basilea
PHARMACEUTICA

2 PRODUCTS ON THE MARKET

OUR COMPANY

Basilea Pharmaceutica Ltd. is a biopharmaceutical company developing products that address the increasing resistance and nonresponse to current treatment options in the therapeutic areas of bacterial infections, fungal infections, and cancer. The company uses the integrated research, development, and commercial operations of its Swiss subsidiary Basilea Pharmaceutica International Ltd. to discover, develop and commercialize innovative pharmaceutical products to meet the medical needs of patients with serious and potentially life-threatening conditions. Basilea Pharmaceutica Ltd. is headquartered in Basel, Switzerland and listed on the SIX Swiss Exchange (SIX: BSLN).

Basilea currently has approximately 250 FTEs (full-time equivalents) in Switzerland, its European affiliates and China.

www.basilea.com

OUR VISION

We strive for excellence in integrated research, development, and commercialization of pharmaceutical products fighting infectious diseases and cancer. We aspire to make innovative medications solving unmet medical needs in the area of resistance available to patients through a sustainable business which maximizes shareholder value.

CRESEMBA®

Isavuconazole, the active agent in CRESEMBA®, is an intravenous and oral antifungal approved in the United States (US) and the European Union (EU) for the treatment of certain invasive mold infections. CRESEMBA® is currently marketed by Basilea in Germany, Italy, the United Kingdom (UK) and Austria, and in the United States by Basilea's license partner Astellas Pharma US.

ZEVTERA® MABELIO®

Ceftobiprole, the active agent of Zevtera®/Mabelio®, is a broad spectrum bactericidal antibiotic for intravenous administration. It is approved in 13 European countries and several non-European countries for the treatment of adult patients with community-acquired pneumonia and hospital-acquired pneumonia (excluding ventilator-associated pneumonia). The drug is currently available in Germany, Italy, the UK, France, Austria and Switzerland.

KEY EVENTS

FINANCIALS

- Reported half-year cash and financial investments of CHF 311 million
- Confirmed financial guidance for the full year 2016: total operating expenses are estimated at CHF 9 to 10 million on average per month, operating loss at CHF 4 to 5 million on average per month and total annual product sales are expected at approximately CHF 5 million

ANTIFUNGAL CRESEMBA® (ISAVUCONAZOLE) – MARKETED

- Marketed by Basilea in Germany, Italy, the UK and Austria, and in the United States by Basilea's licensee Astellas Pharma US
- Published results from open-label mucormycosis phase 3 VITAL study in scientific journal The Lancet Infectious Diseases
- Reported further data analyses from clinical phase 3 studies in invasive aspergillosis and invasive candidiasis at European Congress of Clinical Microbiology and Infectious Diseases (ECCMID)

ANTIBIOTIC ZEVTERA®/MABELIO® (CEFTOBIPROLE) – MARKETED

- Available in Germany, Italy, the UK, France, Austria and Switzerland
- Signed agreement with the Biomedical Advanced Research and Development Authority (BARDA), a division within the Office of the Assistant Secretary for Preparedness and Response in the US Department of Health and Human Services, for initial funding of approximately USD 20 million for the phase 3 development of ceftobiprole with the goal to gain regulatory approval in the United Sates. Total contract value could reach USD 100 million over a period of 4.5 years upon successful completion of pre-defined milestones
- In active discussion with US Food and Drug Administration (FDA) on phase 3 studies in acute bacterial skin and skin structure infections (ABSSSI) and *Staphylococcus aureus* bacteremia (SAB) with the goal to gain Special Protocol Assessments (SPAs) to support both indications
- Presented post-hoc analysis of phase 3 data at ECCMID conference on activity of ceftobiprole for the treatment of staphylococcal bacteremia in complicated skin or pulmonary infections

ANTICANCER DRUG BAL101553 (TUMOR CHECKPOINT CONTROLLER) – PHASE 1/2A

- Continued dose escalation in phase 1/2a study with oral formulation in patients with advanced solid tumors
- Published clinical data, showing signals of clinical activity, from the first-in-human phase 1/2a study with the intravenous form at meeting of American Society of Clinical Oncology (ASCO)
- Presented preclinical data showing activity of the drug in treatment-refractory glioblastoma models as single agent and in combination at American Association for Cancer Research (AACR) conference

ANTICANCER DRUG BAL3833 (PANRAF/SRC KINASE INHIBITOR) – PHASE 1

- Continued first-in-human clinical phase 1 study in patients with advanced solid tumors including metastatic melanoma; study design presented at ASCO meeting
- Presented preclinical data at AACR conference, demonstrating inhibition of tumor growth in KRAS-driven cancer models

DERMATOLOGY DRUG TOCTINO® (ORAL ALITRETINOIN)

- Initiated discussions with GlaxoSmithKline (GSK) for transferring the US rights back to Basilea

ANTIFUNGALS

200 000

About **200 000** people worldwide are affected by **invasive aspergillosis**

Emerging

Mucormycosis has **emerged** as the **third most common** invasive mycosis in order of importance after candidiasis and aspergillosis in patients with hematological malignancies and allogeneic stem cell transplantation

ANTIBIOTICS

Frequent

Methicillin-resistant Staphylococcus aureus (**MRSA**) is one of the **most frequent** causes of hospital-acquired bacterial pneumonia

10-30%

Between **10% and 30%** of patients with *Staphylococcus aureus* **bacteremia** will **die** from the infection

ONCOLOGY

Resistance

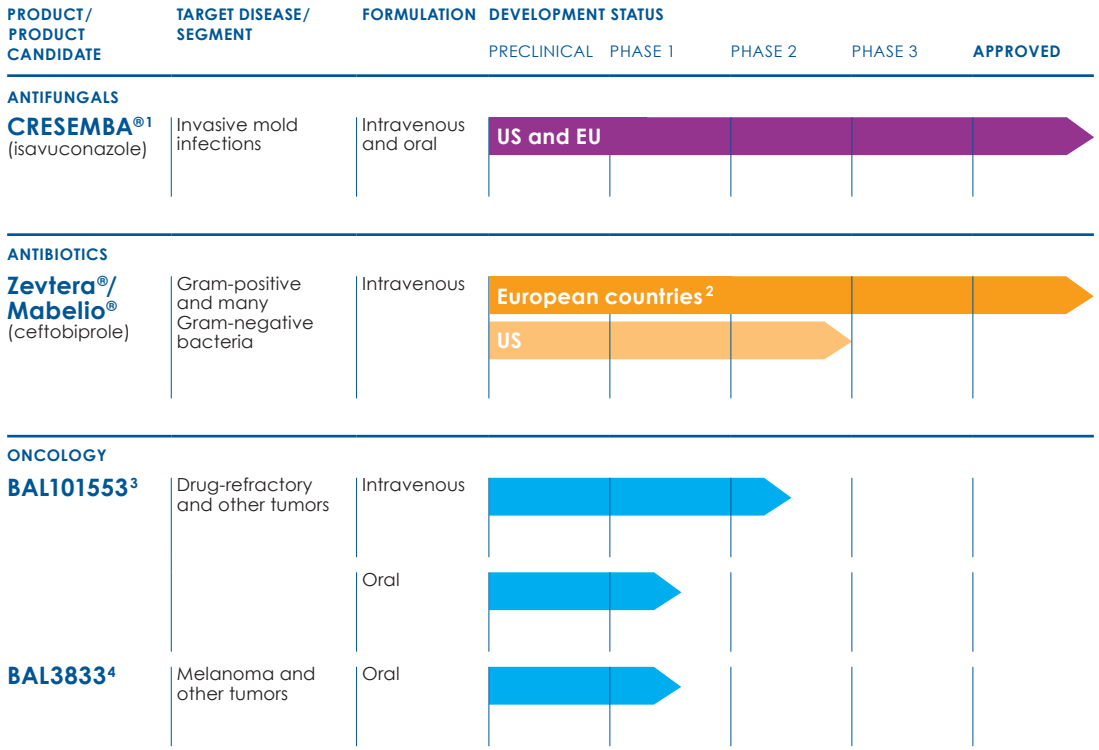
Resistance to chemotherapy and targeted therapies is a **major problem** facing current cancer research

6 months

Glioblastoma has extremely **poor prognosis** with medium **survival** of about **6 months**

OUR PORTFOLIO

- CRESEMBA® (isavuconazole) approved for sale in the EU and the US. Marketed by Basilea in Germany, Italy, the UK and Austria, and in the United States by Basilea's licensee Astellas Pharma US
- Zevtera®/Mabelio® (ceftobiprole) approved in 13 European countries and several non-European countries. Currently available in Germany, Italy, the UK, France, Austria and Switzerland. Contract with BARDA for a phase 3 development program targeting regulatory approval in the US. Distribution agreement signed with Hikma for the Middle East and North Africa region
- Tumor checkpoint controller BAL101553 in clinical phase 1/2a evaluation in patients with advanced solid tumors as a once-daily oral regimen
- Oral panRAF/SRC kinase inhibitor BAL3833 in phase 1 dose-escalation study
- After completing a full data review, Basilea decided not to further develop the pre-clinical inhaled antibiotic BAL30072



1 Approved in the United States and the EU; US rights licensed to Astellas
2 Approved in 13 European countries and several non-European countries
3 Intravenous formulation completed phase 1/2a study; oral formulation in phase 1/2a study
4 In phase 1 study

ZEVTERA®/MABELIO®

Broad-spectrum cephalosporin antibiotic

CRESEMBA®

Azole antifungal

BAL101553

Tumor checkpoint controller

BAL3833

PanRAF/SRC kinase inhibitor

OUR PRODUCTS AND PIPELINE

ANTI-INFECTIVES

CRESEMBA® (ISAVUCONAZOLE) is an i.v. and oral azole antifungal. Isavuconazole is the active agent of the prodrug isavuconazonium sulfate. The drug was approved in March 2015 by the US FDA for patients 18 years of age and older in the treatment of invasive aspergillosis and invasive mucormycosis. The European marketing authorization was granted in October 2015 for the treatment of adult patients with invasive aspergillosis and for adult patients with mucormycosis for whom amphotericin B is inappropriate. It is valid in all 28 EU member states, as well as in Iceland, Liechtenstein and Norway. Isavuconazole has orphan drug designation in the approved indications in Europe and the US. The drug is marketed by Basilea in Germany, Italy, the UK and Austria, and in the US by Basilea's licensee Astellas Pharma US. Outside the US and the EU, the drug is not approved for commercial use.

ZEVTERA®/MABELIO® (CEFTOBIPROLE) is a broad-spectrum antibiotic from the cephalosporin class for i.v. administration with bactericidal activity against certain Gram-positive and Gram-negative bacteria, including methicillin-resistant *Staphylococcus aureus* (MRSA) and susceptible *Pseudomonas* spp. Ceftobiprole is approved for sale in 13 European countries and several non-European countries for the treatment of adult patients with community-acquired pneumonia and hospital-acquired pneumonia (excluding ventilator-associated pneumonia). It is currently available in Germany, Italy, the UK, France, Austria and Switzerland. An exclusive distribution and supply agreement was signed in October 2015 with Hikma Pharmaceuticals LLC for the Middle East and North Africa (MENA) region. Ceftobiprole is not approved in the US. It received Qualified Infectious Disease Product (QIDP) designation from the US FDA for the potential treatment of community-acquired bacterial pneumonia and acute bacterial skin and skin structure infections. In April 2016, Basilea signed an agreement with BARDA (Contract No. HSO100201600002C) for initial funding of approximately USD 20 million for a clinical phase 3 program targeting regulatory approval in the US. The total contract value could reach USD 100 million over a period of 4.5 years upon successful completion of pre-defined milestones.

ONCOLOGY

BAL101553 is a tumor checkpoint controller being developed as a potential therapy for diverse cancers, including tumor types unresponsive to standard therapeutics. The small molecule drug candidate BAL101553 (prodrug of BAL27862) is currently undergoing clinical phase 1/2a evaluation in patients with advanced solid tumors as a once-daily oral dosage form. It has shown evidence of clinical anti-tumor activity in a phase 1/2a study with weekly 2-hour i.v. infusion, during which the maximum tolerated dose and the recommended phase 2 dose for weekly 2-hour i.v. administration were established.

BAL3833, also known as CCT3833, is an oral small-molecule drug candidate (panRAF/SRC kinase inhibitor) targeting cell proliferation signaling pathways that are associated with tumor growth and resistance development to current therapies. It is the lead compound of a series of kinase inhibitors in-licensed by Basilea in April 2015. BAL3833 is currently being evaluated in a phase 1 dose-escalation study in adult patients with advanced solid tumors including metastatic melanoma. The compound originates from research at The Institute of Cancer Research and the Cancer Research UK Manchester Institute, by scientists funded by Cancer Research UK and the Wellcome Trust.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

BASILEA PHARMACEUTICA LTD. AND SUBSIDIARIES

Condensed consolidated balance sheets as of June 30, 2016 and December 31, 2015 (in CHF thousands)

	Footnote reference	Unaudited **2016**	2015
ASSETS			
Current assets			
Cash and cash equivalents		260 919	313 064
Short-term investments	6	–	51 624
Accounts receivable	7	1 464	1 545
Other receivables		3 151	3 010
Inventories	8	10 288	9 579
Other current assets		7 182	6 043
Total current assets		**283 004**	**384 865**
Non-current assets			
Tangible assets, net	3	9 645	10 724
Intangible assets, net	4	267	346
Long-term investments	6	50 000	–
Other non-current assets		2 737	2 800
Total non-current assets		**62 649**	**13 870**
TOTAL ASSETS		**345 653**	**398 735**
LIABILITIES			
Current liabilities			
Accounts payable		1 207	1 094
Deferred revenue	5	49 546	49 546
Accruals and other current liabilities	10	13 263	18 196
Total current liabilities		**64 016**	**68 836**
Non-current liabilities			
Convertible senior unsecured bonds	9	195 084	194 706
Deferred revenue, less of current portion	5	82 956	107 696
Other non-current liabilities	14	12 568	12 641
Total non-current liabilities		**290 608**	**315 043**
Total liabilities		**354 624**	**383 879**
Commitments and contingencies	17		
SHAREHOLDERS' EQUITY			
Share capital[1]	12	11 810	10 801
Additional paid-in capital		906 099	902 085
Accumulated other comprehensive loss	12	(17 797)	(17 868)
Treasury Shares held by subsidiary	12	(1 000)	–
Accumulated deficit		(908 083)	(880 162)
Total shareholders' equity (deficit)		**(8 971)**	**14 856**
TOTAL LIABILITIES AND EQUITY (DEFICIT)		**345 653**	**398 735**

[1] As of June 30, 2016, 11,810,373 registered shares were issued and outstanding with a par value of CHF 1 per share.
As of December 31, 2015, 10,800,623 registered shares were issued and outstanding with a par value of CHF 1 per share.

These unaudited financial statements should be read in conjunction with the accompanying notes.

BASILEA PHARMACEUTICA LTD. AND SUBSIDIARIES

Condensed consolidated statements of operations for the six months ending June 30, 2016 and June 30, 2015 (unaudited, in CHF thousands)

	Footnote reference	2016	2015
Product revenue		1 888	–
Contract revenue	5	27 829	24 412
Revenue from research & development services		7	373
Other revenue		25	203
Total revenue		**29 749**	**24 988**
Cost of products sold		(2 997)	–
Research & development expenses, net		(24 777)	(31 179)
Selling, general & administration expenses		(26 807)	(23 806)
Total cost and operating expenses		**(54 581)**	**(54 985)**
Operating loss		**(24 832)**	**(29 997)**
Interest income		17	115
Interest expense	9	(3 149)	–
Other financial income		637	2 024
Other financial expenses		(591)	(2 192)
Loss before taxes		**(27 918)**	**(30 050)**
Income taxes		(3)	(66)
Net loss		**(27 921)**	**(30 116)**

Loss per share	13	**2016**	2015
Basic and diluted loss per share, in CHF		(2.76)	(3.00)

BASILEA PHARMACEUTICA LTD. AND SUBSIDIARIES

Condensed consolidated statements of comprehensive income/loss for the six months ending June 30, 2016 and June 30, 2015 (unaudited, in CHF thousands)

	Footnote reference	2016	2015
Net loss		**(27 921)**	**(30 116)**
Currency translation adjustments		(545)	(667)
Amortization of unrecognized pension costs		616	421
Other comprehensive income/(loss), net of tax	12	**71**	**(246)**
Comprehensive loss		**(27 850)**	**(30 362)**

These unaudited financial statements should be read in conjunction with the accompanying notes.

BASILEA PHARMACEUTICA LTD. AND SUBSIDIARIES

Condensed consolidated statements of cash flows for the six months ending June 30, 2016 and June 30, 2015 (unaudited, in CHF thousands)

	Footnote reference	2016	2015
Cash flow from operating activities			
Net loss		(27 921)	(30 116)
Adjustments to reconcile net loss to net cash used for/provided by operating activities:			
Depreciation and amortization		1 191	1 308
Gain on disposal of assets, net		(5)	(9)
Stock-based compensation		3 673	3 948
Interest and accretion of debt issuance cost	9	370	–
Change in operating assets/liabilities:			
Accounts receivable		(13)	(1 584)
Other receivables		(158)	3 342
Inventories		(1 515)	(653)
Accounts payable		118	(807)
Deferred revenue		(24 740)	9 012
Accruals and other current liabilities		(4 866)	(2 393)
Other operating cash flow items		164	(1 376)
Net cash used for operating activities		**(53 702)**	**(19 328)**
Cash flow from investing activities			
Payments for short-term investments	6	–	(81 588)
Maturities of short-term investments	6	51 645	70 000
Payments for long-term investments	16	(50 000)	–
Investments in tangible assets, net of disposals		(94)	(283)
Investments in intangible assets, net of disposals		3	(86)
Net cash provided by/used for investing activities		**1 554**	**(11 957)**
Cash flow from financing activities			
Net proceeds from exercise of stock options		350	12 531
Net cash provided by financing activities		**350**	**12 531**
Effect of exchange rate changes on cash and cash equivalents		**(347)**	**(484)**
Net change in cash and cash equivalents		**(52 145)**	**(19 238)**
Cash and cash equivalents, beginning of period		**313 064**	**156 125**
Cash and cash equivalents, end of period		**260 919**	**136 887**

These unaudited financial statements should be read in conjunction with the accompanying notes.

BASILEA PHARMACEUTICA LTD. AND SUBSIDIARIES

Condensed consolidated statements of changes in shareholders' equity (deficit) for the six months ending June 30, 2016 and June 30, 2015 (unaudited, in CHF thousands, except for number of shares)

	Footnote reference	Number of shares	Share capital	Additional paid-in capital	Accumulated other comprehensive income/loss	Treasury shares held by a Subsidiary	Accumulated deficit	**Total**
Balance at December 31, 2014		**10 575 288**	**10 575**	**879 925**	**(14 010)**	**–**	**(818 559)**	**57 931**
Net loss		–	–	–	–	–	(30 116)	(30 116)
Other comprehensive loss		–	–	–	(246)	–	–	(246)
Exercise of stock options, net		213 739	214	12 317	–	–	–	12 531
Stock-based compensation, net		–	–	3 949	–	–	–	3 949
Balance at June 30, 2015		**10 789 027**	**10 789**	**896 191**	**(14 256)**	**–**	**(848 675)**	**44 049**
Balance at December 31, 2015		**10 800 623**	**10 801**	**902 085**	**(17 868)**	**–**	**(880 162)**	**14 856**
Net loss		–	–	–	–	–	(27 921)	(27 921)
Other comprehensive income		–	–	–	71	–	–	71
Shares issued to a Subsidiary	12	1 000 000	1 000	–	–	(1 000)	–	–
Exercise of stock options, net		9 750	9	341	–	–	–	350
Stock-based compensation, net		–	–	3 673	–	–	–	3 673
Balance at June 30, 2016		**11 810 373**	**11 810**	**906 099**	**(17 797)**	**(1 000)**	**(908 083)**	**(8 971)**

These unaudited financial statements should be read in conjunction with the accompanying notes.

BASILEA PHARMACEUTICA LTD. AND SUBSIDIARIES
Notes to the condensed consolidated interim financial statements (unaudited, all amounts in CHF)

1 Basis of presentation
The condensed consolidated interim financial statements of Basilea Pharmaceutica Ltd. ("Basilea") and its subsidiaries (together the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and accordingly do not include all information and disclosures as required by U.S. GAAP for complete financial statements. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. Please refer to the consolidated financial statements as of December 31, 2015, as included in the Annual Report 2015, for further information. The financial statements are presented in Swiss Francs (CHF).

In the opinion of management, these condensed consolidated interim financial statements reflect all adjustments necessary, which are of a normal recurring nature, to fairly state the consolidated balance sheets, statements of operations, statements of comprehensive income/loss, cash flows and changes in shareholders' equity (deficit) for the interim periods presented.

2 Significant accounting policies and new accounting pronouncements
Fair value measurements
The Company applies the Accounting Standard Codification ("ASC") 820 "Fair Value Measurements and Disclosures". ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. 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.

In measuring fair value, the Company evaluates valuation techniques such as the market approach, the income approach and the cost approach. A three-level valuation hierarchy, which prioritizes the inputs to valuation techniques that are used to measure fair value, is based upon whether such inputs are observable or unobservable.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions made by the reporting entity. The three-level hierarchy for the inputs to valuation techniques is briefly summarized as follows:

Level 1 – Observable inputs such as quoted prices (unadjusted) for identical instruments in active markets;
Level 2 – Observable inputs such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-derived valuations whose significant inputs are observable for substantially the full term of the assets or liabilities; and
Level 3 – Unobservable inputs that reflect the reporting entity's estimate of assumptions that market participants would use in pricing the asset or liability.

The book values of the short-term financial assets and liabilities, including cash and cash equivalents, short-term investments, accounts receivable, other receivables, other current assets, accounts payable and accruals and other current liabilities approximate the fair values due to the short-term nature of these positions. The book values of the long-term investments approximate the fair values, since they bear interest at rates close to the prevailing market rates.

The estimated fair value of the Company's Convertible Senior Unsecured Bonds (including current portion) at June 30, 2016 was CHF 199.5 million (December 31, 2015: CHF 202.6 million) compared with a carrying value of CHF 195.1 million (December 31, 2015: CHF 194.7 million). Fair value was estimated using recent observable market prices and would be considered Level 1 in the fair value hierarchy.

Cash and cash equivalents
The Company considers cash equivalents to be highly liquid investments which are readily convertible to cash with original maturities of not more than 3 months.

Short-term and long-term investments
Short-term investments include time deposits with banks with original maturities of more than 3 months and remaining maturities of up to 12 months. Long-term investments include time deposits with banks with original maturities of more than 12 months. These investments are carried at nominal value which approximates fair value classified based on the input as level 2 of the fair value hierarchy according to ASC 820. Gains and losses resulting from such investments are included

as a component of other financial income or other financial expenses in the statement of operations.

Accounts receivable and other receivables

Accounts receivable and other receivables are recorded at net realizable value after consideration of an allowance for doubtful accounts. The Company generally maintains allowances for estimated uncollectible receivables based on historical experience and specifically identified at-risk accounts. The adequacy of the allowance is evaluated on an ongoing and periodic basis and adjustments are made in the period in which a change in condition occurs. Other receivables mainly include various prepayments as well as unbilled revenue, which consists of revenue earned but not invoiced yet.

Inventories

Costs related to the manufacturing of inventories are expensed as research and development expenses when incurred prior to obtaining regulatory approval or evidence being available that regulatory approval can reasonably be expected. If regulatory approval is subsequently obtained, the recorded expenses are not reversed.

Costs related to the manufacturing of inventories which occurred after the receipt of regulatory approval or evidence being available that regulatory approval can reasonably be expected are capitalized. Inventories are valued at the lower of cost or market. Cost is determined based on the first-in first-out principle. If inventory costs exceed market a provision is recorded. In addition, provisions are recorded due to obsolescence or lack of demand.

Convertible Senior Unsecured Bonds

The Convertible Senior Unsecured Bonds are initially measured as a liability based on the proceeds received and are presented net of issuance costs incurred. The issuance costs are amortized as interest expense over the life of the debt instrument resulting in the accretion of the liability of the Convertible Senior Unsecured Bonds until maturity.

Revenue recognition

The Company recognizes revenue when it is realized or realizable and earned in accordance with ASC 605 "Revenue Recognition". For agreements with multiple deliverables, the Company recognizes revenue separately for each unit of accounting in accordance with ASC 605. A deliverable is separable if it is deemed to have standalone value to the customer, delivery and performance is considered probable, within a company's control and the best estimate of selling price is determined in a way that is consistent with the price at which the Company would sell the deliverable if the item were to be sold separately.

Product revenue

The Company recognizes revenue from the sale of its products when the following conditions are met: delivery has occurred; the price is fixed or determinable; the collectability is reasonably assured and persuasive evidence of an arrangement exists. Product sales are recognized net of any sales and value added taxes and sales deductions. Allowances are recorded for estimated rebates, discounts, returns and charge backs. If the Company grants rights of return to its customers, sales returns are recorded at the time of sale. If the Company cannot reasonably estimate the amount of future sales returns, revenue is recognized only when the risk of product return has expired, and when the Company can reasonably estimate the amount of future sales returns. Sales returns are generally estimated and recorded based on historical sales and returns information. Sales returns allowances represent a reserve for products that may be returned due to expiration, destruction in the field or potential other reasons, and the returns reserve is based on historical return trends by product and by market as a percent to gross sales.

Contract revenue

Contract revenue includes realized or realizable amounts from upfront and milestone payments in connection with licensing and distribution agreements and royalties. Contract revenue also includes consideration received or receivable from a licensee for services provided by the Company in accordance with the respective license agreement.

For license agreements with multiple deliverables, the Company allocates the arrangement consideration, including upfront payments, to the separate deliverables based on the relative selling price of each deliverable under the agreements. The Company recognizes revenue for each separately identified deliverable as the revenue recognition criteria for each deliverable are fulfilled.

The amount of upfront and milestone payments under a license agreement allocated to the grant of the license is recognized over the estimated remaining agreement period or over the expected period during which the Company has to satisfy its contractual performance obligations, depending on the terms of the agreement. Milestone payments under license agreements are recognized in its entirety as revenue when the respective milestone is achieved, if such milestone

meets the following criteria to be considered substantive: the milestone is commensurate with the Company's performance to achieve the milestone; the milestone relates solely to past performance; and the milestone amount is reasonable relative to all deliverables and payment terms in the arrangement. Milestone payments under license agreements for which these criteria are not met are recognized as revenue over the estimated remaining agreement period.

Upfront and milestone payments under distribution agreements, which are allocated to the grant of the distribution right are recognized over the estimated remaining agreement period, depending on the terms of the agreement.

Revenue related to royalties received from licensees is recognized when earned, meaning when the royalties can be reasonably estimated based on the sales of the underlying products and when collectability is reasonably assured. The Company considers sales-based milestone payments under license and distribution agreements as contingent considerations which are recognized based on achievement.

To the extent the Company receives payments, including non-refundable payments, in excess of the recognized revenue, such excess is recorded as deferred revenue until the respective revenue is earned.

Following the guidance in ASC 808 "Collaborative Arrangements", the Company presents the result of activities for which it acts as the principal on a gross basis and reports any payments received from (made to) other collaborators based on other applicable GAAP. The Company's accounting policy for its qualifying collaborative agreements (See Note 5. Agreements) is to evaluate amounts due from (owed to) other collaborators based on the nature of each separate activity.

Revenue from research & development services
Revenue for research and development services provided by the Company is recorded as earned based on the performance requirements of the underlying contracts. The costs related to these services are primarily included in research and development expenses.

Cost of products sold
Expenses relating to the Company's products sold consisting of the manufacturing cost, capacity reservation costs, shipping and handling costs are presented in cost of products sold starting 2016. The respective amounts for the prior period are included in selling, general & administration expenses.

Research & development expenses
Research and development costs are expensed as incurred. No amount was capitalized in any period presented. Costs of research and development equipment with alternative future uses are capitalized and depreciated over the equipment's useful life.

Research and development expenses primarily include costs for third-party services in connection with clinical trials and research projects, costs for producing substance to be used in such trials and projects, personnel expenses for the Company's research and development groups, and depreciation of equipment used for research and development activities. In addition, research and development expenses contain expenses for producing pharmaceutical material which may be used for commercialization subject to regulatory approval, and which was produced prior to obtaining regulatory approval or evidence being available that regulatory approval can reasonably be expected.

Payments that the Company makes or receives related to its co-development arrangement for isavuconazole are recorded in research and development expenses, net and in contract revenue respectively, for its mark-up earned since the Company is acting as an agent in the arrangement.

Payments the Company made or received related to its contract with the Biomedical Advanced Research and Development Authority ("BARDA"), within the Office of the Assistant Secretary of Preparedness and Response in the U.S. Department of Health and Human Services, for development of Basilea's antibiotic BAL30072 were recorded in research and development expenses, net since the Company was acting as an agent in the arrangement.

Stock-based compensation
The Company applies ASC 718 "Compensation – Stock Compensation" related to its stock-based compensation awards. According to ASC 718, the Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award.

The stock-based compensation expenses are allocated over the vesting period of the award. For awards which consist of portions with different vesting periods,

the compensation expense is recognized pro rata for each portion of the award over the respective vesting period of such portion.

Income taxes

The Company applies the asset and liability method for the determination of provisions for income taxes. The income taxes for the reporting period consist of the current taxes (taxes paid and taxes payable) plus the change in the deferred taxes for the respective period. Deferred taxes represent the estimated future tax consequences of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Interest and penalties in connection with income taxes are recorded as income taxes.

New accounting pronouncements

As new accounting pronouncements are released, the Company reviews such pronouncements for the potential impact on the Company's financial statements. The new accounting pronouncement below may have an impact on the financial statements of the Company.

In May 2014, the Financial Accounting Standards Board (FASB) issued the Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers" (Topic 606): the development of this new standard is a part of the joint project of the FASB and the International Accounting Standards Board (IASB) to clarify the principles for revenue recognition and to develop a common standard. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thereby, this core principle is achieved by applying following five steps: identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when the Company satisfies each performance obligation.
The FASB voted on July 9, 2015 to approve a one-year deferral of the effective date of ASU No. 2014-09, "Revenue from Contracts with Customers" to make it effective for public companies for annual periods beginning after December 15, 2017. The FASB issued its final ASU formally amending the effective date in August 2015. The Company is currently assessing the impact on the financial statements of this new accounting pronouncement.

In August 2014, FASB issued the ASU No. 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern" (Subtopic 205-40): under the new standard all entities will be required to perform a going concern assessment at each financial reporting period and make certain disclosures when management concludes that there is substantial doubt about an entity's ability to continue as a going concern. In this assessment, management would evaluate conditions and events known and reasonably knowable as of the financial statement issuance date to determine if it is probable that the entity will be unable to meet its obligations within one year from the date the financial statements are issued. Management's assessment would consider the mitigating effect of its plans to the extent that it is probable that those plans will be effectively implemented and alleviate the adverse conditions within the assessment period. If substantial doubt is alleviated primarily by management's plans, limited disclosures would still be required.
The new standard will be effective for annual periods beginning after December 15, 2016 and interim periods thereafter. Early adoption is permitted. The Company currently does not anticipate a significant impact on the existing disclosures.

In July 2015, the FASB issued the ASU No. 2015-11, "Inventory: Simplifying the Measurement of Inventory" (Topic 330): the amendments apply to the subsequent measurement all inventory, which includes inventory that is measured using the first-in first-out principle or average cost. An entity should subsequently measure inventory within the scope of this update at the lower of cost and net realizable value. The net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.
The amendments in this update are effective for public companies for annual periods, including interim periods within those annual periods, beginning after December 15, 2016. The amendments in this update should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Company currently does not anticipate a significant impact on the existing accounting treatment for inventory.

In November 2015 the FASB issued ASU No. 2015-17, "Income Taxes" (Topic 740) Balance Sheet Classification of Deferred Taxes: the amendments require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments apply to all entities that present a classified statement of financial position, whereby the current requirement that

deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments.
The amendments in this update are effective for public companies for annual periods, including interim periods within those annual periods, beginning after December 15, 2016. The amendments in this update may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented with earlier application permitted as of the beginning of an interim or annual reporting period. The Company currently does not anticipate an impact on the disclosures of deferred taxes.

In February 2016, the FASB issued ASU No. 2016-02, "Leases" (Topic 842). The key features of the new standard are: lessees will need to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. For income statement purposes, the FASB retained a dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases).

The standard is effective for public companies for annual periods, including interim periods within those annual periods, beginning after December 15, 2018. Early adoption is permitted. The Company is currently assessing the impact on the financial statements of this new accounting pronouncement.

In March 2016, the FASB issued ASU Update No. 2016-09, "Compensation – Stock Compensation" (Topic 718) Improvements to Employee Share-Based Payment Accounting: this amendment was issued as part of its simplification initiative and involves several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows.
The amendments in this update are effective for public companies for annual periods, including interim periods within those annual periods, beginning after December 15, 2016, whereby early adoption is permitted in any interim or annual period. The Company currently does not anticipate an impact on the accounting treatment for existing stock-based compensation plans.

There are no other pronouncements or interpretations which are not yet effective which would be expected to have a material impact on the Company.

3 Tangible assets

In CHF million	Land/Land-use rights	Buildings	Equipment	**Total**
H1 2016				
Cost				
January 1, 2016	1.5	19.0	25.4	**45.9**
Additions	0.0	0.0	0.1	**0.1**
Disposals	0.0	0.0	(0.5)	**(0.5)**
Currency effect	0.0	0.0	(0.3)	**(0.3)**
June 30, 2016	1.5	19.0	24.7	**45.2**
Accumulated depreciation				
January 1, 2016	0.0	12.5	22.7	**35.2**
Additions	0.0	0.5	0.6	**1.1**
Disposals	0.0	0.0	(0.5)	**(0.5)**
Currency effect	0.0	0.0	(0.2)	**(0.2)**
June 30, 2016	0.0	13.0	22.6	**35.6**
Net book value as of June 30, 2016	**1.5**	**6.0**	**2.1**	**9.6**
H1 2015				
Cost				
January 1, 2015	1.5	18.9	25.8	**46.2**
Additions	0.0	0.0	0.3	**0.3**
Disposals	0.0	0.0	(0.7)	**(0.7)**
Currency effect	(0.1)	(0.0)	(0.5)	**(0.6)**
June 30, 2015	1.4	18.9	24.9	**45.2**
Accumulated depreciation				
January 1, 2015	0.0	11.5	22.5	**34.0**
Additions	0.0	0.5	0.7	**1.2**
Disposals	0.0	0.0	(0.7)	**(0.7)**
Currency effect	0.0	(0.1)	(0.4)	**(0.5)**
June 30, 2015	0.0	11.9	22.1	**34.0**
Net book value as of June 30, 2015	**1.4**	**7.0**	**2.8**	**11.2**

4 Intangible assets

The intangible assets as of June 30, 2016 and 2015 consist of acquired software for internal use:

In CHF million	H1 2016	H1 2015
Cost		
January 1	4.8	4.5
Additions	0.0	0.1
Disposals	0.0	0.0
Currency effect	0.0	0.0
June 30	4.8	4.6
Accumulated amortization		
January 1	4.5	4.3
Additions	0.0	0.1
Disposals	0.0	0.0
Currency effect	0.0	0.0
June 30	4.5	4.4
Net book value as of June 30	**0.3**	**0.2**

5 Agreements

License agreement with Astellas related to isavuconazole

In February 2010, the Company entered into a license, co-development and co-promotion agreement with Astellas Pharma Inc. ("Astellas") for isavuconazole.

Under this agreement, the Company was eligible for a non-refundable upfront payment of CHF 75 million and non-refundable milestone payments of up to CHF 478 million based on the achievement of milestones related to regulatory filing, regulatory approval and commercialization of isavuconazole. In addition, the Company was also eligible for double-digit tiered royalty payments.

The agreement was amended in February 2014, providing the Company full rights to isavuconazole in all markets outside of the United States and Canada in return for foregoing the Company's right to co-promote the product in the United States and Canada, its right to receive payments related to co-promotion, and EU milestone payments. The agreement was further amended in August 2015, providing the Company full rights to isavuconazole in all markets outside the United States. The Company and Astellas will continue to coordinate their development and manufacturing activities and each company will be responsible for commercial activities in its respective territory.

Under the terms of the agreement as amended, the Company continued to be entitled to receive milestone and royalty payments from Astellas relating to its territory. The Company received total CHF 42.0 million regulatory milestone payments from Astellas in 2014 and 2015 and is further eligible to receive up to CHF 290 million sales milestone payments. The achievement and timing of the sales milestones depend on the sales progress of the product in the future.

As such the agreement consists in a multiple-element arrangement with several deliverables identified, mainly the grant of an exclusive license, compensation for co-payment of development services, participation in the joint steering committee and development-related manufacturing services. The arrangement provides for a separate pricing for commercial-related manufacturing services and sale of clinical supplies.

Astellas' responsibilities are primarily related to managing the clinical and non-clinical development, particularly the pivotal phase 3 trials. The Company is primarily responsible to manage the manufacturing process development, as well as, the manufacturing and procurement of clinical supplies related the co-development services, and with respect to the joint steering committee, the Company is required to participate in those joint steering committee meetings, whereby it oversees the development, regulatory activities directed towards marketing approval, manufacturing and commercialization phases.

The agreement consists of several deliverables: the co-development services, the commercial-related manufacturing services, the grant of the license to Astellas and participation in the joint steering committee. The co-development services, the grant of the license and the participation in the joint steering committee consist of one unit of accounting, with the commercial-related manufacturing services consisting of another. The co-development services, the grant of the license and the participation in the joint steering committee consist of one unit of accounting since they do not have value to Astellas on an individual stand-alone basis. The commercial-related manufacturing services are another unit of accounting since they have value to Astellas and there is evidence of fair value of the undelivered commercial-related manufacturing services in the arrangement. The entire upfront payment was allocated to the unit of accounting composed of the co-development services, the grant of the license and the

participation in the joint steering committee. The related revenue is recognized over the period over which the services are rendered based on an input measure which results in higher revenue recognized in the first years when more services were rendered. The period during which the Company has to satisfy its contractual performance obligations is expected to be until October 2020. Following the amendment of the agreement in 2014, the Company reassessed the remaining expected period during which the Company has to satisfy its contractual performance obligations and reduced it from lasting until July 2029 to lasting until October 2020.

In 2010, the Company received from Astellas a non-refundable net upfront payment of CHF 67.5 million (gross payment of CHF 75.0 million less withholding tax of CHF 7.5 million). This net upfront payment was recognized as deferred revenue. The upfront payment covered the grant of an exclusive license, compensation for co-development services and participation in the joint steering committee. As of June 30, 2016, the Company presented deferred revenue of CHF 19.7 million on its balance sheet, of which CHF 4.5 million is presented as current liabilities. For the six months ending June 30, 2016 and June 30, 2015, the Company recognized CHF 2.3 million as contract revenue related to this upfront payment related to the grant of license.

In September 2014, the U.S. Food and Drug Administration ("FDA") accepted the filing of Astellas' New Drug Application for isavuconazole, seeking approval of isavuconazole for the treatment of invasive aspergillosis and invasive mucormycosis in adults. Based on this acceptance, the Company received a non-refundable milestone payment of CHF 12.0 million from Astellas. The Company deemed the milestone not to be substantive and as such the milestone payment was deferred and is recognized as contract revenue over the remaining period during which the Company has to satisfy its contractual performance obligations, expected to be until October 2020. As of June 30, 2016, the Company presented deferred revenue of CHF 8.4 million on its balance sheet, of which CHF 2.0 million is presented as current liabilities. For the six months ending June 30, 2016 and June 30, 2015, the Company recognized CHF 1.0 million as contract revenue related to this additional milestone payment received upon acceptance of filing.

In March 2015, the FDA approved Astellas' New Drug Application for the use of isavuconazole for patients 18 years of age and older in the treatment of invasive aspergillosis and invasive mucormycosis. Based on the approval, the Company received a non-refundable milestone payment of CHF 30.0 million from Astellas. The Company deemed the milestone not to be substantive and as such the milestone payment was deferred and is recognized as contract revenue over the remaining period during which the Company has to satisfy its contractual performance obligations, expected to be until October 2020. As of June 30, 2016, the Company presented deferred revenue of CHF 23.0 million on its balance sheet, of which CHF 5.3 million is presented as current liabilities. For the six months ending June 30, 2016, the Company recognized CHF 2.7 million (six months ending June 30, 2015: CHF 1.7 million) as contract revenue related to this additional milestone payment received upon approval.

The Company recognized CHF 9.0 million as contract revenue for the six months ending June 30, 2016 (six months ending June 30, 2015: CHF 5.3 million) related to these payments and revenues related to royalties, and recognized additional contract revenue in the total amount of CHF 0.1 million (six months ending June 30, 2015: CHF 0.3 million) related to services provided by the Company to Astellas related to isavuconazole.

For the six months ending June 30, 2016, the Company reported CHF 1.1 million (six months ending June 30, 2015: CHF 2.8 million) research and development expenses for isavuconazole net of cost reimbursements from Astellas of CHF 0.4 million (six months ending June 30, 2015: CHF 2.1 million) in research and development expenses, net since the Company does not have the risks and rewards as principal based on the terms of the arrangement and the nature of the activities carried out, and therefore acts as an agent for these transactions.

Contract with BARDA for ceftobiprole U.S. phase 3 development program

On April 20, 2016 the Company entered into a contract with BARDA for the clinical phase 3 development of ceftobiprole aiming to gain regulatory approval for the drug in the United States. Under the terms of the contract, BARDA will provide funding in the form of reimbursement of agreed development costs of approximately USD 20 million over an initial period of 18 months. During this initial period, the Company will seek agreement on the development program from the U.S. Food and Drug Administration (FDA) and on obtaining first health authority approvals for the initiation of clinical phase 3 studies.

As of June 30, 2016 this contract had no impact on these condensed consolidated interim financial statements.

Contract with BARDA for the development of the antibiotic BAL30072

The Company entered into a contract with BARDA for the development of Basilea's antibiotic BAL30072 on June 24, 2013. Under this contract, BARDA

provided funding of up to USD 17 million over the initial agreement period of twenty-two months starting from June 24, 2013 through April 23, 2015, and extended to September 30, 2015, in the form of reimbursement of agreed development costs. The Company and BARDA have no future funding obligations following the expiration of the agreement which occurred at the end of the extended period. Considering the agent versus principal criteria of ASC 605, the fact that the arrangement is not part of the Company's ongoing, major or central operations and the fact that BARDA was actively involved in the development, the Company determined that it was acting as an agent in the arrangement and as such recorded reimbursements received against the related development costs incurred.

For the six months ending June 30, 2016, the Company recognized no reimbursements (six months ending June 30, 2015: CHF 3.6 million) in research and development expenses, net.

Global agreement with Stiefel related to Toctino®

In July 2012, the Company granted a license to know-how and transferred the assets and the business related to Toctino® (alitretinoin) to Glaxo Group Limited, a division of Glaxo Smith Kline plc, referred to herein as Stiefel, a GSK Company. The Company received an initial payment of GBP 145.6 million (CHF 224.1 million) from Stiefel. Existing Toctino® distribution agreements were assigned to Stiefel.

In January 2016, the Company was informed by Stiefel that it had elected to discontinue its U.S. alitretinoin program. The Company has initiated discussions with Stiefel for transfer of the U.S. alitretinoin rights back to Basilea.

The agreement consists of two deliverables: grant of the license to the know-how and the transfer of the Toctino® assets and business. In July 2012, the Company received an initial payment of CHF 224.1 million (GBP 145.6 million). The Company determined that the value of the business was insignificant and, as a result, allocated no value to the business. The entire consideration was allocated to the license of the know-how, and was deferred and is recognized on a straight-line basis as contract revenue over the expected period during which the Company has to satisfy its performance obligations until August 2018. The Company's substantial ongoing obligations towards Stiefel are to provide operational, technical and scientific support including the furnishing of information and discussion of topics related to preparation of market authorization applications, other regulatory activities, post-launch monitoring and safety requirements, commercialization, commercial supply chain, and manufacturing process and requirements related to the API and drug product. As of June 30, 2016, the Company presented deferred revenue of CHF 80.4 million on its balance sheet, of which CHF 37.7 million is presented as current liabilities.

For the six months ending June 30, 2016 and June 30, 2015, the Company recognized CHF 18.8 million as contract revenue related to this upfront payment.

License agreement for targeted cancer therapy

In March 2015, the Company entered into a license agreement for panRAF kinase inhibitors with a consortium of organizations including The Institute of Cancer Research, Cancer Research Technology, the Wellcome Trust and The University of Manchester. The agreement provides the Company exclusive worldwide rights to develop, manufacture and commercialize certain panRAF kinase inhibitors which originate from research conducted at The Institute of Cancer Research by scientists funded in part by Cancer Research UK Manchester Institute and the Wellcome Trust.

Under the terms of the agreement, the consortium will conduct clinical phase 1 development for the lead compound. The Company will assume full operational responsibility thereafter. The consortium receives an upfront payment and is eligible to potential milestone payments on achievement of pre-specified clinical, regulatory and commercial milestones, as well as tiered royalties on future net sales.

6 Short-term and long-term investments

As of June 30, 2016 the company has no short-term investments. The short-term investments as of December 31, 2015 contained short-term time deposits with banks, denominated in Swiss Francs and Euro, in the amount of CHF 51.6 million. The long-term investments as of June 30, 2016 contain long-term time deposits with banks, denominated in Swiss Francs, in the amount of CHF 50.0 million (December 31, 2015: None).

7 Accounts receivable

The accounts receivable primarily consist of receivables from product revenue as well as receivables related to activities for isavuconazole for Astellas. The Company did not record an allowance for estimated uncollectible receivables as of June 30, 2016 and December 31, 2015.

8 Inventories

The following table shows the components of inventories as of June 30, 2016 and December 31, 2015:

In CHF million	2016	2015
Raw materials	2.9	1.9
Semi-finished products	19.4	19.8
Finished products	0.7	0.8
Inventory provisions	(12.7)	(12.9)
Total	**10.3**	**9.6**

The Company owns manufacturing material valued at cost which was partly produced prior to obtaining regulatory approval for ceftobiprole and isavuconazole. As ceftobiprole and isavuconazole obtained regulatory approval in 2013 and 2015 respectively, the ceftobiprole and isavuconazole inventory is presented gross in the inventory table above. Inventory provisions reflect mainly that material was produced prior to approval. The Company intends to use such material to manufacture products for commercialization.

9 Convertible Senior Unsecured Bonds

On December 23, 2015, the Company issued CHF 200 million aggregate principal amount of Convertible Unsecured Senior Bonds which were sold to existing shareholders and certain institutional investors ("Holders"). The Company received total net proceeds from the sale of the Convertible Senior Unsecured Bonds of approximately CHF 194.7 million, after deducting issuance costs of CHF 5.3 million. The Convertible Senior Bonds is accounted for at amortized costs. The following table shows the carrying amount the Convertible Senior Unsecured Bonds as of June 30, 2016 and December 31, 2015:

In CHF million	2016	2015
Convertible Senior Unsecured Bonds	195.1	194.7

The Convertible Senior Unsecured Bonds were issued bearing interest at a fixed rate of 2.75% per year (payable semi-annually in arrears on December 23 and June 23 of each year) and will mature on December 23, 2022 (Maturity Date), unless earlier redeemed or converted. Holders may convert their Convertible Senior Unsecured Bonds at their option into shares up to and including the earlier of 7 trading days before the Maturity Date, or 10 trading days prior to an early redemption. In the event of conversion of the Convertible Senior Unsecured Bonds, the Company will deliver shares of the Company's common stock. The conversion ratio is initially approximately 39.6504 shares per Bond representing CHF 5,000, the principal amount of one bond (equivalent to an initial conversion price of CHF 126.1020 per share of the Company's common stock). For all Convertible Senior Unsecured Bonds together the current number of underlying shares is 1,586,017 shares. The conversion ratio and the corresponding conversion price will be subject to adjustment upon the occurrence of certain events, but will not be adjusted for any accrued and unpaid interest. If the Company undergoes a fundamental change, Holders may require the Company to purchase for cash all or part of their Convertible Senior Unsecured Bonds at a purchase price equal to 100% of the principal amount of the Convertible Senior Unsecured Bonds to be purchased, plus accrued and unpaid interest. In addition, if certain make-whole fundamental changes occur, the Company will, in certain circumstances, adjust the conversion price for any Convertible Senior Unsecured Bonds converted in connection with such make-whole fundamental change. The Convertible Senior Unsecured Bonds will be redeemable at the Company's option on or after January 7, 2021, if the volume weighted average price of a share on each of at least twenty out of thirty consecutive trading days ending not earlier than five trading days prior to the giving of the notice of redemption is at least 130% of the prevailing Conversion Price; or at any time if less than 15% of the aggregate principal amount is outstanding.

Total issuance costs of CHF 5.3 million related to the Convertible Senior Unsecured Bonds include legal fees and other issuance-related costs and were deducted from the proceeds of the Convertible Senior Unsecured Bonds. The Company will accrete the issuance costs as interest expense over the contractual term of the Convertible Senior Unsecured Bonds.

For the six months ending June 30, 2016, the Company recognized interest expense of CHF 2.7 million (six months ending June 30, 2015: None) for contractual coupon interest and CHF 0.4 million (six months ending June 30, 2015: None) for accretion of the issuance costs. The remaining unamortized debt issuances costs of CHF 4.9 million will be accreted over the remaining term of the Convertible Senior Unsecured Bonds, which is approximately 6.5 years.

The amortisation table related to the Convertible Senior Unsecured Bonds as of June 30, 2016 is as follows:

Amount in CHF million	
Remainder of 2016	3.2
2017	6.3
2018	6.3
2019	6.3
2020	6.3
Thereafter	212.2
Total minimum payments, including unamortized issuance costs	**240.6**
Less amount representing interest	40.6
Convertible Senior Unsecured Bonds, gross	200.0
Unamortized issuance costs on Convertible Senior Unsecured Bonds	(4.9)
Convertible Senior Unsecured Bonds, including unamortized issuance costs	**195.1**

10 Accruals and other current liabilities

Accruals and other current liabilities as of June 30, 2016 and December 31, 2015 consisted of the following:

In CHF million	2016	2015
Accrued research & development expenses	2.3	4.1
Accrued personnel and compensation costs	6.3	8.0
Accrued sales and marketing expenses	3.1	3.1
Other	1.6	3.0
Total accruals and other current liabilities	**13.3**	**18.2**

The other liabilities include income tax payables solely related to foreign taxable income.

11 Stock-based compensation

The Company has established a stock option plan to incentize executives and certain employees with an opportunity to obtain stock options on registered shares of Basilea. The shareholders approved conditional capital necessary for the issuance of shares upon the exercise of stock options, of which CHF 1.9 million remain available as of June 30, 2016. CHF 1.4 million of this remaining available conditional capital are reserved for stock options, which were issued and outstanding as of June 30, 2016.

Each option entitles the participant to the purchase of one registered share at the strike price pursuant to the terms of the stock option plan. At the end of the option term, all unexercised options expire without value.

In the six months ending June 30, 2016 the Company granted 194'564 stock options under its stock option plan with an exercise price of CHF 83.00 and a weighted average grant-date fair value of CHF 34.89 per stock option. The fair value of the stock options granted was determined at the grant date using a binomial model. The expected volatility was determined based on the indicative historic volatility of Basilea's share price. The expected term of stock options granted was determined based on management's best estimate of assumed future exercise patterns, considering both the historic exercise patterns and the expected future development of the Company.

For the six months ending June 30, 2016, the Company recognized stock-based compensation expenses of CHF 3.7 million (six months ending June 30, 2015: CHF 3.9 million) related to this stock option plan.

12 Shareholders' equity

As of June 30, 2016, Basilea had 11,810,373 registered shares (Namenaktien) issued and outstanding with a par value of CHF 1 per share. As of December 31, 2015, Basilea had 10,800,623 registered shares issued and outstanding with a par value of CHF 1 per share.

For the six months ending June 30, 2016, 9,750 stock options were exercised, using conditional capital, which resulted in the issuance of 9,750 registered shares with a par value of CHF 1 per share. For the six months ending June 30, 2015, 213,739 stock options were exercised.

Basilea had a total approved conditional capital of CHF 2,587,775 as of June 30, 2016 for the issuance of a maximum of 2,587,775 registered shares with a par value of CHF 1 per share. This conditional capital contained CHF 1,947,775 (1,947,775 registered shares with a par value of CHF 1 per share) reserved for the issuance of shares under the stock option plan available to directors, executives and certain employees. In addition, the shareholders approved conditional capital of CHF 640,000, consisting of 640,000 registered shares with a par value of CHF 1 each, available for the exercise of option or conversion rights granted with new option or convertible bonds.

By shareholder approval at the 2014 ordinary general meeting of shareholders, Basilea is authorized to increase its share capital by a maximum of CHF 2,000,000 by issuing a maximum of 2,000,000 registered shares with a par value of CHF 1 per share. This authorization was valid for two years and expired in April 2016. In January 2016 Basilea increased the share capital by CHF 1,000,000 out of this authorized capital by issuing 1,000,000 registered shares with a par value of CHF 1 per share to a subsidiary of Basilea. These issued shares are held by Basilea Pharmaceutica International Ltd. for the potential conversion of the outstanding Convertible Senior Unsecured Bonds and are presented as treasury shares in these condensed consolidated interim financial statements.

By shareholder approval at the 2016 ordinary general meeting of shareholders, Basilea is authorized to increase its share capital by a maximum of CHF 1,000,000 by issuing a maximum of 1,000,000 registered shares with a par value of CHF 1 per share. This authorization is valid for two years.

Changes in accumulated other comprehensive income/loss for the six months ending June 30, 2016 and 2015:

In CHF million	Currency translation adjustment	Unrecognized pension cost	Total
December 31, 2014	**(0.2)**	**(13.8)**	**(14.0)**
Change during the period	(0.7)	–	(0.7)
Reclassification adjustment, included in the condensed consolidated statements of operations in Selling, general & administration expenses	–	0.4	0.4
Total change during the period	**(0.7)**	**0.4**	**(0.3)**
June 30, 2015	**(0.9)**	**(13.4)**	**(14.3)**
December 31, 2015	**(0.8)**	**(17.1)**	**(17.9)**
Change during the period	(0.5)	–	(0.5)
Reclassification adjustment, included in the condensed consolidated statements of operations in Selling, general & administration expenses	–	0.6	0.6
Total change during the period	**(0.5)**	**0.6**	**0.1**
June 30, 2016	**(1.3)**	**(16.5)**	**(17.8)**

13 Earnings/Loss per share

For the six months ending June 30, 2016 and 2015, there was no difference between basic and diluted loss per share. The weighted average number of shares outstanding and the loss per share for the six months ending June 30, 2016 and 2015 were as follows:

	2016	2015
Net loss in CHF million	(27.9)	(30.1)
Weighted average number of shares outstanding, basic and diluted	10 119 900	10 050 298
Basic and diluted loss per share in CHF	(2.76)	(3.00)

For the six months ending June 30, 2016, 168,596 incremental shares (six months ending June 30, 2015: 319,967 incremental shares) relating to potential exercises of stock options and 1,586,017 shares issuable upon conversion of the Convertible Senior Unsecured Bonds (six months ending June 30, 2015: None) were excluded, as the effect would have been anti-dilutive.

14 Pension plan

As of June 30, 2016, the Company recorded an accrued pension liability of CHF 12.5 million in other non-current liabilities (December 31, 2015: CHF 12.6 million). The following table provides information on the pension expenses related to the Company's defined benefit pension plan for the six months ending June 30, 2016 and 2015:

In CHF million	2016	2015
Service cost	1.4	1.1
Interest cost	0.4	0.5
Expected return on plan assets	(0.6)	(0.7)
Amortization of pension related net loss	0.6	0.4
Gross (benefit)/expense	**1.8**	**1.3**
Participant contributions	(0.6)	(0.6)
Net periodic pension cost	**1.2**	**0.7**

15 Segment information

The Company operates in one segment, which is the discovery, development and commercialization of innovative pharmaceutical products. The CEO of the Company reviews the statement of operations of the Company on a consolidated basis and makes decisions and manages the operations of the Company as a single operating segment.

16 Concentration of risk

The Company is generally subject to credit risk related to financial investments. The Company mitigates such credit risk by investing the funds only with counterparties, which are rated as high quality investment grade by a major rating agency or are fully guaranteed by Swiss cantons at the time of the Company's investment. As of June 30, 2016, the investments were invested long-term with one bank and amounted to CHF 50.0 million. As of December 31, 2015, the investments were invested short-term with two different banks and amounted to CHF 51.6 million.

The cash and cash equivalents as of June 30, 2016 amounted to CHF 260.9 million, of which CHF 255.1 million was held with four different banks. The cash and cash equivalents as of December 31, 2015 amounted to CHF 313.1 million, of which CHF 307.8 million was held with four different banks. As of June 30, 2016, the highest total amount of cash and cash equivalents and long-term investments held at one bank amounted to CHF 153.9 million. As of December 31, 2015, the highest total amount of cash and cash equivalents and short-term investments held at one bank amounted to CHF 145.9 million.

The Company is also subject to credit risk related to accounts receivable. The highest total amount of accounts receivable with an individual counterparty as of June 30, 2016 is from Astellas in the amount of CHF 0.3 million in connection with the license agreement related to isavuconazole (December 31, 2015: CHF 1.3 million).

17 Commitments and contingencies

The Company entered into various purchase commitments for services and materials as well as for equipment as part of the ordinary business. In the opinion of management, these commitments are not in excess of current market prices in all material respects, reflect normal business operations and will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

By agreement in 2015, Losan Pharma GmbH, Neuenburg/Germany ("Losan") granted Basilea a royalty-bearing license to a formulation patent and related know-how; in return for a payment of CHF 3.1 million, Losan has withdrawn the claim it filed in 2012 in Basel-Stadt court (*Appellationsgericht Basel-Stadt*) against Basilea and Basilea Pharmaceutica International Ltd.; and Basilea has withdrawn its pending European Patent Office challenge to Losan's patent.

As of June 30, 2016, there were no significant contingencies.

18 Subsequent events

The Company has evaluated subsequent events through August 11, 2016, the date on which the financial statements were available to be issued.

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