addex Therapeutics

Allosteric Modulators for Human Health

Quarter 3 2020
Interim Report

Contents

ADDEX THERAPEUTICS LTD

Unaudited Interim Condensed Consolidated Balance Sheets

as at September 30, 2020 and December 31, 2019

	Notes	September 30, 2020	December 31, 2019
		Amounts in Swiss francs	
ASSETS			
Current assets			
Cash and cash equivalents	6	17,813,450	31,536,803
Other financial assets	7	66,346	13,968
Receivables	7	75,836	118,028
Prepayments	7	1,292,814	720,063
Total current assets		**19,248,446**	**32,388,862**
Non-current assets			
Right-of-use assets	8	259,828	543,340
Property, plant and equipment	9	69,915	27,626
Non-current financial assets	10	68,173	68,911
Total non-current assets		**397,916**	**639,877**
Total assets		**19,646,362**	**33,028,739**
LIABILITIES AND EQUITY			
Current liabilities			
Current lease liabilities		215,246	373,025
Payables and accruals	11	1,851,640	4,196,411
Contract liability	15	—	945,737
Deferred income	16	149,940	165,389
Total current liabilities		**2,216,826**	**5,680,562**
Non-current liabilities			
Non-current lease liabilities		53,685	177,220
Retirement benefits obligations	14	1,631,885	1,481,738
Deferred income	16	—	165,390
Total non-current liabilities		**1,685,570**	**1,824,348**
Equity			
Share capital	12	32,848,635	32,848,635
Share premium	12	286,463,215	286,375,977
Reserves		8,013,098	7,146,506
Accumulated deficit		(311,580,982)	(300,847,289)
Total equity		**15,743,966**	**25,523,829**
Total liabilities and equity		**19,646,362**	**33,028,739**

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

ADDEX THERAPEUTICS LTD

Unaudited Interim Condensed Consolidated Statements of Comprehensive Loss

for the three-month and nine-month periods ended September 30, 2020

	Notes	For the three months ended September 30,		For the nine months ended September 30,	
		2020	2019	2020	2019
		Amounts in Swiss francs			
Revenue from contract with customer……	15	**27,264**	**502,359**	**1,792,117**	**1,722,660**
Other income……	16	**75,388**	**8,720**	**195,345**	**15,340**
Operating costs					
Research and development…….		(1,978,955)	(2,914,582)	(7,850,543)	(8,808,412)
General and administration…….		(1,236,729)	(1,358,166)	(4,496,535)	(4,178,883)
Total operating costs……		**(3,215,684)**	**(4,272,748)**	**(12,347,078)**	**(12,987,295)**
Operating loss……...		**(3,113,032)**	**(3,761,669)**	**(10,359,616)**	**(11,249,295)**
Finance income.....		1,280	202,179	34,049	223,131
Finance expense		(201,282)	(25,697)	(408,126)	(99,652)
**Finance result..... **	19	**(200,002)**	**176,482**	**(374,077)**	**123,479**
**Net loss before tax..... **		**(3,313,034)**	**(3,585,187)**	**(10,733,693)**	**(11,125,816)**
Income tax expense……		—	—	—	—
**Net loss for the period ..... **		**(3,313,034)**	**(3,585,187)**	**(10,733,693)**	**(11,125,816)**
**Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company ..... **	20	**(0.12)**	**(0.14)**	**(0.40)**	**(0.42)**
Other comprehensive loss					
Items that will never be reclassified to the statement of income:					
Remeasurements of retirement benefits obligation……		(150,130)	(363,290)	(192,178)	(850,778)
Items that may be classified subsequently to the statement of income:					
Exchange difference on translation of foreign operations differences……		(1,278)	(83)	(2,125)	(131)
**Other comprehensive loss for the period, net of tax…… **		**(151,408)**	**(363,373)**	**(194,303)**	**(850,909)**
**Total comprehensive loss for the period…. **		**(3,464,442)**	**(3,948,560)**	**(10,927,996)**	**(11,976,725)**

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

ADDEX THERAPEUTICS LTD

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

For the nine-month period ended September 30, 2020

Amounts in Swiss francs

	Notes	Share Capital	Share Premium	Treasury Shares Reserve	Foreign Currency Translation Reserve	Other Reserves	Accumulated Deficit	Total
Balance at January 1, 2019…...		**28,564,031**	**286,476,912**	**(2,513,148)**	**(652,323)**	**13,431,873**	**(286,066,685)**	**39,240,660**
Net loss for the period……		—	—	—	—	—	(11,125,816)	(11,125,816)
Other comprehensive loss for the period…..		—	—	—	(131)	(850,778)	—	(850,909)
Total comprehensive loss for the period…		—	—	—	**(131)**	**(850,778)**	**(11,125,816)**	**(11,976,725)**
Issue of shares…….	12	4,284,604	—	—	—	—	—	4,284,604
Cost of share capital issuance…….		—	(61,242)	—	—	—	—	(61,242)
Value of share-based services....……...	13	—	—	—	—	1,368,039	—	1,368,039
Movement on warrants		—	—	(288)	—	—	—	(288)
Movement in treasury shares:	12							
Capital increase……..		—	—	(4,284,604)	—	—	—	(4,284,604)
Settlement of supplier invoices…...		—	64,551	134,326	—	—	—	198,877
Net sales under liquidity agreement...		—	(25,895)	31,768	—	—	—	5,873
Balance at September 30, 2019.		**32,848,635**	**286,454,326**	**(6,631,946)**	**(652,454)**	**13,949,134**	**(297,192,501)**	**28,775,194**
Balance at January 1, 2020…...		**32,848,635**	**286,375,977**	**(6,572,316)**	**(653,161)**	**14,371,983**	**(300,847,289)**	**25,523,829**
Net loss for the period……..		—	—	—	—	—	(10,733,693)	(10,733,693)
Other comprehensive loss for the period…..		—	—	—	(2,125)	(192,178)	—	(194,303)
Total comprehensive loss for the period…		—	—	—	**(2,125)**	**(192,178)**	**(10,733,693)**	**(10,927,996)**
Value of share-based services....……...	13	—	—	—	—	946,234	—	946,234
Movement in treasury shares:	12							
Settlement of supplier invoices…...		—	58,442	171,079	—	—	—	229,521
Net purchases under liquidity agreement...		—	28,796	(56,418)	—	—	—	(27,622)
Balance at September 30, 2020.		**32,848,635**	**286,463,215**	**(6,457,655)**	**(655,286)**	**15,126,039**	**(311,580,982)**	**15,743,966**

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

ADDEX THERAPEUTICS LTD

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

For the three-month period ended September 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
Balance at January 1, 2019…....		**28,564,031**	**286,476,912**	**(2,513,148)**	**(652,323)**	**13,431,873**	**(286,066,685)**	**39,240,660**
Net loss for the period…….		—	—	—	—	—	(3,040,802)	(3,040,802)
Other comprehensive loss for the period…..		—	—	—	(27)	(331,028)	—	(331,055)
Total comprehensive loss for the period….		—	—	—	**(27)**	**(331,028)**	**(3,040,802)**	**(3,371,857)**
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
Balance at March 31, 2019…....		**28,564,031**	**286,496,260**	**(2,486,305)**	**(652,350)**	**13,601,364**	**(289,107,487)**	**36,415,513**
Net loss for the period…….		—	—	—	—	—	(4,499,827)	(4,499,827)
Other comprehensive loss for the period…..		—	—	—	(21)	(156,460)	—	(156,481)
Total comprehensive loss for the period….		—	—	—	**(21)**	**(156,460)**	**(4,499,827)**	**(4,656,308)**
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)
Balance at June 30, 2019…….		**32,848,635**	**286,458,420**	**(6,718,189)**	**(652,371)**	**13,943,805**	**(293,607,314)**	**32,272,986**
Net loss for the period……...		—	—	—	—	—	(3,585,187)	(3,585,187)
Other comprehensive loss for the period…..		—	—	—	(83)	(363,290)	—	(363,373)
Total comprehensive loss for the period….		—	—	—	**(83)**	**(363,290)**	**(3,585,187)**	**(3,948,560)**
Value of share-based services....…….....	13	—	—	-	—	368,619	—	368,619
Movement on warrants.		—	—	(288)	—	—	—	(288)
Movement in treasury shares:								
Settlement of supplier invoices….....	12	—	21,579	53,489	—	—	—	75,068
Net sales under liquidity agreement....		—	(25,673)	33,042	—	—	—	7,369
Balance at September 30, 2019..		**32,848,635**	**286,454,326**	**(6,631,946)**	**(652,454)**	**13,949,134**	**(297,192,501)**	**28,775,194**

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

ADDEX THERAPEUTICS LTD

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

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

Amounts in Swiss francs

	Notes	Share Capital	Share Premium	Treasury Shares Reserve	Foreign Currency Translation Reserve	Other Reserves	Accumulated Deficit	Total
Balance at January 1, 2020…...		**32,848,635**	**286,375,977**	**(6,572,316)**	**(653,161)**	**14,371,983**	**(300,847,289)**	**25,523,829**
Net loss for the period……...		—	—	—	—	—	(4,305,921)	(4,305,921)
Other comprehensive income for the period.		—	—	—	(33)	184,951	—	184,918
Total comprehensive loss for the period….		—	—	—	**(33)**	**184,951**	**(4,305,921)**	**(4,121,003)**
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)
Balance at March 31, 2020……		**32,848,635**	**286,392,907**	**(6,508,912)**	**(653,194)**	**14,854,642**	**(305,153,210)**	**21,780,868**
Net loss for the period…….		—	—	—	—	—	(3,114,738)	(3,114,738)
Other comprehensive loss for the period…..		—	—	—	(814)	(226,999)	—	(227,813)
Total comprehensive loss for the period….		—	—	—	**(814)**	**(226,999)**	**(3,114,738)**	**(3,342,551)**
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)
Balance at June 30, 2020……		**32,848,635**	**286,395,945**	**(6,492,233)**	**(654,008)**	**14,970,726**	**(308,267,948)**	**18,801,117**
Net loss for the period…….		—	—	—	—	—	(3,313,034)	(3,313,034)
Other comprehensive loss for the period…		—	—	—	(1,278)	(150,130)	—	(151,408)
Total comprehensive loss for the period….		—	—	—	**(1,278)**	**(150,130)**	**(3,313,034)**	**(3,464,442)**
Value of share-based services....…….....	13	—	—	—	—	305,443	—	305,443
Movement in treasury shares:								
Settlement of supplier invoices……	12	—	30,487	59,237	—	—	—	89,724
Net purchases under liquidity agreement.....		—	36,783	(24,659)	—	—	—	12,124
Balance at September 30, 2020..		**32,848,635**	**286,463,215**	**(6,457,655)**	**(655,286)**	**15,126,039**	**(311,580,982)**	**15,743,966**

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

ADDEX THERAPEUTICS LTD

Unaudited Interim Condensed Consolidated Statements of Cash Flows

for the nine-month period ended September 30, 2020

	Notes	For the nine months ended September 30, 2020	2019
		Amounts in Swiss francs	
Net loss for the period		(10,733,693)	(11,125,816)
Adjustments for:			
Depreciation	8/9	291,677	237,189
Value of share-based services	13	946,234	1,368,039
Pension costs		(42,031)	75,830
Finance net cost/(income)		412,504	(91,659)
Increase in other financial assets	7	(52,378)	(5,873)
Decrease/(increase) in receivables	7	42,192	(54,315)
Increase in prepayments	7	(572,751)	(463,849)
(Decrease)/increase in payables and accruals	11	(2,279,614)	569,336
Decrease in contract liability	15	(945,737)	(212,744)
Decrease in deferred income	16	(180,839)	—
Services paid in shares		229,521	198,877
Net cash used in operating activities		**(12,884,915)**	**(9,504,985)**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(11,329)	(25,490)
Purchase of non-current financial assets		—	(274)
Net cash used in investing activities		**(11,329)**	**(25,764)**
Cash flows from financing activities			
Costs paid on issue of shares subscribed by the Group		(109,167)	(61,242)
(Purchase) /sale of treasury shares		(27,622)	5,873
Principal element of lease payment		(281,314)	(226,576)
Interest received	19	34,049	9,393
Interest paid	19	(59,228)	(99,652)
Net cash used in financing activities		**(443,282)**	**(372,204)**
Decrease in cash and cash equivalents		**(13,339,526)**	**(9,902,953)**
Cash and cash equivalents at beginning of the period	6	31,536,803	41,670,158
Exchange difference on cash and cash equivalents		(383,827)	181,787
Cash and cash equivalents at end of the period	6	**17,813,450**	**31,948,992**

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

Unaudited Notes to the Interim Condensed 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") are a clinical stage pharmaceutical group applying its leading allosteric modulator drug discovery platform to discovery and development 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., company created on May 29, 2019 registered in Delaware with its principal business location in San Francisco, California, United States. Its registered shares are traded at 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 represents shares that continue to be admitted to trading on SIX Swiss Exchange.

These condensed consolidated financial statements have been approved for issuance by the Board of Directors on October 30, 2020.

2. Basis of preparation

These condensed consolidated interim financial statements for the three month and nine month periods ended September 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.

Interim financial results are not necessarily indicative of results anticipated for the full year. The preparation of these unaudited condensed consolidated interim financial statements made 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). The Group decided to suspend the trial based on the inability of planned clinical trial sites in the United States to initiate the trial in full compliance with the Group's planned clinical trial procedures including with respect to data reporting, data monitoring, and the recommendations of various health authorities that the infirm patients who would participate in the trial not risk being exposed to COVID-19 at clinical trial sites. Such sites have been and may continue to be required to focus their limited resources on matters unrelated to our planned clinical trial, thereby decreasing availability, in whole or in part, for services to our planned clinical trial. The Group will not be able to initiate the trial until these risks have been significantly reduced or remediated. Although the Group believes, based on current projections of the pandemic, that it will be able to initiate the trial in the first half of 2021, the duration of the COVID-19 crisis is uncertain and, if the enumerated risks are not addressed, the Group may have to adjust its expectations as to trial initiation, including potentially initiating the trial later in 2021, in order to accommodate the foregoing factors. In addition, the COVID-19 pandemic may affect the operations of the FDA and other health authorities, which could result in delays of reviews and approvals, including with respect to dipraglurant and our other product candidates. Any such delays could increase the cost of our planned clinical trial and increase the uncertainty of receiving approval from the FDA for dipraglurant in PD-LID patients. 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 2020 and thereafter 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 comprehensive 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 nine-month periods ended September 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 September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Collaborative research funding.....……	27,264	502,359	1,792,117	1,722,660
Grants earned…….……	70,033	—	180,839	—
Other service income……..	5,355	8,720	14,506	15,340
Total……..…..…….	**102,652**	**511,079**	**1,987,462**	**1,738,000**

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Indivior PLC	27,264	502,359	1,792,117	1,722,660
Eurostars (Innosuisse)	70,033	—	180,839	—
Other counterparties	5,355	8,720	14,506	15,340
Total	**102,652**	**511,079**	**1,987,462**	**1,738,000**

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

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

	September 30, 2020	December 31, 2019
Switzerland	308,443	498,066
United States of America	89,084	141,420
France	389	391
Total	**397,916**	**639,877**

The capital expenditure during the nine-month period ended September 30, 2020 is CHF 11,329 (CHF 25,490 for the nine-month period ended September 30, 2019).

The geographical analysis of operating costs is as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Switzerland	3,192,154	4,270,757	12,278,647	12,981,853
United States of America	19,221	197	62,268	197
France	4,309	1,794	6,163	5,245
Total operating costs (note 17)	**3,215,684**	**4,272,748**	**12,347,078**	**12,987,295**

6. Cash and cash equivalents

	September 30, 2020	December 31, 2019
Cash at bank and on hand	17,813,450	26,889,923
Short term deposits in USD	—	4,646,880
Total cash and cash equivalents	**17,813,450**	**31,536,803**

Split by currency:

	September 30, 2020	December 31, 2019
CHF	66.65%	64.31%
USD	31.87%	35.03%
GBP	0.73%	0.40%
EUR	0.75%	0.26%
Total	**100%**	**100%**

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 September 30, 2020, non-used funds received from Eurostars/Innosuisse amount to CHF 149,940 (note 16).

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

7. Other current assets

	September 30, 2020	December 31, 2019
Other financial assets…….....	66,346	13,968
Receivables…….....	75,836	118,028
Prepayments……..	1,292,814	720,063
**Total other current assets……..... **	**1,434,996**	**852,059**

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 September 30, 2020, the receivables comprise of five non-governmental debtors whose combined outstanding balances are CHF 47,068 (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, excepted loss allowance has been deemed as nil as of September 30, 2020 and December 31, 2019. The prepayments mainly relate to contract research organization and directors and officer's liability insurances. The increase in prepayments at September 30, 2020 compared to December 31, 2019, is because insurance premiums are paid at the beginning of the year.

8. Right-of-use assets

	Properties	Equipment	Total
Year ended December 31, 2019			
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
Closing net book amount……	**496,126**	**47,214**	**543,340**
At December 31, 2019			
Cost……	792,337	74,701	867,038
Accumulated depreciation…….	(296,211)	(27,487)	(323,698)
Net book value……	**496,126**	**47,214**	**543,340**

	Properties	Equipment	Total
Period ended September 30, 2020			
Opening net book amount…….	496,126	47,214	543,340
Additions……...	—	—	—
Depreciation charge……...	(259,307)	(19,320)	(278,627)
Exchange differences……	(4,885)	—	(4,885)
Closing net book amount……	**231,934**	**27,894**	**259,828**
At September 30, 2020			
Cost……	496,126	47,214	543,340
Accumulated depreciation…….	(264,192)	(19,320)	(283,512)
Net book value…….	**231,934**	**27,894**	**259,828**

9. Property, plant and equipment

	Equipment	Furniture & fixtures	Chemical library	Total
Year ended December 31, 2019				
Opening net book amount…….	8,868	—	—	8,868
Additions……..	28,459	—	—	28,459
Depreciation charge……..	(9,701)	—	—	(9,701)
Closing net book amount……...	**27,626**	**—**	**—**	**27,626**
At December 31, 2019				
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)
Net book value……	**27,626**	**—**	**—**	**27,626**

	Equipment	Furniture & fixtures	Chemical library	Total
Period ended September 30, 2020				
Opening net book amount…….	27,626	—	—	27,626
Additions……..	55,339	—	—	55,339
Depreciation charge……..	(13,050)	—	—	(13,050)
Closing net book amount……..	**69,915**	**—**	**—**	**69,915**
At September 30, 2020				
Cost……...	1,678,204	7,564	1,207,165	2,892,933
Accumulated depreciation……	(1,608,289)	(7,564)	(1,207,165)	(2,823,018)
Net book value……	**69,915**	**—**	**—**	**69,915**

10. Non-current financial assets

	September 30, 2020	December 31, 2019
Security rental deposits ……	68,173	68,911
Total non-current financial assets ……	**68,173**	**68,911**

11. Payables and accruals

	September 30, 2020	December 31, 2019
Trade payables……...	433,245	2,216,147
Social security and other taxes……..	98,668	107,415
Accrued expenses…….....	1,319,727	1,872,849
Total payables and accruals……..	**1,851,640**	**4,196,411**

All payables mature within 3 months. Accrued expenses relate primarily to amounts accrued under R&D service contracts and professional fees. The amounts have decreased at September 30, 2020 compared to December 31, 2019, mainly due to the initiation of a placebo-controlled Phase 2b/3 pivotal clinical trial of dipraglurant in PD-LID being suspended since March 18, 2020. The other discovery activities are not significantly affected by the 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

	Number of shares		
	Common shares	Treasury shares	Total
Balance at January 1, 2019……	**28,564,031**	**(2,158,476)**	**26,405,555**
Issue of shares – capital increase……...	4,284,604	(4,284,604)	—
Settlement of supplier invoices…….	—	134,326	134,326
Net sale of treasury shares….....	—	3,044	3,044
Balance at September 30, 2019…..……	**32,848,635**	**(6,305,710)**	**26,542,925**
Balance at January 1, 2020……	**32,848,635**	**(6,243,487)**	**26,605,148**
Settlement of supplier invoices…….	—	171,079	171,079
Net purchase of treasury shares….....	—	(21,925)	(21,925)
Balance at September 30, 2020……..	**32,848,635**	**(6,094,333)**	**26,754,302**

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 September 30, 2020, 49,850 (December 31, 2019: 27,925) treasury shares are recorded under this agreement in the treasury share reserve and CHF 66,346 (December 31, 2019: CHF 13,968) is recorded in other financial assets.

At September 30, 2020 and 2019, the total issued share capital is 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 three-month and the nine-month periods ended September 30, 2020, the Group used 59,327 and 171,079 treasury shares, respectively, (53,489 and 134,326 treasury shares for the same respective periods ended September 30, 2019) to purchase services from consultants including 27,734 and 92,423 treasury shares, respectively, (31,988 and 82,421 treasury shares for the same respective periods ended September 30, 2019) for Roger Mills, the Group's Chief Medical Officer. The total value of consulting services settled in shares was CHF 87,975 and CHF 229,521 for the three-month and nine-month respective periods ended September 30, 2020 (CHF 75,068 and CHF 198,877 for the same respective periods ended September 30, 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 nine-month periods ended September 30, 2020 amounts to CHF 305,443 and CHF 946,234, respectively, (CHF 368,619 and CHF 1,368,039 for the three-month and nine-month respective periods ended September 30, 2019).

As of September 30, 2020, 6,768,460 options were outstanding (5,540,600 options as of December 31, 2019). During the nine-month periods ended September 30, 2020, the Group granted 1,227,860 options with vesting over 4 years and a 10-year exercise period. Of these options, 31,362 were granted at an exercise price of CHF 1.45 on July 1, 2020, 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 nine-month period ended September 30, 2020, CHF 25,683 relates to the fair value adjustment for exercise period extensions of vested options (CHF 4,070 for the three-month period ended September 30, 2020).

As of September 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 September 30,		For the nine months ended September 30,	
	2020	**2019**	**2020**	**2019**
Current service cost…….……..	(78,932)	(71,630)	(236,795)	(214,886)
Past service cost…….……....	—	—	102,764	—
Interest cost…….……....	(5,501)	(20,456)	(16,503)	(61,372)
Interest income……	3,551	18,025	10,652	54,073
Company pension amount (note 18)…	**(80,882)**	**(74,061)**	**(139,882)**	**(222,185)**

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

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

	September 30, 2020	**December 31, 2019**
Defined benefit obligation.....……	(9,232,629)	(8,583,214)
Fair value of plan assets…….……....	7,600,744	7,101,476
Funded status…….....	**(1,631,885)**	**(1,481,738)**

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 $GABA_B$ 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 $GABA_B$ 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

$GABA_B$ 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 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 $GABA_B$ PAM compounds. These future novel $GABA_B$ 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 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.

For the three-month period ended September 30, 2020, the Group recognized as revenue CHF 27 thousand relating to the reinvoicing of patent costs to indivior. The amount recognized as revenue by the Group for the research agreement is nil for the three-month period ended September 30, 2020 and CHF 1.8 million for the nine-month period ended September 30, 2020 (for the three-month and the nine-month periods ended September 30, 2019, CHF 0.5 million and CHF 1.7 million, respectively). The contract liability relating to the research agreement is nil as of September 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 mGlu2 PAM 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 nine-month periods ended September 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 September 30, 2020, the Group has recognized CHF 70,033 as other income (CHF 180,839 for the nine-month period ended September 30,2020). As at September 30, 2020, the Group recognized CHF 149,940 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 September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Staff costs (note 18)…….....	1,061,189	994,267	3,278,253	3,221,764
Depreciation (notes 8/9) …….....	99,007	80,396	291,677	237,189
External research and development costs..	1,167,229	2,169,015	5,310,617	6,588,310
Laboratory consumables…….....	70,187	72,961	229,981	176,427
Patent maintenance and registration costs.	63,010	66,297	236,370	205,051
Professional fees…….....	208,441	770,711	1,203,687	1,822,876
Short-term leases……...	9,676	1,460	27,010	19,696
Other operating costs……	536,945	117,641	1,769,483	715,982
Total operating costs……...	**3,215,684**	**4,272,748**	**12,347,078**	**12,987,295**

The evolution of the total operating costs is mainly driven by external research and development expenses, internal staff costs, professional fees and other operating costs.

During the three-month period ended September 30, 2020, external research and development costs decreased by CHF 1.0 million compared to the same period ended September 30, 2019, primarily due to the initiation of a placebo-controlled Phase 2b/3 pivotal clinical trial of dipraglurant in PD-LID being suspended since March 18, 2020. During the same period the decrease of CHF 0.6 million in professional fees including CHF 0.4 million reduction in audit fees, is partially offset by an increase of CHF 0.4 million in other operating costs relating to increased directors and officer's liability insurance premiums following the Company's listing on Nasdaq Stock Market on January 29, 2020.

During the nine-month period ended September 30, 2020, external research and development costs decreased by CHF1.3 million compared to the same period ended September 30, 2019 primarily due to Dipraglurant PD-LID program whilst at the same time, other operating costs increased by CHF 1.1 million due to higher D&O insurance premiums and professional fees decreased by CHF 0.6 million mainly due to lower professional service fees.

18. Staff costs

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Wages and salaries……..	668,626	574,483	2,170,043	1,745,037
Social charges and insurances…..……...	69,042	62,812	244,922	184,192
Value of share-based services ……	242,639	282,911	723,406	1,070,350
Retirement benefit (note 14)……...	80,882	74,061	139,882	222,185
Total staff costs…….	**1,061,189**	**994,267**	**3,278,253**	**3,221,764**

19. Finance result, net

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Interest income…….....	1,280	9,393	34,049	9,393
Interest cost…….	(8,649)	(21,344)	(44,126)	(84,288)
Interest expense on leases……...	(3,884)	(4,353)	(15,102)	(15,364)
Foreign exchange (losses)/gains, net…..	(188,749)	192,786	(348,898)	213,738
Finance result, net……..……..	**(200,002)**	**176,482**	**(374,077)**	**123,479**

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 September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Loss attributable to equity holders of the Company…….	(3,313,034)	(3,585,187)	(10,733,693)	(11,125,816)
Weighted average number of shares in issue…….....	26,687,189	26,485,119	26,653,630	26,414,042
Basic and diluted loss per share…….	**(0.12)**	**(0.14)**	**(0.40)**	**(0.42)**

The Company has three categories of dilutive potential shares at September 30, 2020 and 2019: equity sharing certificates (ESCs), share options and warrants. For the three-month and nine-month periods ended September 2020 and 2019, equity sharing certificates, share options and warrants have not been included in 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:

Key management compensation	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
Salaries, other short-term employee benefits and post-employment benefits...	278,485	251,666	1,037,801	889,898
Consulting fees……	67,576	89,779	247,049	246,471
Share-based compensation…..…….	271,946	321,425	783,331	1,200,093
Total…….	**618,007**	**662,870**	**2,068,181**	**2,336,462**

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 to the Board of Directors and Executive Management of CHF 100,966 at September 30, 2020 (December 31, 2019: CHF 176,089).

22. Events after the balance sheet date

On October 30, 2020, the research agreement with Indivior was extended until June 30, 2021. Under the amendment to the agreement, Indivior has committed research funding of $2.8 million. There were no other 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 (including alcohol use disorder), 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 first quarter of 2021, pending removal of governmental and institution 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 clinical trial will be conducted at approximately 50 sites in the United States and will target enrollment 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 fourth quarter of 2022. In parallel, we are developing an extended release formulation of dipraglurant as a novel orally available mGlu5 NAM for the treatment of dystonia and plan to initiate a clinical program in the first half of 2021 with the initial target indication of blepharospasm. We expect to start an exploratory placebo-controlled clinical trial in blepharospasm patients using the current immediate release formulation of dipraglurant in the first half of 2021.

Our partner, Janssen Pharmaceuticals Inc., or Janssen, has licensed worldwide rights to our second clinical program, ADX71149, and is responsible for development, manufacture and commercialization. Janssen has completed Phase 1 and two Phase 2 studies in schizophrenia and anxious depression, respectively. Janssen has conducted several preclinical studies in epilepsy and is planning to initiate a Phase 2a proof of concept clinical trial of ADX71149 in epilepsy patients in the first quarter of 2021. Under our agreement with Janssen, Janssen is responsible for financing the development and commercialization, if any, of ADX71149.

Our partner, Indivior PLC, or Indivior, has licensed worldwide rights to our $GABA_B$ PAM, program and is responsible for all development, manufacture and commercialization of any selected $GABA_B$ PAM drug candidate. Under the agreement, we are responsible for executing a research program funded by Indivior to discovery novel $GABA_B$ PAM drug candidates. Indivior's primary therapeutic focus is addiction, including alcohol use disorder, and under the agreement we have the right to select certain drug candidates for future independent development in certain exclusive indications including CMT1A. We expect to start the clinical candidate selection phase in the fourth quarter of 2020.

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 shares on the SIX Swiss Exchange in May 2007. On January 29, 2020, we listed American Depositary Shares (ADSs) representing our shares on the Nasdaq Stock Market following the United States Securities and Exchange Commission (SEC) having declared our registration statements on Forms F-1 and F-6 effective.

Our operations to date have included organizing and staffing our company, raising capital, out-licensing rights to our research stage programs including our mGlu2 PAM and $GABA_B$ 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 through the sale of equity. As of September 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 for the three-month and the nine-month periods ending September 30, 2020, CHF 3.3 million and CHF 10.7 million respectively 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 September 30, 2020, we had accumulated losses of CHF 311.6 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 for the treatment of PD-LID 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 $GABA_B$ 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 $GABA_B$ 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 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 $GABA_B$ PAM compounds. These future novel $GABA_B$ 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. 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. On October 30, 2020, the research agreement with Indivior was extended until June 30, 2021 and under the agreement amendment, Indivior committed an additional research funding of $2.8 million.

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 $GABA_B$ 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 is planning to initiate a Phase 2a proof of concept clinical trial of ADX71149 in epilepsy patients in the first quarter of 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 September 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.

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 September 2020, we recognized CHF 1.4 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 PD LID, and TrKB PAM discovery activities. In 2019 we received a grant from Eurostars/Innossuisse for the project named "Disarm Fear" linked to discovery activities whose CHF 0.2 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 September 2020, we incurred CHF 27.9 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 on 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 nine-month periods ended September 30, 2020 and 2019:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
	(CHF in thousands)			
Dipraglurant PD-LID……....	530	1,674	3,748	4,935
$GABA_B$ PAM……..	349	346	1,003	1,167
Other discovery programs……...	288	149	560	486
Total outsourced research and development costs…….	**1,167**	**2,169**	**5,311**	**6,588**

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 related to discovering candidate;
- uncertainty related to efficiently manufacturing and distributing 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 clinical study and analyze results;
- 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 nine-month periods ended September 30, 2020 and 2019:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	2020	2019
	(CHF in thousands)			
Revenue……..	27	502	1,792	1,723
Other income……...	75	9	195	15
Research and development costs…….	(1,979)	(2,915)	(7,851)	(8,808)
General and administrative costs……	(1,236)	(1,358)	(4,496)	(4,179)
Operating loss……	**(3,113)**	**(3,762)**	**(10,360)**	**(11,249)**
Finance income……...	1	202	34	223
Finance expense……..	(201)	(26)	(408)	(100)
Net loss……...	**(3,313)**	**(3,586)**	**(10,734)**	**(11,126)**

Three Months Ended September 30, 2020 Compared to Three Months Ended September 30, 2019

Revenue

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

	For the three months ended September 30,	
	2020	2019
	(CHF in thousands)	
Collaborative research funding……...	27	502
Total……	**27**	**502**

The revenue that we recognized for the three-month period ended September 30, 2020 relates to the reinvoicing of patent costs to Indivior. The revenue relating to the research agreement with Indivior is nil in the three-month period ended September 30, 2020 whilst it reached CHF 0.5 million for the three-month period ended September 30, 2019.

Other Income

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

	For the three months ended September 30,	
	2020	2019
	(CHF in thousands)	
Research grants……..	70	—
Other service income……..	5	9
Total……	**75**	**9**

Other income increased by CHF 66 thousand in the three-month period ended September 30, 2020, compared to the three-month period ended September 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 September 30, 2020 and 2019:

	For the three months ended September 30,	
	2020	2019
	(CHF in thousands)	
Dipraglurant PD-LID……..	530	1,674
$GABA_B$ PAM……..	349	346
Other discovery programs……...	288	149
**Subtotal outsourced R&D per program…….. **	**1,167**	**2,169**
Staff costs……	538	470
Depreciation and amortization……	80	63
Laboratory consumables…….	70	73
Patent maintenance and registration costs…….	63	66
Short-term leases…….	7	2
Other operating costs……...	54	72
**Subtotal unallocated R&D expenses…….. **	**812**	**746**
Total……	**1,979**	**2,915**

Research and development expenses decreased by CHF 0.9 million in the three-month period ended September 30, 2020 compared to the three-month period ended September 30, 2019 primarily due to the initiation of a placebo-controlled Phase 2b/3 pivotal clinical trial of dipraglurant in PD-LID being suspended since March 18, 2020.

General and Administrative Costs

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

	For the three months ended September 30,	
	2020	2019
	(CHF in thousands)	
Staff costs……	523	524
Depreciation and amortization……	19	17
Professional fees…….	208	771
Short-term leases…….	3	—
Other operating costs……..	483	46
Total……	**1,236**	**1,358**

General and administrative costs decreased by CHF 0.1 million in the three-month period ended September 30, 2020 compared to the three-month period ended September 30, 2019. During this period, the decrease of CHF 0.6 million in professional fees including lower audit fees for CHF 0.4 million, has been partially offset by an increase of CHF 0.4 million in other operating costs relating to an increase of the directors and officer's liability insurance premiums following the Company's listing on the Nasdaq Stock Market from January 29, 2020.

Finance Result, Net

	For the three months ended September 30,	
	2020	**2019**
	(CHF in thousands)	
Interest income……....	1	9
Interest cost……...……..	(8)	(21)
Interest expense on leases……...	(4)	(4)
Foreign exchange (losses)/gains, net…..	(189)	193
Total……	**(200)**	**176**

Finance result net decreased by CHF 0.4 million in the three-month period ended September 30, 2020 compared to the three-month period ended September 30, 2019 mainly due to foreign exchange losses generated on US dollar denominated cash and cash equivalent balances held at September 30, 2020.

Nine Months Ended September 30, 2020 Compared to Nine Months Ended September 30, 2019

Revenue

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

	For the nine months ended September 30,	
	2020	**2019**
	(CHF in thousands)	
Collaborative research funding……...	1,792	1,723
Total……	**1,792**	**1,723**

Revenue increased by CHF 0.1 million in the nine-month period ended September 30, 2020 compared to the nine-month period ended September 30, 2019 due to amounts received under our license and research agreements with Indivior related to our $GABA_B$ 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 nine-month period ended September 30, 2020 and 2019:

	For the nine months ended September 30,	
	2020	**2019**
	(CHF in thousands)	
Research grants……...	180	—
Other service income……..	15	15
Total……	**195**	**15**

Other income increased by CHF 0.2 million in the nine-month period ended September 30, 2020, compared to the nine-month period ended September 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 nine-month period ended September 30, 2020 and 2019:

	For the nine months ended September 30,	
	2020	2019
	(CHF in thousands)	
Dipraglurant PD-LID……....	3,748	4,935
$GABA_B$ PAM……..	1,003	1,167
Other discovery programs……...	560	486
Subtotal outsourced R&D per program…….	**5,311**	**6,588**
Staff costs……	1,610	1,427
Depreciation and amortization……	235	188
Laboratory consumables…….	230	176
Patent maintenance and registration costs…….	236	205
Short-term leases…….	17	20
Other operating costs……..	212	204
Subtotal unallocated R&D expenses…….	**2,540**	**2,220**
Total……	**7,851**	**8,808**

Research and development costs decreased by CHF 1.0 million in the nine-month period ended September 30, 2020 compared to the nine-month period ended September 30, 2019 primarily due to due to the initiation of a placebo-controlled Phase 2b/3 pivotal clinical trial of dipraglurant in PD-LID being suspended since March 18, 2020.

General and Administrative Costs

The following table sets forth our general and administrative costs in the nine-month period ended September 30, 2020 and 2019:

	For the nine months ended September 30,	
	2020	2019
	(CHF in thousands)	
Staff costs……	1,668	1,795
Depreciation and amortization……	57	49
Professional fees…….	1,204	1,823
Short-term leases…….	10	—
Other operating costs……..	1,557	512
Total……	**4,496**	**4,179**

General and administrative costs increased by CHF 0.3 million in the nine-month period ended September 30, 2020 compared to the nine-month period ended September 30, 2019. During this period, the increase of CHF 1.1 million in other operating costs, primarily relating to an increase of the directors and officer's liability insurance premiums following the Company's listing on the Nasdaq Stock Market from January 29, 2020, has been partially offset by a decrease of CHF 0.6 million in professional fees, including lower audit cost of CHF 0.4 million. During the same period, staff costs decreased by CHF 0.1 million, mainly due to lower share-based compensation cost.

Finance Result, Net

	For the nine months ended September 30,	
	2020	2019
	(CHF in thousands)	
Interest income…….	34	9
Interest cost……...…….....	(44)	(84)
Interest expense on leases……...…….	(15)	(15)
Foreign exchange (losses)/gains, net…..	(349)	214
Total…….	**(374)**	**123**

Finance result net decreased by CHF 0.4 million in the nine-month period ended September 30, 2020 compared to the nine-month period ended September 30, 2020 mainly due to foreign exchange losses generated on US dollar denominated cash and cash equivalent balances held at September 30, 2020.

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 September 30, 2020, we raised an aggregate of CHF 325 million of gross proceeds from the sale of equity. As at September 30, 2020, we had CHF 17.8 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 through the end of 2021. 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-LID 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.

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 nine months ended September 30,	
	2020	2019
	(CHF in thousands)	
Cash and cash equivalents at the beginning of the period……...	**31,537**	**41,670**
Net cash flows used in operating activities……..	(12,885)	(9,505)
Net cash flows used in investing activities……...	(11)	(26)
Net cash flows used in financing activities……..	(444)	(372)
Decrease in cash and cash equivalents…….	**(13,340)**	**(9,903)**
Effect of the exchange rates……..	(384)	182
Cash and cash equivalents at end of period…….	**17,813**	**31,949**

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 nine-month period ended September 30, 2020, operating activities used CHF 12.9 million of cash primarily due to our net loss of CHF 10.7 million and a reduction in working capital of CHF 3.8 million, partially offset by non-cash items of CHF 1.6 million that mainly relate to the value of the share-based services. The reduction in working capital is primarily due to a CHF 2.3 million reduction in accruals and payables related to our postponed dipraglurant PD-LID Phase 2b/3 pivotal clinical trial , a CHF 0.9 million decrease in contract liabilities related to our research agreement with Indivior and an increase of CHF 0.6 million in prepayment related to directors and officer's liability insurance, paid at the beginning of each year.

During the nine-month period ended September 30, 2019, operating activities used CHF 9.5 million of cash primarily due to our net loss of CHF 11.1 million, mainly offset by non-cash items of CHF 1.6 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 and security rental deposits related to laboratory and office space.

During the nine-month period ended September 30, 2020 and 2019, net cash used in investing activities was close to nil, primarily related to investments in hardware, computer 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 relate 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 nine-month period ended September 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.