Financial Report

20
HALF YEAR
19

idorsia

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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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 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, 2019 US GAAP	Six months ended Jun 30, 2019 Non-GAAP	Second quarter 2019 US GAAP	Second quarter 2019 Non-GAAP
Net revenue				
Product sales	-	-	-	-
Contract revenue – royalties	-	-	-	-
Contract revenue – milestones	13	13	7	7
Contract revenue – others	-	-	-	-
Operating expenses				
Research and development	(220)	(207)	(110)	(103)
Selling, general and administrative	(33)	(28)	(17)	(14)
Milestones paid	-	-	-	-
Net results				
Operating income (loss)	(239)	(221)	(121)	(111)
Net income (loss)	(232)	(222)	(126)	(115)
Basic EPS	(1.77)	(1.69)	(0.96)	(0.87)
Diluted EPS	(1.77)	(1.69)	(0.96)	(0.87)

Cash flow

(in CHF millions)	Six months ended Jun 30, 2019	Second quarter 2019
Cash flow		
Operating free cash flow	(218)	(107)
Cash raise	-	-
Free cash flow	(218)	(107)

Shares

(in millions)	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018
Share count			
Issued common shares	131.2	131.1	131.1
Equity derivatives	44.6	44.6	44.6
Equity instruments	7.1	7.2	5.8
Total potential issued shares	**183.0**	**182.9**	**181.5**

Liquidity and indebtedness

(in CHF millions)	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018
Liquidity			
Cash and cash equivalents	467	718	799
Short-term deposits	219	94	123
Long-term deposits	318	300	298
Total liquidity	**1,004**	**1,111**	**1,220**
Indebtedness			
Convertible loan	376	374	372
Convertible bonds	199	199	198
Other financial debt	-	-	-
Total indebtedness	**575**	**573**	**571**

Revenue

Revenue

(in CHF millions)	Six months ended Jun 30, 2019	2018	Second quarter 2019	2018
Revenue				
Product sales	-	-	-	-
Contract revenue - royalties	-	-	-	-
Contract revenue - milestones	13	13	7	7
Contract revenue - others	-	-	-	-
US GAAP revenue	**13**	**13**	**7**	**7**

Revenue of CHF 13 m comprised of deferred contract revenue in connection with the collaboration agreements with Janssen (aprocitentan: CHF 10.6 m) and Roche (research collaboration: CHF 2.5 m).

Operating expenses

Operating expenses

(in CHF millions)	Six months ended Jun 30, 2019	2018	Second quarter 2019	2018
Operating expenses				
Research	56	54	28	21
Development	151	73	75	45
Selling, general and administrative	28	25	14	14
Milestones paid	-	-	-	-
Non-GAAP operating expenses	**234**	**153**	**118**	**79**
Depreciation and amortization	10	9	5	5
Share-based compensation	8	7	5	3
Other	-	-	-	-
Other operating expenses	**18**	**16**	**10**	**8**
US GAAP operating expenses	**252**	**168**	**127**	**87**

US GAAP operating expenses of CHF 252 m comprised of non-GAAP operating expenses of CHF 234 m, depreciation and amortization of CHF 10 m and share-based compensation of CHF 8 m.

Research and development ("R&D") expenses

(in CHF millions)	Six months ended Jun 30, 2019	2018	Second quarter 2019	2018
R&D expenses				
Research	56	54	28	21
Development	151	73	75	45
Milestones paid	-	-	-	-
Non-GAAP R&D expenses	**207**	**127**	**103**	**66**
Depreciation and amortization	8	8	4	4
Share-based compensation	5	4	3	2
Other	-	-	-	-
US GAAP R&D expenses	**220**	**139**	**110**	**72**

Non-GAAP research expenses amounted to CHF 56 m for biology (CHF 13 m), chemistry (CHF 19 m) and preclinical activities (CHF 24 m).

Non-GAAP development expenses amounted to CHF 151 m, comprised of CHF 108 m for clinical activities (including CHF 84 m study costs, mainly driven by Phase 3 studies for daridorexant (INN for ACT-541468), aprocitentan, clazosentan and lucerastat), CHF 43 m for pharmaceutical development activities (including CHF 25 m for drug substance and CHF 5 m for drug product).

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

(in CHF millions)	Six months ended Jun 30, 2019	2018	Second quarter 2019	2018
Non-GAAP SG&A expenses	**28**	**25**	**14**	**14**
Depreciation and amortization	2	1	1	1
Share-based compensation	3	3	2	1
Other	-	-	-	-
US GAAP SG&A expenses	**33**	**29**	**17**	**15**

Non-GAAP SG&A expenses amounted to CHF 28 m, comprised of CHF 11 m for Global Information Systems, CHF 6 m for commercial activities and CHF 12 m for other support functions.

Operating results

Non-GAAP and US GAAP operating results

(in CHF millions)	Six months ended Jun 30, 2019	2018	Second quarter 2019	2018
Operating results				
Contract revenues	13	13	7	7
Operating expenses	(234)	(153)	(118)	(79)
Non-GAAP operating income (loss)	**(221)**	**(139)**	**(111)**	**(73)**
Operating results				
Contract revenues	13	13	7	7
Operating expenses	(252)	(168)	(127)	(87)
US GAAP operating income (loss)	**(239)**	**(155)**	**(121)**	**(81)**

The CHF 18 m difference between the non-GAAP and the US GAAP operating loss related to depreciation and amortization of CHF 10 m and share-based compensation of CHF 8 m.

Financial results

Financial results

(in CHF millions)	Six months ended Jun 30, 2019	2018	Second quarter 2019	2018
Financial results				
Interest income (expense), net	(0)	(1)	(0)	(0)
Other financial income (expense), net	1	1	(3)	2
Non-GAAP financial income (expense)	**0**	**(0)**	**(3)**	**2**
Accretion expense	(4)	(4)	(2)	(2)
Gain (loss) on marketable securities	12	-	1	-
US GAAP financial income (expense)	**8**	**(4)**	**(4)**	**0**

US GAAP financial income comprised of non-GAAP financial income of CHF 0.4 m, the non-cash accretion expense of CHF 4 m relating to the convertible debt and an unrealized gain of CHF 12 m on marketable securities (Santhera shares).

Income tax

Income tax

(in CHF millions)	Six months ended Jun 30, 2019	2018	Second quarter 2019	2018
Income tax				
Income tax benefit (expense)	(1)	0	(0)	0
Non-GAAP tax benefit (expense)	**(1)**	**0**	**(0)**	**0**
Other tax benefit (expense)	(0)	(0)	(1)	0
US GAAP income tax benefit (expense)	**(1)**	**(0)**	**(1)**	**0**

Non-GAAP tax expense included a valuation allowance against the deferred tax asset arising from the operating losses which can be carried forward and utilized up to 7 years.

Net results, EPS and shares

Net results

(in CHF millions)	Six months ended Jun 30, 2019	2018	Second quarter 2019	2018
Non-GAAP operating income (loss)	**(221)**	**(139)**	**(111)**	**(73)**
Financial income (expense)	0	(0)	(3)	2
Income tax benefit (expense)	(1)	0	(0)	0
Non-GAAP net income (loss)	**(222)**	**(139)**	**(115)**	**(71)**
US GAAP operating income (loss)	**(239)**	**(155)**	**(121)**	**(81)**
Financial income (expense)	8	(4)	(4)	0
Income tax benefit (expense)	(1)	(0)	(1)	0
US GAAP net income (loss)	**(232)**	**(160)**	**(126)**	**(81)**
Net loss attributable to noncontrolling interests	0	1	0	0
US GAAP net income (loss) attributable to Idorsia's shareholders	**(232)**	**(159)**	**(126)**	**(80)**

The CHF 9 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 8 m, the financial accretion expense of CHF 4 m relating to the convertible debt, partially offset by a gain of CHF 12 m on marketable securities.

Shares

(in millions)	Issued	Potentially dilutive equity instruments: Derivatives	Awards	Total potential issued shares
Dec 31, 2018	**131.1**	**44.6**	**5.8**	**181.5**
Issuance	0.2	-	1.6	1.7
Forfeitures	-	-	(0.2)	(0.2)
June 30, 2019	**131.2**	**44.6**	**7.1**	**183.0**

The change in potential issued shares was mainly related to share-based instruments awarded to eligible employees and members of the Board of Directors.

Earnings per share (EPS)

(in CHF millions, unless otherwise indicated)	Six months ended Jun 30, 2019	2018	Second quarter 2019	2018
Non-GAAP net income (loss)	**(222)**	**(139)**	**(115)**	**(71)**
Weighted-average number of basic shares (in millions)	131.1	119.1	131.2	119.1
Non-GAAP basic EPS (in CHF)	**(1.69)**	**(1.17)**	**(0.87)**	**(0.59)**
Weighted-average number of dilutive shares (in millions)	131.1	119.1	131.2	119.1
Non-GAAP diluted EPS (in CHF)	**(1.69)**	**(1.17)**	**(0.87)**	**(0.59)**
US GAAP net income (loss)	**(232)**	**(159)**	**(126)**	**(80)**
Weighted-average number of basic shares (in millions)	131.1	119.1	131.2	119.1
US GAAP basic EPS (in CHF)	**(1.77)**	**(1.34)**	**(0.96)**	**(0.68)**
Weighted-average number of dilutive shares (in millions)	131.1	119.1	131.2	119.1
US GAAP diluted EPS (in CHF)	**(1.77)**	**(1.34)**	**(0.96)**	**(0.68)**

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

Cash flow and liquidity

Operating cash flow

(in CHF millions)	Six months ended Jun 30, 2019	2018	Second quarter 2019	2018
Operating cash flow				
US GAAP net income (loss)	(232)	(160)	(126)	(81)
Deferred contract revenue	(8)	2	(2)	(7)
Depreciation and amortization	10	9	5	5
Accretion of convertible debt discount	4	4	2	2
Share-based compensation	8	7	5	3
Other non cash items	(12)	-	(1)	-
Funds from operations	**(230)**	**(138)**	**(117)**	**(77)**
Net change in receivables	1	(0)	3	(2)
Net change in trade and other payables	11	6	(5)	6
Net change in other operating assets and liabilities	7	(2)	15	10
Decrease (increase) in net working capital	**19**	**3**	**14**	**14**
Decrease (increase) in deferred taxes	**0**	**0**	**1**	**(0)**
Operating cash flow	**(211)**	**(135)**	**(102)**	**(64)**

Operating cash flow was negative at CHF 211 m, mainly driven by the non-GAAP operating expenses of CHF 234 m.

Free cash flow

(in CHF millions)	Six months ended Jun 30, 2019	2018	Second quarter 2019	2018
Free cash flow				
Operating cash flow	(211)	(135)	(102)	(64)
Acquisition of tangible, intangible and other assets	(6)	(5)	(4)	(3)
Operating free cash flow	**(218)**	**(140)**	**(107)**	**(67)**
Other items	-	(1)	-	(0)
Free cash flow	**(218)**	**(141)**	**(107)**	**(67)**

Liquidity

(in CHF millions)	Liquidity
Liquidity Dec 31, 2018	**1,220**
Liquidity movements	(108)
Liquidity Mar 31, 2019	**1,111**
Liquidity movements	(108)
Liquidity Jun 30, 2019	**1,004**

In the first half of 2019, liquidity decreased by CHF 216 m, mainly driven by a negative free cash flow of CHF 218 m.

As of June 30, 2019, liquidity consisted of cash and cash equivalents of CHF 467 m, short-term deposits of CHF 219 m and long-term deposits of CHF 318 m. These funds were mainly held in Swiss francs (CHF 827 m) and in US dollars (equivalent of CHF 168 m).

Balance sheet

Balance sheet

(in CHF millions)	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018
Assets			
Liquidity[1]	1,004	1,111	1,220
Tangible assets	206	203	151
Other assets	51	47	36
Total assets	**1,261**	**1,361**	**1,407**
Liabilities and equity			
Financial debt	575	573	571
Deferred revenue	50	52	58
Other liabilities	201	181	121
Total liabilities	**825**	**805**	**749**
Total equity	**435**	**556**	**658**
Total liabilities and equity	**1,261**	**1,361**	**1,407**

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

Tangible assets (CHF 206 m) mainly consisted of real-estate, R&D equipment and right of use assets (see below impact of the new US GAAP lease standard).

Other assets (CHF 51 m) comprised of prepayments of CHF 10 m, receivables of CHF 10 m, marketable securities of CHF 21 m (long-term CHF 16 m, short-term CHF 5 m), and other non-current assets of CHF 10 m.

Financial debt (CHF 575 m) comprised of the debt component (CHF 376 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 50 m) related to the collaborations with Janssen (CHF 37 m), Roche (CHF 7 m) and the option (CHF 5 m) granted in May 2019 to a third party to inlicense ACT-709478 and follow-up compounds (see note 4 of the HY financial statements).

Other liabilities (CHF 201 m) included current and noncurrent liabilities of CHF 94 m and CHF 107 m respectively. Current liabilities mainly comprised accrued expenses of CHF 73 m and payables of CHF 21 m. Noncurrent liabilities mainly comprised a lease liability of CHF 56 m (see below impact of new US GAAP lease standard), pension obligations of CHF 27 m, subordinated liability (Vaxxilon) of CHF 12 m, deferred tax liabilities of CHF 6 m and other noncurrent liabilities of CHF 6 m.

Impact and implementation of new US GAAP lease standard ASC 842: The Group decided to implement the new leases standard ASC 842 in the year of adoption rather than the earliest period reported as permitted under the simplification rule mentioned in ASU 2018-11. The implementation did not have any impact on the income statement, equity statement and statement of cash flows. The table below shows the impact on the opening balance as of January 1, 2019:

(in CHF millions)	Jan 1, 2019 reported	Impact of adoption	Jan 1, 2019 adopted
Assets			
Current assets			
Other current assets	18	(3)	15
Noncurrent assets			
Right of use assets for operating leases	-	63	63
Liabilities			
Current liabilities			
Accrued expenses	68	(1)	67
Noncurrent liabilities			
Lease liabilities for operating leases	-	61	61

As of June 30, 2019, the numbers for ASC 842 are as follows:

- CHF 60 m in tangible assets as right of use assets
- CHF 56 m in other liabilities as lease liability

The balance of CHF 4 m related to prepaid leases.

Reconciliation of US GAAP to non-GAAP results

Reconciliation of US GAAP to non-GAAP results for the six months ended June 30, 2019

(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	-	-	-	-	-
Total net revenue	**13**	-	-	-	**13**
Operating expenses					
Research and development	(220)	8	5	-	(207)
Selling, general and administrative	(32)	1	3	-	(28)
Amortization of intangible assets	(1)	1	-	-	-
Total operating expenses	**(252)**	10	8	-	**(234)**
Operating results	**(239)**	10	8	-	**(221)**
Total financial income (expense)	8	-	-	(8)	0
Income before income tax benefit (expense)	**(231)**	10	8	(8)	**(221)**
Income tax benefit (expense)	(1)	(0)	1	(0)	(1)
Noncontrolling interest	0	-	-	(0)	-
Net income (loss)	**(232)**	10	9	(9)	**(222)**
Basic net income (loss) per share (CHF)	**(1.77)**	0.07	0.07	(0.07)	**(1.69)**
Weighted-average number of basic shares (in millions)	131.1	-	-	-	131.1
Diluted net income (loss) per share (CHF)	**(1.77)**	0.07	0.07	(0.07)	**(1.69)**
Weighted-average number of dilutive shares (in millions)	131.1	-	-	-	131.1

Reconciliation of US GAAP to non-GAAP results for the second quarter 2019

(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	-	-	-	-	-
Total net revenue	**7**	-	-	-	**7**
Operating expenses					
Research and development	(110)	4	3	-	(103)
Selling, general and administrative	(17)	1	2	-	(14)
Amortization of intangible assets	(0)	0	-	-	-
Total operating expenses	**(127)**	5	5	-	**(118)**
Operating results	**(121)**	5	5	-	**(111)**
Total financial income (expense)	(4)	-	-	1	(3)
Income before income tax benefit (expense)	**(125)**	5	5	1	**(114)**
Income tax benefit (expense)	(1)	(0)	1	(0)	(0)
Noncontrolling interest	0	-	-	(0)	-
Net income (loss)	**(126)**	5	6	1	**(115)**
Basic net income (loss) per share (CHF)	**(0.96)**	0.04	0.04	0.00	**(0.87)**
Weighted-average number of basic shares (in millions)	131.2	-	-	-	131.2
Diluted net income (loss) per share (CHF)	**(0.96)**	0.04	0.02	0.00	**(0.87)**
Weighted-average number of dilutive shares (in millions)	131.2	-	-	-	131.2

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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Unaudited Interim Consolidated Financial Statements

Interim Consolidated Income Statement

(in CHF thousands, except per share amounts)	Notes	Six months ended June 30, 2019	2018
		(unaudited)	(unaudited)
Net revenue			
Product sales		-	-
Contract revenue	4	13,116	13,116
Total net revenue		**13,116**	**13,116**
Operating (expenses) [1]			
Research and development		(219,709)	(139,133)
Selling, general and administrative		(32,068)	(29,086)
Amortization of intangible assets		(638)	(217)
Total operating (expenses)		**(252,414)**	**(168,436)**
Operating income (loss)		**(239,299)**	**(155,320)**
Interest income (expense), net		(187)	(911)
Accretion of convertible debt	9	(4,027)	(3,806)
Other financial income (expense), net		12,377	869
Total financial income (expense)		**8,163**	**(3,849)**
Income (loss) before income tax benefit (expense)		**(231,135)**	**(159,169)**
Income tax benefit (expense)		(1,309)	(416)
Net income (loss)		**(232,445)**	**(159,585)**
Less: Net (income) loss attributable to the noncontrolling interests	2	484	548
Net income (loss) attributable to Idorsia's shareholders		**(231,961)**	**(159,037)**
Basic net income (loss) per share attributable to Idorsia's shareholders	5	**(1.77)**	**(1.34)**
Weighted-average number of common shares (in thousands)		131,149	119,124
Diluted net income (loss) per share attributable to Idorsia's shareholders	5	**(1.77)**	**(1.34)**
Weighted-average number of common shares (in thousands)		131,149	119,124

[1]**Includes share-based compensation as follows:**			
Research and development		5,094	3,732
Selling, general and administrative		3,256	2,801
Total share-based compensation		**8,351**	**6,532**

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

Interim Consolidated Statement of Comprehensive Income

(in CHF thousands)	Six months ended June 30, 2019	2018
	(unaudited)	(unaudited)
Net income (loss)	**(232,445)**	**(159,585)**
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	154	19
Amortization of prior year service costs (benefits)	(105)	-
Other comprehensive income (loss), net of tax	**49**	**19**
Comprehensive income (loss)	**(232,396)**	**(159,566)**
Less: Comprehensive (gain) loss attributable to noncontrolling interests	484	548
Comprehensive income (loss) attributable to Idorsia's shareholders	**(231,912)**	**(159,018)**

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	Jun 30, 2019 (unaudited)	Dec 31, 2018 (audited)
ASSETS			
Current assets			
Cash and cash equivalents	6/7	466,770	798,557
Short-term deposits	7	218,792	122,865
Receivables from related parties	16	3,229	2,110
Other current assets		21,586	17,890
Total current assets		**710,378**	**941,422**
Noncurrent assets			
Long-term deposits	7	318,067	298,415
Marketable securities	7	15,657	6,796
Property, plant and equipment, net		146,603	150,697
Right of use assets	8	59,710	-
Intangible assets, net		2,176	2,807
Other noncurrent assets		8,177	6,633
Total noncurrent assets		**550,390**	**465,347**
TOTAL ASSETS		**1,260,768**	**1,406,770**
LIABILITIES			
Current liabilities			
Trade and other payables		17,029	7,131
Payables and accrued payables to related parties	16	5,590	3,914
Deferred revenue	4	26,308	26,232
Accrued expenses		71,205	67,576
Total current liabilities		**120,131**	**104,853**
Noncurrent liabilities			
Convertible loan	9	376,286	372,399
Convertible bonds	9	198,583	198,443
Deferred revenue	4	23,457	31,540
Lease liability	8	55,509	-
Pension liability	10	27,164	18,182
Deferred tax liability		6,412	6,018
Other noncurrent liabilities		17,848	17,710
Total noncurrent liabilities		**705,259**	**644,292**
Total liabilities		**825,390**	**749,145**

Interim Consolidated Balance Sheet (2/2)

(in CHF thousands, except number of shares)	Notes	Jun 30, 2019 (unaudited)	Dec 31, 2018 (audited)
EQUITY			
Idorsia's shareholders' equity			
Common shares (par value CHF 0.05 per share, issued and outstanding 131,227,613 and 131,060,423 in 2019 and 2018 respectively; total number of authorized shares, including issued, authorized and conditional, 237,035,430 and 225,123,430 in 2019 and 2018 respectively)	11	6,561	6,553
Additional paid in capital		1,075,368	1,065,228
Accumulated profit (loss)		(632,620)	(400,659)
Accumulated other comprehensive income (loss)	12	(6,390)	(6,439)
Total Idorsia's shareholders' equity		**442,920**	**664,683**
Equity attributable to noncontrolling interests	2	(7,542)	(7,058)
Total equity		**435,378**	**657,625**
TOTAL LIABILITIES AND EQUITY		**1,260,768**	**1,406,770**

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

Interim Consolidated Statement of Cash Flows

(in CHF thousands)	Six months ended June 30, 2019	2018
	(unaudited)	(unaudited)
Cash flow from operating activities		
Net income (loss)	(232,445)	(159,585)
Adjustments to reconcile net income (loss) to net cash provided from operating activities:		
Depreciation and amortization	9,746	9,296
Share-based compensation	8,351	6,532
Accretion of convertible debt	4,027	3,806
Fair value changes on marketable securities	(11,813)	-
Deferred revenue	(8,007)	1,884
Deferred taxes	10	341
Changes in operating assets and liabilities:		
Other receivables	578	(239)
Trade and other payables	10,730	5,694
Accrued expenses	3,346	(11,664)
Changes in other operating cash flow items	4,048	9,194
Net cash flow provided by (used in) operating activities	**(211,432)**	**(134,740)**
Cash flow from investing activities		
Purchase of short-term deposits	(219,460)	(84,607)
Proceeds from short-term deposits	123,813	216,757
Purchase of long-term deposits	(20,000)	-
Purchase of property, plant and equipment	(6,045)	(3,372)
Purchase of intangible assets	(33)	(1,958)
Net cash flow provided by (used in) investing activities	**(121,725)**	**126,820**
Cash flow from financing activities		
Issuance of new shares, net	-	0
Proceeds from exercise of share options	1,330	-
Net cash flow provided by (used in) financing activities	1,330	0
Net effect of exchange rates on cash and cash equivalents	40	8
Net change in cash and cash equivalents	**(331,787)**	**(7,911)**
Cash and cash equivalents at beginning of period	798,557	622,452
Cash and cash equivalents at end of period	**466,770**	**614,540**

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

Interim Consolidated Statement of Changes in Equity

(in CHF thousands, except number of shares)	Idorsia's shareholders: Common shares: Shares	Amount	Additional paid-in capital	Accum. profit (loss)	Accum. other comprehensive income (loss)	Noncontrolling interests: Equity attrib. to noncontrolling interests	Total equity
At January 1, 2018 (audited)	**119,123,430**	**5,956**	**759,747**	**(14,269)**	**(5,990)**	**(5,937)**	**739,506**
Comprehensive income (loss):							
Net income (loss)				(159,037)		(548)	(159,585)
Other comprehensive income (loss)					19		19
Comprehensive income (loss)							**(159,566)**
Share-based compensation expense	6,710	0	6,532				6,532
At June 30, 2018 (unaudited)	**119,130,140**	**5,957**	**766,278**	**(173,305)**	**(5,972)**	**(6,486)**	**586,472**
Comprehensive income (loss):							
Net income (loss)				(227,354)		(573)	(227,926)
Other comprehensive income (loss)					(467)		(467)
Comprehensive income (loss)							**(228,393)**
Demerger adjustment			(6,810)				(6,810)
Issuance of new shares[1]	11,912,000	595	299,300				299,895
Share-based compensation expense	18,283	1	6,459				6,460
At December 31, 2018 (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**

[1]Issuance value of CHF 305 m less stamp duty of CHF 3 m, costs of CHF 3 m

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

Notes to the Unaudited 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. Idorsia was incorporated on March 3, 2017 as a subsidiary of Actelion Ltd ("Actelion") and demerged from Actelion on June 15, 2017, spinning-off Actelion's drug discovery operations and early-stage clinical development assets into Idorsia (the "Demerger").

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, 2018. 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 2016-02, Leases*. On January 1, 2019, the Group adopted ASU 2016-02 using the modified retrospective approach. Results for reporting periods beginning after January 1, 2019 are presented under ASC 842, while prior period amounts are not adjusted and continue to be reported in accordance with the old guidance under ASC 840. The Group elected the package of practical expedients permitted under the transition guidance within ASC 842, which allowed the Group to carry forward the historical lease classification, retain the initial direct costs for any leases that existed prior to the adoption of the standard. The Group also elected to account for lease and nonlease components in the lease agreements as a single lease component in determining lease assets and liabilities.

Adopting the standard related to leases impacted the prior period condensed consolidated balance sheet as follows:

	2018 reported	Adjustments	2018 restated
ASSETS			
Current assets			
Other current assets	17,890	(3,052)	14,838
Noncurrent assets			
Right of use assets for operating leases	-	63,017	63,017
LIABILITIES			
Current liabilities			
Accrued expenses	67,576	(611)	66,965
Noncurrent liabilities			
Lease liabilities for operating leases	-	60,576	60,576

The adoption did not have a material impact on the unaudited interim consolidated income statements or unaudited interim consolidated statement of cash flows (see Note 8. Leases).

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. The current and deferred taxes have been adjusted in 2018.

In 2019, the Group granted 72'845 of its publicly traded shares to eligible permanent employees as a payout of the 2018 annual bonus (65% of 2018 annual bonus was granted in shares and 35% was paid in cash). These shares are blocked for two years.

Use of estimates

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

Recent accounting pronouncements

ASU 2018-18 Clarifying the Interaction between Topic 808 and Topic 606

In November 2018, the FASB issued ASU 2018-18, Clarifying the Interaction between Topic 808 and Topic 606 ("ASU 2018-18"), an update to the *Collaborative Arrangements* Topic of FASB ASC ("ASC 808"). ASU 2018-18 provides guidance on whether certain transactions between collaborative arrangement participants should be accounted for as revenue under Topic 606. ASU 2018-18 is effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Group is currently evaluating the expected impact on its financial position, results of operations and cash flows upon adoption.

ASU 2018-15 Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract

In August 2018, the FASB issued ASU 2018-15, Customer's accounting for Implementation Costs Incurred in a Cloud Computing

Arrangement That Is a Service Contract (“ASU 2018-15”), an update to the *Intangibles - Goodwill and Other* Topic of FASB ASC (“ASC 350”).

ASU 2018-15 aligns the following requirements for capitalizing implementation costs:

- Those incurred in a hosting arrangement that is a service contract.
- Those incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license).

ASU 2018-15 is effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Group does not expect a material impact on its financial position, results of operations or cash flows upon adoption.

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* (“ASU 2018-14”), an update to the *Compensation - Retirement Benefits* Topic of FASB ASC (“ASC 715”). 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* (“ASU 2016-13”), an update to the *Financial Instruments – Credit Losses* Topic of FASB ASC (“ASC 326”). 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.

Note 2. Noncontrolling interests

Vaxxilon Ltd (“Vaxxilon”)

Vaxxilon, a majority owned subsidiary of the Group, aims to discover, develop, and commercialize synthetic carbohydrate vaccines. Vaxxilon was originally established in 2015 and incorporated under the laws of Switzerland by Actelion together with the Max Planck Society (“MPS”), a publicly funded nonprofit organization in Munich, Germany, and Seeberger Science GmbH, a private company in Kleinmachnow, Germany. The Group is the principal investor and majority shareholder, holding 73.9% of the voting interests in the company. Vaxxilon has licensed exclusive rights to multiple preclinical vaccine candidates and additional technologies from Max-Planck Innovation GmbH (“MPI”), Munich, Germany, the technology transfer organization of MPS. Further details of the collaboration between Vaxxilon and MPI are provided in Note 3. Licensing agreements. As part of the transaction, MPI ensures continued access to licensed intellectual property rights for multiple preclinical vaccine candidates and additional technologies.

In the periods ended June 30, 2019 and June 30, 2018, losses of CHF 0.5 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, 2018	**745,444**	**(5,937)**	**739,506**
Net income (loss) of the Group	(383,218)	-	(383,218)
Net income(loss) from noncontrolling interests	(3,172)	(1,121)	(4,293)
Change from net income (loss)	**(386,390)**	**(1,121)**	**(387,511)**
Other changes in equity[1]	305,630	-	305,630
At December 31, 2018	**664,683**	**(7,058)**	**657,625**
Net income (loss) of the Group	(230,591)	-	(230,591)
Net income(loss) from noncontrolling interests	(1,369)	(484)	(1,853)
Change from net income (loss)	**(231,961)**	**(484)**	**(232,445)**
Other changes in equity[2]	10,198	-	10,198
At June 30, 2019	**442,921**	**(7,542)**	**435,378**

[1] Other changes in equity consists of issuance new shares, net of CHF 300 m; share-based compensation expense of CHF 13 m, movements in OCI of CHF (0.5 m) and demerger adjustment of CHF (6.8 m) on December 31, 2018

[2] Other changes in equity consists of exercise of share options of CHF 1.3 m and share-based compensation expense of CHF 8.8 m on June 30, 2019

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Note 3.
Licensing agreements

In-licensing agreements

Vaxxilon
Vaxxilon, a majority owned subsidiary of the Group, licensed exclusive royalty-bearing rights to multiple preclinical vaccine candidates and additional technologies from MPI. The payment for the license rights acquired from MPI has been deferred and will accrue interest until settlement.

Under the terms of the agreement, MPI will be entitled to receive a low single-digit royalty as well as additional potential payments of up to EUR 41.3 m upon achievement of predefined development, approval and commercialization milestones. The Group has also committed to provide additional funding of up to EUR 10.0 m upon achievement of certain development milestones. In the event that Vaxxilon grants a sublicense to a third party, MPI will in addition participate with a low-teen percentage of the sublicense consideration. Further information on the contractual relationship between the Group and MPI, and on the portion of Vaxxilon's results allocated to MPS and Seeberger Science GmbH for the reporting period is provided in Note 2. Noncontrolling interests.

Axovan Ltd ("Axovan") / F. Hoffman-La Roche Ltd ("Roche")
The business responsibilities of the share purchase agreement between Actelion and Axovan executed in 2003 and its amendments were transferred to Idorsia as part of the Demerger. Consequently, the Group is liable to pay to former Axovan shareholders milestones of up to CHF 132 m in connection with the filing (CHF 30 m), approval (CHF 65 m) and commercialization (CHF 30 m) of clazosentan and for another compound patented by Axovan (CHF 7 m). Furthermore, by virtue of the acquisition of Axovan, the Group is also liable to pay to Roche milestones for commercialization of up to CHF 12 m as well as high- single-digit royalties on annual sales of clazosentan.

A representative of former Axovan shareholders claims that the Demerger would trigger the acceleration of all outstanding milestone payments and has filed a complaint with the arbitrator in Switzerland; the Group believes that this claim has no merit.

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. In 2018 the Group agreed to the novation of the license agreement from Midnight to Neuro. 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.

Allergan plc ("Allergan")
As part of the Demerger, the Group holds a worldwide exclusive license agreement with Kythera Biopharmaceuticals, Inc. ("KBI") for the development and commercialization of setipiprant, a clinical-stage selective oral CRTH2 receptor antagonist, which was discontinued by Actelion prior to the Demerger. In 2015, Allergan acquired KBI and correspondingly assumed KBI's rights and obligations in connection with the license contract. Under the terms of the agreement, Allergan will be responsible for the research, development, manufacturing and commercialization of any potential compounds and products developed under the licensed intellectual property. The Group is eligible to receive potential milestone payments of up to USD 25.5 m upon the successful development and approval of setipiprant in two indications. The Group will also receive tiered 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 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 March 2021, with CHF 10.6 m recognized in in the first half of 2019.

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 2019 the Group recognized net CHF 6 m of cost sharing reimbursements for the initial indication Phase 3 studies as 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 products 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.

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 also support R&D activities up to a maximum amount of

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USD 1 m per annum. 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.

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 holds 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 pre-determined 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 paid in January 2018 is being recognized on a straight-line basis beginning January 2018 until December 2020, with CHF 2.5 m being recognized in the first half of 2019.

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.

Other

The Group entered into an optional license and/or research collaboration with a potential licensee 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 back-up and follow-on compounds to ACT-709478. In terms of the agreement, the potential licensee 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 52.2 m or a research collaboration only for an additional consideration of USD 2.2 m. As of June 30, 2019, the initial non-refundable payment of USD 5 m (CHF 5 m) was recorded as deferred revenue in the balance sheet.

In terms of the potential license of the initial compound, the Group would be eligible to receive one-time payments of up to USD 365 m contingent upon achieving 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 of each product.

In terms of 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 achieving 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.

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

Note 5. Earnings per share

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

	2019		2018	
	Basic	Diluted	Basic	Diluted
Numerator				
Net income (loss) attributable to Idorsia's shareholders	(231,961)	(231,961)	(159,037)	(159,037)
Net income (loss) available for EPS calculation	**(231,961)**	**(231,961)**	**(159,037)**	**(159,037)**
Denominator				
Weighted-average number of common shares	131,148,532	131,148,532	119,123,652	119,123,652
Total average equivalent shares	**131,148,532**	**131,148,532**	**119,123,652**	**119,123,652**
Earnings (loss) per share attributable to Idorsia's shareholders	**(1.77)**	**(1.77)**	**(1.34)**	**(1.34)**

For the period ended June 30, 2019, 51,750,144 shares that would have had an anti-dilutive effect were excluded from the diluted EPS calculation (June 30, 2018: 44,453,114 shares).

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Note 6.
Cash and cash equivalents

Cash and cash equivalents consisted of the following at:

	June 30, 2019	December 31, 2018
Cash	117,254	69,500
Cash equivalents	349,517	729,057
Total	**466,770**	**798,557**

Note 7.
Financial assets and liabilities

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

	June 30, 2019			December 31, 2018		
	Total	**Level 1**	**Level 2**	**Total**	**Level 1**	**Level 2**
Financial assets carried at fair value						
Cash and cash equivalents	466,770	466,770	-	798,557	798,557	-
Short-term marketable securities[1]	5,200	5,200		2,247	2,247	
Long-term marketable securities	15,657	15,657	-	6,796	6,796	-
Total	**487,627**	**487,627**	**-**	**807,600**	**807,600**	**-**

[1] Included in other current assets

As of June 30, 2019, short- and long-term deposits of a total of CHF 537 m (December 31, 2018: CHF 421 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 exceeding three months and up to twelve months, long-term deposits have a duration exceeding twelve months.

Derivative financial instruments

The Group is directly or indirectly affected by fluctuations in foreign currencies, which may adversely impact the Group's financial performance. Derivative financial instruments are deployed to manage market risks and do not qualify for hedge accounting as defined by the Derivatives and Hedging Topic of FASB ASC ("ASC 815"). The Group does not use derivative financial instruments for speculative purposes.

The following tables reflect the contract or underlying principal amounts and fair values of derivative financial instruments, analyzed by type of contract. The underlying principal amount indicates the volume of outstanding positions at the balance sheet date and does not represent an amount at risk.

	Location of gain or loss recognized in income on derivatives	Six months ended June 30, 2019	2018
Income Statement			
Forward rate contracts			
Amount of gain recognized in income on derivatives	Other financial income (expense), net	-	3,983
Amount of loss recognized in income on derivatives	Other financial income (expense), net	-	(2,849)
Total		**-**	**1,134**

	Balance Sheet location	June 30, 2019	December 31, 2018
Balance Sheet			
Forward rate contracts	Other current assets	-	-
Forward rate contracts	Other current liabilities	-	-
Total		**-**	**-**

	June 30, 2019	December 31, 2018
Underlying principal amount		
Forward rate contracts	-	-

As at June 30, 2019 and December 31, 2018, the Group held no foreign currency forwards.

For the period ended June 30, 2019, the Group recognized neither net gains nor losses on derivative financial instruments (June 30, 2018: realized net gain of CHF 1.1 m). and had no unrealized gains or losses on forward rate contracts (June 30, 2018: gross unrealized losses of CHF 0.5 m).

On June 30, 2019 and on December 31, 2018, the Group did not have any derivatives which were offset in accordance with ASC 210-20-45 or ASC 815-10-45.

The right to offset derivative assets and liabilities is provided to both the Group and the financial institution in case of predefined default and termination events including, among others, bankruptcy and change of control. None of these events had occurred as of June 30, 2019, and December 31, 2018.

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).

The Group received as non-refundable consideration for entering into the agreement 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 DMD in the United States 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, which represents 11.9% of the ordinary share capital of Santhera Holding as of June 30, 2019.

Financial liabilities carried at amortized cost

The Group's financial liabilities carried at amortized cost relate to its convertible debt (see Note 9. Borrowings) and are stated in the following table:

	June 30, 2019	December 31, 2018
Long-term financial debt	574,870	570,842
Total	**574,870**	**570,842**

Interest income (expense), net in the Unaudited Interim Consolidated Financial Statements for the period ended June 30, 2019, includes interest expense of CHF 0.8 m (June 30, 2018: none) related to accrued interest, which is paid to the bondholders on a yearly basis and other interest expenses of CHF 0.1 m (June 30,2018: CHF 0.1 m). Interest income for the period ended June 30, 2019 amounts to CHF 2.3 m (June 30, 2018: none). Additionally, negative interest income of CHF 1.7 m (June 30, 2018: CHF 0.8 m), which mainly relate to interest paid or received on the various cash accounts and deposits of the Group, are recorded in interest income (expense), net.

The aggregate foreign currency transaction loss included in the other financial income (expense), net in June 30, 2019 amounts to CHF 0.1 m (June 30, 2018: CHF 1.1 m). The Group recognized no gains or losses on forward rate contracts for the period ended June 30, 2019 (June 30, 2018: CHF 1.1 m).

For the period ended June 30, 2019 the Group recognized an unrealized gain on marketable securities of CHF 11.8 m (June 30, 2018: none) and a gain on other components of net periodic pension cost of CHF 0.7 m (June 30, 2018: CHF 0.8 m).

Note 8. Leases

The Group has several noncancelable operating leases for its office space, R&D facilities and equipment of various kinds in Switzerland and on international sites. The Group determines if an arrangement contains a lease at inception. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of the lease payments over the lease term, which is the noncancelable period stated in the contract adjusted for any options to extend or to terminate when it is reasonably certain that the option will be exercised. Right-of-use assets include any prepaid leases, and exclude lease incentives and initial direct costs incurred. The leases expire between 2019 and 2026, most leases have options to extend the initial lease period.

As of June 30, 2019, the Group does not have material finance leases. As most of the operating leases do not provide an implicit interest rate, the Group uses a portfolio approach to determine a collateralized incremental borrowing rate based on the information available at the commencement date to determine the lease liability. Operating lease expense is recognized on a straight-line basis over the lease term. Operating lease expense was CHF 5.8 m for the period ended June 30, 2019.

The following table summarizes other information related to our operating leases as of June 30, 2019:

Other information related to leases	Six months ended June 30, 2019
Weighted average remaining lease term	7.89
Weighted average discount rate	3.64%
Cash paid for amounts included in the measurement of lease liabilities	5,342
Right-of-use assets obtained in exchange for lease liabilities	473

The following table summarizes a maturity analysis of the operating lease liabilities showing the undiscounted lease payments as of June 30, 2019:

Six months ended June 30,	Operating leases
2019	5,478
2020	10,432
2021	8,842
2022	8,114
2023	6,778
Thereafter	27,246
Total undiscounted lease payments	66,890
Less: imputed interest	(11,381)
Total discounted lease payments	55,509

Note 9. 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 17, 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 9% of the issued shares as of June 30, 2019).

The remaining amount of CHF 445 m outstanding as of June 30, 2019 may be converted into 38,715,114 shares of the Group by Cilag (which would result in a total shareholding of 30% based on the issued shares as of June 30, 2019) 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 anti-dilution provisions and dividend protection.

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 9% as of June 30, 2019 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, 2019 is CHF 376 m (December 31, 2018: CHF 372 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 period ended June 30, 2019 the Group recognized an accretion expense of CHF 4 m (period ended June 30, 2018: 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 anti-dilution provisions and dividend protection. Interest is payable annually in arrears.

The bonds have a term of six years, mature 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 Company 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

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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, 2019, are as follows:

	Type of payment	Amount
Payable on July 17,		
2019	Annual interest	1,500
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, 2019, the fair market value of the bonds amounts to 94,40% 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 30,2019, the total book value of the bonds was CHF 198.6 m (December 31, 2018: CHF 198.4 m). For the period ended June 30, 2019, the Group recognized of CHF 0.8 m interest cost (period ended June 30, 2018: none) and CHF 0.1 m related to the amortization of debt issuance costs (period ended June 30, 2018: none).

Credit facilities

On June 30, 2019, the Group had an undrawn credit line of CHF 243 m from Cilag (December 31, 2018: CHF 243 m). 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.

Note 10. 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,	
	2019	**2018**
Service cost	5,823	5,442
Interest cost	1,207	857
Expected return on plan assets	(1,870)	(1,666)
Prior year service costs (benefit)	(105)	-
Amortization of net actuarial (gain) loss	-	-
Net periodic benefit cost	**5,055**	**4,633**

Note 11.
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
At January 1, 2018	**119,123**	**41,207**	**53,000**	**213,330**
Change in Idorsia's Articles of Association based on the AGM resolution dated April 24, 2018	-	11,793	-	11,793
Shares issued for share-based compensation	25	-	(25)	-
Issuance of new registered shares	11,912	(11,912)	-	-
At December 31, 2018	**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	92	-	(92)	-
Exercise of share options	75	-	(75)	-
At June 30, 2019	**131,227**	**53,000**	**52,808**	**237,035**

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

Issuance of new registered shares

On July 13, 2018 the Company issued 11,912,000 new shares receiving gross proceeds of CHF 305 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 3, 2021 and to exclude or restrict the pre-emptive rights of existing shareholders in connection with mergers, acquisitions, strategic partnering or co-operation 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 with convertible debt instruments, bonds, loans and similar forms of financing.

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

Note 12.
Accumulated other comprehensive income (loss)

Movements in accumulated other comprehensive income (loss) consist of the following for the six months ended June 30:

	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.

	Accumulated OCI (loss), net of tax			
	Jan 1, 2018	Changes arising during period	Attr. to non-controlling interests	Jun 30, 2018
Foreign currency translation adjustments[1]	6	19	-	24
Actuarial (gains) losses[2]	(5,996)	-	-	(5,996)
Total accumulated OCI (loss)	**(5,990)**	**19**	**-**	**(5,972)**

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

[2]Actuarial gains (losses) on the Group's defined benefit plans. The amounts disclosed include income tax benefits gross of CHF 1.2 m for which a full valuation allowance has been recorded.

Note 13.
Commitments and guarantees

Commitments

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

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 a financial institution amounting in total to CHF 40 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 0.3 m.

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

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Note 14.
Concentrations

Cash, cash equivalents and short- and long-term deposits, on June 30, 2019 were primarily invested with four financial institutions with a S&P rating of A to AA-, and on December 31, 2018 with three financial institutions with a S&P rating of A 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 15.
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, 2019			
Contract revenue	13,116	-	**13,116**
Property, plant and equipment	142,859	3,744	**146,603**

	Switzerland	Rest of world	Total
June 30, 2018			
Contract revenue	13,116	-	**13,116**
December 31, 2018			
Property, plant and equipment	146,469	4,228	**150,697**

Note 16.
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.

- In addition to the demerger agreement, the Group and Cilag also entered into a shareholders' agreement which, among other things, includes a lock-up until June 2019 and a standstill until June 2022.

- As of June 30, 2019 the Group has a convertible loan from Cilag in the nominal amount of CHF 445 m (noncurrent liability of CHF 376 m and a remaining loan discount of CHF 68 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 23% of the total share capital of the Group (see Note 9. Borrowings).

- During the period ended June 30, 2019, the Group did not draw from the credit facility it has with Cilag and did not pay any commitment fee (see Note 9. 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. During the period ended June 30, 2019, no amounts became due under this revenue sharing agreement (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 period ended June 30, 2019, the Group received services from J&J and its affiliates of CHF 4 m and provided services of CHF 6 m. As of June 30, 2019, the Group has receivables and accrued income of CHF 3 m and payables and accruals of CHF 4 m with J&J and its affiliates.

During the period ended June 30, 2019 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 3 m in the period ended June 30, 2019. As of June 30, 2019, the Group has payables and accruals with Charles River Laboratories, of CHF 2 m.

During the period ended June 30, 2019 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 the period ended June 30, 2019. As of June 30, 2019, the Group has no material payables and accruals with Catalent, Inc.

In terms of the option and sub-license agreement with Santhera, during the period ended 30 June, 2019, the Group provided services of CHF 1 m. As of June 30, 2019, the Group has no material receivables and accrued income with Santhera (see Note 4. Collaborative agreements).

During the period ended June 30, 2019, the Group did not enter into any additional material related party transactions.

Note 17. Subsequent events

The Group has evaluated subsequent events through July 23, 2019, the date these Unaudited Interim Consolidated Financial Statements were available to be issued. These events have been disclosed in the respective notes to these Unaudited Interim Consolidated Financial Statements.

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