



Idorsia –  
Financial Report  
as of 30 September 2017

**idorsia**



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## ③ Financial review

# Idorsia's key numbers

## Profit and loss

(in CHF millions, except EPS)	Period ended Sep 30, 2017		Third quarter 2017	
	US GAAP	Non-GAAP	US GAAP	Non-GAAP
<b>Net revenue</b>				
Product sales	-	-	-	-
Contract revenue - royalties	-	-	-	-
Contract revenue - milestones	-	-	-	-
Contract revenue - others	-	-	-	-
<b>Operating expenses</b>				
Research and development	(64)	(57)	(55)	(50)
General and administration	(15)	(14)	(13)	(11)
<b>Net results</b>				
Operating income (loss)	(79)	(71)	(68)	(61)
Net income (loss)	(82)	(73)	(71)	(62)
Basic and diluted EPS	(0.73)	(0.65)	(0.59)	(0.52)

## Cash flow

(in CHF millions)	Period ended Sep 30, 2017		Third quarter 2017	
<b>Cash flow</b>				
Operating cash flow			(50)	(55)
Capital expenditure			(1)	(1)
Free cash flow			(51)	(56)

## Liquidity and indebtedness

(in CHF millions)	Sep 30, 2017	Jun 30, 2017
<b>Liquidity</b>		
Cash and cash equivalents	552	607
Short-term deposits	150	150
Long-term deposits	250	250
<b>Total Liquidity</b>	<b>952</b>	<b>1,007</b>
<b>Indebtedness</b>		
Convertible loan	363	361
Other financial debt	-	-
<b>Total indebtedness</b>	<b>363</b>	<b>361</b>

## Shares

(in millions)	Sep 30, 2017	Jun 30, 2017
<b>Share count</b>		
Issued common shares	119.1	119.1
Equity derivatives	38.7	38.7
Equity instruments	4.9	-
<b>Total potential issued shares</b>	<b>162.7</b>	<b>157.8</b>

### Disclaimer and notes to this financial report:

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 to 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

Period results correspond to the three and a half months operations since the demerger from Actelion

# Operating expenses

## Operating expenses

(in CHF millions)	Period ended Sep 30, 2017	Third quarter 2017
<b>Operating expenses</b>		
Non-GAAP research	34	30
Non-GAAP development	23	20
Non-GAAP general and administrative	14	11
Non-GAAP milestones paid	-	-
<b>Non-GAAP operating expenses</b>	<b>71</b>	<b>61</b>
Depreciation and amortization	5	5
Stock-based compensation	3	3
Other	-	-
<b>Other operating expenses</b>	<b>8</b>	<b>7</b>
<b>US GAAP operating expenses</b>	<b>79</b>	<b>68</b>

US GAAP operating expenses of CHF 79m included non-GAAP operating expenses of CHF 71m, depreciation and amortization of CHF 5m and stock-based compensation of CHF 3m relating to the initial grant of 4.9m share options to all employees and members of the Board of Directors.

## Research and development ("R&D") expenses

(in CHF millions)	Period ended Sep 30, 2017	Third quarter 2017
<b>R&amp;D expenses</b>		
Research	34	30
Development	23	20
Milestones paid	-	-
<b>Non-GAAP R&amp;D expenses</b>	<b>57</b>	<b>50</b>
Depreciation and amortization	5	4
Stock-based compensation	2	2
Other	-	-
<b>US GAAP R&amp;D expenses</b>	<b>64</b>	<b>55</b>

Research activities consisting of biology, chemistry and preclinical amounted to CHF 34m.

Development activities including clinical and CMC amounted to CHF 23m, mainly driven by four compounds that should enter into phase III in the coming months.

## General and administrative ("G&A") expenses

(in CHF millions)	Period ended Sep 30, 2017	Third quarter 2017
<b>Non-GAAP G&amp;A expenses</b>	<b>14</b>	<b>11</b>
Depreciation and amortization	0	0
Stock-based compensation	1	1
Other	-	-
<b>US GAAP G&amp;A expenses</b>	<b>15</b>	<b>13</b>

# Operating results

## Non-GAAP and US GAAP operating results

(in CHF millions)	Period ended Sep 30, 2017	Third quarter 2017
<b>Operating results</b>		
Non-GAAP revenues	-	-
Non-GAAP operating expenses	(71)	(61)
<b>Non-GAAP operating income (loss)</b>	<b>(71)</b>	<b>(61)</b>
Other revenues	-	-
Other operating expenses	(8)	(7)
<b>US GAAP operating income (loss)</b>	<b>(79)</b>	<b>(68)</b>

# Financial results

## Financial results

(in CHF millions)	Period ended Sep 30, 2017	Third quarter 2017
<b>Financial results</b>		
Interest income (expense), net	(1)	(1)
Other financial income (expense), net	(3)	(2)
<b>Total financial income (expense)</b>	<b>(4)</b>	<b>(3)</b>

Interest expense of CHF 1m was mainly due to negative interest charges on the cash and cash deposits.

Other non-cash financial expenses of CHF 3m were mainly related to the accretion of the convertible loan discount.

# Income tax

## Income tax

(in CHF millions)	Period ended Sep 30, 2017	Third quarter 2017
<b>Income tax</b>		
<b>Total income tax benefit (expense)</b>	<b>0</b>	<b>0</b>

The Group recorded a valuation allowance against the deferred tax asset arising from the operating losses that can be carried forward and utilized in the coming 7 years.

# Net results, EPS and shares

## Net results

(in CHF millions)	Period ended Sep 30, 2017	Third quarter 2017
<b>Net results</b>		
Non-GAAP operating income (loss)	(71)	(61)
Financial income (expense)	(2)	(1)
Income tax benefit (expense)	0	0
<b>Non-GAAP net income (loss)</b>	<b>(73)</b>	<b>(62)</b>
Other operating income (loss)	(8)	(7)
Other financial income (loss)	(2)	(2)
Other income tax benefit (expense)	0	0
<b>US GAAP net income (loss)</b>	<b>(83)</b>	<b>(71)</b>
Net loss attributable to non controlling interests	1	1
<b>US GAAP net income (loss) attributable to Idorsia's shareholders</b>	<b>(82)</b>	<b>(71)</b>

## EPS

(in CHF millions, unless otherwise indicated)	Period ended Sep 30, 2017		Third quarter 2017	
	US GAAP	Non-GAAP	US GAAP	Non-GAAP
<b>Net income (loss)</b>	(82)	(73)	(71)	(62)
Weighted average number of basic shares (in millions)	111.8	111.8	119.1	119.1
<b>Basic earnings per share (in CHF)</b>	<b>(0.73)</b>	<b>(0.65)</b>	<b>(0.59)</b>	<b>(0.52)</b>
Weighted average number of dilutive shares (in millions)	111.8	111.8	119.1	119.1
<b>Diluted earnings per share (in CHF)</b>	<b>(0.73)</b>	<b>(0.65)</b>	<b>(0.59)</b>	<b>(0.52)</b>

The weighting of the shares in the EPS calculation is based on the period starting from the incorporation of Idorsia Ltd, 3 March 2017. No dilutive shares were considered due to the net loss.

## Shares

(in millions)	Issued	Equity derivatives	ESOP	Total
<b>Outstanding dilutive shares Mar 3, 2017</b>	104.0	-	-	104.0
Demerger - share issuance <sup>1</sup>	3.3	-	-	3.3
Convertible loan - issuance	-	50.5	-	50.5
Convertible loan - conversion first tranche	11.8	(11.8)	-	-
<b>Outstanding dilutive shares Jun 30, 2017</b>	<b>119.1</b>	<b>38.7</b>	-	<b>157.8</b>
Equity instruments - issuance	-	-	4.9	4.9
<b>Outstanding dilutive shares Sep 30, 2017</b>	<b>119.1</b>	<b>38.7</b>	<b>4.9</b>	<b>162.7</b>

<sup>1</sup> Prior to the demerger distribution on 15 June 2017, where every Actelion shareholder received one Idorsia share for one Actelion share, Idorsia created 3,310,220 additional shares in order to have exactly the same number of outstanding shares as Actelion (107,310,220 shares)

On 1 July 2017 Idorsia granted 4.9 million share options to all employees and board members at an exercise price of CHF 17.73 with a vesting period of 3 years for employees and the term of the mandate of board members.

# Cash flow and cash position

## Operating cash flow

(in CHF millions)	Period ended Sep 30, 2017	Third quarter 2017
<b>Operating cash flow</b>		
US GAAP net income (loss)	(83)	(71)
Depreciation and amortization	5	5
Accretion of convertible loan discount	2	2
Stock-based compensation	3	3
Other non cash items	-	-
<b>Funds from operations</b>	<b>(72)</b>	<b>(62)</b>
Net change in receivables	(2)	(2)
Net change in trade and other payables	7	(8)
Net change in other operating assets and liabilities	18	18
<b>Decrease (increase) in net working capital</b>	<b>22</b>	<b>8</b>
<b>Decrease (increase) in deferred taxes</b>	<b>(0)</b>	<b>(0)</b>
<b>Operating cash flow</b>	<b>(50)</b>	<b>(55)</b>

## Free cash flow

(in CHF millions)	Period ended Sep 30, 2017	Third quarter 2017
<b>Free cash flow</b>		
Operating cash flow	(50)	(55)
Acquisition of tangible, intangible and other assets	(1)	(1)
<b>Operating free cash flow</b>	<b>(51)</b>	<b>(56)</b>



# Balance sheet

## Balance sheet

(in CHF millions)	Sep 30, 2017	Jun 30, 2017
<b>Assets</b>		
Liquidity <sup>1</sup>	952	1,007
Tangible assets	155	159
Other assets	29	27
<b>Total assets</b>	<b>1,135</b>	<b>1,193</b>
<b>Liabilities and equity</b>		
Financial debt	363	361
Other liabilities	98	88
<b>Total liabilities</b>	<b>460</b>	<b>449</b>
<b>Total equity</b>	<b>675</b>	<b>743</b>
<b>Total liabilities and equity</b>	<b>1,135</b>	<b>1,193</b>

<sup>1</sup> Liquidity includes, cash, cash equivalents, short- and long-term deposits

Tangible assets of CHF 155m mainly included the building and R&D equipment.

Other assets of CHF 29m included receivables mainly from Actelion of CHF 19m in connection with the demerger, prepayments of CHF 6m and non-current assets of CHF 2m.

Financial debt of CHF 363m related to the debt component of the outstanding CHF 445m convertible loan.

Other liabilities of CHF 98m included current and noncurrent liabilities of CHF 50m and CHF 48m respectively. Current liabilities mainly included accruals of CHF 40m (CHF 25m related to employees and CHF 14m other) and payables of CHF 10m (CHF 6m in connection with the demerger). Non-current liabilities mainly included pension obligations of CHF 24m, a subordinated liability of Vaxxilon of CHF 12m and deferred tax liabilities of CHF 7m.

# Reconciliation US GAAP to non-GAAP results

## Reconciliation US GAAP to non-GAAP results for the period ended 30 September 2017

(in CHF millions, except per share amounts and EPS)	US GAAP results	Depreciation, amortization, impairment	Stock-based compensation	Other items	Non-GAAP results
<b>Net revenue</b>					
Product sales	-	-	-	-	-
Contract revenue - royalties	-	-	-	-	-
Contract revenue - milestones	-	-	-	-	-
Contract revenue - others	-	-	-	-	-
<b>Total net revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operating expenses</b>					
Cost of sales	-	-	-	-	-
Research and development	(64)	5	2	-	(57)
General and administrative	(15)	0	1	-	(14)
Amortization of intangible assets	(0)	0	-	-	-
<b>Total operating expenses</b>	<b>(79)</b>	<b>5</b>	<b>3</b>	<b>-</b>	<b>(71)</b>
<b>Operating results</b>	<b>(79)</b>	<b>5</b>	<b>3</b>	<b>-</b>	<b>(71)</b>
<b>Total financial income (loss)</b>	<b>(4)</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>(2)</b>
<b>Income before income tax benefit (expense)</b>	<b>(83)</b>	<b>5</b>	<b>3</b>	<b>2</b>	<b>(73)</b>
Income tax benefit (expense)	0	(0)	(0)	(0)	0
Noncontrolling interest	1	-	-	(1)	-
<b>Net income (loss)</b>	<b>(82)</b>	<b>5</b>	<b>3</b>	<b>1</b>	<b>(73)</b>
<b>Basic net income (loss) per share (CHF)</b>	<b>(0.73)</b>	<b>0.05</b>	<b>0.02</b>	<b>0.01</b>	<b>(0.65)</b>
Weighted-average number of shares (millions)	111.8	-	-	-	111.8
<b>Diluted net income (loss) per share (CHF)</b>	<b>(0.73)</b>	<b>0.05</b>	<b>0.02</b>	<b>0.01</b>	<b>(0.65)</b>
Weighted-average number of shares (millions)	111.8	-	-	-	111.8

## Reconciliation US GAAP to non-GAAP results for the third quarter 2017

(in CHF millions, except per share amounts and EPS)	US GAAP results	Depreciation, amortization, impairment	Stock-based compensation	Other items	Non-GAAP results
<b>Net revenue</b>					
Product sales	-	-	-	-	-
Contract revenue - royalties	-	-	-	-	-
Contract revenue - milestones	-	-	-	-	-
Contract revenue - others	-	-	-	-	-
<b>Total net revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Operating expenses</b>					
Cost of sales	-	-	-	-	-
Research and development	(55)	4	2	-	(50)
General and administrative	(13)	0	1	-	(11)
Amortization of intangible assets	(0)	0	-	-	-
<b>Total operating expenses</b>	<b>(68)</b>	<b>5</b>	<b>3</b>	<b>-</b>	<b>(61)</b>
<b>Operating results</b>	<b>(68)</b>	<b>5</b>	<b>3</b>	<b>-</b>	<b>(61)</b>
<b>Total financial income (loss)</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>(1)</b>
<b>Income before income tax benefit (expense)</b>	<b>(72)</b>	<b>5</b>	<b>3</b>	<b>2</b>	<b>(62)</b>
Income tax benefit (expense)	0	(0)	(0)	(0)	0
Noncontrolling interest	1	-	-	(1)	-
<b>Net income (loss)</b>	<b>(71)</b>	<b>5</b>	<b>3</b>	<b>1</b>	<b>(62)</b>
<b>Basic net income (loss) per share (CHF)</b>	<b>(0.59)</b>	<b>0.04</b>	<b>0.02</b>	<b>0.01</b>	<b>(0.52)</b>
Weighted-average number of shares (millions)	119.1	-	-	-	119.1
<b>Diluted net income (loss) per share (CHF)</b>	<b>(0.59)</b>	<b>0.04</b>	<b>0.02</b>	<b>0.01</b>	<b>(0.52)</b>
Weighted-average number of shares (millions)	119.1	-	-	-	119.1

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



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Interim unaudited  
consolidated financial  
statements

# Consolidated Income Statement

	<b>Period ended Sep 30,</b>
	<b>2017</b>
	(unaudited)
(in CHF thousands, except per share amounts)	
<b>Net revenue</b>	
Product sales	-
Contract revenue	-
<b>Total net revenue</b>	<b>-</b>
<b>Operating (expenses)</b>	
Research and development	(63,663)
General and administrative	(15,211)
Amortization of acquired intangible assets	(61)
<b>Total operating (expenses)</b>	<b>(78,934)</b>
<b>Operating income (loss)</b>	<b>(78,934)</b>
Interest income (expense), net	(1,196)
Accretion of convertible loan discount	(2,199)
Other financial income (expense), net	(626)
<b>Total financial income (expense)</b>	<b>(4,021)</b>
<b>Income (loss) before income tax benefit (expense)</b>	<b>(82,956)</b>
Income tax benefit (expense)	264
<b>Net income (loss)</b>	<b>(82,692)</b>
Less: Net loss attributable to the noncontrolling interests	603
<b>Net income (loss) attributable to Idorsia's shareholders</b>	<b>(82,089)</b>
<b>Basic net income (loss) per share attributable to Idorsia's shareholders</b>	<b>(0.73)</b>
Weighted-average number of common shares (in thousands)	111,792
<b>Diluted net income per share attributable to Idorsia's shareholders</b>	<b>(0.73)</b>
Weighted-average number of common shares (in thousands)	111,792

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## Consolidated statement of comprehensive income

	<b>Period ended Sep 30,</b>
	<b>2017</b>
	(unaudited)
(in CHF thousands)	
<b>Net income (loss)</b>	<b>(82,692)</b>
Other comprehensive income (loss), net of tax:	
Foreign currency translation adjustments	(2)
<b>Other comprehensive income (loss), net of tax</b>	<b>(2)</b>
<b>Comprehensive income (loss)</b>	<b>(82,694)</b>
Less: Comprehensive loss attributable to noncontrolling interests	603
<b>Comprehensive income (loss) attributable to Idorsia's shareholders</b>	<b>(82,091)</b>

# Consolidated Balance Sheet

(in CHF thousands, except number of shares)

Sep 30, 2017

(unaudited)

## ASSETS

### Current assets

Cash and cash equivalents	551,572
Short-term deposits	150,000
Receivables from related parties	19,027
Other current assets	6,847
<b>Total current assets</b>	<b>727,445</b>

### Noncurrent assets

Long-term deposits	250,000
Property, plant and equipment, net	155,250
Intangible assets, net	763
Other noncurrent assets	1,886
<b>Total noncurrent assets</b>	<b>407,899</b>

## TOTAL ASSETS

**1,135,345**

## LIABILITIES

### Current liabilities

Trade and other payables	4,043
Payables to related parties	6,331
Accrued expenses	39,666
<b>Total current liabilities</b>	<b>50,041</b>

### Noncurrent liabilities

Convertible loan	362,763
Pension liability	24,239
Deferred tax liability	6,935
Other noncurrent liabilities	16,345
<b>Total noncurrent liabilities</b>	<b>410,282</b>
<b>Total liabilities</b>	<b>460,323</b>

## EQUITY

### Idorsia's shareholders' equity

Common shares (par value CHF 0.05 per share, issued and outstanding 119,123,430; authorized 213,330,210)	5,956
Additional paid in capital	756,683
Accumulated profit (loss)	(82,089)
Accumulated other comprehensive income (loss)	(2)
<b>Total Idorsia's shareholders' equity</b>	<b>680,548</b>

Equity attributable to noncontrolling interests	(5,526)
<b>Total equity</b>	<b>675,022</b>

## TOTAL LIABILITIES AND EQUITY

**1,135,345**

# Consolidated Statement of Cash Flows

	<b>Period ended Sep 30,</b>
	<b>2017</b>
	(unaudited)
(in CHF thousands)	
<b>Cash flow from operating activities</b>	
Net income (loss)	(82,692)
Adjustments to reconcile net income to net cash provided from operating activities:	
Depreciation and amortization	5,282
Stocked-based compensation	2,797
Accretion of convertible loan	2,199
Deferred taxes	(318)
Changes in operating assets and liabilities:	
Other receivables	(2,188)
Trade and other payables	6,890
Accrued expenses	20,830
Changes in other operating cash flow items	(3,048)
<b>Net cash flow provided by (used in) operating activities</b>	<b>(50,248)</b>
<b>Cash flow from investing activities</b>	
Purchase of short-term deposits	(150,000)
Purchase of long-term deposits	(250,000)
Purchase of property, plant and equipment	(861)
Purchase of intangible assets	(218)
<b>Net cash flow provided by (used in) investing activities</b>	<b>(401,079)</b>
<b>Cash flow from financing activities</b>	
Issuance of new shares	5,367
Proceeds from demerger	418,873
Proceeds from issuance of convertible loan, net of costs	578,644
<b>Net cash flow provided by (used in) financing activities</b>	<b>1,002,884</b>
Net effect of exchange rates on cash and cash equivalents	15
<b>Net change in cash and cash equivalents</b>	<b>551,572</b>
Cash and cash equivalents at beginning of period	-
<b>Cash and cash equivalents at end of period</b>	<b>551,572</b>

## Consolidated Statement of Changes in Equity

	Common shares		Idorsia's shareholders		Accum. other comprehensive income (loss)	Noncontrolling interests Equity attrib. to noncontrolling interests	Total equity
	Shares	Amount	Additional paid-in capital	Accum. profit (loss)			
(in CHF thousands, except number of shares)							
<b>Incorporation March 3, 2017</b>	<b>104,000</b>	<b>5,200</b>	-	-	-	-	<b>5,200</b>
<b>Comprehensive income (loss):</b>							
Net income (loss)				(82,089)		(603)	(82,692)
Other comprehensive income (loss)					(2)		(2)
<b>Comprehensive income (loss)</b>							<b>(82,694)</b>
Increase due to share issuance	3,330	166					166
Conversion of convertible loan to common stock <sup>1</sup>	11,793	590	133,558				134,148
Capitalization from demerger			542,869			(4,922)	537,946
Conversion feature intrinsic value <sup>2</sup>			77,459				77,459
Stock-based compensation			2,797				2,797
<b>At Sep 30, 2017</b>	<b>119,123</b>	<b>5,956</b>	<b>756,683</b>	<b>(82,089)</b>	<b>(2)</b>	<b>(5,526)</b>	<b>675,022</b>

<sup>1</sup>Conversion of convertible loan of CHF 135m minus CHF 1m stamp tax

<sup>2</sup>Intrinsic value of CHF 84m less a deferred tax liability of CHF 7m