwise indicated)	**US GAAP results**	Depreciation, amortization, impairment	Share-based compensation	Other items	**Non-GAAP results**
Net revenue					
Product sales	-	-	-	-	-
Contract revenue – royalties	-	-	-	-	-
Contract revenue – milestones	58	-	-	-	58
Contract revenue – others	-	-	-	-	-
Total net revenue	**58**	**-**	**-**	**-**	**58**
Operating expenses					
Cost of sales	-	-	-	-	-
Research and development	(197)	8	7	24	(159)
Selling, general and administrative	(39)	1	4	-	(34)
Amortization of intangible assets	(1)	1	-	-	-
Total operating expenses	**(236)**	10	11	24	**(193)**
Operating results	**(178)**	10	11	24	**(134)**
Total financial income (expense)	(10)	-	-	8	(2)
Income before income tax benefit (expense)	**(188)**	10	11	31	**(137)**
Income tax benefit (expense)	(1)	(0)	2	(2)	(1)
Noncontrolling interest	0	-	-	(0)	-
Net income (loss)	**(189)**	9	13	29	**(138)**
Basic net income (loss) per share (CHF)	**(1.41)**	0.07	0.10	0.22	**(1.03)**
Weighted-average number of basic shares (in millions)	133.8	-	-	-	133.8
Diluted net income (loss) per share (CHF)	**(1.41)**	0.07	0.10	0.22	**(1.03)**
Weighted-average number of dilutive shares (in millions)	133.8	-	-	-	133.8

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Reconciliation of US GAAP to non-GAAP results for the second quarter 2020

(in CHF millions, unless otherwise indicated)	**US GAAP results**	Depreciation, amortization, impairment	Share-based compensation	Other items	**Non-GAAP results**
Net revenue					
Product sales	-	-	-	-	-
Contract revenue – royalties	-	-	-	-	-
Contract revenue – milestones	53	-	-	-	53
Contract revenue – others	-	-	-	-	-
Total net revenue	**53**	**-**	**-**	**-**	**53**
Operating expenses					
Cost of sales	-	-	-	-	-
Research and development	(100)	4	4	24	(69)
Selling, general and administrative	(20)	1	2	-	(17)
Amortization of intangible assets	(0)	0	-	-	-
Total operating expenses	**(120)**	5	6	24	**(86)**
Operating results	**(67)**	5	6	24	**(33)**
Total financial income (expense)	(2)	-	-	0	(2)
Income before income tax benefit (expense)	**(70)**	5	6	24	**(35)**
Income tax benefit (expense)	0	(0)	1	(2)	(0)
Noncontrolling interest	0	-	-	(0)	-
Net income (loss)	**(69)**	5	7	22	**(36)**
Basic net income (loss) per share (CHF)	**(0.51)**	0.03	0.05	0.16	**(0.26)**
Weighted-average number of basic shares (in millions)	136.4	-	-	-	136.4
Diluted net income (loss) per share (CHF)	**(0.51)**	0.03	0.05	0.16	**(0.26)**
Weighted-average number of dilutive shares (in millions)	136.4	-	-	-	136.4

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.

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Interim Consolidated Income Statement

(in CHF thousands, except per share amounts)	Notes	Six months ended June 30, 2020 (unaudited)	2019 (unaudited)
Net revenue			
Product sales		-	-
Contract revenue	4	58,162	13,116
Total net revenue		**58,162**	**13,116**
Operating (expenses)[1]			
Research and development		(196,677)	(219,709)
Selling, general and administrative		(39,039)	(32,068)
Amortization of intangible assets		(629)	(638)
Total operating (expenses)		**(236,345)**	**(252,414)**
Operating income (loss)		**(178,183)**	**(239,299)**
Interest income (expense), net		(741)	(187)
Accretion of convertible debt	8	(4,131)	(4,027)
Other financial income (expense), net		(5,268)	12,377
Total financial income (expense)		**(10,140)**	**8,163**
Income (loss) before income tax benefit (expense)		**(188,323)**	**(231,135)**
Income tax benefit (expense)		(1,353)	(1,309)
Net income (loss)		**(189,676)**	**(232,445)**
Less: Net (gain) loss attributable to the noncontrolling interests	2	328	484
Net income (loss) attributable to Idorsia's shareholders		**(189,348)**	**(231,961)**
Basic net income (loss) per share attributable to Idorsia's shareholders	5	**(1.41)**	**(1.77)**
Weighted-average number of common shares (in thousands)		133,838	131,149
Diluted net income (loss) per share attributable to Idorsia's shareholders	5	**(1.41)**	**(1.77)**
Weighted-average number of common shares (in thousands)		133,838	131,149

[1]Includes share-based compensation as follows:		
Research and development	6,620	5,094
Selling, general and administrative	4,045	3,256
Total share-based compensation	**10,665**	**8,351**

The accompanying notes form an integral part of these unaudited interim consolidated financial statements.

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Interim Consolidated Statement of Comprehensive Income

(in CHF thousands)	Six months ended June 30, 2020 (unaudited)	2019 (unaudited)
Net income (loss)	**(189,676)**	**(232,445)**
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(151)	154
Change of unrecognized components of net periodic benefit costs	(105)	(105)
Other comprehensive income (loss), net of tax	**(256)**	**49**
Comprehensive income (loss)	**(189,932)**	**(232,396)**
Less: Comprehensive (gain) loss attributable to noncontrolling interests	328	484
Comprehensive income (loss) attributable to Idorsia's shareholders	**(189,604)**	**(231,912)**

The accompanying notes form an integral part of these unaudited interim consolidated financial statements.

Interim Consolidated Balance Sheet (1/2)

(in CHF thousands, except number of shares)	Notes	June 30, 2020 (unaudited)	December 31, 2019 (audited)
ASSETS			
Current assets			
Cash and cash equivalents	6/7	380,906	263,007
Short-term deposits	7	347,558	476,279
Receivables from related parties	15	8,248	5,951
Other current assets		25,139	30,164
Total current assets		**761,851**	**775,401**
Noncurrent assets			
Long-term deposits	7	180,000	-
Marketable securities	7	8,546	11,396
Property, plant and equipment, net		145,476	150,663
Right-of-use assets		52,912	56,063
Intangible assets, net		1,065	1,694
Other noncurrent assets		9,022	8,983
Total noncurrent assets		**397,021**	**228,799**
TOTAL ASSETS		**1,158,872**	**1,004,200**
LIABILITIES			
Current liabilities			
Trade and other payables		8,441	8,760
Payables and accrued payables to related parties	15	424	1,207
Deferred revenue	4	20,019	17,206
Lease liability		6,702	8,739
Accrued expenses		69,772	74,967
Provisions	12	23,644	-
Total current liabilities		**129,001**	**110,879**
Noncurrent liabilities			
Convertible loan	8	384,271	380,279
Convertible bonds	8	198,863	198,723
Deferred revenue	4	20,123	21,779
Lease liability		42,976	43,583
Pension liability	9	43,002	52,923
Deferred tax liability		13,032	13,661
Other noncurrent liabilities		7,368	18,027
Total noncurrent liabilities		**709,635**	**728,975**
Total liabilities		**838,636**	**839,854**

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Interim Consolidated Balance Sheet (2/2)

(in CHF thousands, except number of shares)	Notes	June 30, 2020 (unaudited)	December 31, 2019 (audited)
EQUITY			
Idorsia's shareholders' equity			
Common shares (par value CHF 0.05 per share, issued and outstanding 142,369,206 and 131,241,148 in 2020 and 2019 respectively; total number of authorized shares, including issued, authorized and conditional, 261,241,430 and 237,035,430 in 2020 and 2019 respectively)	10	7,118	6,562
Additional paid-in capital		1,428,940	1,083,677
Accumulated profit (loss)		(1,092,041)	(894,268)
Accumulated other comprehensive income (loss)	11	(23,782)	(23,527)
Total Idorsia's shareholders' equity		**320,236**	**172,444**
Equity attributable to noncontrolling interests	2	-	(8,098)
Total equity		**320,236**	**164,346**
TOTAL LIABILITIES AND EQUITY		**1,158,872**	**1,004,200**

The accompanying notes form an integral part of these unaudited interim consolidated financial statements.

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Interim Consolidated Statement of Cash Flows

(in CHF thousands)	Six months ended June 30, 2020 (unaudited)	2019 (unaudited)
Cash flow from operating activities		
Net income (loss)	(189,676)	(232,445)
Adjustments to reconcile net income (loss) to net cash provided from operating activities:		
Depreciation and amortization	9,641	9,746
Share-based compensation	10,665	8,351
Accretion of convertible debt	4,131	4,027
Fair value changes on marketable securities	3,800	(11,813)
Deferred revenue	1,154	(8,007)
Deferred taxes	420	10
Changes in operating assets and liabilities:		
Other receivables	(3,954)	578
Trade and other payables	(1,417)	10,730
Accrued expenses	(4,504)	3,346
Provisions	23,644	-
Changes in other operating cash flow items	(3,595)	4,048
Net cash flow provided by (used in) operating activities	**(149,690)**	**(211,432)**
Cash flow from investing activities		
Purchase of short-term deposits	(169,000)	(219,460)
Proceeds from short-term deposits	297,558	123,813
Purchase of long-term deposits	(180,000)	(20,000)
Purchase of noncontrolling interests	(1,536)	-
Purchase of property, plant and equipment	(3,792)	(6,045)
Purchase of intangible assets	(5)	(33)
Net cash flow provided by (used in) investing activities	**(56,775)**	**(121,725)**
Cash flow from financing activities		
Issuance of new shares, net	323,128	-
Proceeds from exercise of share options	1,330	1,330
Net cash flow provided by (used in) financing activities	**324,458**	**1,330**
Net effect of exchange rates on cash and cash equivalents	(94)	40
Net change in cash and cash equivalents	**117,899**	**(331,787)**
Cash and cash equivalents at beginning of period	263,007	798,557
Cash and cash equivalents at end of period	**380,906**	**466,770**

The accompanying notes form an integral part of these unaudited interim consolidated financial statements.

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Interim Consolidated Statement of Changes in Equity

(in CHF thousands, except number of shares)	Idorsia's shareholders					Noncontrolling interests	
	Common shares		Additional paid-in capital	Accum. profit (loss)	Accum. other comprehensive income (loss)	Equity attrib. to noncontrolling interests	Total equity
	Shares	Amount					
At January 1, 2019 (audited)	**131,060,423**	**6,553**	**1,065,228**	**(400,659)**	**(6,439)**	**(7,058)**	**657,625**
Comprehensive income (loss):							
Net income (loss)				(231,961)		(484)	(232,445)
Other comprehensive income (loss)					49		49
Comprehensive income (loss)							**(232,396)**
Exercise of share options	75,000	4	1,326				1,330
Share-based compensation expense	92,190	5	8,814				8,819
At June 30, 2019 (unaudited)	**131,227,613**	**6,561**	**1,075,368**	**(632,620)**	**(6,390)**	**(7,542)**	**435,378**
Comprehensive income (loss):							
Net income (loss)				(261,648)		(556)	(262,204)
Other comprehensive income (loss)					(17,137)		(17,137)
Comprehensive income (loss)							**(279,341)**
Exercise of share options	-	-	-				-
Share-based compensation expense	13,535	1	8,309				8,310
At December 31, 2019 (audited)	**131,241,148**	**6,562**	**1,083,677**	**(894,268)**	**(23,527)**	**(8,098)**	**164,346**
Comprehensive income (loss):							
Net income (loss)				(189,347)		(328)	(189,676)
Other comprehensive income (loss)					(256)		(256)
Comprehensive income (loss)							**(189,932)**
Exercise of share options	75,000	4	1,326				1,330
Share-based compensation expense	53,058	3	11,033				11,035
Issuance of new shares[1]	11,000,000	550	323,498				324,048
Acquisition of noncontrolling interests			9,406	(8,426)		8,426	9,406
At June 30, 2020 (unaudited)	**142,369,206**	**7,118**	**1,428,940**	**(1,092,041)**	**(23,782)**	**-**	**320,236**

[1]Issuance value of CHF 330 m less stamp duty of CHF 3 m, costs of CHF 3 m, partially offset by tax benefit of CHF 1 m

The accompanying notes form an integral part of these unaudited interim 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 unaudited interim consolidated financial statements ("Unaudited Interim Consolidated Financial Statements") have been prepared in accordance with United States Generally Accepted Accounting Principles ("US GAAP") for interim financial statements. Accordingly, these Unaudited Interim Consolidated Financial Statements do not include all the information and footnotes required by US GAAP for annual financial statements. These Unaudited Interim Consolidated Financial Statements should be read in conjunction with the audited consolidated financial statements of the Group for the year ended December 31, 2019. 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.

Changes in accounting policies

The Group adopted the requirements of ASU 2018-18, *Clarifying the Interaction between Topic 808 and Topic 606*, an update to FASB ASC Topic 808, *Collaborative Arrangements*. The adoption of ASU 2018-18 did not have a material impact on the Group's financial position or results of operations.

The Group adopted the requirements of ASU 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. The adoption of ASU 2018-15 did not have a material impact on the Group's financial position or results of operations.

Accounting policies applicable for interim periods

The Group applies a simplified calculation for post employment benefits during interim periods. The measurements of plan assets and benefit obligations used in determining net periodic pension cost are based on the assumptions used for the previous year-end measurements.

Income tax expense is recognized based on the best estimate of the weighted average annual income tax rate expected for the full financial year. In 2018, the Canton of Basel-Land granted the Group a ten year tax holiday that provides for reduced income and capital tax rates on a communal and cantonal level. The tax holiday commenced in fiscal year 2018 and is valid until 2027.

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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, contingent considerations arising from acquisitions, 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 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.

Recent accounting pronouncements

ASU 2018-14, Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans

In August 2018, the FASB issued ASU 2018-14, *Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*, an update to FASB ACS Topic 715, *Compensation – Retirement Benefits*. ASU 2018-14 changes the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. ASU 2018-14 adds, removes and clarifies disclosure requirements related to defined benefit pension and other postretirement plans. ASU 2018-14 is effective for fiscal years ending after December 15, 2020.

ASU 2016-13, Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, an update to FASB ASC Topic 326, *Financial Instruments – Credit Losses*. ASU 2016-13 requires financial assets measured at amortized costs to be presented at the net amount expected to be collected, through an allowance for credit losses, which is deducted from the amortized costs basis of the asset. Available-for-sale debt securities will also require the use of an allowance to record estimated credit losses. ASU 2016-13 is effective for public entities for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Early adoption is permitted for all fiscal periods beginning after December 15, 2018. The revised guidance will be applied through a cumulative catch-up adjustment to retained earnings in the period of adoption. The Group does not expect a material impact on its financial position, results of operations or cash flows upon adoption.

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Note 2.
Acquisition of noncontrolling interests

Vaxxilon Ltd ("Vaxxilon")

Vaxxilon aims to discover, develop, and commercialize vaccines. Vaxxilon was originally established in 2015 by Actelion (73.9%) and minority shareholders. Actelion's equity stake was transferred to Idorsia under the Demerger Agreement (see Note 15. Related party transactions).

In May 2020 the Group acquired all remaining outstanding shares and CHF 12 m debt of Vaxxilon 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 in the next seven years. As of May 20, 2020 the Group has recognized a contingent consideration of CHF 1.1 m included in noncurrent liabilities relating to the achievement of such milestones. The fair value is based on managements estimate of the probability of reaching such milestones. This fair value has not changed as of the reporting date and therefore no adjustment was recorded.

In the periods ended June 30, 2020 and 2019, losses of CHF 0.3 m and CHF 0.5 m respectively are attributable to minority shareholders and disclosed as noncontrolling interests.

The following table reflects the effect of changes in noncontrolling interests on the Group's equity:

	Equity attributable to Idorsia's shareholders	Equity attributable to noncontrolling interests	Total equity
At January 1, 2019	**664,683**	**(7,058)**	**657,625**
Net income (loss) of the Group	(490,666)	-	(490,666)
Net income(loss) from noncontrolling interests	(2,943)	(1,040)	(3,982)
Change from net income (loss)	**(493,609)**	**(1,040)**	**(494,649)**
Other change in equity[1]	1,370	-	1,370
At December 31, 2019	**172,444**	**(8,098)**	**164,347**
Net income (loss) of the Group	(188,432)	-	(188,432)
Net income(loss) from noncontrolling interests	(915)	(328)	(1,244)
Change from net income (loss)	**(189,347)**	**(328)**	**(189,676)**
Other change in equity[1]	345,563	-	345,563
Increase in Ownership	(8,426)	8,426	-
At June 30, 2020	**320,236**	**-**	**320,236**

[1]Details on other changes in equity are provided in the Consolidated Statement of Changes in Equity.

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Note 3.
Licensing agreements

In-licensing agreements

Vaxxilon
The licensing agreement with Max Planck Institute (MPI) to develop synthetic carbohydrate vaccines has been terminated and MPI is no longer entitled to any potential future milestones or payments. The Group has also acquired all outstanding shares of Vaxxilon held by Max Planck Institute (See Note 2. “Acquisition of Noncontrolling interest”).

Former shareholders of Axovan Ltd (“Axovan sellers”) / F. Hoffman-La Roche Ltd (“Roche”)
The Group holds a license agreement to develop and commercialize clazosentan from a share purchase agreement (“Axovan SPA”) with Axovan vendors that was transferred to Idorsia pursuant to the Demerger Agreement. Both Axovan vendors and Roche are entitled to receive milestones and Roche is also entitled to high-single-digit royalties on annual sales of clazosentan.

Idorsia acquired the claims under the Axovan SPA from ~26% of Axovan vendors for a cash consideration of CHF 9 m corresponding to ~30% of potential milestones. With such one-time payment, potential milestones due to remaining Axovan vendors and to Roche have been reduced to CHF 93 m (CHF 21 m at filing, CHF 52 m at approval and CHF 20 m sales milestones).

Out-licensing agreements

Midnight Pharma LLC (“Midnight”)/Neuro Pharma LLC (“Neuro”)
As part of the Demerger, the Group holds a worldwide exclusive license agreement with Midnight 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.

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Note 4.
Collaborative agreements

Janssen Biotech Inc. (“Janssen”)

Janssen, an affiliate of Johnson & Johnson (“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 (ACT-132577) and any of its derivative compounds or products worldwide, for all indications other than pulmonary hypertension. The collaboration agreement also grants Janssen the perpetual and exclusive right to develop and commercialize the licensed compounds and licensed products worldwide for pulmonary hypertension. Janssen may not, however, develop or commercialize the licensed compounds and licensed products for such purposes without the Group’s consent.

Following the end of the Phase II study meeting with the FDA and the receipt by Janssen of the complete Phase II data package, Janssen opted in to the collaboration by paying the Group a one-time milestone payment of USD 230 m (CHF 227 m) in December 2017. USD 160 m (CHF 158 m) was recognized as contract revenue in December 2017, and the remainder is being recognized as contract revenue on a straight-line basis until September 2022 (originally 2021), with CHF 5.5 m being recognized in first half of 2020. The development timeline was reassessed and the deferral period was adjusted to reflect the new timeline. The deferred revenue will be recognized as follows: CHF 11 m in 2020, CHF 10 m in 2021 and CHF 8 m in 2022, representing a decrease of CHF 1 m in 2020 and 2021 and an increase of CHF 3 m in 2022.

The development costs related to (i) the Phase 3 program for the initial product for the initial indication (resistant hypertension management); (ii) any Phase 3 program (or Phase 2b study that the parties agree to conduct) for any additional indications (comprising all indications other than resistant and pulmonary hypertension); and (iii) marketing approval applications and marketing approvals for any collaboration indication (comprising initial and additional indications) will be shared 50:50 between the Group and Janssen.

The Group will be responsible for funding its share of the development costs for the initial indication. Janssen Biotech will fund the Group's share of the development costs for the additional indications, and may only recoup amounts so funded from any royalty payments that become due by Janssen to the Group in respect of any collaboration indication. If no, or insufficient, royalties become due to the Group for Janssen to recoup the relevant portion of the Group’s share for the additional indications that have been funded by it, Janssen will be responsible for the shortfall. In the first half of 2020, the Group recognized net CHF 8.1 m of cost-sharing reimbursements for the initial indication Phase 3 studies as a cost reduction in R&D expenses.

The Group will also be entitled to receive tiered royalties on annual net sales in a 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

Actelion and the Group have entered into a revenue sharing agreement in respect of ponesimod, a late-stage pipeline product that remained with Actelion. If market authorization is obtained, the Group is entitled to receive 8% of the aggregate net sales of ponesimod.

ReveraGen BioPharma Inc. (“ReveraGen”)

As part of the Demerger, the Group holds a collaborative agreement with ReveraGen to research and co-develop vamorolone, a non-hormonal steroid modulator for the treatment of Duchenne muscular dystrophy (“DMD”).

The Group will be entitled to exercise an option to obtain the exclusive worldwide license rights on vamorolone at any time, but not later than upon receipt of the Phase 2b study results for a consideration of USD 20 m. If the option is exercised, ReveraGen will be entitled to receive regulatory and commercial milestone payments up to USD 75 m in the DMD indication and three one-time sales milestone payments of up to USD 120 m in the aggregate.

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ReveraGen is also entitled to receive milestones of up to USD 190 m for approval (USD 140 m) and commercialization (USD 50 m) in three additional indications. Furthermore, the Group will pay increasing tiered double-digit royalties on the net sales of vamorolone. The Group will not have any additional financial exposure if the option is not exercised.

The Group evaluated the contract with ReveraGen under the requirements of the VIE model and determined that ReveraGen is a VIE but the Group is not the primary beneficiary.

Santhera Pharmaceuticals (Switzerland) Ltd ("Santhera")

The Group and 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.

Santhera may exercise the option upon receipt of data from the Phase 2b study and following a one-time consideration to the Group of USD 30 m. Following the exercise of the worldwide vamorolone license option by the Group and exercise of the vamorolone sublicense option for all territories worldwide except Japan and South Korea by Santhera, the Group will be entitled to regulatory and commercial milestone payments of up to USD 80 m in the DMD indication and four one-time sales milestone payments of up to USD 130 m in aggregate. Regulatory and commercial milestone payments by Santhera to the Group for three additional indications amount to up to USD 205 m in aggregate. Upon commercialization of vamorolone, Santhera has committed to pay tiered royalties to the Group, ranging from a single-digit to a low-double-digit percentage on the annual net sales of vamorolone. In the first half of 2020, the Group recognized net CHF 4 m of cost-sharing reimbursements as a cost reduction in R&D expenses.

The Group currently owns 1,333,333 shares in Santhera Holding, of which the initially received 1,000,000 shares are subject to a lock-up provision (see Note 7. Financial Assets and Liabilities).

F. Hoffman-La Roche Ltd / Hoffman-La Roche Inc. ("Roche")

Roche and the Group have entered into a research collaboration that provides Roche with an exclusive option right to develop and market first-in-class compounds for a promising new approach in the field of cancer immunotherapy.

Roche made an upfront payment of CHF 15 m to the Group in January 2018 for the option to exclusively license the Group's compounds and compounds resulting from the collaboration. Upon exercising the option for a further payment of CHF 35 m, after a predetermined period, Roche has the exclusive worldwide right to develop and commercialize the Group's and collaboration compounds. The initially deferred contract revenue in the amount of CHF 15 m is being recognized on a straight-line basis beginning January 2018 until December 2020, with CHF 3 m being recognized in the first half of 2020.

The Group will be eligible to receive one-time payments of up to CHF 410 m upon achieving certain development and regulatory milestones. The Group will also be entitled to one-time milestones based on sales thresholds, as well as tiered royalties on annual net sales of all products resulting from the collaboration.

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 has received an initial payment of JPY 1 bn (CHF 9 m) and will be eligible to receive additional development, regulatory and commercial milestones of up to JPY 9.5 bn. The initially deferred contract revenue in the amount of CHF 9 m is being recognized on a straight-line basis beginning January 2020 until June 2022, with CHF 2 m being recognized in the first half of 2020. Idorsia will also be entitled to sales milestones and variable considerations based on net sales achieved by Mochida.

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With regard to the development program, Idorsia will be responsible for the design and conduct of additional preclinical and clinical studies, and for health authority registration, with oversight from a Joint Development Committee. Costs associated with the co-development of daridorexant will be shared. In the first half of 2020, the Group recognized net CHF 2.1 m of cost-sharing reimbursements as a cost reduction in R&D expenses.

Neurocrine Biosciences, Inc. ("Neurocrine")

The Group entered into an optional license and/or research & development collaboration agreement with Neurocrine to jointly develop and commercialize ACT-709478, currently in Phase 1, with a target indication in epilepsy, 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. Under the agreement, Neurocrine made a payment of USD 5 m (CHF 5 m) for the option to either enter into the license and a research collaboration for an additional consideration of USD 52 m or a research collaboration only for an additional consideration of USD 2 m. On May 12, 2020 Neurocrine exercised its option to enter into the license and research collaboration. As of June 30, 2020, Idorsia has received total payments amounting to USD 57 m (CHF 56 m) of which CHF 48 m have been recorded as Milestone revenue in the first half of 2020 and CHF 7 million are recorded as deferred revenue in the balance sheet. The deferred contract revenue is being recognized on a straight-line basis beginning July 2020 until June 2022. In the first half of 2020, the Group recognized net CHF 2.2 m of cost-sharing reimbursements as a cost reduction in R&D expenses.

Under the potential license of ACT-709478, the Group would 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. 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.

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Note 5.
Earnings per share

The following table sets forth the basic and diluted earnings per share (EPS) calculations at June 30:

	2020		2019	
	Basic	Diluted	Basic	Diluted
Numerator				
Net income (loss) attributable to Idorsia's shareholders	(189,348)	(189,348)	(231,961)	(231,961)
Net income (loss) available for EPS calculation	**(189,348)**	**(189,348)**	**(231,961)**	**(231,961)**
Denominator				
Weighted-average number of common shares	133,837,776	133,837,776	131,148,532	131,148,532
Total average equivalent shares	**133,837,776**	**133,837,776**	**131,148,532**	**131,148,532**
Earnings (loss) per share attributable to Idorsia's shareholders	**(1.41)**	**(1.41)**	**(1.77)**	**(1.77)**

For the six months ended June 30, 2020, 52,660,325 shares that would have had an antidilutive effect were excluded from the diluted EPS calculation (June 30, 2019: 51,750,144 shares).

Note 6.
Cash and cash equivalents

Cash and cash equivalents consisted of the following at:

	June 30, 2020	December 31, 2019
Cash	261,882	43,007
Cash equivalents	119,024	220,000
Total	**380,906**	**263,007**

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Note 7.
Financial assets and liabilities

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

	June 30, 2020			December 31, 2019		
	Total	**Level 1**	**Level 2**	**Total**	**Level 1**	**Level 2**
Financial assets carried at fair value						
Cash and cash equivalents	380,906	380,906	-	263,007	263,007	-
Derivative financial instruments[1]	-	-	-	-	-	-
Short-term marketable securities[1]	2,830	2,830		3,780	3,780	
Long-term marketable securities	8,546	8,546	-	11,396	11,396	-
Total	**392,282**	**392,282**	**-**	**278,183**	**278,183**	**-**

[1] Included in other current assets

As of June 30, 2020, short- and long-term deposits of a total of CHF 528 m (December 31, 2019: CHF 476 m) are not included in the table above as they are carried at amortized cost, which approximates their fair value. At inception, 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 are subject to a lock-up undertaking, expiring the earlier of (i) the expiration of the option to sublicense (at the latest on December 31, 2021), (ii) Santhera receiving marketing authorization for vamorolone in Duchenne muscular dystrophy in the US or (iii) 2 years after Santhera opted into the sublicense. The Group holds these shares as long-term securities.

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, which are held as short-term marketable securities. The Group currently owns a total of 1,333,333 shares in Santhera Holding, representing 10.1% of the ordinary share capital of Santhera Holding as of June 30, 2020.

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Financial liabilities carried at amortized cost

The Group's financial liabilities carried at amortized cost relate to its convertible debt (see Note 8. Borrowings) and are stated in the following table:

	June 30, 2020	December 31, 2019
Long-term financial debt	583,134	579,003
Total	**583,134**	**579,003**

Interest income (expense), net for the six months ended June 30, 2020, includes interest expense of CHF 0.8 m (June 30, 2019: CHF 0.8 m) related to accrued interest, which is paid to the bondholders on a yearly basis and other interest expenses of CHF 0.1 m (June 30, 2019: CHF 0.1 m). Interest income for the six months ended June 30, 2020 amounts to CHF 0.1 m (June 30, 2019: CHF 0.6 m) which includes negative interest income mainly related to interest paid or received on the various cash accounts of the Group, is recorded in interest income (expense), net.

The aggregate foreign currency transaction loss included in other financial income (expense), net, in the first half of 2020 amounts to CHF 2.9 m (June 30, 2019: CHF 0.1 m).

For the six months ended June 30, 2020, the Group recorded an unrealized loss on marketable securities of CHF 3.8 m (June 30, 2019: unrealized gain of CHF 11.8 m) and a gain on other components of net periodic pension cost of CHF 1.5 m (June 30, 2019: CHF 0.7 m).

Note 8. 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 11,793,220 of the shares of the Group (representing 8% of the issued shares as of June 30, 2020).

The remaining amount of CHF 445 m outstanding as of June 30, 2020, may be converted into 38,715,114 shares of the Group by Cilag (which would result in a total shareholding of 28% based on the issued shares as of June 30, 2020) as follows:

- up to an aggregate shareholding of 16% if another shareholder holds more than 20% of the issued shares of the Group, 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 38,715,114 shares at a conversion price of CHF 11.48, subject to customary antidilution provisions and dividend protection.

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On the date these financial statements were available to be issued, Jean-Paul and Martine Clozel owned more than 25% of the Group's issued shares, which would allow Cilag to increase its equity stake from 8% as of June 30, 2020, to 16%.

The Group determined that the convertible loan included a beneficial conversion feature at inception and correspondingly recognized the intrinsic value of the beneficial conversion feature of CHF 84 m in the additional paid-in capital, with an offsetting reduction to the carrying amount of the convertible loan.

The carrying amount of the convertible loan at June 30, 2020, is CHF 384 m (December 31, 2019: CHF 380 m). The Group will accrete the remaining loan discount over the remaining life of the instrument, i.e. until June 15, 2027, using an implied compound interest rate of 2.12% per year as interest expense. For the six months ended June 30, 2020, the Group recognized an accretion expense of CHF 4 m (First half of 2019: CHF 4 m).

Senior unsecured convertible bonds

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 and a conversion price of CHF 33.95, 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 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 in respect of the bonds which are due subsequent to June 30, 2020, are as follows:

	Type of payment	Amount
Payable on July 17,		
2020	Annual interest	1,500
2021	Annual interest	1,500
2022	Annual interest	1,500
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 June 30, 2020, the fair market value of the bonds amounted to 114.00% 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 June 30, 2020, the total book value of the bonds was CHF 198.9 m (December 31, 2019: CHF 198.7 m). For the period ended June 30, 2020, the Group recognized CHF 0.8 m interest cost (2019: CHF 0.8 m) and CHF 0.1 m (2019: CHF 0.1 m) related to the amortization of debt issuance costs.

Credit facilities

On June 30, 2020, the Group had an undrawn credit line of CHF 243 m from Cilag. The Group does not pay any commitment fee on the undrawn credit line and would pay interest at a rate of LIBOR plus 2% per year on drawn amounts. The maturity date of the facility is June 19, 2032.

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Note 9.
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 853,200. In addition to retirement benefits, the Basic Plan provides benefits on death or long-term disability of its employees. The Basic Plan qualifies as defined benefit pension plan.

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:

	Six months ended June 30,	
	2020	**2019**
Service cost	6,903	5,823
Interest cost	468	1,207
Expected return on plan assets	(1,935)	(1,870)
Prior year service costs (benefit)	(105)	(105)
Amortization of net actuarial (gain) loss	-	-
Net periodic benefit cost	**5,331**	**5,055**

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Note 10.
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, 2019	**131,060**	**41,088**	**52,975**	**225,123**
Change in Idorsia's Articles of Association based on the AGM resolution dated May 3, 2019	-	11,912	-	11,912
Shares issued for share-based compensation	106	-	(106)	-
Issuance of new registered shares	75	-	(75)	-
At December 31, 2019	**131,241**	**53,000**	**52,794**	**237,035**
Change in Idorsia's Articles of Association based on the AGM resolution dated May 13, 2020	-	12,000	12,206	24,206
Shares issued for share-based compensation	53	-	(53)	-
Exercise of share options	75	-	(75)	-
Issuance of new registered shares	11,000	(11,000)	-	-
At June 30, 2020	**142,369**	**54,000**	**64,872**	**261,241**

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

Issuance of new registered shares

On May 20, 2020, the Group issued 11,000,000 new shares from its existing authorized share capital, receiving gross proceeds of CHF 330 m through an accelerated bookbuilding.

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 13, 2022, 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.

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Note 11.
Accumulated other comprehensive income (loss)

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

	Accumulated OCI (loss), net of tax			
	Jan 1, 2020	Changes arising during period	Attr. to non-controlling interests	Jun 30, 2020
Foreign currency translation adjustments[1]	(16)	(151)	-	(167)
Actuarial gains (losses)[2]	(23,510)	(105)	-	(23,615)
Total accumulated OCI (loss)	**(23,527)**	**(256)**	**-**	**(23,782)**

[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 3.2 m for which a full valuation allowance has been recorded.

	Accumulated OCI (loss), net of tax			
	Jan 1, 2019	Changes arising during period	Attr. to non-controlling interests	Jun 30, 2019
Foreign currency translation adjustments[1]	45	154	-	199
Actuarial (gains) losses[2]	(6,484)	(105)	-	(6,589)
Total accumulated OCI (loss)	**(6,439)**	**49**	**-**	**(6,390)**

[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 1.4 m for which a full valuation allowance has been recorded.

Note 12.
Commitments, contingent liabilities and guarantees

Commitments

The Group has entered into capital commitments of CHF 0.8 m related to the maintenance of the Group's own facilities, which are expected to be paid within the next twelve months.

Contingent liabilities

65% of former Axovan shareholders (the "Claimants") entered into an arbitration against Actelion claiming that the acquisition of Actelion by J&J and/or the Demerger triggers the accelerated payment of all outstanding milestones mainly relating to clazosentan (See Note 3. Licensing), plus statutory interest for late payment. These claims are being vigorously contested by Actelion and Idorsia. As of June 30, 2020, the ongoing arbitration is substantially completed; its outcome is difficult to predict and therefore it is reasonably possible that the arbitration panel grants an award to the Claimants between CHF 0 and CHF 94 m (excluding arbitration and legal costs), in which case Idorsia would fully indemnify Actelion as agreed in the Demerger Agreement.

Other former Axovan shareholders included Actelion (~7%, which were transferred to Idorsia) and other third parties (the "Non-Claimants", ~28%). Most of these Non-Claimants (~26%) have assigned their claims to Idorsia for a one-time payment of CHF 9 million representing ~30% of their potential future milestones relating to Clazosentan. The company assessed that this transaction is the best estimate to assess all other vendors' claims, resulting in an accrual of CHF 24 million that may cover or not the potential award granted by arbitration panel to the Claimants.

The total amount of CHF 32 m, of which CHF 9 m milestones paid and CHF 24 m accrual, was recognized as R&D expense in the period ended June 30, 2020.

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Guarantees

To secure any potential obligations resulting from overdraft facilities, forward and derivative transactions in foreign currencies and unpaid interest, the Group has issued a guarantee to two financial institutions, amounting in total to CHF 40.3 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 0.1 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 13. Concentrations

Cash, cash equivalents and short- and long-term deposits, at June 30, 2020, were primarily invested with four financial institutions with an S&P rating of AA- to A , and on December 31, 2019, with four financial institutions with an S&P rating of AA- to A.

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.

Note 14.
Segment and geographic information

The Group operates in one segment, discovering, developing and commercializing drugs.

The Group's geographic information is as follows:

	Switzerland	Rest of world	Total
June 30, 2020			
Contract revenue	58,162	-	**58,162**
Property, plant and equipment	142,933	2,543	145,476

	Switzerland	Rest of world	Total
June 30, 2019			
Contract revenue	13,116	-	13,116
December 31, 2019			
Property, plant and equipment	147,499	3,164	150,663

Note 15.
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 which, among other things, includes a standstill until 2022.

- As of June 30, 2020 the Group has a convertible loan from Cilag in the nominal amount of CHF 445 m (noncurrent liability of CHF 384 m and a remaining loan discount of CHF 60 m due to the beneficial conversion feature at inception, which will be accreted until maturity on June 15, 2027). The loan is convertible into 38,715,114 shares of the Group, which would represent 21% of the total share capital of the Group (see Note 8. Borrowings).

- In 2019, the Group did not draw from the credit facility it has with Cilag and did not pay any commitment fee (see Note 8. 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 2020, no amounts became due under this revenue sharing agreement (see Note 4. Collaborative agreements).

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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 the first half of 2020, the Group received services from J&J and its affiliates of CHF 1 m and provided services of CHF 9 m. As of June 30, 2020, the Group had receivables and accrued income of CHF 5 m and no material payables and accruals with J&J and its affiliates.

During the period ended June 30, 2020, a Board member held a Board seat with Charles River Laboratories International, Inc. (together with its affiliates, "Charles River Laboratories"), a company providing contract research services. In the ordinary course of business, the Group entered into transactions with Charles River Laboratories, amounting to CHF 1 m in 2020. Charles River Laboratories is no longer a related party on the balance sheet date.

During the period ended June 30, 2020 a Board member held a Board seat with Catalent, Inc., a company providing clinical supply services. In the ordinary course of business, the Group entered into transactions with Catalent, Inc., amounting to CHF 1 m in 2020. Catalent Inc. is no longer a related party on the balance sheet date.

The Group entered into a service contract with Owkin Inc. under which research & development services were rendered amounting to CHF 0.4 m in the first half of 2020. One executive Board member owns 10% of the shares in Owkin Inc. and is the father of its CEO. As of June 30, 2020, the Group had no material payables and accruals with Owkin Inc.

Under the option and sublicense agreement with Santhera, during the period ended June 30, 2020, the Group provided services of CHF 4 m. As of June 30, 2020, the Group had receivables and accrued income of CHF 4 m with Santhera (see Note 4. Collaborative agreements).

During the six months ended June 30, 2020, the Group did not enter into any additional material related party transactions.

Note 16. Subsequent events

The Group has evaluated subsequent events through July 22, 2020, 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.

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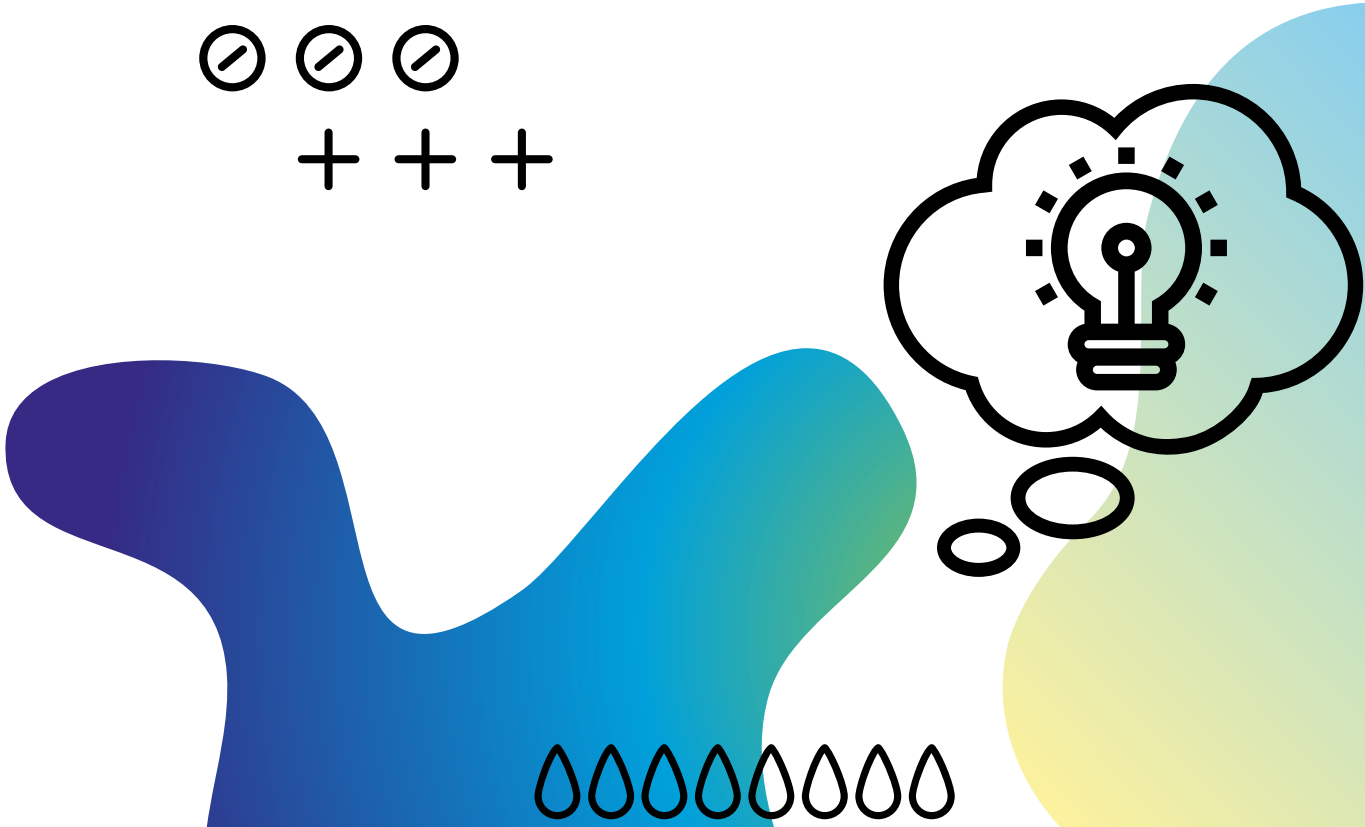

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