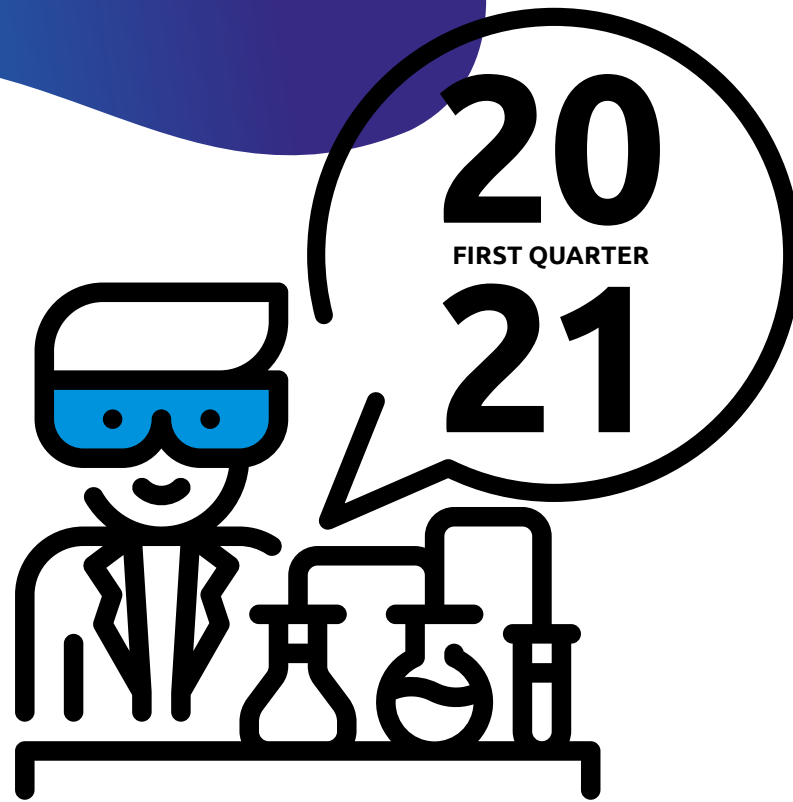


Financial Report



+

idonesia

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

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

Contents

4 **Financial Review**

14 **Unaudited Interim
Consolidated Financial Statements**



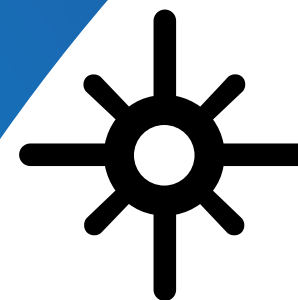
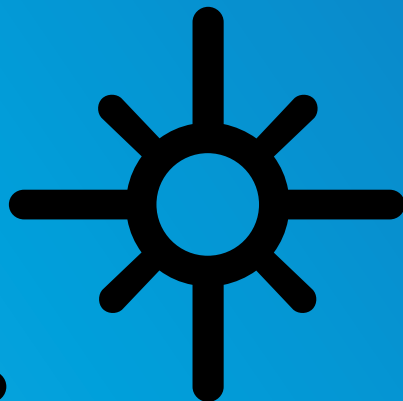
Contents navigation

> Contents

Financial Review

Unaudited Interim
Consolidated
Financial Statements

Financial Review



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

Rounding differences may occur
nm = not meaningful

Idorsia's key numbers

Profit and loss

(in CHF millions, except EPS)	US GAAP		First quarter Non-GAAP	
	2021	2020	2021	2020
Net revenue				
Product sales	-	-	-	-
Contract revenue – royalties	-	-	-	-
Contract revenue – milestones	7	5	7	5
Contract revenue – others	-	-	-	-
Operating expenses				
Research and development	(97)	(97)	(92)	(90)
Selling, general and administrative	(31)	(19)	(28)	(16)
Net results				
Operating income (loss)	(122)	(111)	(114)	(101)
Net income (loss)	(105)	(120)	(95)	(102)
Basic EPS	(0.63)	(0.91)	(0.57)	(0.78)
Diluted EPS	(0.63)	(0.91)	(0.57)	(0.78)

Cash flow

(in CHF millions)	First quarter	
	2021	2020
Cash flow		
Operating cash flow	(150)	(106)
Cash raise	(0)	-
Capital expenditure	(3)	(2)

Shares

(in millions)	Mar 31,	Dec 31,
	2021	2020
Share count		
Issued common shares	166.9	166.5
Equity derivatives	44.6	44.6
Equity instruments	9.1	7.9
Total potential issued shares	220.6	219.0

Liquidity and indebtedness

(in CHF millions)	Mar 31,	Dec 31,
	2021	2020
Liquidity		
Cash and cash equivalents	128	141
Short-term deposits	741	867
Long-term deposits	196	192
Total liquidity	1,065	1,200
Indebtedness		
Convertible loan	390	388
Convertible bonds	199	199
Other financial debt	-	-
Total indebtedness	589	587

Contents navigation

Contents

> Financial Review

Unaudited Interim
Consolidated
Financial Statements

Revenue

Revenue

(in CHF millions)	First quarter	
	2021	2020
Revenue		
Product sales	-	-
Contract revenue - royalties	-	-
Contract revenue - milestones	7	5
Contract revenue - others	-	-
US GAAP revenue	7	5

Revenue of CHF 7 m consisted of contract revenue recognized in connection with the collaboration agreements with Neurocrine (license and research & development collaboration: CHF 1 m), Janssen (aprocitentan: CHF 3 m), Roche (research collaboration: CHF 2 m) and Mochida (daridorexant Japan: CHF 1 m).

In the first quarter of 2021, the research collaboration with Roche was terminated.

Operating expenses

Operating expenses

(in CHF millions)	First quarter	
	2021	2020
Operating expenses		
Research	27	26
Development	60	64
Selling	11	4
General and administrative	18	13
Milestones paid	5	-
Non-GAAP operating expenses	121	106
Depreciation and amortization	4	5
Share-based compensation	4	5
Other	-	-
Other operating expenses	8	10
US GAAP operating expenses	129	116

US GAAP operating expenses of CHF 129 m comprised non-GAAP operating expenses of CHF 121 m, depreciation and amortization of CHF 4 m and share-based compensation of CHF 4 m.

Contents navigation

Contents

> Financial Review

Unaudited Interim
Consolidated
Financial Statements

Research and development (“R&D”) expenses

(in CHF millions)	First quarter	
	2021	2020
R&D expenses		
Research	27	26
Development	60	64
Milestones paid	5	-
Non-GAAP R&D expenses	92	90
Depreciation and amortization	3	4
Share-based compensation	2	3
Other	-	-
US GAAP R&D expenses	97	97

Non-GAAP research expenses amounted to CHF 27 m, comprising biology (CHF 7 m), chemistry (CHF 8 m) and preclinical activities (CHF 12 m).

Non-GAAP development expenses amounted to CHF 60 m, comprising CHF 36 m for clinical activities (including CHF 23 m study costs, mainly driven by late stage studies for daridorexant, cenerimod, clazosentan, lucerastat, apocitentan), CHF 20 m for pharmaceutical development activities (including CHF 11 m for drug substance and CHF 2 m for drug product) and CHF 4 m related to inventory build up.

Milestones paid of CHF 5 m related to the clazosentan filing in Japan.

Selling, general and administrative (“SG&A”) expenses

(in CHF millions)	First quarter	
	2021	2020
SG&A expenses		
Selling	11	4
General and administrative	18	13
Non-GAAP SG&A expenses	28	16
Depreciation and amortization	1	1
Share-based compensation	2	2
Other	-	-
US GAAP SG&A expenses	31	19

Non-GAAP SG&A expenses amounted to CHF 28 m, comprising CHF 11 m for commercial activities, CHF 10 m for information systems and CHF 8 m for other support functions.

Contents navigation

Contents

> Financial Review

Unaudited Interim
Consolidated
Financial Statements

Operating results

Non-GAAP and US GAAP operating results

(in CHF millions)	First quarter	
	2021	2020
Operating results		
Contract revenues	7	5
Operating expenses	(121)	(106)
Non-GAAP operating income (loss)	(114)	(101)
Operating results		
Contract revenues	7	5
Operating expenses	(129)	(116)
US GAAP operating income (loss)	(122)	(111)

The CHF 8 m difference between the non-GAAP and the US GAAP operating loss related to depreciation and amortization of CHF 4 m and share-based compensation of CHF 4 m.

Financial results

Financial results

(in CHF millions)	First quarter	
	2021	2020
Financial results		
Interest income (expense), net	(0)	(0)
Other financial income (expense), net	20	0
Non-GAAP financial income (expense)	20	0
Accretion expense	(2)	(2)
Gain (loss) on marketable securities	0	(6)
US GAAP financial income (expense)	18	(8)

Non-GAAP financial income mainly consists of currency exchange rate gains on USD funds held to cover future USD expenses. The CHF 2 m difference between the non-GAAP and the US GAAP financial result includes the non-cash accretion expense of CHF 2 m relating to the convertible debt.

Contents navigation

Contents

> Financial Review

Unaudited Interim
Consolidated
Financial Statements

Income tax

Income tax

(in CHF millions)	First quarter	
	2021	2020
Income tax		
Income tax benefit (expense)	(1)	(1)
Non-GAAP tax benefit (expense)	(1)	(1)
Other tax benefit (expense)	0	(1)
US GAAP income tax benefit (expense)	(1)	(1)

Both US- and non-GAAP tax expense included an increase of the valuation allowance of CHF 14 m, mainly related to deferred tax assets arising from operating losses which can be carried forward for 7 years.

Net results, EPS and shares

Net results

(in CHF millions)	First quarter	
	2021	2020
Non-GAAP operating income (loss)	(114)	(101)
Financial income (expense)	20	0
Income tax benefit (expense)	(1)	(1)
Non-GAAP net income (loss)	(95)	(102)
US GAAP operating income (loss)	(122)	(111)
Financial income (expense)	18	(8)
Income tax benefit (expense)	(1)	(1)
US GAAP net income (loss)	(105)	(120)
Net loss attributable to noncontrolling interests	-	0
US GAAP net income (loss) attributable to Idorsia's shareholders	(105)	(120)

The CHF 10 m difference between the non-GAAP and the US GAAP net loss was mainly due to depreciation and amortization of CHF 4 m, share-based compensation of CHF 4 m and the financial accretion expense of CHF 2 m relating to the convertible debt.

Contents navigation

Contents

> Financial Review

Unaudited Interim
Consolidated
Financial Statements

Shares

(in millions)	Issued	Potentially dilutive equity instruments		Total potential issued shares
		Derivatives	Awards	
Dec 31, 2020	166.5	44.6	7.9	219.0
Issuance	0.1	-	1.5	1.5
Vested	0.2	-	(0.2)	-
Exercised	0.1	-	(0.1)	-
Forfeitures	-	-	(0.0)	(0.0)
Mar 31, 2021	166.9	44.6	9.1	220.6

Equity derivatives of 44.6 million as at March 31, 2021 included 38.7 million potential shares from the Cilag convertible loan and 5.9 million potential shares from the convertible bonds.

Equity awards of 9.1 million as at March 31, 2021 consisted of 7.9 million share options with a weighted average strike price of 20.52 granted to eligible employees and non-executive directors of the Board and 1.2 million restricted share units granted to eligible employees.

Earnings per share (EPS)

(in CHF millions, unless otherwise indicated)	First quarter	
	2021	2020
Non-GAAP net income (loss)	(95)	(102)
Weighted-average number of basic shares (in millions)	166.6	131.3
Non-GAAP basic EPS (in CHF)	(0.57)	(0.78)
Weighted-average number of dilutive shares (in millions)	166.6	131.3
Non-GAAP diluted EPS (in CHF)	(0.57)	(0.78)
US GAAP net income (loss)	(105)	(120)
Weighted-average number of basic shares (in millions)	166.6	131.3
US GAAP basic EPS (in CHF)	(0.63)	(0.91)
Weighted-average number of dilutive shares (in millions)	166.6	131.3
US GAAP diluted EPS (in CHF)	(0.63)	(0.91)

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

Contents navigation

Contents

> Financial Review

Unaudited Interim
Consolidated
Financial Statements

Cash flow and liquidity

Operating cash flow

(in CHF millions)	First quarter	
	2021	2020
Operating cash flow		
US GAAP net income (loss)	(105)	(120)
Deferred contract revenue	2	4
Deferred taxes	(0)	1
Depreciation and amortization	4	5
Accretion of convertible debt discount	2	2
Share-based compensation	4	5
Other non cash items	(0)	6
Funds from operations	(93)	(98)
Net change in receivables	0	(0)
Net change in trade and other payables	(1)	(1)
Net change in other operating assets and liabilities	(57)	(7)
Change in working capital	(57)	(8)
Operating cash flow	(150)	(106)

Operating cash flow for the first quarter 2021 was negative at CHF 150 m, mainly driven by the non-GAAP operating expenses of CHF 121 m, cash inflow of CHF 8 m from milestones received as well as working capital and other movements of CHF 37 m negative.

Cash flow

(in CHF millions)	First quarter	
	2021	2020
Cash flow		
Operating cash flow	(150)	(106)
Acquisition of tangible, intangible and other assets	(3)	(2)
Free cash flow	(153)	(108)
Cash raise	(0)	-
Other items	18	(0)
Cash flow¹	(135)	(108)

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

Free cash flow is reconciled with liquidity of CHF 1,065 m at March 31, 2021. Liquidity in the first quarter of 2021 decreased by CHF 135 m mainly driven by a negative operating cash flow of CHF 150 m.

Liquidity

(in CHF millions)	Liquidity
Liquidity Dec 31, 2020	1,200
Liquidity movements Q1	(135)
Liquidity Mar 31, 2021	1,065

As of March 31, 2021, liquidity consisted of cash and cash equivalents of CHF 128 m, short-term deposits of CHF 741 m and long-term deposits of CHF 196m.

Liquidity of CHF 1,065 m at March 31, 2021 was mainly held in Swiss francs (CHF 788 m) and in US dollars (equivalent of CHF 270 m).

Contents navigation

Contents

> Financial Review

Unaudited Interim
Consolidated
Financial Statements

Balance sheet

Balance sheet

	Mar 31, 2021	Dec 31, 2020
(in CHF millions)		
Assets		
Liquidity ¹	1,065	1,200
Tangible assets	192	196
Other assets	41	39
Total assets	1,298	1,435
Liabilities and equity		
Financial debt	589	587
Deferred revenue	33	31
Other liabilities	186	232
Total liabilities	809	850
Total equity	489	585
Total liabilities and equity	1,298	1,435

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

Tangible assets (CHF 192 m) mainly consisted of real-estate, R&D equipment and right-of-use assets.

Other assets (CHF 41 m) comprised prepayments of CHF 14 m, receivables of CHF 12 m, marketable securities of CHF 5 m (long-term CHF 3 m, short-term CHF 2 m) and other assets of CHF 10 m.

Financial debt (CHF 589 m) comprised the debt component (CHF 390 m) of the outstanding convertible loan (nominal amount of CHF 445 m) and CHF 199 m relating to the convertible bonds (nominal amount of CHF 200 m).

Deferred revenue (CHF 33 m) related to the collaborations with Janssen (CHF 16 m), Mochida (CHF 13 m) and Neurocrine Biosciences (CHF 5 m).

Other liabilities (CHF 186 m) included current and noncurrent liabilities of CHF 82 m and CHF 104 m respectively. Current liabilities mainly comprised accrued expenses of CHF 63 m, payables of CHF 11 m and a short-term lease liability of CHF 8 m. Noncurrent liabilities mainly comprised a lease liability of CHF 41 m, pension obligations of CHF 51 m, deferred tax liabilities of CHF 4 m and other noncurrent liabilities of CHF 7 m.

Contents navigation

Contents

> Financial Review

Unaudited Interim
Consolidated
Financial Statements

Reconciliation of US GAAP to non-GAAP results

Reconciliation of US GAAP to non-GAAP results for the first quarter 2021

(in CHF millions, unless otherwise indicated)	US GAAP results	Depreciation, amortization, impairment	Share-based compensation	Other items	Non-GAAP results
Net revenue					
Product sales	-	-	-	-	-
Contract revenue – royalties	-	-	-	-	-
Contract revenue – milestones	7	-	-	-	7
Contract revenue – others	-	-	-	-	-
Total net revenue	7	-	-	-	7
Operating expenses					
Cost of sales	-	-	-	-	-
Research and development	(97)	3	2	-	(92)
Selling, general and administrative	(31)	1	2	-	(28)
Amortization of intangible assets	(0)	0	-	-	-
Total operating expenses	(129)	4	4	-	(121)
Operating results	(122)	4	4	-	(114)
Total financial income (expense)	18	-	-	2	20
Income before income tax benefit (expense)	(104)	4	4	2	(94)
Income tax benefit (expense)	(1)	(0)	(0)	(0)	(1)
Noncontrolling interest	-	-	-	-	-
Net income (loss)	(105)	4	4	2	(95)
Basic net income (loss) per share (CHF)	(0.63)	0.03	0.02	0.01	(0.57)
Weighted-average number of basic shares (in millions)	166.6	-	-	-	166.6
Diluted net income (loss) per share (CHF)	(0.63)	0.03	0.02	0.01	(0.57)
Weighted-average number of dilutive shares (in millions)	166.6	-	-	-	166.6

Contents navigation

Contents

> [Financial Review](#)

Unaudited Interim
Consolidated
Financial Statements

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

Unaudited Interim Consolidated Financial Statements



Interim Consolidated Income Statement

	Three months ended March 31,	
	2021	2020
(in CHF thousands, except per share amounts)	(unaudited)	(unaudited)
Net revenue		
Product sales	-	-
Contract revenue	6,866	5,023
Total net revenue	6,866	5,023
Operating (expenses)¹		
Research and development	(97,452)	(96,767)
Selling, general and administrative	(30,974)	(18,945)
Amortization of intangible assets	(238)	(318)
Total operating (expenses)	(128,664)	(116,030)
Operating income (loss)	(121,797)	(111,006)
Interest income (expense), net	(219)	(192)
Accretion of convertible debt	(2,080)	(2,061)
Other financial income (expense), net	20,172	(5,556)
Total financial income (expense)	17,872	(7,809)
Income (loss) before income tax benefit (expense)	(103,925)	(118,815)
Income tax benefit (expense)	(606)	(1,470)
Net income (loss)	(104,531)	(120,285)
Less: Net (gain) loss attributable to the noncontrolling interests	-	252
Net income (loss) attributable to Idorsia's shareholders	(104,531)	(120,033)
Basic net income (loss) per share attributable to Idorsia's shareholders	(0.63)	(0.91)
Weighted-average number of common shares (in thousands)	166,605	131,255
Diluted net income (loss) per share attributable to Idorsia's shareholders	(0.63)	(0.91)
Weighted-average number of common shares (in thousands)	166,605	131,255
¹ Includes share-based compensation as follows:		
Research and development	1,913	2,950
Selling, general and administrative	1,939	1,859
Total share-based compensation	3,852	4,809

Contents navigation

Contents

Financial Review

> **Unaudited Interim Consolidated Financial Statements**

Interim Consolidated Statement of Comprehensive Income

(in CHF thousands)	Three months ended March 31,	
	2021 (unaudited)	2020 (unaudited)
Net income (loss)	(104,531)	(120,285)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	247	(8)
Change of unrecognized components of net periodic benefit costs	80	(53)
Other comprehensive income (loss), net of tax	328	(61)
Comprehensive income (loss)	(104,204)	(120,346)
Less: Comprehensive (gain) loss attributable to noncontrolling interests	-	253
Comprehensive income (loss) attributable to Idorsia's shareholders	(104,204)	(120,093)

Contents navigation

Contents

Financial Review

> **Unaudited Interim
Consolidated
Financial Statements**

Interim Consolidated Balance Sheet (1/2)

	Mar 31,	Dec 31,
	2021	2020
	(unaudited)	(audited)
<i>(in CHF thousands, except number of shares)</i>		
ASSETS		
Current assets		
Cash and cash equivalents	127,665	140,810
Short-term deposits	741,062	867,255
Receivables from related parties	4,705	4,568
Other current assets	23,667	21,995
Total current assets	897,099	1,034,627
Noncurrent assets		
Long-term deposits	196,090	191,620
Marketable securities	2,939	2,854
Property, plant and equipment, net	140,149	142,714
Right-of-use assets	51,887	53,510
Intangible assets, net	491	583
Other noncurrent assets	9,254	9,458
Total noncurrent assets	400,809	400,738
TOTAL ASSETS	1,297,908	1,435,365
LIABILITIES		
Current liabilities		
Trade and other payables	10,420	11,117
Payables and accrued payables to related parties	1,065	122
Deferred revenue	19,666	17,397
Lease liability	7,612	7,524
Accrued expenses	63,095	91,306
Total current liabilities	101,858	127,467
Noncurrent liabilities		
Convertible loan	390,359	388,348
Convertible bonds	199,074	199,004
Deferred revenue	13,677	13,312
Lease liability	40,791	43,113
Pension liability	51,391	66,426
Deferred tax liability	4,429	4,765
Other noncurrent liabilities	7,439	7,446
Total noncurrent liabilities	707,160	722,415
Total liabilities	809,018	849,882

Contents navigation

Contents

Financial Review

> **Unaudited Interim Consolidated Financial Statements**

Interim Consolidated Balance Sheet (2/2)

	Mar 31,	Dec 31,
(in CHF thousands, except number of shares)	2021	2020
	(unaudited)	(audited)
EQUITY		
Idorsia's shareholders' equity		
Common shares (par value CHF 0.05 per share, issued and outstanding 166,905,097 and 166,482,328 in 2021 and 2020 respectively; total number of authorized shares, including issued, authorized and conditional, 261,241,430 and 261,241,430 in 2021 and 2020 respectively)	8,345	8,324
Additional paid-in capital	1,970,328	1,962,739
Accumulated profit (loss)	(1,452,016)	(1,347,484)
Accumulated other comprehensive income (loss)	(37,768)	(38,096)
Total Idorsia's shareholders' equity	488,889	585,483
Equity attributable to noncontrolling interests	-	-
Total equity	488,889	585,483
TOTAL LIABILITIES AND EQUITY	1,297,908	1,435,365

Contents navigation

Contents

Financial Review

> **Unaudited Interim Consolidated Financial Statements**

Interim Consolidated Statement of Cash Flows

(in CHF thousands)	Three months ended March 31,	
	2021	2020
	(unaudited)	(unaudited)
Cash flow from operating activities		
Net income (loss)	(104,531)	(120,285)
Adjustments to reconcile net income (loss) to net cash provided from operating activities:		
Depreciation and amortization	4,297	4,868
Share-based compensation	3,852	4,809
Accretion of convertible debt	2,080	2,061
Fair value changes on marketable securities	(145)	5,787
Deferred revenue	1,584	3,922
Deferred taxes	(146)	1,124
Changes in operating assets and liabilities:		
Other receivables	330	(294)
Trade and other payables	(852)	(867)
Accrued expenses	(26,505)	1,810
Changes in other operating cash flow items	(30,111)	(8,885)
Net cash flow provided by (used in) operating activities	(150,147)	(105,953)
Cash flow from investing activities		
Purchase of short-term deposits	(28,471)	(168,800)
Proceeds from short-term deposits	165,589	288,478
Purchase of long-term deposits	-	(180,000)
Purchase of property, plant and equipment	(2,524)	(1,963)
Purchase of intangible assets	(27)	(2)
Net cash flow provided by (used in) investing activities	134,566	(62,287)
Cash flow from financing activities		
Issuance of new shares, net	(5)	-
Proceeds from exercise of share options	2,104	-
Net cash flow provided by (used in) financing activities	2,099	-
Net effect of exchange rates on cash and cash equivalents	337	(7)
Net change in cash and cash equivalents	(13,145)	(168,247)
Cash and cash equivalents at beginning of period	140,810	263,007
Cash and cash equivalents at end of period	127,665	94,760

Contents navigation

Contents

Financial Review

> Unaudited Interim Consolidated Financial Statements

Interim Consolidated Statement of Changes in Equity

	Idorsia's shareholders				Noncontrolling interests		Total equity
	Common shares		Additional paid-in capital	Accum. profit (loss)	Accum. other comprehensive income (loss)	Equity attrib. to noncontrolling interests	
(in CHF thousands, except number of shares)	Shares	Amount					
At January 1, 2020	131,241,148	6,562	1,083,677	(894,268)	(23,527)	(8,098)	164,346
Comprehensive income (loss):							
Net income (loss)				(120,033)		(253)	(120,286)
Other comprehensive income (loss)					(61)		(61)
Comprehensive income (loss)							(120,346)
Share-based compensation expense	46,198	2	5,573				5,576
At March 31, 2020 (unaudited)	131,287,346	6,564	1,089,250	(1,014,301)	(23,587)	(8,351)	49,577
Comprehensive income (loss):							
Net income (loss)				(324,758)		(75)	(324,834)
Other comprehensive income (loss)					(14,510)		(14,510)
Comprehensive income (loss)							(339,344)
Exercise of share options	372,284	19	6,582				6,601
Share-based compensation expense	22,698	1	12,795				12,796
Issuance of new shares	34,800,000	1,740	844,705				846,445
Acquisition of noncontrolling interests			9,406	(8,426)		8,426	9,406
At December 31, 2020 (audited)	166,482,328	8,324	1,962,739	(1,347,485)	(38,096)	-	585,483
Comprehensive income (loss):							
Net income (loss)				(104,531)		-	(104,531)
Other comprehensive income (loss)					328		328
Comprehensive income (loss)							(104,204)
Exercise of share options	118,651	6	2,098				2,104
Share-based compensation expense	304,118	15	5,496				5,512
Issuance of new shares	-	-	(5)				(5)
At March 31, 2021 (unaudited)	166,905,097	8,345	1,970,328	(1,452,016)	(37,768)	-	488,889

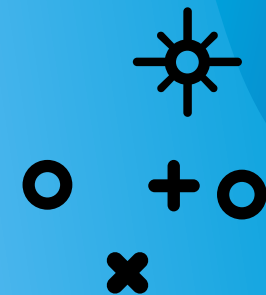
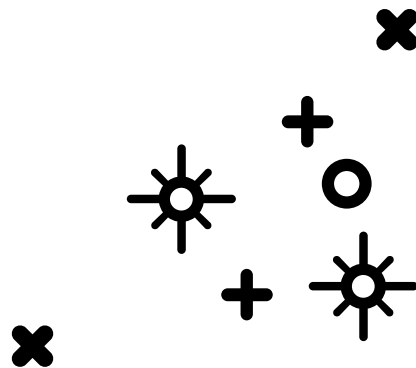
Contents navigation

Contents

Financial Review

➤ **Unaudited Interim Consolidated Financial Statements**

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