addex Therapeutics

Allosteric Modulators for Human Health

Q1
Interim Report 2022

Contents

Unaudited Interim Condensed Consolidated Balance Sheets

as of March 31, 2022, and December 31, 2021

	Notes	March 31, 2022	December 31, 2021
		Amounts in Swiss francs	
ASSETS			
Current assets			
Cash and cash equivalents……..	6	14,887,838	20,484,836
Other financial assets……..	7/15	8,589	17,145
Trade and other receivables……..…….	7	366,825	164,785
Contract asset…….……....	7	67,807	159,636
Prepayments ……..……	7	1,831,112	1,115,374
Total current assets……...		**17,162,171**	**21,941,776**
Non-current assets			
Right-of-use assets……..	8	399,656	469,989
Property, plant and equipment……	9	61,528	72,111
Non-current financial assets……	10	57,950	57,908
Total non-current assets……...		**519,134**	**600,008**
Total assets……		**17,681,305**	**22,541,784**
LIABILITIES AND EQUITY			
Current liabilities			
Current lease liabilities……...		292,103	287,698
Payables and accruals……	11	3,680,368	3,847,145
Total current liabilities…….		**3,972,471**	**4,134,843**
Non-current liabilities			
Non-current lease liabilities……		120,768	194,316
Retirement benefits obligations……..	14	632,753	1,281,525
Total non-current liabilities…….		**753,521**	**1,475,841**
Equity			
Share capital……	12	65,272,952	49,272,952
Share premium……	12	283,742,253	283,981,361
Treasury shares reserve……..	12	(27,685,587)	(11,703,279)
Other reserves……		26,507,232	24,437,868
Accumulated deficit……		(334,881,537)	(329,057,802)
Total equity……		**12,955,313**	**16,931,100**
Total liabilities and equity……		**17,681,305**	**22,541,784**

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

Unaudited Interim Condensed Consolidated Statements of Comprehensive Loss

for the three-month periods ended March 31, 2022 and 2021

	Notes	For the three months ended March 31, 2022	2021
		Amounts in Swiss francs	
Revenue from contract with customer	15	**237,237**	**844,223**
Other income	16	**6,711**	**78,198**
Operating costs			
Research and development		(3,765,447)	(2,748,043)
General and administration		(2,241,086)	(1,322,406)
Total operating costs		**(6,006,533)**	**(4,070,449)**
Operating loss		**(5,762,585)**	**(3,148,028)**
Finance income		95	529,155
Finance expense		(61,245)	(20,740)
Finance result	19	**(61,150)**	**508,415**
Net loss before tax		**(5,823,735)**	**(2,639,613)**
Income tax expense		-	-
Net loss for the period		**(5,823,735)**	**(2,639,613)**
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company	20	**(0.15)**	**(0.08)**
Other comprehensive income			
Items that will never be reclassified to profit and loss:			
Remeasurements of retirement benefits obligation		665,819	125,401
Items that may be classified subsequently to profit and loss:			
Exchange difference on translation of foreign operations		27	464
Other comprehensive income for the period, net of tax		**665,846**	**125,865**
Total comprehensive loss for the period		**(5,157,889)**	**(2,513,748)**

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

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

For the three-month periods ended March 31, 2022 and 2021

	Notes	Share Capital	Share Premium	Treasury Shares Reserve	Foreign Currency Translation Reserve	Other Reserves	Accumulated Deficit	Total
				Amounts in Swiss francs				
Balance as of January 1, 2021…..		**32,848,635**	**286,888,354**	**(6,078,935)**	**(657,230)**	**15,314,867**	**(313,705,888)**	**14,609,803**
Net loss for the period……..		-	-	-	-	-	(2,639,613)	(2,639,613)
Other comprehensive income for the period		-	-	-	464	125,401	-	125,865
Total comprehensive loss for the period..		-	-	-	**464**	**125,401**	**(2,639,613)**	**(2,513,748)**
Issue of shares – third parties……..	12	6,900,000	3,199,323	-	-	-	-	10,099,323
Cost of share capital issuance……..		-	(1,767,053)	-	-	-	-	(1,767,053)
Value of share-based services.....	13	-	-	-	-	186,102	-	186,102
Movement in treasury shares:	12							
Settlement of supplier invoices….....		-	21,284	37,382	-	-	-	58,666
Net purchases under liquidity agreement..		-	8,061	(63,028)	-	-	-	(54,967)
Other net sales of treasury shares….....		-	41,004	39,940	-	-	-	80,944
Balance as of March 31, 2021.....		**39,748,635**	**288,390,973**	**(6,064,641)**	**(656,766)**	**15,626,370**	**(316,345,501)**	**20,699,070**
Balance as of January 1, 2022…..		**49,272,952**	**283,981,361**	**(11,703,279)**	**(657,525)**	**25,095,393**	**(329,057,802)**	**16,931,100**
Net loss for the period……..		-	-	-	-	-	(5,823,735)	(5,823,735)
Other comprehensive income for the period		-	-	-	27	665,819	-	665,846
Total comprehensive loss for the period..		**-**	**-**	**-**	**27**	**665,819**	**(5,823,735)**	**(5,157,889)**
Issue of treasury shares……..	12	16,000,000	-	(16,000,000)	-	-	-	-
Cost of treasury shares issuance……..		-	(210,633)	-	-	-	-	(210,633)
Related costs of sales shelf-registration….		-	(2,223)	-	-	-	-	(2,223)
Cost of pre-funded warrants sold……..		-		-	-	(36,534)	-	(36,534)
Value of share-based services.....	13	-	-	-	-	1,440,052	-	1,440,052
Movement in treasury shares:	12							
Net purchases under liquidity agreement..		-	(26,252)	17,692	-	-	-	(8,560)
Balance as of March 31, 2022.....		**65,272,952**	**283,742,253**	**(27,685,587)**	**(657,498)**	**27,164,730**	**(334,881,537)**	**12,955,313**

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

Unaudited Interim Condensed Consolidated Statements of Cash Flows

for the three-month periods ended March 31, 2022 and 2021

	Notes	For the three months ended March 31, 2022	2021
		Amounts in Swiss francs	
Net loss for the period		(5,823,735)	(2,639,613)
Adjustments for:			
Depreciation	8/9	86,832	88,645
Value of share-based services	13	1,440,052	186,102
Post-employment benefits		17,047	(189,919)
Finance cost/(income) net		30,326	(553,308)
Decrease in other financial assets	7	8,556	54,967
Increase in trade and other receivables	7	(202,040)	(4,788)
Decrease / (increase) in contract asset	7	91,829	(110,555)
Increase in prepayments	7	(715,738)	(354,175)
Increase in payables and accruals	11	222,247	1,501,875
Decrease in contract liability	15	-	(733,668)
Decrease in deferred income	16	-	(73,117)
Services paid in shares	12	-	58,666
Net cash used in operating activities		**(4,844,624)**	**(2,768,888)**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	-	(3,159)
Net cash used in investing activities		**-**	**(3,159)**
Cash flows from financing activities			
Proceeds from capital increase		-	10,161,746
Costs paid on issue of shares		-	(1,298,879)
Cost paid on issue of treasury shares	12	(188,052)	-
(Purchase)/sale of treasury shares		(8,560)	25,977
Costs paid on sale of pre-funded warrants	12	(275,966)	-
Costs paid on sales of treasury shares – shelf registration	12	(174,396)	-
Principal element of lease payment		(75,059)	(77,593)
Interest received	19	95	1,612
Interest paid	19	(22,414)	(20,740)
Net cash from/(used in) financing activities		**(744,352)**	**8,792,123**
(Decrease)/increase in cash and cash equivalents		**(5,588,976)**	**6,020,076**
Cash and cash equivalents at the beginning of the period	6	20,484,836	18,695,040
Exchange difference on cash and cash equivalents		(8,022)	505,114
Cash and cash equivalents at the end of the period	6	**14,887,838**	**25,220,230**

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

Unaudited Notes to the Interim Condensed Consolidated Financial Statements

for the three-month periods ended March 31, 2022

(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 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. 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 May 4, 2022.

2. Basis of preparation

These condensed consolidated interim financial statements for the three-month period ended March 31, 2022, 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, 2021.

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, 2021.

A number of new or amended standards and interpretations became applicable for financial periods beginning on or after January 1, 2022. 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 expects that its existing cash and cash equivalents will be sufficient to fund its operations and meet all of its obligations as they fall due for at least twelve months from the date of issuance of these unaudited condensed consolidated financial statements. The future viability of the Group is dependent on its ability to raise additional capital to finance its future operations that may be delayed due to COVID 19 pandemic and the Russia's invasion of Ukraine. The Group will seek additional funding through public or private financings or collaboration agreements. The sale of additional equity may dilute existing shareholders. The inability to obtain funding, as and when needed, would have a negative impact on the Group's financial condition and ability to pursue its business strategies. If the Group is unable to obtain the required funding to run its operations and to develop and commercialize its product candidates, the Group could be forced to delay, reduce or stop some or all of its research and development programs to ensure it remains solvent. Management continues to explore options to obtain additional funding, including through collaborations with third parties related to the future potential development and/or commercialization of its product candidates. However, there is no assurance that the Group will be successful in raising funds, closing a collaboration agreement, obtaining sufficient funding on terms acceptable to the Group, or if at all, which could have a material adverse effect on the Group's business, results of operations and financial conditions.

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 (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.

On June 29, 2021, the Group announced the initiation of a placebo-controlled Phase 2b/3 pivotal clinical trial of dipraglurant in PD-LID and expect to report topline results in the first half of 2023. On September 29, 2021, the Group announced the initiation of an exploratory placebo-controlled phase 2 clinical study of dipraglurant in blepharospasm and expect to report topline results at in the second quarter of 2022.

Although the Group believes, based on current projections of the pandemic, that it will be able to execute the clinical trials as planned in 2022 and 2023, the duration of the COVID-19 crisis is uncertain and may impact the Group's ability to execute these clinical trials as planned.

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 2022 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.

Russia's invasion of Ukraine
On February 24, 2022, Russia invaded Ukraine creating a global conflict. The resulting conflict and retaliatory measures by the global community have created global security concerns, including the possibility of expanded regional or global conflict, which have had, and are likely to continue to have, short-term and more likely longer-term adverse impacts on Ukraine and Europe and around the globe. Potential ramifications include disruption of the supply chain including research activities and complications with the conduct of ongoing and future clinical trials of our product candidates led by the Group, including patient enrollment. The Group and its collaborators rely on global networks of contract research organizations and clinical trial sites to enroll patients, certain of which are in Russia and Ukraine. Delays in research activities or in the conduct of the clinical trials of the Group could increase associated costs and, depending upon the duration of any delays, require the Group to find alternative suppliers at additional expense. In addition, the conflict in Eastern Europe has had significant ramifications on global financial markets, which may adversely impact the ability of the Group to raise capital on favorable terms or at all.

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 pre-clinical 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

Management has identified one single operating segment, related to the discovery, development and commercialization of small-molecule pharmaceutical products.

Information about products, services and major customers
External income of the Group for the three-month periods ended March 31, 2022 and 2021 is derived from the business of discovery, development and commercialization of pharmaceutical products. Income was earned from 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 March 31,	
	2022	**2021**
Collaborative research funding……..	237,237	844,223
Grants earned…….....	-	73,117
Other service income……..	6,711	5,081
Total…..……	**243,948**	**922,421**

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

	For the three months ended March 31,	
	2022	**2021**
Indivior PLC……..……....	237,237	844,223
Eurostars /Innosuisse..……..…….……....	-	73,117
Other counterparties……..…….	6,711	5,081
Total……..…..…….…….	**243,948**	**922,421**

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:

	March 31, 2022	**December 31, 2021**
Switzerland……..……..	515,182	596,098
United States of America……	3,584	3,536
France…….……..……..	368	374
**Total……...	**519,134**	**600,008**

The geographical analysis of operating costs is as follows:

	For the three months ended March 31,	
	2022	**2021**
Switzerland……..……..	5,996,993	4,060,789
United States of America……	7,708	7,981
France…….……..……..	1,832	1,679
Total operating costs (note 17)…….……...	**6,006,533**	**4,070,449**

The capital expenditure during the three-month period ended March 31, 2022 is nil (CHF 3,159 for the three-month period ended March 31, 2021).

6. Cash and cash equivalents

	March 31, 2022	**December 31, 2021**
Cash at bank and on hand……....	14,887,838	20,484,836
**Total cash and cash equivalents……..	**14,887,838**	**20,484,836**

Split by currency:

	March 31, 2022	December 31, 2021
CHF	94.99%	44.33%
USD	3.76%	54.47%
EUR	0.48%	0.58%
GBP	0.77%	0.62%
Total	**100.00%**	**100.00%**

The Group pays interests on CHF cash and cash equivalents and earns interests on USD cash and cash equivalents. The Group invests its cash balances into a variety of current and deposit accounts mainly with Swiss banks.

All cash and cash equivalents were held either at banks or on hand as of March 31, 2022 and December 31, 2021.

7. Other current assets

	March 31, 2022	December 31, 2021
Other financial assets	8,589	17,145
Trade and other receivables	366,825	164,785
Contract asset (Indivior PLC)	67,807	159,636
Prepayments	1,831,112	1,115,374
Total other current assets	**2,274,333**	**1,456,940**

The Group applies the IFRS 9 simplified approach to measuring expected credit losses ("ECL"), which uses a lifetime expected loss allowance for all contract assets, trade receivables and other receivables. As of March 31, 2022, the combined amount of the contract asset, trade receivables and other receivables amounted to CHF 434,632 (CHF 324,421 as of December 31, 2021) including CHF 237,237 for the research agreement with Indivior (CHF 159,636 as of December 31, 2021), CHF 131,848 for the grant from Eurostars/Innosuisse (CHF 131,848 as of December 31, 2021) and CHF 12,700 for five non-governmental debtors (four non-governmental debtors for CHF 3,978 as of December 31, 2021). The Group has considered that the contract asset, trade receivables and other receivables have a low risk of default based on historic loss rates and forward-looking information on macroeconomic factors affecting the ability of the third parties to settle invoices. As a result, expected loss allowance has been deemed as nil as of March 31, 2022 and December 31, 2021. The increase in prepayments as of March 31, 2022 compared to December 31, 2021 primarily relates to retirement benefits paid annually at the beginning of the year.

8. Right-of-use assets

Year ended December 31, 2021	Properties	Equipment	Total
Opening net book amount	543,890	21,454	565,344
Additions	2,000	-	2,000
Depreciation charge	(294,389)	(26,026)	(320,415)
Effect of lease modifications	208,902	17,676	226,578
Disposals	(4,216)	-	(4,216)
Exchange differences	698	-	698
Closing net book amount	**456,885**	**13,104**	**469,989**

As of December 31, 2021	Properties	Equipment	Total
Cost	1,298,569	88,844	1,387,413
Accumulated depreciation	(841,684)	(75,740)	(917,424)
Net book value	**456,885**	**13,104**	**469,989**

Period ended March 31, 2022	Properties	Equipment	Total
Opening net book amount	456,885	13,104	469,989
Depreciation charge	(69,674)	(6,575)	(76,249)
Effect of lease modifications	-	5,916	5,916
Closing net book amount	**387,211**	**12,445**	**399,656**

As of March 31, 2022	Properties	Equipment	Total
Cost	1,298,569	94,760	1,393,329
Accumulated depreciation	(911,358)	(82,315)	(993,673)
Net book value	**387,211**	**12,445**	**399,656**

9. Property, plant and equipment

Year ended December 31, 2021	Equipment	Furniture & fixtures	Chemical Library	Total
Opening net book amount	67,760	-	-	67,760
Additions	31,549	-	-	31,549
Depreciation charge	(27,198)	-	-	(27,198)
Closing net book amount	**72,111**	**-**	**-**	**72,111**

As of December 31, 2021	Equipment	Furniture & fixtures	Chemical Library	Total
Cost	1,713,828	7,564	1,207,165	2,928,557
Accumulated depreciation	(1,641,717)	(7,564)	(1,207,165)	(2,856,446)
Net book value	**72,111**	**-**	**-**	**72,111**

Period ended March 31, 2022	Equipment	Furniture & fixtures	Chemical Library	Total
Opening net book amount	72,111	-	-	72,111
Depreciation charge	(10,583)	-	-	(10,583)
Closing net book amount	**61,528**	**-**	**-**	**61,528**

As of March 31, 2022	Equipment	Furniture & fixtures	Chemical Library	Total
Cost	1,713,828	7,564	1,207,165	2,928,557
Accumulated depreciation	(1,652,300)	(7,564)	(1,207,165)	(2,867,029)
Net book value	**61,528**	**-**	**-**	**61,528**

10. Non-current financial assets

	March 31, 2022	December 31, 2021
Security rental deposits	57,950	57,908
Total non-current financial assets	**57,950**	**57,908**

11. Payables and accruals

	March 31, 2022	December 31, 2021
Trade payables	1,421,642	1,787,287
Social security and other taxes	233,619	203,288
Accrued expenses	2,025,107	1,856,570
Total payables and accruals	**3,680,368**	**3,847,145**

All payables mature within 3 months. Accrued expenses and trade payables primarily relate to R&D services from contract research organizations, consultants and professional fees. The decrease in payables and accruals as of March 31, 2022 compared to December 31, 2021, primarily relates to trade payables linked to R&D activities on discovery programs. The carrying amounts of 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 as of January 1, 2021……	**32,848,635**	**(5,729,861)**	**27,118,774**
Issue of shares – capital increase……..	6,900,000	-	6,900,000
Settlement of supplier invoices……..	-	37,382	37,382
Net purchase of treasury shares under liquidity agreement……...	-	(36,045)	(36,045)
Other net sale of treasury shares……..…….……..	-	39,940	39,940
Balance as of March 31, 2021…..……	**39,748,635**	**(5,688,584)**	**34,060,051**

	Number of shares		
	Common shares	Treasury shares	Total
Balance as of January 1, 2022……..……	**49,272,952**	**(11,374,803)**	**37,898,149**
Issue of shares – capital increase……..	16,000,000	(16,000,000)	-
Net purchase of treasury shares under liquidity agreement……...	-	(11,000)	(11,000)
Balance as of March 31, 2022…..……	**65,272,952**	**(27,385,803)**	**37,887,149**

The Company maintains a Liquidity Agreement 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. As of March 31, 2022, 102,370 (December 31, 2021: 91,370) treasury shares are recorded under this agreement in the treasury share reserve and CHF 8,589 (December 31, 2021: CHF 17,145) is recorded in other financial assets.

As of March 31, 2022, the total outstanding share capital is CHF 37,887,149, consisting of 37,887,149 shares excluding 27,385,803 treasury shares. As of December 31, 2021, the total outstanding share capital was CHF 37,898,149 consisting of 37,898,149 shares excluding 11,374,803 treasury shares. All shares have a nominal value of CHF 1.00.

On February 2, 2022, Addex Therapeutics Ltd issued 16,000,000 new shares from the authorized capital to its 100% owned subsidiary, Addex Pharma SA, at CHF 1.00. These shares are held as treasury shares, hence the operation does not impact the outstanding share capital. Directly related share issuance costs of CHF 0.2 million were recorded as a deduction in equity.

On December 16, 2021, the Group entered into a Securities Purchase Agreement with Armistice Capital LLC and sold 3,752,202 treasury shares in the form of 625,367 American Depositary Share (ADS) listed on the Nasdaq Stock Market at a sale price of USD 1.08 (CHF 1.00) per share, USD 6.50 (CHF 6.00) per ADS. In addition, 5,478,570 pre-funded warrants in the form of 913,095 ADS were sold at a sale price of USD 1.08 (CHF 0.99) per share, USD 6.49 (CHF 5.99) per ADS with an exercise price of USD 0.01 per ADS. The total gross proceeds of this offering amounted to USD 10 million (CHF 9.2 million) and directly related share issuance costs of CHF 1.4 million were recorded as a deduction in equity for the year ended December 31, 2021 of which CHF 0.5 million has been paid during the three-month period ended March 31, 2022. The Group additionally issued to Armistice Capital LLC, 9,230,772 warrants to purchase 1,538,462 ADS with an exercise price of USD 1.08 (CHF 1.00) per share and USD 6.5 (CHF 6.00) per ADS. The fair value of each of the warrants issued is CHF 0.40 per share, CHF 2.4 per ADS, and has been calculated using the Black-Scholes valuation model and recorded in equity as a cost of the offering for the year ended December 31, 2021, with a volatility of 55.57% and an annual risk-free rate of -0.64%. The total value of the warrants issued amounted to CHF 3.7 million.

On April 23, 2021, Addex Therapeutics Ltd issued 9,524,317 new shares from the authorized capital to its 100% owned subsidiary, Addex Pharma SA, at CHF 1.00. These shares are held as treasury shares, hence the operation does not impact the outstanding share capital.

On January 8, 2021, Addex Therapeutics Ltd issued 6,900,000 registered shares, with a nominal value of CHF 1.00 each, at an issue price of CHF 1.46. Out of the total new shares, 6,750,000 are in the form of ADS. The gross proceeds amounted to CHF 10.1 million (USD 11.5 million) and directly related share issuance costs of CHF 1.8 million were recorded as a deduction in equity as of March 31, 2021.

During the three-month period ended March 31, 2022, the Sale Agency Agreement entered with Kepler Cheuvreux was on hold whilst 39,940 treasury shares were sold under this agreement, for a gross amount of CHF 80,944 during the same period ending March 31, 2021.

In addition, the Group did not use its treasury shares to pay consultants during the three-month period ending March 31, 2022, whilst during the same period ending March 31, 2021, it used 37,382 treasury shares to purchase services from consultants including 19,376 treasury shares for Roger Mills, the Group's Chief Medical Officer. The total value of consulting services settled in shares was CHF 58,666.

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 and consultants for the three-month period ended March 31, 2022 amounts to CHF 1,440,052 (CHF 186,102 for the three-month period ended March 31, 2021).

On January 4, 2022, the exercise price of 8,294,045 equity incentive units was reduced to CHF 1.00 and the share-based compensation related to the fair value adjustment for the reduction in the exercise price was recognized over the remaining vesting period of the respective equity incentive units or immediately for fully vested units and amounted to CHF 1,229,003 for the three-month period ended March 31, 2022.

As of March 31, 2022, and December 31, 2021, 8,615,885 options were outstanding. No options were granted during the three-month period ended March 31, 2022.

As of March 31, 2022 and December 31, 2021, 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 March 31,	
	2022	**2021**
Current service cost..….	(85,432)	(88,554)
Past service cost…..…….....	-	219,104
Interest cost…….…….....	(9,705)	(6,085)
Interest income……...	6,996	3,857
Company pension amount (note 18)……...	**(88,141)**	**128,322**

The conversion rates have changed as of January 1, 2021, which has led to a positive past service cost for the three-month period ended March 31, 2021.

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

	March 31, 2022	**December 31, 2021**
Defined benefit obligation....……	(8,423,993)	(9,276,675)
Fair value of plan assets……..…….....	7,791,240	7,995,150
Funded status…….....	**(632,753)**	**(1,281,525)**

The discount rate and interest on the saving accounts amounted to 1.25% as of March 31, 2022 (0.35% as of December 31, 2021). As a consequence, the defined benefit obligation and the fair value of plan assets decreased during the same period.

15. Revenue from contract with customer

License & research agreement with Indivior PLC

On January 2, 2018, the Group 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 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.

In January 2018, the Group received, under the terms of the agreement, 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-digits.

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. R&D costs are calculated based on the costs incurred in accordance with the contract. 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. In 2019, Indivior agreed an additional research funding of USD 1.6 million, for the research period. On October 30, 2020, the research term was extended until June 30, 2021 and Indivior agreed an additional research funding of USD 2.8 million. Effective May 1, 2021, the research term was extended until July 31, 2022 and Indivior agreed an additional research funding of CHF 3.7 million, of which CHF 2.1 million has been paid to the Group as of March 31, 2022, a remaining amount of CHF 0.6 million is expected to be received directly by the Group and CHF 1.0 million paid directly by Indivior to third party suppliers that are supporting the funded research program.

For the three-month period ended March 31, 2022, the Group recognized CHF 0.2 million as revenue (For the three-month period ended March 31, 2021: CHF 0.8 million) and recorded a combined amount of CHF 0.2 million in contract asset and trade receivable as of March 31, 2022 (December 31, 2021: CHF 0.2 million).

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 periods ended March 31, 2022 and 2021.

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.

The Group was awarded a grant by Eurostars/Innosuisse in 2019 for CHF 512,032 of which CHF 380,184 were paid as of March 31, 2022. As of March 31, 2022 and December 31, 2021, the amount recognized by the Group as other receivables remains stable at CHF 131, 848 and is expected to be received in the fourth quarter of 2022 in accordance with the grant conditions.

For the three-month period ended March 31, 2022, the Group recognized CHF 6,711 as other income (CHF 78,198 for the three-month period ended March 31, 2021). The decrease is because, the Group has not recognized any income from Eurostars/Innosuisse during the three-month period ended March 31, 2022 in accordance with the grant conditions.

17. Operating costs

	For the three months ended March 31,	
	2022	2021
Staff costs (note 18)…….....	2,192,973	889,959
Depreciation (notes 8/9) …….....	86,832	88,645
External research and development costs……...	2,507,186	1,959,386
Laboratory consumables…….....	81,362	83,345
Patent maintenance and registration costs……..	75,232	78,691
Professional fees…….....	458,154	286,343
Short-term leases…….....	13,265	8,391
D&O Insurance……...	383,827	399,020
Other operating costs……..	207,702	276,669
Total operating costs…….....	**6,006,533**	**4,070,449**

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

During the three-month period ended March 31, 2022, total operating costs increased by CHF 1.9 million compared to the same period ended March 31, 2021, primarily due to increased staff costs of CHF 1.3 million of which CHF 1.0 million relate to higher share-based compensation costs (note 18). During the same period, external research and development costs increased by CHF 0.5 million including CHF 0.4 million for our dipraglurant PD-LID program.

18. Staff costs

	For the three months ended March 31,	
	2022	2021
Wages and salaries……	823,237	775,852
Social charges and insurances…..…….....	119,146	99,011
Value of share-based services ……...	1,162,449	143,418
Retirement benefit (note 14)…….....	88,141	(128,322)
Total staff costs……	**2,192,973**	**889,959**

During the three-month period ended March 31, 2022, total staff costs increased by CHF 1.3 million compared to the same period ended March 31, 2021, primarily due to higher share-based compensation cost for CHF 1.0 million related to the reduction of the exercise price of the equity incentive units granted to employees to CHF 1.00 on January 4, 2022.

19. Finance result, net

	For the three months ended March 31,	
	2022	2021
Interest income…….....	95	1,612
Interest cost…….	(16,795)	(14,130)
Interest expense on leases…….....	(5,619)	(6,610)
Foreign exchange (loss) / gain, net…..…….....	(38,831)	527,543
Finance result, net……..……	**(61,150)**	**508,415**

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 March 31,	
	2022	2021
Loss attributable to equity holders of the Company...	(5,823,735)	(2,639,613)
Weighted average number of shares in issue…….....	37,894,962	33,519,862
**Basic and diluted loss per share……..... **	**(0.15)**	**(0.08)**

The Company has three categories of dilutive potential shares as of March 31, 2022 and 2021: equity sharing certificates ("ESCs"), share options and warrants. For the three-month periods ended March 31, 2022 and 2021, equity sharing certificates, share options and warrants have been ignored in the calculation of the loss per share, as they would be antidilutive.

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 March 31,	
	2022	2021
Salaries, other short-term employee benefits and post-employment benefits.....	440,436	276,931
Consulting fees……...	45,824	58,777
Share-based compensation…..……	1,265,380	154,305
**Total……... **	**1,751,640**	**490,013**

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 211,334 as of March 31, 2022 (December 31, 2021: CHF 172,443).

22. Events after the balance sheet date

On April 12, 2022, the Group issued 3,896,370 equity incentive units and the share-based compensation cost related to the fair value of CHF 1.3 million will be recognized over a four-year vesting period. As a result, CHF 0.6 million will be recognized over the period from April 13, 2022 to December 31, 2022, CHF 0.4 million in 2023 and CHF 0.3 million over the period from 2024 to 2026 as share-based compensation cost.

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 (including blepharospasm), epilepsy, substance use disorder (including alcohol use disorder), 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 a metabotropic glutamate receptor subtype 5 negative allosteric modulator, or mGlu5 NAM, for the treatment of PD-LID. We are conducting a placebo-controlled Phase 2b/3 pivotal clinical trial of dipraglurant in PD-LID patients since June 2021. The clinical trial is expected to be conducted at approximately 50 sites in the United States and 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 first half of 2023. In parallel, we are developing an extended release formulation of dipraglurant as a novel orally available mGlu5 NAM for the treatment of blepharospasm. We are conducting an exploratory placebo-controlled Phase 2 clinical trial in blepharospasm patients using the current immediate release formulation of dipraglurant and expect to report topline results in the second quarter of 2022.

Our partnered drug candidate, ADX71149 is a novel orally active metabotropic glutamate receptor subtype 2 positive allosteric modulator, or mGlu2 PAM for the treatment of epilepsy. Our partner, Janssen Pharmaceuticals, Inc., or Janssen, a subsidiary of Johnson & Johnson is conducting a placebo-controlled Phase 2a proof of concept clinical trial of ADX71149 in epilepsy patients since June 2021. We expect to report topline results in the fourth quarter of 2022. Under our agreement with Janssen, Janssen is responsible for financing the development and commercialization, if any, of ADX71149.

We are also conducting a research program under our strategic partnership with Indivior PLC UK Limited, or Indivior, to discover novel orally available gamma-aminobutyric acid subtype B receptor positive allosteric modulators, or $GABA_B$ PAMs. We are currently in clinical candidate selection phase and expect IND enabling studies to be initiated in 2022. Under the terms of the agreement with Indivior, we have the right to select drug candidates for development in certain exclusive indications outside of substance use disorder. We plan to develop our selected drug candidate in CMT1A, an indication that has been clinically validated with baclofen, an orthosteric agonist of $GABA_B$, and where we believe there is a significant unmet medical need and commercial opportunity.

In addition, we are conducting a number of early stage research programs including mGlu7 NAM, mGlu2 NAM, M4 PAM, 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 63.6 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. Through March 31, 2022, we had raised an aggregate of CHF 344.9 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 5.8 million and CHF 2.6 million for the three-month periods ended March 31, 2022 and March 31, 2021, respectively. As of March 31, 2022, we had accumulated losses of CHF 334.9 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 commercialization, if any of our product candidates are approved. 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.

In January 2018, 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-digits. 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 term was extended until June 30, 2021 and Indivior agreed an additional research funding of $2.8 million. Effective May 1, 2021, the research term was extended until July 31, 2022 and Indivior agreed an additional research funding of CHF 3.7 million, of which CHF 2.1 million has been paid to the Group as of March 31, 2022, a remaining amount of CHF 0.6 million is expected to be received directly by the Group and CHF 1.0 million paid directly by Indivior to third party suppliers that are supporting the funded 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 $GABA_B$ 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.

Janssen initiated a Phase 2a proof of concept clinical trial of ADX71149 in epilepsy patients in June 2021. We are eligible for a further EUR 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 March 2022, we recognized CHF 15.6 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 as well as grants from governmental and non-governmental organizations.

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 March 2022, we recognized CHF 1.7 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 were funded by Eurostars/Innossuisse for CHF 0.5 million to support our mGlu7 NAM program of which CHF 0.4 million were received in October 2019. Over the three-year period ending March 31, 2022, the Group recognized CHF 0.5 million as income. As of December 31, 2021 and March 31, 2022, the Group recognized CHF 0.1 million as other receivables, expected to be received in the fourth quarter of 2022 in accordance with the grant conditions.

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 March 2022, we incurred CHF 47.0 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 periods ended March 31, 2022 and 2021:

	For the three months ended March 31,	
	2022	2021
	(CHF in thousands)	
Dipraglurant PD-LID…….....	1,678	1,306
Dipraglurant blepharospasm……...	185	40
$GABA_B$ PAM…….	251	359
Other discovery programs…….....	393	254
Total outsourced research and development costs	**2,507**	**1,959**

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 clinical 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 trials and analyze results; 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 capabilities 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 increase 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 lease liabilities, and to the negative interest rate on Swiss franc cash deposits, partially offset by positive interest income on USD bank deposits and short-term deposits.

Analysis of Results of Operations

The following table presents our consolidated results of operations for the three-month periods ended March 31, 2022 and 2021:

	For the three months ended March 31,	
	2022	**2021**
	(CHF in thousands)	
Revenue……..	237	844
Other income…….....	7	78
Research and development costs……	(3,766)	(2,748)
General and administrative costs……	(2,241)	(1,322)
Operating loss……...	**(5,763)**	**(3,148)**
Finance income…….....	-	529
Finance expense……..	(61)	(21)
**Net loss……..... **	**(5,824)**	**(2,640)**

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

Revenue

The following table sets forth our revenue in the three-month periods ended March 31, 2022 and 2021:

	For the three months ended March 31,	
	2022	**2021**
	(CHF in thousands)	
Collaborative research funding…….....	237	844
Total……...	**237**	**844**

Revenue decreased by CHF 0.6 million in the three-month period ended March 31, 2022 compared to the three-month period ended March 31, 2021 due to reduced amounts received under our research agreement with Indivior which are being recognized as related costs are incurred.

Other Income

The following table sets forth our other income in the three-month periods ended March 31, 2022 and 2021:

	For the three months ended March 31,	
	2022	**2021**
	(CHF in thousands)	
Research grants…….....	-	73
Other service income……..	7	5
Total……...	**7**	**78**

Other income decreased by CHF 0.1 million in the three-month period ended March 31, 2022, compared to the three-month period ended March 31, 2021, because the Group has not recognized any income from the grant with Eurostars/Innosuisse during the three-month period ended March 31, 2022 in accordance with the grant conditions.

Research and Development Expenses

The following table sets forth our research and development expenses in the three-month periods ended March 31, 2022 and 2021:

	For the three months ended March 31,	
	2022	**2021**
	(CHF in thousands)	
Dipraglurant PD-LID……..	1,678	1,306
Dipraglurant blepharospasm ……..	185	40
$GABA_B$ PAM……	251	359
Other discovery programs…….....	393	254
Subtotal outsourced R&D per program……	**2,507**	**1,959**
Staff costs……...	943	450
Depreciation and amortization……...	69	70
Laboratory consumables……	81	83
Patent maintenance and registration costs……..	75	79
Short-term leases……	13	3
Other operating costs…….....	78	104
Subtotal unallocated R&D expenses……...	**1,259**	**789**
Total……...	**3,766**	**2,748**

Research and development expenses increased by CHF 1.0 million in the three-month period ended March 31, 2022, compared to the three-month period ended March 31, 2021. This increase primarily relates to CHF 0.5 million of increased outsourced R&D costs related to our dipraglurant PD-LID program and dipraglurant blepharospasm program.

During the same period, staff costs increased by CHF 0.5 million of which CHF 0.3 million relate to higher share-based compensation costs and CHF 0.2 million relate to additional staff.

General and Administrative Costs

The following table sets forth our general and administrative costs in the three-month periods ended March 31, 2022 and 2021:

	For the three months ended March 31,	
	2022	**2021**
	(CHF in thousands)	
Staff costs……....	1,250	440
Depreciation and amortization……...	18	19
Professional fees…….	458	286
Short-term leases……	1	5
D&O Insurance …….....	384	399
Other operating costs……..	130	173
Total……...	**2,241**	**1,322**

General and administrative costs increased by CHF 0.9 million in the three-month period ended March 31, 2022, compared to the three-month period ended March 31, 2021, primarily due to higher share-based compensation cost.

Finance Result, Net

	For the three months ended March 31,	
	2022	**2021**
	(CHF in thousands)	
Interest income…….....	-	2
Interest cost……...……..	(16)	(14)
Interest expense on leases…….....	(6)	(7)
Foreign exchange (loss) /gain, net…….	(39)	528
Total……...	**(61)**	**508**

Finance result, net decreased by CHF 0.6 million in the three-month period ended March 31, 2022 compared to the three-month period ended March 31, 2021 mainly due to currency exchange differences on U.S dollar cash deposits due to the strengthening of the Swiss franc.

Liquidity and Capital Resources

Since our inception through March 31, 2022, we have generated CHF 63.6 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 March 31, 2022, we raised an aggregate of CHF 344.9 million of gross proceeds from the sale of equity. As of March 31, 2022, we had CHF 14.9 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 first half of 2023. 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 and dipraglurant blepharospasm programs;
- 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 three months ended March 31,	
	2022	2021
	(CHF in thousands)	
Cash and cash equivalents at the beginning of the period……	20,485	18,695
Net cash flows used in operating activities……	(4,845)	(2,769)
Net cash flows used in investing activities…….	-	(3)
Net cash flows from/(used in) financing activities...	(744)	8,792
Increase/(decrease) in cash and cash equivalents..	(5,589)	6,020
Effect of the exchange rates……...	(8)	505
Cash and cash equivalents at the end of the period……	**14,888**	**25,220**

Operating Activities

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

During the three-month period ended March 31, 2022, operating activities used CHF 4.8 million of cash primarily due to our net loss of CHF 5.8 million adjusted for CHF 0.6 million of increased net working capital, partially offset by non-cash items for CHF 1.5 million that mainly relate to share-based compensation costs for CHF 1.4 million. The increase of the net working capital for CHF 0.6 million is primarily due to higher prepayments for CHF 0.7 million mainly relating to retirement benefits paid annually at the beginning of the year and current asset from the research agreement funded by Indivior for CHF 0.1 million partially offset by decreased payables and accrual for CHF 0.2 million.

During the three-month period ended March 31, 2021, operating activities used CHF 2.8 million of cash primarily due to our net loss of CHF 2.6 million adjusted for CHF 0.6 million of finance net income partially offset by non-cash items of CHF 0.1 million and a decreased net working capital of CHF 0.3 million mainly due to increased payables and accruals.

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 three-month period ended March 31, 2022, net cash used in investing activities was nil whilst during the three-month period ended March 31, 2021, it was close to nil and primarily related to investments in computers 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 and associated interest expenses, interest expenses on Swiss francs cash deposits and capital increase costs.

During the three-month period ended March 31, 2022, net cash flows used in financing activities amounted to CHF 0.7 million of which CHF 0.5 million related to the costs associated with the offering executed on December 16, 2021, paid in Q1 2022 and CHF 0.2 million related to the costs for the issuance of 16,000,000 treasury shares on February 2, 2022.

During the three-month period ended March 31, 2021, net cash flows from financing activities amounted to CHF 8.8 million and consisted primarily of the net proceeds from the capital increase executed on January 8, 2021, for CHF 8.9 million which were partially offset by the principal element of lease payments and associated interest expense for CHF 0.1 million.

Off-Balance Sheet Arrangements

As of the date of the discussion and analysis and during the period presented, we did not have, and we do not currently 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, 2022 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) December 31, 2025 (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.