addex
Therapeutics

Allosteric Modulators for Human Health

Q3
Interim Report 2023

Contents

Unaudited Interim Condensed Consolidated Balance Sheets

as of September 30, 2023, and December 31, 2022

	Notes	September 30, 2023	December 31, 2022
		Amounts in Swiss francs	
ASSETS			
Current assets			
Cash and cash equivalents	6	4,754,107	6,957,086
Other financial assets	7/12	426	3,165
Trade and other receivables	7	184,266	416,875
Contract asset	7	189,099	181,441
Prepayments	7	614,809	270,394
Total current assets		**5,742,707**	**7,828,961**
Non-current assets			
Right-of-use assets	8	313,465	357,613
Property, plant and equipment	9	27,581	41,121
Non-current financial assets	10	54,347	54,355
Total non-current assets		**395,393**	**453,089**
Total assets		**6,138,100**	**8,282,050**
LIABILITIES AND EQUITY			
Current liabilities			
Current lease liabilities		206,415	286,107
Payables and accruals	11	1,724,580	2,996,004
Total current liabilities		**1,930,995**	**3,282,111**
Non-current liabilities			
Non-current lease liabilities		116,902	87,028
Retirement benefits obligations	14	145,768	-
Total non-current liabilities		**262,670**	**87,028**
Equity			
Share capital	12	1,424,993	1,153,483
Share premium	12	264,423,284	269,511,610
Other equity	12	64,620,223	64,620,223
Treasury shares reserve	12	(635,580)	(6,278,763)
Other reserves		31,672,921	25,768,373
Accumulated deficit		(357,561,406)	(349,862,015)
Total equity		**3,944,435**	**4,912,911**
Total liabilities and equity		**6,138,100**	**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 and nine-month periods ended September 30, 2023 and 2022

	Notes	For the three months ended September 30, 2023	For the three months ended September 30, 2022	For the nine months ended September 30, 2023	For the nine months ended September 30, 2022
		Amounts in Swiss francs			
Revenue from contract with customer……	15	**327,733**	**409,417**	**1,459,502**	**830,008**
Other income………………………………	16	**1,485**	**6,282**	**3,740**	**16,082**
Operating costs					
Research and development………………….		(1,810,073)	(2,764,684)	(5,389,136)	(12,277,157)
General and administration………………….		(1,171,752)	(1,817,982)	(3,672,994)	(5,590,700)
Total operating costs………………………	17	**(2,981,825)**	**(4,582,666)**	**(9,062,130)**	**(17,867,857)**
Operating loss……………………………...		**(2,652,607)**	**(4,166,967)**	**(7,598,888)**	**(17,021,767)**
Finance income……………………………....		13,658	3,604	50,833	3,904
Finance expense……………………………..		21,879	55,733	(151,336)	(134,754)
Finance result………………………………	19	**35,537**	**59,337**	**(100,503)**	**(130,850)**
Net loss before tax.......................................		**(2,617,070)**	**(4,107,630)**	**(7,699,391)**	**(17,152,617)**
Income tax expense…………………………		-	-	-	-
Net loss for the period …………………….		**(2,617,070)**	**(4,107,630)**	**(7,699,391)**	**(17,152,617)**
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company…………….	20	**(0.03)**	**(0.09)**	**(0.11)**	**(0.42)**
Other comprehensive (loss)/ income					
Items that will never be reclassified to profit and loss:					
Remeasurements of retirement benefits obligation…………………………………		(25,172)	132,905	(190,825)	1,277,673
Items that may be classified subsequently to profit and loss:					
Exchange difference on translation of foreign operations ………….……………		(259)	(9)	(1,157)	226
Other comprehensive (loss)/income for the period, net of tax………………………...		**(25,431)**	**132,896**	**(191,982)**	**1,277,899**
Total comprehensive loss for the period….		**(2,642,501)**	**(3,974,734)**	**(7,891,373)**	**(15,874,718)**

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, 2023 and 2022

	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…………….....		-	-	-	-	-	-	(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……..	12	-	(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**
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………………..		-	-	-	-	-	-	(7,699,391)	(7,699,391)
Other comprehensive loss for the period…...		-	-	-	-	(1,157)	(190,825)	-	(191,982)
Total comprehensive loss for the period….		**-**	**-**	**-**	**-**	**(1,157)**	**(190,825)**	**(7,699,391)**	**(7,891,373)**
Issue of treasury shares…………….....	12	176,000	-	-	(176,000)	-	-	-	-
Cost of treasury shares issuance……………..		-	(16,823)	-	-	-	-	-	(16,823)
Sales under shelf registration………….	12	-	(920,069)	-	2,079,828	-	-	-	1,159,759
Related costs of sales shelf-registration…….		-	(36,747)	-	-	-	-	-	(36,747)
Sale of pre-funded warrants……………..	12	-	-	-	-	-	3,382,259	-	3,382,259
Cost of pre-funded warrants sold…….......		-	-	-	-	-	(136,326)	-	(136,326)
Exercise of pre-funded warrants……………..	12	95,510	1,219,597	-	-	-	(1,314,807)	-	300
Value of warrants and pre-funded warrants…	12	-	(2,760,143)	-	-	-	2,760,143	-	-
Value of share-based services......................	13	-	-	-	-	-	1,405,261	-	1,405,261
Movement in treasury shares:	12								
Net purchases under liquidity agreement….		-	410	-	(3,151)	-	-	-	(2,741)
Sales agency agreement……………		-	(2,565,725)	-	3,742,506	-	-	-	1,176,781
Costs under sale agency agreement…...		-	(8,826)	-	-	-	-	-	(8,826)
Balance as of September 30, 2023...		**1,424,993**	**264,423,284**	**64,620,223**	**(635,580)**	**(659,027)**	**32,331,948**	**(357,561,406)**	**3,944,435**

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, 2023 (1/2)

	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 Changes in Equity

for the three-month period ended September 30, 2023 (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, 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**
Net loss for the period………………..		-	-	-	-	-	-	(2,675,152)	(2,675,152)
Other comprehensive loss for the period…...		-	-	-	-	(979)	(135,012)	-	(135,991)
Total comprehensive loss for the period….		**-**	**-**	**-**	**-**	**(979)**	**(135,012)**	**(2,675,152)**	**(2,811,143)**
Issue of treasury shares……………......		176,000	-	-	(176,000)	-	-	-	-
Cost of treasury shares issuance……...		-	(12,761)	-	-	-	-	-	(12,761)
Sales under shelf registration…………..	12	-	(920,069)	-	2,079,828	-	-	-	1,159,759
Related costs of sales shelf-registration…….		-	(34,106)	-	-	-	-	-	(34,106)
Sale of pre-funded warrants……………..	12	-	-	-	-	-	3,382,259	-	3,382,259
Cost of pre-funded warrants sold……......		-	-	-	-	-	(118,117)	-	(118,117)
Exercise of pre-funded warrants……..	12	35,030	449,939	-	-	-	(484,930)	-	39
Value of warrants and pre-funded warrants…	12	-	(2,760,143)	-	-	-	2,760,143	-	-
Value of share-based services......................	13	-	-	-	-	-	490,601	-	490,601
Movement in treasury shares:	12								
Net purchases under liquidity agreement….		-	(10,592)	-	8,936	-	-	-	(1,656)
Balance as of June 30, 2023….......		**1,364,513**	**263,658,040**	**64,620,223**	**(635,311)**	**(658,768)**	**32,721,742**	**(354,944,336)**	**6,126,103**
Net loss for the period………………..		-	-	-	-	-	-	(2,617,070)	(2,617,070)
Other comprehensive loss for the period.		-	-	-	-	(259)	(25,172)	-	(25,431)
Total comprehensive loss for the period….		**-**	**-**	**-**	**-**	**(259)**	**(25,172)**	**(2,617,070)**	**(2,642,501)**
Related costs of sales shelf-registration…...		-	(2,641)	-	-	-	-	-	(2,641)
Cost of pre-funded warrants sold………..		-	-	-	-	-	(18,209)	-	(18,209)
Exercise of pre-funded warrants……..		60,480	769,658	-	-	-	(829,877)	-	261
Value of share-based services......................	13	-	-	-	-	-	483,464	-	483,464
Movement in treasury shares:	12								
Net purchases under liquidity agreement….		-	(1,773)	-	(269)	-	-	-	(2,042)
Balance as of September 30, 2023...		**1,424,993**	**264,423,284**	**64,620,223**	**(635,580)**	**(659,027)**	**32,331,948**	**(357,561,406)**	**3,944,435**

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, 2023 and 2022

	Notes	For the nine months ended September 30, 2023	2022
		Amounts in Swiss francs	
Net loss for the period		(7,699,391)	(17,152,617)
Adjustments for:			
Depreciation	8/9	226,567	247,496
Lease modifications related to right-of-use assets		(318)	-
Value of share-based services	13	1,405,261	2,997,307
Post-employment benefits		(45,057)	(9,085)
Finance cost net		112,172	8,645
Decrease in other financial assets	7	2,739	14,060
Decrease / (increase) in trade and other receivables	7	232,609	(132,886)
Decrease / (increase) in contract asset	7	(7,658)	268
Decrease / (increase) in prepayments	7	(344,415)	297,718
Increase / (decrease) in payables and accruals	11	(1,251,897)	363,717
Net cash used in operating activities		**(7,369,388)**	**(13,365,377)**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(5,637)	(580)
Proceeds from decrease in non-current financial assets		-	3,561
Net cash used in investing activities		**(5,637)**	**2,981**
Cash flows from financing activities			
Proceeds from sale of treasury shares – shelf registration	12	1,159,759	1,224,893
Costs paid on sale of treasury shares – shelf registration		(35,923)	(275,640)
Proceeds from sale of pre-funded warrants	12	3,382,259	2,841,270
Costs paid on sale of pre-funded warrants		(119,900)	(507,145)
Proceeds from the exercise of pre-funded warrants	12	14,575	14,769
Costs paid on exercise of pre-funded warrants		(14,275)	-
Sales under sale agency agreement & liquidity agreement movements	12	1,174,040	450,893
Costs paid on sale of treasury shares under sale agency agreement		(8,826)	(3,487)
Cost paid on issue of treasury shares	12	(53,600)	(215,634)
Principal element of lease payment		(212,742)	(221,105)
Interest received	19	50,833	3,904
Interest paid	19	(13,251)	(41,130)
Net cash from financing activities		**5,322,949**	**3,271,588**
Decrease in cash and cash equivalents		**(2,052,076)**	**(10,090,808)**
Cash and cash equivalents at the beginning of the period	6	6,957,086	20,484,836
Exchange difference on cash and cash equivalents		(150,903)	28,807
Cash and cash equivalents at the end of the period	6	**4,754,107**	**10,422,835**

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, 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 November 28, 2023.

2. Basis of preparation

These interim condensed consolidated financial statements for the three-month and nine-month periods ended September 30, 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 be sufficient to fund its operations and meet all of its obligations as they fall due until the first quarter of 2024. 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.

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 economic ramifications affecting global financial markets. Therefore, the Group may be adversely impacted in its capacity 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 and due to the nature of estimates, the Group may be required to make changes to the estimates 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 and nine-month periods ended September 30, 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 September 30,		For the nine months ended September 30,	
	2023	**2022**	**2023**	**2022**
Collaborative research funding.......……	327,733	409,417	1,459,502	830,008
Other service income…………………..	1,485	6,282	3,740	16,082
Total………..…..………………………	**329,218**	**415,699**	**1,463,242**	**846,090**

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,	
	2023	**2022**	**2023**	**2022**
Indivior PLC………………….............	327,733	409,417	1,459,502	830,008
Other counterparties……..……………..	1,485	6,282	3,740	16,082
Total………..…..……….…………...	**329,218**	**415,699**	**1,463,242**	**846,090**

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, 2023	December 31, 2022
Switzerland	395,045	452,732
France	348	357
Total	**395,393**	**453,089**

The geographical analysis of operating costs is as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Switzerland	2,978,234	4,575,915	9,051,194	17,840,466
United States of America	2,432	5,275	7,706	23,723
France	1,159	1,476	3,230	3,668
Total operating costs (note 17)	**2,981,825**	**4,582,666**	**9,062,130**	**17,867,857**

The capital expenditure during the nine-month period ended September 30, 2023 is CHF 5,637 (CHF 580 for the nine-month period ended September 30, 2022).

6. Cash and cash equivalents

	September 30, 2023	December 31, 2022
Cash at bank and on hand	4,754,107	6,957,086
Total cash and cash equivalents	**4,754,107**	**6,957,086**

Split by currency:

	September 30, 2023	December 31, 2022
CHF	21.29%	52.98%
USD	73.38%	42.10%
EUR	2.57%	2.69%
GBP	2.76%	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 interest 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 September 30, 2023 and December 31, 2022.

7. Other current assets

	September 30, 2023	December 31, 2022
Other financial assets	426	3,165
Trade and other receivables	184,266	416,875
Contract asset (Indivior PLC)	189,099	181,441
Prepayments	614,809	270,394
Total other current assets	**988,600**	**871,875**

Prepayments increased by CHF 0.3 million as of September 30, 2023 compared to December 31, 2022 primarily due to Directors and Officers (D&O) Insurance premium and 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. The combined amount of the contract asset, trade receivables and other receivables primarily relating to the research agreement with Indivior and the Eurostars/Innosuisse grant amounted to CHF 0.4 million as of September 30, 2023 and decreased by CHF 0.2 million compared to December 31, 2022. 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 September 30, 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 September 30, 2023	Properties	Equipment	Total
Opening net book amount	353,097	4,516	357,613
Depreciation charge	(205,359)	(2,031)	(207,390)
Effect of lease modifications	163,242	-	163,242
Closing net book amount	**310,980**	**2,485**	**313,465**

As of September 30, 2023	Properties	Equipment	Total
Cost	1,635,092	13,542	1,648,634
Accumulated depreciation	(1,324,112)	(11,057)	(1,335,169)
Net book value	**310,980**	**2,485**	**313,465**

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 September 30, 2023	Equipment	Furniture & fixtures	Chemical library	Total
Opening net book amount	41,121	-	-	41,121
Additions	5,637	-	-	5,637
Depreciation charge	(19,177)	-	-	(19,177)
Closing net book amount	**27,581**	**-**	**-**	**27,581**

As of September 30, 2023	Equipment	Furniture & fixtures	Chemical library	Total
Cost	1,720,046	7,564	1,207,165	2,934,775
Accumulated depreciation	(1,692,465)	(7,564)	(1,207,165)	(2,907,194)
Net book value	**27,581**	**-**	**-**	**27,581**

10. Non-current financial assets

	September 30, 2023	December 31, 2022
Security rental deposits ……………………………..	54,347	54,355
Total non-current financial assets ………………..	**54,347**	**54,355**

11. Payables and accruals

	September 30, 2023	December 31, 2022
Trade payables……………………………………....	389,781	1,276,546
Social security and other taxes……………………...	112,515	120,875
Accrued expenses………………..............................	1,222,284	1,598,583
Total payables and accruals………………….…..	**1,724,580**	**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 decreased by CHF 1.3 million as of September 30, 2023 compared to December 31, 2022 mainly due to reduced 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, 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**

	Number of shares		
	Common shares	Treasury shares	Total
Balance as of January 1, 2023……….……………..…	**115,348,311**	**(38,214,291)**	**77,134,020**
Issue of shares – treasury shares.……………………	17,600,000	(17,600,000)	-
Sale of shares under shelf registration………………	-	7,999,998	7,999,998
Exercise of pre-funded warrants (1)………………….	9,550,950	-	9,550,950
Sale of shares under sale agency agreement………..	-	3,742,506	3,742,506
Net purchase of shares under liquidity agreement….	-	(50,472)	(50,472)
Acquisition of shares forfeited from DSPPP………..	-	(7,311)	(7,311)
Balance as of September 30, 2023…..……………..	**142,499,261**	**(44,129,570)**	**98,369,691**
Shares reclassed as treasury shares under IFRS 2…..	-	(17,431,572)	(17,431,572)
Balance as of September 30, 2023 IFRS 2………..	**142,499,261**	**(61,561,142)**	**80,938,119**

(1) In accordance with Swiss law, the issuance of 9,550,950 new shares through the exercise of pre-funded warrants during the nine-month period ended September 30, 2023 will be registered in the trade register. As of September 30, 2023, the amount of the share capital as registered in the trade register is CHF 1,329,483.11 divided into 132,948,311 shares.

As of September 30, 2023, 98,369,691 shares were outstanding excluding 44,129,570 treasury shares directly held by Addex Pharma SA and including 17,431,572 outstanding shares benefiting from our DSPPP, considered as treasury shares under IFRS 2 (see note 13). All shares have a nominal value of CHF 0.01. As of December 31, 2022, 77,134,020 shares were outstanding excluding 38,214,291 treasury shares directly held by Addex Pharma SA and including 17,438,883 outstanding shares benefiting from our DSPPP, considered as treasury shares under IFRS 2. All shares had a nominal value of CHF 0.01 following the reduction of the nominal value effective on July 26, 2022.

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 September 30, 2023, 178,672 (December 31, 2022: 128,200) treasury shares are recorded under this agreement in the treasury share reserve and CHF 426 (December 31, 2022: CHF 3,165) is recorded in other financial assets.

During the nine-month period ended September 30, 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 for gross proceeds of CHF 1,176,781 (during the nine-month period ended September 30, 2022, the Group sold 1,355,248 treasury shares at an average price of CHF 0.34 per share for gross proceeds of CHF 464,954).

On June 14, 2023, the Company issued 17,600,000 new shares from its capital band to its 100% owned subsidiary, Addex Pharma SA, at CHF 0.01. These shares are held as treasury shares; hence the operation does not impact the outstanding share capital.

On April 3, 2023, the Group entered into a securities purchase agreement with an institutional investor. The Group sold 7,999,998 treasury shares in the form of ADSs at a price of CHF 0.143 per share (USD 19.00 per ADS) and 23,578,950 pre-funded warrant shares in the form of ADSs at a price of CHF 0.141 per share (USD 18.80 per ADS). As of September 30, 2023, 14,028,000 pre-funded warrant shares in the form of 116,900 pre-funded warrant ADSs with an exercise price of USD 0.20 per ADS remain to be exercised. During the period from June 4, 2023 to September 30, 2023, 9,550,950 pre-funded warrant shares were exercised resulting in 9,550,950 new shares being issued from conditional capital. The new issued shares will be registered in the trade register in accordance with Swiss law. The total gross proceeds from the offering amounted to USD 5.0 million (CHF 4.5 million) and directly attributable share offering costs of CHF 0.2 million were recorded as a deduction in equity. In addition, the Group granted the institutional investor, 31,578,948 warrant shares exercisable in the form of ADSs with an exercise price of CHF 0.151 per share (USD 20.00 per ADS) and an exercise period expiring on April 5, 2028. The fair value of the warrant shares amounts to CHF 1.78 million and has been recorded in equity as a cost of the offering. The Group also reduced the price to CHF 0.151 per share (USD 20.00 per ADS) and extended the exercise period to April 5, 2028 of 9,230,772 warrant shares exercisable in the form of ADSs and 15,000,000 warrant shares exercisable in the form of ADSs granted in the securities purchase agreement signed on December 16, 2021 and July 22, 2022, respectively. Therefore, the institutional investor holds a total of 55,809,720 warrant shares exercisable in the form 465,081 warrant ADSs with an exercise price of USD 20.00 per ADS (CHF 0.151 per share), expiring on April 5, 2028. Additionally, the amendments to the exercise conditions resulted in an increase in the total fair value of CHF 0.96 million that has been recorded in equity as a cost of the offering.

On July 22, 2022, the Group entered into a securities purchase agreement with an institutional investor and sold 4,500,000 treasury shares in the form of ADSs at a price of CHF 0.272 per share (USD 34.00 per ADS). In addition, 10,500,000 pre-funded warrant shares in the form of ADSs were sold at a price of CHF 0.270 per share (USD 33.80 per ADS). Of these pre-funded warrant shares 3,960,000 were exercised as of September 30, 2022 and 6,540,000 were exercised during the fourth quarter of 2022. The total gross proceeds from this offering amounted to USD 4.2 million (CHF 4.1 million). Additionally, all the 5,478,570 pre-funded warrant shares exercisable in the form of ADSs, sold to the same institutional investor in the securities purchase agreement signed on December 16, 2021, have been exercised during the third quarter of 2022. The Group additionally granted the institutional investor, 15,000,000 warrant shares exercisable in the form of ADSs with an exercise price of CHF 0.30 per share (USD 38.00 per ADS) and an exercise period of 5 years. Their fair value amounting to CHF 1.0 million has been recorded in equity as a cost of the offering.

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 attributable 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 and nine-month periods ended September 30, 2023 amounted to CHF 483,464 and CHF 1,405,261, respectively (CHF 897,996 and CHF 2,997,307 for the three-month and nine-month periods ended September 30, 2022). The decrease of CHF 0.4 million and CHF 1.6 million for the three-month and nine-month periods is primarily related to the increase in fair value of equity incentive units during the nine-month periods ended September 30, 2022 following the modification of certain terms on January 4, 2022 and August 2, 2022.

As of September 30, 2023, 14,097,581 options were outstanding (respectively 777,000 options as of December 31, 2022). During the nine-month period ended September 30, 2023, the Group granted 13,320,581 options with vesting over 4 years and a 10-year exercise period. Of these new options, 12,736,209 were granted at an exercise price of CHF 0.13 on May 12, 2023, 436,677 were granted at an exercise price of CHF 0.10 on January 1, 2023 and 147,695 were granted at an exercise price of CHF 0.106 on July 1, 2023. As of September 30, 2023 and December 31, 2022, there are no equity sharing certificates (ESCs) outstanding.

As of September 30, 2023, 17,431,572 shares benefiting from our Deferred Strike Price Payment Plan (DSPPP) were outstanding (respectively 17,438,883 shares as of December 31, 2022). During the nine-month period ending September 30, 2023, 7,311 shares have been forfeited from our DSPPP. All the shares benefiting from our DSPPP have been recorded as treasury shares in accordance with 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 September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Current service cost..…….………………..	(67,188)	(67,814)	(200,910)	(238,678)
Past service cost…..………………….….....	-	-	26,899	36,459
Interest cost…..……………………….…...	(39,206)	(9,705)	(132,984)	(29,115)
Interest income……………………….….	37,372	6,995	127,852	20,987
Company pension amount (note 18)…	**(69,022)**	**(70,524)**	**(179,143)**	**(210,347)**

Swiss Life communicated a decrease in conversion rate in the first quarter of 2023 and in the second quarter of 2022, which led to a positive past service cost for the nine-month periods ended September 30, 2023 and September 30, 2022.

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

	September 30, 2023	December 31, 2022
Defined benefit obligation.....………………………	(8,636,535)	(7,682,529)
Fair value of plan assets…………….………….....	8,490,767	7,867,835
Effect of asset ceiling…...…..……………………….	-	(185,306)
Funded status shortfall………………….................	**(145,768)**	-

As of September 30, 2023, the funded status has a shortfall of CHF 0.1 million compared to a surplus of CHF 0.2 million as of December 31, 2022 not recorded as an asset in accordance with the asset ceiling rules and minimum funding requirements. This decrease in funded status is primarily due to the discount rate that decreased from 2.30% as of December 31, 2022 to 1.85% as of September 30, 2023.

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, 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 was 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 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. Effective July 1, 2023, the research agreement with Indivior has been extended until June 30, 2024 and Indivior committed additional research funding of CHF 2.7 million including CHF 1.1 million expected to be paid to the Group and CHF 1.6 million paid directly by Indivior to third party suppliers that are supporting the funded research program.

For the three-month and nine-month periods ended September 30, 2023, the Group recognized CHF 0.3 million and CHF 1.5 million as revenue (For the three-month and the nine-month periods ended September 30, 2022, CHF 0.4 million and CHF 0.8 million, respectively) and recorded a combined amount of CHF 0.3 million in contract asset and trade receivables as of September 30, 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 and nine-month periods ended September 30, 2023 and 2022.

16. Other income

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

In July 2019, the Group was awarded a grant of CHF 0.5 million by Eurostars/Innosuisse to support our mGlu7 NAM program. Of the amount, CHF 0.38 million and CHF 0.12 million were received in October 2019 and February 2023, respectively. In September 2023, the Group was awarded a grant of CHF 0.5 million by Eurostars/Innosuisse to support our mGlu2 NAM program. The Group did not recognize any income in accordance with the grant conditions. As a consequence, receivables related to Eurostars/Innosuisse grants were nil as of September 30, 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 September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Staff costs (note 18)………………….........	1,322,528	1,573,011	4,077,916	5,118,068
Depreciation (notes 8/9) ………………..	75,381	77,318	226,567	247,496
External research and development costs……………………………………..	833,475	1,737,712	2,294,117	8,922,204
Laboratory consumables………………...	61,220	78,741	239,993	260,952
Patent maintenance and registration costs……………………………………..	65,680	63,307	184,371	235,156
Professional fees………………………...	261,704	408,507	924,159	1,190,051
Short-term leases………………………..	8,376	10,959	26,871	38,820
D&O Insurance………………………….	157,399	397,753	472,311	1,193,441
Other operating costs……………………	196,062	235,358	615,825	661,669
Total operating costs…………………...	**2,981,825**	**4,582,666**	**9,062,130**	**17,867,857**

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

During the nine-month period ended September 30, 2023, total operating costs decreased by CHF 8.8 million compared to the same period ended September 30, 2022, primarily due to decreased dipraglurant related external research and development activities for CHF 6.6 million. During the same period, staff costs decreased by CHF 1.0 million primarily due to lower share-based service costs (note 18) and D&O insurance decreased by CHF 0.7 million.

During the three-month period ended September 30, 2023, total operating costs decreased by CHF 1.6 million compared to the same period ended September 30, 2022, including CHF 0.9 million for decreased external research and development costs mainly related to clinical development activities. During the same period, staff costs decreased by CHF 0.3 million primarily due to lower share-based service costs (note 18) and D&O insurance decreased by CHF 0.2 million.

18. Staff costs

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Wages and salaries……………………..	758,231	680,231	2,427,921	2,193,349
Social charges and insurances…..……...	85,589	79,287	280,322	258,733
Value of share-based services …………	409,686	742,969	1,190,530	2,455,639
Retirement benefit (note 14)…………...	69,022	70,524	179,143	210,347
Total staff costs………………………..	**1,322,528**	**1,573,011**	**4,077,916**	**5,118,068**

During the nine-month period ended September 30, 2023, total staff costs decreased by CHF 1.0 million compared to the same period ended September 30, 2022, primarily due to lower share-based service costs.

19. Finance result, net

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Interest income………………………....	13,658	3,605	50,833	3,904
Interest cost…………………………….	-	(1,509)	(93)	(25,878)
Interest expense on leases……………...	(3,503)	(4,875)	(13,158)	(15,252)
Foreign exchange (losses)/gains, net…..	25,382	62,116	(138,085)	(93,624)
Finance result, net………...…………..	**35,537**	**59,337**	**(100,503)**	**(130,850)**

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 September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Loss attributable to equity holders of the Company……………………………….	(2,617,070)	(4,107,630)	(7,699,391)	(17,152,617)
Weighted average number of shares in issue……...	77,278,532	47,785,707	70,299,213	41,238,494
Basic and diluted loss per share……...	**(0.03)**	**(0.09)**	**(0.11)**	**(0.42)**

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 and nine-month periods ended September 30, 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 September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Salaries, other short-term employee benefits and post-employment benefits...	356,505	348,262	1,284,010	1,270,926
Consulting fees…………………………	3,889	20,403	13,614	144,110
Share-based compensation….…………	416,890	781,638	1,200,430	2,603,742
Total……………………………………	**777,284**	**1,150,303**	**2,498,054**	**4,018,778**

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 close of CHF 0.1 million as of September 30, 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 October 23, 2023, the ADS ratio was changed from one ADS to six shares to a new ratio of one ADS to one hundred and twenty shares. The ADS ratio change had the same effect as a one to twenty ADS reverse split and except as otherwise indicated, all information in these unaudited interim condensed financial statements gives retroactive effect to the ADS Ratio Change. The ADS ratio change had no impact on the Company's underlying shares and was intended to enable the Company to regain compliance with the Nasdaq minimum bid price requirement of ADSs. On November 8, 2023, the company announced that it had received a written notification from Nasdaq confirming that compliance had been regained.

In October 2023, the company sold 263,867 treasury shares through the sale agency agreement at an average price of CHF 0.06 per share.

In November 2023, 7,908,000 shares have been issued through the exercise of pre-funded warrants and will be registered in the trade register in accordance with Swiss law.

On November 27, 2023, the exercise price of 12,736,209 equity incentive units giving the right to purchase 12,736,209 shares listed on SIX Swiss Exchange, was reduced to CHF0.043 per share and the related share-based compensation adjustment of CHF 0.2 million will be recognized over the remaining vesting period of the equity incentive units. At the same date, 12,527,235 equity incentive units were exercised as part of an employee and director retention plan with 12,527,235 new shares issued from conditional capital. Of these new shares, 10,961,330 shares are subject to sales restrictions.

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, post-stroke sensorimotor recovery, substance use disorder, or SUD, cough, stress related disorders including post-traumatic stress disorder, or PTSD, schizophrenia and other neuropsychiatric and neurodegenerative diseases.

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. Cohort 1 of the study has been completed and on May 10, 2023, we announced that an independent interim review committee, or IRC recommended to continue the study, following review of unblinded data from Part 1 of patient Cohort 1. On November 14, 2023, we announced that the last patient had been randomized in Cohort 2 and results evaluating the efficacy, safety and tolerability of ADX71149 in combination with levetiracetam or brivaracetam from patient Cohorts 1 and Cohort 2 are anticipated for the second quarter of 2024. Under our agreement with Janssen, they are responsible for financing the development and commercialization, if any, of ADX71149.

Our second clinical stage program is dipraglurant, a metabotropic glutamate receptor subtype 5 negative allosteric modulator, or mGlu5 NAM, for post-stroke sensorimotor recovery. There are currently no drugs to support sensorimotor recovery and current therapies rely on retraining and physiotherapy, with rehabilitation, largely partial, taking 6 month or more. Functional recovery by stimulating network connectivity in the brain with mGlu5 NAM post-stroke, has been highlighted in a recent publication in *Brain* and demonstrated preclinically with dipraglurant, which significantly restored functional control after just three days of once-daily treatment. We are conducting additional in vivo studies with dipraglurant in animal models of stroke and subject to funding, we plan to commence a Phase 2a study in 2024. There is a large unmet need in post-stroke sensorimotor recovery, and we believe this innovative approach represents a significant commercial opportunity.

We are conducting a funded research program to discover novel gamma-aminobutyric acid subtype-b positive allosteric modulators, or GABAB PAMs for Indivior PLC, or Indivior. We are currently in the clinical candidate selection phase and expect IND enabling studies to begin 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 SUD and plan to develop our GABAB PAM drug candidate for the treatment of cough. This target is clinically validated with baclofen, an orthosteric agonist of GABAB, used off label to treat cough patients. However, baclofen's use is limited by serious side-effects, short half-life and gradual loss of efficacy during chronic treatment. By more precisely targeting the GABAB receptor with a PAM we aim to have a best-in-class treatment with improved tolerability suitable for the chronic nature of this disease. This indication has a significant unmet medical need and represents a significant commercial opportunity. We are in late clinical candidate selection phase and have demonstrated proof-of-concept in animal models of cough with several compounds. Subject to funding, we expect IND enabling studies to begin in 2024.

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 the most advanced 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. We have selected our clinical candidate, identified numerous back-up compounds and we are ready to initiate IND enabling studies.

• Muscarinic acetylcholine receptor 4 positive allosteric modulator, or M4 PAM for the treatment of schizophrenia and other psychosis. This target is clinically validated by xanomeline, a nonselective M1/M4 agonist which can't be used widely due to side-effects. We are currently optimizing multiple chemical series of highly selective M4 PAM compounds with the objective to improve efficacy and tolerability. We have entered clinical candidate selection phase and expect to commence IND enabling studies in the second half of 2024.

• 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 neurodegenerative disorder such as Alzheimer's disease and Parkinson's disease and depression as a comorbidity. The program is in late lead optimization phase and a consortium led by us has been awarded a €4 million Eurostars grant to deliver clinical candidates to treat mNCD. We expect to enter clinical candidate selection phase in the second half of 2024.

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. On October 6, 2023, we filed a post-effective amendment to the form F-6 in order to change our ADS ratio from one ADS to six shares to a new ratio of one ADS to one hundred and twenty shares. The ADS ratio change has been effective since October 23, 2023 and had the same effect as a one to twenty ADS reverse split. The ADS ratio change had no impact on the Company's underlying shares and was intended to enable the Company to regain compliance with the Nasdaq minimum bid price requirement of ADSs. On November 8, 2023, the company announced that it had received a written notification from Nasdaq confirming that the compliance had been regained. In future, we may be subject to further written notifications from Nasdaq related to the non-respect of continued listing rules such as minimum shareholders' equity.

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 September 30, 2023, we have generated CHF 66.2 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, 2023, we have raised an aggregate of CHF 355.1 million of gross proceeds from the sale of equity.

We have never been profitable and have incurred significant net losses in each period since our inception. Our net losses were CHF 7.7 million and CHF 17.2 million for the nine-month periods ended September 30, 2023 and September 30, 2022, respectively. As of September 30, 2023, we had accumulated losses of CHF 357.6 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 cough. 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 ranging from 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 to 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 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. Effective July 1, 2023, the research term was extended until June 30, 2024 and Indivior agreed to additional research funding of CHF 2.7 million including CHF 1.1 million expected to be received directly by the Group and CHF 1.6 million paid directly by Indivior to third party suppliers that are supporting the funded research program.

The contract contains two distinct material promises and performance obligations: (1) the selected compound ADX71441 which falls within the definition of a licensed compound, whose rights of use and benefits thereon was transferred in January 2018 and, (2) the research services to be conducted by Addex and funded by Indivior to discover novel 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 September 2023, we recognized CHF 18.2 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 September 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 and CHF 0.5 million related to a grant from Eurostars/Innosuisse to support our mGlu7 NAM. In September 2023, we were awarded a grant of CHF 0.5 million by Eurostars/Innosuisse to support our mGlu2 NAM program and we did not recognize any income for the nine-month period ended September 30, 2023, 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 2023, we incurred CHF 63.3 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, 2023 and 2022:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
	(CHF in thousands)			
Dipraglurant PD-LID……………….......	75	813	(86)	5,748
Dipraglurant blepharospasm…………….	-	41	-	621
GABAB PAM…………………………...	345	337	936	915
M4 PAM………………………………...	372	326	1,161	898
Other discovery programs…………….....	41	221	283	740
Total outsourced research and development costs………………………	**833**	**1,738**	**2,294**	**8,922**

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 nine-month period ending September 30, 2023 compared to the nine-month period ending September 30, 2022 as we focused 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 cost 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, D&O insurances 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 and nine-month periods ended September 30, 2023 and 2022:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
	(CHF in thousands)			
Revenue………………………………..	328	410	1,460	830
Other income…………………………...	1	6	3	16
Research and development costs……….	(1,810)	(2,765)	(5,389)	(12,277)
General and administrative costs………	(1,171)	(1,818)	(3,673)	(5,591)
Operating loss…………………………	**(2,652)**	**(4,167)**	**(7,599)**	**(17,022)**
Finance income………………………...	13	4	51	4
Finance expense………………………..	22	55	(151)	(135)
Net loss……………………………….....	**(2,617)**	**(4,108)**	**(7,699)**	**(17,153)**

Three Months Ended September 30, 2023 Compared to Three Months Ended September 30, 2022

Revenue

The following table sets forth our revenue in the three-month periods ended September 30, 2023 and 2022:

	For the three months ended September 30,	
	2023	2022
	(CHF in thousands)	
Collaborative research funding……….......................	328	410
Total………………………………………………...	**328**	**410**

Revenue decreased by CHF 0.1 million in the three-month period ended September 30, 2023 compared to the three-month period ended September 30, 2022 due to amounts received under our agreement 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 September 30, 2023 and 2022:

	For the three months ended September 30,	
	2023	2022
	(CHF in thousands)	
Other service income………………………………..	1	6
Total………………………………………………...	**1**	**6**

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 September 30, 2023 and 2022:

	For the three months ended September 30,	
	2023	2022
	(CHF in thousands)	
Dipraglurant PD-LID………………………………..	75	813
Dipraglurant blepharospasm ……………………….	-	41
GABAB PAM………………………………………	345	337
M4 PAM………………………………...................	372	326
Other discovery programs……………...................	41	221
Subtotal outsourced R&D per program……….	**833**	**1,738**
Staff costs…………………………………………..	698	738
Depreciation and amortization……………………...	60	62
Laboratory consumables…………………………….	61	79
Patent maintenance and registration costs…………..	66	63
Short-term leases……………………………………	6	10
Other operating costs…………………...................	86	75
Subtotal unallocated R&D expenses…………...	**977**	**1,027**
Total……………………………………………...	**1,810**	**2,765**

Research and development expenses decreased by CHF 1.0 million in the three-month period ended September 30, 2023 compared to the three-month period ended September 30, 2022, mainly due to decreased outsourced R&D costs for CHF 0.9 million primarily related to reduced clinical development costs following the termination of dipraglurant development activities in June 2022.

General and Administrative Costs

The following table sets forth our general and administrative costs in the three-month periods ended September 30, 2023 and 2022:

	For the three months ended September 30,	
	2023	2022
	(CHF in thousands)	
Staff costs…………………………………………..	625	835
Depreciation and amortization……………………...	16	16
Professional fees…………………………………….	262	408
Short-term leases……………………………………	2	1
D&O Insurance …………………………………......	157	397
Other operating costs………………………………..	190	161
Total……………………………………………...	**1,171**	**1,818**

General and administrative costs decreased by CHF 0.6 million in the three-month period ended September 30, 2023, compared to the three-month period ended September 30, 2022, primarily due to decreased share-based service costs of CHF 0.3 million 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 September 30, 2023 and 2022:

	For the three months ended September 30,	
	2023	2022
	(CHF in thousands)	
Interest income………………………......................	13	4
Interest cost………...………………………………..	-	(2)
Interest expense on leases………………....................	(3)	(5)
Foreign exchange gain, net……………………….....	25	62
Total………………………………………………...	**35**	**59**

Finance result, net remained stable during the three-month period ended September 30, 2023 compared to the three-month period ended September 30, 2022, and primarily relate to interest income and foreign exchange gain on USD cash deposits.

Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022

Revenue

The following table sets forth our revenue in the nine-month periods ended September 30, 2023 and 2022:

	For the nine months ended September 30,	
	2023	2022
	(CHF in thousands)	
Collaborative research funding………....................	1,460	830
Total………………………………………………...	**1,460**	**830**

Revenue increased by CHF 0.6 million in the nine-month period ended September 30, 2023 compared to the nine-month period ended September 30, 2022 due to amounts received under our agreement with Indivior which are recognized as related costs are incurred.

Other Income

The following table sets forth our other income in the nine-month periods ended September 30, 2023 and 2022:

	For the nine months ended September 30,	
	2023	2022
	(CHF in thousands)	
Other service income………………………………..	3	16
Total………………………………………………...	**3**	**16**

Other income primarily relates to IT consulting services.

Research and Development Expenses

The following table sets forth our research and development expenses in the nine-month periods ended September 30, 2023 and 2022:

	For the nine months ended September 30,	
	2023	2022
	(CHF in thousands)	
Dipraglurant PD-LID………………………………..	(86)	5,748
Dipraglurant blepharospasm ………………………..	-	621
GABAB PAM………………………………………	936	915
M4 PAM………………………………...................	1,161	898
Other discovery programs………………....................	283	740
Subtotal outsourced R&D per program……….	**2,294**	**8,922**
Staff costs…………………………………………....	2,220	2,367
Depreciation and amortization……………………...	181	196
Laboratory consumables…………………………….	240	261
Patent maintenance and registration costs…………..	184	235
Short-term leases……………………………………	20	35
Other operating costs………………….....................	250	261
Subtotal unallocated R&D expenses…………...	**3,095**	**3,355**
Total………………………………………………...	**5,389**	**12,277**

Research and development expenses decreased by CHF 6.9 million in the nine-month period ended September 30, 2023 compared to the nine-month period ended September 30, 2022, mainly due to decreased outsourced R&D costs for CHF 6.6 million mostly driven by our dipraglurant clinical development activities terminated on June 17, 2022. Changes in estimates of costs to terminate the dipraglurant clinical development resulted in the release of CHF 0.2 million of previously recorded accruals resulting in a credit to dipraglurant related R&D costs.

General and Administrative Costs

The following table sets forth our general and administrative costs in the nine-month periods ended September 30, 2023 and 2022:

	For the nine months ended September 30,	
	2023	2022
	(CHF in thousands)	
Staff costs…………………………………………....	1,858	2,751
Depreciation and amortization……………………...	46	52
Professional fees…………………………………….	924	1,190
Short-term leases……………………………………	7	4
D&O Insurance …………………………………......	472	1,193
Other operating costs………………………………..	366	401
Total………………………………………………...	**3,673**	**5,591**

General and administrative costs decreased by CHF 1.9 million in the nine-month period ended September 30, 2023, compared to the nine-month period ended September 30, 2022, primarily due to decreased share-based service costs of CHF 1.2 million and decreased D&O insurance costs of CHF 0.7 million.

Finance Result, Net

	For the nine months ended September 30,	
	2023	2022
	(CHF in thousands)	
Interest income……………………....................	51	4
Interest cost………..………………………………..	-	(26)
Interest expense on leases……………......................	(13)	(15)
Foreign exchange loss, net……………….............	(138)	(94)
Total……………………………………………...	**(100)**	**(131)**

The finance result, net remained stable at a net loss of CHF 0.1 million in the nine-month period ended September 30, 2023 compared to the nine-month period ended September 30, 2022, and primarily relates to foreign exchange loss on USD cash deposits partially offset by interest income related to USD cash deposits.

Capital Resources

Since our inception through September 30, 2023, we have generated CHF 66.2 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, 2023, we raised an aggregate of CHF 355.1 million of gross proceeds from the sale of equity. As of September 30, 2023, we had CHF 4.8 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.

Our expenses decreased in the nine-month period ended September 30, 2023 compared to the nine-month period ended September 30, 2022 and we do not expect expenses to significantly increase 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 first quarter of 2024. This indicates that a material uncertainty exists that raises 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 financing 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 nine months ended September 30,	
	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…………	(7,369)	(13,365)
Net cash flows (used in) / from investing activities...	(6)	3
Net cash flows from financing activities…………....	5,323	3,271
Decrease in cash and cash equivalents……………	**(2,052)**	**(10,091)**
Effect of the exchange rates………………………...	(151)	28
Cash and cash equivalents at the end of the period	**4,754**	**10,423**

Operating Activities

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

During the nine-month period ended September 30, 2023, operating activities used CHF 7.4 million of cash primarily due to our net loss of CHF 7.7 million and a decreased net working capital of CHF 1.4 million, partially offset by non-cash items of CHF 1.6 million primarily related to share-based services. The decrease of the net working capital primarily related to decreased payables and accruals for CHF 1.3 million mainly due to our dipraglurant clinical development activities.

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 increased 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 increase 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).

Investing Activities

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

During the nine-month period ended September 30, 2023, investing activities were close to nil and primarily related to investments in our laboratory equipment, whilst during the nine-month period ended September 30, 2022, net cash from investing activities were close to nil.

Financing Activities

Cash flows from financing activities consists of proceeds from the sale of equity securities, whilst cash flows used in financing activities primarily relate to the principal element of lease payments and associated interest expenses and capital increase costs.

During the nine-month period ended September 30, 2023, net cash flows from financing activities amounted to CHF 5.3 million including CHF 4.5 million (USD 5.0 million) from the offering executed with an institutional investor on April 3, 2023 and CHF 1.2 million from the sale agency agreement managed by Kepler Cheuvreux, partially offset by costs associated with the offering, the sale and the issuance of treasury shares whose combined amount paid during the nine-month period ended September 30, 2023 amounted to CHF 0.2 million and CHF 0.2 million for the principal element of lease payments.

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 total gross proceeds of CHF 4.5 million including CHF 4.1 million from the offering to an institutional investor executed on July 22, 2022 and CHF 0.4 million from sales executed by Kepler Cheuvreux in July 2022 under our sale agency agreement. Gross proceeds have been partially offset by the costs associated with the offerings 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.

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.