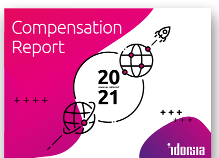
Financial Report

idorsia

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

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

Further parts of the Idorsia Annual Report 2021



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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 for investors. These non-GAAP measures are reported in addition to, not as a substitute for, US GAAP financial performance.

Rounding differences may occur
nm = not meaningful

Idorsia's key numbers

Profit and loss

(in CHF millions, except EPS)	Twelve months ended Dec 31, US GAAP 2021	US GAAP 2020	Non-GAAP 2021	Non-GAAP 2020	Fourth quarter US GAAP 2021	US GAAP 2020	Non-GAAP 2021	Non-GAAP 2020
Net revenue								
Product sales	-	-	-	-	-	-	-	-
Contract revenue – royalties	-	-	-	-	-	-	-	-
Contract revenue – milestones	35	72	35	72	5	6	5	6
Contract revenue – others	0	-	0	-	0	-	0	-
Operating expenses								
Research and development	(414)	(381)	(390)	(355)	(127)	(91)	(120)	(108)
Selling, general and administrative	(234)	(101)	(221)	(90)	(107)	(37)	(103)	(34)
Net results								
Operating income (loss)	(613)	(411)	(576)	(372)	(228)	(123)	(219)	(136)
Net income (loss)	(635)	(445)	(575)	(392)	(252)	(137)	(228)	(148)
Basic EPS	(3.77)	(3.11)	(3.41)	(2.75)	(1.46)	(0.85)	(1.32)	(0.92)
Diluted EPS	(3.77)	(3.11)	(3.41)	(2.75)	(1.46)	(0.85)	(1.32)	(0.92)

Cash flow

(in CHF millions)	Twelve months ended Dec 31, 2021	2020	Fourth quarter 2021	2020
Cash flow				
Operating cash flow	(590)	(365)	(198)	(123)
Cash raise	594	843	(1)	520
Capital expenditure	(31)	(9)	(8)	(4)

Shares

(in millions)	Dec 31, 2021	Sep 30, 2021	Dec 31, 2020
Share count			
Issued common shares	177.0	167.4	166.5
Equity derivatives	54.0	63.6	44.6
Equity instruments	9.0	8.8	7.9
Total potential issued shares	**240.0**	**239.8**	**219.0**

Liquidity and indebtedness

(in CHF millions)	Dec 31, 2021	Sep 30, 2021	Dec 31, 2020
Liquidity			
Cash and cash equivalents	101	122	141
Short-term deposits	927	1,117	867
Long-term deposits	160	160	192
Total liquidity	**1,188**	**1,399**	**1,200**
Indebtedness			
Convertible loan	298	394	388
Convertible bonds	794	794	199
Other financial debt	-	-	-
Total indebtedness	**1,093**	**1,188**	**587**

Revenue

Revenue

(in CHF millions)	Twelve months ended Dec 31, 2021	2020	Fourth quarter 2021	2020
Revenue				
Product sales	-	-	-	-
Contract revenue - royalties	-	-	-	-
Contract revenue - milestones	35	72	5	6
Contract revenue - others	0	-	0	-
US GAAP revenue	**35**	**72**	**5**	**6**

Contract revenue from milestones recognized in connection with collaboration agreements mainly consisted of Santhera (CHF 12 m), Janssen (aprocitentan: CHF 10 m), Mochida (daridorexant Japan: CHF 5 m), Neurocrine (license and research & development collaboration: CHF 4 m) and Roche (research collaboration: CHF 4 m, terminated in Q1 2021).

Operating expenses

Operating expenses

(in CHF millions)	Twelve months ended Dec 31, 2021	2020	Fourth quarter 2021	2020
Operating expenses				
Research	112	107	30	32
Development	274	238	90	76
Selling	144	27	79	14
General and administrative	77	63	25	20
Milestones paid	5	9	-	0
Non-GAAP operating expenses	**612**	**444**	**224**	**142**
Depreciation and amortization	18	19	4	5
Share-based compensation	19	19	5	5
Other	-	-	-	(23)
Other operating expenses	**37**	**38**	**9**	**(14)**
US GAAP operating expenses	**648**	**482**	**233**	**128**

US GAAP operating expenses of CHF 648 m comprised Non-GAAP operating expenses of CHF 612 m, depreciation and amortization of CHF 18 m and share-based compensation of CHF 19 m.

Research and development ("R&D") expenses

(in CHF millions)	Twelve months ended Dec 31, 2021	2020	Fourth quarter 2021	2020
R&D expenses				
Research	112	107	30	32
Development	274	238	90	76
Milestones paid	5	9	-	(0)
Non-GAAP R&D expenses	**390**	**355**	**120**	**108**
Depreciation and amortization	15	15	4	4
Share-based compensation	9	11	2	2
Other	-	-	-	(23)
US GAAP R&D expenses	**414**	**381**	**127**	**91**

Non-GAAP research expenses amounted to CHF 112 m, comprising biology (CHF 27 m), chemistry (CHF 33 m) and preclinical activities (CHF 52 m).

Non-GAAP development expenses amounted to CHF 274 m, comprising CHF 158 m for clinical activities (including CHF 100 m study costs, mainly driven by late stage studies for cenerimod, daridorexant, selatogrel, clazosentan, lucerastat, aprocitentan), CHF 92 m for chemical and pharmaceutical development activities (including CHF 33 m for drug substance and CHF 21 m for drug product) and CHF 24 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)	Twelve months ended Dec 31, 2021	2020	Fourth quarter 2021	2020
SG&A expenses				
Selling	144	27	79	14
General and administrative	77	63	25	20
Non-GAAP SG&A expenses	**221**	**90**	**103**	**34**
Depreciation and amortization	3	4	1	1
Share-based compensation	10	8	3	2
Other	-	-	-	-
US GAAP SG&A expenses	**234**	**101**	**107**	**37**

Non-GAAP SG&A expenses amounted to CHF 221 m, comprising of commercial activities (CHF 144 m), information systems (CHF 39 m) and for other support functions (CHF 38 m).

Operating results

Non-GAAP and US GAAP operating results

(in CHF millions)	Twelve months ended Dec 31, 2021	2020	Fourth quarter 2021	2020
Operating results				
Contract revenues	35	72	5	6
Operating expenses	(612)	(444)	(224)	(142)
Non-GAAP operating income (loss)	**(576)**	**(372)**	**(219)**	**(136)**
Operating results				
Contract revenues	35	72	5	6
Operating expenses	(648)	(482)	(233)	(128)
US GAAP operating income (loss)	**(613)**	**(411)**	**(228)**	**(123)**

US GAAP operating loss related to Non-GAAP operating loss of CHF 576 m and includes depreciation and amortization of CHF 18 m and share-based compensation of CHF 19 m.

Financial results

Financial results

(in CHF millions)	Twelve months ended Dec 31, 2021	2020	Fourth quarter 2021	2020
Financial results				
Interest income (expense), net	(7)	(1)	(4)	(0)
Other financial income (expense), net	12	(16)	(5)	(11)
Non-GAAP financial income (expense)	**5**	**(18)**	**(9)**	**(11)**
Accretion expense	(21)	(8)	(14)	(2)
Gain (loss) on securities	(6)	(13)	(2)	(6)
US GAAP financial income (expense)	**(22)**	**(39)**	**(25)**	**(19)**

Non-GAAP financial income of CHF 5 m mainly consists of currency exchange rate gains on USD funds held to cover future USD expenses.

US GAAP financial expense of CHF 22 m include Non-GAAP financial income of CHF 5 m and additionally the non-cash accretion expense of CHF 21 m relating to the convertible debt (of which CHF 12 m are due to the partial conversion of the convertible loan with Cilag) and an unrealized loss of CHF 6 m on securities.

Income tax

Income tax

(in CHF millions)	Twelve months ended Dec 31, 2021	2020	Fourth quarter 2021	2020
Income tax				
Income tax benefit (expense)	(3)	(2)	(1)	(0)
Non-GAAP tax benefit (expense)	**(3)**	**(2)**	**(1)**	**(0)**
Other tax benefit (expense)	4	6	2	5
US GAAP income tax benefit (expense)	**0**	**4**	**1**	**5**

Non-GAAP income tax expense of CHF 3 m mainly relates to foreign affiliates.

US GAAP income tax result (CHF 0) includes the Non-GAAP tax expense of CHF 3 m and the positive tax effect of CHF 3 m on the accretion expense.

Both US- and Non-GAAP tax expense included an increase of the valuation allowance of CHF 75 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)	Twelve months ended Dec 31, 2021	2020	Fourth quarter 2021	2020
Non-GAAP operating income (loss)	**(576)**	**(372)**	**(219)**	**(136)**
Financial income (expense)	5	(18)	(9)	(11)
Income tax benefit (expense)	(3)	(2)	(1)	(0)
Non-GAAP net income (loss)	**(575)**	**(392)**	**(228)**	**(148)**
US GAAP operating income (loss)	**(613)**	**(411)**	**(228)**	**(123)**
Financial income (expense)	(22)	(39)	(25)	(19)
Income tax benefit (expense)	0	4	1	5
US GAAP net income (loss)	**(635)**	**(445)**	**(252)**	**(137)**
Net loss attributable to noncontrolling interests	-	0	-	0
US GAAP net income (loss) attributable to Idorsia's shareholders	**(635)**	**(445)**	**(252)**	**(137)**

Non-GAAP net loss of CHF 575 m is mainly driven by operating expenses.

US GAAP net loss includes the Non-GAAP net loss, depreciation and amortization of CHF 18 m, share-based compensation of CHF 18 m, the financial accretion expense of CHF 21 m relating to the convertible debt, an unrealized net loss of CHF 6 m on securities and the income tax benefit of CHF 3 m.

Shares

(in millions)	Issued	Potentially dilutive equity instruments: Derivatives	Potentially dilutive equity instruments: Awards	Total potential issued shares
Dec 31, 2020	**166.5**	**44.6**	**7.9**	**219.0**
Issued	0.1	19.0	1.9	21.1
Vested	0.2	-	(0.2)	-
Exercised	0.6	-	(0.6)	-
Forfeited	-	-	(0.1)	(0.1)
Loan conversion	9.6	(9.6)	-	-
Dec 31, 2021	**177.0**	**54.0**	**9.0**	**240.0**

Issued shares increased to 177 m mainly due to the partial conversion of the convertible loan with Cilag.

Equity derivatives increased to 54.0 million due to the issuance of the CHF 600 m bond in August 2021 with 19 m derivatives and an offsetting effect of 9.6 m derivatives due to the partial conversion of the convertible loan with Cilag.

Equity awards of 9.0 million as of December 31, 2021 consisted of 7.8 million share options with a weighted average strike price of 20.85 granted to eligible employees and 1.2 million restricted share units granted to eligible employees.

Earnings per share (EPS)

(in CHF millions, unless otherwise indicated)	Twelve months ended Dec 31, 2021	Twelve months ended Dec 31, 2020	Fourth quarter 2021	Fourth quarter 2020
Non-GAAP net income (loss)	**(575)**	**(392)**	**(228)**	**(148)**
Weighted-average number of basic shares (in millions)	168.5	142.8	172.9	160.8
Non-GAAP basic EPS (in CHF)	**(3.41)**	**(2.75)**	**(1.32)**	**(0.92)**
Weighted-average number of dilutive shares (in millions)	168.5	142.8	172.9	160.8
Non-GAAP diluted EPS (in CHF)	**(3.41)**	**(2.75)**	**(1.32)**	**(0.92)**
US GAAP net income (loss)	**(635)**	**(445)**	**(252)**	**(137)**
Weighted-average number of basic shares (in millions)	168.5	142.8	172.9	160.8
US GAAP basic EPS (in CHF)	**(3.77)**	**(3.11)**	**(1.46)**	**(0.85)**
Weighted-average number of dilutive shares (in millions)	168.5	142.8	172.9	160.8
US GAAP diluted EPS (in CHF)	**(3.77)**	**(3.11)**	**(1.46)**	**(0.85)**

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)	Twelve months ended Dec 31, 2021	2020	Fourth quarter 2021	2020
Operating cash flow				
US GAAP net income (loss)	(635)	(445)	(252)	(137)
Deferred contract revenue and accrued income	(12)	(8)	(5)	(6)
Deferred taxes	(5)	(6)	(3)	(5)
Depreciation and amortization	18	19	4	5
Accretion of convertible debt	21	8	14	2
Share-based compensation	19	19	5	5
Other non cash items	6	13	2	6
Funds from operations	**(589)**	**(400)**	**(235)**	**(130)**
Net change in receivables	(6)	3	(5)	0
Net change in trade and other payables	15	1	13	(2)
Net change in other operating assets and liabilities	(10)	32	29	8
Change in working capital	**(1)**	**36**	**37**	**7**
Operating cash flow	**(590)**	**(365)**	**(198)**	**(123)**

The net cash outflows for operations of CHF 589 m are mainly driven by the Non-GAAP operating expenses of CHF 612 m offset by milestones received (CHF 20 m) and a financial income (CHF 5 m). Cost of inventory build-up of CHF 24 m are not included in the changes of working capital as these are already included in R&D expenses.

Cash flow

(in CHF millions)	Twelve months ended Dec 31, 2021	2020	Fourth quarter 2021	2020
Cash flow				
Operating cash flow	(590)	(365)	(198)	(123)
Acquisition of tangible, intangible and other assets	(34)	(9)	(8)	(4)
Free cash flow	**(624)**	**(374)**	**(206)**	**(127)**
Cash raise	(0)	843	(0)	520
Issuance of convertible bonds	595	-	(0)	-
Other items	19	(9)	(5)	(9)
Cash flow[1]	**(12)**	**460**	**(211)**	**384**

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

Cash inflow of CHF 595 m from the issuance of convertible bonds almost covered the negative operating cash flow of CHF 590 m and the acquisition of tangible, intangible and other assets of CHF 34 m resulting in a liquidity of CHF 1,188 m as of December 31, 2021.

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**
Liquidity movements Q3	473
Liquidity Sep 30, 2021	**1,399**
Liquidity movements Q4	(211)
Liquidity Dec 31, 2021	**1,188**

As of December 31, 2021, liquidity consisted of cash and cash equivalents of CHF 101 m, short-term deposits of CHF 927 m and long-term deposits of CHF 160 m.

Liquidity of CHF 1,188 m at December 31, 2021 was mainly held in Swiss francs (CHF 1,000 m) and in US dollars (equivalent of CHF 157 m).

Credit facility with Cilag Holding AG

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

Balance sheet

Balance sheet

(in CHF millions)	Dec 31, 2021	Sep 30, 2021	Dec 31, 2020
Assets			
Liquidity[1]	1,188	1,399	1,200
Tangible assets	223	219	196
Other assets	71	59	39
Total assets	**1,483**	**1,678**	**1,435**
Liabilities and equity			
Financial debt	1,093	1,188	587
Deferred revenue	19	24	31
Other liabilities	268	239	232
Total liabilities	**1,379**	**1,451**	**850**
Total equity	**104**	**227**	**585**
Total liabilities and equity	**1,483**	**1,678**	**1,435**

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

Tangible assets (CHF 223 m) mainly consisted of real-estate, R&D equipment and right-of-use assets.

Other assets (CHF 71 m) comprised prepayments of CHF 22 m, receivables of CHF 18 m, marketable securities of CHF 10 m, intangible assets of CHF 6 m and other assets of CHF 16 m.

Financial debt (CHF 1,093 m) comprised the debt component (CHF 298 m) of the outstanding convertible loan (nominal amount of CHF 335 m) and CHF 794 m relating to the convertible bonds (nominal amount of CHF 800 m).

Deferred revenue (CHF 19 m) related to the collaborations with Janssen (CHF 8 m), Mochida (CHF 9 m) and Neurocrine Biosciences (CHF 2 m).

Other liabilities (CHF 268 m) included current and noncurrent liabilities of CHF 150 m and CHF 117 m respectively. Current liabilities mainly comprised accrued expenses of CHF 113 m, payables of CHF 27 m and a short-term lease liability of CHF 10 m. Noncurrent liabilities mainly comprised a long-term lease liability of CHF 61 m, pension obligations of CHF 49 m, deferred tax liabilities of CHF 1 m and other noncurrent liabilities of CHF 7 m.

Reconciliation of US GAAP to non-GAAP results

Reconciliation of US GAAP to non-GAAP results for the twelve months ended December 31, 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	35	-	-	-	35
Contract revenue – others	0	-	-	-	0
Total net revenue	**35**	**-**	-	-	**35**
Operating expenses					
Cost of sales	-	-	-	-	-
Research and development	(414)	15	9	-	(390)
Selling, general and administrative	(234)	3	10	-	(221)
Amortization of intangible assets	(0)	0	-	-	-
Total operating expenses	**(648)**	18	19	-	**(612)**
Operating results	**(613)**	18	19	-	**(576)**
Total financial income (expense)	(22)	-	-	26	5
Income before income tax benefit (expense)	**(635)**	18	19	26	**(572)**
Income tax benefit (expense)	0	(0)	(0)	(3)	(3)
Net income (loss)	**(635)**	18	18	24	**(575)**
Basic net income (loss) per share (CHF)	**(3.77)**	0.10	0.11	0.14	**(3.41)**
Weighted-average number of basic shares (in millions)	168.5	-	-	-	168.5
Diluted net income (loss) per share (CHF)	**(3.77)**	0.10	0.11	0.14	**(3.41)**
Weighted-average number of dilutive shares (in millions)	168.5	-	-	-	168.5

Reconciliation of US GAAP to non-GAAP results for the fourth 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	5	-	-	-	5
Contract revenue – others	0	-	-	-	0
Total net revenue	**5**	**-**	**-**	**-**	**5**
Operating expenses					
Cost of sales	-	-	-	-	-
Research and development	(127)	4	2	-	(120)
Selling, general and administrative	(107)	1	3	-	(103)
Amortization of intangible assets	(0)	0	-	-	-
Total operating expenses	**(233)**	4	5	-	**(224)**
Operating results	**(228)**	4	5	-	**(219)**
Total financial income (expense)	(25)	-	-	16	(9)
Income before income tax benefit (expense)	**(253)**	4	5	16	**(228)**
Income tax benefit (expense)	1	(0)	(0)	(2)	(1)
Net income (loss)	**(252)**	4	5	14	**(228)**
Basic net income (loss) per share (CHF)	**(1.46)**	0.02	0.03	0.08	**(1.32)**
Weighted-average number of basic shares (in millions)	172.9	-	-	-	172.9
Diluted net income (loss) per share (CHF)	**(1.46)**	0.02	0.03	0.08	**(1.32)**
Weighted-average number of dilutive shares (in millions)	172.9	-	-	-	172.9

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

Consolidated Financial Statements

Consolidated Income Statement

(in CHF thousands, except per share amounts)	Notes	Twelve months ended December 31, 2021	2020
Net revenue			
Product sales		-	-
Contract revenue	4	35,349	71,758
Total net revenue		**35,349**	**71,758**
Operating (expenses)[1]			
Research and development		(414,208)	(381,076)
Selling, general and administrative		(233,669)	(100,065)
Amortization of intangible assets	10	(476)	(1,200)
Total operating (expenses)		**(648,353)**	**(482,340)**
Operating income (loss)		**(613,004)**	**(410,582)**
Interest income (expense), net		(7,244)	(1,368)
Accretion of convertible debt	14	(20,693)	(8,349)
Other financial income (expense), net		6,135	(28,980)
Total financial income (expense)		**(21,801)**	**(38,697)**
Income (loss) before income tax benefit (expense)		**(634,805)**	**(449,279)**
Income tax benefit (expense)	5	210	4,160
Net income (loss)		**(634,595)**	**(445,119)**
Less: Net (gain) loss attributable to the noncontrolling interests	2	-	328
Net income (loss) attributable to Idorsia's shareholders		**(634,595)**	**(444,791)**
Basic net income (loss) per share attributable to Idorsia's shareholders	6	**(3.77)**	**(3.11)**
Weighted-average number of common shares (in thousands)		168,498	142,809
Diluted net income (loss) per share attributable to Idorsia's shareholders	6	**(3.77)**	**(3.11)**
Weighted-average number of common shares (in thousands)		168,498	142,809

[1]Includes share-based compensation as follows:		
Research and development	9,195	11,300
Selling, general and administrative	9,532	7,970
Total share-based compensation	**18,726**	**19,270**

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

Consolidated Statement of Comprehensive Income

(in CHF thousands)	Twelve months ended December 31, 2021	2020
Net income (loss)	**(634,595)**	**(445,119)**
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(1,096)	(735)
Change of unrecognized components of net periodic benefit costs	16,389	(13,835)
Other comprehensive income (loss), net of tax	**15,294**	**(14,571)**
Comprehensive income (loss)	**(619,301)**	**(459,690)**
Less: Comprehensive (gain) loss attributable to noncontrolling interests	-	328
Comprehensive income (loss) attributable to Idorsia's shareholders	**(619,301)**	**(459,362)**

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

Consolidated Balance Sheet (1/2)

(in CHF thousands, except number of shares)	Notes	Dec 31, 2021	Dec 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents	7/8	101,352	140,810
Short-term deposits	8	926,822	867,255
Receivables from related parties	22	4,611	4,568
Marketable securities	8	9,951	1,960
Other current assets	9	34,725	20,035
Total current assets		**1,077,462**	**1,034,627**
Noncurrent assets			
Long-term deposits	8	160,000	191,620
Marketable securities	8	50	2,854
Property, plant and equipment, net	11	149,862	142,714
Right-of-use assets	13	73,573	53,510
Intangible assets, net	10	6,131	583
Other noncurrent assets		15,881	9,458
Total noncurrent assets		**405,497**	**400,738**
TOTAL ASSETS		**1,482,958**	**1,435,365**
LIABILITIES			
Current liabilities			
Trade and other payables		26,860	11,117
Payables and accrued payables to related parties	22	20	122
Deferred revenue	4	15,078	17,397
Lease liability	13	10,312	7,524
Accrued expenses	12	112,869	91,306
Total current liabilities		**165,140**	**127,467**
Noncurrent liabilities			
Convertible loan	14	298,445	388,348
Convertible bonds	14	794,164	199,004
Deferred revenue	4	3,518	13,312
Lease liability	13	60,563	43,113
Pension liability	15	48,517	66,426
Deferred tax liability	5	1,008	4,765
Other noncurrent liabilities		7,400	7,446
Total noncurrent liabilities		**1,213,615**	**722,415**
Total liabilities		**1,378,754**	**849,882**

Consolidated Balance Sheet (2/2)

(in CHF thousands, except number of shares)	Notes	Dec 31, 2021	Dec 31, 2020
EQUITY			
Idorsia's shareholders' equity			
Common shares (par value CHF 0.05 per share, issued and outstanding 176,966,995 and 166,482,328 in 2021 and 2020 respectively; total number of authorized shares, including issued, authorized and conditional, 295,041,148 and 261,241,430 in 2021 and 2020 respectively)	17	8,848	8,324
Additional paid-in capital		2,100,237	1,962,739
Accumulated profit (loss)		(1,982,079)	(1,347,484)
Accumulated other comprehensive income (loss)	18	(22,802)	(38,096)
Total Idorsia's shareholders' equity		**104,204**	**585,483**
TOTAL LIABILITIES AND EQUITY		**1,482,958**	**1,435,365**

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

Consolidated Statement of Cash Flows (1/2)

(in CHF thousands)	Twelve months ended December 31, 2021	2020
Cash flow from operating activities		
Net income (loss)	(634,595)	(445,119)
Adjustments to reconcile net income (loss) to net cash provided from operating activities:		
Depreciation and amortization	18,033	18,925
Share-based compensation	18,726	19,270
Accretion of convertible debt	20,693	8,349
Fair value changes on securities	5,651	12,725
Deferred revenue and accrued income	(12,176)	(8,278)
Deferred taxes	(5,386)	(6,058)
Changes in operating assets and liabilities:		
Other receivables	(6,273)	2,730
Prepayments	(8,694)	5,639
Trade and other payables	15,044	599
Accrued expenses	22,129	15,632
Changes in other operating cash flow items	(23,047)	10,917
Net cash flow provided by (used in) operating activities	**(589,895)**	**(364,667)**
Cash flow from investing activities		
Purchase of marketable securities	(3,500)	-
Purchase of short-term deposits	(870,928)	(925,621)
Proceeds from short-term deposits	1,012,102	702,865
Purchase of long-term deposits	(160,000)	(373,553)
Purchase of noncontrolling interests	-	(1,536)
Purchase of property, plant and equipment	(25,527)	(9,266)
Purchase of intangible assets	(5,404)	(20)
Net cash flow provided by (used in) investing activities	**(53,257)**	**(607,131)**
Cash flow from financing activities		
Issuance of new shares, net	(418)	843,476
Proceeds from exercise of share options	10,000	6,601
Proceeds from issuance of convertible bonds, net	594,564	-
Net cash flow provided by (used in) financing activities	**604,146**	**850,076**

Consolidated Statement of Cash Flows (2/2)

(in CHF thousands)	Twelve months ended December 31, 2021	2020
Net effect of exchange rates on cash and cash equivalents	(452)	(476)
Net change in cash and cash equivalents	**(39,458)**	**(122,197)**
Cash and cash equivalents at beginning of period	140,810	263,007
Cash and cash equivalents at end of period	**101,352**	**140,810**

Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	(1,624)	(2,928)
Tax	(2,577)	(3,447)

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

Consolidated Statement of Changes in Equity

(in CHF thousands, except number of shares)	Idorsia's shareholders: Common shares – Shares	Idorsia's shareholders: Common shares – Amount	Idorsia's shareholders: Additional paid-in capital	Idorsia's shareholders: Accum. profit (loss)	Idorsia's shareholders: Accum. other comprehensive income (loss)	Noncontrolling interests: Equity attrib. to noncontrolling interests	Total equity
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)				(444,791)		(328)	(445,119)
Other comprehensive income (loss)					(14,571)		(14,571)
Comprehensive income (loss)							**(459,690)**
Exercise of share options	372,284	19	6,582				6,601
Share-based compensation transactions	68,896	3	18,368				18,372
Issuance of new shares	34,800,000	1,740	844,705				846,445
Acquisition of noncontrolling interests			9,406	(8,426)		8,426	9,406
At December 31, 2020	**166,482,328**	**8,324**	**1,962,739**	**(1,347,485)**	**(38,096)**	**-**	**585,483**
Comprehensive income (loss):							
Net income (loss)				(634,595)		-	(634,595)
Other comprehensive income (loss)					15,294		15,294
Comprehensive income (loss)							**(619,301)**
Exercise of share options	564,018	28	9,972				10,000
Share-based compensation transactions	338,767	17	19,153				19,170
Conversion of loan, net [1]	9,581,882	479	108,373				108,852
At December 31, 2021	**176,966,995**	**8,848**	**2,100,237**	**(1,982,079)**	**(22,802)**	**-**	**104,204**

[1] Partial conversion of the loan with Cilag of nominal CHF 110 m minus CHF 1.1 m stamp duty, see note 14. Borrowings.

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

Notes to the Consolidated Financial Statements

(CHF thousands, except share and per share amounts)

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

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

Basis of presentation

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

Demerger of Idorsia

Idorsia Ltd 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 the Idorsia Group (the "Demerger").

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.

Scope of consolidation

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

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

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

Principles of consolidation

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

Use of estimates

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

Revenue from contracts with customers (Product sales)

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

Revenue from collaborations (Contract revenue)

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

Milestone payments

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

Research and development ("R&D")

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

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

Advertising and promotional costs

The Group expenses the costs of advertising, including promotional expenses, as incurred. Advertising and promotional costs were CHF 57.7 m in 2021 and CHF 10 m in 2020.

Legal fees

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

Patents and trademarks

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

Share-based compensation

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

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

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

Compensation costs for the RSP and the SSOP are recognized on a straight-line basis over the requisite service period for the entire award. Share option exercises are settled out of the conditional capital or with treasury shares, which the Group purchases on the market. Payroll taxes in all jurisdictions are recognized only upon exercise or vesting of the respective share-based compensation awards.

Taxes

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

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

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

Earnings per share ("EPS")

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

Dividends

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

Cash and cash equivalents

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

Short-term deposits

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

Derivative instruments and foreign currency exchange risk

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

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

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

Fair value measurements

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

Financial instruments indexed to own shares

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

Contract balances

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

Deferred revenue

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

Property, plant and equipment

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

The estimated useful lives are as follows:

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

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

Leases

The Group determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets and lease liabilities in the Consolidated Balance Sheet. Finance leases are included in property and equipment and lease liabilities in the Consolidated Balance Sheet.
Right-of-use assets represent the right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Intangible assets

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

Impairment of long-lived assets

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

Long-term deposits

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

Loss contingencies

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

Convertible debt

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

Convertible bonds

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

Convertible loan

The Group's outstanding convertible loan has been separated into a liability and an equity component at initial recognition by (a) recording the beneficial conversion feature at the commitment date at the intrinsic value in equity and (b) attributing the remaining net proceeds at issuance to the liability component. The resulting discount on the loan is accreted as expense in the income statement, using the effective interest rate method.

Pension accounting

The majority of the Group's employees worldwide are covered by defined benefit pension plans, defined contribution plans or both. The Group accounts for pension assets and liabilities in accordance with FASB ASC Topic 715, *Compensation – Retirement Benefits*, which requires the recognition of the funded status of pension plans in the Group's balance sheet. The liability in respect to defined benefit pension plans is the projected benefit obligation calculated annually by independent actuaries using the projected unit credit method. The projected benefit obligation ("PBO") as of December 31 represents the actuarial present value of the estimated future payments required to settle the obligation that is attributable to employee services rendered before that date. Service costs for such pension plans, represented in the net periodic benefit cost, are included in the personnel expenses of the various functions where the employees are engaged. The other components of net benefit cost are included in the income statement separately from the service cost component, in "Other financial income (expense), net". Plan assets are recorded at their fair value. Unvested prior service costs arising from retroactive amendments to pension plans are originally reflected in "Accumulated other comprehensive income (loss)" ("AOCI") and distributed to income over the employees' remaining service period. Vested prior service costs, including those related to retirees, are immediately recognized in the consolidated income statement. Gains or losses arising from plan curtailments or settlements are accounted for at the time they occur. Any net pension asset is limited to the present value of the future economic benefits available to the Group in the form of refunds from the plan or expected reductions in future contributions to the plan. In interim periods, a net pension asset reflects the Group's prepayments of annual employee and employer plan contributions. Actuarial gains and losses arising from differences between the actual and the expected return on plan assets are recognized in AOCI and amortized over the requisite service period (see Note 15. Pension plans) by applying the corridor approach. For the majority of the defined contribution plans, a portion of the employees salaries and bonuses is contributed to the plans, and the Group matches the employee contributions to the plans.

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

Comprehensive income (loss)

Comprehensive income (loss) is comprised of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains/losses on available-for-sale debt securities, currency translation adjustments, actuarial gains (losses) and prior service costs resulting from retroactive amendments of defined benefit plans. The components of comprehensive income (loss) are shown net of related taxes where the underlying assets or liabilities are held in jurisdictions that are expected to generate a future tax benefit or liability (see Note 18. Accumulated other comprehensive income (loss)).

Foreign currencies

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

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

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

Segment information

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

Subsequent events

The Group evaluates subsequent events in accordance with FASB ASC Topic 855, *Subsequent Events,* through the date the financial statements are available to be issued (see Note 23. Subsequent events).

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. Earl adoption is permitted for all fiscal periods beginning after December 15, 2020. The updated guidance will be adopted as of January 1, 2022 as permitted under ASU 2020-06, using the modified retrospective approach (see note 14. Borrowings for the expected effect on the Groups' financial position and results of operations). The Group does not expect a material impact on cash flows upon adoption.

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 22. 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 December 31, 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	(634,595)	-	(634,595)
Net income(loss) from noncontrolling interests	-	-	-
Change from net income (loss)	**(634,595)**	**-**	**(634,595)**
Other change in equity[1]	153,316	-	153,316
At December 31, 2021	**104,204**	**-**	**104,204**

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

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

Note 4. Collaborative agreements

Janssen Biotech Inc. ("Janssen")

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

Janssen opted in the collaboration agreement by paying a one-time milestone payment of USD 230 m (CHF 227 m) in December 2017. The Group recognized USD 160 m (CHF 158 m) as contract revenue in December 2017, and the remainder USD 70m (CHF 69m) was deferred and is being recognized on a straight-line basis until September 2022 (initially ending in 2021, before a reassessment in 2020), with CHF 10 m being recognized in 2021 and CHF 8 m to be recognized in 2022.

The Group is in charge of the ongoing development of aprocitentan in the initial indication of resistant hypertension management. Janssen and the Group equally share the costs relating to the Phase 3 program, the marketing approval applications and the marketing approvals in the initial indication In 2021, the cost-sharing reimbursements by Janssen to the Group for the initial indication Phase 3 studies (CHF 17.6 m net) were recognized as a cost reduction in R&D expenses.

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

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

Revenue sharing agreement with J&J

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

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

The Group has recognized CHF 0.5 m as contract revenue in 2021 from this revenue sharing agreement.

Santhera Pharmaceuticals (Switzerland) Ltd ("Santhera")

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

The Group recognized CHF 12 m as contract revenue in connection with the settlement of an exchangeable note in 2021. As of December 31, 2021, Idorsia owns 7,482,259 shares in Santhera, of which 1,000,000 shares are subject to a lock-up provision (see Note 8. Financial Assets and Liabilities). In addition, the Group was granted warrants which entitle the holder to purchase 1,093,750 Santhera shares at a strike price of CHF 2.00 within five years from the grant.

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

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

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

Roche paid a maintenance fee of CHF 1.8 m in July 2020, and terminated the research collaboration in March 2021 with a final payment of CHF 2.7 m

The Group recognized CHF 3.6m as contract revenue in 2021.

Mochida Pharmaceutical Co., Ltd. ("Mochida")

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

Idorsia received an initial payment of JPY 1 bn (CHF 9 m) in 2020, which will be recognized as contract revenue on a straight-line basis from January 2020 until August 2023 (initially ending in June 2022, before a reassessment in 2020) of which CHF 2 m in 2021, CHF 2 m in 2022 and CHF 1 m in 2023.

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

The Group will be eligible to receive additional development, regulatory and commercial milestones of up to JPY 8.5 bn, and sales milestones and variable considerations based on net sales achieved by Mochida.

A Joint Development Committee oversees the development program in Japan and Idorsia is responsible for the design and conduct of additional preclinical and clinical studies, and the registration with relevant Japanese health authorities. Costs associated with the co-development of daridorexant will be shared. In 2021, the Group recognized net CHF 11.5 m of cost-sharing reimbursements as a cost reduction in R&D expenses.

Neurocrine Biosciences, Inc. (“Neurocrine”)

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

Neurocrine exercised in May 2020 its option to enter into the license and research collaboration with a payment of USD 57 m (CHF 56 m) of which CHF 48 m have been recorded as contract revenue in 2020 and the remaining CHF 7 m to be recognized on a straight-line basis from July 2020 until June 2022, of which CHF 4 m in 2021. The Group also recognized CHF 0.7 m as a cost reduction in R&D expenses in 2021.

Under the potential license of ACT-709478, the Group will be eligible to receive one-time payments of up to USD 365 m contingent upon the achievement of certain development and regulatory milestones, of which USD 200 m / USD 110 m / USD 55 m relate to the first, second and third indication, respectively. ACT-709478 is currently investigated in a Phase 2 program in epilepsy and essential tremor. The Group would also be entitled to one-time milestones based on sales thresholds, as well as tiered royalties on annual net sales.

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

Other

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

Note 5. Income taxes

	Twelve months ended December 31,	
	2021	**2020**
Current tax (expense)	(5,176)	(1,898)
Deferred tax benefit (expense)	5,386	6,058
Total income tax benefit (expense)	**210**	**4,160**

Income taxes payable and accrued as of December 31, 2021, amounted to CHF 3.2 m (December 31, 2020: CHF 0.4 m).

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

Deferred tax assets	**2021**	**2020**
Net benefit from operating loss carryforwards	257,441	181,747
Pension liability	6,378	9,134
Lease liability and prepaid leases	15,096	7,548
Other temporary differences	4,128	2,152
Deferred tax assets	**283,043**	**200,581**
Valuation allowance for deferred tax assets	(257,266)	(182,501)
Total deferred tax assets	**25,777**	**18,081**

Deferred tax liabilities	**2021**	**2020**
Convertible loan	4,860	7,563
Convertible bonds	785	134
Share-based compensation	1,676	5,268
Right-of-use assets	15,097	7,548
Other temporary differences	434	-
Total deferred tax liabilities	**22,852**	**20,512**

The Group incurred operating losses which may be carried forward and utilized within the coming seven fiscal years. The Group recorded a valuation allowance against the deferred tax assets due to the lack of sufficient positive evidence related to the realization of these deferred tax assets.

A deferred tax liability has been recorded for the discount of the convertible debt (see Note 14. Borrowings).

As of December 31, 2021, the gross value of unused tax loss carryforwards, with their expiry dates is as follows:

	Total
One year	-
Two years	16,665
Three years	6,144
Four years	370,856
Five years	505,685
Six years	452,495
Seven years	562,787
More than seven years	-
Total tax losses	**1,914,632**

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

	Twelve months ended December 31,	
	2021	**2020**
Tax at net Swiss statutory tax rate	114,074	80,735
Tax rates different from the net Swiss statutory rate	(4,477)	923
Change in valuation allowance	(109,234)	(75,454)
Taxable intercompany loan elimination	-	(1,857)
Other items	(153)	(186)
Effective income tax benefit (expense)	**210**	**4,160**

The difference between the "Change in valuation allowance" of CHF 109 m and the movement of "Valuation allowance for deferred tax assets" CHF 75 m is mainly due to difference between current tax rates and future tax rates that are expected to apply to taxable income in the periods in which temporary differences are expected to be realized or settled and operating loss carryforwards are expected to be used. The statute of limitations for assessment in the major jurisdiction in which the Group operates is open for the years 2020 and 2021.

Note 6.
Earnings per share

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

	2021		2020	
	Basic	**Diluted**	**Basic**	**Diluted**
Numerator				
Net income (loss) attributable to Idorsia's shareholders	(634,595)	(634,595)	(444,791)	(444,791)
Net income (loss) available for EPS calculation	**(634,595)**	**(634,595)**	**(444,791)**	**(444,791)**
Denominator				
Weighted-average number of common shares	168,498,048	168,498,048	142,809,072	142,809,072
Total average equivalent shares	**168,498,048**	**168,498,048**	**142,809,072**	**142,809,072**
Earnings (loss) per share attributable to Idorsia's shareholders	**(3.77)**	**(3.77)**	**(3.11)**	**(3.11)**

For the twelve months ended December 31, 2021, 63,043,340 shares that would have had an antidilutive effect were excluded from the diluted EPS calculation (December 31, 2020: 52,548,881 shares).

Note 7.
Cash and cash equivalents

Cash and cash equivalents consisted of the following at:

	December 31, 2021	December 31, 2020
Cash	101,352	90,810
Cash equivalents	-	50,000
Total	**101,352**	**140,810**

Note 8.
Financial assets and liabilities

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

	December 31, 2021			December 31, 2020		
	Total	**Level 1**	**Level 2**	**Total**	**Level 1**	**Level 2**
Financial assets carried at fair value						
Cash and cash equivalents	101,352	101,352	-	140,810	140,810	-
Derivative financial instruments[1]	817	-	817	-	-	-
Short-term marketable securities	9,951	9,951	-	1,960	1,960	-
Long-term marketable securities	50	-	50	2,854	2,854	-
Total	**112,170**	**111,303**	**867**	**145,623**	**145,623**	**-**

[1] Included in other current assets.

As of December 31, 2021, short- and long-term deposits of CHF 1,087 m (December 31, 2020: CHF 1,059 m) are not included in the table above as they are carried at amortized cost, which approximates their fair value. Short-term deposits have a duration of more than three and up to twelve months, while long-term deposits have a duration exceeding twelve months.

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

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

As non-refundable consideration for entering into the agreement, the Group received 1,000,000 new registered shares from Santhera Holding's existing authorized share capital (SIX: SANN), with an initial value of CHF 14.5 m. These initial 1,000,000 shares 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.

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

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

In September 2021, Idorsia received another 3,594,759 shares at a fair market value of CHF 2.27 per share (CHF 8.2 million) shares as part of the settlement of the exchangeable note which was granted to the Group in September 2020 (see Note 4. Collaborative agreements).

On September 22, 2021, Santhera Holding issued 9,972,502 new shares at CHF 1.60 per share to investors. The Group acquired an additional 2,187,500 shares. In addition, the Group was granted by Santhera Holding 1,093,750 warrants on the Santhera Holding share which entitle the holder to purchase Santhera Holding shares at a strike price of CHF 2.00 within five years from the grant. One warrant entitles the holder to purchase one Santhera Holding share. The fair value of these instruments was CHF 0.8 m as of December 31, 2021.

The Group currently owns a total of 7,482,259 shares in Santhera Holding, representing 13.7% of the ordinary share capital of Santhera Holding as of December 31, 2021. The market value of the Santhera shares was CHF 10 m as of December 31, 2021 (December 31, 2020 short term; CHF 2 m and long-term: CHF 2.9 m). All shares are held as short-term securities.

Financial liabilities carried at amortized cost

The Group's financial liabilities carried at amortized cost relate to its convertible debt (see Note 14. Borrowings) and are stated in the following table:

	December 31, 2021	December 31, 2020
Long-term financial debt	1,092,609	587,352
Total	**1,092,609**	**587,352**

Interest income (expense), net for the twelve months ended December 31, 2021, includes accrued interest expense of CHF 5.9 m (December 31, 2020: CHF 0.7 m), which is paid to the bondholders on a yearly basis. Interest income for the twelve months ended December 31, 2021 amounts to CHF 0.5 m negative (December 31, 2020: CHF 0.2 m negative) 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 2021 amounts to CHF 7.7 m (December 31, 2020: foreign currency translation loss CHF 19.1 m).

For the twelve months ended December 31, 2021, the Group recorded an unrealized loss on marketable securities of CHF 6.5 m (December 31, 2020: CHF 12.7 m) and a gain on other components of net periodic pension cost of CHF 3.5 m (December 31, 2020: CHF 2.9 m).

Note 9.
Other current assets

Other current assets consisted of the following at December 31:

	2021	2020
VAT and withholding tax receivables	12,086	6,041
Prepaid expenses and accrued income	21,717	12,895
Other current assets	922	1,098
Other current assets	**34,725**	**20,035**

Note 10.
Intangible assets

Intangible assets consisted of the following at December 31:

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

	2020		
	Gross carrying amount	**Accumulated amortization**	**Net carrying amount**
Acquired software and other	4,165	(3,582)	583
Total	**4,165**	**(3,582)**	**583**

The aggregate amortization expense of intangible assets amounted to CHF 0.5 m (2020: CHF 1.2 m). The weighted-average amortization period for acquired software amounts to three years (see Note 1. Description of business and summary of significant accounting policies).

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

For the year ending December 31,	Amortization expense
2022	2,044
2023	2,078
2024	2,009
2025	-
2026	-
Thereafter	-
Total expected future amortization	**6,131**

Note 11. Property, plant and equipment

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

	2021	2020
At cost:		
Land	17,902	10,500
Buildings	126,373	121,805
Furniture, fixtures and lab equipment	60,307	51,637
Computers	2,848	2,570
Construction in progress	24,346	20,805
Less: Accumulated depreciation	(81,913)	(64,603)
Property, plant and equipment, net	**149,862**	**142,714**

For the twelve months ended December 31, 2021, the Group invested CHF 25.9 m (2020: CHF 9.0 m) in tangible assets. As of December 31, 2021, CHF 0.6 m (December 31, 2020: CHF 0.2 m) of those were unpaid and appropriately excluded from presentation in the consolidated statement of cash flows. Depreciation expense of property, plant and equipment was CHF 17.6 m in 2021 (2020: CHF 17.7 m).

Note 12. Accrued expenses

Accrued expenses consisted of the following at December 31:

	2021	2020
Personnel and compensation costs	44,996	39,864
Research and development goods and services	37,005	32,245
Site running costs	973	1,688
Professional and IT services	5,309	9,643
Fixed assets	1,549	1,638
Interest accruals	6,857	1,113
Other accruals	16,179	5,116
Total	**112,869**	**91,306**

Note 13. 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 2022 and 2036; most leases have options to extend the initial lease period.

The Group does not have material finance leases. As most of the operating leases do not provide an implicit interest rate, the Group uses a portfolio approach to determine a collateralized incremental borrowing rate based on the information available at the commencement date to determine the lease liability. Operating lease expense is recognized on a straight-line basis over the lease term. Operating lease expense for the twelve months ended December 31, 2021 was CHF 14.2 m (December 31, 2020: CHF 11.5 m).

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

	2021	**2020**
Weighted-average remaining lease term	5.92 years	6.28 years
Weighted-average discount rate	3.89%	3.56%
Cash paid for amounts included in the measurement of lease liabilities	14,153	11,495
Right-of-use assets obtained in exchange for lease liabilities	27,111	5,782

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

	2021
2022	12,869
2023	13,390
2024	13,216
2025	12,829
2026	12,180
Thereafter	15,262
Total undiscounted lease payments	**79,746**
Less: imputed interest	(8,871)
Total discounted lease payments	**70,876**

Note 14. Borrowings

Convertible loan

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

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

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

The remaining amount of CHF 335 m outstanding as of December 31, 2021, may be converted into 29.1 m shares of the Group by Cilag (which would result in a total shareholding of 19% on a diluted basis) as follows:

- up to an aggregate shareholding of 16% if another shareholder holds more than 20% of the issued shares of the Group (this condition was fulfilled with Jean-Paul and Martine Clozel owning more than 25% of the Group's issued shares as of December 31, 2021), and
- up to the balance of the remaining amount within 20 business days of the maturity date of the convertible loan. In case of a takeover of the Group, Cilag has the right to convert the convertible loan in full.

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

The Group 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 December 31, 2021, is CHF 298 m (December 31, 2020: CHF 388 m). For the twelve months ended December31, 2021, the Group recognized an accretion expense of CHF 20 m (2020: CHF 8 m).

Adopting the requirements of ASU 2020-06 as of January 1, 2022 by applying the modified retrospective approach will impact the opening balances of the consolidated balance sheet as follows:

	2021 reported	Effect	Reclass Deferred tax asset	Valuation allowance on Deferred tax asset	Expected Balances as at January 1, 2022
ASSETS					
Noncurrent assets					
Other noncurrent assets [1]	15,881	-	3,852	(3,852)	15,881
LIABILITIES					
Noncurrent liabilities					
Convertible loan	298,445	36,131			334,575
Deferred tax liability	1,008	(4,860)	3,852		-
EQUITY					
Accumulated profit (loss)	(1,982,079)	(31,271)		(3,852)	(2,017,202)

[1] Inculdes Deferred tax assets.

The adoption will have a material impact on the results of operation of future reporting periods as outlined below:

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

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

Senior unsecured convertible bonds due in 2024

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

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

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

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

The debt obligations in respect of the bonds which are due subsequent to December 31, 2021, are as follows:

	Type of payment	Amount
Payable on July 17,		
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 December 31, 2021, the fair market value of the bonds amounted to 93.00% of the principal amount (Level 1).

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

As of December 31, 2021, the total book value of the bonds was CHF 199.3 m (December 31, 2020: CHF 199.0 m). For the twelve months ended December 31, 2021, the Group recognized CHF 1.5 m interest cost (2020: CHF 1.5 m) and CHF 0.3 m (2020: CHF 0.3 m) related to the amortization of debt issuance costs.

Senior unsecured convertible bonds due in 2028

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

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

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

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

The debt obligations in respect of the bonds which are due subsequent to December 31, 2021, are as follows:

	Type of payment	Amount
Payable on Aug 4,		
2022	Annual interest	12,750
2023	Annual interest	12,750
2024	Annual interest	12,750
2025	Annual interest	12,750
2026	Annual interest	12,750
2027	Annual interest	12,750
2028	Repayment of debt incl. annual interest	607,544

The bonds are listed on the SIX Swiss Exchange. As of December 31, 2021, the fair market value of the bonds amounted to 90.90% of the principal amount (Level 1).

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

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

Credit facilities

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

Note 15.
Pension plans

Swiss employee pension plan

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

The Basic Plan is organized under the legal form of a pension foundation covering all risks associated with the Swiss pension plan. The Group and its employees pay retirement contributions, which are defined as a percentage of the employees' covered salaries. For the twelve months ended December 31, 2021, the Group made contributions of CHF 19.6 m. Interest is credited to the employees' accounts at the minimum rate provided for in the Basic Plan. In 2021, the guaranteed interest rate for withdrawal benefits amounts to 1.0% for the mandatory portion and 0.125% for the non-mandatory portion of the contributions paid. Future benefit payments are managed by the insurance company. The Foundation entered into an insurance contract with a third-party insurance company to minimize the risk associated with the pension obligation and as a means to reduce the uncertainty and volatility of the Basic Plan's assets for the Group. Investment strategy and policies of the Foundation are determined by the insurance company. The Foundation Council's decision power in relation to investment strategies and asset allocation is limited to the amount of available unappropriated foundation reserves as determined by Swiss pension law. Under the Swiss pension scheme the Group has implemented an additional plan which qualifies as defined contribution plan. The new plan includes the pension contributions on bonus payments for employees with an insured salary of more than CHF 129'060. Existing pension assets which arose from pension contributions on bonus payments of those employees will be transferred into the new defined contribution plan on January 1, 2022.

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

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

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

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

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

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

	Twelve months ended December 31,	
	2021	**2020**
Service cost	14,769	13,997
Interest cost	695	936
Expected return on plan assets	(4,201)	(3,871)
Amortization of prior year service costs (benefit)	(755)	(211)
Amortization of net actuarial (gain) loss	1,082	-
Net periodic benefit cost	**11,590**	**10,851**

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

	2021	2020
Weighted-average assumptions used in calculation		
Mortality and disability assumptions	BVG 2020	BVG 2015
Discount rate	0.20%	0.20%
Salary increase	1.50%	1.50%
Long-term rate of return on assets	1.50%	1.50%

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

The weighted-average discount rate applied for the calculation of the PBO as at December 31, 2021, is 0.35%. A decrease of the discount rate by 0.25% would increase the PBO by CHF 14.6 m.

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

The Group's subsidiary in Japan sponsors another defined benefit pension plan, which is not material to the Group. Pension liability, funded status and net periodic benefit costs of the Japanese pension plan are included in the following tables.

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

	2021	2020
Projected benefit obligation, at January 1,	**335,201**	**301,723**
Service cost	14,769	13,997
Interest cost	695	936
Plan participants' contributions	9,225	8,046
Benefits (paid) / deposited	252	(653)
Actuarial loss (gain)	(11,433)	16,971
Prior year service cost (credit)	(7,700)	(5,805)
Settlement	(13,619)	-
Foreign currency exchange rate changes	(42)	(14)
Projected benefit obligation at December 31,	**327,348**	**335,201**

	2021	2020
Fair value of plan assets, at January 1,	**268,775**	**248,801**
Actual return on plan assets	643	1,413
Employer contributions	13,069	11,168
Plan participants' contributions	9,225	8,046
Benefits (paid) / deposited	252	(653)
Settlement	(13,133)	-
Foreign currency exchange rate changes	-	-
Fair value of plan assets at December 31,	**278,831**	**268,775**
Accumulated benefit obligation	**317,268**	**324,506**

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

	2021		
Asset category	**Total**	**as % of total plan assets**	**Level 2**
Assets from insurance contract	278,831	100.00%	278,831
Total plan assets	**278,831**	**100%**	**278,831**

	2020		
Asset category	**Total**	**as % of total plan assets**	**Level 2**
Assets from insurance contract	268,775	100.00%	268,775
Total plan assets	**268,775**	**100%**	**268,775**

The fair value of the Basic Plan's assets is the estimated cash surrender value of the insurance contract at the respective balance sheet date. The cash surrender value consists of the withdrawal benefits of the Basic Plan's members determined in accordance with the requirements of Swiss pension law, benefits derived from surplus sharing by the insurance company of CHF 11.1 m (2020: CHF 8.5 m), and premiums paid in excess of premiums owed by the Group of CHF 2.3 m (2020: CHF 7.0 m).

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

	2021	2020
Present value of obligations	(327,348)	(335,201)
Fair value of plan assets	278,831	268,775
Funded status	**(48,517)**	**(66,426)**

Main reason for actuarial gains of CHF 11.4 m in 2021 (actuarial losses of CHF 17.0 m in 2020) on the projected benefit obligation are due to changes in financial assumptions, mainly an increase in the discount rate from 0.20% to 0.35% (a reduction in the discount rate from 0.30% to 0.20% for 2020).

As of December 31, 2021, CHF 21.0 m (December 31, 2020: CHF 37 m) related to the pension plans was recognized in other comprehensive income (loss). Amounts recognized in accumulated other comprehensive income represent not yet amortized actuarial losses. The actuarial losses outside of the corridor will be amortized over the expected service period of 10.5 years.

	2021	2020
Components of net periodic benefit costs, at January 1,	**(37,346)**	**(23,511)**
Net gain (loss) arising during the period	15,575	(13,625)
Amortization of prior period service cost	(755)	(210)
Amortization of actuarial gain (loss)	1,082	-
Settlement	486	-
Taxes	-	-
Total included in other comprehensive income (loss) at December 31,	**(20,958)**	**(37,346)**

The expected future cash flows to be paid by the Group in respect of the pension plans as of December 31, 2021, were as follows:

Expected employer contributions	
2022[1]	12,744
Expected future payments to beneficiaries	
2022	7,329
2023	2,135
2024	3,627
2025	4,345
2026	4,106
Thereafter	30,312

[1] Either paid or offset against existing prepayment

Certain of the Group's subsidiaries sponsor defined contribution plans. These plans are structured as a saving schemes without further obligation of the Group. These plans are not material to the Group.

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

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

Note 16.
Share-based compensation

Share-based payment arrangements ("SBPA")

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

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

	2021	**2020**
Outstanding share equivalents under SBPA		
Restricted share units granted under the RSP	1,244,814	1,042,482
Share options granted under the ESOP	7,750,816	6,625,269
Share options granted under the DSOP	-	275,000
Total outstanding share equivalents under SBPA	**8,995,630**	**7,942,751**
Thereof exercisable	4,208,746	3,920,702

Total compensation costs recognized in the Consolidated Financial Statements with respect to the Group's SBPA for the twelve months ended December 31, 2021, were CHF 18.7 m (December 31, 2020: CHF 19.3 m). Gross tax benefits of CHF 0.1 m were recognized in the period ended December 31, 2021 (December 31, 2020: CHF 0.1 m).

Restricted Stock Plan ("RSP")

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

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

	Twelve months ended December 31,	
	2021	**2020**
Expected term	3 years	3 years
Interest rate	0.00%	0.00%
Expected dividend yield	0.00%	0.00%

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

	2021		2020	
	RSUs	**Weighted-average grant date fair values**	**RSUs**	**Weighted-average grant date fair values**
Outstanding at January 1,	**1,042,482**	**21.90**	**741,339**	**20.18**
Granted	514,100	25.41	337,803	25.63
Forfeited	(80,458)	22.42	(36,660)	21.48
Vested	(231,310)	25.23	-	-
Outstanding nonvested at December 31,	**1,244,814**	**22.70**	**1,042,482**	**21.90**

The Group recorded share-based compensation expense for the RSP of CHF 8.1 m for the twelve months ended December 31, 2021(December 31, 2020: CHF 6.8 m). As of December 31, 2021, the total unrecognized compensation cost related to nonvested RSUs was CHF 12.9 m (December 31, 2020: CHF 9.7 m) which is expected to be recognized over a weighted-average period of 1.92 years (December 31, 2020: 1.78 years).

The weighted-average exercise price of RSUs granted, outstanding and forfeited is zero. Total fair value of RSUs vested and converted into shares amounted to CHF 5.8 m for the twelve months ended December 31, 2021 (December 31, 2020: zero). The total intrinsic value of RSUs vested and converted into shares amounted to CHF 5.7 m for the twelve months ended December 31, 2021 (December 31, 2020: zero) The aggregate intrinsic value of nonvested RSUs amounts to CHF 23.3 m as of December 31, 2021 (December 31, 2020: CHF 26.7 m).

Standard Share Option Plans ("SSOP")

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

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

	Twelve months ended December 31,	
	2021	**2020**
Expected term	6.25 years	6.25 years
Interest rate	0.00%	0.00%
Expected volatility	33.38% - 34.81%	33.15% - 34.81%
Expected dividend yield	0.00%	0.00%

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

	2021			**2020**		
	Share options	Weighted-average grant date fair value	**Weighted-average exercise price**	**Share options**	Weighted-average grant date fair value	**Weighted-average exercise price**
Outstanding at January 1,	**6,625,269**	**6.37**	**19.77**	**5,952,203**	**6.03**	**18.79**
Granted	1,417,990	8.50	25.25	969,480	8.34	25.34
Forfeited	(3,425)	7.40	22.59	(74,130)	6.32	19.57
Exercised	(289,018)	5.74	17.73	(222,284)	5.74	17.73
Outstanding at December 31,	**7,750,816**	**6.78**	**20.85**	**6,625,269**	**6.37**	**19.77**
Exercisable at December 31,	4,208,746	6.08	19.12	3,645,702	5.74	17.73

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

	2021			**2020**		
	Share options	Weighted-average grant date fair value	**Weighted-average exercise price**	**Share options**	Weighted-average grant date fair value	**Weighted-average exercise price**
Outstanding at January 1,	**275,000**	**5.67**	**17.73**	**425,000**	**5.67**	**17.73**
Exercised	(275,000)	5.67	17.73	(150,000)	5.67	17.73
Outstanding at December 31,	**-**	**-**	**-**	**275,000**	**5.67**	**17.73**
Exercisable at December 31,	-	-	-	275,000	5.67	17.73

The following is a summary of options outstanding and exercisable under the SSOP at December 31, 2021:

	Share options outstanding			Share options exercisable		
Range of exercise prices	Share options	Weighted-average remaining contractual life in years	Weighted-average exercise price	Share options exercisable	Weighted-average remaining contractual life in years	Weighted-average exercise price
17.41 - 17.57	948,160	7.16	17.41	-	-	-
17.58 - 17.76	3,358,149	5.47	17.73	3,358,149	5.47	17.73
17.77 - 25.07	809,260	7.99	22.53	196,370	6.47	21.89
25.08 - 25.53	1,325,737	7.13	25.38	647,247	6.05	25.41
25.54 - 30.36	1,309,510	9.16	25.70	6,980	6.50	26.10
Total	**7,750,816**	**6.85**	**20.85**	**4,208,746**	**5.61**	**19.12**

The Group recorded share-based compensation expense for the SSOP of CHF 8.5 m for the twelve months ended December 31, 2021 (December 31, 2020: CHF 9.7 m). As of December 31, 2021, the total unrecognized compensation cost related to nonvested options was CHF 12.9 m; this is expected to be recognized over a weighted-average period of 1.93 years. The aggregate intrinsic value of options outstanding at December 31, 2021, was CHF 4.5 m.

The total intrinsic value of options exercised during 2021 was CHF 3.9 m (2020: CHF 4.2 m). The aggregate intrinsic value of options exercisable at December 31, 2021, was CHF 3.2 m. Zero options expired in 2021 (2020: none).

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

	2021	
	Share options	Weighted-average grant date fair values
Outstanding nonvested at January 1,	**2,979,567**	**7.15**
Granted	1,417,990	8.50
Forfeited	(4,890)	8.60
Vested	(850,597)	7.44
Outstanding nonvested at December 31,	**3,542,070**	**7.61**

In 2021 the Group provided 564,018 newly issued shares from conditional capital in exchange for option exercises under SSOP (2020: 372,284 shares). Additionally, the Group provided 69,498 newly issued shares from conditional capital with a fair value of CHF 1.8 m (2020: 38,237 newly issued shares with a fair value CHF 1.0 m) to eligible permanent employees as a payout of the 2020 annual bonus (65% of 2020 annual bonus was granted in shares, 35% was paid in cash) and recorded a net accrual of CHF 1.3 m (2020: CHF 1.0 m) as share-based compensation expense for a potential payout of 65% of the 2021 annual bonus in shares for certain eligible permanent employees in 2021. The shares granted are blocked for two years.

During 2021, the Group provided 37,959 newly issued shares from conditional capital with a fair value of CHF 0.8 m to members of the Board of Directors ("BoD") as compensation (2020: 30,659 newly issued shares with a fair value of CHF 0.8 m). At December 31, 2021, 57,084,135 conditional shares were available for grant of future share-based awards under the Group's SBPA. For changes in conditional capital approved to be used in connection with SBPA and similar share-based compensation awards, see Note 17 ("Share capital").

Note 17.
Share capital

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

	Shares[1]			
(all numbers in thousands)	**Issued**	**Authorized**	**Conditional**	**Total**
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	339	-	(339)	-
Exercise of share options	564	-	(564)	-
Issuance of new registered shares	9,582	(9,582)	-	-
At December 31, 2021	**176,967**	**54,418**	**63,656**	**295,041**

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

Issuance of new registered shares

On November 9, 2021, the Group issued 9,581,882 new shares from its existing authorized share capital, to convert a second tranche of CHF 110 m of the convertible loan with Cilag (see Note 14. Borrowings).

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.

Note 18. Accumulated other comprehensive income (loss)

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

	Accumulated OCI (loss), net of tax		
	Jan 1, 2021	Changes arising during period	Dec 31, 2021
Foreign currency translation adjustments[1]	(751)	(1,096)	(1,845)
Actuarial gains (losses)[2]	(37,346)	16,389	(20,958)
Total accumulated OCI (loss)	**(38,096)**	**15,294**	**(22,802)**

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

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

	Accumulated OCI (loss), net of tax		
	Jan 1, 2020	Changes arising during period	Dec 31, 2020
Foreign currency translation adjustments[1]	(16)	(735)	(751)
Actuarial gains (losses)[2]	(23,510)	(13,836)	(37,346)
Total accumulated OCI (loss)	**(23,527)**	**(14,571)**	**(38,096)**

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

Note 19. Commitments, contingent liabilities and guarantees

Commitments

The Group has entered into capital commitments of CHF 0.3 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 0.9m.

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 20. Concentrations

Cash, cash equivalents and short- and long-term deposits, at December 31, 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 21. 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
December 31, 2021			
Contract revenue	35,349	-	35,349
Property, plant and equipment	146,166	3,696	149,862
December 31, 2020			
Contract revenue	71,758	-	71,758
Property, plant and equipment	140,521	2,193	142,714

Note 22. 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 December 31, 2021 the Group has a convertible loan from Cilag in the nominal amount of CHF 335 m (noncurrent liability of CHF 298 m and a remaining loan discount of CHF 36 m due to the beneficial conversion feature at inception) (December 31, 2020: nominal amount of CHF 445 m of which CHF 388 m as noncurrent liability and CHF 56 m remaining loan discount).The loan is convertible into 29,133,232 shares (December 31, 2020: 38,715,114 shares) of the Group, which would represent 14% of the total share capital of the Group on a diluted basis (see Note 14. Borrowings).

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

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

The Group and Actelion entered into a series of transitional and long-term service agreements. Under these agreements and the above-mentioned collaboration agreement with Janssen, during 2021, the Group received services from J&J and its affiliates of CHF 1 m (2020: CHF 1 m) and provided services of CHF 18 m (2020: CHF 19 m). As of December 31, 2021, the Group had receivables and accrued income of CHF 5 m (December 31, 2020: CHF 4 m) and no material payables and accruals with J&J and its affiliates (December 31, 2020: None).

During the prior reporting period, a former 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 former 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 0.6 m (2020: CHF 0.9 m). One executive Board member owns 6% of the shares in Owkin Inc. and is the father of its CEO. As of December 31, 2021 and 2020, the Group had no material payables and accruals with Owkin Inc.

The Group holds 7.5 m shares in Santhera Pharmaceuticals Holding Ltd which represents an ownership of 13.7% as of December 31, 2021. Under the option and sublicense agreement and service agreement with Santhera, in 2021, the Group provided services of CHF 0.02m (2020: CHF 5 m). As at December 31, 2021 and 2020, the Group had no material receivables and accrued income with Santhera (see Note 4. Collaborative agreements).

During the twelve months ended December 31, 2021, the Group did not enter into any additional material related party transactions.

Note 23. Subsequent events

The Group has evaluated subsequent events through February 7, 2022, the date these Consolidated Financial Statements were available to be issued. These events have been disclosed in the respective notes to these Consolidated Financial Statements.

Report of the statutory auditor on the consolidated financial statements

To the General Meeting of Idorsia Ltd, Allschwil

Opinion

We have audited the consolidated financial statements of Idorsia Ltd (the "Company") and subsidiaries (the "Group"), which comprise the consolidated balance sheet as of December 31, 2021 and 2020, and the related consolidated income statement, consolidated statements of comprehensive income, of changes in equity and cash flows for the years then ended, and the related notes, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 17 to 57) present fairly, in all material respects, the financial position of the Group at December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America and Swiss Law.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (US GAAS) and in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that were communicated with those charged with governance and, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Financing Transaction

Area of focus	In the year ended December 31, 2021, the Group issued CHF600 million of senior unsecured convertible bonds which were recognized net of issuance costs as a non-current liability. Refer to Note 8 (financial assets and liabilities) and Note 14 (borrowings) in the consolidated financial statements for further details. The financing transaction is considered significant to our audit due to its complexity in particular with regard to the accounting for the convertible bonds.
Our audit response	Our audit procedures included assessing the Group's accounting for the convertible bonds as well as evaluating the Group's related disclosures.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and the provisions of Swiss law, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS, Swiss Law, and Swiss Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, Swiss Law, and Swiss Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

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

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

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

Report on other legal requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

Ernst & Young Ltd

/s/Martin Mattes
Licensed audit expert
(Auditor in charge)

/s/Michaela Held
Licensed audit expert

Basle, February 7, 2022

Holding Company Financial Statements

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Balance sheet

(in CHF thousands)	Notes	December 31, 2021	December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		10,241	27,549
Other receivables from Group companies		29	66
Other current assets		780	-
Total current assets		**11,049**	**27,615**
Noncurrent assets			
Long-term loans to Group companies	2	238,675	419,320
Long-term loans to Group companies (subordinated)	2	2,300,000	1,500,000
Investments in Group companies	2	276,951	269,610
Total noncurrent assets		**2,815,626**	**2,188,930**
TOTAL ASSETS		**2,826,676**	**2,216,544**
LIABILITIES			
Current liabilities			
Other payables to Group companies	1	329	-
Other current liabilities		7,573	9,810
Total current liabilities		**7,902**	**9,810**
Noncurrent liabilities			
Noncurrent financial debt	3	1,134,575	644,575
Total noncurrent liabilities		**1,134,575**	**644,575**
Total liabilities		**1,142,478**	**654,385**
Shareholders' equity	4		
Common shares		8,848	8,324
Legal reserves:			
Legal capital contribution reserve		1,680,078	1,549,706
Other legal reserves		30,314	28,987
Legal retained earnings:			
Accumulated profit (loss)		(35,042)	(24,858)
Total shareholders' equity		**1,684,198**	**1,562,159**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,826,676**	**2,216,544**

Income Statement

(in CHF thousands)	Notes	Twelve months ended December 31, 2021	2020
Financial income		5,451	3,354
Total income		**5,451**	**3,354**
Financial (expense)		(6,764)	(1,858)
Valuation adjustment on loans to and investments in Group companies	2	-	22,195
Administrative (expense)		(8,870)	(25,073)
Total income/ (expense)		**(15,634)**	**(4,736)**
Income (loss) before taxes		**(10,183)**	**(1,382)**
Income tax benefit (expense)		-	-
Net income (loss)		**(10,183)**	**(1,382)**

Notes to the Holding Company Financial Statements

Note 1.
Summary of significant accounting policies

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

Basis of presentation

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

Foreign currencies

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

Investments in and loans to Group companies

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

Note 2.
Investments in and loans to group companies

The following table shows all direct and the material indirect investments of the Company as of December 31, 2021 and 2020:

Company	Country	Ownership & voting interest	Investment	Share Capital	Function
Idorsia Pharmaceuticals Ltd	Switzerland	100%	direct	CHF 1,000,000	R&D
Idorsia US Holding Company Inc.	United States	100%	direct	USD 1,000,000	US Holding
Idorsia Pharmaceuticals US Inc.	United States	100%	indirect	USD 1,000,000	Marketing
Idorsia Clinical Development US Inc.	United States	100%	indirect	USD 1,000,000	Clinical Development
Idorsia Pharmaceuticals Deutschland GmbH	Germany	100%	direct	EUR 25,000	Clinical Development
Idorsia (Shanghai) Pharmaceuticals Co., Ltd	China	100%	direct	RMB 1,000,000	R&D
Idorsia Pharmaceuticals Japan Ltd	Japan	100%	direct	JPY 95,000,000	R&D
Vaxxilon Ltd [2]	N/A	N/A	N/A	N/A	N/A
Vaxxilon Deutschland GmbH [3]	Germany	100%	indirect	EUR 25,000	R&D
Idorsia (Beijing) Pharmaceuticals Co., Ltd. [1]	China	100%	direct	RMB 1,000,000	Clinical Development
Idorsia Pharmaceuticals Germany GmbH [1]	Germany	100%	direct	EUR 25,000	Marketing
Idorsia Pharmaceuticals Italy S.r.l. [1]	Italy	100%	direct	EUR 10,000	Marketing
Idorsia Pharmaceuticals UK Limited [1]	United Kingdom	100%	direct	GBP 25,000	Marketing
Idorsia Pharmaceuticals France SAS [1]	France	100%	direct	EUR 25,000	Marketing
Idorsia Pharmaceuticals Spain S.L. [1]	Spain	100%	direct	EUR 25,000	Marketing

[1] Subsidiary was established during 2021.

[2] In 2020 the ownership was increased from 74% to 100% and subsequently the entity was merged into Idorsia Pharmaceuticals Ltd.

[4] In 2020 the ownership was increased from 74% as of December 31, 2019 to 100%.

In May 2020, the Company acquired all remaining outstanding shares of Vaxxilon Ltd from the minority shareholders for a cash consideration of CHF 0.7 m, and up to CHF 0.9 m potential earn out payments that will forfeit if certain criteria are not met in the next seven years. Subsequent to the acquisition, Vaxxilon Ltd was merged into Idorsia Pharmaceuticals Ltd. As a consequence, valuation allowances recorded against the subordinated loan receivable (CHF 22 m) and the investment held in Vaxxilon Ltd were reversed and the historic cost of the investment in Vaxxilon Ltd was included in the investment held in Idorsia Pharmaceuticals Ltd.

Idorsia Pharmaceuticals Ltd was overindebted as of December 31, 2021. The Company provided subordinated loans of CHF 2,300 m (December 31, 2020: CHF 1,500 m) to Idorsia Pharmaceuticals Ltd. All operations are conducted by Idorsia Pharmaceuticals Ltd whereas Idorsia Ltd has no operations. In order to fund the Idorsia Groups' operations, Idorsia Ltd grants loans to Idorsia Pharmaceuticals Ltd. The recoverability of the investment and intercompany loans is dependent on the future commercial success of Idorsia Groups' products on the market.

Note 3.
Noncurrent financial debt

Convertible Loan

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

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

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

The remaining amount of CHF 335 m outstanding as of December 31, 2021 may be converted into 29.1 m shares of the Company at a conversion price of CHF 11.48 per share by Cilag (which would result in a total shareholding of 19% on a diluted basis) as follows:

- up to an aggregate shareholding of 16% if another shareholder holds more than 20% of the issued shares of the Company (this condition was fulfilled with Jean-Paul and Martine Clozel owning more than 25% of the Group's issued shares as of December 31, 2021), and

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

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

Senior Unsecured Convertible Bonds due in 2024

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

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

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

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

The bonds are listed on the SIX Swiss Exchange.

Senior unsecured convertible bonds due in 2028

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

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

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

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

The bonds are listed on the SIX Swiss Exchange.

Credit facilities

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

Note 4.
Shareholders' equity

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

(all numbers in thousands)	Shares[1] Issued	Authorized	Conditional	Total
As of January 1, 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	339	-	(339)	-
Exercise of share options	564	-	(564)	-
Issuance of new registered shares	9,582	(9,582)	-	-
At December 31, 2021	**176,967**	**54,418**	**63,656**	**295,041**

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

Issuance of new registered shares

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

On May 22, 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 535.5 m through an at-market rights offering.

Legal capital contribution reserve

As at December 31, 2021, the legal capital contribution reserve amounted to CHF 1,680.1 m (December 31, 2020: CHF 1,549.7 m). The amount of legal capital contribution reserve is subject to ongoing re-assessment and discussions with the Swiss tax authorities.

Authorized capital

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

Conditional capital

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

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

Note 5.
Significant shareholders

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

	2021				2020			
	Percentage of share capital	**Percentage of voting rights**	**Percentage of purchase positions**	**Percentage of sale positions**	**Percentage of share capital**	**Percentage of voting rights**	**Percentage of purchase positions**	**Percentage of sale positions**
Jean-Paul & Martine Clozel[1]	>25%	>25%	>30%	-	>25%	>25%	>30%	-
Rudolf Maag[2]	>5%	>5%	>5%	-	>5%	>5%	>5%	-
FMR LLC[2]	>3%	>3%	>3%	-	>3%	>3%	>3%	-
Artisan Partners[2]	-	-	-	-	-	>3%	-	-
Cilag Holding AG[2]	>5%	>5%	>20%	-	-	-	>20%	-

1 According to information provided to the company. The percentage of purchase positions includes 7,189,851 shares that my be issued from the convertible bond and 1,554,940 shares that may be issued from the exercise of employee options.

2 According to shareholders' disclosure notifications to SIX Swiss Exchange. For more information, please refer to https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

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

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

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

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

		Number of shares	
		thereof granted in the respective period[1]	
Name	Functions	**2021**	**2020**
Mathieu Simon	Chairman Member of the Nominating, Governance & Compensation Committee	47,361 *11,927*	17,647 *8,418*
Joern Aldag	Member of the Finance & Audit Committee Member of the Nominating, Governance & Compensation Committee	7,501 *4,677*	2,824 *2,824*
Felix R. Ehrat	Chairman of the Nominating, Governance & Compensation Committee	55,739 *5,652*	38,087 *3,087*
Srishti Gupta	Member of the Nominating, Governance & Compensation Committee (since 12 May 2021)	4,049 *4,049*	N/A *N/A*
Peter Kellogg	Member of the Finance & Audit Committee (since 12 May 2021)	3,762 *3,762*	N/A *N/A*
Sandy Mahatme	Chairman of the Finance & Audit Committee	9,153 *5,759*	3,394 *3,394*
Jean-Pierre Garnier	Chairman (until 13 May 2020)	N/A *-*	N/A *2,843*
Robert Bertolini	Member (until 13 May 2020)	N/A *-*	N/A *1,340*
Michel de Rosen	Member (until 12 May 2021)	N/A *1,070*	3,107 *3,107*
John J. Greisch	Member (until 13 May 2020)	N/A *-*	N/A *1,340*
Viviane Monges	Member (until 12 May 2021)	N/A *1,063*	16,388 *4,306*
Jean-Paul Clozel	CEO and executive member of the Board	See table "Investments and options held by the members of the IEC"	
Total		**127,565** ***37,959***	**81,447** ***30,659***

[1]Granted at an average price of CHF 21.73 (2020: CHF 26.63).

Investments and options held by the members of the IEC

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

Name	Functions	Number of shares *thereof granted in the respective period*[1] 2021	2020	Number of options *thereof granted in the respective period*[2] 2021	2020
Jean-Paul Clozel	Chief Executive Officer	35,800,945 *25,723*	35,775,222 *12,014*	1,081,090 *194,420*	886,670 *180,290*
Guy Braunstein	Head of Global Clinical Development	185,725 *9,015*	176,710 *4,210*	519,490 *86,410*	433,080 *60,100*
Martine Clozel	Chief Scientific Officer	12,760,621 *8,648*	12,751,973 *3,837*	473,850 *86,410*	387,440 *60,100*
André C. Muller	Chief Financial Officer	81,006 *8,918*	72,088 *3,954*	519,490 *86,410*	433,080 *60,100*
Simon Jose	Chief Commercial Officer	23,083 *8,918*	14,165 *4,165*	297,130 *86,410*	210,720 *60,100*
Total		48,851,380 ***61,222***	48,790,158 ***28,180***	2,891,050 ***540,060***	2,350,990 ***420,690***

[1]Granted at an average price of CHF 25.70 (2020: CHF 25.60).

[2]The Company has an employee share option plan ("ESOP"). Options granted in 2021 have an average exercise price of CHF 25.60 and a vesting period of 3 years (2020: CHF 25.35). Note 16 ("Share-based compensation") to the Consolidated Financial Statements provides details on the ESOP conditions and valuation.

Not included in the table above are conversion rights from the convertible bonds. As of December 31, 2021, Jean-Paul Clozel held 5,295,901 conversion rights (December 31, 2020: 1,231,222 conversion rights) and Martine Clozel held 1,893,950 conversion rights (December 31, 2020: 441,826 conversion rights) from the convertible bonds. Note 14 ("Borrowings") to the Consolidated Financial Statements provides details on the conditions and valuation of the convertible bonds.

Note 7.
Commitments, contingencies and guarantees

Guarantees

To secure any potential obligations resulting from overdraft facilities, forward and derivative transactions in foreign currencies and interest rates, the Company has issued a guarantee to a financial institution in the total amount of CHF 40 m.

In the ordinary course of business, the Company has entered into certain guarantee contracts and letters of credit in the amount of CHF 0.1 m.

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

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

PROPOSED APPROPRIATION OF ACCUMULATED PROFIT (LOSS)

	2021	2020
Accumulated profit (loss) at beginning of period	**(24,858)**	**(23,476)**
Net income (loss) for the period	(10,183)	(1,382)
Balance to be carried forward	**(35,042)**	**(24,858)**

Report of the Statutory Auditor on the Financial Statements

To the General Meeting of Idorsia Ltd, Allschwil

As statutory auditor, we have audited the accompanying financial statements of Idorsia Ltd (the "Company"), which comprise the balance sheet, income statement and notes (pages 62 to 73), for the year ended December 31, 2021.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the Company's articles of association. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2021 comply with Swiss law and the Company's articles of association.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

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

Valuation of investments in and loan receivables due from group companies

Area of focus	As at December 31, 2021, the investment in group companies of Idorsia Ltd amounts to CHF 277 million and loans receivables due from group companies amount to CHF 2,538.7 million. Investments and loan receivables are valued at historical cost less adjustment for impairment of value, if events and circumstances suggest that the historical cost may not be recoverable. Refer to notes 1 (Summary of significant accounting policies) and 2 (Investments in and loans to group companies) in the holding company financial statements for further details. The investments in group companies and loan receivables due from group companies are significant to our audit due to the judgment involved in the Company's impairment testing methodology.
Our audit response	Our audit procedures included gaining an understanding of the Company's impairment testing methodology for investments in group companies and loan receivables due from group companies and the determination of indicators of impairment. We evaluated the Company's assessment and corroborated key elements based on internally and externally available evidence and underlying data. Our audit procedures did not lead to any reservations concerning the valuation of investments in group companies.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

Ernst & Young Ltd

/s/Martin Mattes	/s/Michaela Held
Licensed audit expert (Auditor in charge)	Licensed audit expert

Basle, February 7, 2022

Be prepared for more

Curious to learn more?
Reach out to us.

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