

Financial Report



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idonesia

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.

Contents

4 **Financial Review**

15 **Unaudited Interim
Consolidated Financial Statements**



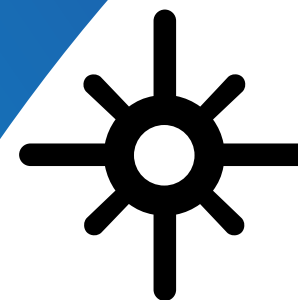
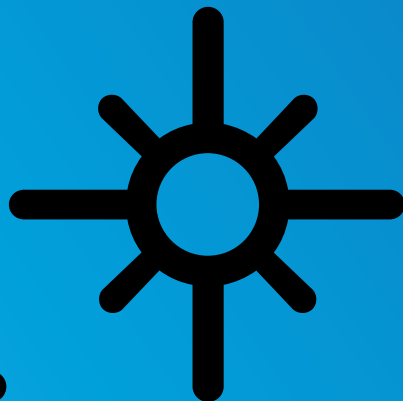
Contents navigation

> Contents

Financial Review

Unaudited Interim
Consolidated
Financial Statements

Financial Review



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)	US GAAP		Six months ended Jun 30, Non-GAAP		US GAAP		Second quarter Non-GAAP	
	2021	2020	2021	2020	2021	2020	2021	2020
Net revenue								
Product sales	-	-	-	-	-	-	-	-
Contract revenue – royalties	-	-	-	-	-	-	-	-
Contract revenue – milestones	13	58	13	58	7	53	7	53
Contract revenue – others	0	-	0	-	0	-	0	-
Operating expenses								
Research and development	(192)	(197)	(181)	(159)	(94)	(100)	(89)	(69)
Selling, general and administrative	(74)	(40)	(68)	(34)	(42)	(20)	(39)	(17)
Net results								
Operating income (loss)	(252)	(178)	(234)	(134)	(130)	(67)	(121)	(33)
Net income (loss)	(243)	(189)	(223)	(138)	(139)	(69)	(128)	(36)
Basic EPS	(1.46)	(1.41)	(1.34)	(1.03)	(0.83)	(0.51)	(0.77)	(0.26)
Diluted EPS	(1.46)	(1.41)	(1.34)	(1.03)	(0.83)	(0.51)	(0.77)	(0.26)

Cash flow

(in CHF millions)	Six months ended Jun 30,		Second quarter	
	2021	2020	2021	2020
Cash flow				
Operating cash flow	(276)	(150)	(126)	(44)
Cash raise	(0)	323	(0)	323
Capital expenditure	(17)	(4)	(15)	(2)

Shares

(in millions)	Jun 30,	Mar 31,	Dec 31,
	2021	2021	2020
Share count			
Issued common shares	167.3	166.9	166.5
Equity derivatives	44.6	44.6	44.6
Equity instruments	8.8	9.1	7.9
Total potential issued shares	220.7	220.6	219.0

Liquidity and indebtedness

(in CHF millions)	Jun 30,	Mar 31,	Dec 31,
	2021	2021	2020
Liquidity			
Cash and cash equivalents	164	128	141
Short-term deposits	763	741	867
Long-term deposits	-	196	192
Total liquidity	927	1,065	1,200
Indebtedness			
Convertible loan	392	390	388
Convertible bonds	199	199	199
Other financial debt	-	-	-
Total indebtedness	592	589	587

Contents navigation

Contents

> Financial Review

Unaudited Interim
Consolidated
Financial Statements

Revenue

Revenue

(in CHF millions)	Six months ended Jun 30,		Second quarter	
	2021	2020	2021	2020
Revenue				
Product sales	-	-	-	-
Contract revenue - royalties	-	-	-	-
Contract revenue - milestones	13	58	7	53
Contract revenue - others	0	-	0	-
US GAAP revenue	14	58	7	53

Revenue of CHF 14 m consisted of CHF 13 m milestone income recognized in connection with the collaboration agreements with Neurocrine (license and research & development collaboration: CHF 2 m), Janssen (aprocitentan: CHF 5 m), Roche (research collaboration: CHF 4 m) and Mochida (daridorexant Japan: CHF 3 m) as well as CHF 0.4 m other contract revenues from J&J in connection with a revenue sharing agreement on sales of ponesimod.

In the first quarter of 2021, the research collaboration with Roche was terminated.

Operating expenses

Operating expenses

(in CHF millions)	Six months ended Jun 30,		Second quarter	
	2021	2020	2021	2020
Operating expenses				
Research	54	49	27	24
Development	121	101	56	36
Selling	32	7	21	4
General and administrative	36	26	18	14
Milestones paid	5	9	5	9
Non-GAAP operating expenses	248	193	128	86
Depreciation and amortization	8	10	4	5
Share-based compensation	9	11	5	6
Other	-	24	-	24
Other operating expenses	17	44	9	34
US GAAP operating expenses	265	236	137	120

US GAAP operating expenses of CHF 265 m comprised non-GAAP operating expenses of CHF 248 m, depreciation and amortization of CHF 8 m and share-based compensation of CHF 9 m.

Contents navigation

Contents

> Financial Review

Unaudited Interim
Consolidated
Financial Statements

Research and development (“R&D”) expenses

(in CHF millions)	Six months ended Jun 30,		Second quarter	
	2021	2020	2021	2020
R&D expenses				
Research	54	49	27	24
Development	121	101	56	36
Milestones paid	5	9	5	9
Non-GAAP R&D expenses	181	159	89	69
Depreciation and amortization	7	8	3	4
Share-based compensation	4	7	2	4
Other	-	24	-	24
US GAAP R&D expenses	192	197	94	100

Non-GAAP research expenses amounted to CHF 54 m, comprising biology (CHF 13 m), chemistry (CHF 18 m) and preclinical activities (CHF 23 m).

Non-GAAP development expenses amounted to CHF 121 m, comprising CHF 74 m for clinical activities (including CHF 46 m study costs, mainly driven by late stage studies for daridorexant, cenerimod, clazosentan, lucerastat, apocritentan), CHF 42 m for chemical and pharmaceutical development activities (including CHF 14 m for drug substance and CHF 10 m for drug product) and CHF 6 m related to inventory build up.

Milestones paid of CHF 5 m related to the clazosentan filing in Japan.

Selling, general and administrative (“SG&A”) expenses

(in CHF millions)	Six months ended Jun 30,		Second quarter	
	2021	2020	2021	2020
SG&A expenses				
Selling	32	7	21	4
General and administrative	36	26	18	14
Non-GAAP SG&A expenses	68	34	39	17
Depreciation and amortization	2	2	1	1
Share-based compensation	4	4	2	2
Other	-	-	-	-
US GAAP SG&A expenses	74	40	42	20

Non-GAAP SG&A expenses amounted to CHF 68 m, comprising CHF 32 m for commercial activities, CHF 17 m for information systems and CHF 17 m for other support functions.

Contents navigation

Contents

> Financial Review

Unaudited Interim
Consolidated
Financial Statements

Operating results

Non-GAAP and US GAAP operating results

(in CHF millions)	Six months ended Jun 30,		Second quarter	
	2021	2020	2021	2020
Operating results				
Contract revenues	14	58	7	53
Operating expenses	(248)	(193)	(128)	(86)
Non-GAAP operating income (loss)	(234)	(134)	(121)	(33)
Operating results				
Contract revenues	14	58	7	53
Operating expenses	(265)	(236)	(137)	(120)
US GAAP operating income (loss)	(252)	(178)	(130)	(67)

The CHF18 m difference between the non-GAAP and the US GAAP operating loss related to depreciation and amortization of CHF 8 m and share-based compensation of CHF 9 m.

Financial results

Financial results

(in CHF millions)	Six months ended Jun 30,		Second quarter	
	2021	2020	2021	2020
Financial results				
Interest income (expense), net	(0)	(1)	(0)	(1)
Other financial income (expense), net	14	(1)	(6)	(2)
Non-GAAP financial income (expense)	13	(2)	(6)	(2)
Accretion expense	(4)	(4)	(2)	(2)
Gain (loss) on marketable securities	(0)	(4)	(0)	2
US GAAP financial income (expense)	9	(10)	(9)	(2)

Non-GAAP financial income mainly consists of currency exchange rate gains on USD funds held to cover future USD expenses. The CHF 4 m difference between the non-GAAP and the US GAAP financial result includes the non-cash accretion expense of CHF 4 m relating to the convertible debt.

Contents navigation

Contents

> [Financial Review](#)

Unaudited Interim
Consolidated
Financial Statements

Income tax

Income tax

(in CHF millions)	Six months ended Jun 30,		Second quarter	
	2021	2020	2021	2020
Income tax				
Income tax benefit (expense)	(2)	(1)	(1)	(0)
Non-GAAP tax benefit (expense)	(2)	(1)	(1)	(0)
Other tax benefit (expense)	1	(0)	1	0
US GAAP income tax benefit (expense)	(1)	(1)	(0)	0

Both US- and non-GAAP tax expense included an increase of the valuation allowance of CHF 32 m, mainly 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)	Six months ended Jun 30,		Second quarter	
	2021	2020	2021	2020
Non-GAAP operating income (loss)	(234)	(134)	(121)	(33)
Financial income (expense)	13	(2)	(6)	(2)
Income tax benefit (expense)	(2)	(1)	(1)	(0)
Non-GAAP net income (loss)	(223)	(138)	(128)	(36)
US GAAP operating income (loss)	(252)	(178)	(130)	(67)
Financial income (expense)	9	(10)	(9)	(2)
Income tax benefit (expense)	(1)	(1)	(0)	0
US GAAP net income (loss)	(243)	(190)	(139)	(69)
Net loss attributable to noncontrolling interests	-	0	-	0
US GAAP net income (loss) attributable to Idorsia's shareholders	(243)	(189)	(139)	(69)

The CHF 20 m difference between the non-GAAP and the US GAAP net loss was mainly due to depreciation and amortization of CHF 8 m, share-based compensation of CHF 9 m and the financial accretion expense of CHF 4 m relating to the convertible debt.

Contents navigation

Contents

> Financial Review

Unaudited Interim
Consolidated
Financial Statements

Shares

(in millions)	Issued	Potentially dilutive equity instruments		Total potential issued shares
		Derivatives	Awards	
Dec 31, 2020	166.5	44.6	7.9	219.0
Issuance	0.1	-	1.7	1.7
Vested	0.2	-	(0.2)	-
Exercised	0.5	-	(0.5)	-
Forfeitures	-	-	(0.0)	(0.0)
Jun 30, 2021	167.3	44.6	8.8	220.7

Equity derivatives of 44.6 million as at June 30, 2021 included 38.7 million potential shares from the Cilag convertible loan and 5.9 million potential shares from the convertible bonds.

Equity awards of 8.8 million as at June 30, 2021 consisted of 7.6 million share options with a weighted average strike price of 20.76 granted to eligible employees and non-executive directors of the Board and 1.2 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	
	2021	2020	2021	2020
Non-GAAP net income (loss)	(223)	(138)	(128)	(36)
Weighted-average number of basic shares (in millions)	166.9	133.8	167.1	136.4
Non-GAAP basic EPS (in CHF)	(1.34)	(1.03)	(0.77)	(0.26)
Weighted-average number of dilutive shares (in millions)	166.9	133.8	167.1	136.4
Non-GAAP diluted EPS (in CHF)	(1.34)	(1.03)	(0.77)	(0.26)
US GAAP net income (loss)	(243)	(189)	(139)	(69)
Weighted-average number of basic shares (in millions)	166.9	133.8	167.1	136.4
US GAAP basic EPS (in CHF)	(1.46)	(1.41)	(0.83)	(0.51)
Weighted-average number of dilutive shares (in millions)	166.9	133.8	167.1	136.4
US GAAP diluted EPS (in CHF)	(1.46)	(1.41)	(0.83)	(0.51)

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

Contents navigation

Contents

> Financial Review

Unaudited Interim
Consolidated
Financial Statements

Cash flow and liquidity

Operating cash flow

(in CHF millions)	Six months ended Jun 30,		Second quarter	
	2021	2020	2021	2020
Operating cash flow				
US GAAP net income (loss)	(243)	(190)	(139)	(69)
Deferred contract revenue and accrued income	(5)	1	(7)	(3)
Deferred taxes	(1)	0	(1)	(1)
Depreciation and amortization	8	10	4	5
Accretion of convertible debt	4	4	2	2
Share-based compensation	9	11	5	6
Other non cash items	0	4	0	(2)
Funds from operations	(228)	(160)	(135)	(62)
Net change in receivables	(1)	(4)	(2)	(4)
Net change in trade and other payables	(1)	(1)	(0)	(1)
Net change in other operating assets and liabilities	(45)	16	11	23
Change in working capital	(48)	10	9	18
Operating cash flow	(276)	(150)	(126)	(44)

Operating cash flow for the first half of 2021 was negative at CHF 276 m due to operational expenses as well as negative working capital changes.

The net cash outflows for operations of CHF 228 m are mainly driven by the non-GAAP operating expenses of CHF 248 m, cash inflow of CHF 8 m from milestones received as well as financial income of CHF 13 m.

Negative changes in working capital of CHF 48 m are primarily related to increase in prepayments of CHF 8 m, decreases in accruals and other liabilities of CHF 23 m as well as currency gains on deposits of CHF 11 m. Changes from inventory build are not included in working capital changes since inventory build is charged to the income statement until product approval.

Cash flow

(in CHF millions)	Six months ended Jun 30,		Second quarter	
	2021	2020	2021	2020
Cash flow				
Operating cash flow	(276)	(150)	(126)	(44)
Acquisition of tangible, intangible and other assets	(17)	(4)	(15)	(2)
Free cash flow	(293)	(153)	(140)	(46)
Cash raise	(0)	323	(0)	323
Other items	20	(0)	2	(0)
Cash flow¹	(273)	169	(138)	277

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

Free cash flow is reconciled with liquidity of CHF 927 m at June 30, 2021. Liquidity in the first half of 2021 decreased by CHF 273 m mainly driven by a negative operating cash flow of CHF 276 m.

Liquidity

(in CHF millions)	Liquidity
Liquidity Dec 31, 2020	1,200
Liquidity movements Q1	(135)
Liquidity Mar 31, 2021	1,065
Liquidity movements Q2	(138)
Liquidity Jun 30, 2021	927

As of June 30, 2021, liquidity consisted of cash and cash equivalents of CHF 164 m and short-term deposits of CHF 763 m.

Liquidity of CHF 927 m at June 30, 2021 was mainly held in Swiss francs (CHF 681 m) and in US dollars (equivalent of CHF 237 m).

Contents navigation

Contents

> Financial Review

Unaudited Interim
Consolidated
Financial Statements

Balance sheet

Balance sheet

(in CHF millions)	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020
Assets			
Liquidity ¹	927	1,065	1,200
Tangible assets	200	192	196
Other assets	60	41	39
Total assets	1,187	1,298	1,435
Liabilities and equity			
Financial debt	592	589	587
Deferred revenue	28	33	31
Other liabilities	205	186	232
Total liabilities	825	809	850
Total equity	361	489	585
Total liabilities and equity	1,187	1,298	1,435

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

Tangible assets (CHF 200 m) mainly consisted of real-estate, R&D equipment and right-of-use assets.

Other assets (CHF 60 m) comprised prepayments of CHF 21 m, receivables of CHF 15 m, marketable securities of CHF 5 m (long-term CHF 3 m, short-term CHF 2 m) and other assets of CHF 18 m.

Financial debt (CHF 592 m) comprised the debt component (CHF 392 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 28 m) related to the collaborations with Janssen (CHF 13 m), Mochida (CHF 11 m) and Neurocrine Biosciences (CHF 4 m).

Other liabilities (CHF 205 m) included current and noncurrent liabilities of CHF 99 m and CHF 106 m respectively. Current liabilities mainly comprised accrued expenses of CHF 79 m, payables of CHF 11 m and a short-term lease liability of CHF 8 m. Noncurrent liabilities mainly comprised a lease liability of CHF 38 m, pension obligations of CHF 56 m, deferred tax liabilities of CHF 4 m and other noncurrent liabilities of CHF 7 m.

Contents navigation

Contents

> Financial Review

Unaudited Interim
Consolidated
Financial Statements

Reconciliation of US GAAP to non-GAAP results

Reconciliation of US GAAP to non-GAAP results for the six months ended June 30, 2021

(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	13	-	-	-	13
Contract revenue – others	0	-	-	-	0
Total net revenue	14	-	-	-	14
Operating expenses					
Cost of sales	-	-	-	-	-
Research and development	(192)	7	4	-	(181)
Selling, general and administrative	(73)	1	4	-	(68)
Amortization of intangible assets	(0)	0	-	-	-
Total operating expenses	(265)	8	9	-	(248)
Operating results	(252)	8	9	-	(234)
Total financial income (expense)	9	-	-	4	13
Income before income tax benefit (expense)	(243)	8	9	4	(221)
Income tax benefit (expense)	(1)	(0)	(0)	(1)	(2)
Noncontrolling interest	-	-	-	-	-
Net income (loss)	(243)	8	8	4	(223)
Basic net income (loss) per share (CHF)	(1.46)	0.05	0.05	0.02	(1.34)
Weighted-average number of basic shares (in millions)	166.9	-	-	-	166.9
Diluted net income (loss) per share (CHF)	(1.46)	0.05	0.05	0.02	(1.34)
Weighted-average number of dilutive shares (in millions)	166.9	-	-	-	166.9

Contents navigation

Contents

> [Financial Review](#)

Unaudited Interim
Consolidated
Financial Statements

Reconciliation of US GAAP to non-GAAP results for the second quarter 2021

(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	7	-	-	-	7
Contract revenue – others	0	-	-	-	0
Total net revenue	7	-	-	-	7
Operating expenses					
Cost of sales	-	-	-	-	-
Research and development	(94)	3	2	-	(89)
Selling, general and administrative	(42)	1	2	-	(39)
Amortization of intangible assets	(0)	0	-	-	-
Total operating expenses	(137)	4	5	-	(128)
Operating results	(130)	4	5	-	(121)
Total financial income (expense)	(9)	-	-	3	(6)
Income before income tax benefit (expense)	(139)	4	5	3	(127)
Income tax benefit (expense)	(0)	(0)	(0)	(0)	(1)
Noncontrolling interest	-	-	-	-	-
Net income (loss)	(139)	4	5	2	(128)
Basic net income (loss) per share (CHF)	(0.83)	0.02	0.03	0.01	(0.77)
Weighted-average number of basic shares (in millions)	167.1	-	-	-	167.1
Diluted net income (loss) per share (CHF)	(0.83)	0.02	0.03	0.01	(0.77)
Weighted-average number of dilutive shares (in millions)	167.1	-	-	-	167.1

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.

Contents navigation

Contents

> [Financial Review](#)

Unaudited Interim
Consolidated
Financial Statements

Unaudited Interim Consolidated Financial Statements



Interim Consolidated Income Statement

	Notes	Six months ended June 30,	
		2021	2020
(in CHF thousands, except per share amounts)			
		(unaudited)	(unaudited)
Net revenue			
Product sales		-	-
Contract revenue	4	13,831	58,162
Total net revenue		13,831	58,162
Operating (expenses)¹			
Research and development		(191,762)	(196,677)
Selling, general and administrative		(73,213)	(39,039)
Amortization of intangible assets		(400)	(629)
Total operating (expenses)		(265,375)	(236,345)
Operating income (loss)		(251,544)	(178,183)
Interest income (expense), net		(458)	(741)
Accretion of convertible debt	8	(4,194)	(4,131)
Other financial income (expense), net		13,664	(5,268)
Total financial income (expense)		9,012	(10,140)
Income (loss) before income tax benefit (expense)		(242,531)	(188,323)
Income tax benefit (expense)		(832)	(1,353)
Net income (loss)		(243,364)	(189,676)
Less: Net (gain) loss attributable to the noncontrolling interests	2	-	328
Net income (loss) attributable to Idorsia's shareholders		(243,364)	(189,348)
Basic net income (loss) per share attributable to Idorsia's shareholders	5	(1.46)	(1.41)
Weighted-average number of common shares (in thousands)		166,855	133,838
Diluted net income (loss) per share attributable to Idorsia's shareholders	5	(1.46)	(1.41)
Weighted-average number of common shares (in thousands)		166,855	133,838

¹Includes share-based compensation as follows:

Research and development	4,326	6,620
Selling, general and administrative	4,323	4,045
Total share-based compensation	8,649	10,665

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

Contents navigation

Contents

Financial Review

> **Unaudited Interim Consolidated Financial Statements**

Interim Consolidated Statement of Comprehensive Income

(in CHF thousands)	Six months ended June 30,	
	2021	2020
	(unaudited)	(unaudited)
Net income (loss)	(243,364)	(189,676)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	56	(151)
Change of unrecognized components of net periodic benefit costs	161	(105)
Other comprehensive income (loss), net of tax	216	(256)
Comprehensive income (loss)	(243,147)	(189,932)
Less: Comprehensive (gain) loss attributable to noncontrolling interests	-	328
Comprehensive income (loss) attributable to Idorsia's shareholders	(243,147)	(189,604)

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

Contents navigation

Contents

Financial Review

> **Unaudited Interim Consolidated Financial Statements**

Interim Consolidated Balance Sheet (1/2)

	Notes	Jun 30, 2021 (unaudited)	Dec 31, 2020 (audited)
(in CHF thousands, except number of shares)			
ASSETS			
Current assets			
Cash and cash equivalents	6/7	163,532	140,810
Short-term deposits	7	763,265	867,255
Receivables from related parties	15	5,593	4,568
Other current assets		33,309	21,995
Total current assets		965,699	1,034,627
Noncurrent assets			
Long-term deposits	7	-	191,620
Marketable securities	7	2,703	2,854
Property, plant and equipment, net		150,101	142,714
Right-of-use assets		50,072	53,510
Intangible assets, net		3,233	583
Other noncurrent assets		14,741	9,458
Total noncurrent assets		220,849	400,738
TOTAL ASSETS		1,186,548	1,435,365
LIABILITIES			
Current liabilities			
Trade and other payables		11,340	11,117
Payables and accrued payables to related parties	15	104	122
Deferred revenue	4	19,666	17,397
Lease liability		8,470	7,524
Accrued expenses		79,349	91,306
Total current liabilities		118,928	127,467
Noncurrent liabilities			
Convertible loan	8	392,402	388,348
Convertible bonds	8	199,144	199,004
Deferred revenue	4	8,761	13,312
Lease liability		38,481	43,113
Pension liability	9	56,250	66,426
Deferred tax liability		4,033	4,765
Other noncurrent liabilities		7,470	7,446
Total noncurrent liabilities		706,540	722,415
Total liabilities		825,469	849,882

Contents navigation

Contents

Financial Review

> **Unaudited Interim Consolidated Financial Statements**

Interim Consolidated Balance Sheet (2/2)

(in CHF thousands, except number of shares)	Notes	Jun 30, 2021 (unaudited)	Dec 31, 2020 (audited)
EQUITY			
Idorsia's shareholders' equity			
Common shares (par value CHF 0.05 per share, issued and outstanding 167,294,971 and 166,482,328 in 2021 and 2020 respectively; total number of authorized shares, including issued, authorized and conditional, 295,041,430 and 261,241,430 in 2021 and 2020 respectively)	10	8,365	8,324
Additional paid-in capital		1,981,443	1,962,739
Accumulated profit (loss)		(1,590,848)	(1,347,484)
Accumulated other comprehensive income (loss)	11	(37,880)	(38,096)
Total Idorsia's shareholders' equity		361,080	585,483
Equity attributable to noncontrolling interests	2	-	-
Total equity		361,080	585,483
TOTAL LIABILITIES AND EQUITY		1,186,548	1,435,365

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

Contents navigation

Contents

Financial Review

> **Unaudited Interim
Consolidated
Financial Statements**

Interim Consolidated Statement of Cash Flows

(in CHF thousands)	Six months ended June 30,	
	2021	2020
	(unaudited)	(unaudited)
Cash flow from operating activities		
Net income (loss)	(243,364)	(189,676)
Adjustments to reconcile net income (loss) to net cash provided from operating activities:		
Depreciation and amortization	8,427	9,641
Share-based compensation	8,649	10,665
Accretion of convertible debt	4,194	4,131
Fair value changes on marketable securities	255	3,800
Deferred revenue and accrued income	(5,381)	1,154
Deferred taxes	(920)	420
Changes in operating assets and liabilities:		
Other receivables	(1,329)	(3,954)
Trade and other payables	(877)	(1,417)
Accrued expenses	(12,878)	(4,504)
Provisions	-	23,644
Changes in other operating cash flow items	(32,557)	(3,595)
Net cash flow provided by (used in) operating activities	(275,781)	(149,690)
Cash flow from investing activities		
Purchase of short-term deposits	(97,461)	(169,000)
Proceeds from short-term deposits	404,114	297,558
Purchase of long-term deposits	-	(180,000)
Purchase of noncontrolling interests	-	(1,536)
Purchase of property, plant and equipment	(14,800)	(3,792)
Purchase of intangible assets	(2,324)	(5)
Net cash flow provided by (used in) investing activities	289,528	(56,775)
Cash flow from financing activities		
Issuance of new shares, net	(14)	323,128
Proceeds from exercise of share options	8,855	1,330
Net cash flow provided by (used in) financing activities	8,841	324,458
Net effect of exchange rates on cash and cash equivalents	134	(94)
Net change in cash and cash equivalents	22,722	117,899
Cash and cash equivalents at beginning of period	140,810	263,007
Cash and cash equivalents at end of period	163,532	380,906

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

Contents navigation

Contents

Financial Review

[➤ Unaudited Interim Consolidated Financial Statements](#)

Interim Consolidated Statement of Changes in Equity

	Idorsia's shareholders					Noncontrolling interests	Total equity
	Common shares		Additional paid-in capital	Accum. profit (loss)	Accum. other comprehensive income (loss)	Equity attrib. to noncontrolling interests	
	Shares	Amount					
(in CHF thousands, except number of shares)							
At January 1, 2020	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	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
Comprehensive income (loss):							
Net income (loss)				(255,443)		-	(255,443)
Other comprehensive income (loss)					(14,314)		(14,314)
Comprehensive income (loss)							(269,758)
Exercise of share options	297,284	15	5,256				5,271
Share-based compensation expense	15,838	1	7,336				7,337
Issuance of new shares	23,800,000	1,190	521,207				522,397
Acquisition of noncontrolling interests			-	-		-	-
At December 31, 2020 (audited)	166,482,328	8,324	1,962,739	(1,347,485)	(38,096)	-	585,483
Comprehensive income (loss):							
Net income (loss)				(243,364)		-	(243,364)
Other comprehensive income (loss)					216		216
Comprehensive income (loss)							(243,147)
Exercise of share options	499,431	25	8,830				8,855
Share-based compensation expense	313,212	16	9,888				9,903
Issuance of new shares	-	-	(14)				(14)
At June 30, 2021 (unaudited)	167,294,971	8,365	1,981,443	(1,590,848)	(37,880)	-	361,080

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

Contents navigation

Contents

Financial Review

> [Unaudited Interim Consolidated Financial Statements](#)

Notes to the Interim 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, 2020. 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 2016-13, *Measurement of Credit Losses on Financial Instruments*. The adoption of ASU 2016-13 did not have a material impact on the Group’s financial position or results of operations.

The Group adopted the requirements of ASU 2019-12, *Income Taxes – Simplifying the Accounting for Income Taxes*. The adoption of ASU 2019-12 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.

Contents navigation

Contents

Financial Review

➤ **Unaudited Interim Consolidated Financial Statements**

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 2020-06, Accounting for Convertible Instruments and Contracts in an Entity's Own Equity

In August 2020, the FASB issued ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. Under the amendments in this update, the embedded conversion features are no longer separated from the host contract for convertible instruments with conversion features that are not required to be accounted for as derivatives under Topic 815, Derivatives and Hedging, or that do not result in substantial premiums accounted for as paid-in capital. In addition, disclosure amendments for convertible instruments are implemented. ASU 2020-06 is effective for the Group for fiscal years beginning after December 15, 2023. Early adoption is permitted for fiscal years beginning after December 15, 2020. The guidance can be adopted through either a modified retrospective method of transition or a fully retrospective method of transition. The Group is currently evaluating the impact on its financial position, results of operations and cash flows upon adoption.

Contents navigation

Contents

Financial Review

> **Unaudited Interim
Consolidated
Financial Statements**

Note 2. Acquisition of noncontrolling interests

Vaxxilon

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 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 managements estimate of the probability of reaching such milestones and remains unchanged as of June 30, 2021.

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, 2020	172,444	(8,098)	164,347
Net income (loss) of the Group	(443,876)	-	(443,876)
Net income(loss) from noncontrolling interests	(915)	(328)	(1,244)
Change from net income (loss)	(444,791)	(328)	(445,120)
Other change in equity ¹	866,253	-	866,253
Increase in Ownership	(8,426)	8,426	-
At December 31, 2020	585,483	-	585,483
Net income (loss) of the Group	(243,364)	-	(243,364)
Net income(loss) from noncontrolling interests	-	-	-
Change from net income (loss)	(243,364)	-	(243,364)
Other change in equity ¹	18,961	-	18,961
At June 30, 2021	361,080	-	361,080

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

Contents navigation

Contents

Financial Review

> **Unaudited Interim Consolidated Financial Statements**

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 87 m (CHF 16 m at filing, CHF 51 m at approval and CHF 20 m sales milestones). Roche is also entitled to high-single-digit royalties.

The Group paid a milestone of CHF 5 m in 2021 related to the clazosentan filing in Japan.

Out-licensing agreements

Neuro Pharma LLC (“Neuro”)

As part of the Demerger, the Group 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.

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 apocitinan (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 (initially ending in 2021, before a reassessment in 2020), with CHF 5 m being recognized in the first half of 2021. The deferred revenue will be recognized as follows: CHF 5 m in the second half of 2021 and CHF 8 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.

Contents navigation

Contents

Financial Review

> **Unaudited Interim
Consolidated
Financial Statements**

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 2021, the Group recognized net CHF 9.7 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

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 based product in the US and Germany during the second quarter 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 0.4 m as contract revenue in the first half of 2021 from this revenue sharing agreement.

Santhera Pharmaceuticals (Switzerland) Ltd ("Santhera")

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

In connection with these transactions, Idorsia owns 1,700,000 shares in Santhera, of which 1,000,000 shares are subject to a lock-up provision (see Note 7. Financial Assets and Liabilities) and an exchangeable note in the amount of CHF 10 m. The exchangeable note does not bear interest and Santhera can repay the exchangeable note with a minimum of 35% in cash and up to 65% of Santhera shares in the third quarter of 2021. Idorsia would also be entitled to contingent considerations based on the achievement of development and sales milestones up to USD 85 m, as well as low single-digit revenue share on net sales of vamorolone.

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 had 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 was recognized on a straight-line basis beginning January 2018 until December 2020.

In the first half of 2021, the research collaboration was terminated, resulting in CHF 2.7 m recognized in the first half of 2021. In addition, the Group has received a pre-option maintenance fee of CHF 2 m in July 2020 of which CHF 1 m was recognized as contract revenue in the first half of 2021.

Contents navigation

Contents

Financial Review

➤ **Unaudited Interim Consolidated Financial Statements**

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) in 2020 and a second milestone payment of JPY 1 bn (CHF 8 m) in 2021. The Group will be eligible to receive additional development, regulatory and commercial milestones of up to JPY 8.5 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 August 2023 (initially ending in June 2022, before a reassessment in 2020), with CHF 1 m being recognized in the first half of 2021. The deferred revenue will be recognized as follows: CHF 1 m in the second half of 2021, CHF 2 m in 2022 as well as CHF 1 m in 2023. The second milestone payment was recorded as deferred contract revenue and is being recognized on a straight-line basis beginning January 2021 until August 2023, with CHF 2 m being recognized in the first half of 2021. The deferred revenue will be recognized as follows: CHF 2 m in the second half of 2021, CHF 3 m in 2022 as well as CHF 2 m in 2023. The Group will also be entitled to sales milestones and variable considerations based on net sales achieved by Mochida.

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 2021, the Group recognized net CHF 5.1 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. In 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 2020 and CHF 7 m were initially recorded as deferred revenue. The deferred contract revenue is being recognized on a straight-line basis beginning July 2020 until June 2022, with CHF 2 m being recognized in the first half of 2021. In the first half of 2021, the Group recognized net CHF 0.3 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.

Contents navigation

Contents

Financial Review

➤ **Unaudited Interim Consolidated Financial Statements**

Note 5. Earnings per share

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

	2021		2020	
	Basic	Diluted	Basic	Diluted
Numerator				
Net income (loss) attributable to Idorsia's shareholders	(243,364)	(243,364)	(189,348)	(189,348)
Net income (loss) available for EPS calculation	(243,364)	(243,364)	(189,348)	(189,348)
Denominator				
Weighted-average number of common shares	166,855,335	166,855,335	133,837,776	133,837,776
Total average equivalent shares	166,855,335	166,855,335	133,837,776	133,837,776
Earnings (loss) per share attributable to Idorsia's shareholders	(1.46)	(1.46)	(1.41)	(1.41)

For the six months ended June 30, 2021, 53,536,443 shares that would have had an antidilutive effect were excluded from the diluted EPS calculation (June 30, 2020: 52,660,325 shares).

Note 6. Cash and cash equivalents

Cash and cash equivalents consisted of the following at:

	June 30, 2021	December 31, 2020
Cash	98,532	90,810
Cash equivalents	65,000	50,000
Total	163,532	140,810

Contents navigation

Contents

Financial Review

> **Unaudited Interim Consolidated Financial Statements**

Note 7. Financial assets and liabilities

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

	June 30, 2021			December 31, 2020		
	Total	Level 1	Level 2	Total	Level 1	Level 2
Financial assets carried at fair value						
Cash and cash equivalents	163,532	163,532	-	140,810	140,810	-
Short-term marketable securities ¹	1,855	1,855	-	1,960	1,960	-
Long-term marketable securities	2,703	2,703	-	2,854	2,854	-
Total	168,090	168,090	-	145,623	145,623	-

¹ Included in other current assets.

As of June 30, 2021, short-term deposits of CHF 763 m (December 31, 2020: CHF 1,059 m consisting of short- and long-term deposits) 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 are subject to a lock-up undertaking, expiring the earlier of (i) Santhera receiving marketing authorization for vamorolone in Duchenne muscular dystrophy in the US or (ii) 2 years after Santhera opted into the license. 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.

In September 2020, Idorsia assigned the collaboration agreement with ReveraGen to Santhera, whereby Santhera replaced Idorsia 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 million). The Group holds these shares as short-term marketable securities.

The Group currently owns a total of 1,700,000 shares in Santhera Holding, representing 5.9% of the ordinary share capital of Santhera Holding as of June 30, 2021

Contents navigation

Contents

Financial Review

> **Unaudited Interim
Consolidated
Financial Statements**

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, 2021	December 31, 2020
Long-term financial debt	591,546	587,352
Total	591,546	587,352

Interest income (expense), net for the six months ended June 30, 2021, includes interest expense of CHF 0.8 m (June 30, 2020: CHF 0.8 m) related to accrued interest, which is paid to the bondholders on a yearly basis and other interest expenses of CHF 0.01 m (June 30, 2020: CHF 0.1 m). Interest income for the six months ended June 30, 2021 amounts to CHF 0.3 m (June 30, 2020: CHF 0.1 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 translation gain included in other financial income (expense), net, in the first half of 2021 amounts to CHF 12.4 m (June 30, 2020: foreign currency translation loss CHF 2.9 m).

For the six months ended June 30, 2021, the Group recorded an unrealized loss on marketable securities of CHF 0.3 m (June 30, 2020: CHF 3.8 m) and a gain on other components of net periodic pension cost of CHF 1.7 m (June 30, 2020: CHF 1.5 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. These shares were sold by Cilag in a secondary offering on July 8, 2020.

The remaining amount of CHF 445 m outstanding as of June 30, 2021, may be converted into 38,715,114 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, 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.

Contents navigation

Contents

Financial Review

> **Unaudited Interim
Consolidated
Financial Statements**

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 hold an equity stake of 16% as of June 30, 2021.

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, 2021, is CHF 392 m (December 31, 2020: CHF 388 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, 2021, the Group recognized an accretion expense of CHF 4 m (First half of 2020: 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, 2021, are as follows:

	Type of payment	Amount
Payable on July 17,		
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, 2021, the fair market value of the bonds amounted to 103.60% 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, 2021, the total book value of the bonds was CHF 199.1 m (December 31, 2020: CHF 199.0 m). For the six months ended June 30, 2021, the Group recognized CHF 0.8 m interest cost (2020: CHF 0.8 m) and CHF 0.1 m (2020: CHF 0.1 m) related to the amortization of debt issuance costs.

Credit facilities

On June 30, 2021, 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.

Contents navigation

Contents

Financial Review

> **Unaudited Interim Consolidated Financial Statements**

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 860,400. 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,	
	2021	2020
Service cost	7,283	6,903
Interest cost	346	468
Expected return on plan assets	(2,085)	(1,935)
Prior year service costs (benefit)	(380)	(105)
Amortization of net actuarial (gain) loss	541	-
Net periodic benefit cost	5,705	5,331

Contents navigation

Contents

Financial Review

> **Unaudited Interim
Consolidated
Financial Statements**

Note 10. Share capital

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

(all numbers in thousands)	Shares ¹			Total
	Issued	Authorized	Conditional	
As of January 1, 2020	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	69	-	(69)	-
Exercise of share options	372	-	(372)	-
Issuance of new registered shares	34,800	(34,800)	-	-
At December 31, 2020	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	313	-	(313)	-
Exercise of share options	499	-	(499)	-
At June 30, 2021	167,295	64,000	63,746	295,041

¹Fully 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.

On October 22, 2020, the Group issued 23,800,000 new shares from its existing authorized share capital, receiving gross proceeds of CHF 535 m through an at-market rights offering.

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.

Contents navigation

Contents

Financial Review

> **Unaudited Interim Consolidated Financial Statements**

Note 11. Accumulated other comprehensive income (loss)

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

	Accumulated OCI (loss), net of tax			Jun 30, 2021
	Jan 1, 2021	Changes arising during period	Attr. to non- controlling interests	
Foreign currency translation adjustments ¹	(751)	56	-	(695)
Actuarial gains (losses) ²	(37,346)	161	-	(37,186)
Total accumulated OCI (loss)	(38,096)	216	-	(37,880)

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

²Actuarial 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 5 m for which a full valuation allowance has been recorded.

	Accumulated OCI (loss), net of tax			Jun 30, 2020
	Jan 1, 2020	Changes arising during period	Attr. to non- controlling interests	
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)

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

²Actuarial 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.

Contents navigation

Contents

Financial Review

> **Unaudited Interim
Consolidated
Financial Statements**

Note 12. Commitments, contingent liabilities and guarantees

Commitments

The Group has entered into capital commitments of CHF 3.6 m related to the maintenance of the Group's own facilities, which are expected to be paid within the next twelve months.

Contingent liabilities

In 2018, the assignee of 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 (the "Claim") plus statutory interest for late payment.

On February 1, 2021, Idorsia was notified in a final award by the arbitral tribunal that the Claim had been dismissed.

Furthermore, according to the Demerger Agreement, Idorsia has an obligation to fully indemnify Actelion for any milestones that become due under the Axovan SPA (See Note 3. "Licensing agreements").

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 one financial institution, amounting in total to CHF 40.0 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 0.8 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, 2021, were primarily invested with four financial institutions with an S&P rating of AA- to A, and on December 31, 2020, 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, 2021			
Contract revenue	13,831	-	13,831
Property, plant and equipment	148,124	1,977	150,101
June 30, 2020			
Contract revenue	58,162	-	58,162
December 31, 2020			
Property, plant and equipment	140,521	2,193	142,714

Contents navigation

Contents

Financial Review

> **Unaudited Interim Consolidated Financial Statements**

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, 2021 the Group has a convertible loan from Cilag in the nominal amount of CHF 445 m (noncurrent liability of CHF 392 m and a remaining loan discount of CHF 52 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 19% of the total share capital of the Group on a diluted basis (see Note 8. Borrowings).
- In the first half of 2021, 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 apocritentan (see Note 4. Collaborative agreements).
- Actelion is liable to pay 8% of the aggregate annual net sales of products containing ponesimod. In the first half of 2021, the Group recorded a revenue share amounting to CHF 0.4 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 the first half of 2021, the Group received services from J&J and its affiliates of CHF 1 m and provided services of CHF 10 m. As of June 30, 2021, the Group had receivables and accrued income of CHF 6 m and no material payables and accruals with J&J and its affiliates.

During the prior reporting period, 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 up to May 2020. Since June 2020 Charles River Laboratories is no longer a related party.

During the prior reporting period 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 up to May 2020. Since June 2020 Catalent Inc. is no longer a related party.

The Group entered into a service contract with Owkin Inc. under which research & development services were rendered amounting to CHF 0.3 m. One executive Board member owns 7% of the shares in Owkin Inc. and is the father of its CEO. As of June 30, 2021, the Group had no material payables and accruals with Owkin Inc.

The Group holds 1.7 m shares in Santhera Pharmaceuticals Holding Ltd which represents an ownership of 5.9% as of June 30, 2021. Under the option and sublicense agreement and service agreement with Santhera, during their period ended June 30, 2021, the Group provided services of CHF 0.02m. As of June 30, 2021, the Group had no material receivables and accrued income with Santhera (see Note 4. Collaborative agreements).

During the six months ended June 30, 2021, the Group did not enter into any additional material related party transactions.

Note 16. Subsequent events

The Group has evaluated subsequent events through July 26, 2021, 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.

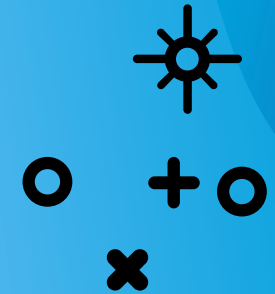
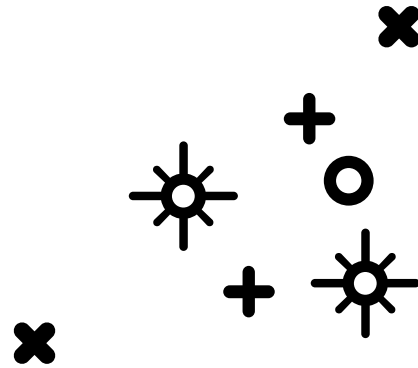
Contents navigation

Contents

Financial Review

> **Unaudited Interim
Consolidated
Financial Statements**

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