



**addex**  
T h e r a p e u t i c s

Allosteric Modulators for  
Human Health

Quarter 2 and Half-Year  
Interim Report

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## ADDEX THERAPEUTICS LTD

## Unaudited Condensed Consolidated Balance Sheets

as at June 30, 2020 and December 31, 2019

	Notes	June 30, 2020	December 31, 2019
Amounts in Swiss francs			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents.....	6	20,670,701	31,536,803
Other financial assets.....	7	54,221	13,968
Receivables.....	7	103,996	118,028
Prepayments.....	7	1,862,673	720,063
<b>Total current assets.....</b>		<b>22,691,591</b>	<b>32,388,862</b>
<b>Non-current assets</b>			
Right-of-use assets.....	8	354,915	543,340
Property, plant and equipment.....	9	31,802	27,626
Non-current financial assets.....	10	68,583	68,911
<b>Total non-current assets.....</b>		<b>455,300</b>	<b>639,877</b>
<b>Total assets.....</b>		<b>23,146,891</b>	<b>33,028,739</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Current lease liabilities.....		289,890	373,025
Payables and accruals.....	11	2,299,074	4,196,411
Contract liability.....	15	—	945,737
Deferred income.....	16	219,973	165,389
<b>Total current liabilities.....</b>		<b>2,808,937</b>	<b>5,680,562</b>
<b>Non-current liabilities</b>			
Non-current lease liabilities.....		74,589	177,220
Retirement benefits obligations.....	14	1,462,248	1,481,738
Deferred income.....	16	—	165,390
<b>Total non-current liabilities.....</b>		<b>1,536,837</b>	<b>1,824,348</b>
<b>Equity</b>			
Share capital.....	12	32,848,635	32,848,635
Share premium.....	12	286,395,945	286,375,977
Reserves.....		7,824,485	7,146,506
Accumulated deficit.....		(308,267,948)	(300,847,289)
<b>Total equity.....</b>		<b>18,801,117</b>	<b>25,523,829</b>
<b>Total liabilities and equity.....</b>		<b>23,146,891</b>	<b>33,028,739</b>

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

## ADDEX THERAPEUTICS LTD

## Unaudited Condensed Consolidated Statements of Comprehensive Loss

for the three-month and six-month periods ended June 30, 2020

	Notes	For the three months ended June 30,		For the six months ended June 30,	
		2020	2019	2020	2019
Amounts in Swiss francs					
<b>Revenue from contract with customer</b> .....	15	<b>860,793</b>	<b>519,433</b>	<b>1,764,853</b>	<b>1,220,301</b>
<b>Other income</b> .....	16	<b>71,561</b>	<b>6,220</b>	<b>119,957</b>	<b>6,620</b>
<b>Operating costs</b>					
Research and development.....		(2,318,977)	(3,410,972)	(5,871,588)	(5,893,830)
General and administration.....		(1,587,283)	(1,478,701)	(3,259,806)	(2,820,717)
<b>Total operating costs</b> .....		<b>(3,906,260)</b>	<b>(4,889,673)</b>	<b>(9,131,394)</b>	<b>(8,714,547)</b>
<b>Operating loss</b> .....		<b>(2,973,906)</b>	<b>(4,364,020)</b>	<b>(7,246,584)</b>	<b>(7,487,626)</b>
Finance income.....		10,843	(102,518)	32,769	20,952
Finance expense .....		(151,675)	(33,289)	(206,844)	(73,955)
<b>Finance result</b> .....	19	<b>(140,832)</b>	<b>(135,807)</b>	<b>(174,075)</b>	<b>(53,003)</b>
<b>Net loss before tax</b> .....		<b>(3,114,738)</b>	<b>(4,499,827)</b>	<b>(7,420,659)</b>	<b>(7,540,629)</b>
Income tax expense.....		—	—	—	—
<b>Net loss for the period</b> .....		<b>(3,114,738)</b>	<b>(4,499,827)</b>	<b>(7,420,659)</b>	<b>(7,540,629)</b>
<b>Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company</b> .....	20	<b>(0.12)</b>	<b>(0.17)</b>	<b>(0.28)</b>	<b>(0.29)</b>
<b>Other comprehensive loss</b>					
Items that will never be reclassified to the statement of income:					
Remeasurements of retirement benefits obligation.....		(226,999)	(156,460)	(42,048)	(487,488)
Items that may be classified subsequently to the statement of income:					
Exchange difference on translation of foreign operations differences.....		(814)	(21)	(847)	(48)
<b>Other comprehensive loss for the period, net of tax</b> .....		<b>(227,813)</b>	<b>(156,481)</b>	<b>(42,895)</b>	<b>(487,536)</b>
<b>Total comprehensive loss for the period</b> ....		<b>(3,342,551)</b>	<b>(4,656,308)</b>	<b>(7,463,554)</b>	<b>(8,028,165)</b>

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

## ADDEX THERAPEUTICS LTD

## Unaudited Condensed Consolidated Statements of Changes in Equity

For the six-month period ended June 30, 2020

Amounts in Swiss francs

	Notes	Share Capital	Share Premium	Treasury Shares Reserve	Foreign Currency Translation Reserve	Other Reserves	Accumulated Deficit	Total
<b>Balance at</b>								
<b>January 1, 2019</b> .....		<u>28,564,031</u>	<u>286,476,912</u>	<u>(2,513,148)</u>	<u>(652,323)</u>	<u>13,431,873</u>	<u>(286,066,685)</u>	<u>39,240,660</u>
Net loss for the period.....		-	-	-	-	-	(7,540,629)	(7,540,629)
Other comprehensive loss for the period.....		-	-	-	(48)	(487,488)	-	(487,536)
<b>Total comprehensive loss for the period</b> ....		-	-	-	(48)	(487,488)	(7,540,629)	(8,028,165)
Issue of shares.....	12	4,284,604	-	-	-	-	-	4,284,604
Cost of share capital issuance.....		-	(61,242)	-	-	-	-	(61,242)
Value of share-based services.....		-	-	-	-	999,420	-	999,420
Movement in treasury shares:								
Capital increase.....	12	-	-	(4,284,604)	-	-	-	(4,284,604)
Settlement of supplier invoices.....		-	42,972	80,837	-	-	-	123,809
Net purchases under liquidity agreement.....		-	(222)	(1,274)	-	-	-	(1,496)
<b>Balance at</b>								
<b>June 30, 2019</b> .....		<u>32,848,635</u>	<u>286,458,420</u>	<u>(6,718,189)</u>	<u>(652,371)</u>	<u>13,943,805</u>	<u>(293,607,314)</u>	<u>32,272,986</u>
<b>Balance at</b>								
<b>January 1, 2020</b> .....		<u>32,848,635</u>	<u>286,375,977</u>	<u>(6,572,316)</u>	<u>(653,161)</u>	<u>14,371,983</u>	<u>(300,847,289)</u>	<u>25,523,829</u>
Net loss for the period.....		-	-	-	-	-	(7,420,659)	(7,420,659)
Other comprehensive loss for the period.....		-	-	-	(847)	(42,048)	-	(42,895)
<b>Total comprehensive loss for the period</b> ....		-	-	-	(847)	(42,048)	(7,420,659)	(7,463,554)
Value of share-based services.....		-	-	-	-	640,791	-	640,791
Movement in treasury shares:								
Settlement of supplier invoices.....	12	-	27,955	111,842	-	-	-	139,797
Net purchases under liquidity agreement....		-	(7,987)	(31,759)	-	-	-	(39,746)
<b>Balance at</b>								
<b>June 30, 2020</b> .....		<u>32,848,635</u>	<u>286,395,945</u>	<u>(6,492,233)</u>	<u>(654,008)</u>	<u>14,970,726</u>	<u>(308,267,948)</u>	<u>18,801,117</u>

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

## ADDEX THERAPEUTICS LTD

## Unaudited Condensed Consolidated Statements of Changes in Equity

For the three-month period ended June 30, 2020 (1/2)

Amounts in Swiss francs

Notes	Share Capital	Share Premium	Treasury Shares Reserve	Foreign Currency Translation Reserve	Other Reserves	Accumulated Deficit	Total
<b>Balance at January 1, 2019.....</b>	<b>28,564,031</b>	<b>286,476,912</b>	<b>(2,513,148)</b>	<b>(652,323)</b>	<b>13,431,873</b>	<b>(286,066,685)</b>	<b>39,240,660</b>
Net loss for the period.....	-	-	-	-	-	(3,040,802)	(3,040,802)
Other comprehensive loss for the period.....	-	-	-	(27)	(331,028)	-	(331,055)
<b>Total comprehensive loss for the period....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(27)</b>	<b>(331,028)</b>	<b>(3,040,802)</b>	<b>(3,371,857)</b>
Value of share-based services.....	-	-	-	-	500,519	-	500,519
Movement in treasury shares:							
Settlement of supplier invoices.....	-	19,091	26,987	-	-	-	46,078
Net purchases under liquidity agreement...	-	257	(144)	-	-	-	113
<b>Balance at March 31, 2019.....</b>	<b>28,564,031</b>	<b>286,496,260</b>	<b>(2,486,305)</b>	<b>(652,350)</b>	<b>13,601,364</b>	<b>(289,107,487)</b>	<b>36,415,513</b>
Net loss for the period.....	-	-	-	-	-	(4,499,827)	(4,499,827)
Other comprehensive loss for the period.....	-	-	-	(21)	(156,460)	-	(156,481)
<b>Total comprehensive loss for the period....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21)</b>	<b>(156,460)</b>	<b>(4,499,827)</b>	<b>(4,656,308)</b>
Issue of shares..... 12	4,284,604	-	-	-	-	-	4,284,604
Cost of share capital issuance.....	-	(61,242)	-	-	-	-	(61,242)
Value of share-based services.....	-	-	-	-	498,901	-	498,901
Movement in treasury shares:							
Capital increase .....	-	-	(4,284,604)	-	-	-	(4,284,604)
Settlement of supplier invoices.....	-	23,881	53,850	-	-	-	77,731
Net purchases under liquidity agreement...	-	(479)	(1,130)	-	-	-	(1,609)
<b>Balance at June 30, 2019.....</b>	<b>32,848,635</b>	<b>286,458,420</b>	<b>(6,718,189)</b>	<b>(652,371)</b>	<b>13,943,805</b>	<b>(293,607,314)</b>	<b>32,272,986</b>

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

## ADDEX THERAPEUTICS LTD

## Unaudited Condensed Consolidated Statements of Changes in Equity

For the three-month period ended June 30, 2020 (2/2)

Amounts in Swiss francs

	Share Capital	Share Premium	Treasury Shares Reserve	Foreign Currency Translation Reserve	Other Reserves	Accumulated Deficit	Total
<b>Balance at January 1, 2020.....</b>	<u>32,848,635</u>	<u>286,375,977</u>	<u>(6,572,316)</u>	<u>(653,161)</u>	<u>14,371,983</u>	<u>(300,847,289)</u>	<u>25,523,829</u>
Net loss for the period.....	-	-	-	-	-	(4,305,921)	(4,305,921)
Other comprehensive loss for the period.....	-	-	-	(33)	184,951	-	184,918
<b>Total comprehensive loss for the period....</b>	-	-	-	<b>(33)</b>	<b>184,951</b>	<b>(4,305,921)</b>	<b>(4,121,003)</b>
Value of share-based services.....	-	-	-	-	297,708	-	297,708
Movement in treasury shares:							
Settlement of supplier invoices.....	-	20,123	62,808	-	-	-	82,931
Net sales under liquidity agreement....	-	(3,193)	596	-	-	-	(2,597)
<b>Balance at March 31, 2020.....</b>	<u>32,848,635</u>	<u>286,392,907</u>	<u>(6,508,912)</u>	<u>(653,194)</u>	<u>14,854,642</u>	<u>(305,153,210)</u>	<u>21,780,868</u>
Net loss for the period.....	-	-	-	-	-	(3,114,738)	(3,114,738)
Other comprehensive loss for the period.....	-	-	-	(814)	(226,999)	-	(227,813)
<b>Total comprehensive loss for the period....</b>	-	-	-	<b>(814)</b>	<b>(226,999)</b>	<b>(3,114,738)</b>	<b>(3,342,551)</b>
Value of share-based services.....	-	-	-	-	343,083	-	343,083
Movement in treasury shares:							
Settlement of supplier invoices.....	-	7,832	49,034	-	-	-	56,866
Net purchases under liquidity agreement....	-	(4,794)	(32,355)	-	-	-	(37,149)
<b>Balance at June 30, 2020.....</b>	<u>32,848,635</u>	<u>286,395,945</u>	<u>(6,492,233)</u>	<u>(654,008)</u>	<u>14,970,726</u>	<u>(308,267,948)</u>	<u>18,801,117</u>

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

## ADDEX THERAPEUTICS LTD

## Unaudited Condensed Consolidated Statements of Cash Flows

for the six-month period ended June 30, 2020

	Notes	For the six months ended June 30,	
		2020	2019
Amounts in Swiss francs			
Net loss for the period.....		(7,420,659)	(7,540,629)
Adjustments for:			
Depreciation.....	8/9	192,670	156,793
Value of share-based services.....	13	640,791	999,420
Pension costs.....		(61,538)	50,235
Finance costs.....		195,452	72,616
(Increase)/Decrease in other financial assets.....	7	(40,253)	1,496
Decrease/(increase) in receivables.....	7	14,032	(13,296)
Increase in prepayments.....	7	(1,142,610)	(255,404)
(Decrease)/increase in payables and accruals.....	11	(1,788,170)	2,002,428
Decrease in contract liability.....	15	(945,737)	(212,744)
Decrease in deferred income.....	16	(110,806)	-
Services paid in shares.....		139,797	123,767
<b>Net cash used in operating activities.....</b>		<b>(10,327,031)</b>	<b>(4,615,318)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment.....	9	(10,634)	(22,465)
<b>Net cash used in investing activities.....</b>		<b>(10,634)</b>	<b>(22,465)</b>
<b>Cash flows from financing activities</b>			
Costs paid on issue of shares subscribed by the Group.....		(109,167)	(61,242)
Purchase of treasury shares.....		(39,746)	(1,496)
Principal element of lease payment.....		(185,766)	(149,118)
Interest received.....	19	32,769	-
Interest paid.....	19	(46,695)	(73,955)
<b>Net cash used in financing activities.....</b>		<b>(348,605)</b>	<b>(285,811)</b>
<b>Decrease in cash and cash equivalents.....</b>		<b>(10,686,270)</b>	<b>(4,923,594)</b>
Cash and cash equivalents at beginning of the period.....	6	31,536,803	41,670,158
Exchange difference on cash and cash equivalents.....		(179,832)	1,339
<b>Cash and cash equivalents at end of the period.....</b>	6	<b>20,670,701</b>	<b>36,747,903</b>

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

(Amounts in Swiss francs)

## 1. General information

Addex Therapeutics Ltd (the “Company”), formerly Addex Pharmaceuticals Ltd, and its subsidiaries (together, the “Group”) comprise a clinical stage pharmaceutical group applying its leading allosteric modulator drug discovery platform to discovery and development of small molecule pharmaceutical products, with an initial focus on central nervous system disorders.

The Company is a Swiss stockholding corporation domiciled c/o Addex Pharma SA, Chemin des Aulx 12, CH1228 Plan-les-Ouates, Geneva, Switzerland, and the parent company of Addex Pharma SA, Addex Pharmaceuticals France SAS and Addex Pharmaceuticals Inc., which company incorporated on May 29, 2019 in Delaware with its principal business location in San Francisco, California, United States. The Company’s registered ordinary shares are traded on the SIX, Swiss Exchange under the ticker symbol “ADXN.” On January 29, 2020, the Group listed on the Nasdaq Stock Market American Depositary Shares (ADSs) under the symbol “ADXN” without a new issuance of securities. ADSs represent interests in the Company’s outstanding ordinary shares

These condensed consolidated financial statements have been approved for issuance by the Board of Directors on August 11, 2020.

## 2. Basis of preparation

These condensed consolidated interim financial statements for the three month and six month periods ended June 30, 2020, have been prepared under the historic cost convention and in accordance with IAS 34 “Interim Financial Reporting” and are presented in a format consistent with the consolidated financial statements under IAS 1 “Presentation of Financial Statements”. However, they do not include all of the notes that would be required in a complete set of financial statements. Thus, this interim financial report should be read in conjunction with the consolidated financial statements for the year ended December 31, 2019.

The preparation of financial statements in accordance with IAS 34 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment which are significant to the condensed consolidated interim financial statements are disclosed in note 4 to the consolidated financial statements for the year ended December 31, 2019.

A number of new or amended standards and interpretations became applicable for financial periods beginning on or after January 1, 2020. The Group noted that the latter did not have a material impact on the Group’s financial position or disclosures made in the condensed consolidated interim financial statements.

Due to rounding, numbers presented throughout these condensed consolidated financial statements may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount.

## 3. Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. These estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities or may have had a significant impact on the reported results are disclosed below:

### *Going concern*

The Group’s accounts are prepared on a going concern basis. To date, the Group has financed its cash requirements primarily from share issuances and licensing certain of its research and development stage products. The Group is a development stage enterprise and is exposed to all the risks inherent in establishing a business. The Group maintains

detailed financial forecasts and monitors actual results on a regular basis so that measures can be taken to ensure the Group remains solvent.

#### *COVID-19*

In early 2020 a coronavirus disease (COVID-19) pandemic developed globally resulting in a significant number of infections and negative effects on economic activity. The Group is actively monitoring the situation and is taking any necessary measures to respond to the situation in cooperation with the various stakeholders. On March 18, 2020 the Group announced the suspension of the initiation of a placebo-controlled Phase 2b/3 pivotal clinical trial of dipraglurant in levodopa-induced dyskinesia associated with Parkinson's disease (dipraglurant PD-LID). Depending on the duration of the COVID-19 crisis and continued negative impact on global economic activity, the Group may have to take additional measures that will have a negative impact on the Group's business continuity and may experience certain liquidity restraints as well as incur impairments on its assets. The exact impact on the Group's activities in the short and medium terms cannot be reasonably predicted. However, based on the risk mitigation measures undertaken, the Group concluded that there is no material uncertainty that may cast a significant doubt upon the Group's ability to continue as a going concern.

#### *Revenue recognition*

Revenue is primarily from fees related to licenses, milestones and research services. Given the complexity of the relevant agreements, judgements are required to identify distinct performance obligations; allocate the transaction price to these performance obligations and determine when the performance obligations are met. In particular, the Group's judgement over the estimated stand-alone selling price which is used to allocate the transaction price to the performance obligations is disclosed in note 15.

#### *Grants*

Grants are recorded at their fair value when there is reasonable assurance that they will be received and recognized as income when the group has satisfied the underlying grant conditions. In certain circumstances, grant income may be recognized before explicit grantor acknowledgement that the conditions have been met.

#### *Accrued research and development costs*

The Group records accrued expenses for estimated costs of research and development activities conducted by third party service providers. The Group records accrued expenses for estimated costs of research and development activities based upon the estimated amount of services provided but not yet invoiced, and these costs are included in accrued expenses on the balance sheets and within research and development expenses in the statements of loss. These costs are a significant component of research and development expenses. Accrued expenses for these costs are recorded based on the estimated amount of work completed in accordance with agreements established with these third parties.

To date, the Group has not experienced significant changes in the estimates of accrued research and development expenses after a reporting period. However, due to the nature of estimates, the Group may be required to make changes to the estimates in the future as it becomes aware of additional information about the status or conduct of its research activities.

#### *Research and development costs*

The Group recognizes expenditure incurred in carrying out its research and development activities, including development supplies, until it becomes probable that future economic benefits will flow to the Group, which results in recognizing such costs as intangible assets, involving a certain degree of judgement. Currently, such development supplies are associated with preclinical and clinical trials of specific products that do not have any demonstrated technical feasibility.

#### *Share-based compensation*

The Group recognizes an expense for share-based compensation based on the valuation of equity incentive units using the Black-Scholes valuation model. A number of assumptions related to the volatility of the underlying shares and to the risk-free rate are made in this model. Should the assumptions and estimates underlying the fair value of these instruments vary significantly from management's estimates, then the share-based compensation expense would be materially different from the amounts recognized.

*Pension obligations*

The present value of the pension obligations is calculated by an independent actuary and depends on a number of assumptions that are determined on an actuarial basis such as discount rates, future salary and pension increases, and mortality rates. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions.

**4. Interim measurement note**

*Seasonality of the business:* The business is not subject to any seasonality, but expenses and corresponding revenue are largely determined by the phase of the respective projects, particularly with regard to external research and development expenditures.

*Costs:* Costs that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

**5. Segment reporting**

**5.1 Reportable segments**

The Group operates in one segment, which is the business of developing drugs for human health.

**5.2 Entity wide information**

*Information about products, services and major customers*

External income of the Group for the three-month and six-month periods ended June 30, 2020 and 2019 is derived from the business of discovery development and commercialization of pharmaceutical products. Income was earned from the sale of license rights and rendering of research services to a pharmaceutical company and grants earned.

*Information about geographical areas*

External income is exclusively recorded in the Swiss operating company.

Analysis of revenue from contract with customer and other income by nature is detailed as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Collaborative research funding.....	860,793	519,433	1,764,853	1,220,301
Grants earned.....	66,381	—	110,806	—
Other service income.....	5,180	6,220	9,151	6,620
<b>Total.....</b>	<b>932,354</b>	<b>525,653</b>	<b>1,884,810</b>	<b>1,226,921</b>

Analysis of revenue from contract with customer and other income by major counterparties is detailed as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Indivior PLC.....	860,793	519,433	1,764,853	1,220,301
Eurostars (Innosuisse).....	66,381	—	110,806	—
Other counterparties.....	5,180	6,220	9,151	6,620
<b>Total.....</b>	<b>932,354</b>	<b>525,653</b>	<b>1,884,810</b>	<b>1,226,921</b>

For more detail, refer to note 15, “Revenue from contract with customer” and note 16 “Other income”.

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The geographical allocation of long-lived assets is detailed as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Switzerland.....	347,635	498,066
United States of America.....	107,282	141,420
France.....	383	391
<b>Total .....</b>	<b><u>455,300</u></b>	<b><u>639,877</u></b>

The capital expenditure during the six-month period ended June 30, 2020 is CHF 10,633 (CHF 22,465 for the six-month period ended June 30, 2019).

The geographical analysis of operating costs is as follows:

	<u>For the three months ended June 30,</u>		<u>For the six months ended June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Switzerland.....	3,886,741	4,888,288	9,086,493	8,711,096
United States of America.....	18,506	—	43,047	—
France.....	1,013	1,385	1,854	3,451
<b>Total operating costs (note 17).....</b>	<b><u>3,906,260</u></b>	<b><u>4,889,673</u></b>	<b><u>9,131,394</u></b>	<b><u>8,714,547</u></b>

### 6. Cash and cash equivalents

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Cash at bank and on hand.....	17,262,221	26,889,923
Short term deposits in USD.....	3,408,480	4,646,880
<b>Total cash and cash equivalents.....</b>	<b><u>20,670,701</u></b>	<b><u>31,536,803</u></b>

Split by currency:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
CHF.....	64.57%	64.31%
USD.....	34.59%	35.03%
GBP.....	0.50%	0.40%
EUR.....	0.34%	0.26%
<b>Total .....</b>	<b><u>100%</u></b>	<b><u>100%</u></b>

The Group pays interest on CHF cash and cash equivalents and earns interest on USD cash and cash equivalents. The Group invests its cash balances into a variety of current and deposit accounts with Swiss banks. In addition, the Group invests a portion of its USD cash in line with its treasury guidelines. As of June 30, 2020, non-used funds received from Eurostars/Innosuisse amount to CHF 219,973 (note 16).

All cash and cash equivalents were held either at bank or on hand as at June 30, 2020 and December 31, 2019.

### 7. Other current assets

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Other financial assets.....	54,221	13,968
Receivables.....	103,996	118,028
Prepayments.....	1,862,673	720,063
<b>Total other current assets.....</b>	<b><u>2,020,890</u></b>	<b><u>852,059</u></b>

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (“ECL”), which uses a lifetime expected loss allowance for all trade receivables and contract assets. As of June 30, 2020, the receivables were comprised of five non-governmental debtors whose combined outstanding balances were CHF 29,727 (five non-governmental debtors for CHF 88,075 as of December 31, 2019). The Group has considered these customers to have a low risk of default based on historic loss rates and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. As a result, expected loss allowance has been deemed as nil as of June 30, 2020 and December 31, 2019.

The prepayments mainly relate to contract research organization and directors and officer’s liability insurances. The increase of the prepayments is because the insurance premiums are paid at the beginning of the year.

**8. Right-of-use assets**

	<u>Properties</u>	<u>Equipment</u>	<u>Total</u>
<b>Year ended December 31, 2019</b>			
Opening net book amount.....	—	—	—
Adoption of IFRS16 as at January 1, 2019.....	483,350	61,160	544,510
Additions.....	308,987	13,541	322,528
Depreciation charge.....	(296,656)	(27,487)	(324,143)
Exchange differences.....	445	—	445
<b>Closing net book amount.....</b>	<b>496,126</b>	<b>47,214</b>	<b>543,340</b>
<b>At December 31, 2019</b>			
Cost.....	792,337	74,701	867,038
Accumulated depreciation.....	(296,211)	(27,487)	(323,698)
<b>Net book value.....</b>	<b>496,126</b>	<b>47,214</b>	<b>543,340</b>
	<u>Properties</u>	<u>Equipment</u>	<u>Total</u>
<b>Period ended June 30, 2020</b>			
Opening net book amount.....	496,126	47,214	543,340
Additions.....	—	—	—
Depreciation charge.....	(173,333)	(12,880)	(186,213)
Exchange differences.....	(2,212)	—	(2,212)
<b>Closing net book amount.....</b>	<b>320,581</b>	<b>34,334</b>	<b>354,915</b>
<b>At June 30, 2020</b>			
Cost.....	496,126	47,214	543,340
Accumulated depreciation.....	(175,545)	(12,880)	(188,425)
<b>Net book value.....</b>	<b>320,581</b>	<b>34,334</b>	<b>354,915</b>

**9. Property, plant and equipment**

	<u>Equipment</u>	<u>Furniture &amp; fixtures</u>	<u>Chemical library</u>	<u>Total</u>
<b>Year ended December 31, 2019</b>				
Opening net book amount.....	8,868	—	—	8,868
Additions.....	28,459	—	—	28,459
Depreciation charge.....	(9,701)	—	—	(9,701)
<b>Closing net book amount.....</b>	<b>27,626</b>	<b>—</b>	<b>—</b>	<b>27,626</b>
<b>At December 31, 2019</b>				
Cost.....	1,622,865	7,564	1,207,165	2,837,594
Accumulated depreciation.....	(1,595,239)	(7,564)	(1,207,165)	(2,809,968)
<b>Net book value.....</b>	<b>27,626</b>	<b>—</b>	<b>—</b>	<b>27,626</b>
	<u>Equipment</u>	<u>Furniture &amp; fixtures</u>	<u>Chemical library</u>	<u>Total</u>
<b>Period ended June 30, 2020</b>				
Opening net book amount.....	27,626	—	—	27,626
Additions.....	10,633	—	—	10,633
Depreciation charge.....	(6,457)	—	—	(6,457)
<b>Closing net book amount.....</b>	<b>31,802</b>	<b>—</b>	<b>—</b>	<b>31,802</b>
<b>At June 30, 2020</b>				
Cost.....	1,633,498	7,564	1,207,165	2,848,227
Accumulated depreciation.....	(1,601,696)	(7,564)	(1,207,165)	(2,816,425)
<b>Net book value.....</b>	<b>31,802</b>	<b>—</b>	<b>—</b>	<b>31,802</b>

**10. Non-current financial assets**

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Security rental deposits .....	68,583	68,911
<b>Total non-current financial assets .....</b>	<b>68,583</b>	<b>68,911</b>

**11. Payables and accruals**

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Trade payables.....	958,447	2,216,147
Social security and other taxes.....	147,809	107,415
Accrued expenses.....	1,192,818	1,872,849
<b>Total payables and accruals.....</b>	<b><u>2,299,074</u></b>	<b><u>4,196,411</u></b>

All payables mature within 3 months. Accrued expenses relate primarily to amounts accrued under R&D service contracts and professional fees. At June 30, 2020 amounts have decreased because the initiation of a placebo-controlled Phase 2b/3 pivotal clinical trial of dipraglurant PD-L1D has been suspended from March 18, 2020. The other discovery activities are not affected by COVID 19 pandemic. The carrying amounts of trade payables do not materially differ from their fair values, due to their short-term nature.

**12. Share capital**

	<u>Number of shares</u>		
	<u>Common shares</u>	<u>Treasury shares</u>	<u>Total</u>
<b>Balance at January 1, 2019.....</b>	<b>28,564,031</b>	<b>(2,158,476)</b>	<b>26,405,555</b>
Issue of shares – capital increase.....	4,284,604	(4,284,604)	—
Settlement of supplier invoices.....	—	80,837	80,837
Net purchase of treasury shares.....	—	(1,273)	(1,273)
<b>Balance at June 30, 2019.....</b>	<b><u>32,848,635</u></b>	<b><u>(6,363,516)</u></b>	<b><u>26,485,119</u></b>
<b>Balance at January 1, 2020.....</b>	<b>32,848,635</b>	<b>(6,243,487)</b>	<b>26,605,148</b>
Settlement of supplier invoices.....	—	111,842	111,842
Net purchase of treasury shares.....	—	(29,801)	(29,801)
<b>Balance at June 30, 2020.....</b>	<b><u>32,848,635</u></b>	<b><u>(6,161,446)</u></b>	<b><u>26,687,189</u></b>

The Company maintains a liquidity contract with Kepler Capital Markets SA (“Kepler”). Under the agreement, the Group has provided Kepler with cash and shares to enable them to buy and sell the Company’s shares. At June 30, 2020, 57,726 (December 31, 2019: 27,925) treasury shares are recorded under this agreement in the treasury share reserve and CHF 54,221 (December 31, 2019: CHF 13,968) is recorded in other financial assets.

At June 30, 2020 and 2019, the total issued share capital was CHF 32,848,635, consisting of 32,848,635 shares. All shares have a nominal value of CHF 1.

On May 17, 2019, the Company issued 4,284,604 new shares from the authorized capital to its 100% owned subsidiary, Addex Pharma SA at CHF 1. These shares are held as treasury shares

During the six-month period ended June 30, 2020, the Group used 111,842 treasury shares (80,837 for the period ended June 30, 2019) to purchase services from consultants including 64,689 (50,433 for the first half 2019) shares issued to Roger Mills, the Group’s Chief Medical Officer. The total value of consulting services settled in shares was CHF 139,797 (CHF 123,809 for the first half 2019).

**13. Share-based compensation**

The total share-based compensation expense recognized in the statement of comprehensive loss for equity incentive units granted to directors, executives, employees, consultants and investors for the three-month and six-month periods ended June 30, 2020 amounted respectively to CHF 343,083 and CHF 640,791 (CHF 498,901 and CHF 999,420 for the three-month and six-month periods ended June 30, 2019).

As of June 30, 2020, 6,737,098 options were outstanding (5,540,600 options as of December 31, 2019). During the first half 2020, the Group granted 1,196,498 options with vesting over 4 years and a 10-year exercise period. Of these options, 1,158,011 were granted at an exercise price of CHF 1.14 on April 1, 2020 and 38,487 were granted at an exercise price of CHF 1.64 on January 1, 2020. On January 1, 2020, the Group extended for 5 years the exercise period of 194,687 vested options. Included in share-based compensation for the six-month period ended June 30, 2020, CHF 21,613 relates to the fair value adjustment for exercise period extensions of vested options (CHF 6,111 for the three-month period ended June 30, 2020).

As of June 30, 2020 and December 31, 2019, a total of 198,750 Equity Sharing certificates (ESCs) were outstanding.

**14. Retirement benefits obligations**

The amounts recognized in the statement of comprehensive loss are as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Current service cost.....	(78,931)	(71,628)	(157,863)	(143,256)
Past service cost.....	—	—	102,764	—
Interest cost.....	(5,501)	(20,458)	(11,002)	(40,916)
Interest income.....	3,550	18,024	7,101	36,048
<b>Company pension amount (note 18)...</b>	<b>(80,882)</b>	<b>(74,062)</b>	<b>(59,000)</b>	<b>(148,124)</b>

The conversion rates have changed as at January 1, 2020, which has led to a positive past service cost for the six-month period ended June 30, 2020.

The amounts recognized in the balance sheet are determined as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Defined benefit obligation.....	(8,837,062)	(8,583,214)
Fair value of plan assets.....	7,374,814	7,101,476
<b>Funded status.....</b>	<b>(1,462,248)</b>	<b>(1,481,738)</b>

**15. Revenue from contract with customer**

*License & research agreement with Indivior PLC*

On January 2, 2018, the Group entered into an agreement with Indivior PLC (Indivior) for the discovery, development and commercialization of novel GABAB PAM compounds for the treatment of addiction and other CNS diseases. This agreement included the selected clinical candidate, ADX71441. In addition, Indivior agreed to fund a research program at the Group to discover novel GABAB PAM compounds.

The contract contains two distinct material promises and performance obligations: (1) the selected compound ADX71441 which falls within the definition of a licensed compound, whose rights of use and benefits thereon was transferred in January 2018 and, (2) the research services to be conducted by the Group and funded by Indivior to discover novel GABA<sub>B</sub> PAM compounds for clinical development that may be discovered over the research term of the agreement and selected by Indivior.

Indivior has sole responsibility, including funding liability, for development of selected compounds under the agreement through preclinical and clinical trials, as well as registration procedures and commercialization, if any, worldwide. Indivior has the right to design development programs for selected compounds under the agreement. Through the Group's participation in a joint development committee, the Group reviews, in an advisory capacity, any development programs designed by Indivior. However, Indivior has authority over all aspects of the development of such selected compounds.

Under terms of the agreement, the Group granted Indivior an exclusive license to use relevant patents and know-how in relation to the development and commercialization of product candidates selected by Indivior. Subject to agreed conditions, the Group and Indivior jointly own all intellectual property rights that are jointly developed and the Group or Indivior individually own all intellectual property rights that the Group or Indivior develop individually. The Group has retained the right to select compounds from the research program for further development in areas outside the interest of Indivior including Charcot-Marie-Tooth type 1A neuropathy, or CMT1A. Under certain conditions, but subject to certain consequences, Indivior may terminate the agreement.

The Group received and recognized in January 2018, a non-refundable upfront fee of USD 5.0 million for the right to use the clinical candidate, ADX71441, including all materials and know-how related to this clinical candidate. In addition, the Group is eligible for payments on successful achievement of pre-specified clinical, regulatory and commercial milestones totaling USD 330 million and royalties on net sales of mid-single digits to low teens double-digit.

On February 14, 2019, Indivior terminated the development of their selected compound, ADX71441. Separately, Indivior funds research at the Group, based on a research plan to be mutually agreed between the parties, to discover novel GABA<sub>B</sub> PAM compounds. These future novel GABA<sub>B</sub> PAM compounds, if selected by Indivior, become licensed compounds. The Group agreed with Indivior to an initial research term of two years, that can be extended by

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twelve-month increments and a minimum annual funding of USD 2 million for the Group's R&D costs incurred. Following Indivior's selection of one newly identified compound, the Group has the right to also select one additional newly identified compound. The Group is responsible for the funding of all development and commercialization costs of its selected compounds and Indivior has no rights to the Group's selected compounds. The initial two-year research term was expected to run from May 2018 to April 2020. On October 7, 2019 and December 20, 2019, Indivior agreed an additional research funding of USD 0.8 million, increasing the research funding by USD 1.6 million, for the research period. At the time of publishing the financial statements we were in the process of negotiating the terms of an extension of the research program.

For the three-month and six-month periods ended June 30, 2020, the Group recognized CHF 0.9 million and CHF 1.8 million as revenue, respectively. (For the three-month and the six-month periods ended June 30, 2019, CHF 0.5 million and CHF 1.2 million, respectively). The contract liability relating to the research agreement is nil as of June 30, 2020, compared to CHF 0.9 million as of December 31, 2019.

*Janssen Pharmaceuticals Inc. (formerly Ortho-McNeil-Janssen Pharmaceuticals Inc).*

On December 31, 2004, the Group entered into a research collaboration and license agreement with Janssen Pharmaceuticals Inc. (JPI). In accordance with this agreement, JPI has acquired an exclusive worldwide license to develop mGluR2PAM compounds for the treatment of human health. The Group is eligible to receive up to EUR 109 million in success-based development and regulatory milestone, and low double digit royalties on net sales. The Group considers these various milestones to be variable consideration as they are contingent upon achieving uncertain, future development stages and net sales. For this reason, the Group considers the achievement of the various milestones as binary events that will be recognized as revenue upon occurrence. No amounts have been recognized under this agreement in the three-month and six-month periods ended June 30, 2020 and 2019.

### 16. Other income

Under a grant agreement with Eurostars/Innosuisse the Group is required to complete specific research activities within a defined period of time. The Group's funding is fixed and received based on the satisfactory completion of the agreed research activities and incurring the related costs.

In October 2019, the Group received CHF 380,184 from Eurostars/Innosuisse.

For the three-month period ended June 30, 2020, the Group has recognized CHF 66,381 as other income (CHF 110,806 for the six-month period ended June 30, 2020). As at June 30, 2020, the Group recognized CHF 219,973 as short term - deferred income (less than one year) and no amount was recognized as long term deferred income (more than one year) in accordance with the grant conditions. As at December 31, 2019 the Group recognized CHF 165,389 and CHF 165,390 as short and long-term deferred income, respectively.

### 17. Operating costs

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Staff costs (note 18).....	1,278,094	1,166,301	2,217,064	2,227,497
Depreciation (notes 8/9) .....	96,514	80,362	192,670	156,793
External research and development costs.....	1,336,831	2,619,269	4,143,388	4,419,295
Laboratory consumables.....	102,056	62,612	159,794	103,466
Patent maintenance and registration costs.....	107,710	78,421	173,360	138,754
Professional fees.....	421,993	614,337	995,246	1,052,165
Short-term leases.....	9,641	12,231	17,334	18,236
Other operating costs.....	553,421	256,140	1,232,538	598,341
<b>Total operating costs.....</b>	<b>3,906,260</b>	<b>4,889,673</b>	<b>9,131,394</b>	<b>8,714,547</b>

The evolution of the total operating costs is mainly driven by the external research and development costs and staff costs. During the six-month period ended June 30, 2020 compared to the same period ended June 30, 2019 the external research and development costs slightly decreased due to reduced GABA<sub>B</sub> PAM program expenses. During the same period, other operating costs increased by CHF 0.6 million mainly due to increased directors and officer's liability insurances following the Company's listing on Nasdaq Stock Market on January 29, 2020.

**18. Staff costs**

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Wages and salaries.....	817,597	630,271	1,501,417	1,170,554
Social charges and insurances.....	109,661	69,913	175,880	121,380
Value of share-based services .....	269,954	392,055	480,767	787,439
Retirement benefit (note 14).....	80,882	74,062	59,000	148,124
<b>Total staff costs.....</b>	<b>1,278,094</b>	<b>1,166,301</b>	<b>2,217,064</b>	<b>2,227,497</b>

**19. Finance result, net**

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Interest income.....	10,843	—	32,769	—
Interest cost.....	(13,080)	(28,004)	(35,477)	(62,944)
Interest expense on leases.....	(5,056)	(5,285)	(11,218)	(11,011)
Foreign exchange (losses)/gains, net.....	(133,539)	(102,518)	(160,149)	20,952
<b>Finance result, net.....</b>	<b>(140,832)</b>	<b>(135,807)</b>	<b>(174,075)</b>	<b>(53,003)</b>

**20. Loss per share**

Basic and diluted loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of shares in issue during the period excluding shares purchased by the Group and held as treasury shares.

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Loss attributable to equity holders of the Company.....	(3,114,738)	(4,499,827)	(7,420,659)	(7,540,629)
Weighted average number of shares in issue.....	26,668,552	26,407,978	26,636,850	26,378,503
<b>Basic and diluted loss per share.....</b>	<b>(0.12)</b>	<b>(0.17)</b>	<b>(0.28)</b>	<b>(0.29)</b>

The Company has three categories of dilutive potential shares as at June 30, 2020 and 2019: equity sharing certificates (ESCs), options and warrants. For the three-month and six-month periods ended June 2020 and 2019, equity sharing certificates, share options and warrants have been excluded from the calculation of the loss per share, as they would be anti-dilutive.

**21. Related party transactions**

Related parties include members of the Board of Directors and the Executive Management of the Group. The following transactions were carried out with related parties:

<i>Key management compensation</i>	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Salaries, other short-term employee benefits and post-employment benefits...	490,109	373,063	759,316	638,232
Consulting fees.....	65,255	78,911	179,473	156,692
Share-based compensation.....	288,423	438,492	511,385	878,668
<b>Total.....</b>	<b>843,787</b>	<b>890,466</b>	<b>1,450,174</b>	<b>1,673,592</b>

The Group has revised the 2019 share-based compensation reported in this note to reflect actual share based compensation expense recorded in the consolidated statements of loss, rather than the total fair value at the grant date, as previously disclosed in the first half 2019.

Salaries, other short-term employee benefits and post-employment benefits relate to members of the Board of Directors and Executive Management who are employed by the Group. Consulting fees relate to Roger Mills, a member of the Executive Management who delivers his services to the Group under a consulting contract. The Group has a net payable

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to the Board of Directors and Executive Management of CHF 165,980 at June 30, 2020 (December 31, 2019: CHF 176,089).

**22. Events after the balance sheet date**

There were no material events between the balance sheet date and the date on which these financial statements were approved by the board of directors that would require adjustment to the financial statements or disclosure under this heading.

## Financial Review

### Overview

We are a clinical-stage pharmaceutical company focused on the development and commercialization of an emerging class of novel orally available small molecule drugs known as allosteric modulators. Allosteric modulators target a specific receptor or protein and alter the effect of the body's own signaling molecules on their target through a novel mechanism of action. These innovative small molecule drug candidates offer several potential advantages over conventional non-allosteric molecules and may offer an improved therapeutic approach to existing drug treatments. To date, our research and development efforts have been primarily focused on building a portfolio of proprietary candidates based on our allosteric modulator development capability. The allosteric modulator principle has broad applicability across a wide range of biological targets and therapeutic areas, but our primary focus is on G-protein coupled receptors, or GPCR, targets implicated in neurological diseases, where we believe there is a clear medical need for new therapeutic approaches.

Using our allosteric modulator discovery capabilities, we have developed a pipeline of proprietary clinical and preclinical stage drug candidates. We or our partners are developing these clinical and preclinical stage proprietary drug candidates for diseases for which there are no approved therapies or where improved therapies are needed. These include levodopa induced dyskinesia associated with Parkinson's disease, non-parkinsonian dystonia, addiction, epilepsy, Charcot-Marie-Tooth type 1A neuropathy, or CMT1A, and other neurodegenerative diseases. Some of these indications are classified as rare diseases that may allow for orphan drug designation by regulatory agencies in major commercial markets, such as the United States, Europe and Japan. Orphan drug designation may entitle the recipient to benefits in the jurisdiction granting the designation, such as market exclusivity following approval and assistance in clinical trial design, a reduction in user fees or tax credits related to development expense.

We are developing our lead drug candidate, dipraglurant, as an mGlu5 NAM, for the treatment of PD-LID. We are planning to initiate a placebo-controlled Phase 2b/3 pivotal clinical trial of dipraglurant in PD-LID patients in the second half of 2020, pending removal of governmental restrictions and lessening of the impact of the global coronavirus pandemic on the U.S. healthcare system, which delayed our previously anticipated initiation in the first quarter of 2020. The study will be conducted at approximately 50 sites in the United States and will target enrolment of approximately 140 patients. We have received orphan drug designation from the United States Food and Drug Administration, or FDA, for dipraglurant in PD-LID and expect to report topline results in the second quarter of 2022.

Our partner, Janssen Pharmaceuticals Inc., or Janssen, has licensed worldwide rights to our second clinical program, ADX71149 (mGlu2 PAM), and is responsible for development, manufacture and commercialization. Janssen has completed two Phase 2 studies in schizophrenia and anxious depression generating mixed results. Janssen has conducted several preclinical studies in epilepsy and plans to advance into a Phase 2a proof of concept study in patients with epilepsy. The multi-center study is scheduled to begin dosing patients in the United States early 2021. Our partner, Indivior PLC, or Indivior, has licensed worldwide rights to our GABA<sub>B</sub> PAM, program and is responsible for all development, manufacture and commercialization of any selected GABA<sub>B</sub> PAM drug candidate. Under the agreement, we are responsible for executing a research program funded by Indivior to discovery novel GABA<sub>B</sub> PAM drug candidates. Indivior's primary therapeutic focus is addiction and under the agreement we have the right to select certain drug candidates for future independent development in certain exclusive indications including CMT1A. The program is currently in late lead optimization.

In addition, we are conducting a number of early stage research programs including mGlu7 NAM, mGlu2 NAM, mGlu4 PAM and mGlu3 PAM.

We were founded in May 2002 and completed our initial public offering of ordinary shares on the Swiss SIX Exchange in May 2007. On January 29, 2020, we listed American Depositary Shares (ADSs) representing our ordinary shares on the Nasdaq Stock Market following the United States Securities and Exchange Commission (SEC) having declared our registration statements on Forms F1 and F6 effective.

Our operations to date have included organizing and staffing our company, raising capital, out-licensing rights research stage programs including our mGlu2 PAM and GABA<sub>B</sub> PAM programs and conducting preclinical studies and clinical trials. To date, we have generated CHF 59 million of revenue from the sale of license rights and conducting funded research activities for certain of our research programs. We have historically financed our operations mainly

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through the sale of equity. As of June 30, 2020, we had raised an aggregate of CHF 325 million of gross proceeds from the sale of equity.

We have never been profitable and have incurred significant net losses in each period since our inception. Our net losses were CHF 7.4 million for the six-month period ending June 30, 2020 and CHF 14.8 million, CHF 1.7 million and CHF 3.3 million for years ended December 31, 2019, 2018 and 2017, respectively. As of June 30, 2020, we had accumulated losses of CHF 308.3 million. We expect to continue to incur significant expenses and operating losses for the foreseeable future. We anticipate that our expenses will increase significantly in connection with our ongoing activities as we:

- continue to invest in the research and development of our allosteric modulator discovery platform and pipeline, and specifically in connection with our Phase 2b/3 clinical trial of dipraglurant PD-L1D for the treatment of PD-L1D and any additional clinical trials that we may conduct for product candidates;
- hire additional research and development, and general and administrative personnel;
- maintain, expand and protect our intellectual property portfolio;
- identify and in-license or acquire additional product candidates; and
- incur additional costs associated with operating as a public company in the United States.

We will need substantial additional funding to support our operating activities as we advance our research and product candidates through clinical development, seek regulatory approval and prepare for, and if any of our product candidates are approved, proceed to commercialization. Adequate funding may not be available to us on acceptable terms, or at all.

We have no manufacturing facilities, and all of our manufacturing activities are contracted out to third parties. Additionally, we currently utilize third-party clinical research organizations, or CROs, to carry out our clinical development and trials. We do not yet have a sales organization.

### **License Agreement with Indivior**

In January 2018, we entered into an agreement with Indivior for the discovery, development and commercialization of novel GABA<sub>B</sub> PAM compounds for the treatment of addiction and other CNS diseases. This agreement included the selected clinical candidate, ADX71441. In addition, Indivior agreed to fund a research program at Addex to discover novel GABA<sub>B</sub> PAM compounds.

Indivior has sole responsibility, including funding liability, for development of selected compounds under the agreement through preclinical and clinical trials, as well as registration procedures and commercialization, if any, worldwide. Indivior has the right to design development programs for selected compounds under the agreement. Through our participation in a joint development committee, we review, in an advisory capacity, any development programs designed by Indivior. However, Indivior has authority over all aspects of the development of such selected compounds.

Under terms of the agreement, we have granted Indivior an exclusive license to use relevant patents and know-how in relation to the development and commercialization of product candidates selected by Indivior. Subject to agreed conditions, Addex and Indivior jointly own all intellectual property rights that are jointly developed, and Addex or Indivior individually own all intellectual property rights that Addex or Indivior develop individually. Addex has retained the right to select compounds from the research program for further development in areas outside the interest of Indivior including Charcot-Marie-Tooth type 1A neuropathy, or CMT1A. Under certain conditions, but subject to certain consequences, Indivior may terminate the agreement.

Under terms of the agreement, we received a non-refundable upfront fee of \$5.0 million for the right to use the clinical candidate, ADX71441, including all materials and know-how related to this clinical candidate. In addition, we are eligible for payments on successful achievement of pre-specified clinical, regulatory and commercial milestones totaling \$330 million, and royalties on net sales of mid-single digits to low teens double-digit. On February 14, 2019, Indivior terminated the development of their selected compound, ADX71441.

Separately, Indivior funds research at Addex, based on a research plan to be mutually agreed between the parties, to discover novel GABA<sub>B</sub> PAM compounds. These future novel GABA<sub>B</sub> PAM compounds, if selected by Indivior, become licensed compounds. We agreed with Indivior to an initial research term of two years, that can be extended by twelve-month increments and a minimum annual funding of \$2 million for the Addex R&D costs incurred.

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Following Indivior's selection of one newly identified compound, Addex has the right to also select one additional newly identified compound. Addex is responsible for the funding of all development and commercialization costs of its selected compounds and Indivior has no rights to the Addex selected compounds. The initial two-year research term was expected to run from May 2018 to April 2020. In 2019, Indivior agreed an additional research funding of \$1.6 million, for the research period. At the time of publishing the financial statements, we were in the process of negotiating the terms of an extension of the research program.

The contract contains two distinct material promises and performance obligations: (1) the selected compound ADX71441 which falls within the definition of a licensed compound, whose rights of use and benefits thereon was transferred in January 2018 and, (2) the research services to be conducted by Addex and funded by Indivior to discover novel GABA<sub>B</sub> PAM compounds for clinical development that may be discovered over the research term of the agreement and selected by Indivior.

### **License Agreement with Janssen**

Under our agreement with Janssen Pharmaceuticals Inc. (formerly known as Ortho-McNeil-Janssen Pharmaceuticals Inc), or Janssen, we granted Janssen an exclusive license to use relevant patents and know-how in relation to the development and commercialization of product candidates selected by Janssen under the agreement and a non-exclusive worldwide license to conduct research on the collaboration compounds using relevant patents and know-how. Subject to certain conditions, we and they agreed to own, jointly, all intellectual property rights that we develop jointly and, individually, all intellectual property rights that either party develops individually. Under certain conditions, but subject to certain consequences, Janssen may terminate the agreement for any reason, subject to a 90-day notice period.

Janssen has sole responsibility, including funding liability, for development of selected compounds under the agreement through preclinical and clinical trials, as well as registration procedures and commercialization, if any, in the United States, Japan, the United Kingdom, Germany, France, Spain and Italy. Janssen has the right to design development programs for selected compounds under the agreement. Through our participation in a joint development committee, we review, in an advisory capacity, any development programs designed by Janssen. However, Janssen has authority over all aspects of the development of selected compounds and may develop or commercialize third-party compounds.

Under the terms of the Janssen agreement, we received an upfront fee of CHF 4.6 million and research funding of CHF 6.4 million during the research period, which ran from 2005 to 2007. In addition, we are eligible for payments on successful achievement of pre-specified clinical and regulatory milestones and a low double-digit royalty on net sales. We received a CHF 1.5 million milestone payment in relation to the entry of ADX71149 into Phase 1 in July 2009 and a CHF 2.6 million milestone payment in relation to the entry of ADX71149 into Phase 2 in June 2011. Janssen plans to advance into a Phase 2a proof of concept study in patients with epilepsy. The multi-center study is scheduled to begin dosing patients in the United States early 2021. We are eligible for a further €109 million in success-based development and regulatory milestones and low double digit royalties on net sales.

### **Components of Results of Operations**

#### ***Revenue***

From the beginning of January 2017 through June 2020, we recognized CHF 10.6 million as revenue primarily under our license agreement with Indivior. We do not have approval to market or commercialize any of our product candidates, we have never generated revenue from the sale of products and we do not expect to generate any revenue from product sales for the foreseeable future. Prior to approval of a product candidate, we will seek to generate revenue from a combination of license fees, milestone payments in connection with collaborative or strategic relationships, royalties resulting from the licensing of our drug candidates and payments from sponsored research and development activities.

Revenue from collaborative arrangements comprises the fair value for the sale of products and services, net of value-added tax, rebates and discounts. Revenue from the rendering of services is recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total service to be provided. Revenue from collaborative arrangements may include the receipt of non-refundable license fees, milestone payments, and research and development payments. When we have continuing performance obligations under the terms of the arrangements, non-refundable fees and payments are recognized as revenue by reference to the completion of the performance obligation and the economic substance of the agreement.

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Our revenue has varied, and we expect revenue to continue to vary, substantially from year to year, depending on the structure and timing of milestone events, as well as our development and commercialization strategies and those of our collaboration partners for our product candidates. We, therefore, believe that historical period to period comparisons are not meaningful and should not be relied upon as an indicator of our future revenue and performance potential.

### *Other Income*

From the beginning of January 2017 through June 2020, we recognized CHF 1.3 million as other income including CHF 1.2 million relating to grants from The Michael J. Fox Foundation for Parkinson’s Research, or MJFF, relating to certain clinical activities related to dipraglurant development in Parkinson’s disease levodopa-induced dyskinesia, or PDLID, and TrKB PAM discovery activities. In 2019 we received a grant from Eurostars/Innosuisse for the project named DISARM FEAR linked to discovery activities whose CHF 0.1 million has been recognized as income from the inception.

Grants are recognized at their fair value where there is reasonable assurance that the grant will be received and that we will comply with all associated conditions. Grants relating to costs are recognized as other income in the statement of comprehensive loss over the period necessary to match them with the costs that they are intended to compensate.

### *Operating Expenses*

#### *Research and Development Costs*

From the beginning of January 2017 through June 2020, we incurred CHF 25.9 million in research and development costs. They consist mainly of direct research costs, which include: costs associated with the use of contract research organizations, or CROs, and consultants hired to assist in our research and development activities, personnel costs, share-based compensation for our employees and consultants, costs related to regulatory affairs and intellectual property, as well as depreciation for assets used in research and development activities.

We typically use our employee, consultant and infrastructure resources across our research and development programs. We track by program the directly attributable costs from CROs and consultants.

The following table provides a breakdown of our outsourced research and development costs that are directly attributable to the specified programs for the three-month and six-month periods ended June 30, 2020 and 2019:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
	(CHF in thousands)			
Dipraglurant PD-LID.....	907	2,070	3,217	3,261
GABA <sub>B</sub> PAM.....	292	368	654	821
Other discovery programs.....	138	181	272	337
<b>Total outsourced research and development costs.....</b>	<b>1,337</b>	<b>2,619</b>	<b>4,143</b>	<b>4,419</b>

We expect our research and development costs will increase for the foreseeable future as we seek to advance the development of our programs. At this time, we cannot reasonably estimate or know the nature, timing and estimated costs of the efforts that will be necessary to complete the development of our product candidates. We are also unable to predict when, if ever, material net cash inflows will commence from sales of our product candidates. This is due to the numerous risks and uncertainties associated with developing such product candidates, including:

- uncertainty to discover efficacious clinical candidate;
- uncertainty to be able to efficiently manufacture and distribute drug products;
- competitor intellectual property restraining our freedom to operate;
- the number of patients and sites required for clinical trials;
- the length of time required to enroll patients, run the clinical study and analyze the results;

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- the duration, severity and impact on our operation of the COVID-19 pandemic that currently delays the initiation of a placebo-controlled Phase 2b/3 pivotal clinical trial of dipraglurant in levodopa induced dyskinesia associated with Parkinson's disease or PD-LID; and
- the results of our clinical trials.

In addition, the probability of success for any of our product candidates will depend on numerous factors, including competition, manufacturing capability and commercial viability. A change in the outcome of any of these variables with respect to the development of any of our product candidates would significantly change the costs, timing and viability associated with the development of that product candidate.

### **General and Administrative Costs**

General and administrative costs consist primarily of personnel costs, including salaries, benefits and share-based compensation cost for our employees as well as corporate facility costs not otherwise included in research and development expenses, legal fees related to corporate matters and fees for accounting and financial or tax consulting services.

We anticipate that our general and administrative costs will remain significant in the future to support continued research and development activities.

### **Finance Result, Net**

Finance result net, consists mainly of currency exchange differences, interest expenses relating to the negative interest rates on Swiss franc cash deposits since January 2018 partially offset by positive interest income on USD bank deposits and short-term deposits since September 2019.

### **Analysis of Results of Operations**

The following table presents our consolidated results of operations for the three-month and six-month periods ended June 30, 2020 and 2019:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
	(CHF in thousands)			
Revenue .....	861	519	1,765	1,220
Other income .....	72	6	120	7
Research and development costs .....	(2,319)	(3,411)	(5,872)	(5,894)
General and administrative costs .....	(1,588)	(1,478)	(3,260)	(2,821)
<b>Operating loss .....</b>	<b>(2,974)</b>	<b>(4,364)</b>	<b>(7,247)</b>	<b>(7,488)</b>
Finance income .....	11	(103)	33	21
Finance expense .....	(152)	(33)	(207)	(74)
<b>Net loss .....</b>	<b>(3,115)</b>	<b>(4,500)</b>	<b>(7,421)</b>	<b>(7,541)</b>

### **Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019**

#### **Revenue**

The following table sets forth our revenue in the three-month periods ended June 30, 2020 and 2019:

	For the three months ended June 30,	
	2020	2019
	(CHF in thousands)	
Collaborative research funding .....	861	519
<b>Total .....</b>	<b>861</b>	<b>519</b>

Revenue increased by CHF 0.3 million in the three-month period ended in June 30, 2020 compared to the three-month period ended in June 30, 2019 due to amounts received under our license and research agreement with Indivior related to our GABA<sub>B</sub> PAM program and recognized as revenue as the costs are incurred.

**Other Income**

The following table sets forth the other income in the three-month periods ended June 30, 2020 and 2019:

	For the three months ended June 30,	
	2020	2019
	(CHF in thousands)	
Research grants.....	66	—
Other service income.....	6	7
<b>Total.....</b>	<b>72</b>	<b>7</b>

Other income increased by CHF 65 thousand in the three-month period ended June 30, 2020, compared to the three-month period ended June 30, 2019 primarily due to Eurostars/Innosuisse grant award recognized as costs are incurred.

**Research and Development Expenses**

The following table sets forth our research and development expenses in the three-month periods ended June 30, 2020 and 2019:

	For the three months ended June 30,	
	2020	2019
	(CHF in thousands)	
Dipraglurant PD-LID.....	907	2,070
GABA <sub>B</sub> PAM.....	292	368
Other discovery programs.....	138	181
<b>Subtotal outsourced R&amp;D per program.....</b>	<b>1,337</b>	<b>2,619</b>
Staff costs.....	610	511
Depreciation and amortization.....	77	63
Laboratory consumables.....	102	63
Patent maintenance and registration costs.....	108	78
Short-term leases.....	2	12
Other operating costs.....	83	65
<b>Subtotal unallocated R&amp;D expenses.....</b>	<b>982</b>	<b>792</b>
<b>Total.....</b>	<b>2,319</b>	<b>3,411</b>

Research and development expenses decreased by CHF 1.0 million in the three-month period ended June 30, 2020 compared to the three-month period ended June 30, 2019 primarily due to the decision that we made on March 18, 2020 to postpone the start of dosing patients in a Phase 2b/3 pivotal clinical trial of Dipraglurant PD-LID due to COVID 19 pandemic.

**General and Administrative Costs**

The following table sets forth our general and administrative costs in the three-month periods ended June 30, 2020 and 2019:

	For the three months ended June 30,	
	2020	2019
	(CHF in thousands)	
Staff costs.....	668	656
Depreciation and amortization.....	20	17
Professional fees.....	421	614
Short-term leases.....	8	—
Other operating costs.....	471	191
<b>Total.....</b>	<b>1,588</b>	<b>1,478</b>

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General and administrative costs increased by CHF 0.1 million in the three-month period ended June 30, 2020 compared to the three-month period ended June 30, 2019 primarily due to an increase of CHF 0.3 million in directors and officer's liability insurances following the Company's listing on the Nasdaq Stock Market from January 29, 2020. The increase in insurance premium has been partially offset by a decrease of CHF 0.2 million of professional fees.

### *Finance Result, Net*

	For the three months ended June 30,	
	2020	2019
	(CHF in thousands)	
Interest income.....	11	—
Interest cost.....	(13)	(28)
Interest expense on leases.....	(5)	(5)
Foreign exchange (losses)/gains, net.....	(134)	(103)
<b>Total.....</b>	<b>(141)</b>	<b>(136)</b>

Finance result net remained stable in the three-month period ended June 30, 2020 compared to the three-month period ended June 30, 2019 and primarily relates to currency exchange differences on cash and cash equivalents items due to a stronger Swiss franc in front of U.S. dollar.

### *Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019*

#### *Revenue*

The following table sets forth our revenue in the six-month periods ended June 30, 2020 and 2019:

	For the six months ended June 30,	
	2020	2019
	(CHF in thousands)	
Collaborative research funding.....	1,765	1,220
<b>Total.....</b>	<b>1,765</b>	<b>1,220</b>

Revenue increased by CHF 0.5 million in the six-month period ended June 30, 2020 compared to the six-month period ended June 30, 2019 due to amounts received under our license and research agreements with Indivior related to our GABA<sub>B</sub> PAM program and recognized as revenue as the outsourced research and development and other internal costs are incurred.

#### *Other Income*

The following table sets forth the other income in the six-month periods ended June 30, 2020 and 2019:

	For the six months ended June 30,	
	2020	2019
	(CHF in thousands)	
Research grants.....	111	—
Other service income.....	9	7
<b>Total.....</b>	<b>120</b>	<b>7</b>

Other income increased by CHF 0.1 million in the six-month period ended June 30, 2020, compared to the six-month period ended June 30, 2019 primarily due to amounts recognized under our Eurostars/Innosuisse research grant award which is being recognized in income as research and development costs are incurred.

**Research and Development Expenses**

The following table sets forth our research and development expenses in the six-month periods ended June 30, 2020 and 2019:

	For the six months ended June 30,	
	2020	2019
	(CHF in thousands)	
Dipraglurant PD-L1D.....	3,217	3,261
GABA <sub>B</sub> PAM.....	654	821
Other discovery programs.....	272	337
<b>Subtotal outsourced R&amp;D per program.....</b>	<b>4,143</b>	<b>4,419</b>
Staff costs.....	1,072	957
Depreciation and amortization.....	155	125
Laboratory consumables.....	160	104
Patent maintenance and registration costs.....	173	139
Short-term leases.....	10	18
Other operating costs.....	159	132
<b>Subtotal unallocated R&amp;D expenses.....</b>	<b>1,729</b>	<b>1,475</b>
<b>Total.....</b>	<b>5,872</b>	<b>5,894</b>

Research and development costs remained stable in the six-month period ended June 30, 2020 compared to the six-month period ended June 30, 2019.

**General and Administrative Costs**

The following table sets forth our general and administrative costs in the six-month periods ended June 30, 2020 and 2019:

	For the six months ended June 30,	
	2020	2019
	(CHF in thousands)	
Staff costs.....	1,145	1,271
Depreciation and amortization.....	38	32
Professional fees.....	996	1,052
Short-term leases.....	8	—
Other operating costs.....	1,073	466
<b>Total.....</b>	<b>3,260</b>	<b>2,821</b>

General and administrative costs increased by CHF 0.4 million in the six-month period ended June 30, 2020 compared to the six-month period ended June 30, 2019 primarily due to the other operating costs driven by the increase of CHF 0.6 million in directors and officer’s liability insurances following our Nasdaq listing on January 29, 2020.

**Finance Result, Net**

	For the six months ended June 30,	
	2020	2019
	(CHF in thousands)	
Interest income.....	33	—
Interest cost.....	(35)	(63)
Interest expense on leases.....	(11)	(11)
Foreign exchange (losses)/gains, net.....	(160)	21
<b>Total.....</b>	<b>(174)</b>	<b>(53)</b>

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Finance result net loss, increased by 0.1 million in the six-month period ended June 30, 2020 compared to the six-month period ended June 30, 2019 primarily due to currency exchange differences mainly on cash and cash equivalent items held in U.S. dollars due to a stronger Swiss franc.

### Liquidity and Capital Resources

Since our inception, we have generated CHF 59 million of revenue and have incurred net losses and negative cash flows from our operations. We have funded our operations primarily through the sale of equity. From inception through June 30, 2020, we raised an aggregate of CHF 325 million of gross proceeds from the sale of equity. As of June 30, 2020, we had CHF 20.7 million in cash and cash equivalents.

Our primary uses of cash are to fund operating expenses, primarily research and development expenditures. Cash used to fund operating expenses is impacted by the timing of when we pay these expenses, as reflected in the changes in our outstanding accounts payable and accrued expenses. We currently have no ongoing material financing commitments, such as lines of credit or guarantees.

We expect our expenses to increase in connection with our ongoing activities, particularly as we continue to advance our portfolio of product candidates, initiate further clinical trials and seek marketing approval for our product candidates. In addition, if we obtain marketing approval for any of our product candidates, we expect to incur significant commercialization expenses related to program sales, marketing, manufacturing and distribution to the extent that such sales, marketing and distribution are not the responsibility of potential collaborators. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our research and development programs or future commercialization efforts.

We expect our existing cash and cash equivalents will enable us to fund our operating expenses and capital expenditure requirements for at least the next 12 months. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect. Our future capital requirements will depend on many factors, including:

- the scope, progress, results and costs of our ongoing and planned preclinical studies and clinical trials for dipraglurant PD-L1D program;
- the timing and amount of milestone and royalty payments we may receive under our license agreements;
- the extent to which we in-license or acquire other product candidates and technologies;
- the number and development requirements of other product candidates that we may pursue;
- the costs, timing and outcome of regulatory review of our product candidates;
- the duration and severity of the COVID-19 pandemic;
- the costs associated with building out our Swiss and U.S. operations; and
- the costs and timing of future commercialization activities, including drug manufacturing, marketing, sales and distribution, for any of our product candidates for which we receive marketing approval.

Identifying potential product candidates and conducting preclinical studies and clinical trials is a time-consuming, expensive and uncertain process that takes many years to complete, and we may never generate the necessary data or results required to obtain marketing approval and achieve product sales. In addition, our product candidates, if approved, may not achieve commercial success. Our revenue, if any, will be derived from sales of products that we do not expect to be commercially available for many years, if at all.

Until such time, if ever, as we can generate substantial product revenue, we may finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms of any additional securities may include liquidation or other preferences that adversely affect your rights as a shareholder. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends.

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If we raise funds through additional collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

The following table shows a summary of our cash flows for the periods indicated:

	For the six months ended June 30,	
	2020	2019
	(CHF in thousands)	
<b>Cash and cash equivalents at the beginning of the period.....</b>	<b>31,537</b>	<b>41,670</b>
Net cash flows used in operating activities.....	(10,327)	(4,615)
Net cash flows used in investing activities.....	(10)	(22)
Net cash flows used in financing activities.....	(349)	(286)
<b>Decrease in cash and cash equivalents.....</b>	<b>(10,686)</b>	<b>(4,923)</b>
Effect of the exchange rates.....	(180)	1
<b>Cash and cash equivalents at end of period.....</b>	<b>20,671</b>	<b>36,748</b>

### *Operating Activities*

Net cash flows from or used in operating activities consist of the net loss adjusted for changes in working capital, that are current assets and current liabilities, and for non-cash items such as depreciation and the value of share-based services.

During the six-month period ended June 30, 2020, operating activities used CHF 10.3 million of cash primarily due to our net loss of CHF 7.4 million and a negative working capital movement of CHF 3.9 million partially offset by non-cash items of CHF 0.8 million that mainly relate to the value of the share-based services. The negative working capital movement is mainly due to the increase of the prepayments relating to the directors and officer's liability insurances for CHF 1.1 million and the decrease in accruals and payables for CHF 1.8 million mainly due to reduced research and development activities on Dipraglurant PD-L1D program because of COVID 19 pandemic during the second quarter 2020 and reduced payables.

During the six-month period ended June 30, 2019, operating activities used CHF 4.6 million of cash primarily due to our net loss of CHF 7.5 million partially offset by a positive working capital movement of CHF 1.5 million and non-cash items of CHF 1.3 million that primarily relate to the value of share-based services.

### *Investing Activities*

Net cash used in investing activities consist primarily of investments in computer and laboratory equipment, security rental deposits related to laboratory and office space.

During the six-month periods ended June 30, 2020 and 2019, net cash used in investing activities, close to nil, primarily related to investments in hardware and laboratory equipment.

### *Financing Activities*

Net cash flows from financing activities consists of proceeds from the sale of equity securities, whilst net cash flows used in financing activities primarily relates to the principal element of lease payments under IFRS 16 and interest expenses on Swiss francs cash deposits and purchase of own shares.

During the six-month periods ended June 30, 2020 and 2019, net cash flows used in financing activities primarily related to the principal element of lease payments and associated interest expense resulting from the adoption of IFRS16, effective from January 1, 2019.

### **Off-Balance Sheet Arrangements**

As of the date of this discussion and analysis and during the period presented, we did not have any off-balance sheet arrangements, as defined in the rules and regulations of the U.S. Securities and Exchange Commission.

**Critical Accounting Policies and Significant Judgments and Estimates**

Our management’s discussion and analysis of our financial condition and results of operations is based on our consolidated interim financial statements, which we have prepared in accordance with International Accounting Standard 34 Interim Financial reporting as issued by the International Accounting Standards Board.

**Recent Accounting Pronouncements**

The adoption of IFRS standards as issued by the IASB and interpretations issued by the IFRS interpretations committee that are effective for the first time for the financial year beginning on or after January 1, 2020 had no material impact on our financial position or disclosures made in our condensed consolidated interim financial statements.

**JOBS Act Transition Period**

Subject to certain conditions, as an emerging growth company, we may rely on certain of these exemptions under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, including without limitation, (1) providing an auditor’s attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (2) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an emerging growth company until the earlier to occur of (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of this offering, (b) in which we have total annual gross revenues of at least \$1.07 billion or (c) in which we are deemed to be a “large accelerated filer” under the rules of the U.S. Securities and Exchange Commission, which means the market value of our common shares that is held by non-affiliates exceeds \$700 million as of the prior June 30, and (2) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period.