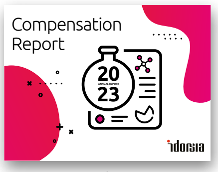
Financial Report

idorsia

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

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

Further parts of the Idorsia Annual Report 2023



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Idorsia measures and reports its non-GAAP operating performance, which management believes more accurately reflects the underlying business performance. The Group believes that these non-GAAP financial measurements provide useful supplementary information for investors. These non-GAAP measures are reported in addition to, not as a substitute for, US GAAP financial performance.

Rounding differences may occur
nm = not meaningful

Idorsia's key numbers

Profit and loss

(in CHF millions, except EPS)	Twelve months ended Dec 31, US GAAP 2023	2022	Non-GAAP 2023	2022	Fourth quarter US GAAP 2023	2022	Non-GAAP 2023	2022
Net revenue								
Product sales	65	51	65	51	11	23	11	23
Contract revenue – milestones	82	45	82	45	9	30	9	30
Contract revenue – others	5	2	5	2	1	1	1	1
Operating expenses								
Cost of sales	(7)	(6)	(7)	(6)	(0)	(3)	(0)	(3)
Research and development	(294)	(384)	(269)	(357)	(59)	(105)	(57)	(97)
Selling, general and administrative	(396)	(510)	(378)	(492)	(78)	(139)	(80)	(134)
Net results								
Operating income (loss)	(255)	(803)	(501)	(757)	(111)	(193)	(115)	(180)
Net income (loss)	(298)	(828)	(542)	(782)	(117)	(193)	(121)	(186)
Basic EPS	(1.67)	(4.67)	(3.04)	(4.41)	(0.65)	(1.09)	(0.68)	(1.05)
Diluted EPS	(1.67)	(4.67)	(3.04)	(4.41)	(0.65)	(1.09)	(0.68)	(1.05)

Cash flow

(in CHF millions)	Twelve months ended Dec 31, 2023	2022	Fourth quarter 2023	2022
Cash flow				
Operating cash flow	(307)	(859)	(108)	(221)
Proceeds/ (repayments) of borrowings, net	-	162	-	-
Capital expenditure	(9)	(27)	(1)	(4)

Shares

(in millions)	Dec 31, 2023	Sep 30, 2023	Dec 31, 2022
Share count			
Issued common shares	188.5	188.2	177.6
Equity derivatives	54.0	54.0	54.0
Equity instruments	14.6	15.5	14.3
Total potential issued shares	**257.2**	**257.8**	**245.9**

Liquidity and indebtedness

(in CHF millions)	Dec 31, 2023	Sep 30, 2023	Dec 31, 2022
Liquidity			
Cash and cash equivalents	145	205	146
Short-term deposits	-	50	320
Total liquidity	**145**	**255**	**466**
Indebtedness			
Convertible loan	335	335	335
Convertible bonds	796	796	795
Other financial debt	162	162	162
Total indebtedness	**1,293**	**1,293**	**1,292**

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Transaction with Sosei Heptares

On July 20, 2023 Idorsia sold its Asia Pacific (ex-China) operations for a total consideration of CHF 400 m that led to a one-off profit of CHF 366 m of which CHF 68 m are recorded as contract revenue, CHF 305 m are recorded as gains on sale of disposal group and CHF 7 m are recorded as impairment charge of intangible assets. This transaction is referred hereafter as "the Sosei Deal".

In addition to the US GAAP and Non-GAAP measures presented above, the company has prepared proforma figures corresponding to the scope of operations that the company currently operates excluding the APAC operations in 2023 until the closing of the Sosei Deal and the one-off impact of such transaction, as shown in the table below.

Operational performance as reported

(in CHF millions)	Twelve months ended Dec 31, 2023	2022	Fourth quarter 2023	2022
Revenue				
Product sales	65	51	11	23
Contract revenue - milestones	82	45	9	30
Contract revenue - others	5	2	1	1
US GAAP revenue	**152**	**97**	**22**	**54**
Operating expenses				
Cost of sales	(7)	(6)	(0)	(3)
Research	(92)	(117)	(18)	(30)
Development	(177)	(240)	(39)	(67)
Selling	(303)	(394)	(57)	(106)
General and administrative	(75)	(97)	(22)	(28)
Non-GAAP operating expenses	**(654)**	**(854)**	**(137)**	**(234)**
Other income	1	-	1	-
Non-GAAP operating loss	**(501)**	**(757)**	**(115)**	**(180)**
Depreciation and amortization	(19)	(20)	(4)	(6)
Share-based compensation	(23)	(26)	4	(7)
Restructuring charges	(11)	-	1	-
Effect of Sosei transaction	298	-	3	-
Other operating expenses	**246**	**(46)**	**4**	**(13)**
US GAAP operating loss	**(255)**	**(803)**	**(111)**	**(193)**

Operational performance proforma

(in CHF millions)	Twelve months ended Dec 31, 2023	2022	Fourth quarter 2023	2022
Revenue				
Product sales	32	7	11	4
Contract revenue - milestones	14	45	9	30
Contract revenue - others	5	2	1	1
US GAAP revenue	**51**	**53**	**22**	**35**
Operating expenses				
Cost of sales	(4)	(2)	(0)	(1)
Research	(92)	(117)	(18)	(30)
Development	(169)	(210)	(39)	(62)
Selling	(286)	(367)	(57)	(104)
General and administrative	(72)	(90)	(22)	(20)
Non-GAAP operating expenses	**(623)**	**(786)**	**(137)**	**(217)**
Other income	-	-	-	-
Non-GAAP operating loss	**(572)**	**(733)**	**(116)**	**(182)**
Depreciation and amortization	(18)	(17)	(4)	(5)
Share-based compensation	(22)	(24)	4	(6)
Restructuring charges	(11)	-	1	-
Effect of Sosei transaction	-			
Other operating expenses	**(51)**	**(41)**	**0**	**(11)**
US GAAP operating loss	**(623)**	**(774)**	**(115)**	**(193)**

Full-Year and Q4 US GAAP and Non-GAAP numbers as reported below include the impact of the Sosei Deal described above.

Revenue

Revenue

(in CHF millions)	Twelve months ended Dec 31, 2023	2022	Fourth quarter 2023	2022
Revenue				
Product sales	65	51	11	23
Contract revenue - milestones	82	45	9	30
Contract revenue - others	5	2	1	1
US GAAP revenue	**152**	**97**	**22**	**54**

Product sales comprised of:

- PIVLAZ™ (clazosentan) with CHF 33.7 m net sales in Japan until July 19, 2023 when Idorsia sold its Asia Pacific (ex-China) business and CHF 0.7 m from product supplied to Sosei Heptares.
- QUVIVIQ™ (daridorexant) with CHF 30.9 m net sales in the US, Germany, Italy, Switzerland, Spain, Canada and UK. US net sales do not fully reflect the volumes of the products dispensed due to coupon and co-pay programs.

Contract revenue mainly consisted of the license of daridorexant and assignment of potential milestones from Mochida to Sosei Heptares (CHF 68 m) in connection with the Sosei Deal and a CHF 9 m milestone payment from Santhera based on the product approval vamorolone by the FDA.

Operating expenses

Operating expenses

(in CHF millions)	Twelve months ended Dec 31, 2023	2022	Fourth quarter 2023	2022
Operating expenses				
Cost of sales	7	6	0	3
Research	92	117	18	30
Development	177	240	39	67
Selling	303	394	57	106
General and administrative	75	97	22	28
Non-GAAP operating expenses	**654**	**854**	**137**	**234**
Depreciation and amortization	19	20	4	6
Share-based compensation	23	26	(4)	7
Restructuring charges	11	-	(1)	-
Effect of the Sosei Deal	(298)	-	(3)	-
Other operating expenses	**(246)**	**46**	**(4)**	**13**
US GAAP operating expenses	**409**	**900**	**134**	**247**

US GAAP operating expenses of CHF 409 m comprised of Non-GAAP operating expenses (CHF 654 m), depreciation and amortization (CHF 19 m) and share-based compensation (CHF 23 m). It also includes one-offs with restructuring charges (CHF 11 m) and the impact of the Sosei Deal (CHF 298 m net gain offsetting the operating expenses).

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Cost of sales

(in CHF millions)	Twelve months ended Dec 31, 2023	2022	Fourth quarter 2023	2022
Cost of sales				
Cost of goods sold	4	2	0	1
Royalty paid	3	4	-	2
US GAAP cost of sales	**7**	**6**	**0**	**3**

Cost of sales of CHF 7 m comprised the cost of goods sold (CHF 4 m), which does not reflect the actual manufacturing costs (as prior to product approval, manufacturing costs were expensed in prior periods), and royalties paid (CHF 3 m) in connection to the net sales of Pivlaz in Japan. Since the closing of the Sosei Deal, the company no longer pays such royalties.

Research and development ("R&D") expenses

(in CHF millions)	Twelve months ended Dec 31, 2023	2022	Fourth quarter 2023	2022
R&D expenses				
Research	92	117	18	30
Development	177	240	39	67
Non-GAAP R&D expenses	**269**	**357**	**57**	**97**
Depreciation and amortization	13	15	3	5
Share-based compensation	11	12	(1)	3
US GAAP R&D expenses	**294**	**384**	**59**	**105**

Non-GAAP research expenses of CHF 92 m, comprised of biology (CHF 22 m), chemistry (CHF 24 m), preclinical activities (CHF 40 m) and other activities (CHF 6 m).

Non-GAAP development expenses of CHF 177 m, comprised of CHF 106 m for clinical activities (including CHF 60 m study costs, mainly driven by late stage studies for selatogrel, cenerimod, daridorexant, lucerastat, clazosentan and aprocitentan) and CHF 72 m for chemical and pharmaceutical development activities (including CHF 33 m for drug substance and drug product).

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

(in CHF millions)	Twelve months ended Dec 31, 2023	2022	Fourth quarter 2023	2022
SG&A expenses				
Selling	303	394	57	106
General and administrative	75	97	22	28
Non-GAAP SG&A expenses	**378**	**492**	**80**	**134**
Depreciation and amortization	6	5	1	1
Share-based compensation	12	14	(3)	4
US GAAP SG&A expenses	**396**	**510**	**78**	**139**

Non-GAAP SG&A expenses of CHF 378 m, comprised of commercial activities (CHF 303 m), information systems (CHF 35 m) and other support functions (CHF 40 m).

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Operating results

Non-GAAP and US GAAP operating results

(in CHF millions)	Twelve months ended Dec 31, 2023	2022	Fourth quarter 2023	2022
Operating results				
Revenues	152	97	22	54
Operating expenses	(654)	(854)	(137)	(234)
Other income	1	-	1	-
Non-GAAP operating income (loss)	**(501)**	**(757)**	**(115)**	**(180)**
Operating results				
Revenues	152	97	22	54
Operating expenses	(409)	(900)	(134)	(247)
Other income	1	-	1	-
US GAAP operating income (loss)	**(255)**	**(803)**	**(111)**	**(193)**

US GAAP operating loss of CHF 255 m comprised of Non-GAAP operating loss (CHF 501 m), depreciation and amortization (CHF 19 m), share-based compensation (CHF 23 m), a net gain from asset disposals deriving from the Sosei Deal (CHF 305 m), impairments of intangible assets (CHF 7 m) and restructuring charges (CHF 11 m).

Financial results

Financial results

(in CHF millions)	Twelve months ended Dec 31, 2023	2022	Fourth quarter 2023	2022
Financial results				
Interest income (expense), net	(19)	(16)	(4)	(5)
Other financial income (expense), net	(16)	(0)	(2)	1
Non-GAAP financial income (expense)	**(36)**	**(16)**	**(6)**	**(3)**
Accretion expense	(1)	(1)	(0)	(0)
Gain (loss) on securities	(2)	0	2	6
US GAAP financial income (expense)	**(39)**	**(17)**	**(5)**	**2**

US GAAP financial expense of CHF 39 m comprised of Non-GAAP financial expense (CHF 36 m) and losses on marketable securities (CHF 2 m).

Non-GAAP financial expense of CHF 36 m mainly included interest expenses on the convertible bonds (CHF 14 m), a net foreign currency exchange loss (CHF 16 m) and interest expense resulting from the sales and lease back transaction (CHF 7 m).

Income tax

Income tax

(in CHF millions)	Twelve months ended Dec 31, 2023	2022	Fourth quarter 2023	2022
Income tax				
Income tax benefit (expense)	(5)	(9)	(0)	(3)
Non-GAAP tax benefit (expense)	**(5)**	**(9)**	**(0)**	**(3)**
Other tax benefit (expense)	2	1	(0)	0
US GAAP income tax benefit (expense)	**(4)**	**(8)**	**(0)**	**(3)**

US GAAP income tax expense of CHF 4 m mainly included the Non-GAAP tax expense of foreign affiliates (CHF 3 m).

Both US- and Non-GAAP income tax expense included an increase of the valuation allowance of CHF 46 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)	Twelve months ended Dec 31, 2023	2022	Fourth quarter 2023	2022
Non-GAAP operating income (loss)	**(501)**	**(757)**	**(115)**	**(180)**
Financial income (expense)	(36)	(16)	(6)	(3)
Income tax benefit (expense)	(5)	(9)	(0)	(3)
Non-GAAP net income (loss)	**(542)**	**(782)**	**(121)**	**(186)**
US GAAP operating income (loss)	**(255)**	**(803)**	**(111)**	**(193)**
Financial income (expense)	(39)	(17)	(5)	2
Income tax benefit (expense)	(4)	(8)	(0)	(3)
US GAAP net income (loss)	**(298)**	**(828)**	**(117)**	**(193)**

US GAAP net loss of CHF 298 m mainly included the Non-GAAP net loss (CHF 542 m), depreciation and amortization (CHF 19 m), share-based compensation (CHF 23 m), losses on marketable securities (CHF 2 m), a net gain from asset disposals deriving from the Sosei Deal (CHF 305 m), impairments of intangible assets (CHF 7 m) and restructuring charges (CHF 11 m).

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Shares

(in millions)	Issued	Potentially dilutive equity instruments		Total potential issued shares
		Derivatives	Awards	
Dec 31, 2022	**177.6**	**54.0**	**14.3**	**245.9**
Issued	10.5	-	3.4	13.9
Vested	0.4	-	(0.4)	-
Exercised	-	-	-	-
Forfeited	-	-	(2.7)	(2.6)
Expired	-	-	-	-
Dec 31, 2023	**188.5**	**54.0**	**14.6**	**257.2**

Issued shares increased to 188.5 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 17. Borrowings of the Consolidated Financial Statements.

Equity awards of 14.6 million comprised of 9.7 million share options with a weighted average strike price of CHF 19.12 granted to eligible employees and 4.9 million unvested share units granted to eligible employees.

Earnings per share (EPS)

(in CHF millions, unless otherwise indicated)	Twelve months ended Dec 31, 2023	2022	Fourth quarter 2023	2022
Non-GAAP net income (loss)	**(542)**	**(782)**	**(121)**	**(186)**
Weighted-average number of basic shares (in millions)	178.2	177.4	178.6	177.5
Non-GAAP basic EPS (in CHF)	**(3.04)**	**(4.41)**	**(0.68)**	**(1.05)**
Weighted-average number of dilutive shares (in millions)	178.2	177.4	178.6	177.5
Non-GAAP diluted EPS (in CHF)	**(3.04)**	**(4.41)**	**(0.68)**	**(1.05)**
US GAAP net income (loss)	**(298)**	**(828)**	**(117)**	**(193)**
Weighted-average number of basic shares (in millions)	178.2	177.4	178.6	177.5
US GAAP basic EPS (in CHF)	**(1.67)**	**(4.67)**	**(0.65)**	**(1.09)**
Weighted-average number of dilutive shares (in millions)	178.2	177.4	178.6	177.5
US GAAP diluted EPS (in CHF)	**(1.67)**	**(4.67)**	**(0.65)**	**(1.09)**

Contents

Cash flow and liquidity

Operating cash flow

(in CHF millions)	Twelve months ended Dec 31, 2023	2022	Fourth quarter 2023	2022
Operating cash flow				
US GAAP net income (loss)	(298)	(828)	(117)	(193)
Deferred contract revenue and accrued income	(6)	(14)	0	(2)
Deferred taxes	2	1	0	(1)
Intangible assets impairment charges	7	-	-	-
Depreciation and amortization	19	20	4	6
Accretion of convertible debt	1	1	0	0
Share-based compensation	23	26	(4)	7
Gain on disposals of assets	(305)	-	(3)	-
Other non cash items	2	-	(2)	(6)
Net outflows from operations	**(554)**	**(794)**	**(121)**	**(189)**
Net change in receivables	(13)	(34)	(5)	(26)
Net change in inventories	(33)	(43)	0	(16)
Net change in trade and other payables	1	1	3	8
Net change in other operating assets and liabilities	(30)	11	12	2
Change in working capital	**(75)**	**(65)**	**10**	**(32)**
Operating cash flow	**(629)**	**(859)**	**(111)**	**(221)**

Net outflows from operations of CHF 554 m were mainly driven by the Non-GAAP operating loss (CHF 501 m), Non-GAAP financial expenses (CHF 36 m), a release of deferred contract revenue (CHF 6 m), a restructuring charge (CHF 11 m) and taxes (CHF 3 m).

The net cash outflows in working capital of CHF 75 m were mainly driven by inventory build up (CHF 33 m), a decrease in prepayments (CHF 5 m), a decrease of accrued expenses (CHF 45 m), an increase in receivables (CHF 13 m), and other items (CHF 10 m).

Cash flow

(in CHF millions)	Twelve months ended Dec 31, 2023	2022	Fourth quarter 2023	2022
Cash flow				
Operating cash flow	(629)	(859)	(111)	(221)
Acquisition of tangible, intangible and other assets	(9)	(27)	(1)	(4)
Free cash flow	**(639)**	**(886)**	**(112)**	**(225)**
Proceeds/ (repayments) of borrowings	(0)	162	-	-
Other items	(4)	2	(1)	(4)
Impact from the Sosei Deal	322	-	3	-
Cash flow[1]	**(321)**	**(722)**	**(110)**	**(229)**

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

The negative cash flow of CHF 321 m was mainly driven by the operating cash outflow (CHF 629 m) and CHF 322 m from the Sosei Deal.

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**
Liquidity movements Q3	222
Liquidity Sep 30, 2023	**255**
Liquidity movements Q4	(110)
Liquidity Dec 31, 2023	**145**

As of December 31, 2023, liquidity of CHF 145 m consisted of cash and cash equivalents only.

Liquidity of CHF 145 m was mainly held in Swiss francs (CHF 122 m), US dollars (equivalent of CHF 14 m) and Euro (equivalent of CHF 6 m).

Material uncertainty to continue as a going concern

The accompanying consolidated financial statements have been prepared on the basis that the Group will continue as a going concern. This will require to secure additional funding as the liquidity (CHF 145 m as of December 31, 2023) does not cover the negative cashflow for the next twelve months based on our current business plan and the redemption of the CHF 200 m 2024 Convertible Bond.

While the Group is actively seeking to raise additional cash, there can be no assurance 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 fully effective in 2024. On March 18, 2024 the Group announced that it has entered into a research and development collaboration with Viatris Inc. for upfront payments of USD 350 m. Furthermore, the bondholders have approved amendments to the 2024 bond to extend its maturity from July 17, 2024 to January 17, 2025 subject to approval by the higher cantonal composition authority.

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 substantial doubt about the going concern of the Group. Refer to Note 1. Description of business and summary of significant accounting policies of both the consolidated as well as statutory financial statements for further details regarding the going concern assessment.

Contents

Balance sheet

Balance sheet

(in CHF millions)	Dec 31, 2023	Sep 30, 2023	Dec 31, 2022
Assets			
Liquidity[1]	145	255	466
Tangible assets	210	212	245
Other assets	145	186	193
Total assets	**500**	**653**	**904**
Liabilities and equity			
Financial debt	1,293	1,293	1,292
Deferred revenue	0	0	5
Other liabilities	176	191	268
Total liabilities	**1,469**	**1,484**	**1,565**
Total equity	**(969)**	**(831)**	**(661)**
Total liabilities and equity	**500**	**653**	**904**

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

Tangible assets of CHF 210 m mainly consisted of real-estate (CHF 101 m), right-of-use assets (CHF 73 m) and other fixed assets (CHF 36 m).

Other assets of CHF 145 m comprised of prepayments (CHF 28 m), receivables (CHF 30 m), inventories (CHF 59 m), marketable securities (CHF 13 m), intangible assets (CHF 4 m), pension asset (CHF 4 m) and other assets (CHF 6 m).

Financial debt of CHF 1,293 m comprised of the convertible loan (CHF 335 m), the convertible bonds (CHF 796 m) and a sale and leaseback transaction (CHF 162 m).

Other liabilities of CHF 176 m included current and noncurrent liabilities. Current liabilities of CHF 101 m mainly comprised of accrued expenses (CHF 75 m), payables (CHF 20 m) and a short-term lease liability (CHF 6 m). Noncurrent liabilities of CHF 74 m mainly comprised of a long-term lease liability (CHF 67 m) and other noncurrent liabilities (CHF 8 m).

Reconciliation of US GAAP to non-GAAP results

Reconciliation of US GAAP to non-GAAP results for the twelve months ended December 31, 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	65	-	-	-	65
Contract revenue – milestones	82	-	-	-	82
Contract revenue – others	5	-	-	-	5
Total net revenue	**152**	**-**	-	-	**152**
Operating expenses					
Cost of sales	(7)	-	-	-	(7)
Research and development	(294)	13	11	-	(269)
Selling, general and administrative	(392)	2	12	-	(378)
Amortization of intangible assets	(4)	4	-	-	-
Impairment of intangible assets	(7)	7	-	-	-
Restructuring charges	(11)	-	-	11	-
Gains on sale of disposal group	305	-	-	(305)	-
Total operating expenses	**(409)**	26	23	(295)	**(654)**
Other income	1	-	-	-	1
Operating results	**(255)**	26	23	(295)	**(501)**
Total financial income (expense)	(39)	-	-	4	(36)
Income before income tax benefit (expense)	**(294)**	26	23	(291)	**(536)**
Income tax benefit (expense)	(4)	(1)	(0)	-	(5)
Net income (loss)	**(298)**	24	23	(291)	**(542)**
Basic net income (loss) per share (CHF)	**(1.67)**	0.14	0.13	(1.63)	**(3.04)**
Weighted-average number of basic shares (in millions)	178.2	-	-	-	178.2
Diluted net income (loss) per share (CHF)	**(1.67)**	0.14	0.13	(1.63)	**(3.04)**
Weighted-average number of dilutive shares (in millions)	178.2	-	-	-	178.2

Reconciliation of US GAAP to non-GAAP results for the fourth 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	11	-	-	-	11
Contract revenue – milestones	9	-	-	-	9
Contract revenue – others	1	-	-	-	1
Total net revenue	**22**	**-**	**-**	**-**	**22**
Operating expenses					
Cost of sales	(0)	-	-	-	(0)
Research and development	(59)	3	(1)	-	(57)
Selling, general and administrative	(78)	1	(3)	-	(80)
Amortization of intangible assets	(0)	0	-	-	-
Impairment of intangible assets	-	-	-	-	-
Restructuring charges	1	-	-	(1)	-
Gains on sale of disposal group	3	-	-	(3)	-
Total operating expenses	**(134)**	4	(4)	(4)	**(137)**
Other income	1	-	-	-	1
Operating results	**(111)**	4	(4)	(4)	**(115)**
Total financial income (expense)	(5)	-	-	(1)	(6)
Income before income tax benefit (expense)	**(116)**	4	(4)	(5)	**(121)**
Income tax benefit (expense)	(0)	(0)	0	-	(0)
Net income (loss)	**(117)**	4	(3)	(5)	**(121)**
Basic net income (loss) per share (CHF)	**(0.65)**	0.02	(0.02)	(0.03)	**(0.68)**
Weighted-average number of basic shares (in millions)	178.6	-	-	-	178.6
Diluted net income (loss) per share (CHF)	**(0.65)**	0.02	(0.02)	(0.03)	**(0.68)**
Weighted-average number of dilutive shares (in millions)	178.6	-	-	-	178.6

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

Consolidated Financial Statements

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Consolidated Income Statement

(in CHF thousands, except per share amounts)	Notes	Twelve months ended December 31, 2023	2022
Net revenue			
Product sales	3/24	65,296	50,524
Contract revenue	5/24	87,090	46,578
Total net revenue		**152,386**	**97,102**
Operating (expenses)[1]			
Cost of sales		(7,150)	(6,266)
Research and development		(293,555)	(383,331)
Selling, general and administrative		(391,950)	(509,032)
Amortization of intangible assets		(3,973)	(1,437)
Impairment of intangible assets		(6,643)	-
Restructuring charges		(10,542)	-
Gains on sale of disposal group		305,092	-
Total operating (expenses)		**(408,719)**	**(900,067)**
Other income		1,188	-
Operating income (loss)		**(255,145)**	**(802,965)**
Interest income (expense), net		(19,408)	(16,065)
Accretion of convertible debt	17	(1,260)	(1,107)
Other financial income (expense), net		(18,439)	48
Total financial income (expense)		**(39,108)**	**(17,124)**
Income (loss) before income tax benefit (expense)		**(294,253)**	**(820,089)**
Income tax benefit (expense)	6	(3,668)	(7,807)
Net income (loss)		**(297,921)**	**(827,896)**
Basic net income (loss) per share attributable to Idorsia's shareholders	7	**(1.67)**	**(4.67)**
Weighted-average number of common shares (in thousands)		178,247	177,434
Diluted net income (loss) per share attributable to Idorsia's shareholders	7	**(1.67)**	**(4.67)**
Weighted-average number of common shares (in thousands)		178,247	177,434

[1]Includes share-based compensation as follows:		
Research and development	11,182	12,032
Selling, general and administrative	11,935	13,817
Total share-based compensation	**23,117**	**25,849**

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

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Consolidated Statement of Comprehensive Income

(in CHF thousands)	Twelve months ended December 31, 2023	2022
Net income (loss)	**(297,921)**	**(827,896)**
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(1,675)	(500)
Change of unrecognized components of net periodic benefit costs	(36,986)	71,706
Other comprehensive income (loss), net of tax	**(38,661)**	**71,206**
Comprehensive income (loss)	**(336,582)**	**(756,690)**

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

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Consolidated Balance Sheet (1/2)

(in CHF thousands, except number of shares)		Dec 31, 2023	Dec 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents	8/9	145,052	145,998
Short-term deposits	9	-	320,000
Trade and other receivables, net	10	28,791	45,025
Receivables from related parties	25	1,145	4,323
Inventories	11	59,146	35,840
Marketable securities	9	12,764	10,326
Other current assets		29,386	34,925
Total current assets		**276,284**	**596,438**
Noncurrent assets			
Property, plant and equipment, net	14	136,671	147,097
Right-of-use assets	16	73,065	98,371
Intangible assets, net	13	3,527	14,756
Pension asset	18	3,540	30,985
Other noncurrent assets		6,909	16,533
Total noncurrent assets		**223,712**	**307,742**
TOTAL ASSETS		**499,996**	**904,180**

Consolidated Balance Sheet (2/2)

(in CHF thousands, except number of shares)		Dec 31, 2023	Dec 31, 2022
LIABILITIES			
Current liabilities			
Trade and other payables		19,910	25,435
Payables and accrued payables to related parties	25	322	-
Deferred revenue	5	2	5,205
Lease liability	16	6,275	8,921
Sales related liabilities	3	18,189	6,010
Accrued expenses	15	55,457	124,794
Provisions		1,322	-
Convertible bonds	17	199,847	-
Total current liabilities		**301,326**	**170,364**
Noncurrent liabilities			
Convertible loan	17	334,575	334,575
Convertible bonds	17	596,428	795,219
Other financial liabilities	16	162,205	162,001
Lease liability	16	66,501	88,639
Deferred tax liability	6	1,940	6,468
Other noncurrent liabilities		5,737	7,870
Total noncurrent liabilities		**1,167,388**	**1,394,773**
Total liabilities		**1,468,713**	**1,565,137**
EQUITY			
Idorsia's shareholders' equity			
Common shares (par value CHF 0.05 per share, issued and outstanding 188,480,626 and 177,558,532 as of December 31, 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 December 31, 2023 and 301,384,831 as of December 31, 2022 respectively)		9,424	8,878
Additional paid-in capital		2,155,617	2,126,859
Accumulated profit (loss)		(3,143,019)	(2,845,098)
Treasury shares	20	(483)	-
Accumulated other comprehensive income (loss)	21	9,742	48,403
Total Idorsia's shareholders' equity		**(968,718)**	**(660,958)**
TOTAL LIABILITIES AND EQUITY		**499,996**	**904,180**

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

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Consolidated Statement of Cash Flows (1/2)

(in CHF thousands)	Twelve months ended December 31, 2023	2022
Cash flow from operating activities		
Net income (loss)	(297,921)	(827,896)
Adjustments to reconcile net income (loss) to net cash provided from operating activities:		
Depreciation and amortization	19,034	19,829
Intangible assets impairment charges	6,643	-
Share-based compensation	23,117	25,849
Accretion of convertible debt	1,260	1,107
Fair value changes on securities	2,490	(443)
Release of deferred revenue and accrued income	(5,655)	(14,022)
Gain on disposals of assets	(305,092)	-
Deferred taxes	1,895	1,166
Changes in operating assets and liabilities:		
Trade and other receivables	(12,878)	(33,896)
Prepayments	5,098	(11,132)
Inventories	(32,960)	(42,542)
Trade and other payables	1,198	892
Accrued expenses	(44,863)	18,826
Provisions	(12,878)	-
Changes in other operating cash flow items	22,214	3,155
Net cash flow provided by (used in) operating activities	**(629,296)**	**(859,108)**
Cash flow from investing activities		
Purchase of marketable securities	-	(111)
Purchase of short-term deposits	(50,000)	(410,000)
Proceeds from short-term deposits	370,000	1,181,071
Purchase of property, plant and equipment	(9,131)	(16,614)
Purchase of intangible assets	(267)	(10,444)
Proceeds from disposals of assets	322,012	-
Net cash flow provided by (used in) investing activities	**632,614**	**743,901**
Cash flow from financing activities		
Issuance of new shares, net	(197)	-
Proceeds from exercise of share options	-	360
Proceeds from borrowings, net	50,000	161,950
Repayments of borrowings	(50,000)	-
Proceeds from issuance of convertible loans, net	10,000	-
Repayments of convertible loans	(10,000)	-
Net cash flow provided by (used in) financing activities	**(197)**	**162,310**

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Consolidated Statement of Cash Flows (2/2)

	Twelve months ended December 31,	
(in CHF thousands)	**2023**	**2022**
Net effect of exchange rates on cash and cash equivalents	(4,067)	(2,457)
Net change in cash and cash equivalents	**(946)**	**44,647**
Cash and cash equivalents at beginning of period	145,998	101,352
Cash and cash equivalents at end of period	**145,052**	**145,998**

Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	(21,977)	(15,926)
Tax	(2,095)	(8,152)

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

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Consolidated Statement of Changes in Equity

(in CHF thousands, except number of shares)	Idorsia's shareholders: Common shares: Shares	Amount	Additional paid-in capital	Accum. profit (loss)	Treasury shares	Accum. other comprehensive income (loss)	Total 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)				(827,896)			(827,896)
Other comprehensive income (loss)						71,206	71,206
Comprehensive income (loss)							**(756,690)**
Exercise of share options	20,320	1	359				360
Share-based compensation transactions	571,217	29	26,263				26,293
Other [1]				(35,123)			(35,123)
At December 31, 2022	**177,558,532**	**8,878**	**2,126,859**	**(2,845,098)**	**-**	**48,403**	**(660,958)**
Comprehensive income (loss):							
Net income (loss)				(297,921)			(297,921)
Other comprehensive income (loss)						(38,661)	(38,661)
Comprehensive income (loss)							**(336,582)**
Share-based compensation transactions	922,094	46	23,917				23,964
Transactions in treasury shares	10,000,000	500	4,841		(483)		4,858
At December 31, 2023	**188,480,626**	**9,424**	**2,155,617**	**(3,143,019)**	**(483)**	**9,742**	**(968,718)**

[1] Impact on opening balance caused by the adoption of ASU 2020-06 as of January 1, 2022. Refer to Note 17. Borrowings
The accompanying notes form an integral part of these Consolidated Financial Statements.

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Notes to the Consolidated Financial Statements

(CHF thousands, except share and per share amounts)

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

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

Basis of presentation

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

Substantial doubt / material uncertainty about the Group's ability to continue as a going concern

The accompanying consolidated financial statements have been prepared on the basis that the Group will continue as a going concern and therefore does not include any adjustments that would be necessary should the Group be unable to continue as a going concern.

The Group determined that the current financial resources are not sufficient to fund its operations for at least twelve months from the publication of its 2023 annual financial statements on May 21, 2024. Current financial resources including the cash and cash equivalents (CHF 145 m) at year-end and the cash received in March 2024 from the collaboration with Viatris Inc. (CHF 308 m) do not cover the expected negative cashflow for the next twelve months based on the Group's current business plan and the redemption of the CHF 200 m 2024 Convertible Bond. While the bondholders have approved amendments to the bond to extend its maturity date to January 17, 2025, this is subject to final approval by the higher cantonal composition authority and passage of a 30-day period during which bondholders could still object to the amendment (see Note 27. Subsequent events). The Board of Directors is confident that the necessary approvals will be received.

Stakeholders should note that while management and board of directors continue to evaluate and execute all available options to extend the cash runway and operate the business as a going concern, there is no guarantee that any funding transaction can be realized or that such transaction would generate sufficient funds to finance operations for twelve months from the publication of its 2023 annual financial statements on May 21, 2024. This material uncertainty may cast significant doubts about the going concern of the Group.

The Group is actively seeking to raise additional funding through non-equity deals by outlicensing or monetization of product candidates. The Group also contemplates equity and equity-linked avenues that would also result in dilution to shareholders. Additional funding could also include the issuance of debt securities that 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.

Stakeholders should note that the Group's operations have not yet reached profitability as sales from existing approved drugs and other revenues do not cover its operating expenses and will therefore continue to require significant amounts of funding. Since its inception in 2017, the Group has incurred an accumulated loss of CHF 3,143 m until December 31, 2023, and has funded these accumulated loss through various means, including:

- the CHF 420 m cash received at demerger from Actelion in 2017,
- the CHF 580 m convertible loan issued to J&J at the same time,
- equity raises (2018: CHF 305 m, 2020: CHF 330 m; 2021: CHF 535 m),
- convertible bonds issuances (2018: CHF 200 m; 2020: CHF 600 m),
- collaborations, license agreements and divestitures (2017: CHF 227 m; 2018: CHF 35 m, 2019: CHF 5 m, 2020: CHF 61 m, 2021: CHF 11 m, 2022: CHF 3 m, 2023: CHF 409 m).

If the Group is unable to obtain adequate liquidity to fund its operations and repay in cash the CHF 200 m bond, the Group will modify the operations by further reducing spending. 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.

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 17. Borrowings for further details on the effect on the Group's balance sheet and income statement). The adoption did not have a material impact on the statement of cash flows.

Scope of consolidation

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

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

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

Principles of consolidation

Businesses acquired or disposed of during the period are included in the Consolidated Financial Statements from the date of acquisition or until the date of disposal. The acquisition method of accounting follows the guidance codified in FASB ASC Topic 805, *Business Combinations*. Intercompany transactions and balances are eliminated.

Use of estimates

The preparation of Consolidated Financial Statements in conformity with US GAAP requires management to make judgments, assumptions and estimates that affect the amounts and disclosures reported in the Consolidated Financial Statements. On an ongoing basis, management evaluates its estimates, including those related to revenue recognition for contract revenue, share-based compensation, long-term employee benefit obligations, receivables and inventory valuations, clinical trial accruals, sales related liabilities, provisions, loss contingencies and income taxes. The Group bases its estimates on historical information and on various market-specific and other relevant assumptions that are believed to be reasonable under the circumstances. The 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 from 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 the Group's 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.

Certain contracts with customers also include variable consideration element such as 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, coupon and copay 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. Estimates are based on actual invoiced sales within each period, which reduces the risk of variations in the estimation process. In some large European countries, government rebates are based on the anticipated budget for pharmaceutical payments in the country. An estimate of these rebates, updated as governmental authorities revise budgeted deficits, is recognized in the same period as the related sale.

Provisions for pharmaceutical chargebacks (primarily reimbursements to wholesalers in the US for honoring contracted prices and legislated discounts to third parties) do not involve much estimation uncertainty, 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.

Revenue from collaborations (Contract revenue)

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

Upfront and milestone payments

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

Research and development ("R&D")

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

Payments made to acquire individual R&D assets, including those payments made under licensing agreements, that are deemed to have an alternative future use or are related to proven products are capitalized as intangible assets. Payments made to acquire individual R&D assets that do not have an alternative future use are expensed as R&D costs. R&D costs for services rendered under collaborative agreements are charged to expense when incurred. Reimbursements for R&D activities received from other collaborators are classified as reduction to the Group's R&D expense (see Note 5. Collaborative agreements).

Advertising and promotional costs

The Group expenses the costs of advertising, including promotional expenses, as incurred and includes those in selling, general and administrative expenses. Advertising and promotional costs were CHF 108.8 m in 2023 and CHF 173.4 m in 2022.

Shipping and handling costs

The Group recognized expenses relating to shipping and handling costs related to the sale of its products in cost of sales.

Legal fees

Legal fees related to loss contingencies are expensed as incurred and included in selling, general and administrative ("S,G&A") expenses.

Patents and trademarks

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

Share-based compensation

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

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

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

Compensation costs for the RSP, for the PSP and the SSOP are recognized on a straight-line basis over the requisite service period for the entire award. Share-based compensation costs related to employees engaged in the production process are not capitalized as part of inventory due to the immateriality of such cost in the periods presented. Share option exercises are settled out of the conditional capital or with treasury shares, which the Group purchases on the market. Payroll taxes in all jurisdictions are recognized only upon exercise or vesting of the respective share-based compensation awards.

Taxes

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

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

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

Earnings per share (“EPS”)

In accordance with FASB ASC Topic 260, *Earnings per Share*, basic EPS are computed by dividing net income available to common shareholders by the weighted-average common shares outstanding for the period. Diluted EPS reflect the potential dilution that could occur if dilutive securities, such as share options, restricted share units or convertible debt, were exercised or converted into common shares or resulted in the issuance of common shares that would participate in net income. Performance share units are considered with their expected performance condition achievement rate in the calculation of diluted EPS. Basic and diluted EPS exclude common share equivalents that would have had an antidilutive effect. In accordance with ASC 260-10-45-19, the Group does not consider any potential common shares in the computation of diluted EPS if there is a loss from continuing operations (see Note 7. Earnings per share).

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Dividends

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

Cash and cash equivalents

The Group considers cash equivalents to be highly liquid investments with a maturity at the date of purchase of three months or less. They are carried at cost plus accrued interest, which approximates fair value because of the short-term maturity of these instruments.

Short-term deposits

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

Derivative instruments and foreign currency exchange risk

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

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

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

Fair value measurements

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

Financial instruments indexed to own shares

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

Contract balances

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

Deferred revenue

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

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 23. 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 products and finished products. The Group periodically reviews the composition of its inventories in order to identify obsolete, slow-moving or otherwise unsalable items. 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 once these inventories are depleted.

Property, plant and equipment

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

The estimated useful lives are as follows:

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

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

Leases

The Group determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets and lease liabilities in the Consolidated Balance Sheet. Finance leases are included in property, plant and equipment and lease liabilities in the Consolidated Balance Sheet.

Right-of-use assets represent the right to use an underlying asset for the lease term and lease liabilities represent the Group's obligation to make lease payments arising from the lease. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Leases with a lease term of 12 months or less at inception are not recorded on the balance sheet. Instead, lease payments related to leases with a lease term of 12 months or less are recognized in the consolidated income statement.

Intangible assets

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

Impairment of long-lived assets

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

Long-term deposits

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

Loss contingencies

The Group records accruals for loss contingencies, asserted or unasserted, to the extent that their occurrence is deemed to be probable, and the related damages are estimable. If a range of liability is probable and estimable and some amount within the range appears to be a better estimate than any other amount within the range, the Group accrues that amount. If a range of liability is probable and estimable and no amount within the range appears to be a better estimate than any other amount within the range, the Group accrues the minimum of such probable range. Interest on litigation is accrued on a prospective basis. Litigation claims that the

Group might be involved in entail highly complex issues which are subject to substantial uncertainties and, therefore, the probability of loss and an estimation of damages are difficult to ascertain. Consequently, the Group cannot reasonably estimate the maximum potential exposure or the range of possible loss in excess of amounts accrued for loss contingencies. These assessments can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions. The Group's assessments are based on estimates and assumptions that have been deemed reasonable by management. Litigation is inherently unpredictable, and excessive verdicts do occur.

Convertible debt

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

Convertible bonds

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

Convertible loan

The Group's outstanding convertible loan has been recorded at its nominal amount as a liability.

Pension accounting

The majority of the Group's employees worldwide are covered by defined benefit pension plans, defined contribution plans or both. The Group accounts for pension assets and liabilities in accordance with FASB ASC Topic 715, *Compensation – Retirement Benefits*, which requires the recognition of the funded status of pension plans in the Group's balance sheet. The liability in respect to defined benefit pension plans is the projected benefit obligation calculated annually by independent actuaries using the projected unit credit method.

The projected benefit obligation ("PBO") as of December 31 represents the actuarial present value of the estimated future payments required to settle the obligation that is attributable to employee services rendered before that date. Service costs for such pension plans, represented in the net periodic benefit cost, are included in the personnel expenses of the various functions where the employees are engaged. The other components of net benefit cost are included in the income statement separately from the service cost component, in "Other financial income (expense), net". Plan assets are recorded at their fair value. Unvested prior service costs arising from retroactive amendments to pension plans are originally reflected in "Accumulated other comprehensive income (loss)" ("AOCI") and distributed to income over the employees' remaining service period. Vested prior service costs, including those related to retirees, are immediately recognized in the consolidated income statement. Gains or losses arising from plan curtailments or settlements are accounted for at the time they occur. Any net pension asset is limited to the present value of the future economic benefits available to the Group in the form of refunds from the plan or expected reductions in future contributions to the plan. In interim periods, a net pension asset reflects the Group's prepayments of annual employee and employer plan contributions. Actuarial gains and losses arising from differences between the actual and the expected return on plan assets are recognized in AOCI and amortized over the requisite service period (see Note 18. Pension plans) by applying the corridor approach. For the majority of the defined contribution plans, a portion of the employees' salaries and bonuses is contributed to the plans, and the Group matches the employees' contributions to the plans.

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

Comprehensive income (loss)

Comprehensive income (loss) is comprised of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains/losses on available-for-sale debt securities, currency translation adjustments, actuarial gains (losses) and prior service costs resulting from retroactive amendments of defined benefit plans. The components of comprehensive income (loss) are shown net of related taxes where the underlying assets or liabilities are held in jurisdictions that are expected to generate a future tax benefit or liability (see Note 21. Accumulated other comprehensive income (loss)).

Foreign currencies

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

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

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

Segment information

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

Subsequent events

The Group evaluates subsequent events in accordance with FASB ASC Topic 855, *Subsequent Events*, through the date the financial statements are available to be issued (see Note 27. Subsequent events).

Recent accounting pronouncements

ASU 2023-09, *Improvements to Income Tax Disclosures (Topic 740)*. The amendments in this update serve to enhance the transparency and decision usefulness of income tax disclosures. The update shall provide enhancements to better (1) understand an entity's exposure to potential changes in jurisdictional tax legislation and the ensuing risks and opportunities, (2) assess income tax information that affects cash flow forecasts and capital allocation decisions, and (3) identify potential opportunities to increase future cash flows. The amendments in this update address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. This update also includes certain other amendments to improve the effectiveness of income tax disclosures. ASU 2023-09 is effective for public entities for fiscal years beginning after December 15, 2024. The Group does not expect a material impact on its balance sheet, income statement or or statement of cash flows upon adoption.

Note 2.
Sale of the Asia Pacific (ex-China) operations

Description of the transaction

On July 20, 2023 Idorsia announced the completion of a transaction with Sosei Group Corporation ("Sosei Heptares") for the sale of 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, 2023 and the remaining CHF 3 m were paid 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 development and commercialization in the 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 Asia Pacific (ex-China) region.

Idorsia classified the Asia Pacific operations as held for sale as of June 30, 2023 in the 2023 unaudited interim condensed consolidated financial statements. On July 20, the transaction was completed, and the entities were deconsolidated from the Group. The value of the disposal group was CHF 33 m and the gain recognized on the sale of the disposal group was CHF 298 m, which includes an impairment of intangible assets of CHF 7 m.

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. Collaborative agreements for additional information related to the Group's collaborations.

The Group's accruals for sales returns, rebates, and discounts are based on current facts and circumstances. Sales return, rebate and discount liabilities are included in Sales related liabilities in the consolidated balance sheet. All sales return, rebate, and discount liabilities as of December 31, 2023 relate to sales of the Group's 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:

	December 31, 2023	December 31, 2022
Sales related liabilities, beginning of the period	**6,010**	**-**
Reduction of net sales	59,093	17,130
Cash payments of sales related liabilities	(46,913)	(11,120)
Sales related liabilities, end of the period	**18,189**	**6,010**

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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. Collaborative agreements.

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 in 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 twelve months ended December 31, 2023 (2022: CHF 3.8 m).

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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.

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.

On October 23, 2023, Santhera announced US FDA approval of vamorolone for the treatment of Duchenne Muscular Dystrophy, triggering an approval milestone of USD 10 m (CHF 9 m) to Idorsia.

Idorsia is entitled to further contingent considerations based on the achievement of development and sales milestones up to USD 75 m, as well as low single-digit royalty on net sales of vamorolone.

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.

Sosei Group Corporation (“Sosei Heptares”)
On July 20, 2023 Idorsia announced the completion of a transaction with Sosei Heptares for Idorsia’s Asia Pacific (ex China) operations. The transaction included the assignment of the license for PIVLAZ in the territory and a co-exclusive license for daridorexant. Refer to Note 2. Sale of the Asia Pacific (ex-China) operations for further details.

Owkin France (“Owkin”)
On April 2, 2024 Idorsia has entered into a license and services agreement with Owkin. Idorsia granted to Owkin a global license to develop and commercialize ACT-1002-4391, Idorsia’s novel, potent EP_2/EP_4 receptor antagonist.

Idorsia received an upfront payment of USD 5 m (CHF 5 m) and is entitled to potential development and regulatory milestone payments of up to USD 145 m, and sales milestone payments of up to USD 350 m and tiered royalties from mid-single- to low double-digit percentage on annual net sales.

The Group will contribute approximately CHF 2 m for drug substance supply.

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 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 for 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 remaining USD 70 m (CHF 69 m) was deferred and recognized on a straight-line basis until September 2022.

The Group was in charge of the ongoing development of aprocitentan in the initial indication of resistant hypertension management. Janssen and the Group equally shared the costs relating to the Phase 3 program, the marketing approval applications and the marketing approvals in the initial indication until the reacquisition of the world-wide rights to aprocitentan. In 2023, the cost-sharing reimbursements by Janssen to the Group for the initial indication Phase 3 studies (CHF 3.7 m, net) were recognized as a cost reduction to R&D expenses (2022: CHF 12.9 m, net).

In September 2023 Idorsia reacquired the world-wide rights to approcitentan for a contingent consideration up to a total cap of CHF 306 m, subject to marketing application approval by the US FDA and the European Medicines Agency (“EMA”) (cap of CHF 275.5 m related to marketing approval by the US FDA and cap of CHF 30.5 m related to marketing approval by EMA).

No payments are due to Janssen until US FDA or Europe’s EMA approval is granted. As of December 31, 2023, no milestones were achieved or payable.

After approval, payments will become due to Janssen until the the total cap is reached based on Idorsia's revenues:

- 30% of any consideration received by Idorsia from a potential out-licensing or divestment of aprocitentan,
- 10% of any consideration received by Idorsia from a potential out-licensing or the divestment of any other Idorsia product, following the first regulatory approval of aprocitentan, and
- low- to mid-single digit royalties on total group product net sales, beginning from the quarter after first aprocitentan regulatory approval

Janssen funding obligations to aprocitentan cease at the effective date of the agreement. Janssen licenses to aprocitentan IP (excluding pulmonary hypertension) will terminate and Janssen will transfer the brand name and relating commercial materials to Idorsia. Janssen will retain licenses in the pulmonary hypertension field.

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 FDA and the European Commission for relapsing forms of multiple sclerosis.

The Group has recognized CHF 4.8 m as contract revenue in 2023 from this revenue sharing agreement (2022: CHF 2.0 m).

The revenue sharing agreement in respect of ponesimod was eliminated as part of the reacquisition of the aprocitentan rights referred to above. The Group will not be entitled to further revenue shares in 2024 and thereafter.

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 was 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 1.4 m being recognized in 2023. Idorsia received a second milestone payment of JPY 1 bn (CHF 8 m) in 2021, which was recognized as contract revenue on a straight-line basis from January 2021 until August 2023, with CHF 2.1 m being recognized in 2023 (2022: CHF 2.1 m).

Costs associated with the co-development of daridorexant were shared with Mochida. In 2023, the Group recognized net CHF 1.1 m of cost-sharing reimbursements as a cost reduction in R&D expenses.

On July 20, 2023, Idorsia announced the sale of its Asia Pacific operations to Sosei Heptares (see Note 2. Sale of the Asia Pacific (ex-China) operations). As part of this transaction, Idorsia agreed to pay any future milestones received from Mochida to Sosei Heptares.

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 2023 (2022: CHF 2 m).

Under the 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.

Viatris Inc. ("Viatris")

On March 15, 2024 Idorsia's global research and development collaboration with Viatris, for the global development and commercialization of selatogrel and cenerimod became effective.

Viatris has worldwide development and commercialization rights for both selatogrel and cenerimod (excluding, Japan, South Korea and certain countries in the Asia-Pacific region for cenerimod only).

Idorsia received an upfront payment of USD 350 m (CHF 308 m) and is entitled to potential development and regulatory milestone payments of up to USD 300 m, and potential sales milestone payments of up to USD 2,100 m and potential contingent tiered royalties from mid single- to low double-digit percentage on annual net sales.

The Group will contribute up to USD 200 m for the development in the next 3 years and transfered the dedicated personnel to both programs to Viatris at the transaction closing.

Other

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

Note 6. Income taxes

	Twelve months ended December 31,	
	2023	**2022**
Current tax (expense)	(1,773)	(6,642)
Deferred tax benefit (expense)	(1,895)	(1,166)
Total income tax benefit (expense)	**(3,668)**	**(7,807)**

Income taxes payable and accrued as of December 31, 2023, amounted to CHF 0.5 m (December 31, 2022: CHF 1.5 m).

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

Deferred tax assets	**2023**	**2022**
Net benefit from operating loss carryforwards	395,757	350,798
Lease liability and prepaid leases	10,920	17,761
Other financial liabilities	21,817	21,789
Other temporary differences	712	4,541
Deferred tax assets	429,206	394,889
Valuation allowance for deferred tax assets	(405,616)	(359,850)
Total deferred tax assets	23,590	35,039

Deferred tax liabilities	**2023**	**2022**
Convertible bonds	501	643
Share-based compensation	1,452	2,162
Right-of-use assets	10,733	17,665
Property, plant and equipment	10,750	11,553
Pension	872	4,820
Other temporary differences	687	633
Total deferred tax liabilities	24,996	37,475

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The Group has incurred operating losses which may be carried forward and utilized within the coming seven fiscal years. The Group recorded a valuation allowance against the deferred tax assets due to the lack of sufficient positive evidence related to the realization of these deferred tax assets. The valuation differences on Other financial liabilities and Property, plant and equipment resulted from a sale and lease back transaction in 2022 (see Note 16. Leases).

As of December 31, 2023, the gross value of unused tax loss carryforwards, with their expiry dates is as follows:

	Total
One year	6,144
Two years	370,856
Three years	504,331
Four years	429,847
Five years	562,787
Six years	694,104
Seven years	373,017
More than seven years	1,181
Total tax losses	**2,942,267**

The following table provides a reconciliation between the effective income tax benefit (expense) and the tax expense computed using the net Swiss statutory tax rate of 15.9%. The latter corresponds to a gross tax rate of 18.9%.

	Twelve months ended December 31,	
	2023	**2022**
Tax at net Swiss statutory tax rate	46,786	147,370
Tax rates different from the net Swiss statutory rate	214	(4,116)
Change in valuation allowance	(49,540)	(148,237)
Non-recoverable withholding taxes	(38)	(2,052)
Other items	(1,089)	(772)
Effective income tax benefit (expense)	**(3,668)**	**(7,807)**

The difference between the "Change in valuation allowance" of CHF 50 m and the movement of "Valuation allowance for deferred tax assets" CHF 46 m is mainly due to difference between current tax rates and future tax rates that are expected to apply to taxable income in the periods in which temporary differences are expected to be realized or settled and operating loss carryforwards are expected to be used. The statute of limitations for assessment in the major jurisdiction in which the Group operates is open for the years 2020, 2021, 2022 and 2023.

Note 7.
Earnings per share

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

	December 31, 2023		December 31, 2022	
	Basic	Diluted	Basic	Diluted
Numerator				
Net income (loss) attributable to Idorsia's shareholders	(297,921)	(297,921)	(827,896)	(827,896)
Net income (loss) available for EPS calculation	**(297,921)**	**(297,921)**	**(827,896)**	**(827,896)**
Denominator				
Weighted-average number of common shares	178,246,872	178,246,872	177,433,934	177,433,934
Total average equivalent shares	**178,246,872**	**178,246,872**	**177,433,934**	**177,433,934**
Earnings (loss) per share attributable to Idorsia's shareholders	**(1.67)**	**(1.67)**	**(4.67)**	**(4.67)**

For the twelve months ended December 31, 2023, 67,969,386 shares that would have had an antidilutive effect were excluded from the diluted EPS calculation (December 31, 2022: 68,348,613 shares).

Note 8.
Cash and cash equivalents

Cash and cash equivalents consisted of the following at:

	December 31, 2023	December 31, 2022
Cash	145,052	145,998
Total	**145,052**	**145,998**

Note 9.
Financial assets and liabilities

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

	December 31, 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	145,052	145,052	-	-	145,998	145,998	-	-
Derivative financial instruments[1]	1,012	-	1,012	-	886	-	886	-
Short-term marketable securities	12,764	12,764	-	-	10,326	10,326	-	-
Long-term marketable securities[2]	-	-	-	-	148	-	148	-
Total	**158,829**	**157,816**	**1,012**	**-**	**157,358**	**156,324**	**1,034**	**-**
Financial liabilities carried at fair value								
Derivative financial instruments[3]	1,069	-	-	1,069	1,069	-	-	1,069
Total	**1,069**	**-**	**-**	**1,069**	**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 December 31, 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.

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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 0.3 m as of December 31, 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 0.7 m as of December 31, 2023.

On July 3, 2023, Santhera executed a reverse share split in the ratio 10:1 adjusting the number of shares held by Idorsia to 1,301,127 in line with the reduction of the total outstanding shares of Santhera.

The Group owns a total of 1,301,127 shares in Santhera Holding, representing 10.4% of the ordinary share capital of Santhera as of December 31, 2023. The market value of the Santhera shares was CHF 12.8 m as of December 31, 2023 (December 31, 2022: CHF 10.3 m). All shares are classified as short-term marketable securities.

Financial liabilities carried at amortized cost

The Group's financial liabilities carried at amortized cost relate to its convertible debt (see Note 17. Borrowings) and other financial liabilities arising from a sale and leaseback transaction which did not qualify as a sale (see Note 16. Leases):

	December31, 2023	December 31, 2022
Short-term financial debt	199,847	-
Long-term financial debt	931,004	1,129,795
Other financial liabilities	162,205	162,001
Total	**1,293,056**	**1,291,796**

Interest income (expense), net for the twelve months ended December 31, 2023, includes accrued interest expense of CHF 5.9 m (December 31, 2022: CHF 5.9 m), which is paid to the bondholders on a yearly basis. Interest income for the twelve months ended December 31, 2023 amounts to CHF 2.6 m (December 31, 2022: CHF 0.1 m negative).

In 2023, the aggregate foreign currency translation loss included in other financial income (expense), net amounts to CHF 14.7 m (December 31, 2022: foreign currency translation loss CHF 2.0 m).

For the twelve months ended December 31, 2023, the Group recorded an unrealized loss on marketable securities of CHF 2.4 m (December 31, 2022: unrealized gain of CHF 0.4 m) and a loss on other components of net periodic pension cost of CHF 1.1 m (December 31, 2022: gain of CHF 1.7 m).

Note 10.
Trade and other receivables

Trade and other receivables consisted of the following at:

	December 31, 2023	December 31, 2022
Trade receivables	20,339	30,185
Other receivables	8,452	14,840
Trade and other receivables, gross	**28,791**	**45,025**
Allowance for doubtful accounts	-	-
Total trade and other receivables, net	**28,791**	**45,025**

For concentrations of credit risk related to the Group's trade and other receivables see Note 23. Concentrations.

Note 11.
Inventories

Inventories consisted of the following at:

	December 31, 2023	December 31, 2022
Raw materials	14,081	6,881
Semi-finished products	44,076	27,208
Finished products	989	1,752
Total	**59,146**	**35,840**

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

Semi finished products include bulk drug product of PIVLAZ amounting to CHF 1.3 m, which Idorsia will supply to Sosei Heptares at cost in the future.

Note 12.
Other current assets

Other current assets consisted of the following at:

	December 31, 2023	December 31, 2022
Prepaid expenses and accrued income	27,261	33,223
Other current assets	2,124	1,702
Other current assets	**29,386**	**34,925**

Note 13.
Intangible assets

Intangible assets consisted of the following at:

	December 31, 2023		
	Gross carrying amount	**Accumulated amortization**	**Net carrying amount**
Acquired software and other	10,854	(7,327)	3,527
Total	**10,854**	**(7,327)**	**3,527**

	December 31, 2022		
	Gross carrying amount	**Accumulated amortization**	**Net carrying amount**
Acquired licenses	8,137	(890)	7,247
Acquired software and other	12,094	(4,585)	7,509
Total	**20,231**	**(5,475)**	**14,756**

The aggregate amortization expense of intangible assets amounted to CHF 4.0 m (2022: CHF 1.4 m) and the weighted average amortization period is 3 years. During 2023, an impairment of CHF 7 m on acquired licenses was recorded in connection with the Sosei Deal.

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

For the year ending December 31,	Amortization expense
2024	2,192
2025	1,239
2026	97
Total expected future amortization	**3,527**

Note 14.
Property, plant and equipment

Property, plant and equipment consisted of the following at:

	December 31, 2023	**December 31, 2022**
At cost:		
Land	17,994	17,902
Buildings	134,783	133,846
Furniture, fixtures and lab equipment	70,330	69,972
Computers	3,928	3,802
Construction in progress	20,377	18,468
Less: Accumulated depreciation	(110,741)	(96,893)
Property, plant and equipment, net	**136,671**	**147,097**

For the twelve months ended December 31, 2023, the Group invested CHF 9.1 m (2022: CHF 17.0 m) in property, plant and equipment. As of December 31, 2023, CHF 0.1 m (December 31, 2022: CHF 0.1 m) of those were unpaid and appropriately excluded from presentation in the consolidated statement of cash flows. Depreciation expense of property, plant and equipment was CHF 15.1 m in 2023 (2022: CHF 18.4 m).

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Note 15.
Accrued expenses

Accrued expenses consisted of the following at:

	December 31, 2023	December 31, 2022
Personnel and compensation costs	8,561	37,918
Research and development goods and services	20,771	47,555
Site running costs	2,024	1,818
Professional and IT services	6,542	11,122
Fixed assets	481	888
Interest accruals	5,894	6,122
Accrued royalty expenses on sales	-	2,781
Other accruals	11,186	16,589
Total	**55,457**	**124,794**

Note 16.
Leases

The Group has several noncancelable operating leases for its office space, R&D facilities and equipment of various kinds in Switzerland and on international sites. The Group determines if an arrangement contains a lease at inception. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of the lease payments over the lease term, which is the noncancelable period stated in the contract, adjusted for any options to extend or to terminate when it is reasonably certain that the option will be exercised. Right-of-use assets include any prepaid leases and exclude lease incentives and initial direct costs incurred. The leases expire between 2024 and 2038; most leases have options to extend the initial lease period.

The Group does not have material finance leases. As most of the operating leases do not provide an implicit interest rate, the Group uses a portfolio approach to determine a collateralized incremental borrowing rate based on the information available at the commencement date to determine the lease liability. Operating lease expense is recognized on a straight-line basis over the lease term. Operating lease expense for the twelve months ended December 31, 2023 was CHF 12.5 m (December 31, 2022: CHF 15.7 m).

The following table summarizes other information related to the Group's operating leases at:

	December 31, 2023	December 31, 2022
Weighted-average remaining lease term	11.97 years	11.25 years
Weighted-average discount rate	5.24%	4.97%
Cash paid for amounts included in the measurement of lease liabilities	13,985	15,670
Right-of-use assets obtained in exchange for lease liabilities	1,929	75,054

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

	December 31, 2023
2024	10,135
2025	10,436
2026	9,283
2027	9,462
2028	6,402
Thereafter	54,888
Total undiscounted lease payments	**100,606**
Less: imputed interest	(27,830)
Total discounted lease payments	**72,776**

Sale and leaseback transaction:
In 2022 the Group entered into a sale and leaseback agreement for its research and development building at its headquarters. The transaction generated gross proceeds of CHF 164 m (net proceeds after transaction costs: CHF 162 m). The transaction does not qualify as a sale for US GAAP purposes as there is an option to repurchase the building. The assets associated with this transaction remain on the balance sheet within Property, plant and equipment, net and the related liability is recorded under Other financial liabilities. The cash proceeds are classified as financing inflows on the consolidated statement of cash flows.

Note 17. 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 December 31, 2023).

The remaining amount of CHF 335 m outstanding as of December 31, 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 the capital range 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 Cilag 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 as of December 31, 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, with the following terms and conditions at inception.

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 December 31, 2023, are as follows:

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

The bonds are listed on the SIX Swiss Exchange. As of December 31, 2023, the fair market value of the bonds amounted to 60.0% of the principal amount (Level 1).

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

As of December 31, 2023, the total book value of the bonds was CHF 199.8 m (December 31, 2022: CHF 199.6 m). For the twelve months ended December 31, 2023, the Group recognized CHF 1.5 m of interest cost (2022: CHF 1.5 m) and CHF 0.3 m (2022: CHF 0.3 m) related to the amortization of debt issuance costs.

On May 6, 2024, a bondholders' meeting approved the modification of the terms of the 2024 convertible bonds to, among others, (i) amend the conversion price to CHF 6.00 (from currently CHF 33.95), (ii) extend the maturity date by six months to January 17, 2025 and (iii) give Idorsia the option to call the bonds at par, in full or in part, at any time upon giving ten trading days notice.

As a consent fee for this transaction, the Group will deliver 8,000,000 Idorsia shares to the bondholders once the amendment of the bonds' terms become effective. In addition, Idorsia will commit to use proceeds from divestitures or outlicensing transactions to repay the bonds pursuant to the proposed amended terms.

The amendments to the bonds' terms become binding and effective upon approval by the higher cantonal composition authority (*obere kantonale Nachlassbehörde*) and after an additional waiting period of 30 days during which bonholders could still object to the amendement.

The amended debt obligations with respect to the bonds, which are due subsequent to December 31, 2023, are as follows:

Payable on	Type of payment	Amount
July 17, 2024	Annual interest	1,500
January 17, 2025	Repayment of debt incl. annual interest	200,750

Senior unsecured convertible bonds due in 2028

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

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

The bonds have a term of seven years, maturing on August 4, 2028, and will be redeemed at 100% of the principal amount. The Group may redeem the bonds before the maturity date (i) at any time after August 24, 2025, if the volume-weighted average price of the Idorsia share is at least 150% of the prevailing conversion price during a specified period or (ii) if less than 15% in aggregate of the principal amount of the bonds is outstanding. The investors may request redemption of the bonds on the 5th anniversary of the settlement date or upon a change of control and in case of 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 December 31, 2023, are as follows:

	Type of payment	Amount
Payable on Aug 4,		
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 December 31, 2023, the fair market value of the bonds amounted to 39.0% of the principal amount (Level 1).

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

As of December 31, 2023, the total book value of the bonds was CHF 596.4 m (December 31, 2022: CHF 595.7 m). For the twelve months ended December 31, 2023, the Group recognized CHF 12.8 m (2022: CHF 12.8 m) of interest cost and CHF 0.8 m (2022: CHF 0.8 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. Sale of the Asia Pacific (ex-China) operations).

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 a total of CHF 50 m. 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 18. Pension plans

Swiss employee pension plan

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

The Basic Plan is organized under the legal form of a pension foundation covering all risks associated with the Swiss pension plan. The Group and its employees pay retirement contributions, which are defined as a percentage of the employees' covered salaries. Interest is credited to the employees' accounts at the minimum rate provided for in the Basic Plan. In 2023, the guaranteed interest rate for withdrawal benefits amounts to 1.0% for the mandatory portion and 0.25% for the non-mandatory portion of the contributions paid. Future benefit payments are managed by the insurance company. The Foundation entered into an insurance contract with a third-party insurance company to minimize the risk associated with the pension obligation and as a means to reduce the uncertainty and volatility of the Basic Plan's assets for the Group. Investment strategy and policies of the Foundation are determined by the insurance company. The Foundation Council's decision power in relation to investment strategies and asset allocation is limited to the amount of available unappropriated foundation reserves as determined by Swiss pension law. In 2021 under the Swiss pension scheme, the Group has implemented an additional plan which qualifies as defined contribution plan. The new plan includes the pension contributions on bonus payments for employees with an insured salary of more than CHF 132'300. Existing pension assets which arose from pension contributions on bonus payments of those employees were transferred into the new defined contribution plan on January 1, 2022.

The implementation of this new plan led to a settlement under the existing defined benefit plan, releasing CHF 13.6 m from the projected benefit obligation and CHF 13.1 m from the plan assets in 2021. The gain realized is recorded in the other comprehensive income and will be amortized over 10.5 years.

In July 2023 the Group announced a cost reduction initiative, which included employees being laid off. This eliminates for a significant number of employees the accrual of defined benefits for their future services. The elimination of the accrual of defined benefits for the future service of the leaving members has been accounted for as a curtailment. Furthermore, the proportionate amount of prior service credit as well as the proportionate amount of settlement credit have been accounted for in the curtailment. The settlement includes the assets/ obligation associated to the laid off employees.

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

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

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

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

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

	Twelve months ended December 31,	
	2023	2022
Service cost	9,287	14,545
Interest cost	5,755	1,188
Expected return on plan assets	(4,624)	(2,913)
Amortization of prior year service costs (benefit)	(1,620)	(1,517)
Amortization of net actuarial (gain) loss	(1,086)	326
Curtailment	(3,500)	-
Settlement	(1,759)	(48)
Net periodic benefit cost	**2,452**	**11,581**

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

	2023	2022
Weighted-average assumptions used in calculation		
Mortality and disability assumptions	BVG 2020	BVG 2020
Discount rate	1.50%	2.10%
Salary increase	2.00%	1.50%
Long-term rate of return on assets	1.50%	1.50%

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

The weighted-average discount rate applied for the calculation of the PBO as at December 31, 2023, is 1.50%. A decrease of the discount rate by 0.25% would increase the PBO by CHF 8.6 m.

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

The Group's subsidiary in Italy sponsors additional defined benefit pension plan, which isa not material to the Group. Pension liability, funded status and net periodic benefit costs of the Italian pension plan is included in the following tables.

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

	2023	2022
Projected benefit obligation, at January 1,	**275,768**	**327,348**
Service cost	9,287	14,545
Interest cost	5,755	1,188
Plan participants' contributions	11,166	10,914
Benefits (paid) / deposited	(22,243)	(343)
Actuarial loss (gain)	32,259	(76,810)
Prior year service cost (credit)	(679)	(996)
Curtailment	(3,110)	-
Settlement	(83,317)	-
Divestiture	(822)	-
Foreign currency exchange rate changes	(5)	(78)
Projected benefit obligation at December 31,	**224,059**	**275,768**

	2023	2022
Fair value of plan assets, at January 1,	**306,753**	**278,831**
Actual return on plan assets	1,439	2,869
Employer contributions	14,131	14,482
Plan participants' contributions	11,166	10,914
Benefits (paid) / deposited	(22,243)	(343)
Settlement	(83,648)	-
Fair value of plan assets at December 31,	**227,599**	**306,753**
Accumulated benefit obligation	**216,115**	**268,568**

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

		2023	
Asset category	**Total**	**as % of total plan assets**	**Level 2**
Assets from insurance contract	227,599	100%	227,599
Total plan assets	**227,599**	**100%**	**227,599**

		2022	
Asset category	**Total**	**as % of total plan assets**	**Level 2**
Assets from insurance contract	306,754	100%	306,754
Total plan assets	**306,754**	**100%**	**306,754**

The fair value of the Basic Plan's assets is the estimated cash surrender value of the insurance contract at the respective balance sheet date. The cash surrender value consists of the withdrawal benefits of the Basic Plan's members determined in accordance with the requirements of Swiss pension law, benefits derived from surplus sharing by the insurance company of CHF 16.5 m (2022: CHF 13.0 m), and premiums paid in excess of premiums owed by the Group of CHF 0.7 m (2022: CHF 0.8 m).

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

	2023	**2022**
Present value of projected benefit obligations	(224,059)	(275,768)
Fair value of plan assets	227,599	306,753
Funded status	**3,540**	**30,985**

The main reason for actuarial losses of CHF 32.3 m in 2023 (actuarial gains of CHF 76.8 m in 2022) on the projected benefit obligation are due to changes in financial assumptions, mainly a decrease in the discount rate from 2.10% to 1.50% (an increase in the discount rate from 0.35% to 2.10% for 2022).

As of December 31, 2023, CHF 13.8 m (December 31, 2022: CHF 50.7 m), net of tax, related to the pension plans was recognized in other comprehensive income (loss). Amounts recognized in accumulated other comprehensive income represent actuarial losses that are not yet amortized. The actuarial losses outside of the corridor will be amortized over the expected service period of 10.2 years.

	2023	**2022**
Components of net periodic benefit costs, at January 1,	**50,748**	**(20,958)**
Net gain (loss) arising during the period	(35,157)	77,761
Amortization of prior period service cost	(1,620)	(1,517)
Amortization of actuarial gain (loss)	(1,086)	326
Amortization of settlement	-	(48)
Curtailment	(3,110)	-
Settlement	(1,759)	-
Taxes	5,748	(4,816)
Total included in other comprehensive income (loss) at December 31,	**13,762**	**50,748**

The expected future cash flows to be paid by the Group in respect of the pension plans as of December 31, 2023, were as follows:

Expected employer contributions	
2024[1]	9,125
Expected future payments to beneficiaries	
2024	6,735
2025	3,732
2026	3,169
2027	4,432
2028	4,068
Thereafter	28,671

[1] Either paid or offset against existing prepayment.

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Certain of the Group's subsidiaries sponsor defined contribution plans with Group's contributions fixed at 2% to 35% of the employee's annual salary or bonus. These plans are structured as a saving schemes without further obligation of the Group. Total expense of these defined contribution plans was CHF 2.7 m for 2023 (2022: CHF 2.7 m).

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

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

Note 19. Share-based compensation

Share-based payment arrangements ("SBPA")

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

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

	2023	2022
Outstanding share equivalents under SBPA		
Restricted share units granted under the RSP	3,717,714	3,295,206
Performance share units granted under the PSP	1,221,892	1,577,747
Share options granted under the ESOP	9,669,426	9,427,949
Total outstanding share equivalents under SBPA	**14,609,032**	**14,300,902**
Thereof exercisable	5,966,679	5,283,639

Total compensation costs recognized in the Consolidated Income Statement with respect to the Group's SBPA for the twelve months ended December 31, 2023, were CHF 23.1 m (December 31, 2022: CHF 25.8 m). No gross tax benefits were recognized in the period ended December 31, 2023 (December 31, 2022: CHF 0 m).

Restricted Stock Plan ("RSP")

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

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

	Twelve months ended December 31,	
	2023	**2022**
Expected term	3 years	3 years
Interest rate	0.00%	0.00%
Expected dividend yield	0.00%	0.00%

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

	2023		2022	
	RSUs	**Weighted-average grant date fair values**	**RSUs**	**Weighted-average grant date fair values**
Outstanding at January 1,	**1,717,459**	**21.08**	**1,244,814**	**22.70**
Granted	1,999,131	12.13	1,011,355	17.65
Forfeited	(789,231)	15.39	(106,360)	21.65
Vested	(431,537)	22.49	(432,350)	17.56
Outstanding unvested at December 31,	**2,495,822**	**15.46**	**1,717,459**	**21.08**

The Group recorded share-based compensation expense for the RSP of CHF 12.1 m for the twelve months ended December 31, 2023 (December 31, 2022: CHF 10.9 m). As of December 31, 2023, the total unrecognized compensation cost related to unvested RSUs was CHF 17.8 m (December 31, 2022: CHF 17.6 m) which is expected to be recognized over a weighted-average period of 1.85 years (December 31, 2022: 1.88 years).

The weighted-average exercise price of RSUs granted, outstanding and forfeited is zero. Total fair value of RSUs vested and converted into shares amounted to CHF 9.7 m for the twelve months ended December 31, 2023 (December 31, 2022: CHF 7.6 m). The total intrinsic value of RSUs vested and converted into shares amounted to CHF 3.8 m for the twelve months ended December 31, 2023 (December 31, 2022: CHF 8.0 m). The aggregate intrinsic value of unvested RSUs amounts to CHF 5.3 m as of December 31, 2023 (December 31, 2022: CHF 23.2 m).

Beginning with the second half of 2022, the Group granted RSUs 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 July 1, 2025, 30% of the shares subject to the award vesting on July 1, 2026 and the remaining balance of the shares subject to the award vesting on July 1, 2027.

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

	Twelve months ended December 31,	
	2023	**2022**
Expected term	3-5 years	3-5 years
Interest rate	0.00%	0.00%
Expected dividend yield	0.00%	0.00%

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

	2023		2022	
	RSUs	Weighted-average grant date fair values	**RSUs**	**Weighted-average grant date fair values**
Outstanding at January 1,	**1,577,747**	**13.45**	**-**	**-**
Granted	147,315	9.67	1,604,590	13.45
Forfeited	(502,054)	13.30	(26,843)	13.47
Vested	(1,116)	13.48	-	-
Outstanding unvested at December 31,	**1,221,892**	**13.06**	**1,577,747**	**13.45**

The Group recorded share-based compensation expense for the RSP of CHF 3.2 m for the twelve months ended December 31, 2023 (December 31, 2022: CHF 2.5 m). As of December 31, 2023, the total unrecognized compensation cost related to nonvested RSUs was CHF 10.3 m (December 31, 2022: CHF 18.7 m) which is expected to be recognized over a weighted-average period of 2.9 years (December 31, 2022: 3.8 years).

The aggregate intrinsic value of unvested RSUs amounts to CHF 2.6 m as of December 31, 2023 (December 31, 2022: CHF 21.3 m).

Performance Share Plan ("PSP")
Under the PSP, the Group allocates performance share units ("PSU") of its publicly traded shares to permanent employees in addition to other share-based awards distributed under the various SBPA of the Group. Employees were granted additional 147,315 (2022: 1,604,590) PSUsmatching their first grant explained above. 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 PSUs will vest prorated and be converted into Group's shares in a range of 0% - 100% in March 2028.

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

	Twelve months ended December 31,	
	2023	**2022**
Expected term	6 years	6 years
Interest rate	0.00%	0.00%
Expected performance condition achievement	38%	75%
Expected dividend yield	0.00%	0.00%

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

	2023		**2022**	
	PSUs	Weighted-average grant date fair values	**PSUs**	**Weighted-average grant date fair values**
Outstanding at January 1,	**1,577,747**	**13.45**	**-**	**-**
Granted	147,315	9.67	1,604,590	13.45
Forfeited	(502,054)	13.30	(26,843)	13.47
Vested	(1,116)	13.48	-	-
Outstanding unvested at December 31,	**1,221,892**	**13.06**	**1,577,747**	**13.45**

The Group recorded share-based compensation expense for the PSP of CHF 0.2 m for the twelve months ended December 31, 2023 (December 31, 2022: CHF 1.4 m). As of December 31, 2023, the total unrecognized compensation cost related to unvested PSUs was CHF 4.5 m (December 31, 2022: CHF 14.5 m) which is expected to be recognized over a weighted-average period of 4.16 years (December 31, 2022: 5.16 years).

The aggregate intrinsic value of unvested PSUs amounts to CHF 2.6 m as of December 31, 2023 (December 31, 2022: CHF 21.3 m).

Standard Share Option Plans (“SSOP”)

The SSOP comprise the employee share option plan (“ESOP”) and the directors’ share option plan (“DSOP”). The conditions of the SSOP are regularly reviewed and modified by the Board of Directors for new option grants. Vesting conditions of standard share options granted to employees and directors may differ depending on the timing of option allocation and the results of the Board’s review of the SSOP conditions. Standard share options granted to employees under the ESOP generally vest and become exercisable three years after the grant date. Standard share options granted to non-executive Directors under the DSOP vested at the 2018 AGM. None of the options granted under the DSOP are outstanding. Each option entitles the holder to purchase one share. Options generally expire ten years after the grant date.

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

	Twelve months ended December 31,	
	2023	**2022**
Expected term	6.25 years	6.25 years
Interest rate	1.01% - 1.37%	0.00%
Expected volatility	34.82% - 43.12%	33.38% - 34.81%
Expected dividend yield	0.00%	0.00%

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

	2023			**2022**		
	Share options	Weighted-average grant date fair value	**Weighted-average exercise price**	**Share options**	Weighted-average grant date fair value	**Weighted-average exercise price**
Outstanding at January 1,	**9,427,949**	**6.52**	**20.29**	**7,750,816**	**6.78**	**20.85**
Granted	1,122,870	3.82	10.19	1,875,060	5.53	18.17
Forfeited	(881,393)	6.56	20.21	(161,220)	7.39	22.22
Exercised	-	-	-	(20,320)	5.74	17.73
Expired	-	-	-	(16,387)	7.11	23.34
Outstanding at December 31,	**9,669,426**	**6.21**	**19.12**	**9,427,949**	**6.52**	**20.29**
Vested and exercisable at December 31,	5,966,679	6.38	19.79	5,283,639	6.06	18.89

The following is a summary of options outstanding and exercisable under the SSOP at December 31, 2023:

	Share options outstanding			Share options exercisable		
Range of exercise prices	**Share options**	**Weighted-average remaining contractual life in years**	**Weighted-average exercise price**	**Share options exercisable**	**Weighted-average remaining contractual life in years**	**Weighted-average exercise price**
2.60 - 17.57	1,934,961	7.17	13.47	912,690	4.76	17.41
17.58 - 17.76	3,192,039	3.48	17.73	3,192,039	3.48	17.73
17.77 - 18.37	1,589,572	7.62	18.16	117,260	5.25	17.79
18.38 - 25.38	1,324,000	5.56	23.97	1,104,470	5.09	24.56
25.39 - 30.36	1,628,854	5.76	25.60	640,220	4.25	25.61
Total	**9,669,426**	**5.57**	**19.12**	**5,966,679**	**4.09**	**19.79**

The Group recorded share-based compensation expense for the SSOP of CHF 5.6 m for the twelve months ended December 31, 2023 (December 31, 2022: CHF 9.3 m). As of December 31, 2023, the total unrecognized compensation cost related to unvested options was CHF 6.9 m (December 31, 2022: CHF 13.0 m) which is expected to be recognized over a weighted-average period of 1.5 years (December 31, 2022: 1.7 years). The aggregate intrinsic value of options outstanding at December 31, 2023, was CHF 0 (December 31, 2022: CHF 0).

In 2023 no options were exercised. The total intrinsic value of options exercised during 2023 was CHF 0.1 m. The aggregate intrinsic value of options exercisable at December 31, 2023, was CHF 0 (December 31, 2022: CHF 0). No options expired in 2023 (2022: 16,387 options).

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

	2023	
	Share options	**Weighted-average grant date fair values**
Outstanding unvested at January 1,	**4,144,310**	**7.12**
Granted	1,122,870	3.82
Forfeited	(713,363)	6.64
Vested	(851,070)	8.34
Outstanding unvested at December 31,	**3,702,747**	**5.93**

In 2023 the Group did not provide newly issued shares from conditional capital in exchange for option exercises under the SSOP (2022: 20,320 shares). Additionally, the Group provided 72,976 newly issued shares from conditional capital with a fair value of CHF 0.9 m (2022: 81,147 newly issued shares with a fair value CHF 1.4 m) to eligible permanent employees as a payout of the 2022 annual bonus (65% of 2022 annual bonus was granted in shares, 35% was paid in cash) and did not record an accrual in 2023 (2022: CHF 1.1 m) as share-based compensation expense for a potential payout of the 2023 annual bonus in shares for certain eligible permanent employees in 2024.

During 2023, the Group provided 227,123 newly issued shares from conditional capital with a fair value of CHF 0.9 m to members of the Board of Directors ("BoD") as compensation (2022: 57,720 newly issued shares with a fair value of CHF 0.8 m). At December 31, 2023, 92,656,603 conditional shares were available for grant of future share-based awards under the Group's SBPA. For changes in conditional capital approved to be used in connection with SBPA and similar share-based compensation awards, see Note 20. Share capital.

Note 20.
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	922	-	(922)	-	-
Issuance of new registered shares	10,000	(10,000)	-	-	-
At December 31, 2023	**188,481**	**-**	**68,486**	**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 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 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 2023 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 19. Share-based compensation).

In 2023 the Group used 346,500 treasury shares for a share exchange with Santhera (see Note 9. 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 December 31, 2023, the Group holds 9,653,500 treasury shares created at CHF 0.05.

Note 21. 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**	**Dec 31, 2023**
Foreign currency translation adjustments[1]	(2,344)	(1,675)	(4,020)
Actuarial gains (losses) and prior year service costs[2]	50,748	(36,986)	13,762
Total accumulated OCI (loss)	**48,403**	**(38,661)**	**9,742**

[1]Income taxes are not provided for foreign currency translation adjustments relating to permanent investments in international subsidiaries. The amount includes OCI gains of CHF 10 m deriving from CTA released in 2023 as a result of the sale of the Japan and Korea entities as part of the Sosei transaction.

[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 1.9 m.

	Accumulated OCI (loss), net of tax		
	Jan 1, 2022	**Changes arising during period**	**Dec 31, 2022**
Foreign currency translation adjustments[1]	(1,845)	(500)	(2,344)
Actuarial gains (losses) and prior year service costs[2]	(20,958)	71,706	50,748
Total accumulated OCI (loss)	**(22,802)**	**71,206**	**48,403**

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

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Note 22.
Commitments, contingent liabilities and guarantees

Commitments

The Group has entered into capital commitments of CHF 0.2 m related to the maintenance of the Group's own facilities, which are expected to be paid within the next twelve months.

Idorsia entered into lease contracts for buildings at its Allschwil Campus. Some of these buildings were handed over to Idorsia for use as of January 2024. Future lease payments associated to these buildings amount to CHF 77.4 m until 2038. These rental contracts qualify as operating leases from 2024 onwards and will increase the existing lease liabilities on the balance sheet.

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 37 m for 2024, CHF 24.5 m for 2025, CHF 14.2 m for 2026 and CHF 14.1 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 December 31, 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 6.1 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 23. Concentrations

Cash, cash equivalents and short- and long-term deposits, at December 31, 2023 and December 31, 2022, were primarily invested with two financial institutions with an S&P rating of A and higher. As of December 31, 2023 these two holdings total 86% of the Group's cash and cash equivalents and short- and long-term deposits. Of the 86%, one financial institution holds 59% and the other holds 27% as of December 31, 2023 (December 31, 22: 90% total, of which one financial institution held 72% and the other held 18%).

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 twelve months ended December 31, 2023, one distributor in Japan accounted for approximately 28% of total net product sales (December 31, 2022: 46%). At December 31, 2023, CHF 13.5 m of trade receivables related to a distributor in the United States (December 31, 2022: CHF 12 m one distributor in Japan). Net assets of operations located in the US amount to CHF 8.9 m at December 31, 2023 (December 31, 2022: CHF 6.0 m 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 24. 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 twelve months ended December 31, 2023, one supplier accounted for approximately 67% of total purchases. Management believes other suppliers could provide similar products and services 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 supplier would have on operating results (for the twelve months ended December 31, 2022: 59%).

Note 24.
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 (Product sales and contract revenue for the twelve months ended December 31, and Property, plant and equipment as of December 31):

	Switzerland	United States	Japan	Rest of world	Total
2023					
Product sales	939	24,409	33,663	6,284	65,296
Contract revenue	87,090	-	-	-	87,090
Property, plant and equipment, net	134,909	931	-	831	136,671

	Switzerland	United States	Japan	Rest of world	Total
2022					
Product sales	-	5,543	43,977	1,004	50,524
Contract revenue	46,578	-	-	-	46,578
Property, plant and equipment, net	141,380	1,034	3,379	1,303	147,097

Note 25.
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 December 31, 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: CHF 335 m).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 17. 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 2023, the Group recorded a revenue share amounting to CHF 4.8 m (2022: CHF 2.0 m) as contract revenue (see Note 5. Collaborative agreements).

- In September 2023 Idorsia reacquired the world-wide rights to approcitentan for a contingent consideration up to a total cap of CHF 306 m, subject to marketing application approval. No payments were due to Janssen in 2023 Refer to Note 5. Collaborative agreements for further details.

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 2023, the Group received services from J&J and its affiliates of CHF 0.6 m (2022: CHF 0.3 m) and provided services of CHF 3.7 m (2022: CHF 12.9 m). As of December 31, 2023, the Group had receivables and accrued income of CHF 1.1 m (December 31, 2022: CHF 4.3 m) and payables and accrued payables of CHF 0.3 m with J&J and its affiliates (December 31, 2022: CHF 0).

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 0.6 m). On April 2, 2024 Idorsia has entered into a license and services agreement with Owkin. Idorsia received an upfront payment of USD 5 m (CHF 5 m) in 2024. One executive Board member owns 6% of the shares in Owkin Inc. and is the father of the CEO. As of December 31, 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 a total of CHF 50 m. On July 21 the bridge loan was repaid. For the twelve months ended December 31, 2023, the group recorded interest expenses and fees of CHF 0.9m.

The Group is a shareholder of Santhera and holds an option and sublicense agreement and service agreement with Santhera, in 2023 and 2022, the Group did not provide any material services. In October 2023 Idorsia received an approval milestone of USD 10 m (CHF 9 m). As of December 31, 2023 and December 31, 2022, the Group had no material receivables or accrued income with Santhera (see Note 5. Collaborative agreements).

During the twelve months ended December 31, 2023, the Group did not enter into any additional material related party transactions.

Note 26.
Restructuring

Cost reduction initiative

On July 21, 2023, Idorsia announced that it has launched a cost reduction initiative with the target to reduce cash-burn at headquarters by approximately 50%.

Up to 500 positions could become redundant, mainly in Research & Development and the associated support functions. Idorsia is committed to minimizing the number of potential redundancies through natural attrition, retirements, and other such measures. The reduction of costs are expected to become fully effective in 2024.

For the twelve months ended December 31, 2023, the Group recognized CHF 10.5 m of cost related to the restructuring, of which CHF 1.3 m are accrued as of December 31, 2023. The restructuring charges primarily consist of personnel related cost.

Note 27.
Subsequent events

The Group has evaluated subsequent events through May 20, 2024, the date these Consolidated Financial Statements were available to be issued. These events have been disclosed in the respective notes to these Consolidated Financial Statements as well as summarized below.

On March 15, 2024 Idorsia's global research and development collaboration with Viatris, for the global development and commercialization of selatogrel and cenerimod became effective. Idorsia received an upfront payment of USD 350 m (CHF 308 m) and is entitled to potential development and regulatory milestone payments of up to USD 300 m, and potential sales milestone payments of up to USD 2,100 m and potential contingent tiered royalties from mid-single- to low double-digit percentage on annual net sales. The Group will contribute up to USD 200 m for the development in the next 3 years and transfered the dedicated personnel to both programs to Viatris at the transaction closing. Refer to Note 5. Collaborative agreements for further details on this transaction.

On April 2, 2024 Idorsia has entered into a license and services agreement with Owkin. Idorsia granted to Owkin a global license to develop and commercialize ACT-1002-4391. Idorsia received an upfront payment of USD 5 m (CHF 5 m) and is entitled to potential development and regulatory milestone payments of up to USD 145 m, and sales milestone payments of up to USD 350 m and tiered royalties from mid-single- to low-double-digit percentage on annual net sales. Refer to Note 4. Licensing agreements for further details on this transaction.

On May 6, 2024 a bondholders meeting approved to modify the terms of the 2024 convertible bonds to, among others, (i) amend the conversion price to CHF 6.00 (from currently CHF 33.95), (ii) extend the maturity date by six months to January 17, 2025 and (iii) give Idorsia the option to call the bonds at par, in full or in part, at any time upon giving ten trading days notice.

As a consent fee for this transaction, the Group will deliver 8,000,000 Idorsia shares to the bondholders once the amendment of the bonds terms become effective. In addition, Idorsia will commit to use proceeds from divestitures or outlicensing transactions to repay the bonds pursuant to the proposed amended terms.

The amendments to the bond terms become binding and effective upon approval by the higher cantonal composition authority (*obere kantonale Nachlassbehörde*) and after an additional waiting period of 30 days during which bonholders could still object to the amendment. Refer to Note 17. Borrowings agreements for further details on this transaction.

Report of the statutory auditor

To the General Meeting of Idorsia Ltd, Allschwil

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Idorsia Ltd and subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, consolidated statements of comprehensive income, cash flows and changes in stockholders' equity for the years then ended, and the related notes, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 18 to 69) present fairly, in all material respects, the financial position of the Group at December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America and comply with Swiss law.

Basis for opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (US GAAS), Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the United States of America, the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Substantial Doubt About the Group's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Group will continue as a going concern. As discussed in Note 1 to the financial statements, the Group has suffered recurring losses from operations, has a net capital deficiency, and has stated that substantial doubt exists about the Group's ability to continue as a going concern in connection with the ability to raise additional funds. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. In addition to the matters described in the "Substantial Doubt About the Group's Ability to Continue as a Going Concern" section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements (pages 18 to 69).

US Pharma "gross to net" revenue adjustments

Area of focus	As discussed in Note 3 (Revenue recognition), the Group records revenues from product sales net of discounts and contractual rebates that are estimated at the time of sale. As of December 31, 2023, the Group recognized a sales related liabilities provision of CHF 18.2 million, which primarily related to US sales returns, rebate, and discount liabilities balances, including managed care, Medicare, Medicaid, chargebacks, coupon and copy programs. The US Pharma "gross to net revenue" adjustments are considered significant to our audit due to the range and complexity of underlying contractual arrangements and the degree of estimation involved.
Our audit response	Our audit procedures included, among others, assessing the application of the Group's accounting policy for revenue recognition, including the recognition and measurement of deductions from gross sales relating to sales related liabilities and related disclosures. We obtained management's calculations for sales related liabilities, recalculated the amounts and validated the assumptions used by reference to internal and external sources, including the terms of the applicable contracts. Additionally, our procedures included reviewing a sample of contracts, testing a sample of credits against sales related liabilities and testing the underlying data used in management's evaluation. Our audit procedures did not lead to any reservations concerning the recognition and measurement of sales related liabilities as of December 31, 2023.

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Sale of the Asia Pacific (ex-China) operations

Area of focus	In the year ended December 31, 2023, the Group disposed of its Asia Pacific (ex-China) operations, which generated a net gain of CHF 299.3 million. Refer to Note 2 (Sale of the Asia Pacific (ex-China) operations) in the consolidated financial statements for further details. The transaction is considered significant to our audit due to both its magnitude as well as the complexity and judgments involved in accounting for the transaction.
Our audit response	Our audit procedures included, among others, assessing management's judgments in determining whether the disposal meets the discontinued operations criteria and the business disposal criteria as well as if there are parts of the transaction that qualify for separate accounting treatment. We assessed management's judgements through reviewing relevant supporting documentation and understanding specific assumptions made and inspecting related accounting data and adjustments. We also reviewed the accuracy and completeness of the Company's disclosures. Our audit procedures did not lead to any reservations concerning the recognition, measurement and disclosures of the business disposal as of December 31, 2023.

Board of Directors' responsibilities for the consolidated financial statements

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

In preparing the consolidated financial statements, the Board of Directors is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Group's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued; to disclose, as applicable, matters related to going concern; and to use the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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In performing an audit in accordance with US GAAS, Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern for a reasonable period of time. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether a material inconsistency exists between the other information and the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report. We have nothing to report in this respect.

Report on other legal requirements

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

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

Ernst & Young Ltd

/s/Frederik Schmachtenberg	/s/Michaela Held
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Basle, May 20, 2024

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Holding Company Financial Statements

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Balance sheet

(in CHF thousands)	Notes	December 31, 2023	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents		15,969	5,639
Other receivables from Group companies		18	3
Other current assets		12	234
Total current assets		**15,999**	**5,876**
Noncurrent assets			
Long-term loans to Group companies	2	49,470	24,738
Long-term loans to Group companies (subordinated)	2	2,540,150	2,525,000
Investments in Group companies	2	263,898	278,057
Total noncurrent assets		**2,853,518**	**2,827,795**
TOTAL ASSETS		**2,869,517**	**2,833,671**
LIABILITIES			
Current liabilities			
Accrued interest		5,894	5,894
Current financial debt	3	200,000	-
Other current liabilities		490	381
Total current liabilities		**206,384**	**6,275**
Noncurrent liabilities			
Noncurrent financial debt	3	934,575	1,134,575
Total noncurrent liabilities		**934,575**	**1,134,575**
Total liabilities		**1,140,959**	**1,140,850**
Shareholders' equity	4		
Common shares		9,424	8,878
Legal reserves:			
Legal capital contribution reserve		1,702,130	1,690,655
Other legal reserves		30,560	30,363
Reserve for treasury shares		(483)	-
Legal retained earnings:			
Accumulated profit (loss)		(13,074)	(37,076)
Total shareholders' equity		**1,728,558**	**1,692,820**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,869,517**	**2,833,671**

Income Statement

(in CHF thousands)	Notes	Twelve months ended December 31, 2023	2022
Financial income		15,430	15,300
Total income		**15,430**	**15,300**
Financial (expense)		(15,280)	(14,285)
Administrative (expense)		(3,435)	(3,050)
Gain from sale of investments	2	27,288	-
Total income/ (expense)		**8,572**	**(17,335)**
Income (loss) before taxes		**24,002**	**(2,034)**
Income tax benefit (expense)		-	-
Net income (loss)		**24,002**	**(2,034)**

Notes to the Holding Company Financial Statements

Note 1.
Summary of significant accounting policies

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

Basis of presentation

The financial statements of Idorsia Ltd have been prepared in accordance with generally accepted accounting principles, as set out in the Swiss Code of Obligations ("SCO") Art. 957 to 964. All amounts are presented in Swiss francs ("CHF"), unless otherwise indicated. Group companies include all legal entities which are directly or indirectly owned and controlled by the Company. Current account balances due from or payable to such legal entities are presented as other receivables from or other payables to Group companies in the balance sheet.

Substantial doubt / material uncertainty about the Company's ability to continue as a going concern

The accompanying financial statements have been prepared on the basis that the Company will continue as a going concern and therefore does not include any adjustments that would be necessary should the Company be unable to continue as a going concern.

The Company and its affiliates determined that the current financial resources are not sufficient to fund its operations for at least twelve months from the publication of its 2023 annual financial statements on May 21, 2024. Current financial resources of the Company and its affiliates including the cash and cash equivalents (CHF 145 m) at year-end and the cash received in March 2024 from the collaboration with Viatris Inc. (CHF 308 m) do not cover the expected negative cashflow for the next twelve months based on the Group's current business plan and the redemption of the CHF 200 m 2024 Convertible Bond. While the bondholders have approved amendments to the bond to extend its maturity date to January 17, 2025, this is subject to final approval by the higher cantonal composition authority and passage of a 30-day period during which bondholders could still object to the amendment (see Note 7. Subsequent events). The Board of Directors is confident that the necessary approvals will be received.

Stakeholders should note that while management and board of directors continue to evaluate and execute all available options to extend the cash runway and operate the business as a going concern, there is no guarantee that any funding transaction can be realized or that such transaction would generate sufficient funds to finance operations for twelve months from the publication of its 2023 annual financial statements on May 21, 2024. This material uncertainty may cast significant doubts about the going concern of the Company.

The Company and its affiliates are actively seeking to raise additional funding through non-equity deals by outlicensing or monetization of product candidates. The Company also contemplates equity and equity-linked avenues that would also result in dilution to shareholders. Additional funding could also include the issuance of debt securities that 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 Company and its affiliates operations.

Stakeholders should note that the Company's and its affiliates operations have not yet reached profitability as sales from existing approved drugs and other revenues do not cover its operating expenses and will therefore continue to require significant amounts of funding. The Company and its affiliates have so far funded its operations through various means, including:

- the CHF 420 m cash received at demerger from Actelion in 2017,
- the CHF 580 m convertible loan issued to J&J at the same time,
- equity raises (2018: CHF 305 m, 2020: CHF 330 m; 2021: CHF 535 m),
- convertible bonds issuances (2018: CHF 200 m; 2020: CHF 600 m),
- collaborations, license agreements and divestitures (2017: CHF 227 m; 2018: CHF 35 m, 2019: CHF 5 m, 2020: CHF 61 m, 2021: CHF 11 m, 2022: CHF 3 m, 2023: CHF 409 m).

If the Company is unable to obtain adequate liquidity to fund its operations and repay in cash the CHF 200 m bond, the Company and its affiliates will modify the operations by further reducing spending. 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 Company and its affiliates may be forced to discontinue its operations entirely.

Foreign currencies

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

Investments in and loans to Group companies

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

Treasury shares

Treasury shares are deducted from equity at their average acquisition costs and presented as a separate component of shareholders' equity. Gains or losses arising out of transactions with treasury shares are recorded in the income statement. For treasury shares held at Affiliates, the Company builds a treasury shares reserve in equity at the respective acquisition costs.

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Note 2.
Investments in and loans to group companies

The following table shows all direct and the material indirect investments of the Company as of December 31, 2023 and 2022:

Company	Country	Ownership & voting interest	Investment	Share Capital	Function
Idorsia Pharmaceuticals Ltd	Switzerland	100%	direct	CHF 1,000,000	R&D
Idorsia US Holding Company Inc.	United States	100%	direct	USD 1,000,000	US Holding
Idorsia Pharmaceuticals US Inc.	United States	100%	indirect	USD 1,000,000	Sales
Idorsia Clinical Development US Inc.	United States	100%	indirect	USD 1,000,000	Clinical Development
Idorsia Pharmaceuticals Deutschland GmbH	Germany	100%	direct	EUR 25,000	Clinical Development
Idorsia (Shanghai) Pharmaceuticals Co., Ltd	China	100%	direct	RMB 1,000,000	R&D
Idorsia Pharmaceuticals Japan Ltd [1]	Japan	100%	direct	JPY 95,000,000	R&D, Sales
Idorsia (Berlin) Pharmaceuticals GmbH	Germany	100%	indirect	EUR 25,000	R&D
Idorsia (Beijing) Pharmaceuticals Co., Ltd. [2]	China	100%	direct	RMB 1,000,000	Clinical Development
Idorsia Pharmaceuticals Germany GmbH	Germany	100%	direct	EUR 25,000	Sales
Idorsia Pharmaceuticals Italy S.r.l.	Italy	100%	direct	EUR 10,000	Sales
Idorsia Pharmaceuticals UK Limited	United Kingdom	100%	direct	GBP 26,000	Sales
Idorsia Pharmaceuticals France SAS	France	100%	direct	EUR 25,000	Marketing
Idorsia Pharmaceuticals Spain S.L.	Spain	100%	direct	EUR 25,000	Sales
Idorsia Pharmaceuticals Canada Ltd.	Canada	100%	direct	CAD 50,000	Sales
Idorsia Pharmaceuticals Korea Co Ltd [1]	South Korea	100%	direct	KRW 100,000,000	Marketing
Idorsia Pharmaceuticals Nordics AB.	Sweden	100%	direct	SEK 25,000	Marketing

[1] Subsidiary was sold in July 2023.

2 Subsidiary sold in March 2024.

As of December 31, 2023, Idorsia Pharmaceuticals Ltd was overindebted and the Company provided subordinated loans of CHF 2,540.2 m (principal amount of CHF 2,525 m and accumulated accrued interest of CHF 15.2 m). As of December 31, 2022 the Company provided subordinated loans of CHF 2,525 m to Idorsia Pharmaceuticals Ltd. All operations are conducted by Idorsia Pharmaceuticals Ltd whereas Idorsia Ltd has no operations. In order to fund the Idorsia Group's operations, Idorsia Ltd grants loans to Idorsia Pharmaceuticals Ltd. The recoverability of the investment and intercompany loans is dependent on the Group's ability to commercialize its products successfully or realise the value of product candidates through outlicensing or other contractual arrangements.

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. The transaction included the acquisition by Sosei Heptares of Idorsia's affiliates in Japan and South Korea, which resulted in a gain of CHF 27.3 m that is presented separately in the Income Statement.

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Note 3.
Current and noncurrent financial debt

Convertible Loan

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

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

On November 9, 2021, a second tranche of the convertible loan of CHF 110 m was converted and Cilag acquired 9.6 m shares of the Group (representing 5% of the issued shares as of December 31, 2023).

The remaining amount of CHF 335 m outstanding as of December 31, 2023 and December 31, 2022 may be converted into 29.1 m shares of the Company at a conversion price of CHF 11.48 per share by Cilag (which would result in a total shareholding of 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 Company (this condition was fulfilled with Jean-Paul and Martine Clozel owning more than 25% of the Group's issued shares as of December 31, 2023 and December 31, 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 Company, Cilag has the right to convert the convertible loan in full.

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

Senior Unsecured Convertible Bonds due in 2024

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

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

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

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

The bonds are listed on the SIX Swiss Exchange.

On May 6, 2024, a bondholders meeting approved the modification of the terms of the 2024 convertible bonds to, among others, (i) amend the conversion price to CHF 6.00 (from currently CHF 33.95), (ii) extend the maturity date by six months to January 17, 2025 and (iii) give Idorsia the option to call the bonds at par, in full or in part, at any time upon giving ten trading days notice.

As a consent fee for this transaction, the Group will deliver 8,000,000 Idorsia shares to the bondholders once the amendment of the bonds' terms become effective. In addition, Idorsia will commit to use proceeds from divestitures or outlicensing transactions to repay the bonds pursuant to the proposed amended terms.

The amendments to the bonds' terms become binding and effective upon approval by the higher cantonal composition authority (*obere kantonale Nachlassbehörde*) and after an additional waiting period of 30 days during which bonholders could still object to the amendement.

Senior unsecured convertible bonds due in 2028

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

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

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

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

The bonds are listed on the SIX Swiss Exchange.

Note 4.
Shareholders' equity

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

	Shares[1]				
(all numbers in thousands)	**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	-	(44,418)	-	93,779	49,361
Shares issued for share-based compensation	922	-	(922)	-	-
Issuance of new registered shares	10,000	(10,000)	-	-	-
At December 31, 2023	**188,481**	**-**	**68,486**	**93,779**	**350,746**

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

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 therefore the Company recorded a reserve for treasury shares. Refer to section Treasury shares below for further details.

Legal capital contribution reserve

As at December 31, 2023, the legal capital contribution reserve amounted to CHF 1,702.1 m (December 31, 2022: CHF 1,690.7 m). The amount of legal capital contribution reserve is subject to ongoing re-assessments and discussions with the Swiss tax authorities.

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 2023 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.

Reserve for 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 to an affiliate. These shares 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 Idorsia's share-based payment plans.

In 2023 the Company's affiliate used 346,500 treasury shares for a share exchange with Santhera (see Note 9. Financial assets and liabilities of the Consolidated Financial Statements). The market value per share at the time of the transaction was CHF 14.02.

At December 31, 2023, the Company's affiliate holds 9,653,500 treasury shares created at CHF 0.05 each, totaling CHF 482,675.

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Note 5.
Shareholdings of the Members of the Board of Directors and the Idorsia Executive Committee

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

Investments granted to the members of the Board of Directors

The members of the BoD were granted the following investments:

Name	Functions	2023	2022
			Number of shares
Mathieu Simon	Chairman Member of the Nominating, Governance & Compensation Committee	64,200	18,091
Joern Aldag	Member of the Finance & Audit Committee Member of the Nominating, Governance & Compensation Committee (until April 14, 2022)	25,167	7,092
Felix R. Ehrat	Chairman of the Nominating, Governance & Compensation Committee	31,184	8,788
Srishti Gupta	Member of the Nominating, Governance & Compensation Committee (since May 12, 2021)	27,515	7,754
Peter Kellogg	Member of the Finance & Audit Committee (since May 12, 2021)	27,206	7,207
Sophie Kornowski	Member of the Nominating, Governance & Compensation Committee (since May 4, 2023)	22,762	N/A
Sandy Mahatme	Chairman of the Finance & Audit Committee	29,126	8,788
Jean-Paul Clozel	CEO and executive member of the Board	See table "Investments and options held by the members of the IEC"	
Total		**227,160**	**57,720**

[1]Granted at an average price of CHF 4.07 (2022: CHF 14.35).

Investments and options granted to the members of the IEC

The members of the IEC were granted the following investments and share-based instruments:

		Number of shares		Number of options	
Name	Functions	**2023**	**2022**	**2023**	**2022**
Jean-Paul Clozel	Chief Executive Officer	25,679	26,348	240,390	245,460
Guy Braunstein	Chief Medical Officer	8,999	9,233	112,320	109,100
Martine Clozel	Chief Scientific Officer	8,633	8,858	107,760	109,100
Alberto Gimona	Head of Global Clinical Development	8,560	4,743	106,840	109,100
Simon Jose	Chief Commercial Officer (until May 30, 2023)	4,794	9,134	111,120	109,100
André C. Muller	Chief Financial Officer	10,044	13,701	128,210	136,370
Total		**66,709**	**72,017**	**806,640**	**818,230**

[1]Granted at an average price of CHF 12.70 (2022: CHF 17.83).

[2]The Company has an employee share option plan ("ESOP"). Options granted in 2023 have an average exercise price of CHF 12.59 and a vesting period of 3 years (2022: CHF 18.19). Note 19 ("Share-based compensation") to the Consolidated Financial Statements provides details on the ESOP conditions and valuation.

Not included in the table above are conversion rights from the convertible bonds. As of December 31, 2023, Jean-Paul Clozel held 5,295,901 conversion rights (December 31, 2022: 5,295,901 conversion rights) and Martine Clozel held 1,893,950 conversion rights (December 31, 2022: 1,893,950 conversion rights) from the convertible bonds. Note 17. Borrowings to the Consolidated Financial Statements provides details on the conditions and valuation of the convertible bonds.

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Note 6.
Commitments, contingencies and guarantees

Guarantees

To secure any potential obligations resulting from overdraft facilities, forward and derivative transactions in foreign currencies and interest rates, the Company has issued a guarantee to a financial institution in the total amount of CHF 6.1 m.

In the ordinary course of business, the Company has entered into certain guarantee contracts and letters of credit in the amount of CHF 0.2 m.

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

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

Note 7.
Subsequent events

The Company has evaluated subsequent events through May 20, 2024, the date these Financial Statements were available to be issued. These events have been disclosed in the respective notes to these Financial Statements as well as summarized below.

On March 15, 2024 Idorsia's global research and development collaboration with Viatris, for the global development and commercialization of selatogrel and cenerimod became effective. Idorsia received an upfront payment of USD 350 m (CHF 308 m). As part of this transaction, the Company sold Idorsia (Beijing) Pharmaceuticals Co., Ltd. to Viatris.

On May 6, 2024 a bondholders meeting approved to modify the terms of the 2024 convertible bonds to, among others, (i) amend the conversion price to CHF 6.00 (from currently CHF 33.95), (ii) extend the maturity date by six months to January 17, 2025 and (iii) give the Company the option to call the Bonds at par, in full or in part, at any time upon giving ten trading days notice.

As a consent fee for this transaction, the Company will deliver 8,000,000 Idorsia shares to the bondholders once the amendment of the Bonds terms become effective. In addition, the Company will commit to use proceeds from divestitures or outlicensing transactions to repay the Bonds pursuant to the proposed amended terms.

The amendments to the bond terms become binding and effective upon approval by the higher cantonal composition authority (*obere kantonale Nachlassbehörde*) and after an additional waiting period of 30 days during which bonholders could still object to the amendement. Refer to Note 3. Current and noncurrent financial debt for further details on this transaction.

PROPOSED APPROPRIATION OF ACCUMULATED PROFIT (LOSS)

	2023	2022
Accumulated profit (loss) at beginning of period	**(37,076)**	**(35,042)**
Net income (loss) for the period	24,002	(2,034)
Balance to be carried forward	**(13,074)**	**(37,076)**

Report of the statutory auditor

To the General Meeting of Idorsia Ltd, Allschwil

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Idorsia Ltd (the Company), which comprise the balance sheet as at December 31, 2023 and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 76 to 88) comply with Swiss law and the Company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 of the financial statements, which indicates the existence of a material uncertainty which casts significant doubt about the Company's ability to continue as a going concern in connection with the ability to raise additional funds. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. In addition to the matters described in the Material uncertainty related to going concern section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements (pages 76 to 88).

Valuation of investments in and loan receivables due from group companies

Area of focus	As at December 31, 2023, the investment in group companies of Idorsia Ltd amounts to CHF 263.9 million and loans receivables due from group companies amount to CHF 2,589.6 million. Investments and loan receivables are valued at historical cost less adjustment for impairment of value, if events and circumstances suggest that the historical cost may not be recoverable. Refer to notes 1 (Summary of significant accounting policies) and 2 (Investments in and loans to group companies) in the holding company financial statements for further details. The investments in group companies and loan receivables due from group companies are significant to our audit due to the significant value of the position and the judgment involved in the Company's impairment testing methodology.
Our audit response	Our audit procedures included gaining an understanding of the Company's impairment testing methodology for investments in group companies and loan receivables due from group companies and the determination of indicators of impairment. We evaluated the appropriateness of valuation models, key assumptions and prospective financial information used by the Company and tested the mathematical accuracy of models used as well as discount rates. In performing these procedures, we were supported by internal industry and valuation specialists. We also corroborated key valuation elements based on internally and externally available evidence and underlying data. Our audit procedures did not lead to any reservations concerning the valuation of investments in and loan receivables due from group companies.

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

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

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

Ernst & Young Ltd

/s/Frederik Schmachtenberg
Licensed audit expert
(Auditor in charge)

/s/Michaela Held
Licensed audit expert

Basle, May 20, 2024

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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

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