addex Therapeutics

Allosteric Modulators for Human Health

# Q3
# Interim Report 2022

# Contents

## Unaudited Interim Condensed Consolidated Balance Sheets

**as of September 30, 2022, and December 31, 2021**

| | Notes | September 30, 2022 | December 31, 2021 |
|---|---|---|---|
| | | Amounts in Swiss francs | |
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents…….. | 6 | 10,422,835 | 20,484,836 |
| Other financial assets…….. | 7/15 | 3,085 | 17,145 |
| Trade and other receivables……..……. | 7 | 297,671 | 164,785 |
| Contract asset…….…….... | 7 | 159,368 | 159,636 |
| Prepayments ……..…..…… | 7 | 817,656 | 1,115,374 |
| **Total current assets……...** | | **11,700,615** | **21,941,776** |
| **Non-current assets** | | | |
| Right-of-use assets…….. | 8 | 433,375 | 469,989 |
| Property, plant and equipment…… | 9 | 48,006 | 72,111 |
| Non-current financial assets…… | 10 | 54,347 | 57,908 |
| Retirement benefits assets…….. | 14 | 5,233 | - |
| **Total non-current assets……...** | | **540,961** | **600,008** |
| **Total assets……** | | **12,241,576** | **22,541,784** |
| **LIABILITIES AND EQUITY** | | | |
| **Current liabilities** | | | |
| Current lease liabilities……... | | 285,922 | 287,698 |
| Payables and accruals……. | 11 | 3,842,743 | 3,847,145 |
| **Total current liabilities……** | | **4,128,665** | **4,134,843** |
| **Non-current liabilities** | | | |
| Non-current lease liabilities…… | | 161,184 | 194,316 |
| Retirement benefits obligations…….. | 14 | - | 1,281,525 |
| **Total non-current liabilities……** | | **161,184** | **1,475,841** |
| **Equity** | | | |
| Share capital…… | 12 | 652,730 | 49,272,952 |
| Share premium…… | 12 | 274,518,044 | 283,981,361 |
| Other equity…… | 12 | 64,620,222 | - |
| Treasury shares reserve……. | 12 | (12,326,387) | (11,703,279) |
| Other reserves…… | | 26,697,537 | 24,437,868 |
| Accumulated deficit…… | | (346,210,419) | (329,057,802) |
| **Total equity……** | | **7,951,727** | **16,931,100** |
| **Total liabilities and equity……** | | **12,241,576** | **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 and nine-month periods ended September 30, 2022 and 2021**

| | Notes | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|---|
| | | 2022 | 2021 | 2022 | 2021 |
| | | Amounts in Swiss francs | | | |
| **Revenue from contract with customer……** | 15 | **409,417** | **682,002** | **830,008** | **2,518,820** |
| **Other income……** | 16 | **6,282** | **75,778** | **16,082** | **233,261** |
| **Operating costs** | | | | | |
| Research and development……. | | (2,764,684) | (2,862,276) | (12,277,157) | (9,342,158) |
| General and administration……. | | (1,817,982) | (1,471,335) | (5,590,700) | (4,640,419) |
| **Total operating costs……** | 17 | **(4,582,666)** | **(4,333,611)** | **(17,867,857)** | **(13,982,577)** |
| **Operating loss……...** | | **(4,166,967)** | **(3,575,831)** | **(17,021,767)** | **(11,230,496)** |
| Finance income..... | | 3,604 | (12,373) | 3,904 | 356,209 |
| Finance expense ..... | | 55,733 | (9,989) | (134,754) | (53,668) |
| **Finance result.....** | 19 | **59,337** | **(22,362)** | **(130,850)** | **302,541** |
| **Net loss before tax.....** | | **(4,107,630)** | **(3,598,193)** | **(17,152,617)** | **(10,927,955)** |
| Income tax expense…… | | - | - | - | - |
| **Net loss for the period .....** | | **(4,107,630)** | **(3,598,193)** | **(17,152,617)** | **(10,927,955)** |
| **Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company .....** | 20 | **(0.09)** | **(0.11)** | **(0.42)** | **(0.32)** |
| **Other comprehensive income** | | | | | |
| Items that will never be reclassified to profit and loss: | | | | | |
| Remeasurements of retirement benefits obligation…… | | 132,905 | 84,544 | 1,277,673 | 336,006 |
| Items that may be classified subsequently to profit and loss: | | | | | |
| Exchange difference on translation of foreign operations ……..…… | | (9) | (1,169) | 226 | 527 |
| **Other comprehensive income for the period, net of tax……...** | | **132,896** | **83,375** | **1,277,899** | **336,533** |
| **Total comprehensive loss for the period….** | | **(3,974,734)** | **(3,514,818)** | **(15,874,718)** | **(10,591,422)** |

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

## Unaudited Interim Condensed Consolidated Statements of Changes in Equity

## for the nine-month periods ended September 30, 2022 and 2021

| | Notes | Share Capital | Share Premium | Other equity | 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 | | - | - | - | - | - | - | (10,927,955) | (10,927,955) |
| Other comprehensive income for the period | | - | - | - | - | 527 | 336,006 | - | 336,533 |
| **Total comprehensive loss for the period** | | - | - | - | - | **527** | **336,006** | **(10,927,955)** | **(10,591,422)** |
| Issue of shares-third parties | 12 | 6,900,000 | 3,199,323 | - | - | - | - | - | 10,099,323 |
| Issue of treasury shares | 12 | 9,524,317 | - | - | (9,524,317) | - | - | - | - |
| Cost of share capital issuance | | - | (1,896,021) | - | - | - | - | - | (1,896,021) |
| Value of share-based services | 13 | - | - | - | - | - | 904,016 | - | 904,016 |
| Movement in treasury shares: | 12 | | | | | | | | |
| Settlement of supplier invoices | | - | 48,517 | - | 112,026 | - | - | - | 160,543 |
| Net purchases under liquidity agreement | | - | (5,799) | - | (31,169) | - | - | - | (36,968) |
| Sales under self-registration | | - | 3,882 | - | 7,200 | - | - | - | 11,082 |
| Cost of treasury shares sales | | - | (332) | - | - | - | - | - | (332) |
| Sales agency agreement | | - | 41,004 | - | 39,940 | - | - | - | 80,944 |
| **Balance as of September 30, 2021** | | **49,272,952** | **288,278,928** | **-** | **(15,475,255)** | **(656,703)** | **16,554,889** | **(324,633,843)** | **13,340,968** |
| **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 | | - | - | - | - | - | - | (17,152,617) | (17,152,617) |
| Other comprehensive income for the period | | - | - | - | - | 226 | 1,277,673 | - | 1,277,899 |
| **Total comprehensive loss for the period** | | - | - | - | - | **226** | **1,277,673** | **(17,152,617)** | **(15,874,718)** |
| Reduction of the Nominal value | | (64,620,222) | - | 64,620,222 | - | - | - | - | - |
| Issue of treasury shares | 12 | 16,000,000 | - | - | (16,000,000) | - | - | - | - |
| Cost of treasury shares issuance | | - | (215,633) | - | - | - | - | - | (215,633) |
| Sales under shelf-registration | 12 | - | (3,275,107) | - | 4,500,000 | - | - | - | 1,224,893 |
| Related costs of sales shelf-registration | | - | (115,012) | - | - | - | - | - | (115,012) |
| Sale of pre-funded warrants | 12 | - | - | - | - | - | 2,841,270 | - | 2,841,270 |
| Cost of pre-funded warrants sold | | - | - | - | - | - | (299,655) | - | (299,655) |
| Exercise of pre-funded warrants | | - | (3,866,860) | - | 9,438,570 | - | (5,556,941) | - | 14,769 |
| Value of warrants and pre-funded warrants | 12 | - | (999,789) | - | - | - | 999,789 | - | - |
| Value of share-based services | 13 | - | - | - | - | - | 2,997,307 | - | 2,997,307 |
| Movement in treasury shares: | 12 | | | | | | | | |
| Net purchases under liquidity agreement | | - | (97,135) | - | 83,074 | - | - | - | (14,061) |
| Sales agency agreement | | - | (890,294) | - | 1,355,248 | - | - | - | 464,954 |
| Costs under sale agency agreement | | - | (3,487) | - | - | - | - | - | (3,487) |
| **Balance as of September 30, 2022** | | **652,730** | **274,518,044** | **64,620,222** | **(12,326,387)** | **(657,299)** | **27,354,836** | **(346,210,419)** | **7,951,727** |

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 period ended September 30, 2022 (1/2)

| | 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) |
| Sale agency Agreement…...…….. | | - | 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** |
| Net loss for the period…….…….. | | - | - | - | - | - | (4,690,149) | (4,690,149) |
| Other comprehensive income for the period.. | | - | - | - | 1,232 | 126,061 | - | 127,293 |
| **Total comprehensive loss for the period….** | | **-** | **-** | **-** | **1,232** | **126,061** | **(4,690,149)** | **(4,562,856)** |
| Issue of treasury shares…….. | 12 | 9,524,317 | - | (9,524,317) | - | - | - | - |
| Cost of share capital issuance……... | | - | (135,434) | - | - | - | - | (135,434) |
| Value of share-based services..... | 13 | - | - | - | - | 336,849 | - | 336,849 |
| Movement in treasury shares: | 12 | | | | | | | |
| Settlement of supplier invoices……..…... | | - | 13,831 | 42,924 | - | - | - | 56,755 |
| Net sales under liquidity agreement…. | | - | (12,483) | 40,825 | - | - | - | 28,342 |
| **Balance as of June 30, 2021.....** | | **49,272,952** | **288,256,887** | **(15,505,209)** | **(655,534)** | **16,089,280** | **(321,035,650)** | **16,422,726** |
| Net loss for the period……. | | - | - | - | - | - | (3,598,193) | (3,598,193) |
| Other comprehensive income for the period. | | - | - | - | (1,169) | 84,544 | - | 83,375 |
| **Total comprehensive loss for the period….** | | **-** | **-** | **-** | **(1,169)** | **84,544** | **(3,598,193)** | **(3,514,818)** |
| Cost of share capital issuance…….. | | - | 6,466 | - | - | - | - | 6,466 |
| Value of share-based services....…….. | 13 | - | - | - | - | 381,065 | - | 381,065 |
| Movement in treasury shares: | 12 | | | | | | | |
| Settlement of supplier invoices……... | | - | 13,402 | 31,720 | - | - | - | 45,122 |
| Net purchases under liquidity agreement.… | | - | (1,377) | (8,966) | - | - | - | (10,343) |
| Sales under shelf registration…….…. | | - | 3,882 | 7,200 | - | - | - | 11,082 |
| Cost of treasury shares sales…… | | - | (332) | - | - | - | - | (332) |
| **Balance as of September 30, 2021...** | | **49,272,952** | **288,278,928** | **(15,475,255)** | **(656,703)** | **16,554,889** | **(324,633,843)** | **13,340,968** |

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 period ended September 30, 2022 (2/2)

| | Notes | Share Capital | Share Premium | Other equity | Treasury Shares Reserve | Foreign Currency Translation Reserve | Other Reserves | Accumulated Deficit | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | Amounts in Swiss francs | | | | | | | |
| **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** |
| Net loss for the period……. | | - | - | - | - | - | - | (7,221,252) | (7,221,252) |
| Other comprehensive income for the period. | | - | - | - | - | 208 | 478,949 | - | 479,157 |
| **Total comprehensive loss for the period….** | | **-** | **-** | **-** | **-** | **208** | **478,949** | **(7,221,252)** | **(6,742,095)** |
| Cost of treasury shares issuance…….. | | - | (5,000) | - | - | - | - | - | (5,000) |
| Value of share-based services....……. | 13 | - | - | - | - | - | 659,259 | - | 659,259 |
| Movement in treasury shares: | 12 | | | | | | | | |
| Net purchases under liquidity agreement.... | | - | (20,790) | - | 15,765 | - | - | - | (5,025) |
| **Balance as of June 30, 2022.....** | | **65,272,952** | **283,716,463** | **-** | **(27,669,822)** | **(657,290)** | **28,302,938** | **(342,102,789)** | **6,862,452** |
| Net loss for the period……. | | - | - | - | - | - | - | (4,107,630) | (4,107,630) |
| Other comprehensive income for the period. | | - | - | - | - | (9) | 132,905 | - | 132,896 |
| **Total comprehensive loss for the period….** | | **-** | **-** | **-** | **-** | **(9)** | **132,905** | **(4,107,630)** | **(3,974,734)** |
| Reduction of the Nominal value…… | | (64,620,222) | - | 64,620,222 | - | - | - | - | - |
| Sales under shelf-registration…… | 12 | - | (3,275,107) | - | 4,500,000 | - | - | - | 1,224,893 |
| Related costs of sales Shelf-registration….. | | - | (112,789) | - | - | - | - | - | (112,789) |
| Sale of pre-funded warrants…….. | | - | - | - | - | - | 2,841,270 | - | 2,841,270 |
| Cost of pre-funded warrants sold…….. | | - | - | - | - | - | (263,121) | - | (263,121) |
| Exercise of pre-funded warrants…….. | | - | (3,866,860) | - | 9,438,570 | - | (5,556,941) | - | 14,769 |
| Value of warrants and pre-funded warrants... | | - | (999,789) | - | - | - | 999,789 | - | - |
| Value of share-based services..... | 13 | - | - | - | - | - | 897,996 | - | 897,996 |
| Movement in treasury shares: | 12 | | | | | | | | |
| Net purchases under liquidity agreement… | | - | (50,093) | - | 49,617 | - | - | - | (476) |
| Sale agency Agreement…….. | | - | (890,294) | - | 1,355,248 | - | - | - | 464,954 |
| Costs under sale Agency agreement..... | | - | (3,487) | - | | - | - | - | (3,487) |
| **Balance as of September 30, 2022..** | | **652,730** | **274,518,044** | **64,620,222** | **(12,326,387)** | **(657,299)** | **27,354,836** | **(346,210,419)** | **7,951,727** |

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

## Unaudited Interim Condensed Consolidated Statements of Cash Flows

**for the nine-month periods ended September 30, 2022 and 2021**

| | Notes | For the nine months ended September 30, 2022 | 2021 |
|---|---|---|---|
| | | Amounts in Swiss francs | |
| Net loss for the period | | (17,152,617) | (10,927,955) |
| Adjustments for: | | | |
| Depreciation | 8/9 | 247,496 | 264,647 |
| Disposal of right-of-use assets | | - | (127) |
| Value of share-based services | 13 | 2,997,307 | 904,016 |
| Post-employment benefits | | (9,085) | (138,926) |
| Finance cost/(income) net | | 8,645 | (328,768) |
| Decrease in other financial assets | 7 | 14,060 | 36,967 |
| Increase in trade and other receivables | 7 | (132,886) | (130,662) |
| Decrease / (increase) in contract asset | 7 | 268 | (383,432) |
| Decrease / (increase) in prepayments | 7 | 297,718 | (841,139) |
| Increase in payables and accruals | 11 | 363,717 | 444,687 |
| Decrease in contract liability | 15 | - | (733,668) |
| Decrease in deferred income | 16 | - | (86,481) |
| Services paid in shares | 12 | - | 160,543 |
| **Net cash used in operating activities** | | **(13,365,377)** | **(11,760,298)** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 9 | (580) | (7,063) |
| Proceeds from decrease in non-current financial assets | | 3,561 | 1,149 |
| **Net cash from/(used in) investing activities** | | **2,981** | **(5,914)** |
| **Cash flows from financing activities** | | | |
| Proceeds from capital increase | | - | 10,161,746 |
| Costs paid on issue of shares | | - | (1,685,668) |
| Proceeds from sale of treasury shares – shelf registration | 12 | 1,224,893 | - |
| Costs paid on sale of treasury shares – shelf registration | | (275,640) | - |
| Proceeds from sale of pre-funded warrants | 12 | 2,841,270 | - |
| Costs paid on sale of pre-funded warrants | | (507,145) | - |
| Proceeds from the exercise of pre-funded warrants | 12 | 14,769 | - |
| Sale of treasury shares under liquidity and sale agency agreement | 12 | 450,893 | 54,726 |
| Costs paid on sale of treasury shares under sale agency agreement | | (3,487) | - |
| Cost paid on issue of treasury shares | 12 | (215,634) | - |
| Principal element of lease payment | | (221,105) | (235,715) |
| Interest received | 19 | 3,904 | 4,568 |
| Interest paid | 19 | (41,130) | (53,668) |
| **Net cash from financing activities** | | **3,271,588** | **8,245,989** |
| **Decrease in cash and cash equivalents** | | **(10,090,808)** | **(3,520,223)** |
| Cash and cash equivalents at the beginning of the period | 6 | 20,484,836 | 18,695,040 |
| Exchange difference on cash and cash equivalents | | 28,807 | 311,297 |
| **Cash and cash equivalents at the end of the period** | 6 | **10,422,835** | **15,486,114** |

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 and nine-month periods ended September 30, 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 November 10, 2022.

## 2. Basis of preparation

These interim condensed consolidated financial statements for the three-month and nine-month periods ended September 30, 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 interim condensed consolidated 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 interim condensed consolidated financial statements.

Due to rounding, numbers presented throughout these interim 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, at the issuance date of these unaudited interim condensed consolidated financial statements, will be sufficient to fund its operations and meet all of its obligations as they fall due, through the end of the first half of 2023. These factors individually and collectively indicate that a material uncertainty exists that raise substantial doubt about the Group's ability to continue as a going concern for one year from the date of issuance of these unaudited interim condensed consolidated financial statements. The future viability of the Group is dependent on its ability to raise additional capital through public or private financings or collaboration agreements to finance its future operations, which may be delayed due to COVID-19 pandemic and the Russia's invasion of Ukraine. 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 collaboration agreements, 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 condition.

*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 June 17, 2022 the Group terminated its dipraglurant US registration program including pivotal Phase 2B/3 and open label clinical trials of dipraglurant in levodopa-induced dyskinesia associated with Parkinson's disease (PD-LID) due to a slow recruitment of patients, attributed to the consequences of COVID-19 related patient concerns about participation in clinical studies, as well as staffing shortages and turnover within study sites.

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.

*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 and development activities being conducted by the Group and its strategic partners. The Group and partners rely on global networks of contract research organizations to engage clinical study sites and enroll patients, certain of which are in Russia and Ukraine. Delays in research and development activities of the Group and its partners could increase associated costs and, depending upon the duration of any delays, require the Group and its partners 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 number 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 and nine-month periods ended September 30, 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 September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Collaborative research funding.....…… | 409,417 | 682,002 | 830,008 | 2,518,820 |
| Grants earned……..……. | - | 71,478 | - | 218,330 |
| Other service income…….. | 6,282 | 4,300 | 16,082 | 14,931 |
| **Total……..…..…….** | **415,699** | **757,780** | **846,090** | **2,752,081** |

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, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Indivior PLC…….....…… | 409,417 | 682,002 | 830,008 | 2,518,820 |
| Eurostars /Innosuisse..……...…….…… | - | 71,478 | - | 218,330 |
| Other counterparties……..…….. | 6,282 | 4,300 | 16,082 | 14,931 |
| **Total……..…..…….....** | **415,699** | **757,780** | **846,090** | **2,752,081** |

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, 2022 | December 31, 2021 |
|---|---|---|
| Switzerland……...…….. | 540,613 | 596,098 |
| United States of America…… | - | 3,536 |
| France…….……..…….. | 348 | 374 |
| **Total……...** | **540,961** | **600,008** |

The geographical analysis of operating costs is as follows:

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Switzerland…….…..... | 4,575,915 | 4,324,391 | 17,840,466 | 13,952,548 |
| United States of America…..... | 5,275 | 8,581 | 23,723 | 25,208 |
| France…….……..……..... | 1,476 | 639 | 3,668 | 4,821 |
| **Total operating costs (note 17)……** | **4,582,666** | **4,333,611** | **17,867,857** | **13,982,577** |

The capital expenditure during the nine-month period ended September 30, 2022 is CHF 580 (CHF 7,063 for the nine-month period ended September 30, 2021).

**6. Cash and cash equivalents**

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| Cash at bank and on hand……... | 10,422,835 | 20,484,836 |
| **Total cash and cash equivalents…….** | **10,422,835** | **20,484,836** |

Split by currency:

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| CHF…….……... | 54.47% | 44.33% |
| USD…….……... | 43.12% | 54.47% |
| EUR…….……... | 1.72% | 0.58% |
| GBP…….……... | 0.69% | 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 September 30, 2022 and December 31, 2021.

**7. Other current assets**

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| Other financial assets……..... | 3,085 | 17,145 |
| Trade and other receivables……..…….... | 297,671 | 164,785 |
| Contract asset (Indivior PLC).…… | 159,368 | 159,636 |
| Prepayments……... | 817,656 | 1,115,374 |
| **Total other current assets……..... ** | **1,277,780** | **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 September 30, 2022, the combined amount of the contract asset, trade receivables and other receivables amounted to CHF 457,039 (CHF 324,421 as of December 31, 2021) including CHF 233,493 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 55,032 for four 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 September 30, 2022 and December 31, 2021. The prepayments decreased by CHF 0.3 million as of September 30, 2022 compared to December 31, 2021 primarily due to amounts prepaid to Contract Research Organization (CROSs).

**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 September 30, 2022** | Properties | Equipment | Total |
|---|---|---|---|
| Opening net book amount…….. | 456,885 | 13,104 | 469,989 |
| Depreciation charge…… | (208,984) | (13,827) | (222,811) |
| Effect of lease modifications…….. | 180,281 | 5,916 | 186,197 |
| **Closing net book amount……..……... ** | **428,182** | **5,193** | **433,375** |

| **As of September 30, 2022** | Properties | Equipment | Total |
|---|---|---|---|
| Cost…….....…….…..... | 1,478,850 | 13,542 | 1,492,392 |
| Accumulated depreciation……..…… | (1,050,668) | (8,349) | (1,059,017) |
| **Net book value……..…… ** | **428,182** | **5,193** | **433,375** |

## 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 September 30, 2022 | Equipment | Furniture & fixtures | Chemical library | Total |
|---|---|---|---|---|
| Opening net book amount……..…… | 72,111 | - | - | 72,111 |
| Additions……..…….. | 580 | - | - | 580 |
| Depreciation charge…….…..……. | (24,685) | - | - | (24,685) |
| **Closing net book amount……..** | **48,006** | **-** | **-** | **48,006** |

| As of September 30, 2022 | Equipment | Furniture & fixtures | Chemical library | Total |
|---|---|---|---|---|
| Cost……..……... | 1,714,408 | 7,564 | 1,207,165 | 2,929,137 |
| Accumulated depreciation……..... | (1,666,402) | (7,564) | (1,207,165) | (2,881,131) |
| **Net book value……..……** | **48,006** | **-** | **-** | **48,006** |

## 10. Non-current financial assets

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| Security rental deposits …….. | 54,347 | 57,908 |
| **Total non-current financial assets …….. ** | **54,347** | **57,908** |

## 11. Payables and accruals

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| Trade payables……... | 2,994,890 | 1,787,287 |
| Social security and other taxes……... | 133,113 | 203,288 |
| Accrued expenses……..... | 714,740 | 1,856,570 |
| **Total payables and accruals……..... ** | **3,842,743** | **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 increase in trade payables of CHF 1.2 million and the decrease in accrued expenses of CHF 1.1 million are primarily driven by the end of dipraglurant clinical development activities. 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…… | 16,424,317 | (9,524,317) | 6,900,000 |
| Sale of shares under shelf registration…… | - | 7,200 | 7,200 |
| Sale of shares under sale agency agreement…….. | - | 39,940 | 39,940 |
| Settlement of supplier invoices…….. | - | 112,026 | 112,026 |
| Net purchase of shares under liquidity agreement…. | - | (26,956) | (26,956) |
| **Balance as of September 30, 2021…..…….. ** | **49,272,952** | **(15,121,968)** | **34,150,984** |

| | 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) | - |
| Sale of shares under shelf registration…… | - | 4,500,000 | 4,500,000 |
| Exercise of pre-funded warrants……. | - | 9,438,570 | 9,438,570 |
| Sale of shares under sale agency agreement…….….. | - | 1,355,248 | 1,355,248 |
| Net purchase of shares under liquidity agreement…. | - | (33,623) | (33,623) |
| **Balance as of September 30, 2022…..…….. ** | **65,272,952** | **(12,114,608)** | **53,158,344** |

As of September 30, 2022, 53,158,344 shares were outstanding excluding 12,114,608 treasury shares. All shares have a nominal value of CHF 0.01 following the reduction of the nominal value effective on July 26, 2022. As of December 31, 2021, 37,898,149 shares were outstanding excluding 11,374,803 treasury shares. All shares had a nominal value of CHF 1.00.

The Group maintains a liquidity agreement with Kepler Cheuvreux. 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 September 30, 2022, 124,993 (December 31, 2021: 91,370) treasury shares are recorded under this agreement in the treasury share reserve and CHF 3,085 (December 31, 2021: CHF 17,145) is recorded in other financial assets.

On June 21, 2022, the Group entered into a new sale agency agreement with Kepler Cheuvreux whose substantive terms are aligned with the agreement entered into on August 24, 2020, that expired on December 31, 2021. In July 2022, 1,355,248 treasury shares were sold at an average price of CHF 0.34 per share with a gross proceed of CHF 464,954 (39,940 treasury shares for a gross proceed of CHF 80,944 during the nine-month period ended September 30, 2021).

During the nine-month period ended September 30, 2022, the Group did not use its treasury shares to pay consultants, whilst during the nine-month period ended September 30, 2021, the Group used 112,026 treasury shares to purchase services from consultants including 60,638 treasury shares for Roger Mills, the Group's Chief Medical Officer. The total value of consulting services settled in shares was CHF 160,543.

On July 22, 2022, the Group entered into a securities purchase agreement with Armistice Capital LLC and sold 4,500,000 treasury shares in the form of 750,000 ADSs at a price of USD 1.70 per ADS (CHF 0.27 per share). In addition, 10,500,000 pre-funded warrants, in the form of 1,750,000 ADSs, were sold at a price of USD 1.69 per ADS (CHF 0.27 per share) with an exercise price of USD 0.01 per ADS. The total gross proceeds from the offering amounted to USD 4.2 million (CHF 4.1 million) and directly related share issuance costs of CHF 0.4 million were recorded as a deduction in equity for the three-month and nine-month periods ended September 30, 2022 of which CHF 0.3 million were paid during the third quarter of 2022. From July 22, 2022 to September 30, 2022 Armistice Capital LLC exercised a total of 3,960,000 pre-funded warrants, in a form of 660,000 ADSs, for a total exercise price of USD 6,600. As of September 30, 2022, 6,540,000 pre-funded warrants remain available for exercise.

The Group additionally granted Armistice Capital LLC, 15,000,000 warrants, in the form of 2,500,000 ADSs, with an exercise price of USD 1.90 per ADS (CHF 0.30 per share) and an exercise period of 5 years. The fair value of each of the warrants issued is CHF 0.07 per share or CHF 0.40 per ADS, and has been calculated using the Black-Scholes valuation model and recorded in equity as a cost of the offering for the three-month and nine-month periods ending September 30, 2022. Fair value calculation assumptions included volatility of 64.61% and an annual risk-free rate of +0.05%. The total fair value of the warrants issued of CHF1.0 million has been recorded in equity as a cost of the offering.

On July 19, 2022, the nominal value of the issued, conditional and authorized share capital has been reduced from CHF 1.00 to CHF 0.01 with effect on SIX Swiss Exchange and Nasdaq Stock Market on July 26, 2022. As a consequence, the share capital was reduced to CHF 652,730. The decrease of CHF 64.6 million in share capital remains in equity and has been reclassed to other equity. The total number of issued, outstanding, conditional and authorized shares remained the same.

On February 2, 2022, the Company 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 price of USD 1.08 (CHF 1.00) per share, equivalent to 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 price of USD 1.08 (CHF 0.99) per share, equivalent to 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 first quarter of 2022. In July 2022, Armistice Capital LLC exercised all the pre-funded warrants in a form of 913,095 ADSs for a total exercise price of USD 9,131.

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, equivalent to 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. Fair value calculation assumptions included volatility of 55.57% and an annual risk-free rate of -0.64%. The total fair value of the warrants issued of CHF 3.7 million has been recorded in equity as a cost of the offering.

On April 23, 2021, the Company 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, the Company 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.

**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 and nine-month periods ended September 30, 2022 amounted to CHF 897,996 and CHF 2,997,307, respectively (CHF 381,065 and CHF 904,016 for the three-month and nine-month periods ended September 30, 2021).

As of September 30, 2022, 12,482,425 options were outstanding (8,615,885 options as of December 31, 2021). During the nine-month period ended September 30, 2022, the Group granted 3,902,370 options with vesting over 4 years and a 10-year exercise period. Of these new options, 3,846,657 were granted at an exercise price of CHF 1.00 on April 12, 2022, 49,713 were granted at an exercise price of CHF 1.04 on April 12, 2022 and 6,000 were granted at an exercise price of CHF 1.00 on May 2, 2022. As of September 30, 2022 and December 31, 2021, a total of 198,750 equity sharing certificates (ESCs) were outstanding.

On August 2, 2022, the exercise price of 12,235,963 options and 198,750 equity sharing certificates (ESCs) was reduced from CHF 1.0 to CHF 0.19 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 500,896 for the three-month period ended September 30, 2022.

On January 4, 2022, the exercise price of 8,186,045 options and 198,750 equity sharing certificates (ESCs) 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 51,832 and CHF 1,502,106 for the three-month and nine-month periods ended September 30, 2022, respectively.

## 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, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Current service cost…….…….. | (67,814) | (104,452) | (238,678) | (267,891) |
| Past service cost…….…….... | - | - | 36,459 | 219,104 |
| Interest cost…….…….... | (9,705) | (6,384) | (29,115) | (18,505) |
| Interest income…… | 6,995 | 3,858 | 20,987 | 11,572 |
| **Company pension amount (note 18)…** | **(70,524)** | **(106,978)** | **(210,347)** | **(55,720)** |

The conversion rates have changed in April 2022 and January 2021 which has led to a positive past service cost for the nine-month period ended September 30, 2022 and 2021.

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

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| Defined benefit obligation.....……. | (7,510,251) | (9,276,675) |
| Fair value of plan assets…….……..... | 7,515,484 | 7,995,150 |
| **Funded status surplus / (shortfall)……..... | **5,233** | **(1,281,525)** |

At September 30, 2022, the funded status are in surplus due to the increase of the discount rate to 2.30% as of September 30, 2022 compared to 0.35% as of December 31, 2021. Consequently, the defined benefit obligation and the fair value of plan assets decreased by CHF 1.8 million and CHF 0.5 million, respectively, as of September 30, 2022 compared to December 31, 2021.

## 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 GABAB PAM compounds for the treatment of addiction and other CNS diseases. This agreement included the selected clinical candidate, ADX71441. In addition, Indivior agreed to fund a research program at the Group to discover novel GABAB PAM compounds.

The contract contains two distinct material promises and performance obligations: (1) the selected compound ADX71441 which falls within the definition of a licensed compound, whose rights of use and benefits thereon was transferred in January 2018 and, (2) the research services to be conducted by the Group and funded by Indivior to discover novel GABAB 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, Chronic Cough and pain. 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 GABAB PAM compounds. These future novel GABAB PAM compounds, if selected by Indivior, become licensed compounds. The Group agreed with Indivior to an initial research term of two years, which 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 2.7 million has been paid to the Group and CHF 1.0 million paid directly by Indivior to third party suppliers that are supporting the funded research program. In August 2022, the research agreement was extended until March 31, 2023 with additional funding of CHF 0.85 million. The reserved indications, where Addex retains exclusive rights to develop its own independent GABAB PAM program, have also been expanded to include other indications such as chronic cough, in addition to the rights to develop certain retained compounds for Charcot-Marie-Tooth type 1A neuropathy (CMT1A) and pain.

For the three-month and nine-month periods ended September 30, 2022, the Group recognized CHF 0.4 million and CHF 0.8 million as revenue (For the three-month and the nine-month periods ended September 30, 2021, CHF 0.7 million and CHF 2.5 million, respectively) and recorded a combined amount of CHF 0.2 million in contract asset and trade receivable as of September 30, 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 and nine-month periods ended September 30, 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 September 30, 2022. As of September 30, 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.

The Group additionally recognized other income from IT consultancy agreements.

For the three-month and nine-month periods ended September 30, 2022, the Group recognized CHF 6,282 and CHF 16,082, respectively as other income (CHF 75,778 and CHF 233,261 for the three-month and nine-month periods ended September 30, 2021). The decrease is primarily due to the Group not recognizing any income from Eurostars/Innosuisse during the three-month and nine-month periods ended September 30, 2022, in accordance with the grant conditions.

## 17. Operating costs

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Staff costs (note 18)……..... | 1,573,011 | 1,306,553 | 5,118,068 | 3,469,897 |
| Depreciation (notes 8/9) …….. | 77,318 | 87,738 | 247,496 | 264,647 |
| External research and development costs…….. | 1,737,712 | 1,805,413 | 8,922,204 | 6,546,750 |
| Laboratory consumables……... | 78,741 | 83,224 | 260,952 | 222,130 |
| Patent maintenance and registration costs…….. | 63,307 | 52,819 | 235,156 | 197,780 |
| Professional fees……... | 408,507 | 342,410 | 1,190,051 | 1,271,156 |
| Short-term leases…….. | 10,959 | 7,330 | 38,820 | 23,767 |
| D&O Insurance……. | 397,753 | 397,604 | 1,193,441 | 1,193,462 |
| Other operating costs…… | 235,358 | 250,520 | 661,669 | 792,988 |
| **Total operating costs……...** | **4,582,666** | **4,333,611** | **17,867,857** | **13,982,577** |

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

During the nine-month period ended September 30, 2022, total operating costs increased by CHF 3.9 million compared to the same period ended September 30, 2021, primarily due to increased external research and development costs of CHF 2.4 million of which CHF 2.0 million relate to dipraglurant clinical development activities. During the same period, staff costs increased by CHF 1.6 million mainly due to higher share-based compensation costs (note 18).

During the three-month period ended September 30, 2022, total operating costs increased by CHF 0.2 million compared to the same period ended September 30, 2021, primarily due to increased staff costs mainly due to higher share-based compensation costs (note 18).

## 18. Staff costs

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Wages and salaries…….. | 671,563 | 798,639 | 2,144,439 | 2,391,241 |
| Social charges and insurances…..…….. | 87,955 | 89,866 | 307,643 | 307,472 |
| Value of share-based services …… | 742,969 | 311,070 | 2,455,639 | 715,464 |
| Retirement benefit (note 14)……... | 70,524 | 106,978 | 210,347 | 55,720 |
| **Total staff costs…….** | **1,573,011** | **1,306,553** | **5,118,068** | **3,469,897** |

During the nine-month period ended September 30, 2022, total staff costs increased by CHF 1.6 million compared to the same period ended September 30, 2021, primarily due to higher share-based compensation cost due to the reduction of the exercise price of equity incentive units granted to employees. On January 4, 2022, the exercise price of 6,861,873 options and 181,750 equity sharing certificates (ECS) granted to employees have been reduced to CHF 1.00. Then, the exercise price of 10,078,639 options and 181,750 equity sharing certificates (ECS) granted to employees have been reduced from CHF 1.00 to CHF 0.19, on August 2, 2022.

During the three-month period ended September 30, 2022, total staff costs increased by CHF 0.3 million compared to the same period ended September 30, 2021, primarily due to higher share-based compensation cost due to the reduction of the exercise price of equity incentive units granted to employees, effective on August 2, 2022.

## 19. Finance result, net

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Interest income……..... | 3,605 | 1,239 | 3,904 | 4,568 |
| Interest cost……. | (1,509) | (4,469) | (25,878) | (35,873) |
| Interest expense on leases……... | (4,875) | (5,520) | (15,252) | (17,795) |
| Foreign exchange (losses)/gains, net….. | 62,116 | (13,612) | (93,624) | 351,641 |
| **Finance result, net……..…….** | **59,337** | **(22,362)** | **(130,850)** | **302,541** |

## 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, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Loss attributable to equity holders of the Company…….. | (4,107,630) | (3,598,193) | (17,152,617) | (10,927,955) |
| Weighted average number of shares in issue……..... | 47,785,707 | 34,122,052 | 41,238,494 | 33,900,655 |
| **Basic and diluted loss per share…….. ** | **(0.09)** | **(0.11)** | **(0.42)** | **(0.32)** |

The Company has three categories of dilutive potential shares as of September 30, 2022 and 2021: equity sharing certificates ("ESCs"), share options and warrants. For the three-month and nine-month periods ended September 30, 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 September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Salaries, other short-term employee benefits and post-employment benefits... | 348,262 | 370,108 | 1,270,926 | 1,163,185 |
| Consulting fees…… | 20,403 | 50,052 | 144,110 | 171,906 |
| Share-based compensation…..…… | 781,638 | 308,545 | 2,603,742 | 729,766 |
| **Total…… ** | **1,150,303** | **728,705** | **4,018,778** | **2,064,857** |

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 mainly 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 155,403 as of September 30, 2022 (December 31, 2021: CHF 172,443).

## 22. Events after the balance sheet date

On October 5, 2022, the Group issued 5,423,076 equity incentive units with an exercise price of CHF 0.13 and the related share-based compensation amount of CHF 0.5 million will be recognized over the remaining vesting period of the equity incentive units. In addition, the exercise price of 12,372,243 equity incentive units was reduced to CHF 0.13 and the related share-based compensation adjustment of CHF0.2 million will be be recognized over the remaing vesting period of the equity incentive units.

On October 26, 2022, 17,438,883 equity incentive units were exercised as part of an employee and director retention plan with 17,438,883 shares being issued from conditional capital with 10,193,572 shares being subject to sales restrictions.

On October 31, 2022, the Company issued 32,636,476 new shares from authorized capital to its fully owned subsidiary, Addex Pharma SA, at CHF 0.01 per share. These shares are held as treasury shares, hence the operation does not impact the number of shares outstanding.

On November 2, 2022 Armistice Capital LLC exercised pre-funded warrants for 2,172,000 shares in a form of 362,000 ADSs. Hence, the number of outstanding shares increased to 72,779,932.

# 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 drug candidates based on our allosteric modulator development capabilities. 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 epilepsy, levodopa induced dyskinesia associated with Parkinson's disease, or PD-LID, substance use disorder, or, SUD, Charcot-Marie-Tooth type 1A neuropathy, or CMT1A, chronic cough, pain, stress related disorders including post-traumatic stress disorder, or PTSD, schizophrenia, other neuropsychiatric and 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 expenses.

Our lead 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, as well as an open label extension since Q3 2022. We expect Janssen to complete part 1 of the Phase 2a in the first quarter of 2023. Under our agreement with Janssen, Janssen is responsible for financing the development and commercialization, if any, of ADX71149.

Our second drug candidate, dipraglurant, a metabotropic glutamate receptor subtype 5 negative allosteric modulator, or mGlu5 NAM, is currently under evaluation for future development in a range of potential therapeutic indications including PD-LID, stroke rehabilitation, SUD, pain and neurodevelopmental disorders, or NDD. As part of this evaluation, we have initiated discussions with potential strategic partners with the objective of collaborating for the future development. We received orphan drug designation from the United States Food and Drug Administration, or FDA, for dipraglurant in PD-LID and completed a Phase 2 proof of concept study. On June 17, 2022, we terminated our US registration program including a pivotal Phase 2B/3 study and an open label study in PD-LID due to slow recruitment of patients.

We are also conducting a research program under our strategic partnership with Indivior PLC, or Indivior, to discover novel orally available gamma-aminobutyric acid subtype B receptor positive allosteric modulators, or GABAB PAMs. We are currently in clinical candidate selection phase and expect IND enabling studies to be initiated in 2023. Under the terms of the agreement with Indivior, we have the right to select drug candidates for development in certain exclusive indications outside SUD. We plan to develop our selected drug candidates in CMT1a, chronic cough and pain, indications that have been clinically validated with baclofen, an orthosteric agonist of GABAB, and where we believe there is a significant unmet medical need and commercial opportunity.

Allosteric modulators have broad applicability for many clinically validated GPCR targets which are implicated in multiple therapeutic indications. We intend to continue to leverage our scientific expertise in allosteric modulation and our proprietary technology platform to discover novel drug candidates for the treatment of neurological diseases.

We also have three mid to late-stage preclinical programs:

MGlu7 NAM for the treatment of PTSD. We are developing mGlu7 NAM as a novel orally available treatment to reduce fear memory in PTSD, a disorder that can lead to intense fear and anxiety. Current medication is unspecific and ineffective, with a number of side effects. By selectively targeting mGlu7 with NAMs, the brain

circuitries involved in fear and anxiety can be more precisely modulated, potentially resulting in a more focused response and fewer side effects than current therapeutic approaches. Subject to regulatory approval, we believe our mGlu7 NAM may offer an innovative and differentiated treatment approach from existing therapies. The program is in clinical candidate selection phase and we expect to initiate IND enabling studies in the first half of 2023. A consortium led by us has been awarded a €4.85 million grant from the Eurostars to advance the program to drug candidate stage.

MGlu2 NAM for the treatment of mild neurocognitive disorders, or mNCD - We are developing mGlu2 NAM as a novel orally available treatment for mNCD associated with Alzheimer's disease, Parkinson's disease and depressive disorders. The program has entered clinical candidate selection phase and we expect to enter IND enabling studies in the second half of 2023.

M4 PAM for the treatment of schizophrenia and other psychosis- We are developing M4 PAM as a novel orally available treatment for schizophrenia and other psychosis. We are currently optimizing multiple chemical series of highly selective M4 PAMs compounds in late stage of lead optimization.

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 GABAB PAM programs and conducting preclinical studies and clinical trials.

As of end of September 30, 2022, we have generated CHF 64.2 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 September 30, 2022, we have raised an aggregate of CHF 349.4 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 17.2 million and CHF 10.9 million for the nine-month periods ended September 30, 2022 and September 30, 2021, respectively. As of September 30, 2022, we had accumulated losses of CHF 346.2 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;
- 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 a significant proportion of our clinical development activities including clinical trials. Furthermore, 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 GABAB PAM compounds for the treatment of addiction and other CNS diseases. This

agreement included the selected clinical candidate, ADX71441. In addition, Indivior agreed to fund a research program at Addex to discover novel GABAB 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 GABAB PAM compounds. These future novel GABAB PAM compounds, if selected by Indivior, become licensed compounds. We agreed with Indivior to an initial research term of two years, which 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 2.7 million has been paid to the Group and CHF 1.0 million paid directly by Indivior to third party suppliers that are supporting the funded research program. In August 2022, the research agreement was extended until March 31, 2023 with additional funding of CHF 0.85 million. The reserved indications, where Addex retains exclusive rights to develop its own independent GABAB PAM program, have also been expanded to include other indications such as chronic cough, in addition to the rights to develop certain retained compounds for Charcot-Marie-Tooth type 1A neuropathy (CMT1A) and pain.

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 GABAB 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 September 2022, we recognized CHF 16.2 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 September 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, to finance 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/Innosuisse 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 September 30, 2022, the Group recognized CHF 0.5 million as income. As of December 31, 2021 and September 30, 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 September 2022, we incurred CHF 55.5 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, 2022 and 2021:

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | (CHF in thousands) | | | |
| Dipraglurant PD-LID……..... | 813 | 844 | 5,748 | 3,791 |
| Dipraglurant blepharospasm……. | 41 | 189 | 621 | 608 |
| GABAB PAM…….. | 337 | 430 | 915 | 1,276 |
| M4 PAM……... | 326 | 100 | 898 | 246 |
| Other discovery programs……..... | 221 | 242 | 740 | 626 |
| **Total outsourced research and development costs……** | **1,738** | **1,805** | **8,922** | **6,547** |

On June 17, 2022, we terminated our dipraglurant US registration program including pivotal Phase 2B/3 and open label clinical trials in PD-LID due to slow recruitment of patients. We therefore expect our R&D costs to decrease in the near-term as we focus our resources on advancing our pre-clinical portfolio toward the clinic. However, in the medium to long term 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 candidates;
- uncertainty related to efficiently manufacturing and distributing drug products;
- competitor intellectual property restraining our freedom to operate;
- timing of initiation, completion and outcome of further 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 expect our general and administrative costs to remain stable for foreseeable future.

***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 US dollar bank deposits.

**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, 2022 and 2021:

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | (CHF in thousands) | | | |
| Revenue…….. | 410 | 682 | 830 | 2,519 |
| Other income……... | 6 | 76 | 16 | 233 |
| Research and development costs……. | (2,765) | (2,862) | (12,277) | (9,342) |
| General and administrative costs…… | (1,818) | (1,472) | (5,591) | (4,641) |
| **Operating loss…….** | **(4,167)** | **(3,576)** | **(17,022)** | **(11,231)** |
| Finance income……... | 4 | (12) | 4 | 356 |
| Finance expense…….. | 55 | (10) | (135) | (53) |
| **Net loss……...** | **(4,108)** | **(3,598)** | **(17,153)** | **(10,928)** |

***Three Months Ended September 30, 2022 Compared to Three Months Ended September 30, 2021***

***Revenue***

The following table sets forth our revenue in the three-month periods ended September 30, 2022 and 2021:

| | For the three months ended September 30, | |
|---|---|---|
| | 2022 | 2021 |
| | (CHF in thousands) | |
| Collaborative research funding……..... | 410 | 682 |
| **Total……...** | **410** | **682** |

Revenue decreased by CHF 0.3 million in the three-month period ended September 30, 2022 compared to the three-month period ended September 30, 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 September 30, 2022 and 2021:

| | For the three months ended September 30, | |
|---|---|---|
| | 2022 | 2021 |
| | (CHF in thousands) | |
| Research grants……..... | - | 72 |
| Other service income…….. | 6 | 4 |
| **Total……...** | **6** | **76** |

Other income decreased by CHF 0.1 million in the three-month period ended September 30, 2022, compared to the three-month period ended September 30, 2021, since the Group has not recognized any income from the grant with Eurostars/Innosuisse during the three-month period ended September 30, 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 September 30, 2022 and 2021:

| | For the three months ended September 30, | |
|---|---|---|
| | **2022** | **2021** |
| | **(CHF in thousands)** | |
| Dipraglurant PD-LID…….. | 813 | 844 |
| Dipraglurant blepharospasm ……. | 41 | 189 |
| GABAB PAM…… | 337 | 430 |
| M4 PAM……..... | 326 | 100 |
| Other discovery programs……..... | 221 | 242 |
| **Subtotal outsourced R&D per program……** | **1,738** | **1,805** |
| Staff costs……... | 738 | 757 |
| Depreciation and amortization……... | 62 | 69 |
| Laboratory consumables……. | 79 | 83 |
| Patent maintenance and registration costs…….. | 63 | 53 |
| Short-term leases…… | 10 | 6 |
| Other operating costs……..... | 75 | 89 |
| **Subtotal unallocated R&D expenses……...** | **1,027** | **1,057** |
| **Total……...** | **2,765** | **2,862** |

Research and development expenses decreased by CHF 0.1 million in the three-month period ended September 30, 2022, compared to the three-month period ended September 30, 2021, primarily due to decreased outsourced R&D costs for CHF 0.1 million including a decrease of CHF 0.2 million for dipraglurant clinical development activities and CHF 0.1 million decrease in GABAB PAM program activities partially offset by an increase of CHF 0.2 million in M4 PAM program outsourced R&D costs.

***General and Administrative Costs***

The following table sets forth our general and administrative costs in the three-month periods ended September 30, 2022 and 2021:

| | For the three months ended September 30, | |
|---|---|---|
| | **2022** | **2021** |
| | **(CHF in thousands)** | |
| Staff costs……... | 835 | 549 |
| Depreciation and amortization……... | 16 | 19 |
| Professional fees……. | 408 | 342 |
| Short-term leases…… | 1 | 1 |
| D&O Insurance ……..... | 397 | 398 |
| Other operating costs…….. | 161 | 163 |
| **Total……...** | **1,818** | **1,472** |

General and administrative costs increased by CHF 0.3 million in the three-month period ended September 30, 2022, compared to the three-month period ended September 30, 2021, primarily due to increased share-based compensation costs.

***Finance Result, Net***

| | For the three months ended September 30, | |
|---|---|---|
| | **2022** | **2021** |
| | **(CHF in thousands)** | |
| Interest income……..... | 4 | 1 |
| Interest cost……..…….. | (2) | (4) |
| Interest expense on leases……..... | (5) | (6) |
| Foreign exchange losses, net…….. | 62 | (13) |
| **Total……...** | **59** | **(22)** |

Finance result, net increased by CHF 0.1 million in the three-month period ended September 30, 2022 compared to the three-month period ended September 30, 2021, mainly due to U.S dollar currency exchange differences.

***Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021***

***Revenue***

The following table sets forth our revenue in the nine-month periods ended September 30, 2022 and 2021:

| | For the nine months ended September 30, | |
|---|---|---|
| | **2022** | **2021** |
| | **(CHF in thousands)** | |
| Collaborative research funding……..... | 830 | 2,519 |
| **Total……...** | **830** | **2,519** |

Revenue decreased by CHF 1.7 million in the nine-month period ended September 30, 2022 compared to the nine-month period ended September 30, 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 nine-month periods ended September 30, 2022 and 2021:

| | For the nine months ended September 30, | |
|---|---|---|
| | **2022** | **2021** |
| | **(CHF in thousands)** | |
| Research grants……..... | - | 218 |
| Other service income…….. | 16 | 15 |
| **Total……...** | **16** | **233** |

Other income decreased by CHF 0.2 million in the nine-month period ended September 30, 2022, compared to the nine-month period ended September 30, 2021, since the Group has not recognized any income from the grant with Eurostars/Innosuisse during the nine-month period ended September 30, 2022, in accordance with the grant conditions.

***Research and Development Expenses***

The following table sets forth our research and development expenses in the nine-month periods ended September 30, 2022 and 2021:

| | For the nine months ended September 30, | |
|---|---|---|
| | **2022** | **2021** |
| | **(CHF in thousands)** | |
| Dipraglurant PD-LID…….. | 5,748 | 3,791 |
| Dipraglurant blepharospasm ……. | 621 | 608 |
| GABAB PAM…… | 915 | 1,276 |
| M4 PAM……..... | 898 | 246 |
| Other discovery programs……..... | 740 | 626 |
| **Subtotal outsourced R&D per program……** | **8,922** | **6,547** |
| Staff costs……... | 2,367 | 1,860 |
| Depreciation and amortization……... | 196 | 208 |
| Laboratory consumables……. | 261 | 222 |
| Patent maintenance and registration costs…….. | 235 | 198 |
| Short-term leases…… | 35 | 10 |
| Other operating costs……..... | 261 | 297 |
| **Subtotal unallocated R&D expenses……...** | **3,355** | **2,795** |
| **Total……...** | **12,277** | **9,342** |

Research and development expenses increased by CHF 2.9 million in the nine-month periods ended September 30, 2022, compared to the nine-month period ended September 30, 2021, primarily due to increased outsourced R&D costs for CHF 2.4 million including an increase of CHF 2.0 million for dipraglurant clinical development activities and CHF 0.7 million increase in M4 PAM program outsourced R&D costs partially offset by CHF 0.4 million decrease in GABAB PAM program activities. During the same period, staff costs increased by CHF 0.5 million primarily due to higher share-based compensation costs.

***General and Administrative Costs***

The following table sets forth our general and administrative costs in the nine-month periods ended September 30, 2022 and 2021:

| | For the nine months ended September 30, | |
|---|---|---|
| | **2022** | **2021** |
| | **(CHF in thousands)** | |
| Staff costs……... | 2,751 | 1,610 |
| Depreciation and amortization……... | 52 | 56 |
| Professional fees……. | 1,190 | 1,271 |
| Short-term leases…… | 4 | 13 |
| D&O Insurance ……..... | 1,193 | 1,193 |
| Other operating costs…….. | 401 | 498 |
| **Total……...** | **5,591** | **4,641** |

General and administrative costs increased by CHF 1.0 million in the nine-month period ended September 30, 2022, compared to the nine-month period ended September 30, 2021, primarily due to increased share-based compensation cost.

***Finance Result, Net***

| | For the nine months ended September 30, | |
|---|---|---|
| | **2022** | **2021** |
| | **(CHF in thousands)** | |
| Interest income……..... | 4 | 4 |
| Interest cost……...…….. | (26) | (35) |
| Interest expense on leases……..... | (15) | (18) |
| Foreign exchange (loss)/gain, net……... | (94) | 352 |
| **Total……...** | **(131)** | **303** |

Finance result, net decreased by CHF 0.4 million in the nine-month period ended September 30, 2022 compared to the nine-month period ended September 30, 2021 mainly due to US dollar currency exchange differences.

**Liquidity and Capital Resources**

Since our inception through September 30, 2022, we have generated CHF 64.2 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, 2022, we raised an aggregate of CHF 349.4 million of gross proceeds from the sale of equity. As of September 30, 2022, we had CHF 10.4 million in cash and cash equivalents.

Our primary uses of cash are to fund operating expenses which consist mainly of research and development expenditures and associated general and administrative costs. 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 decrease in the near term as we have no ongoing clinical studies funded by us. In the medium and long term, our expenses may 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 the first half of 2023. This indicates that a material uncertainty exists that raise substantial doubt about the Group's ability to continue as a going concern for one year from the date of issuance of these unaudited interim condensed consolidated financial statements. Our future viability is dependent on our ability to monetize our intellectual property portfolio and /or raise additional capital though public or private financings that may dilute existing shareholders. 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 in foreseeable future will depend on many factors, including:

- the scope, progress, results and costs of our ongoing and planned preclinical studies;
- the timing and amount of milestone and royalty payments we may receive under our license agreements;
- the extent to which we out-license, in-license, sell or acquire 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 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, | |
|---|---|---|
| | **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…… | (13,365) | (11,760) |
| Net cash flows (used in) / from investing activities... | 3 | (6) |
| Net cash flows from financing activities……..... | 3,271 | 8,246 |
| **Decrease in cash and cash equivalents……...** | **(10,091)** | **(3,520)** |
| Effect of the exchange rates……... | 28 | 311 |
| **Cash and cash equivalents at the end of the period** | **10,423** | **15,486** |

***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 nine-month period ended September 30, 2022, operating activities used CHF 13.4 million of cash primarily due to our net loss of CHF 17.2 million adjusted for CHF 0.6 million of decreased net working capital, partially offset by non-cash items for CHF 3.2 million that mainly relate to share-based compensation costs for CHF 3.0 million. The decrease of the net working capital for CHF 0.6 million is primarily due to decreased prepayments for CHF 0.3 million mainly due to amounts prepaid to Contract Research Organization (CROSs).

During the nine-month period ended September 30, 2021, operating activities used CHF 11.8 million of cash primarily due to our net loss of CHF 10.9 million adjusted for CHF 0.3 million of finance net income that mainly relates to currency exchange gains on cash and cash equivalents and the net effect of increased net working capital of CHF 1.5 million partially offset by non-cash items of CHF 1.0 million that primarily relate to the value of the share-based services. The increased net working capital is mainly due to the variations of contract asset and liability from the research agreement funded by Indivior for CHF 1.1 million, increased prepayments for CHF 0.8 million mainly relating to D&O insurance premiums, partially offset by increased payables and accruals for CHF 0.4 million mainly relating to dipraglurant clinical development activities.

***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 periods ended September 30, 2022 and September 30, 2021 investing activities were close to nil.

***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 nine-month period ended September 30, 2022, net cash flows from financing activities amounted to CHF 3.3 million. During this period, we sold treasury shares for a total gross proceeds of CHF 4.5 million including CHF 4.1 million from the offering with Armistice Capital LLC executed on July 22, 2022 and CHF 0.4 million from the sales performed by Kepler Chevreux in July 2022 within the sale agency agreement. Those gross proceeds have been partially offset by the costs associated with the offering executed on December 16, 2021 and July 22, 2022 and paid during the nine-month period ended September 30, 2022 for CHF 0.5 million and CHF 0.3 million respectively. Additionally, we paid CHF 0.2 million for the issuance costs of 16,000,000 new treasury shares executed on February 2, 2022 and CHF 0.2 million for the principal element of leases.

During the nine-month period ended September 30, 2021, net cash flows from financing activities amounted to CHF 8.2 million and consisted primarily of the net proceeds from the capital increase executed on January 8, 2021, for CHF 8.6 million which were partially offset by the principal element of lease payments and associated interest expense for CHF 0.3 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 interim condensed consolidated 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 interim condensed consolidated 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.