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.

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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)	Six months ended Jun 30, US GAAP 2022	US GAAP 2021	Non-GAAP 2022	Non-GAAP 2021	Second quarter US GAAP 2022	US GAAP 2021	Non-GAAP 2022	Non-GAAP 2021
Net revenue								
Product sales	12	-	12	-	12	-	12	-
Contract revenue – royalties	-	-	-	-	-	-	-	-
Contract revenue – milestones	10	13	10	13	5	7	5	7
Contract revenue – others	1	0	1	0	0	0	0	0
Operating expenses								
Cost of sales	(1)	-	(1)	-	(1)	-	(1)	-
Research and development	(192)	(192)	(180)	(181)	(97)	(94)	(91)	(89)
Selling, general and administrative	(234)	(74)	(226)	(68)	(131)	(42)	(127)	(39)
Net results								
Operating income (loss)	(405)	(252)	(384)	(234)	(212)	(130)	(202)	(121)
Net income (loss)	(419)	(243)	(395)	(223)	(222)	(139)	(206)	(128)
Basic EPS	(2.36)	(1.46)	(2.23)	(1.34)	(1.25)	(0.83)	(1.16)	(0.77)
Diluted EPS	(2.36)	(1.46)	(2.23)	(1.34)	(1.25)	(0.83)	(1.16)	(0.77)

Cash flow

(in CHF millions)	Six months ended Jun 30, 2022	2021	Second quarter 2022	2021
Cash flow				
Operating cash flow	(442)	(276)	(204)	(126)
Cash raise	-	(0)	-	(0)
Capital expenditure	(18)	(17)	(5)	(15)

Shares

(in millions)	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021
Share count			
Issued common shares	177.5	177.5	177.0
Equity derivatives	54.0	54.0	54.0
Equity instruments	11.2	11.1	9.0
Total potential issued shares	**242.7**	**242.7**	**240.0**

Liquidity and indebtedness

(in CHF millions)	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021
Liquidity			
Cash and cash equivalents	233	146	101
Short-term deposits	500	794	927
Long-term deposits	-	-	160
Total liquidity	**733**	**940**	**1,188**
Indebtedness			
Convertible loan	335	335	298
Convertible bonds	795	794	794
Other financial debt	-	-	-
Total indebtedness	**1,129**	**1,129**	**1,093**

Revenue

Revenue

(in CHF millions)	Six months ended Jun 30, 2022	2021	Second quarter 2022	2021
Revenue				
Product sales	12	-	12	-
Contract revenue - royalties	-	-	-	-
Contract revenue - milestones	10	13	5	7
Contract revenue - others	1	0	0	0
US GAAP revenue	**22**	**14**	**5**	**7**

Product sales comprised of the first sales of the two approved products: QUVIVIQ™ (daridorexant) - which was launched on May 2nd in the US - achieved CHF 0.4 m net sales (the net sales do not fully reflect the quantities of the products delivered due to coupon and co-pay programs), and PIVLAZ™ (clazosentan) - which was launched on April 20th in Japan - achieved CHF 11.4 m net sales.

Contract revenue from milestones mainly consisted of Janssen (aprocitentan: CHF 5 m), 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, 2022	2021	Second quarter 2022	2021
Operating expenses				
Cost of sales	1	-	1	-
Research	60	54	30	27
Development	120	121	61	56
Selling	181	32	101	21
General and administrative	44	36	26	18
Milestones paid	-	5	-	5
Non-GAAP operating expenses	**407**	**248**	**219**	**128**
Depreciation and amortization	10	8	5	4
Share-based compensation	11	9	6	5
Other	-	-	-	-
Other operating expenses	**20**	**17**	**11**	**9**
US GAAP operating expenses	**427**	**265**	**229**	**137**

US GAAP operating expenses of CHF 427 m comprised Non-GAAP operating expenses of CHF 407 m, depreciation and amortization of CHF 10 m and share-based compensation of CHF 11 m.

Cost of sales

(in CHF millions)	Six months ended Jun 30, 2022	2021	Second quarter 2022	2021
Cost of sales				
Cost of goods sold	0	-	0	-
Royalty expenses on sales	1	-	1	-
Non-GAAP cost of sales	**1**	**-**	**1**	**-**
Other	-	-	-	-
US GAAP cost of sales	**1**	**-**	**1**	**-**

Cost of sales of CHF 1 m mainly comprised of 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, 2022	2021	Second quarter 2022	2021
R&D expenses				
Research	60	54	30	27
Development	120	121	61	56
Milestones paid	-	5	-	5
Non-GAAP R&D expenses	**180**	**181**	**91**	**89**
Depreciation and amortization	7	7	4	3
Share-based compensation	5	4	3	2
Other	-	-	-	-
US GAAP R&D expenses	**192**	**192**	**97**	**94**

Non-GAAP research expenses amounted to CHF 60 m, comprising biology (CHF 14 m), chemistry (CHF 19 m) and preclinical activities (CHF 27 m).

Non-GAAP development expenses amounted to CHF 120 m, comprising CHF 71 m for clinical activities (including CHF 40 m study costs, mainly driven by late stage studies for selatogrel, daridorexant, cenerimod, clazosentan, lucerastat, aprocitentan) and CHF 49 m for chemical and pharmaceutical development activities (including CHF 24 m for drug substance and CHF 15 m for drug product).

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

(in CHF millions)	Six months ended Jun 30, 2022	2021	Second quarter 2022	2021
SG&A expenses				
Selling	181	32	101	21
General and administrative	44	36	26	18
Non-GAAP SG&A expenses	**226**	**68**	**127**	**39**
Depreciation and amortization	3	2	1	1
Share-based compensation	6	4	3	2
Other	-	-	-	-
US GAAP SG&A expenses	**234**	**74**	**131**	**42**

Non-GAAP SG&A expenses amounted to CHF 226 m, comprising of commercial activities (CHF 181 m), information systems (CHF 24 m) and for other support functions (CHF 20 m).

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Non-GAAP and US GAAP operating results

(in CHF millions)	Six months ended Jun 30, 2022	2021	Second quarter 2022	2021
Operating results				
Revenues	22	14	17	7
Operating expenses	(407)	(248)	(219)	(128)
Non-GAAP operating income (loss)	**(384)**	**(234)**	**(202)**	**(121)**
Operating results				
Revenues	22	14	17	7
Operating expenses	(427)	(265)	(229)	(137)
US GAAP operating income (loss)	**(405)**	**(252)**	**(212)**	**(130)**

US GAAP operating loss related to Non-GAAP operating loss of CHF 384 m and includes depreciation and amortization of CHF 10 m and share-based compensation of CHF 11 m.

Financial results

Financial results

(in CHF millions)	Six months ended Jun 30, 2022	2021	Second quarter 2022	2021
Financial results				
Interest income (expense), net	(8)	(0)	(4)	(0)
Other financial income (expense), net	0	14	1	(6)
Non-GAAP financial income (expense)	**(8)**	**13**	**(3)**	**(6)**
Accretion expense	(1)	(4)	(0)	(2)
Gain (loss) on securities	(4)	(0)	(5)	(0)
US GAAP financial income (expense)	**(12)**	**9**	**(8)**	**(9)**

Non-GAAP financial expense of CHF 8 m mainly consists of interest expenses on the convertible bonds.

US GAAP financial expense of CHF 12 m include Non-GAAP financial expense of CHF 8 m and an unrealized loss of CHF 4 m on securities.

Due to the implementation of ASU 2020-06 as of January 1, 2022 no further accretion expense occurs in connection with the convertible loan with J&J. The remaining accretion expense is related to the issuance costs of the convertible bonds due in 2024 and 2028. Refer to Note 10. Borrowings of the Unaudited Interim Consolidated Financial Statements for further details.

Income tax

Income tax

(in CHF millions)	Six months ended Jun 30, 2022	Six months ended Jun 30, 2021	Second quarter 2022	Second quarter 2021
Income tax				
Income tax benefit (expense)	(3)	(2)	(2)	(1)
Non-GAAP tax benefit (expense)	**(3)**	**(2)**	**(2)**	**(1)**
Other tax benefit (expense)	1	1	0	1
US GAAP income tax benefit (expense)	**(3)**	**(1)**	**(1)**	**(0)**

US GAAP income tax expense (CHF 3 m) mainly includes the Non-GAAP tax expense of CHF 3 m of foreign affiliates.

Both US- and Non-GAAP tax expense included an increase of the valuation allowance of CHF 54 m, mainly related to deferred tax assets arising from operating losses which can be carried forward for 7 years.

Net results, EPS and shares

Net results

(in CHF millions)	Six months ended Jun 30, 2022	Six months ended Jun 30, 2021	Second quarter 2022	Second quarter 2021
Non-GAAP operating income (loss)	**(384)**	**(234)**	**(202)**	**(121)**
Financial income (expense)	(8)	13	(3)	(6)
Income tax benefit (expense)	(3)	(2)	(2)	(1)
Non-GAAP net income (loss)	**(395)**	**(223)**	**(206)**	**(128)**
US GAAP operating income (loss)	**(405)**	**(252)**	**(212)**	**(130)**
Financial income (expense)	(12)	9	(8)	(9)
Income tax benefit (expense)	(3)	(1)	(1)	(0)
US GAAP net income (loss)	**(419)**	**(243)**	**(222)**	**(139)**

Non-GAAP net loss of CHF 395 m is mainly driven by operating expenses.

US GAAP net loss includes the Non-GAAP net loss, depreciation and amortization of CHF 10 m, share-based compensation of CHF 11 m and an unrealized net loss of CHF 4 m on securities.

Shares

(in millions)	Issued	Potentially dilutive equity instruments		Total potential issued shares
		Derivatives	Awards	
Dec 31, 2021	**177.0**	**54.0**	**9.0**	**240.0**
Issued	0.1	-	2.8	2.9
Vested	0.4	-	(0.4)	-
Exercised	0.0	-	(0.0)	-
Forfeited	-	-	(0.2)	(0.2)
Expired	-	-	(0.0)	(0.0)
Jun 30, 2022	**177.5**	**54.0**	**11.2**	**242.7**

Issued shares increased to 177.5 m mainly due to the vesting of equity awards.

Equity awards of 11.2 million as of March 31, 2022 consisted of 9.4 million share options with a weighted average strike price of 20.30 granted to eligible employees and 1.7 million restricted share units granted to eligible employees.

Earnings per share (EPS)

(in CHF millions, unless otherwise indicated)	Six months ended Jun 30,		Second quarter	
	2022	2021	2022	2021
Non-GAAP net income (loss)	**(395)**	**(223)**	**(206)**	**(128)**
Weighted-average number of basic shares (in millions)	177.3	166.9	177.5	167.1
Non-GAAP basic EPS (in CHF)	**(2.23)**	**(1.34)**	**(1.16)**	**(0.77)**
Weighted-average number of dilutive shares (in millions)	177.3	166.9	177.5	167.1
Non-GAAP diluted EPS (in CHF)	**(2.23)**	**(1.34)**	**(1.16)**	**(0.77)**
US GAAP net income (loss)	**(419)**	**(243)**	**(222)**	**(139)**
Weighted-average number of basic shares (in millions)	177.3	166.9	177.5	167.1
US GAAP basic EPS (in CHF)	**(2.36)**	**(1.46)**	**(1.25)**	**(0.83)**
Weighted-average number of dilutive shares (in millions)	177.3	166.9	177.5	167.1
US GAAP diluted EPS (in CHF)	**(2.36)**	**(1.46)**	**(1.25)**	**(0.83)**

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, 2022	2021	Second quarter 2022	2021
Operating cash flow				
US GAAP net income (loss)	(419)	(243)	(222)	(139)
Deferred contract revenue and accrued income	(7)	(5)	(2)	(7)
Deferred taxes	1	(1)	0	(1)
Depreciation and amortization	10	8	5	4
Accretion of convertible debt	1	4	0	2
Share-based compensation	11	9	6	5
Other non cash items	4	0	5	0
Funds from operations	**(401)**	**(228)**	**(207)**	**(135)**
Net change in receivables	(10)	(1)	(12)	(2)
Net change in inventories	(22)	-	(12)	-
Net change in trade and other payables	(6)	(1)	4	(0)
Net change in other operating assets and liabilities	(4)	(45)	24	11
Change in working capital	**(42)**	**(48)**	**3**	**9**
Operating cash flow	**(442)**	**(276)**	**(204)**	**(126)**

The net cash outflows for operations of CHF 401 m are mainly driven by the Non-GAAP operating expenses of CHF 407 m.

The net cash outflows in working capital of CHF 42 m are mainly due to inventory build up (CHF 22 m), reduction of payables (CHF 7 m), and an increase in receivables and prepayments (CHF 14 m).

Cash flow

(in CHF millions)	Six months ended Jun 30, 2022	2021	Second quarter 2022	2021
Cash flow				
Operating cash flow	(442)	(276)	(204)	(126)
Acquisition of tangible, intangible and other assets	(18)	(17)	(5)	(15)
Free cash flow	**(461)**	**(293)**	**(210)**	**(140)**
Cash raise	-	(0)	-	(0)
Other items	5	20	3	2
Cash flow[1]	**(455)**	**(273)**	**(207)**	**(138)**

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

The negative cash flow of CHF 455 m is driven by the operating cash outflow of CHF 442 m, the acquisition of tangible assets (CHF 11 m) and intangible assets (CHF 6 m) and a positive impact from foreign currency fluctuations of CHF 5 m.

Liquidity

(in CHF millions)	Liquidity
Liquidity Dec 31, 2021	**1,188**
Liquidity movements Q1	(249)
Liquidity Mar 31, 2022	**940**
Liquidity movements Q2	(207)
Liquidity Jun 30, 2022	**733**

As of June 30, 2022, liquidity consisted of cash and cash equivalents of CHF 233 m and short-term deposits of CHF 500 m.

Liquidity of CHF 733 m at June 30, 2022 was mainly held in Swiss francs (CHF 572 m) and in US dollars (equivalent of CHF 146 m).

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Balance sheet

Balance sheet

(in CHF millions)	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021
Assets			
Liquidity[1]	733	940	1,188
Tangible assets	225	222	223
Other assets	102	95	71
Total assets	**1,059**	**1,257**	**1,483**
Liabilities and equity			
Financial debt	1,129	1,129	1,093
Deferred revenue	12	14	19
Other liabilities	254	235	268
Total liabilities	**1,395**	**1,377**	**1,379**
Total equity	**(336)**	**(121)**	**104**
Total liabilities and equity	**1,059**	**1,257**	**1,483**

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

Tangible assets (CHF 225 m) mainly consisted of real-estate, R&D equipment and right-of-use assets.

Other assets (CHF 102 m) comprised prepayments of CHF 26 m, receivables of CHF 25 m, inventories of CHF 16 m, marketable securities of CHF 7 m, intangible assets of CHF 13 m and other assets of CHF 14 m.

Financial debt (CHF 1,129 m) comprised the convertible loan (CHF 335 m) and CHF 795 m relating to the convertible bonds (nominal amount of CHF 800 m). Refer to the next section which details the impact on the convertible loan of the adoption of ASU 2020-06 as of January 1, 2022.

Deferred revenue (CHF 12 m) related to the collaborations with Mochida (CHF 6 m), Janssen (CHF 3 m) and Neurocrine Biosciences (CHF 3 m).

Other liabilities (CHF 254 m) included current and noncurrent liabilities of CHF 147 m and CHF 107 m respectively. Current liabilities mainly comprised accrued expenses of CHF 115 m, payables of CHF 21 m and a short-term lease liability of CHF 10 m. Noncurrent liabilities mainly comprised a long-term lease liability of CHF 63 m, pension obligations of CHF 36 m and other noncurrent liabilities of CHF 8 m.

Impact and implementation of ASU 2020-06:
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:

(in CHF millions)	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]	16	-	4	(4)	16
LIABILITIES					
Noncurrent liabilities					
Convertible loan	298	36			335
Deferred tax liability	1	(5)	4		-
EQUITY					
Accumulated profit (loss)	(1,982)	(31)		(4)	(2,017)

[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 (CHF 335 m) as of January 1, 2022 with the difference recognized in equity.

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

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

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

Refer to Note 10. Borrowings of the Unaudited Interim Consolidated Financial Statements.

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Reconciliation of US GAAP to non-GAAP results

Reconciliation of US GAAP to non-GAAP results for the six months ended June 30, 2022

(in CHF millions, unless otherwise indicated)	US GAAP results	Depreciation, amortization, impairment	Share-based compensation	Other items	Non-GAAP results
Net revenue					
Product sales	12	-	-	-	12
Contract revenue – royalties	-	-	-	-	-
Contract revenue – milestones	10	-	-	-	10
Contract revenue – others	1	-	-	-	1
Total net revenue	**22**	**-**	-	-	**22**
Operating expenses					
Cost of sales	(1)	-	-	-	(1)
Research and development	(192)	7	5	-	(180)
Selling, general and administrative	(233)	2	6	-	(226)
Amortization of intangible assets	(1)	1	-	-	-
Total operating expenses	**(427)**	10	11	-	**(407)**
Operating results	**(405)**	10	11	-	**(384)**
Total financial income (expense)	(12)	-	-	4	(8)
Income before income tax benefit (expense)	**(417)**	10	11	4	**(392)**
Income tax benefit (expense)	(3)	(1)	-	-	(3)
Net income (loss)	**(419)**	9	11	4	**(395)**
Basic net income (loss) per share (CHF)	**(2.36)**	0.05	0.06	0.03	**(2.23)**
Weighted-average number of basic shares (in millions)	177.3	-	-	-	177.3
Diluted net income (loss) per share (CHF)	**(2.36)**	0.05	0.06	0.03	**(2.23)**
Weighted-average number of dilutive shares (in millions)	177.3	-	-	-	177.3

Reconciliation of US GAAP to non-GAAP results for the second quarter 2022

(in CHF millions, unless otherwise indicated)	US GAAP results	Depreciation, amortization, impairment	Share-based compensation	Other items	Non-GAAP results
Net revenue					
Product sales	12	-	-	-	12
Contract revenue – royalties	-	-	-	-	-
Contract revenue – milestones	5	-	-	-	5
Contract revenue – others	0	-	-	-	0
Total net revenue	**17**	**-**	**-**	**-**	**17**
Operating expenses					
Cost of sales	(1)	-	-	-	(1)
Research and development	(97)	3	3	-	(91)
Selling, general and administrative	(131)	1	3	-	(127)
Amortization of intangible assets	(0)	0	-	-	-
Total operating expenses	**(229)**	**5**	**6**	**-**	**(219)**
Operating results	**(212)**	**5**	**6**	**-**	**(202)**
Total financial income (expense)	(8)	-	-	5	(3)
Income before income tax benefit (expense)	**(220)**	**5**	**6**	**5**	**(205)**
Income tax benefit (expense)	(1)	(0)	-	-	(2)
Net income (loss)	**(222)**	**4**	**6**	**5**	**(206)**
Basic net income (loss) per share (CHF)	**(1.25)**	**0.02**	**0.03**	**0.03**	**(1.16)**
Weighted-average number of basic shares (in millions)	177.5	-	-	-	177.5
Diluted net income (loss) per share (CHF)	**(1.25)**	**0.02**	**0.03**	**0.03**	**(1.16)**
Weighted-average number of dilutive shares (in millions)	177.5	-	-	-	177.5

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

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Interim Consolidated Income Statement

(in CHF thousands, except per share amounts)	Notes	Six months ended June 30, 2022 (unaudited)	2021 (unaudited)
Net revenue			
Product sales	2/16	11,800	-
Contract revenue	4/16	10,461	13,831
Total net revenue		**22,261**	**13,831**
Operating (expenses)[1]			
Cost of sales		(1,255)	-
Research and development		(191,860)	(191,762)
Selling, general and administrative		(233,203)	(73,213)
Amortization of intangible assets		(577)	(400)
Total operating (expenses)		**(426,893)**	**(265,375)**
Operating income (loss)		**(404,632)**	**(251,544)**
Interest income (expense), net		(7,821)	(458)
Accretion of convertible debt	10	(527)	(4,194)
Other financial income (expense), net		(3,625)	13,664
Total financial income (expense)		**(11,974)**	**9,012**
Income (loss) before income tax benefit (expense)		**(416,606)**	**(242,531)**
Income tax benefit (expense)		(2,526)	(832)
Net income (loss) attributable to Idorsia's shareholders		**(419,132)**	**(243,364)**
Basic net income (loss) per share attributable to Idorsia's shareholders	5	**(2.36)**	**(1.46)**
Weighted-average number of common shares (in thousands)		177,330	166,855
Diluted net income (loss) per share attributable to Idorsia's shareholders	5	**(2.36)**	**(1.46)**
Weighted-average number of common shares (in thousands)		177,330	166,855

[1]Includes share-based compensation as follows:		
Research and development	5,079	4,326
Selling, general and administrative	5,585	4,323
Total share-based compensation	**10,664**	**8,649**

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, 2022 (unaudited)	Six months ended June 30, 2021 (unaudited)
Net income (loss)	**(419,132)**	**(243,364)**
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	2,947	56
Change of unrecognized components of net periodic benefit costs	(621)	161
Other comprehensive income (loss), net of tax	**2,325**	**216**
Comprehensive income (loss)	**(416,807)**	**(243,147)**

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, 2022 (unaudited)	Dec 31, 2021 (audited)
ASSETS			
Current assets			
Cash and cash equivalents	6/7	232,979	101,352
Short-term deposits	7	500,000	926,822
Trade and other receivables, net	8	22,814	13,007
Receivables from related parties	17	2,662	4,611
Inventories	9	16,459	-
Marketable securities	7	6,644	9,951
Other current assets		26,331	21,718
Total current assets		**807,889**	**1,077,462**
Noncurrent assets			
Long-term deposits	7	-	160,000
Property, plant and equipment, net		149,576	149,862
Right-of-use assets		75,209	73,573
Intangible assets, net		13,221	6,131
Other noncurrent assets		13,507	15,931
Total noncurrent assets		**251,513**	**405,497**
TOTAL ASSETS		**1,059,402**	**1,482,958**
LIABILITIES			
Current liabilities			
Trade and other payables		21,084	26,860
Payables and accrued payables to related parties	17	70	20
Deferred revenue	4	11,256	15,078
Lease liability		10,315	10,312
Sales related liabilities	2	1,108	-
Accrued expenses		115,590	112,869
Total current liabilities		**158,315**	**165,140**
Noncurrent liabilities			
Convertible loan	10	334,575	298,445
Convertible bonds	10	794,691	794,164
Deferred revenue	4	879	3,518
Lease liability		62,606	60,563
Pension liability	11	36,477	48,517
Deferred tax liability		0	1,008
Other noncurrent liabilities		7,851	7,400
Total noncurrent liabilities		**1,237,080**	**1,213,615**
Total liabilities		**1,395,396**	**1,378,754**

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Interim Consolidated Balance Sheet (2/2)

(in CHF thousands, except number of shares)	Notes	Jun 30, 2022 (unaudited)	Dec 31, 2021 (audited)
EQUITY			
Idorsia's shareholders' equity			
Common shares (par value CHF 0.05 per share, issued and outstanding 177,524,987 and 176,966,995 in 2022 and 2021 respectively; total number of authorized shares, including issued, authorized and conditional, 301,294,689 and 295,041,148 in 2022 and 2021 respectively)	12	8,876	8,848
Additional paid-in capital		2,111,941	2,100,237
Accumulated profit (loss)		(2,436,334)	(1,982,079)
Accumulated other comprehensive income (loss)	13	(20,477)	(22,802)
Total Idorsia's shareholders' equity		**(335,994)**	**104,204**
TOTAL LIABILITIES AND EQUITY		**1,059,402**	**1,482,958**

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

Interim Consolidated Statement of Cash Flows

(in CHF thousands)	Six months ended June 30, 2022 (unaudited)	2021 (unaudited)
Cash flow from operating activities		
Net income (loss)	(419,132)	(243,364)
Adjustments to reconcile net income (loss) to net cash provided from operating activities:		
Depreciation and amortization	9,712	8,427
Share-based compensation	10,664	8,649
Accretion of convertible debt	527	4,194
Fair value changes on securities	3,909	255
Deferred revenue and accrued income	(6,773)	(5,381)
Deferred taxes	577	(920)
Changes in operating assets and liabilities:		
Other receivables	(9,665)	(1,329)
Prepayments	(4,510)	(8,362)
Inventories	(21,886)	-
Trade and other payables	(6,392)	(877)
Accrued expenses	4,674	(12,878)
Changes in other operating cash flow items	(4,019)	(24,195)
Net cash flow provided by (used in) operating activities	**(442,311)**	**(275,781)**
Cash flow from investing activities		
Purchase of marketable securities	(104)	-
Purchase of short-term deposits	(250,000)	(97,461)
Proceeds from short-term deposits	841,071	404,114
Purchase of property, plant and equipment	(11,020)	(14,800)
Purchase of intangible assets	(7,243)	(2,324)
Net cash flow provided by (used in) investing activities	**572,703**	**289,528**
Cash flow from financing activities		
Issuance of new shares, net	-	(14)
Proceeds from exercise of share options	360	8,855
Net cash flow provided by (used in) financing activities	**360**	**8,841**
Net effect of exchange rates on cash and cash equivalents	875	134
Net change in cash and cash equivalents	**131,627**	**22,722**
Cash and cash equivalents at beginning of period	101,352	140,810
Cash and cash equivalents at end of period	**232,979**	**163,532**

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

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Interim Consolidated Statement of Changes in Equity

(in CHF thousands, except number of shares)	Idorsia's shareholders					
	Common shares		Additional paid-in capital	Accum. profit (loss)	Accum. other comprehensive income (loss)	Total equity
	Shares	Amount				
At January 1, 2021	**166,482,328**	**8,324**	**1,962,739**	**(1,347,485)**	**(38,096)**	**585,483**
Comprehensive income (loss):						
Net income (loss)				(243,364)		(243,364)
Other comprehensive income (loss)					216	216
Comprehensive income (loss)						**(243,147)**
Exercise of share options	499,431	25	8,830			8,855
Share-based compensation transactions	313,212	16	9,888			9,903
Issuance of new shares	-	-	(14)			(14)
At June 30, 2021 (unaudited)	**167,294,971**	**8,365**	**1,981,443**	**(1,590,848)**	**(37,880)**	**361,080**
Comprehensive income (loss):						
Net income (loss)				(391,231)		(391,231)
Other comprehensive income (loss)					15,077	15,077
Comprehensive income (loss)						**(376,154)**
Exercise of share options	64,587	3	1,142			1,145
Share-based compensation transactions	25,555	1	9,266			9,267
Conversion of loan, net	9,581,882	479	108,387			108,866
At December 31, 2021 (audited)	**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)**

[1] Impact on opening balance caused by the adoption of ASU 2020-06 as of January 1, 2022. Refer to Note 10 Borrowings.
The accompanying notes form an integral part of these unaudited interim consolidated financial statements.

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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, 2021. All US GAAP references relate to the Accounting Standards Codification ("ASC" or "Codification") established by the Financial Accounting Standards Board ("FASB") as the single authoritative source of US GAAP to be applied by non-governmental entities. All amounts are presented in Swiss francs ("CHF"), unless otherwise indicated. Rounding differences may occur.

Changes in accounting policies

The Group adopted the requirements of ASU 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity ("ASU 2020-06")*

The updated guidance was early adopted as of January 1, 2022 as permitted under ASU 2020-06, using the modified retrospective approach (see note 10. Borrowings for further details on the effect on the Groups' financial position and results of operations). The adoption did not have a material impact on cash flows.

Accounting policies applicable for interim periods

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

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

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Use of estimates

The preparation of Consolidated Financial Statements in conformity with US GAAP requires management to make judgments, assumptions and estimates that affect the amounts and disclosures reported in the Consolidated Financial Statements. On an ongoing basis, management evaluates its estimates, including those related to revenue recognition for contract revenue, 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.

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. Transfer of control is based on when the product is shipped or delivered and title passes to the customer.

Sales on credit are typically under short-term contracts. Collections are based on market payment cycles common in various markets. Certain customers are offered a cash discount for which the estimated discounts are recorded as contra-revenue when sales are recognized.

Revenue for product sales are not adjusted for the effects of a financing component as at contract inception it is expected that the period between when control of the product is transferred and when payment is received will be one year or less.

The Group initially invoices its customers at contractual list prices. Contracts with direct and indirect customers may provide for various rebates and discounts that may differ in each contract and which are estimated and recorded in the same period that the revenues are recognized. As a consequence, to determine the appropriate transaction price for product sales at the time a sale to a direct customer is recognized, any rebates or discounts that ultimately will be due to the direct customer and other customers in the distribution chain under the terms of our contracts are estimated. Significant judgments are required in making these estimates. These rebate and discount amounts are recorded as a deduction from sales to reflect net product sales and presented as sales related liabilities on the balance sheet.

Such variable consideration represents chargebacks, rebates and discounts. These deductions represent estimates of the related obligations and, as such, knowledge and judgment is required when estimating the impact of these revenue deductions on gross sales for a reporting period. Sales rebates and discounts in connection with the Group's product sales in the United States of America ("United States", "US") that require the use of significant judgments include managed care, Medicare, Medicaid, chargebacks, long-term care, hospital, coupon and copay programs, patient assistance programs, and various other programs. These obligations are estimated using an expected value approach.

Pharmaceutical products are sold principally to wholesalers or directly to mailorder or specialty pharmacies. Prescription pharmaceutical products that ultimately are used by patients are generally covered under governmental programs, managed care programs and insurance programs, including those managed through pharmacy benefit managements, and are subject to discounts and/or rebates payable directly to those programs. These products can be supported by coupon and co-pay programs which are also payable directly to those programs. Those discounts and rebates are generally negotiated, but government programs may have legislated amounts by type of product (e.g., patented or unpatented). In the United States provisions for Medicare, Medicaid, are recorded based upon experience ratio of rebates paid and actual prescriptions written during earlier periods. The experience ratio is applied to the respective period's sales to determine the rebate accrual and related contra-revenue amount. Discounts on drug sales to Medicare Part D participants in the Medicare "coverage gap," also

known as the “doughnut hole” are estimated based on the historical experience of beneficiary prescriptions and consideration of the utilization that is expected to result from the discount in the coverage gap. The Group evaluates these estimates regularly to ensure that the historical trends and future expectations are as current as practicable.

In other jurisdictions the majority of pharmaceutical discounts are contractual or legislatively mandated and estimates are based on actual invoiced sales within each period, which reduces the risk of variations in the estimation process.

Provisions for pharmaceutical chargebacks (primarily reimbursements to wholesalers in the United States for honoring contracted prices and legislated discounts to third parties) closely approximate actual amounts incurred, as these deductions are generally settled within two to five weeks of incurring the liability.

Products are generally shipped shortly after orders are received and therefore there are only a few days of orders received but not yet shipped at the end of any reporting period. Shipping and handling activities are considered to be fulfillment activities and are not considered to be a separate performance obligation.

Provisions for pharmaceutical sales returns are based on a calculation for each market that incorporates the following, as appropriate: local returns policies and practices; historical returns as a percentage of sales; an understanding of the reasons for past returns; estimated shelf life by product; an estimate of the amount of time between shipment and return or lag time; estimated levels of inventory in the wholesale and retail channels; and any other factors that could impact the estimate of future returns, such as loss of exclusivity, product recalls or a changing competitive environment. Generally, returned products are destroyed, and customers are refunded the sales price in the form of a credit. The return amounts are recorded as a deduction from product sales to reflect net product sales.

Taxes collected from customers and remitted to governmental authorities such as sales taxes and VAT are deducted directly from gross sales without recording them in revenue.

Shipping and handling costs

The Group recognized expenses relating to shipping and handling costs in cost of sales.

Trade accounts receivable

Trade accounts receivable are stated at their net realizable value. The allowance for credit losses reflects the best estimate of expected credit losses of the receivables portfolio determined on the basis of historical experience, current information, and forecasts of future economic conditions. In developing the estimate for expected credit losses, trade accounts receivables are segmented into pools of assets depending on market, delinquency status, and customer type (high risk versus low risk and government versus non-government) See discussion on concentrations of credit risk in Note 15. Concentrations. The Group does not generally require collateral on receivables.

Inventories

Inventory costs are determined by the first-in first-out method and are stated at the lower of cost or net realizable value. Inventories consist of raw materials, semi-finished and finished products. The Group periodically reviews the composition of its inventories in order to identify obsolete, slow-moving or otherwise unsalable items. The review is based on gross margin analyses per product. If unsalable items are observed and there are no alternate uses for the inventory, the Group adjusts inventory to net realizable value.

Prior to receiving new drug approval, the Group expensed inventories (pre-launch inventories). As a result the Group’s gross margin percentage is expected to decrease as the Group depletes these inventories.

Note 2.
Revenue recognition

Revenue 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 4. 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 related to sales of our products in the US for the period ended June 30, 2022.

The following represents a roll-forward of the most significant US 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:

	2022
Sales related liabilities, beginning of the period	**-**
Reduction of net sales	1,121
Cash payments of sales related liabilities	(13)
Sales related liabilities, end of the period	**1,108**

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 4. Collaborations.

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 81 m (CHF 16 m at filing, CHF 45 m at approval and CHF 20 m sales milestones). Roche is also entitled to high-single-digit royalties.

The Group paid milestones of CHF 6 m in 2022 related to the clazosentan market approval in Japan. In addition, the Group recognized a royalty expense of CHF 1 m, which has been included in cost of sales for the six months ended June 30, 2022.

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 8 m to be recognized in 2022, of which CHF 5 m in the first half of 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 2022, the cost-sharing reimbursements by Janssen to the Group for the initial indication Phase 3 studies (CHF 6.0 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 0.6 m as contract revenue in the first half of 2022 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, 2022, Idorsia owns 7,482,259 shares in Santhera, of which 1,000,000 shares are subject to a lock-up provision (see Note 7. 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 royalty 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 terminated the research collaboration in March 2021 with a final payment of CHF 2.7 m.

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 2022. The deferred revenue will be recognized as follows: CHF 1 m in the second half of 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, with CHF 2 m being recognized in the first half of 2022. The deferred revenue will be recognized as follows: 2 m in the second half of 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 the first half of 2022, the Group recognized net CHF 4.4 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, witch CHF 2 m being recognized in the first half of 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 will be recognized as contract revenue on a straight-line basis from July 2022 until June 2023. The deferred revenue will be recognized as follows: CHF 2 m in the second half of 2022 and CHF 2 m in 2023. In the first half of 2022, the Group recognized CHF 0.3 m of reimbursements as a cost reduction in R&D expenses.

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.
Earnings per share

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

	2022		2021	
	Basic	Diluted	Basic	Diluted
Numerator				
Net income (loss) attributable to Idorsia's shareholders	(419,132)	(419,132)	(243,364)	(243,364)
Net income (loss) available for EPS calculation	**(419,132)**	**(419,132)**	**(243,364)**	**(243,364)**
Denominator				
Weighted-average number of common shares	177,330,123	177,330,123	166,855,335	166,855,335
Total average equivalent shares	**177,330,123**	**177,330,123**	**166,855,335**	**166,855,335**
Earnings (loss) per share attributable to Idorsia's shareholders	**(2.36)**	**(2.36)**	**(1.46)**	**(1.46)**

For the six months ended June 30, 2022, 65,216,836 shares that would have had an antidilutive effect were excluded from the diluted EPS calculation (June 30, 2021: 53,536,443 shares).

Note 6.
Cash and cash equivalents

Cash and cash equivalents consisted of the following at:

	June 30, 2022	December 31, 2021
Cash	232,979	101,352
Cash equivalents	-	-
Total	**232,979**	**101,352**

Note 7.
Financial assets and liabilities

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

	June 30, 2022			December 31, 2021		
	Total	**Level 1**	**Level 2**	**Total**	**Level 1**	**Level 2**
Financial assets carried at fair value						
Cash and cash equivalents	232,979	232,979	-	101,352	101,352	-
Derivative financial instruments[1]	215	-	215	817	-	817
Short-term marketable securities	6,644	6,644	-	9,951	9,951	-
Long-term marketable securities	142	-	142	50	-	50
Total	**239,980**	**239,623**	**357**	**112,170**	**111,303**	**867**

[1] Included in other current assets.

As of June 30, 2022, short-term deposits of CHF 500 m (December 31, 2021: short- and long-term deposits of CHF 1,087 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) 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.

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The fair value of these instruments was CHF 0.2 m as of June 30, 2022 (December 31, 2021: CHF 0.8 m).

The Group currently owns a total of 7,482,259 shares in Santhera Holding, representing 10.1% of the ordinary share capital of Santhera Holding as of June 30, 2022. The market value of the Santhera shares was CHF 6.6 m as of June 30, 2022 (December 31, 2021: CHF 10 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 10. Borrowings) and are stated in the following table:

	June 30, 2022	December 31, 2021
Long-term financial debt	1,129,267	1,092,609
Total	**1,129,267**	**1,092,609**

Interest income (expense), net for the six months ended June 30, 2022, includes accrued interest expense of CHF 7.1 m (June 30, 2021: CHF 0.8 m), which is paid to the bondholders on a yearly basis. Interest income for the six months ended June 30, 2022 amounts to CHF 0.7 m negative (June 30, 2021: CHF 0.3 m positive), 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 half of 2022 amounts to CHF 1.7 m (June 30, 2021: foreign currency translation gain CHF 12.4 m).

For the six months ended June 30, 2022, the Group recorded an unrealized loss on marketable securities of CHF 3.3 m (June 30, 2022: CHF 0.3 m) and a gain on other components of net periodic pension cost of CHF 0.9 m (June 30, 2021: CHF 1.7 m).

Note 8.
Trade and other receivables

Trade and other receivables consisted of the following at:

	June 30, 2022	December 31, 2021
Trade receivables	13,423	-
Other receivables	9,391	13,007
Trade and other receivables, gross	**22,814**	**13,007**
Allowance for doubtful accounts	-	-
Total trade and other receivables, net	**22,814**	**13,007**

For concentrations of credit risk related to the Group's trade receivables see Note 15. Concentrations.

Note 9.
Inventories

Inventories consisted of the following at:

	June 30, 2022	December 31, 2021
Raw materials	2,492	-
Semi-finished products	12,017	-
Finished products	1,949	-
Total	**16,459**	**-**

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

Note 10.
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 June 30, 2022).

The remaining amount of CHF 335 m outstanding as of June 30, 2022, 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 June 30, 2022), 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]	15,881	-	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 book value of the convertible loan with J&J increased from CHF 298 m as of December 31, 2021 to its nominal amount (CHF 335 m) as of January 1, 2022 with the difference recognized in equity. The carrying amount of the convertible loan at June 30, 2022 is CHF 335 m (December 31, 2021: CHF 298 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 will not have a material impact on the consolidated statement of cash flows.

The implementation of ASU 2020-06 does 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, 2022, 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 June 30, 2022, the fair market value of the bonds amounted to 87.00% of the principal amount (Level 1).

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

As of June 30, 2022, the total book value of the bonds was CHF 199.4 m (December 31, 2021: CHF 199.3 m). For the six months ended June 30, 2022, the Group recognized CHF 0.8 m of interest cost (2021: CHF 0.8 m) and CHF 0.1 m (2021: 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

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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 a 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 with respect to the bonds, which are due subsequent to June 30, 2022, 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 June 30, 2022, the fair market value of the bonds amounted to 75.5% 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, 2022, the total book value of the bonds was CHF 595.3 m. For the six months ended June 30, 2022, the Group recognized CHF 6.4 m of interest cost and CHF 0.4 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 in 2021 as a result of the issuance of the CHF 600 m convertible bonds. This credit facility was undrawn by Idorsia.

Note 11.
Pension plans

Swiss employee pension plan

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

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

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

	Six months ended June 30,	
	2022	2021
Service cost	7,176	7,283
Interest cost	593	346
Expected return on plan assets	(1,451)	(2,085)
Prior year service costs (benefit)	(761)	(380)
Amortization of net actuarial (gain) loss	139	541
Net periodic benefit cost	**5,697**	**5,705**

Note 12.
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, 2021	**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**
Change in Idorsia's Articles of Association based on the AGM resolution dated April 14, 2022	-	-	6,254	6,254
Shares issued for share-based compensation	538	-	(538)	-
Exercise of share options	20	-	(20)	-
Issuance of new registered shares	-	-	-	-
At June 30, 2022	**177,525**	**54,418**	**69,352**	**301,295**

[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 10. Borrowings).

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.

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Note 13.
Accumulated other comprehensive income (loss)

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

	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	1,104
Actuarial gains (losses)[2]	(20,958)	(621)	(21,581)
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 benefits gross of CHF 3 m for which a full valuation allowance has been recorded.

	Accumulated OCI (loss), net of tax		
	Jan 1, 2021	Changes arising during period	Jun 30, 2021
Foreign currency translation adjustments[1]	(751)	56	(695)
Actuarial gains (losses)[2]	(37,346)	161	(37,186)
Total accumulated OCI (loss)	**(38,096)**	**216**	**(37,880)**

[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 14.
Commitments, contingent liabilities and guarantees

Commitments

The Group has entered into capital commitments of CHF 3.7 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).

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 of CHF 1.1 m included in noncurrent liabilities relating to the achievement of such milestones. The fair value is based on management's estimate of the probability of reaching such milestones and remains unchanged as of June 30, 2022.

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Guarantees

To secure any potential obligations resulting from overdraft facilities, forward and derivative transactions in foreign currencies and unpaid interest, the Group has issued guarantees to two financial institutions, amounting in total to CHF 45.0 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 1.4 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 15. Concentrations

Cash, cash equivalents and short- and long-term deposits, at June 30, 2022, were primarily invested with four financial institutions with an S&P rating of A to A+ , and on December 31, 2021, with four financial institutions with an S&P rating of AA- to A+. As of June 30, 2022 two of them holding cumulatively 77% of which one holds 50% and the other one 26% (December 31, 2021: 94% of which one hold 50% and the other one 43%) 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, 2022, one distributor in Japan accounted for approximately 49% of total net product sales. At June 30, 2022, CHF 6 million of trade receivables related to this distributor. Net assets of operations located in Japan amount to CHF 4.5 million at June 30, 2022. 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 16. 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, 2022, one supplier accounted for approximately 87% of total purchases. Management believes other suppliers could provide similar products on comparable terms. 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 16.
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, 2022					
Product sales	-	436	11,364	-	11,800
Contract revenue	10,461	-	-	-	10,461
Property, plant and equipment	144,593	449	3,802	732	149,576

	Switzerland	United States	Japan	Rest of world	Total
June 30, 2021					
Product sales	-	-	-	-	-
Contract revenue	13,831	-	-	-	13,831
December 31, 2021					
Property, plant and equipment	146,166	116	2,652	928	149,862

Note 17.
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, 2022 the Group has a convertible loan from Cilag in the nominal amount of CHF 335 m (noncurrent liability of CHF 335 m) (December 31, 2021: nominal amount of CHF 335 m of which 298 m as non current 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, 2021: 29,133,232 shares) of the Group, which would represent 14% of the total share capital of the Group on a diluted basis (see Note 10. 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 the first half of 2022, the Group recorded a revenue share amounting to CHF 0.6 m (2021: CHF 0.4 m) as contract revenue (see Note 4. Collaborative agreements).

The Group and Actelion entered into a series of transitional and long-term service agreements. Under these agreements and the above-mentioned collaboration agreement with Janssen, during the first half of 2022, the Group received services from J&J and its affiliates of CHF 0.2 m (2021: CHF 1 m) and provided services of CHF 6 m (2021: CHF 10 m). In addition, the Group has recognized CHF 0.6 m as contract revenue in the first half of 2022 from a revenue sharing agreement with J&J (see Note 4. Collaborative Agreement). As of June 30, 2022, the Group had receivables and accrued income of CHF 2.6 m (December 31, 2021: CHF 5 m) and no material payables and accruals with J&J and its affiliates (December 31, 2021: None).

The Group entered into a service contract with Owkin Inc. under which research & development services were rendered amounting to CHF 0.2 m (2021: CHF 0.3 m). One executive Board member owns 6% of the shares in Owkin Inc. and is the father of its CEO. As of June 30, 2022 and December 31, 2021, 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 10.1% as of June 30, 2022. Under the option and sublicense agreement and service agreement with Santhera, in the first half of 2022, the Group provided services of CHF 0.01m (2021: CHF 0.02 m). As of June 30, 2022 and December 31, 2021, the Group had no material receivables and accrued income with Santhera (see Note 4. Collaborative agreements).

During the six months ended June 30, 2022, the Group did not enter into any additional material related party transactions.

Note 18.
Subsequent events

On 1 July 2022, the Group granted 1,538,303 restricted share units as share-based compensation to its permanent employees (excluding the CEO and all other members of the Idorsia Executive Committee) as an exceptional one-time grant (with the possibility to grant additional RSUs to new employees joining the Group). For these RSU awards the normal vesting dates will be staggered with 20% of the shares subject to the award vesting on 1 July 2025, 30% of the shares subject to the award vesting on 1 July 2026 and the remaining balance of the shares subject to the award vesting on 1 July 2027.

Employees were granted additional 1,538,303 performance share units matching their first grant explained above (with the possibility to grant additional PSUs to new employees joining the Group). These additional PSUs are based on a performance-driven incentive plan with four performance criteria, which strictly relate to the Group's achievements in the areas of revenues, profitability as well as research and product development success for the years of measurement (one goal for each of the years 2025 and 2026 and two goals for the year 2027). Based on the achievement of the performance conditions, the number of PSUs will be adjusted before the vesting. These PSUs will vest and will be converted into shares in March 2028.

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

	July 1, 2022
Expected term	3-5 years
Interest rate	0.00%
Expected dividend yield	0.00%

The following assumptions have been applied in the valuation model of the PSUs which are performance driven:

	July 1, 2022
Expected term	6 years
Interest rate	0.00%
Expected performance condition achievement	100.00%
Expected dividend yield	0.00%

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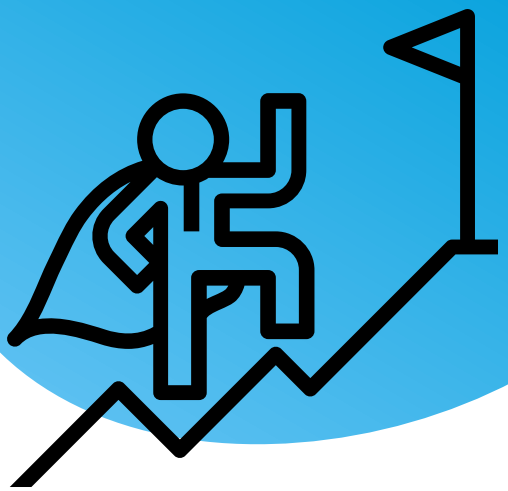

Curious to learn more?
Reach out to us.

Investor Relations
Idorsia Pharmaceuticals Ltd
Hegenheimermattweg 91
4123 Allschwil
Switzerland

Phone +41 58 844 10 10
investor.relations@idorsia.com

www.idorsia.com

Concept and design: Markenfels AG