addex Therapeutics

Allosteric Modulators for Human Health

Q1
Interim Report 2023

Contents

Unaudited Interim Condensed Consolidated Balance Sheets

as of March 31, 2023, and December 31, 2022

	Notes	March 31, 2023	December 31, 2022
		Amounts in Swiss francs	
ASSETS			
Current assets			
Cash and cash equivalents……..	6	5,594,872	6,957,086
Other financial assets……..	7/12	4,122	3,165
Trade and other receivables……...…….	7	230,413	416,875
Contract asset……..……....	7	201,057	181,441
Prepayments ……..…..……	7	884,279	270,394
Total current assets……...		**6,914,743**	**7,828,961**
Non-current assets			
Right-of-use assets……..	8	288,483	357,613
Property, plant and equipment……	9	36,941	41,121
Non-current financial assets……	10	54,355	54,355
Total non-current assets……...		**379,779**	**453,089**
Total assets……		**7,294,522**	**8,282,050**
LIABILITIES AND EQUITY			
Current liabilities			
Current lease liabilities……...		222,786	286,107
Payables and accruals……	11	2,964,176	2,996,004
Total current liabilities…….		**3,186,962**	**3,282,111**
Non-current liabilities			
Non-current lease liabilities……		36,332	87,028
Total non-current liabilities…….		**36,332**	**87,028**
Equity			
Share capital……	12	1,153,483	1,153,483
Share premium……	12	266,945,772	269,511,610
Other equity……	12	64,620,223	64,620,223
Treasury shares reserve…….	12	(2,548,075)	(6,278,763)
Other reserves……		26,169,009	25,768,373
Accumulated deficit……		(352,269,184)	(349,862,015)
Total equity……		**4,071,228**	**4,912,911**
Total liabilities and equity……		**7,294,522**	**8,282,050**

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

Unaudited Interim Condensed Consolidated Statements of Comprehensive Loss

for the three-month periods ended March 31, 2023 and 2022

	Notes	For the three months ended March 31, 2023	2022
		Amounts in Swiss francs	
Revenue from contract with customer	15	**500,892**	**237,237**
Other income	16	**1,155**	**6,711**
Operating costs			
Research and development		(1,703,975)	(3,765,447)
General and administration		(1,197,577)	(2,241,086)
Total operating costs	17	**(2,901,552)**	**(6,006,533)**
Operating loss		**(2,399,505)**	**(5,762,585)**
Finance income		23,826	95
Finance expense		(31,490)	(61,245)
Finance result	19	**(7,664)**	**(61,150)**
Net loss before tax		**(2,407,169)**	**(5,823,735)**
Income tax expense		-	-
Net loss for the period		**(2,407,169)**	**(5,823,735)**
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company	20	**(0.04)**	**(0.15)**
Other comprehensive (loss)/ income			
Items that will never be reclassified to profit and loss:			
Remeasurements of retirement benefits obligation		(30,641)	665,819
Items that may be classified subsequently to profit and loss:			
Exchange difference on translation of foreign operations		81	27
Other comprehensive (loss)/ income for the period, net of tax		**(30,560)**	**665,846**
Total comprehensive loss for the period		**(2,437,729)**	**(5,157,889)**

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 March 31, 2022

	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, 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 share issuance…….....		-	(210,633)	-	-	-	-	(210,633)
Related costs of sales shelf-registration……..		-	(2,223)	-	-	-	-	(2,223)
Cost of pre-funded warrants sold…….....		-		-	-	(36,534)	-	(36,534)
Value of share-based services.....	13	-	-	-	-	1,440,052	-	1,440,052
Movement in treasury shares:	12							
Net purchases under liquidity agreement…..		-	(26,252)	17,692	-	-	-	(8,560)
Balance as of March 31, 2022.....		**65,272,952**	**283,742,253**	**(27,685,587)**	**(657,498)**	**27,164,730**	**(334,881,537)**	**12,955,313**

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

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

For the three-month period ended March 31, 2023

	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, 2023…....		**1,153,483**	**269,511,610**	**64,620,223**	**(6,278,763)**	**(657,870)**	**26,426,243**	**(349,862,015)**	**4,912,911**
Net loss for the period…….…….		-	-	-	-	-	-	(2,407,169)	(2,407,169)
Other comprehensive loss for the period…..		-	-	-	-	81	(30,641)	-	(30,560)
Total comprehensive loss for the period.....		-	-	-	-	**81**	**(30,641)**	**(2,407,169)**	**(2,437,729)**
Cost of shares issuance……...		-	(4,062)	-	-	-	-	-	(4,062)
Value of share-based services……...	13	-	-	-	-	-	431,196	-	431,196
Movement in treasury shares:	12								
Net purchases under liquidity agreement....		-	12,775	-	(11,818)	-	-	-	957
Sales agency agreement……		-	(2,565,725)	-	3,742,506	-	-	-	1,176,781
Costs under sale agency agreement…..		-	(8,826)	-	-	-	-	-	(8,826)
Balance as of March 31, 2023…….		**1,153,483**	**266,945,772**	**64,620,223**	**(2,548,075)**	**(657,789)**	**26,826,798**	**(352,269,184)**	**4,071,228**

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

Unaudited Interim Condensed Consolidated Statements of Cash Flows

for the three-month periods ended March 31, 2023 and 2022

	Notes	For the three months ended March 31, 2023	2022
		Amounts in Swiss francs	
Net loss for the period		(2,407,169)	(5,823,735)
Adjustments for:			
Depreciation	8/9	75,779	86,832
Value of share-based services	13	431,196	1,440,052
Post-employment benefits		(30,641)	17,047
Finance cost net		10,826	30,326
(Increase)/ decrease in other financial assets	7	(957)	8,556
Decrease / (increase) in trade and other receivables	7	186,462	(202,040)
(Increase)/ decrease in contract asset	7	(19,616)	91,829
Increase in prepayments	7	(610,525)	(715,738)
Increase in payables and accruals	11	5,208	222,247
Net cash used in operating activities		**(2,359,437)**	**(4,844,624)**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(2,469)	-
Net cash used in investing activities		**(2,469)**	**-**
Cash flows from financing activities			
Costs paid on sale of treasury shares – shelf registration		(2,356)	(174,396)
Costs paid on sale of pre-funded warrants		(5,495)	(275,966)
Sale/(purchase) of treasury shares under liquidity and sale under agency agreement	12	1,177,738	(8,560)
Costs paid on sale of treasury shares under sale agency agreement		(8,826)	-
Cost paid on issue of treasury shares	12	(33,247)	(188,052)
Principal element of lease payment		(114,017)	(75,059)
Interest received	19	23,826	95
Interest paid	19	(9,280)	(22,414)
Net cash from/ (used in) financing activities		**1,028,343**	**(744,352)**
Decrease in cash and cash equivalents		**(1,333,563)**	**(5,588,976)**
Cash and cash equivalents at the beginning of the period	6	6,957,086	20,484,836
Exchange difference on cash and cash equivalents		(28,651)	(8,022)
Cash and cash equivalents at the end of the period	6	**5,594,872**	**14,887,838**

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

Unaudited Notes to the Interim Condensed Consolidated Financial Statements

for the three-month periods ended March 31, 2023

(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. 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 interim condensed consolidated financial statements have been approved for issuance by the Board of Directors on May 10, 2023.

2. Basis of preparation

These interim condensed consolidated financial statements for the three-month period ended March 31, 2023, 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, 2022.

Interim financial results are not necessarily indicative of results anticipated for the full year. The preparation of these unaudited interim condensed consolidated 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, 2022.

A number of new or amended standards and interpretations became applicable for financial reporting periods beginning on or after January 1, 2023. 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 amounts rather than the presented rounded amounts.

Where necessary, comparative figures have been revised to conform with the current year 2023 presentation.

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 not be sufficient to fund its operations and meet all of its obligations as they fall due for a period of 12 months. 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 reasons outside of the Group's control. 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, entering 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 2023 and thereafter cannot be reasonably predicted.

Russia's invasion of Ukraine

On February 24, 2022, Russia invaded Ukraine. 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 based upon the estimated amount of services provided but not yet invoiced, and these costs are included

in accrued expenses on the balance sheets and within research and development expenses in the statements of comprehensive loss. These costs are a significant component of research and development expenses.
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 have not demonstrated technical feasibility.

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

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

4. Interim measurement note

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

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

5. Segment reporting

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

Information about products, services and major customers
External income of the Group for the three-month periods ended March 31, 2023 and 2022 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.

Information about geographical areas
External income is exclusively recorded in the Swiss operating company.

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

	For the three months ended March 31,	
	2023	**2022**
Collaborative research funding……..	500,892	237,237
Other service income……..	1,155	6,711
Total…..……	**502,047**	**243,948**

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

	For the three months ended March 31,	
	2023	2022
Indivior PLC……..…….....	500,892	237,237
Other counterparties……..…….	1,155	6,711
**Total……..…..…….……..	**502,047**	**243,948**

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

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

	March 31, 2023	December 31, 2022
Switzerland……...……..	379,422	452,732
France……..……..……..	357	357
**Total……...	**379,779**	**453,089**

The geographical analysis of operating costs is as follows:

	For the three months ended March 31,	
	2023	2022
Switzerland……...……..	2,883,308	5,996,993
United States of America……	17,137	7,708
France……..……..……..	1,107	1,832
**Total operating costs (note 17)…….……...	**2,901,552**	**6,006,533**

The capital expenditure during the three-month period ended March 31, 2023 is CHF 2,469 (nil for the three-month period ended March 31, 2022).

6. Cash and cash equivalents

	March 31, 2023	December 31, 2022
Cash at bank and on hand……....	5,594,872	6,957,086
**Total cash and cash equivalents……..	**5,594,872**	**6,957,086**

Split by currency:

	March 31, 2023	December 31, 2022
CHF…….……...	52.86%	52.98%
USD……..……...	46.70%	42.10%
EUR…….……...	0.41%	2.69%
GBP……..……...	0.03%	2.23%
**Total ……..……...	**100.00%**	**100.00%**

The Group no longer pays interest on CHF cash and cash equivalents from the third quarter of 2022 whilst it earns interests on USD cash and cash equivalents. The Group invests its cash balances into a variety of current and deposit accounts mainly with one Swiss bank whose external credit rating is P-1/A-1.

All cash and cash equivalents were held either at banks or on hand as of March 31, 2023 and December 31, 2022.

7. Other current assets

	March 31, 2023	December 31, 2022
Other financial assets…….....	4,122	3,165
Trade and other receivables……..…….....	230,413	416,875
Contract asset (Indivior PLC)..……	201,057	181,441
Prepayments……...	884,279	270,394
**Total other current assets……..... **	**1,319,871**	**871,875**

Other current assets increased by CHF 0.4 million as of March 31, 2023 compared to December 31, 2022 primarily due to increased prepayments in retirement benefits paid annually at the beginning of the year. The Group applies the IFRS 9 simplified approach to measuring expected credit losses ("ECL"), which uses a lifetime expected loss allowance for all contract assets, trade receivables and other receivables. As of March 31, 2023, the combined amount of the contract asset, trade receivables and other receivables primarily relating to the research agreement with Indivior, amounted to CHF 0.4 million compared to CHF 0.6 million as of December 31, 2022 and decreased by CHF 0.2 million primarily due to the payment of the grant by Eurostars/Innosuisse in Q1 2023. The Group considers contract asset, trade receivables and other receivables have a low risk of default based on historic loss rates and forward-looking information on macroeconomic factors affecting the ability of the third parties to settle invoices. As a result, expected loss allowance has been deemed as nil as of March 31, 2023 and December 31, 2022.

8. Right-of-use assets

Year ended December 31, 2022	Properties	Equipment	Total
Opening net book amount……..	456,885	13,104	469,989
Depreciation charge……	(277,069)	(14,504)	(291,573)
Effect of lease modifications……..	173,281	5,916	179,197
**Closing net book amount……..……..... **	**353,097**	**4,516**	**357,613**

As of December 31, 2022	Properties	Equipment	Total
Cost…….....…….....…....	1,471,850	13,542	1,485,392
Accumulated depreciation……..……	(1,118,753)	(9,026)	(1,127,779)
**Net book value……..…… **	**353,097**	**4,516**	**357,613**

Period ended March 31, 2023	Properties	Equipment	Total
Opening net book amount……..	353,097	4,516	357,613
Depreciation charge……	(68,453)	(677)	(69,130)
**Closing net book amount……..……... **	**284,644**	**3,839**	**288,483**

As of March 31, 2023	Properties	Equipment	Total
Cost…….....…….....…....	1,471,850	13,542	1,485,392
Accumulated depreciation……..……	(1,187,206)	(9,703)	(1,196,909)
**Net book value……..…… **	**284,644**	**3,839**	**288,483**

9. Property, plant and equipment

Year ended December 31, 2022	Equipment	Furniture & fixtures	Chemical library	Total
Opening net book amount	72,111	-	-	72,111
Additions	581	-	-	581
Depreciation charge	(31,571)	-	-	(31,571)
Closing net book amount	**41,121**	**-**	**-**	**41,121**

As of December 31, 2022	Equipment	Furniture & fixtures	Chemical library	Total
Cost	1,714,409	7,564	1,207,165	2,929,138
Accumulated depreciation	(1,673,288)	(7,564)	(1,207,165)	(2,888,017)
Net book value	**41,121**	**-**	**-**	**41,121**

Period ended March 31, 2023	Equipment	Furniture & fixtures	Chemical library	Total
Opening net book amount	41,121	-	-	41,121
Additions	2,469	-	-	2,469
Depreciation charge	(6,649)	-	-	(6,649)
Closing net book amount	**36,941**	**-**	**-**	**36,941**

As of March 31, 2023	Equipment	Furniture & fixtures	Chemical library	Total
Cost	1,716,878	7,564	1,207,165	2,931,607
Accumulated depreciation	(1,679,937)	(7,564)	(1,207,165)	(2,894,666)
Net book value	**36,941**	**-**	**-**	**36,941**

10. Non-current financial assets

	March 31, 2023	December 31, 2022
Security rental deposits	54,355	54,355
Total non-current financial assets	**54,355**	**54,355**

11. Payables and accruals

	March 31, 2023	December 31, 2022
Trade payables	1,075,637	1,276,546
Social security and other taxes	65,544	120,875
Accrued expenses	1,822,995	1,598,583
Total payables and accruals	**2,964,176**	**2,996,004**

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 total amount of payables and accruals remained stable to CHF 3.0 million as of March 31, 2023 compared to December 31, 2022 and primarily related to our discovery programs. The carrying amounts of payables do not materially differ from their fair values, due to their short-term nature.

12. Share capital

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

	Number of shares		
	Common shares	Treasury shares	Total
Balance as of January 1, 2023……..……	**115,348,311**	**(38,214,291)**	**77,134,020**
Sale of shares under sale agency agreement…….……..	-	3,742,506	3,742,506
Net purchase of shares under liquidity agreement….	-	(5,235)	(5,235)
Balance as of March 31, 2023…..……	**115,348,311**	**(34,477,020)**	**80,871,291**
Shares reclassed as treasury shares under IFRS 2	-	(17,438,883)	(17,438,883)
Balance as of March 31, 2023…….	**115,348,311**	**(51,915,903)**	**63,432,408**

As of March 31, 2023, 80,871,291 shares were outstanding excluding 34,477,020 treasury shares directly held by Addex Pharma SA and including 17,438,883 shares issued from the exercise of equity incentive units on October 26, 2022 and considered as treasury shares under IFRS 2 (see note 13). All shares have a nominal value of CHF 0.01 following the reduction of the nominal value effective on July 26, 2022. As of March 31, 2022, 37,887,149 shares were outstanding excluding 27,385,803 treasury shares directly held by Addex Pharma SA. All shares had a nominal value of CHF 1.00.

The Group maintains a liquidity agreement with Kepler Cheuvreux ("Kepler"). Under the agreement, the Group has provided Kepler with cash and shares to enable them to buy and sell the Company's shares. As of March 31, 2023, 133,435 (December 31, 2022: 128,200) treasury shares are recorded under this agreement in the treasury share reserve and CHF 4,122 (December 31, 2022: CHF 3,165) is recorded in other financial assets.

During the three-month period ended March 31, 2023, the Group sold 3,742,506 treasury shares under the sale agency agreement with Kepler Cheuvreux at an average price of CHF 0.31 per share with a gross proceed of CHF 1,176,781.

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.

13. Share-based compensation

The total share-based compensation expense recognized in the statement of comprehensive loss for equity incentive units granted to directors, executives, employees and consultants for the three-month period ended March 31, 2023 amounted to CHF 431,196 compared to CHF 1,440,052 for the three-month period ended March 31, 2022. The decrease of CHF 1.0 million is primarily related to the increase in fair value of equity incentive units during the first quarter of 2022 following the modification of certain terms on January 4, 2022.

As of March 31, 2023, 1,213,677 options were outstanding (respectively 777,000 options as of December 31, 2022). During the three-month period ended March 31, 2023, the Group granted 436,677 options at a strike price of CHF 0.101 with vesting over 4 years and a 10-year exercise period. As of March 31, 2023 and December 31, 2022, there are no equity sharing certificates (ESCs) outstanding.

As of March 31, 2023, 17,438,883 shares issued under the Groups staff retention deferred strike price payment plan ("DSPPP"), following the exercise of equity incentive units, have been recorded as treasury shares. While the 17,438,883 shares are considered to be legally owned by the exercising equity incentive unit holders, certain terms of the DSPPP require the shares to be recorded as treasury shares under IFRS 2 (see note 12).

14. Retirement benefits obligations

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

	For the three months ended March 31,	
	2023	2022
Current service cost..…..……	(66,534)	(85,432)
Past service cost…..…….....	26,899	-
Interest cost…….…….....	(46,890)	(9,705)
Interest income……...	45,240	6,996
Company pension amount (note 18)……...	**(41,285)**	**(88,141)**

During the first quarter of 2023, Swiss Life communicated a decrease in conversion rate which led to a positive past service cost for the three-month period ended March 31, 2023.

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

	March 31, 2023	December 31, 2022
Defined benefit obligation.....…….	(8,057,786)	(7,682,529)
Fair value of plan assets……..…….....	8,161,174	7,867,835
Effect of asset ceiling…...…..…….	(103,388)	(185,306)
Funded status surplus/ (shortfall)……...	**-**	**-**

As of March 31, 2023, the funded status had a surplus of CHF 0.1 million that has not been recorded as an asset in accordance with the asset ceiling rules and minimum funding requirements (As of December 31, 2022: CHF 0.2 million).

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 to 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 to additional research funding of USD 2.8 million. Effective May 1, 2021, the research term was extended until July 31, 2022 and Indivior agreed

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 and Indivior agreed to additional research 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 chronic cough. Effective November 1, 2022, the research term was extended until June 30, 2023 and Indivior agreed to additional research funding of CHF 0.95 million.

For the three-month period ended March 31, 2023, the Group recognized CHF 0.5 million as revenue (For the three-month period ended March 31, 2022: CHF 0.2 million) and recorded a combined amount of CHF 0.4 million in contract asset and trade receivable as of March 31, 2023 (December 31, 2022: CHF 0.4 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 considerations as they are contingent upon achieving uncertain, future development stages and net sales. For this reason, the Group considers the achievement of the various milestones as binary events that will be recognized as revenue upon occurrence.

No amounts have been recognized under this agreement in the three-month periods ended March 31, 2023 and 2022.

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 0.5 million of which CHF 0.38 million and CHF 0.12 million were received in October 2019 and February 2023, respectively. As a consequence, receivables related to Eurostars/Innosuisse were nil as of March 31, 2023 (CHF 0.12 million as of December 31, 2022).

The Group additionally recognized other income from IT consultancy agreements.

17. Operating costs

	For the three months ended March 31,	
	2023	**2022**
Staff costs (note 18)…….....	1,343,428	2,192,973
Depreciation (notes 8/9) …….....	75,779	86,832
External research and development costs……...	708,782	2,507,186
Laboratory consumables…….....	69,622	81,362
Patent maintenance and registration costs……..	62,342	75,232
Professional fees…….....	293,528	458,154
Short-term leases…….....	8,216	13,265
D&O Insurance……...	156,315	383,827
Other operating costs……..	183,540	207,702
**Total operating costs……..... **	**2,901,552**	**6,006,533**

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

During the three-month period ended March 31, 2023, total operating costs decreased by CHF 3.1 million compared to the same period ended March 31, 2022, primarily due to decreased dipraglurant related external research and development activities for CHF 1.8 million. During the same period, staff costs decreased by CHF 0.8 million due to reduced share-based services (note 18) and D&O insurance decreased by CHF 0.2 million.

18. Staff costs

	For the three months ended March 31,	
	2023	2022
Wages and salaries…….	838,233	842,916
Social charges and insurances…..…….....	100,013	99,467
Value of share-based services ……...	363,897	1,162,449
Retirement benefit (note 14)…….....	41,285	88,141
Total staff costs……	**1,343,428**	**2,192,973**

During the three-month period ended March 31, 2023, total staff costs decreased by CHF 0.8 million compared to the same period ended March 31, 2022, primarily due to lower share-based service costs.

19. Finance result, net

	For the three months ended March 31,	
	2023	2022
Interest income…….…....	23,826	95
Interest cost…….	-	(16,795)
Interest expense on leases…….....	(5,920)	(5,619)
Foreign exchange loss net……...……....	(25,570)	(38,831)
Finance result, net……..…….	**(7,664)**	**(61,150)**

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 treasury shares.

	For the three months ended March 31,	
	2023	2022
Loss attributable to equity holders of the Company...	(2,407,169)	(5,823,735)
Weighted average number of shares in issue…….....	61,249,364	37,894,962
Basic and diluted loss per share…….....	**(0.04)**	**(0.15)**

The Company has four categories of dilutive potential shares: treasury shares, equity sharing certificates ("ESCs"), share options and warrants which have been ignored in the calculation of the loss per share for the three-month periods ended March 31, 2023 and 2022, as they would be antidilutive.

21. Related party transactions

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

Key management compensation	For the three months ended March 31,	
	2023	2022
Salaries, other short-term employee benefits and post-employment benefits.....	347,690	440,436
Consulting fees……...	4,350	45,824
Share-based compensation…..……	362,678	1,265,380
Total……...	**714,718**	**1,751,640**

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 0.2 million as of March 31, 2023 (December 31, 2022: CHF 0.1 million). Share-based compensation relates to the fair value of equity incentive units recognized through profit and loss

following their vesting plan.

22. Events after the balance sheet date

On April 3, 2023, the Group entered into a securities purchase agreement with one institutional investor. The Group sold 7,999,998 treasury shares in the form of 1,333,333 ADSs at a price of USD 0.95 per ADS (CHF 0.14 per share) and 23,578,950 pre-funded warrants, in the form of 3,929,825 ADSs at a price of USD 0.94 per ADS (CHF 0.14 per share) with a remaining strike price of USD 0.01 per ADS. The total gross proceeds from the offering amounted to USD 5.0 million (CHF 4.5 million). In addition, the Group granted the institutional investor, 31,578,948 warrants, in the form of 5,263,158 ADSs, with a strike price of USD 1.00 per ADS (CHF 0.15 per share) and an exercise period expiring on April 5, 2028. The fair value of the warrants amounts to CHF 1.78 million and will be recorded in equity as cost of the offering. The Group also reduced the strike price to USD 1.00 per ADS and extended the exercise period to April 5, 2028 of 9,230,772 warrants in the form of 1,538,462 ADSs issued on December 21, 2021 and 15,000,000 warrants in the form of 2,500,000 ADSs issued on July 26, 2022. These amendments to the exercise conditions resulted in an increase in the total fair value of CHF 0.96 million that will be recorded in equity as a cost of the offering.

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 capability. We believe that 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 including 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, and other neuropsychiatric and neurodegenerative disease. 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 2 clinical trial of ADX71149 in epilepsy patients since June 2021, as well as an open label study since the third quarter of 2022. Patient Cohort 1 has completed Part 1 and progressed into Part 2 of the study. An independent interim review committee, or IRC constituted by Janssen has reviewed the unblinded data from Part 1 and made a recommendation to Janssen to continue the clinical study. Based this recommendation Janssen has decided to continue the study and Cohort 2 is recruiting patients. 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 recovery, SUD and pain. As part of this evaluation, we have initiated discussions with potential strategic partners with the objective of collaborating for 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 2024. Under the terms of the agreement with Indivior, we have the right to select drug candidates for development in certain exclusive indications outside of 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. Three of our most advanced preclinical programs include:

- MGlu7 NAM for stress related disorders including 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 has completed clinical candidate selection phase and we expect to initiate IND enabling studies in the second half of 2023.

- 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 2024.
- 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 and expect to enter into clinical candidate selection phase in late 2023.

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 March 31, 2023, we have generated CHF 65.3 million of revenue from the sale of license rights and conducting funded research activities for certain of our research programs. We have historically financed our operations mainly through the sale of equity. Through March 31, 2023, we have raised an aggregate of CHF 350.6 million of gross proceeds from the sale of equity. On April 3, 2023, we entered into a securities purchase agreement with an institutional investor raising gross proceeds of CHF 4.5 million (USD 5.0 million).

We have never been profitable and have incurred significant net losses in each period since our inception. Our net losses were CHF 2.4 million and CHF 5.8 million for the three-month periods ended March 31, 2023 and March 31, 2022, respectively. As of March 31, 2023, we had accumulated losses of CHF 352.3 million. We expect to continue to incur significant expenses and operating losses in the medium to long term. We anticipate that our expenses will increase significantly in connection with our ongoing and future 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 drug 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 contractors to carry out a significant proportion of our research and development activities. 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 drug 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 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 research 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 chronic cough. Effective November 1, 2022 the research term was extended until June 30, 2023 and Indivior agreed to additional research funding of CHF 0.95 million.

The contract contains two distinct material promises and performance obligations: (1) the selected compound ADX71441 which falls within the definition of a licensed compound, whose rights of use and benefits thereon was transferred in January 2018 and, (2) the research services to be conducted by Addex and funded by Indivior to discover novel 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 drug candidates selected by Janssen under the agreement and a non-exclusive worldwide license to conduct research on the collaboration compounds using relevant patents and know-how. Subject to certain conditions, we and they agreed to own, jointly, all intellectual property rights that we develop jointly and, individually, all intellectual property rights that either party develops individually. Under certain conditions, but subject to certain consequences, Janssen may terminate the agreement for any reason, subject to a 90-day notice period.

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

authority over all aspects of the development of selected compounds and may develop or commercialize third-party compounds.

Janssen initiated a Phase 2a proof of concept clinical trial of ADX71149 in epilepsy patients in June 2021. We are eligible for a further EUR 109 million in success-based development and regulatory milestones and low double-digit royalties on net sales.

Components of Results of Operations

Revenue

From the beginning of January 2017 through March 2023, we recognized CHF 17.2 million as revenue primarily under our license agreement with Indivior. We do not have approval to market or commercialize any of our drug 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 drug 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 drug candidates. We, therefore, believe that historical period to period comparisons are not meaningful and should not be relied upon as an indicator of our future revenue and performance potential.

Other Income

From the beginning of January 2017 through March 2023, 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 0.38 million and CHF 0.12 million were received in October 2019 and February 2023, respectively, and recognized as income as costs were incurred.

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

Operating Expenses

Research and Development Costs

From the beginning of January 2017 through March 2023, we incurred CHF 59.6 million in research and development costs. They consist mainly of direct research costs, which include: costs associated with the use of contract research organizations, or CROs, and consultants hired to assist on our research and development activities, personnel costs, share-based compensation for our employees and consultants, costs related to regulatory affairs and intellectual property, as well as depreciation for assets used in research and development activities.

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

The following table provides a breakdown of our outsourced research and development costs that are directly attributable to the specified programs for the three-month periods ended March 31, 2023 and 2022:

	For the three months ended March 31,	
	2023	**2022**
	(CHF in thousands)	
Dipraglurant PD-LID…….....	30	1,678
Dipraglurant blepharospasm……...	-	185
GABAB PAM……...…….	171	251
M4 PAM…….	376	149
Other discovery programs…….....	132	244
Total outsourced research and development costs	**709**	**2,507**

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. Therefore, our R&D costs decreased in the first quarter of 2023 compared to the first quarter of 2022 as we focus our resources on advancing our pre-clinical portfolio. 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 drug candidates. We are also unable to predict when, if ever, material net cash inflows will commence from sales of our drug 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; and
- timing of initiation, completion and outcome of further clinical trials.

In addition, the probability of success for any of our drug 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 drug candidates would significantly change the costs, timing and viability associated with the development of that drug 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 the 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 rate on USD bank deposits.

Analysis of Results of Operations

The following table presents our consolidated results of operations for the three-month periods ended March 31, 2023 and 2022:

	For the three months ended March 31,	
	2023	**2022**
	(CHF in thousands)	
Revenue……..	501	237
Other income…….....	1	7
Research and development costs……	(1,704)	(3,766)
General and administrative costs……	(1,198)	(2,241)
Operating loss……...	**(2,400)**	**(5,763)**
Finance income…….....	24	-
Finance expense……..	(31)	(61)
**Net loss……..... **	**(2,407)**	**(5,824)**

Three Months Ended March 31, 2023 Compared to Three Months Ended March 31, 2022.

Revenue

The following table sets forth our revenue in the three-month periods ended March 31, 2023 and 2022:

	For the three months ended March 31,	
	2023	**2022**
	(CHF in thousands)	
Collaborative research funding…….....	501	237
Total……...	**501**	**237**

Revenue increased by CHF 0.3 million in the three-month period ended March 31, 2023 compared to the three-month period ended March 31, 2022 due to amounts received under our license and research agreements with Indivior which are recognized as related costs are incurred.

Other Income

The following table sets forth our other income in the three-month periods ended March 31, 2023 and 2022:

	For the three months ended March 31,	
	2023	**2022**
	(CHF in thousands)	
Other service income……..	1	7
Total……...	**1**	**7**

Other income primarily relates to IT consulting services.

Research and Development Expenses

The following table sets forth our research and development expenses in the three-month periods ended March 31, 2023 and 2022:

	For the three months ended March 31,	
	2023	2022
	(CHF in thousands)	
Dipraglurant PD-LID……..	30	1,678
Dipraglurant blepharospasm ……..	-	185
GABAB PAM……	171	251
M4 PAM…….....	376	149
Other discovery programs…….....	132	244
Subtotal outsourced R&D per program……	**709**	**2,507**
Staff costs……...	747	943
Depreciation and amortization……...	60	69
Laboratory consumables…….	70	81
Patent maintenance and registration costs……..	62	75
Short-term leases……	7	13
Other operating costs…….....	49	78
Subtotal unallocated R&D expenses……...	**995**	**1,259**
Total……...	**1,704**	**3,766**

Research and development expenses decreased by CHF 2.1 million in the three-month period ended March 31, 2023 compared to the three-month period ended March 31, 2022, mainly due to decreased outsourced R&D costs for CHF 1.8 million relating to our dipraglurant clinical development activities and reduced share-based services for CHF 0.2 million.

General and Administrative Costs

The following table sets forth our general and administrative costs in the three-month periods ended March 31, 2023 and 2022:

	For the three months ended March 31,	
	2023	2022
	(CHF in thousands)	
Staff costs……...	596	1,250
Depreciation and amortization……...	16	18
Professional fees…….	294	458
Short-term leases……	1	1
D&O Insurance …….....	156	384
Other operating costs……..	135	130
Total……...	**1,198**	**2,241**

General and administrative costs decreased by CHF 1.0 million in the three-month period ended March 31, 2023, compared to the three-month period ended March 31, 2022, primarily due to decreased staff costs of CHF 0.7 million driven by reduced share-based services and decreased D&O insurance costs of CHF 0.2 million.

Finance Result, Net

The following table sets forth our finance result net in the three-month periods ended March 31, 2023 and 2022:

	For the three months ended March 31,	
	2023	2022
	(CHF in thousands)	
Interest income…….....	24	-
Interest cost……..……..	-	(16)
Interest expense on leases…….....	(6)	(6)
Foreign exchange loss, net…….	(25)	(39)
Total……...	**(7)**	**(61)**

Finance result, net increased by CHF 0.1 million during the three-month period ended March 31, 2023 compared to the three-month period ended March 31, 2022 mainly due to positive interest on USD cash deposits.

Capital Resources

Since our inception through March 31, 2023, we have generated CHF 65.3 million of revenue and have incurred net losses and negative cash flows from our operations. We have funded our operations primarily through the sale of equity. From inception through March 31, 2023, we raised an aggregate of CHF 350.6 million of gross proceeds from the sale of equity. As of March 31, 2023, we had CHF 5.6 million in cash and cash equivalents. On April 3, 2023, we entered into a securities purchase agreement with an institutional investor raising gross proceeds of CHF 4.5 million (USD 5.0 million).

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 drug candidates, initiate further clinical trials and seek marketing approval for our drug candidates.

In addition, if we obtain marketing approval for any of our drug 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 at the issuance date of these unaudited interim condensed consolidated financial statements will enable us to fund our operating expenses and capital expenditure requirements through the second quarter of 2024. 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 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 other drug candidates and technologies;
- the number and development requirements of other drug candidates that we may pursue;

- the costs, timing and outcome of regulatory review of our drug candidates;
- cost associated with finding alternative suppliers due to geopolitical events such as the ongoing war in Ukraine and/or pandemics such as COVID-19; and
- the costs and timing of future commercialization activities, including drug manufacturing, marketing, sales and distribution, for any of our drug candidates for which we receive marketing approval.

Identifying potential drug 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 drug 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 drug 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 drug candidates that we would otherwise prefer to develop and market ourselves. The following table shows a summary of our cash flows for the periods indicated:

	For the three months ended March 31,	
	2023	**2022**
	(CHF in thousands)	
Cash and cash equivalents at the beginning of the period……	6,957	20,485
Net cash flows used in operating activities……	(2,359)	(4,845)
Net cash flows used in investing activities…….	(2)	-
Net cash flows from/(used in) financing activities...	1,028	(744)
Decrease in cash and cash equivalents……	(1,333)	(5,589)
Effect of the exchange rates……...	(29)	(8)
Cash and cash equivalents at the end of the period……	**5,595**	**14,888**

Operating Activities

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

During the three-month period ended March 31, 2023, operating activities used CHF 2.4 million of cash primarily due to our net loss of CHF 2.4 million adjusted for CHF 0.4 million of increased net working capital partially offset by non-cash items for CHF 0.5 million mainly related to share-based services. The increase of the net working capital is mainly due to increased prepayments for CHF 0.6 million primarily related to retirement benefits paid annually at the beginning of the year partially offset by decreased trade and other receivables for CHF 0.2 million.

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

offset by decreased payables and accrual for CHF 0.2 million.

Investing Activities

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

During the three-month period ended March 31, 2023, net cash used in investing activities was close to nil and primarily related to investments in our laboratory equipment, whilst during the three-month period ended March 31, 2022, net cash used in investing activities was 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 three-month period ended March 31, 2023, net cash flows from financing activities amounted to CHF 1.0 million of which CHF 1.2 million related to the gross proceeds from the sale of treasury shares under our sale agency agreement with Kepler Cheuvreux, partially offset for CHF 0.2 million by the principal element of lease payments and costs paid for the sale or issuance of shares.

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

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, 2023 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.