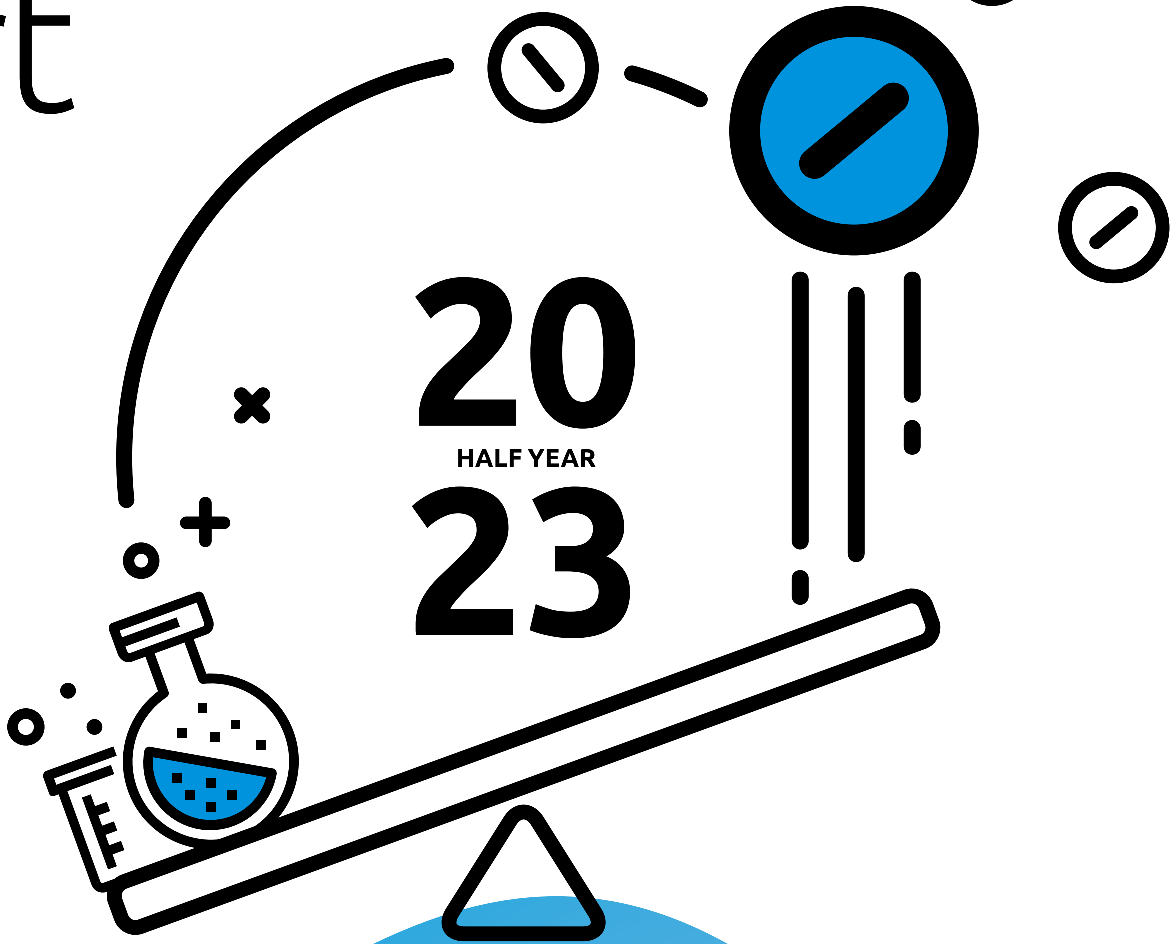
Financial Report



2023
HALF YEAR

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.

Contents

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

Contents

Idorsia's key numbers

Profit and loss

(in CHF millions, except EPS)	Six months ended Jun 30, US GAAP 2023	2022	Non-GAAP 2023	2022	Second quarter US GAAP 2023	2022	Non-GAAP 2023	2022
Net revenue								
Product sales	44	12	44	12	26	12	26	12
Contract revenue – royalties	-	-	-	-	-	-	-	-
Contract revenue – milestones	4	10	4	10	2	5	2	5
Contract revenue – others	2	1	2	1	1	0	1	0
Operating expenses								
Cost of sales	(5)	(1)	(5)	(1)	(4)	(1)	(4)	(1)
Research and development	(172)	(192)	(153)	(180)	(79)	(97)	(69)	(91)
Selling, general and administrative	(249)	(234)	(235)	(226)	(124)	(131)	(118)	(127)
Net results								
Operating income (loss)	(375)	(405)	(342)	(384)	(177)	(212)	(161)	(202)
Net income (loss)	(405)	(419)	(369)	(395)	(193)	(222)	(180)	(206)
Basic EPS	(2.28)	(2.36)	(2.07)	(2.23)	(1.08)	(1.25)	(1.01)	(1.16)
Diluted EPS	(2.28)	(2.36)	(2.07)	(2.23)	(1.08)	(1.25)	(1.01)	(1.16)

Cash flow

(in CHF millions)	Six months ended Jun 30, 2023	2022	Second quarter 2023	2022
Cash flow				
Operating cash flow	(442)	(442)	(192)	(204)
Proceeds from borrowings	30	-	30	-
Capital expenditure	(7)	(18)	(3)	(5)

Shares

(in millions)	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022
Share count			
Issued common shares	187.9	187.9	177.6
Equity derivatives	54.0	54.0	54.0
Equity instruments	16.5	16.6	14.3
Total potential issued shares	**258.5**	**258.5**	**245.9**

Liquidity and indebtedness

(in CHF millions)	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022
Liquidity			
Cash and cash equivalents	33	212	146
Short-term deposits	-	-	320
Long-term deposits	-	-	-
Total liquidity	**33**	**212**	**466**
Indebtedness			
Convertible loan	335	335	335
Convertible bonds	796	795	795
Other financial debt	192	162	162
Total indebtedness	**1,322**	**1,292**	**1,292**

Revenue

Revenue

(in CHF millions)	Six months ended Jun 30, 2023	2022	Second quarter 2023	2022
Revenue				
Product sales	44	12	26	12
Contract revenue - royalties	-	-	-	-
Contract revenue - milestones	4	10	2	5
Contract revenue - others	2	1	1	0
US GAAP revenue	**51**	**22**	**30**	**17**

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

- PIVLAZ™ (clazosentan) - which is available in Japan - achieved CHF 32.4 m net sales
- QUVIVIQ™ (daridorexant) - which is available in the US, Germany, Italy and Switzerland - achieved CHF 11.8 m net sales (net sales do not fully reflect the volumes of the products dispensed in the US due to coupon and co-pay programs)

Contract revenue from milestones mainly consisted of Mochida (daridorexant Japan: CHF 3 m) and Neurocrine (license and research & development collaboration: CHF 2 m).

Operating expenses

Operating expenses

(in CHF millions)	Six months ended Jun 30, 2023	2022	Second quarter 2023	2022
Operating expenses				
Cost of sales	5	1	4	1
Research	54	60	26	30
Development	99	120	43	61
Selling	190	181	94	101
General and administrative	45	44	24	26
Non-GAAP operating expenses	**393**	**407**	**191**	**219**
Depreciation and amortization	8	10	4	5
Share-based compensation	25	11	13	6
Other operating expenses	**33**	**20**	**16**	**11**
US GAAP operating expenses	**426**	**427**	**207**	**229**

US GAAP operating expenses of CHF 426 m comprised of Non-GAAP operating expenses (CHF 393 m), depreciation and amortization (CHF 8 m) and share-based compensation (CHF 25 m).

Cost of sales

(in CHF millions)	Six months ended Jun 30, 2023	2022	Second quarter 2023	2022
Cost of sales				
Cost of goods sold	2	0	3	0
Royalty paid	3	1	2	1
Non-GAAP cost of sales	**5**	**1**	**4**	**1**
Other	-	-	-	-
US GAAP cost of sales	**5**	**1**	**4**	**1**

Cost of sales of CHF 5 m mainly included sales-based royalty expenses. The cost of goods sold do not reflect the actual manufacturing costs, as prior to product approval, the manufacturing and related costs were expensed.

Research and development ("R&D") expenses

(in CHF millions)	Six months ended Jun 30, 2023	Six months ended Jun 30, 2022	Second quarter 2023	Second quarter 2022
R&D expenses				
Research	54	60	26	30
Development	99	120	43	61
Milestones paid	-	-	-	-
Non-GAAP R&D expenses	**153**	**180**	**69**	**91**
Depreciation and amortization	7	7	3	4
Share-based compensation	12	5	7	3
Other	-	-	-	-
US GAAP R&D expenses	**172**	**192**	**79**	**97**

Non-GAAP research expenses of CHF 54 m, comprised of biology (CHF 13 m), chemistry (CHF 17 m) and preclinical activities (CHF 24 m).

Non-GAAP development expenses of CHF 99 m, comprised of CHF 65 m for clinical activities (including CHF 35 m study costs, mainly driven by late stage studies for selatogrel, cenerimod, daridorexant, clazosentan, lucerastat, aprocitentan) and CHF 35 m for chemical and pharmaceutical development activities (including CHF 14 m for drug substance and CHF 11 m for drug product).

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

(in CHF millions)	Six months ended Jun 30, 2023	Six months ended Jun 30, 2022	Second quarter 2023	Second quarter 2022
SG&A expenses				
Selling	190	181	94	101
General and administrative	45	44	24	26
Non-GAAP SG&A expenses	**235**	**226**	**118**	**127**
Depreciation and amortization	1	3	0	1
Share-based compensation	12	6	6	3
Other	-	-	-	-
US GAAP SG&A expenses	**249**	**234**	**124**	**131**

Non-GAAP SG&A expenses of CHF 235 m, comprised of commercial activities (CHF 190 m), information systems (CHF 22 m) and for other support functions (CHF 23 m).

Operating results

Non-GAAP and US GAAP operating results

(in CHF millions)	Six months ended Jun 30, 2023	2022	Second quarter 2023	2022
Operating results				
Revenues	51	22	30	17
Operating expenses	(393)	(407)	(191)	(219)
Non-GAAP operating income (loss)	**(342)**	**(384)**	**(161)**	**(202)**
Operating results				
Revenues	51	22	30	17
Operating expenses	(426)	(427)	(207)	(229)
US GAAP operating income (loss)	**(375)**	**(405)**	**(177)**	**(212)**

US GAAP operating loss of CHF 375 m comprised of Non-GAAP operating loss (CHF 342 m), depreciation and amortization (CHF 8 m) and share-based compensation (CHF 25 m).

Financial results

Financial results

(in CHF millions)	Six months ended Jun 30, 2023	2022	Second quarter 2023	2022
Financial results				
Interest income (expense), net	(10)	(8)	(6)	(4)
Other financial income (expense), net	(14)	0	(12)	1
Non-GAAP financial income (expense)	**(24)**	**(8)**	**(18)**	**(3)**
Accretion expense	(1)	(1)	(0)	(0)
Gain (loss) on securities	(4)	(4)	3	(5)
US GAAP financial income (expense)	**(29)**	**(12)**	**(15)**	**(8)**

US GAAP financial expense of CHF 29 m comprised of Non-GAAP financial expense (CHF 24 m) and losses on marketable securities (CHF 4 m).

Non-GAAP financial expense of CHF 24 m mainly included interest expenses on the convertible bonds (CHF 8 m), a net foreign currency exchange loss (CHF 13 m) and interest expense resulting from the sales and lease back transaction (CHF 3 m).

Income tax

Income tax

(in CHF millions)	Six months ended Jun 30, 2023	2022	Second quarter 2023	2022
Income tax				
Income tax benefit (expense)	(3)	(3)	(1)	(2)
Non-GAAP tax benefit (expense)	**(3)**	**(3)**	**(1)**	**(2)**
Other tax benefit (expense)	1	1	1	0
US GAAP income tax benefit (expense)	**(2)**	**(3)**	**(1)**	**(1)**

US GAAP income tax expense of CHF 2 m mainly included the Non-GAAP tax expense of foreign affiliates (CHF 2 m).

Both US- and Non-GAAP income tax expense included an increase of the valuation allowance of CHF 53 m that related to deferred tax assets arising from operating losses which can be carried forward for 7 years.

Net results, EPS and shares

Net results

(in CHF millions)	Six months ended Jun 30, 2023	2022	Second quarter 2023	2022
Non-GAAP operating income (loss)	**(342)**	**(384)**	**(161)**	**(202)**
Financial income (expense)	(24)	(8)	(18)	(3)
Income tax benefit (expense)	(3)	(3)	(1)	(2)
Non-GAAP net income (loss)	**(369)**	**(395)**	**(180)**	**(206)**
US GAAP operating income (loss)	**(375)**	**(405)**	**(177)**	**(212)**
Financial income (expense)	(29)	(12)	(15)	(8)
Income tax benefit (expense)	(2)	(3)	(1)	(1)
US GAAP net income (loss)	**(405)**	**(419)**	**(193)**	**(222)**

US GAAP net loss of CHF 405 m mainly included the Non-GAAP net loss (CHF 369 m), depreciation and amortization (CHF 8 m), share-based compensation (CHF 24 m) and losses on marketable securities (CHF 4 m).

Contents

Shares

(in millions)	Issued	Potentially dilutive equity instruments: Derivatives	Potentially dilutive equity instruments: Awards	Total potential issued shares
Dec 31, 2022	**177.6**	**54.0**	**14.3**	**245.9**
Issued	10.1	-	3.0	13.2
Vested	0.3	-	(0.3)	-
Exercised	-	-	-	-
Forfeited	-	-	(0.6)	(0.6)
Expired	-	-	-	-
Jun 30, 2023	**187.9**	**54.0**	**16.5**	**258.5**

Issued shares increased to 187.9 million mainly due to the issuance of new shares which are kept as treasury shares and the vesting of equity awards.

Equity derivatives of 54.0 million related to the Group's outstanding convertible debts of which 29.1 million related to convertible loan from J&J, 19.0 million related to the convertible bonds due in 2028 and 5.9 million related to the convertible bonds due in 2024. Refer to Note 11. Borrowings of the Unaudited interim Consolidated Financial Statements.

Equity awards of 16.5 million comprised of 10.1 million share options with a weighted average strike price of CHF 19.62 granted to eligible employees and 6.4 million unvested share units granted to eligible employees.

Earnings per share (EPS)

(in CHF millions, unless otherwise indicated)	Six months ended Jun 30, 2023	Six months ended Jun 30, 2022	Second quarter 2023	Second quarter 2022
Non-GAAP net income (loss)	**(369)**	**(395)**	**(180)**	**(206)**
Weighted-average number of basic shares (in millions)	178.1	177.3	178.3	177.5
Non-GAAP basic EPS (in CHF)	**(2.07)**	**(2.23)**	**(1.01)**	**(1.16)**
Weighted-average number of dilutive shares (in millions)	178.1	177.3	178.3	177.5
Non-GAAP diluted EPS (in CHF)	**(2.07)**	**(2.23)**	**(1.01)**	**(1.16)**
US GAAP net income (loss)	**(405)**	**(419)**	**(193)**	**(222)**
Weighted-average number of basic shares (in millions)	178.1	177.3	178.3	177.5
US GAAP basic EPS (in CHF)	**(2.28)**	**(2.36)**	**(1.08)**	**(1.25)**
Weighted-average number of dilutive shares (in millions)	178.1	177.3	178.3	177.5
US GAAP diluted EPS (in CHF)	**(2.28)**	**(2.36)**	**(1.08)**	**(1.25)**

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

Cash flow and liquidity

Operating cash flow

(in CHF millions)	Six months ended Jun 30, 2023	2022	Second quarter 2023	2022
Operating cash flow				
US GAAP net income (loss)	(405)	(419)	(193)	(222)
Deferred contract revenue and accrued income	(5)	(7)	(2)	(2)
Deferred taxes	0	1	(0)	0
Depreciation and amortization	8	10	4	5
Accretion of convertible debt	1	1	0	0
Share-based compensation	25	11	13	6
Other non cash items	4	4	(3)	5
Net outflows from operations	**(372)**	**(401)**	**(182)**	**(207)**
Net change in receivables	(12)	(10)	(12)	(12)
Net change in inventories	(30)	(22)	(4)	(12)
Net change in trade and other payables	4	(6)	6	4
Net change in other operating assets and liabilities	(32)	(4)	0	24
Change in working capital	**(70)**	**(42)**	**(10)**	**3**
Operating cash flow	**(442)**	**(442)**	**(192)**	**(204)**

Net outflows from operations of CHF 372 m were mainly driven by the Non-GAAP operating loss (CHF 342 m), Non-GAAP financial expenses (CHF 24 m), a release of deferred contract revenue (CHF 5 m) and taxes (CHF 1 m).

The net cash outflows in working capital of CHF 70 m were mainly driven by inventory build up (CHF 30 m), an increase in prepayments (CHF 9 m), a decrease of accrued expenses (CHF 24 m) and an increase in receivables (CHF 12 m).

Cash flow

(in CHF millions)	Six months ended Jun 30, 2023	2022	Second quarter 2023	2022
Cash flow				
Operating cash flow	(442)	(442)	(192)	(204)
Acquisition of tangible, intangible and other assets	(7)	(18)	(3)	(5)
Free cash flow	**(449)**	**(461)**	**(195)**	**(210)**
Proceeds from borrowings	30	-	30	-
Issuance of convertible bonds	-	-	-	-
Other items	(3)	5	(2)	3
Cash flow[1]	**(422)**	**(455)**	**(168)**	**(207)**

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

The negative cash flow of CHF 422 m was mainly driven by the operating cash outflow (CHF 442 m), a payment of CHF 10 m from Sosei Heptares (see Note 2. Assets and liabilities held for sale of the unaudited interim consolidated financial statements) and CHF 20 m drawn down from the CHF 75 m credit line (see below).

Liquidity

(in CHF millions)	Liquidity
Liquidity Dec 31, 2022	**466**
Liquidity movements Q1	(254)
Liquidity Mar 31, 2023	**212**
Liquidity movements Q2	(179)
Liquidity Jun 30, 2023	**33**

The Liquidity movement in Q2 (CHF 179 m) comprised of the Q2 Cash Flow of CHF 168 m and a CHF 11 m reclassification of cash and cash equivalents held by the Japanese and Korean affiliate to assets held for sale which are not included in the Liquidity as of June 30.

As of June 30, 2023, liquidity of CHF 33 m consisted of cash only .

The Liquidity movement in Q2 (CHF 179 m) included cash and cash equivalents held by the Japanese and Korean affiliate as these are classified as held for sale and consequently their balances are not included in the Liquidity as of June 30.

Liquidity of CHF 33 m was mainly held in Swiss francs (CHF 4 m), US dollars (equivalent of CHF 14 m) and Japanese Yen (equivalent of CHF 10 m).

In addition to the liquidity as of June 30, Idorsia has a credit line of CHF 75 m of which CHF 55 m were undrawn as of June 30, 2023.

Material uncertainty to continue as a going concern

The unaudited interim financial report has been prepared on the basis that the Group will continue as a going concern. This will require securing additional funding as the liquidity (CHF 33 m as of June 30, 2023) together with a transaction related to the operating businesses in the Asia Pacific (ex-China) region for a total consideration of approximately CHF 400 m completed on July 20, 2023 (see Note 2. Assets and liabilities held for sale of the unaudited interim consolidated financial statements) does not cover the negative cashflow for the next twelve months based on our current business plan.

While the Group is actively seeking to raise additional cash, there can be no assurance, that the necessary funding will be available. In order to further prolong the cash reach the Group announced a cost reduction initiative on July 21, 2023, which will be delaying, scaling back or putting on hold some of the ongoing or planned investments in sales and marketing, research and development, and other activities.

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

This material uncertainty may cast significant doubts about the going concern of the Group. Refer to Note 1 of the unaudited interim consolidated financial statements of the first half of 2023 for further details regarding the going concern assessment.

Contents

Balance sheet

Balance sheet

(in CHF millions)	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022
Assets			
Liquidity[1]	33	212	466
Tangible assets	220	242	245
Other assets	275	244	193
Total assets	**528**	**698**	**904**
Liabilities and equity			
Financial debt	1,322	1,292	1,292
Deferred revenue	1	3	5
Other liabilities	245	263	268
Total liabilities	**1,569**	**1,559**	**1,565**
Total equity	**(1,041)**	**(860)**	**(661)**
Total liabilities and equity	**528**	**698**	**904**

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

Tangible assets of CHF 220 m mainly consisted of real-estate (CHF 104 m), right-of-use assets (CHF 77 m) and other fixed assets (CHF 38 m).

Other assets of CHF 275 m comprised of prepayments (CHF 43 m), receivables (CHF 32 m), inventories (CHF 55 m), marketable securities (CHF 11 m), intangible assets (CHF 13 m), pension asset (CHF 46 m), other assets (CHF 9 m) and assets held for sale (see Note 2. Assets and liabilities held for sale of the unaudited interim consolidated financial statements) (CHF 65 m).

Financial debt of CHF 1,322 m comprised of the convertible loan (CHF 335 m), the convertible bonds (CHF 796 m), a sale and leaseback transaction (CHF 162 m), a bridgle loan of CHF 20 m and a convertible loan of CHF 10 m.

Other liabilities of CHF 245 m included current and noncurrent liabilities. Current liabilities of CHF 163 m mainly comprised of accrued expenses (CHF 103 m), payables (CHF 25 m), a short-term lease liability (CHF 6 m) and liabilities held for sale (see above) (CHF 29 m). Noncurrent liabilities of CHF 83 m mainly comprised of a long-term lease liability (CHF 71 m) and other noncurrent liabilities (CHF 12 m).

Reconciliation of US GAAP to non-GAAP results

Reconciliation of US GAAP to non-GAAP results for the six months ended June 30, 2023

(in CHF millions, unless otherwise indicated)	US GAAP results	Depreciation, amortization, impairment	Share-based compensation	Other items	Non-GAAP results
Net revenue					
Product sales	44	-	-	-	44
Contract revenue – royalties	-	-	-	-	-
Contract revenue – milestones	4	-	-	-	4
Contract revenue – others	2	-	-	-	2
Total net revenue	**51**	**-**	-	-	**51**
Operating expenses					
Cost of sales	(5)	-	-	-	(5)
Research and development	(172)	7	12	-	(153)
Selling, general and administrative	(248)	0	12	-	(235)
Amortization of intangible assets	(1)	1	-	-	-
Total operating expenses	**(426)**	8	25	-	**(393)**
Operating results	**(375)**	8	25	-	**(342)**
Total financial income (expense)	(29)	-	-	5	(24)
Income before income tax benefit (expense)	**(403)**	8	25	5	**(366)**
Income tax benefit (expense)	(2)	(0)	(1)	-	(3)
Net income (loss)	**(405)**	8	24	5	**(369)**
Basic net income (loss) per share (CHF)	**(2.28)**	0.04	0.13	0.03	**(2.07)**
Weighted-average number of basic shares (in millions)	178.1	-	-	-	178.1
Diluted net income (loss) per share (CHF)	**(2.28)**	0.04	0.13	0.03	**(2.07)**
Weighted-average number of dilutive shares (in millions)	178.1	-	-	-	178.1

Reconciliation of US GAAP to non-GAAP results for the second quarter 2023

(in CHF millions, unless otherwise indicated)	US GAAP results	Depreciation, amortization, impairment	Share-based compensation	Other items	Non-GAAP results
Net revenue					
Product sales	26	-	-	-	26
Contract revenue – royalties	-	-	-	-	-
Contract revenue – milestones	2	-	-	-	2
Contract revenue – others	1	-	-	-	1
Total net revenue	**30**	**-**	**-**	**-**	**30**
Operating expenses					
Cost of sales	(4)	-	-	-	(4)
Research and development	(79)	3	7	-	(69)
Selling, general and administrative	(123)	(0)	6	-	(118)
Amortization of intangible assets	(0)	0	-	-	-
Total operating expenses	**(207)**	4	13	-	**(191)**
Operating results	**(177)**	4	13	-	**(161)**
Total financial income (expense)	(15)	-	-	(3)	(18)
Income before income tax benefit (expense)	**(192)**	4	13	(3)	**(179)**
Income tax benefit (expense)	(1)	(0)	(0)	-	(1)
Net income (loss)	**(193)**	3	12	(3)	**(180)**
Basic net income (loss) per share (CHF)	**(1.08)**	0.02	0.07	(0.01)	**(1.01)**
Weighted-average number of basic shares (in millions)	178.3	-	-	-	178.3
Diluted net income (loss) per share (CHF)	**(1.08)**	0.02	0.07	(0.01)	**(1.01)**
Weighted-average number of dilutive shares (in millions)	178.3	-	-	-	178.3

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.

Unaudited Interim Consolidated Financial Statements

Contents

Interim Consolidated Income Statement

(in CHF thousands, except per share amounts)	Notes	Six months ended June 30, 2023	2022
		(unaudited)	(unaudited)
Net revenue			
Product sales	3/17	44,217	11,800
Contract revenue	5/17	6,738	10,461
Total net revenue		**50,955**	**22,261**
Operating (expenses)[1]			
Cost of sales		(5,215)	(1,255)
Research and development		(171,564)	(191,860)
Selling, general and administrative		(247,936)	(233,203)
Amortization of intangible assets		(836)	(577)
Total operating (expenses)		**(425,551)**	**(426,893)**
Operating income (loss)		**(374,596)**	**(404,632)**
Interest income (expense), net		(10,236)	(7,821)
Accretion of convertible debt	11	(629)	(527)
Other financial income (expense), net		(17,974)	(3,625)
Total financial income (expense)		**(28,839)**	**(11,974)**
Income (loss) before income tax benefit (expense)		**(403,435)**	**(416,606)**
Income tax benefit (expense)		(1,858)	(2,526)
Net income (loss) attributable to Idorsia's shareholders		**(405,294)**	**(419,132)**
Basic net income (loss) per share attributable to Idorsia's shareholders	6	**(2.28)**	**(2.36)**
Weighted-average number of common shares (in thousands)		178,124	177,330
Diluted net income (loss) per share attributable to Idorsia's shareholders	6	**(2.28)**	**(2.36)**
Weighted-average number of common shares (in thousands)		178,124	177,330

[1]Includes share-based compensation as follows:		
Research and development	12,146	5,079
Selling, general and administrative	12,490	5,585
Total share-based compensation	**24,636**	**10,664**

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

Interim Consolidated Statement of Comprehensive Income

(in CHF thousands)	Six months ended June 30, 2023	2022
	(unaudited)	(unaudited)
Net income (loss)	**(405,294)**	**(419,132)**
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	6,612	2,947
Change of unrecognized components of net periodic benefit costs	(1,173)	(621)
Other comprehensive income (loss), net of tax	**5,439**	**2,325**
Comprehensive income (loss)	**(399,855)**	**(416,807)**

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

Interim Consolidated Balance Sheet (1/2)

(in CHF thousands, except number of shares)	Notes	Jun 30, 2023 (unaudited)	Dec 31, 2022 (audited)
ASSETS			
Current assets			
Cash and cash equivalents	7/8	33,051	145,998
Short-term deposits	8	-	320,000
Trade and other receivables, net	9	29,182	45,025
Receivables from related parties	18	3,723	4,323
Inventories	10	54,548	35,840
Marketable securities	8	10,734	10,326
Other current assets		44,691	34,925
Assets of held for sale	2	64,726	-
Total current assets		**240,654**	**596,438**
Noncurrent assets			
Property, plant and equipment, net		142,528	147,097
Right-of-use assets		77,237	98,371
Intangible assets, net		13,296	14,756
Pension asset		46,344	30,985
Other noncurrent assets		7,703	16,533
Total noncurrent assets		**287,108**	**307,742**
TOTAL ASSETS		**527,763**	**904,180**

Interim Consolidated Balance Sheet (2/2)

(in CHF thousands, except number of shares)	Notes	Jun 30, 2023 (unaudited)	Dec 31, 2022 (audited)
LIABILITIES			
Current liabilities			
Trade and other payables		24,795	25,435
Deferred revenue	5	881	5,205
Lease liability		6,228	8,921
Sales related liabilities	3	13,061	6,010
Accrued expenses		89,990	124,794
Borrowings	11	20,000	-
Convertible Loan	11	10,000	-
Liabilities held for sale	2	28,503	-
Total current liabilities		**193,488**	**170,364**
Noncurrent liabilities			
Convertible loan	11	334,575	334,575
Convertible bonds	11	795,747	795,219
Other financial liabilities		162,102	162,001
Lease liability		70,674	88,639
Deferred tax liability		6,380	6,468
Other noncurrent liabilities		5,764	7,870
Total noncurrent liabilities		**1,375,243**	**1,394,773**
Total liabilities		**1,568,730**	**1,565,137**
EQUITY			
Idorsia's shareholders' equity			
Common shares (par value CHF 0.05 per share, issued and outstanding 187,945,392 and 177,558,532 as of June 30, 2023 and December 31, 2022 respectively; total number of authorized shares, including issued, conditional and upper end of capital range, 350,745,979 as of June 30, 2023 and 301,384,831 as of December 31, 2022 respectively)	13	9,397	8,878
Additional paid-in capital		2,146,668	2,126,859
Accumulated profit (loss)		(3,250,392)	(2,845,098)
Treasury shares	13	(483)	-
Accumulated other comprehensive income (loss)	14	53,842	48,403
Total Idorsia's shareholders' equity		**(1,040,968)**	**(660,958)**
TOTAL LIABILITIES AND EQUITY		**527,763**	**904,180**

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

Interim Consolidated Statement of Cash Flows (1/2)

(in CHF thousands)	Six months ended June 30, 2023 (unaudited)	2022 (unaudited)
Cash flow from operating activities		
Net income (loss)	(405,294)	(419,132)
Adjustments to reconcile net income (loss) to net cash provided from operating activities:		
Depreciation and amortization	8,098	9,712
Share-based compensation	24,636	10,664
Accretion of convertible debt	629	527
Fair value changes on securities	4,029	3,909
Release of deferred revenue and accrued income	(4,967)	(6,773)
Deferred taxes	384	577
Changes in operating assets and liabilities:		
Trade and other receivables	(11,554)	(9,665)
Prepayments	(9,399)	(4,510)
Inventories	(29,824)	(21,886)
Trade and other payables	4,137	(6,392)
Accrued expenses	(24,012)	4,674
Provisions	(15,731)	(11,202)
Changes in other operating cash flow items	16,784	7,184
Net cash flow provided by (used in) operating activities	**(442,084)**	**(442,311)**
Cash flow from investing activities		
Purchase of marketable securities	-	(104)
Purchase of short-term deposits	-	(250,000)
Proceeds from short-term deposits	320,000	841,071
Purchase of property, plant and equipment	(6,516)	(11,020)
Purchase of intangible assets	(113)	(7,243)
Net cash flow provided by (used in) investing activities	**313,370**	**572,703**
Cash flow from financing activities		
Issuance of new shares, net	(197)	-
Proceeds from exercise of share options	-	360
Proceeds from borrowings, net	30,000	-
Net cash flow provided by (used in) financing activities	**29,803**	**360**
Net effect of exchange rates on cash and cash equivalents	(2,901)	875
Net change in cash and cash equivalents	**(101,811)**	**131,627**
Cash and cash equivalents at beginning of period	145,998	101,352
Cash and cash equivalents at end of period	**44,187**	**232,979**

Interim Consolidated Statement of Cash Flows (2/2)

(in CHF thousands)	Six months ended June 30, 2023	2022
	(unaudited)	(unaudited)
Reconciliation to amounts within the Interim Consolidated Balance Sheet		
Cash and cash equivalents	33,051	232,979
Cash and cash equivalents within Assets held for sale	11,136	-
Cash and cash equivalents at end of period	44,187	232,979

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

Interim Consolidated Statement of Changes in Equity

	Idorsia's shareholders						
	Common shares		Additional			Accum. other	
			paid-in	Accum.	Treasury	comprehensive	Total
(in CHF thousands, except number of shares)	Shares	Amount	capital	profit (loss)	shares	income (loss)	equity
At January 1, 2022	**176,966,995**	**8,848**	**2,100,237**	**(1,982,079)**	**-**	**(22,802)**	**104,204**
Comprehensive income (loss):							
Net income (loss)				(419,132)			(419,132)
Other comprehensive income (loss)						2,325	2,325
Comprehensive income (loss)							**(416,807)**
Exercise of share options	20,320	1	359				360
Share-based compensation transactions	537,672	27	11,344				11,371
Other [1]				(35,123)			(35,123)
At June 30, 2022 (unaudited)	**177,524,987**	**8,876**	**2,111,941**	**(2,436,334)**	**-**	**(20,477)**	**(335,994)**
Comprehensive income (loss):							
Net income (loss)				(408,764)			(408,764)
Other comprehensive income (loss)						68,880	68,880
Comprehensive income (loss)							**(339,883)**
Exercise of share options	-	-	-				-
Share-based compensation transactions	33,545	2	14,918				14,920
At December 31, 2022 (audited)	**177,558,532**	**8,878**	**2,126,859**	**(2,845,098)**	**-**	**48,403**	**(660,958)**
Comprehensive income (loss):							
Net income (loss)				(405,294)			(405,294)
Other comprehensive income (loss)						5,439	5,439
Comprehensive income (loss)							**(399,855)**
Share-based compensation transactions	386,860	19	14,968				14,987
Transactions in treasury shares	10,000,000	500	4,841		(483)		4,858
At June 30, 2023 (unaudited)	**187,945,392**	**9,397**	**2,146,668**	**(3,250,392)**	**(483)**	**53,842**	**(1,040,968)**

[1] Impact on opening balance caused by the adoption of ASU 2020-06 as of January 1, 2022. Refer to Note 11. Borrowings.

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

Contents

Financial Review

> **Unaudited Interim Consolidated Financial Statements**

Notes to the Interim Consolidated Financial Statements

(CHF thousands, except share and per share amounts)

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

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

Basis of presentation

The Group's unaudited interim consolidated financial statements ("Unaudited Interim Consolidated Financial Statements") have been prepared in accordance with United States Generally Accepted Accounting Principles ("US GAAP") for interim financial statements. Accordingly, these Unaudited Interim Consolidated Financial Statements do not include all the information and footnotes required by US GAAP for annual financial statements. These Unaudited Interim Consolidated Financial Statements should be read in conjunction with the audited consolidated financial statements of the Group for the year ended December 31, 2022. All US GAAP references relate to the Accounting Standards Codification ("ASC" or "Codification") established by the Financial Accounting Standards Board ("FASB") as the single authoritative source of US GAAP to be applied by non-governmental entities. All amounts are presented in Swiss francs ("CHF"), unless otherwise indicated. Rounding differences may occur.

Material uncertainty and ability continue as a going concern

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

The Group has not yet reached breakeven and has incurred, since its inception in 2017, an accumulated deficit of CHF 3,250 m as of June 30, 2023. For the six months ended June 30, 2023, the Group incurred a net loss of CHF 405 m (2022: CHF 419 m) and negative cash flows from operations of CHF 442 m (2022: CHF 442 m).

The Group has so far funded its operations with CHF 1 billion cash at inception, (CHF 420 m cash from the demerger from Actelion and CHF 580 m from the issuance of a convertible loan to J&J) and through various funding instruments, mainly by the issuance of equity (2018: CHF 305 m, 2020: CHF 330 m; 2021: CHF 535 m), convertible bonds (2018: CHF 200 m; 2020: CHF 600 m), revenues generated from collaborations, license agreements, and out-licensing transactions (2017: CHF 227 m; 2018: CHF 35 m, 2019: CHF 5 m, 2020: CHF 61 m, 2021: CHF 11 m, 2022: CHF 31 m) as well as a bridge loan signed on June 19, 2023 for up to CHF 75 m. On July 20, 2023, the Group completed a transaction related to its operating businesses in the Asia Pacific (ex-China) region for a total consideration of approximately CHF 400 m.

Despite the launch of two drugs in 2022 (Pivlaz ™ in Japan, Quviviq ™ in the US, Germany and Italy) and upcoming launches in other territories, as well as the transaction on the operating businesses in the Asia Pacific region, the Group has not yet reached revenues that cover all of the operating expenses across the globe. Therefore, the Group's operations will continue to require significant amounts of capital.

The Group determined that there are currently insufficient financial resources to fund its operations for at least twelve months from when the Q2 2023 financial report is approved on July 24, 2023, based on the funds available as of June 30, 2023 in the amount of CHF 33 m (cash and cash equivalents) and the consideration of approximately CHF 400 m received from the transaction together with the expected negative cashflow for the next twelve months based on the Group's current business plan. In order to further prolong the cash reach the Group announced a cost reduction initiative on July 21, 2023 which will be delaying, scaling back or putting on hold some of the ongoing or planned investments in sales and marketing, research and development, and other activities.

The Group is pursuing further non-equity and equity dilutive funding avenues. The potential issuance of equity would result in dilution to shareholders. Other options may include debt financing transactions. The potential issuance of debt securities may include rights, preferences, and privileges senior to those of common shareholders, and the terms and conditions of debt securities or borrowings could potentially impose significant restrictions on the Group's operations. While the Group is actively seeking to raise additional funding, there can be no assurance that the necessary financing will be available.

Shareholders should note that whilst Management and Board of Directors consistently continue to apply best efforts to evaluate and execute all available options, there is no guarantee that any transaction can be realized or that such transaction would generate sufficient funds and that the cost reduction initiative preserves sufficient funds to finance operations for twelve months from when the Q2 2023 financial report is approved. This material uncertainty may cast significant doubts about the going concern of the Group. If the Group is unable to obtain adequate capital resources to fund the operations, the Group will modify the operations by further reducing spending or increasing contract revenues, for example by monetizing assets through outlicensing transactions. Among other things, this would imply further delaying, scaling back or putting on hold some of the ongoing or planned investments in sales and marketing, research and development, and other activities. If such measures are not sufficient, and/or additional funding is not obtained in due course, the Group may be forced to discontinue its operations entirely.

Accounting policies applicable for interim periods

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

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

As of June 30, 2023, the Group classified assets and liabilities of the disposal group (see Note 2. Assets and liabilities held for sale) as held for sale within the interim unaudited consolidated balance sheets at their respective carrying values, which approximates fair value, less cost to sell.

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, allowance for doubtful accounts, share-based compensation, clinical trial accruals, rebate accruals, provisions, contingent considerations arising from acquisitions, loss contingencies and income taxes. The Group bases its estimates on historical information and on various market-specific and other relevant assumptions that are believed to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ significantly from these estimates.

Note 2.
Assets and liabilities held for sale

Description of the transaction

On July 20, 2023 Idorsia announced the completion of a transaction with Sosei Group Corporation ("Sosei Heptares") for Idorsia's Asia Pacific (ex China) operations for a total consideration of approximately CHF 400 m of which CHF 10 m have been paid with the execution of the non-binding termsheet, CHF 386 m were paid on July 21 and the remaining approximately CHF 4 m are expected to be settled in October 2023.

The transaction includes the acquisition by Sosei Heptares of Idorsia's affiliates in Japan and South Korea, the assignment of the license for PIVLAZ (clazosentan) and all intellectual property and know-how for the territory, and a co-exclusive license for daridorexant – further to the agreement in place with Mochida Pharmaceutical (see Note 5. Collaborations). The transaction also includes an option for Sosei Heptares – upon payment of separate option fees – to license lucerastat and cenerimod for the development and commercialization in Asia Pacific (ex China) region.

Idorsia will supply bulk drug product of PIVLAZ and daridorexant to Sosei Heptares. In addition, there will be transition service agreements (TSA) between Idorsia and Sosei Heptares mainly for regulatory/filing activities, clinical development, CMC (Chemistry, Manufacturing and Controls), and IT.

Idorsia has granted Sosei Heptares a right of first negotiation and right of first refusal on certain pipeline assets for the Territory.

Idorsia classified the Asia Pacific operations as held for sale as of June 30, 2023 in these 2023 unaudited interim consolidated financial statements.

Consequently the assets and liabilities were taken out of all balance sheet positions and concentration tables and are grouped as Assets held for sale and Liabilities held for sale respectively. Cash and cash equivalents which are part of the assets held for sale are presented separately under the Cashflow table as reconciling item.

The following table reflects the assets and liabilities of the discontinuing operations as of June 30, 2023.Asset and liabilities of held for sale were as follows:

(in CHF thousands)	Jun 30, 2023
Cash and cash equivalents	11,136
Trade and other receivables, net	24,814
Inventories	1,878
Other current assets	714
Property, plant and equipment, net	2,959
Right-of-use assets	14,718
Intangible assets, net	934
Other noncurrent assets	7,573
Assets held for sale	**64,726**
Trade and other payables	9,510
Lease liability, current	2,655
Accrued expenses	2,125
Lease liability, noncurrent	11,811
Pension liability	828
Other noncurrent liabilities	1,574
Liabilities held for sale	**28,503**

Note 3.
Revenue recognition

Revenue is primarily recognized from two different types of contracts, revenue from contracts with customers (product sales) and contract revenue from collaborations. Contract revenue recognized from collaborations will include revenue sharing from the collaborations, as well as royalties, upfront and milestone payments received under these types of contracts. See Note 5. Collaborations for additional information related to our collaborations.

The Group's accruals for sales returns, rebates, and discounts are reasonable and appropriate based on current facts and circumstances. Sales return, rebate and discount liabilities are included in Sales related liabilities in the interim consolidated balance sheet. All sales return, rebate, and discount liabilities as of June 30, 2023 relate to sales of our products in the US and Europe.

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

	June 30, 2023	December 31, 2022
Sales related liabilities, beginning of the period	**6,010**	-
Reduction of net sales	27,312	17,130
Cash payments of sales related liabilities	(20,260)	(11,120)
Sales related liabilities, end of the period	**13,061**	**6,010**

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

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

For contract liabilities related to contract revenue from collaborations, see Note 5. Collaborations.

Note 4.
Licensing agreements

In-licensing agreements

Former shareholders of Axovan Ltd ("Axovan sellers") /
F. Hoffman-La Roche Ltd ("Roche")
As a result of the demerger of Idorsia from Actelion, Idorsia holds a license agreement to develop and commercialize clazosentan from a share purchase agreement between Actelion and Axovan sellers.

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

The Group recognized a royalty expense of CHF 2.8 m, which has been included in cost of sales for the three months ended June 30, 2023.

Out-licensing agreements

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

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

Note 5.
Collaborative agreements

Janssen Biotech Inc. ("Janssen")

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

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

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 the first half of 2023, the cost-sharing reimbursements by Janssen to the Group for the initial indication Phase 3 studies (CHF 2.7 m net) were recognized as a cost reduction in R&D expenses.

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

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

Revenue sharing agreement with J&J

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

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

The Group has recognized CHF 2.4 m as contract revenue in the first half of 2023 from this revenue sharing agreement.

Santhera Pharmaceuticals (Switzerland) Ltd ("Santhera")

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

As of June 30, 2023, Idorsia owns 13,011,275 shares in Santhera. In addition, the Group was granted warrants, which entitle the holder to purchase 1,093,750 Santhera shares at a strike price of CHF 2.00 until September 2026. In 2023, Idorsia was granted additional warrants, which entitle the holder to purchase 2,211,607 Santhera shares at a strike price of CHF 0.9043 within two years from the grant.

On July 3, Santhera executed a reverse split of its share in the ratio 10:1. This results in an adjustment to the number of shares and warrants Idorsia holds. After the reverse share split on July 3, Idorsia holds 1,301,127 shares. In addition, Idorsia holds warrants, which entitle the holder to purchase 109,375 Santhera shares at a strike price of CHF 20.00 and ,warrants which entitle the holder to purchase 221,161 Santhera shares at a strike price of CHF 9.043. The number of warrants as well as the strike price have been adjusted according to reverse split of the Santhera shares.

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

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

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

Idorsia received an initial payment of JPY 1 bn (CHF 9 m) in 2020, which will be recognized as contract revenue on a straight-line basis from January 2020 until August 2023 (initially ending in June 2022, before a reassessment in 2020) with CHF 1 m being recognized in the first half of 2023. The remainder of the deferred revenue (CHF 0.4 m) will be recognized until August 2023.

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

On July 20, 2023 Idorsia announced the sale of its Asia Pacific operations to Sosei Heptares (see Note 2. Assets and liabilities held for sale). As part of this transaction, Idorsia sold the future milestone payments from Mochida to Sosei Heptares.

Costs associated with the co-development of daridorexant will be shared with Mochida. In the first half of 2023, the Group recognized net CHF 0.8 m of cost-sharing reimbursements as a cost reduction in R&D expenses.

Neurocrine Biosciences, Inc. ("Neurocrine")

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

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

In 2022 Neurocrine opted for the extension of the research period by one year, which triggered an additional payment of USD 3.6 m (CHF 3.4 m) to Idorsia, which was recognized as contract revenue on a straight-line basis from July 2022 until June 2023 with CHF 2 m being recognized in the first half of 2023.

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

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

Other

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

Note 6.
Earnings per share

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

	2023		2022	
	Basic	Diluted	Basic	Diluted
Numerator				
Net income (loss) attributable to Idorsia's shareholders	(405,294)	(405,294)	(419,132)	(419,132)
Net income (loss) available for EPS calculation	**(405,294)**	**(405,294)**	**(419,132)**	**(419,132)**
Denominator				
Weighted-average number of common shares	178,124,367	178,124,367	177,330,123	177,330,123
Total average equivalent shares	**178,124,367**	**178,124,367**	**177,330,123**	**177,330,123**
Earnings (loss) per share attributable to Idorsia's shareholders	**(2.28)**	**(2.28)**	**(2.36)**	**(2.36)**

For the six months ended June 30, 2023, 70,154,684 shares that would have had an antidilutive effect were excluded from the diluted EPS calculation (June 30, 2022: 65,216,836 shares).

Note 7.
Cash and cash equivalents

Cash and cash equivalents consisted of the following at:

	June 30, 2023	December 31, 2022
Cash	33,051	145,998
Total	**33,051**	**145,998**

Note 8.
Financial assets and liabilities

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

	June 30, 2023				December 31, 2022			
	Total	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets carried at fair value								
Cash and cash equivalents	33,051	33,051	-	-	145,998	145,998	-	-
Derivative financial instruments[1]	1,306	-	1,306	-	886	-	886	-
Short-term marketable securities	10,734	10,734	-	-	10,326	10,326	-	-
Long-term marketable securities[2]	-	-	-	-	148	-	148	-
Total	**45,091**	**43,785**	**1,306**	**-**	**157,358**	**156,324**	**1,034**	**-**
Financial liabilities carried at fair value								
Derivative financial instruments[3]	-	-	-	1,069	-	-	-	1,069
Total	**-**	**-**	**-**	**1,069**	**-**	**-**	**-**	**1,069**

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

There are no outstanding short-term deposits as of June 30, 2023. As of December 31, 2022 short-term deposits of CHF 320 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 5. Collaborative agreements).

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

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

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

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

On September 22, 2021, Santhera Holding issued 9,972,502 new shares at CHF 1.60 per share to investors. The Group acquired an additional 2,187,500 shares. In addition, the Group was granted by Santhera Holding 1,093,750 warrants on the Santhera Holding share, which entitle the holder to purchase Santhera Holding shares at a strike price of CHF 2.00 within five years from the grant. One warrant entitles the holder to purchase one Santhera Holding share. The fair value of these instruments was CHF 0.5 m as of June 30, 2023 (December 31, 2022: CHF 0.9 m).

On January 10, 2023, Idorsia entered into a share exchange agreement with Santhera. The Group received an additional 5,529,016 shares in exchange for providing 346,500 shares of Idorsia to Santhera. In addition, Santhera Holding granted 2,211,607 warrants on the Santhera Holding share, which entitle the holder to purchase Santhera Holding shares at a strike price of CHF 0.9043 within two years from the grant. One warrant entitles the holder to purchase one Santhera Holding share. The fair value of these instruments was CHF 0.9 m as of June 30, 2023.

The Group owns a total of 13,011,275 shares in Santhera Holding, representing 10.4% of the ordinary share capital of Santhera Holding as of June 30, 2023. The market value of the Santhera shares was CHF 8.3 m as of June 30, 2023 (December 31, 2022: CHF 10.3 m). All shares are held as short-term securities.

On July 3, Santhera executed a reverse share split in the ratio 10:1 reducing the number of shares held by Idorsia to 1,301,127 in line with the reduction of the total outstanding shares of Santhera.

Financial liabilities carried at amortized cost

The Group's financial liabilities carried at amortized cost relate to its convertible debt (see Note 11. Borrowings) and other financial liabilities arising from a sale and leaseback transaction which did not qualify as a sale (see Note 16. Leases of the 2022 Consolidated Financial Statements):

	June 30, 2023	December 31, 2022
Short-term financial debt	30,000	-
Long-term financial debt	1,130,323	1,129,795
Other financial liabilities	162,102	162,001
Total	**1,322,425**	**1,291,796**

Interest income (expense), net for the six months ended June 30, 2023, includes accrued interest expense of CHF 7.1 m (June 30, 2022: CHF 7.1 m), which is paid to the bondholders on a yearly basis and accrued interest expense of CHF 0.1 m (June 30, 2022: none), which was paid to Jean-Paul Clozel with the repayment of the bridge loan. Interest income for the six months ended June 30, 2023 amounts to CHF 0.9 m (June 30, 2022: CHF 0.7 m negative, which includes negative interest income mainly related to the various cash accounts of the Group).

The aggregate foreign currency translation loss included in other financial income (expense), net, in the first six months of 2023 amounts to CHF 13.2 m (June 30, 2022: foreign currency translation loss CHF 1.7 m).

For the six months ended June 30, 2023, the Group recorded an unrealized loss on marketable securities of CHF 4.4 m (June 30, 2022: unrealized loss of CHF 3.3 m) and a loss on other components of net periodic pension cost of CHF 0.6 m (June 30, 2022:gain of CHF 0.9 m).

Note 9.
Trade and other receivables

Trade and other receivables consisted of the following at:

	June 30, 2023	December 31, 2022
Trade receivables	21,225	30,185
Other receivables	7,957	14,840
Trade and other receivables, gross	**29,182**	**45,025**
Allowance for doubtful accounts	-	-
Total trade and other receivables, net	**29,182**	**45,025**

For concentrations of credit risk related to the Group's trade receivables see Note 16. Concentrations.

Note 10.
Inventories

Inventories consisted of the following at:

	June 30, 2023	December 31, 2022
Raw materials	11,342	6,881
Semi-finished products	42,357	27,208
Finished products	848	1,752
Total	**54,548**	**35,840**

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

Note 11.
Borrowings

Convertible loan

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

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

On November 9, 2021, a second tranche of the convertible loan of CHF 110 m was converted and Cilag acquired 9.6 m shares of the Group (representing 5% of the issued shares as of June 30, 2023).

The remaining amount of CHF 335 m outstanding as of June 30, 2023, may be converted into 29.1 m shares of the Group by Cilag (which would result in a total shareholding of 18% 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 June 30, 2023), and

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

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

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

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

[1] Includes Deferred tax assets.

The book value of the convertible loan with J&J increased from CHF 298 m as of December 31, 2021 to its nominal amount of CHF 335 m as of January 1, 2022. This increase was recognized in equity. The carrying amount of the convertible loan on June 30, 2023 is CHF 335 m (December 31, 2022: CHF 335 m).

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

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

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

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

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

Senior unsecured convertible bonds due in 2024

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

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

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

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

The debt obligations with respect to the bonds, which are due subsequent to June 30, 2023, are as follows:

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

The bonds are listed on the SIX Swiss Exchange. As of June 30, 2023, the fair market value of the bonds amounted to 84.6% of the principal amount (Level 1).

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

As of June 30, 2023, the total book value of the bonds was CHF 199.7 m (December 31, 2022: CHF 199.6 m). For the six months ended June 30, 2023, the Group recognized CHF 0.8 m of interest cost (2022: CHF 0.8 m) and CHF 0.1 m (2022: CHF 0.1 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 5^{th} anniversary of the settlement date or upon a change of control and in case of a delisting of shares.

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

The debt obligations with respect to the bonds, which are due subsequent to June 30, 2023, are as follows:

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

The bonds are listed on the SIX Swiss Exchange. As of June 30, 2023, the fair market value of the bonds amounted to 53.05% 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 June 30, 2023, the total book value of the bonds was CHF 596.0 m (December 31, 2022: CHF 595.7 m). For the six months ended June 30, 2023, the Group recognized CHF 6.4 m (2022: CHF 6.4 m) of interest cost and CHF 0.4 m (2022: CHF 0.4 m) related to the amortization of debt issuance costs.

Loan from Sosei Heptares

On June 15, 2023, Sosei Heptares provided a loan of CHF 10 m to the Group, which was either deductible from the consideration for the anticipated sale of the Asia Pacific (ex China) operations or convertible into ordinary shares of the Group on maturity. The loan had an interest rate of 5% per annum. On July 20, the loan was offset against the consideration due from Sosei Heptares for the sale of the Asia Pacific (ex China) operations (see Note 2. Assets and liabilities held for sale).

Bridge loan

On June 19, 2023, the Group secured a bridge loan with Jean-Paul Clozel, CEO, Member of the Board of Directors and Idorsia's largest shareholder, which provided for a CHF 75 m line of credit and had an interest rate of 10% per annum. The Group drew down an initial installment of CHF 20 m in June 2023. In order to secure the bridge loan, the Group pledged 10% of the shares of the fully consolidated Swiss affiliate to Jean-Paul Clozel. On July 21, the Bridge loan was repaid with the consideration received from Sosei Heptares and correspondingly the pledge on the shares of the Swiss affiliate was extinguished.

Note 12.
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 882,000. In addition to retirement benefits, the Basic Plan provides benefits on death or long-term disability of its employees. The Basic Plan qualifies as defined benefit pension plan.

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

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

	Six months ended June 30,	
	2023	**2022**
Service cost	4,636	7,176
Interest cost	2,993	593
Expected return on plan assets	(2,395)	(1,451)
Prior year service costs (benefit)	(810)	(761)
Amortization of net actuarial (gain) loss	(545)	139
Net periodic benefit cost	**3,879**	**5,697**

Note 13.
Share capital

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

(all numbers in thousands)	Shares[1] Issued	Authorized	Conditional	Capital range (upper end)	Total
As of January 1, 2022	**176,967**	**54,418**	**63,656**		**295,041**
Change in Idorsia's Articles of Association based on the AGM resolution dated April 14, 2022	-	-	6,344		6,344
Shares issued for share-based compensation	571	-	(571)		-
Exercise of share options	20	-	(20)		-
At December 31, 2022	**177,559**	**54,418**	**69,408**		**301,385**
Change in Idorsia's Articles of Association based on the AGM resolution dated May 4, 2023 [2]	-	(44,418)	-	93,779	49,361
Shares issued for share-based compensation	387	-	(387)	-	-
Issuance of new registered shares	10,000	(10,000)	-	-	-
At June 30, 2023	**187,945**	**-**	**69,022**	**93,779**	**350,746**

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

[2] Forfeiture of the remaining amount of Authorized capital due to the introduction of the Capital range.

Issuance of new registered shares

On January 6, 2023, Idorsia Ltd issued 10,000,000 new shares from its existing authorized share capital. These shares are held by a subsidiary and are therefore recorded as treasury shares. See section Treasury shares below for further details.

Authorized capital

Until May 4, 2023 Article 3b of Idorsia's Articles of Association defined authorized capital that could be used for purposes of strategic partnering and financing of business transactions at the discretion of the Board of Directors ("BoD") 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. Pursuant to changes in the Swiss Code of Obligations effective January 1, 2023, authorized capital was replaced by a capital range.

Capital range

As set forth in Article 3b of Idorsia's Articles of Association, the capital range can be used for purposes of strategic partnering and financing of business transactions as well capital reductions. The Board of Directors ("BoD") is authorized to increase or reduce the Group's share capital at any time until May 4, 2028 within a lower limit of CHF 4,688,963.3 and an upper limit of CHF 14,066,889.90, 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. If the share capital increases as a result of an increase from conditional capital pursuant to Article 3a of Idorsia's Articles of Association, the upper and lower limits of the capital range shall increase in an amount corresponding to such increase in the share capital. In the first half of 2023 the no increase or reduction took place.

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.

Treasury shares

On January 6, 2023, Idorsia Ltd issued 10,000,000 new shares from its existing authorized share capital at CHF 0.05 per share. These shares are initially held as treasury shares and may be used in the future for funding purposes or in exchange for restricted stock units or options rights which vest or are exercised in accordance with the conditions of the Groups' share-based payment plans (see Note 18. Share-based compensation of the 2022 Consolidated Financial Statements).

During the first half of 2023 the Group used 346,500 treasury shares for a share exchange with Santhera (see Note 8. Financial assets and liabilities for further details about this transaction). The market value per share at the time of the transaction was CHF 14.02.

At June 30, 2023, the Group holds 9,653,500 treasury shares created at CHF 0.05.

Note 14. Accumulated other comprehensive income (loss)

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

	Accumulated OCI (loss), net of tax		
	Jan 1, 2023	**Changes arising during period**	**Jun 30, 2023**
Foreign currency translation adjustments[1]	(2,344)	6,612	4,267
Actuarial gains (losses)[2]	50,748	(1,173)	49,574
Total accumulated OCI (loss)	**48,403**	**5,439**	**53,842**

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

[2]Actuarial gains (losses) and prior year service costs (benefits) on the Group's defined benefit plans. The amounts disclosed include income tax expenses gross of CHF 6.7 m for which a full valuation allowance has been recorded.

	Accumulated OCI (loss), net of tax		
	Jan 1, 2022	**Changes arising during period**	**Jun 30, 2022**
Foreign currency translation adjustments[1]	(1,845)	2,947	1,102
Actuarial gains (losses)[2]	(20,958)	(621)	(21,579)
Total accumulated OCI (loss)	**(22,802)**	**2,325**	**(20,477)**

[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 benefit gross of CHF 3 m for which a full valuation allowance has been recorded.

Note 15.
Commitments, contingent liabilities and guarantees

Commitments

The Group has entered into capital commitments of CHF 0.1 m related to the maintenance of the Group's own facilities, which are expected to be paid within the next twelve months.

In the ordinary course of business, the Group entered into purchase commitments related to long-term manufacturing and supply agreements in the total amount of CHF 6.2 m for 2023, CHF 26.3 m for 2024, CHF 22.6 m for 2025, CHF 6.3 m for 2026 and CHF 6.3 m for 2027. There are no material commitments thereafter.

Contingent liabilities

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

The Group has recognized contingent consideration at its fair value of CHF 1.1 m included in noncurrent liabilities relating to the achievement of such milestones. The fair value was calculated using management's estimate of the probability of reaching such milestones and remains unchanged as of June 30, 2023 compared to December 31, 2022.

Guarantees

To secure any potential obligations resulting from overdraft facilities, forward and derivative transactions in foreign currencies and unpaid interest, the Group has issued guarantees to two financial institutions, amounting in total to CHF 12.0 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 1.1 m.

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

Note 16. Concentrations

Cash, cash equivalents and short- and long-term deposits, at June 30, 2023 and December 31, 2022, were primarily invested with two financial institutions with an S&P rating of A and higher. As of June 30, 2023 these two holding cumulatively 89% of which one holds 48% and the other one 41% (December 31, 2022: 90% of which one hold 72% and the other one 18%) of the Group's cash and cash equivalents and short- and long-term deposits.

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

For the period ended June 30, 2023, one distributor in Japan accounted for approximately 42% of total net product sales (December 31, 2022: 46%). At June 30, 2023, CHF 4.8 million of trade receivables related to a distributor in the United States (December 31, 2022: CHF 12 million one distributor in Japan). Net assets of operations located in US amount to CHF 9.0 million at June 30, 2023 (December 31, 2022: CHF 6 million in Japan). Management believes other distributors could be identified, which would purchase the Group's products on comparable terms; however, the establishment of new distributor relationships could take several months. The Group performs ongoing credit evaluations of such distributors. Note 17. Segment and geographic information outlines the concentrations in geographic areas where the Group operates.

The Group is dependent upon toll manufacturers to manufacture its commercial products. For the six months ended June 30, 2023, one supplier accounted for approximately 67% of total purchases. Management believes other suppliers could provide similar products on comparable terms (December 31, 2022: 59%). A change in suppliers, however, could cause a delay in fulfilment of customer orders and a possible loss of sales, which could adversely affect operating results. Management believes that the Group maintains sufficient inventory levels to minimize the impact that a change in suppliers would have on operating results.

Note 17.
Segment and geographic information

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

The Group's geographic information is as follows:

	Switzerland	United States	Japan	Rest of world	Total
June 30, 2023					
Product sales	79	8,822	32,394	2,923	44,217
Contract revenue	6,738	-	-	-	6,738
Property, plant and equipment	140,400	1,139	-	989	142,528

	Switzerland	United States	Japan	Rest of world	Total
June 30, 2022					
Product sales	-	436	11,364	-	11,800
Contract revenue	10,461	-	-	-	10,461
December 31, 2022					
Property, plant and equipment	141,380	1,034	3,379	1,303	147,097

Note 18. Related party transactions

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

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

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

- As of June 30, 2023 the Group has a convertible loan from Cilag in the nominal amount of CHF 335 m (noncurrent liability of CHF 335 m) (December 31, 2022: nominal amount of CHF 335 m of which 298 m as noncurrent liability and CHF 36 m remaining loan discount due to the beneficial conversion feature at inception).The loan is convertible into 29,133,232 shares (December 31, 2022: 29,133,232 shares) of the Group, which would represent 13% of the total share capital of the Group on a diluted basis (see Note 11. Borrowings).

- On December 1, 2017, Janssen opted in to a collaboration with the Group to jointly develop and solely commercialize aprocitentan (see Note 5. Collaborative agreements).

- Actelion is liable to pay 8% of the aggregate annual net sales of products containing ponesimod. In the first half of 2023, the Group recorded a revenue share amounting to CHF 2.4 m (2022: CHF 0.6 m) as contract revenue (see Note 5. Collaborative agreements).

The Group and Actelion entered into a series of transitional and long-term service agreements. Under these agreements and the above-mentioned collaboration agreement with Janssen, during the first half of 2023, the Group received services from J&J and its affiliates of CHF 0.2 m (2022: CHF 0.2 m) and provided services of CHF 2.7 m (2022: CHF 6 m). As of June 30, 2023, the Group had receivables and accrued income of CHF 3.7 m (December 31, 2022: CHF 4.3 m) and no material payables and accruals with J&J and its affiliates (December 31, 2022: None).

The Group entered into a service contract with Owkin Inc. under which research & development services were rendered amounting to CHF 0.03 m (2022: CHF 0.2 m). One executive Board member owns 6% of the shares in Owkin Inc. and is the father of its CEO. As of June 30, 2023 and December 31, 2022, the Group had no material payables and accruals with Owkin Inc.

The Group secured a bridge loan with Jean-Paul Clozel, CEO, Member of the Board of Directors and Idorsia's largest shareholder, which provided for a CHF 75 m line of credit. The Group drew down an initial installment of CHF 20 m in June 2023. On July 21 the bridge loan was repaid. For the period ended June 30, 2023, the group recorded interest expenses and fees of CHF 0.7m.

The Group is a shareholder of Santhera and holds an option and sublicense agreement and service agreement with Santhera, in the first half of 2023 and 2022, the Group did not provide and material services. As of June 30, 2023 and December 31, 2022, the Group had no material receivables or accrued income with Santhera (see Note 5. Collaborative agreements).

During the six months ended June 30, 2023, the Group did not enter into any additional material related party transactions.

Note 19.
Subsequent events

The Group has evaluated subsequent events through July 24, 2023, the date these Unaudited Interim Consolidated Financial Statements were available to be issued. These events have been disclosed in the respective notes to these Unaudited Interim Consolidated Financial Statements.

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