



Allosteric Modulators for Human Health

Half-Year Interim Report 2021

Contents

p.3 Interim Condensed Consolidated Financial Statements

p.20 Financial Review

Unaudited Interim Condensed Consolidated Balance Sheets

as of June 30, 2021, and December 31, 2020

	Notes	June 30, 2021	December 31, 2020
Amounts in Swiss francs			
ASSETS			
Current assets			
Cash and cash equivalents.....	6	18,108,214	18,695,040
Other financial assets.....	7/15	38,305	64,930
Trade and other receivables.....	7	126,445	68,373
Contract asset.....	7	1,101,429	-
Prepayments and deferred costs.....	7	1,625,650	661,221
Total current assets.....		21,000,043	19,489,564
Non-current assets			
Right-of-use assets.....	8	412,717	565,344
Property, plant and equipment.....	9	59,480	67,760
Non-current financial assets.....	10	59,369	59,144
Total non-current assets.....		531,566	692,248
Total assets.....		21,531,609	20,181,812
LIABILITIES AND EQUITY			
Current liabilities			
Current lease liabilities.....		258,674	308,611
Payables and accruals.....	11	3,425,548	2,491,927
Contract liability.....	15	-	733,668
Deferred income.....	16	-	86,481
Total current liabilities.....		3,684,222	3,620,687
Non-current liabilities			
Non-current lease liabilities.....		161,487	258,785
Retirement benefits obligations.....	14	1,263,174	1,692,537
Total non-current liabilities.....		1,424,661	1,951,322
Equity			
Share capital.....	12	49,272,952	32,848,635
Share premium.....	12	288,256,887	286,888,354
Treasury shares reserve.....	12	(15,505,209)	(6,078,935)
Other reserves.....		15,433,746	14,657,637
Accumulated deficit.....		(321,035,650)	(313,705,888)
Total equity.....		16,422,726	14,609,803
Total liabilities and equity.....		21,531,609	20,181,812

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 six-month periods ended June 30, 2021 and 2020

	Notes	For the three months ended June 30,		For the six months ended June 30,	
		2021	2020	2021	2020
Amounts in Swiss francs					
Revenue from contract with customer.....	15	992,595	860,793	1,836,818	1,764,853
Other income.....	16	79,285	71,561	157,483	119,957
Operating costs					
Research and development.....		(3,731,839)	(2,318,977)	(6,479,882)	(5,871,588)
General and administration.....		(1,846,678)	(1,587,283)	(3,169,084)	(3,259,806)
Total operating costs.....	17	(5,578,517)	(3,906,260)	(9,648,966)	(9,131,394)
Operating loss.....		(4,506,637)	(2,973,906)	(7,654,665)	(7,246,584)
Finance income.....		(160,573)	10,843	368,582	32,769
Finance expense		(22,939)	(151,675)	(43,679)	(206,844)
Finance result.....	19	(183,512)	(140,832)	324,903	(174,075)
Net loss before tax.....		(4,690,149)	(3,114,738)	(7,329,762)	(7,420,659)
Income tax expense.....		-	-	-	-
Net loss for the period		(4,690,149)	(3,114,738)	(7,329,762)	(7,420,659)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company					
	20	(0.14)	(0.12)	(0.22)	(0.28)
Other comprehensive income/(loss)					
Items that will never be reclassified to profit and loss:					
Remeasurements of retirement benefits obligation.....		126,061	(226,999)	251,462	(42,048)
Items that may be classified subsequently to profit and loss:					
Exchange difference on translation of foreign operations		1,232	(814)	1,696	(847)
Other comprehensive income/(loss) for the period, net of tax.....		127,293	(227,813)	253,158	(42,895)
Total comprehensive loss for the period....		(4,562,856)	(3,342,551)	(7,076,604)	(7,463,554)

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

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

For the six-month periods ended June 30, 2021 and 2020

Amounts in Swiss francs

Notes	Share Capital	Share Premium	Treasury Shares Reserve	Foreign Currency Translation Reserve	Additional Reserves	Accumulated Deficit	Total
Balance as of January 1, 2020.....	32,848,635	286,375,977	(6,572,316)	(653,161)	14,371,983	(300,847,289)	25,523,829
Net loss for the period.....	-	-	-	-	-	(7,420,659)	(7,420,659)
Other comprehensive loss for the period.....	-	-	-	(847)	(42,048)	-	(42,895)
Total comprehensive loss for the period.....	-	-	-	(847)	(42,048)	(7,420,659)	(7,463,554)
Value of share-based services.....	13	-	-	-	640,791	-	640,791
Movement in treasury shares:	12						
Settlement of supplier invoices.....	-	27,955	111,842	-	-	-	139,797
Net purchases under liquidity agreement.....	-	(7,987)	(31,759)	-	-	-	(39,746)
Balance as of June 30, 2020.....	32,848,635	286,395,945	(6,492,233)	(654,008)	14,970,726	(308,267,948)	18,801,117
Balance as of January 1, 2021.....	32,848,635	286,888,354	(6,078,935)	(657,230)	15,314,867	(313,705,888)	14,609,803
Net loss for the period.....	-	-	-	-	-	(7,329,762)	(7,329,762)
Other comprehensive income for the period..	-	-	-	1,696	251,462	-	253,158
Total comprehensive loss for the period.....	-	-	-	1,696	251,462	(7,329,762)	(7,076,604)
Issue of shares-third parties.....	12	6,900,000	3,199,323	-	-	-	10,099,323
Issue of treasury shares.....	12	9,524,317	-	(9,524,317)	-	-	-
Cost of share capital issuance.....	-	(1,902,487)	-	-	-	-	(1,902,487)
Value of share-based services.....	13	-	-	-	522,951	-	522,951
Movement in treasury shares:	12						
Settlement of supplier invoices.....	-	35,115	80,306	-	-	-	115,421
Net purchases under liquidity agreement.....	-	(4,422)	(22,203)	-	-	-	(26,625)
Other net sales of treasury shares.....	-	41,004	39,940	-	-	-	80,944
Balance as of June 30, 2021.....	49,272,952	288,256,887	(15,505,209)	(655,534)	16,089,280	(321,035,650)	16,422,726

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 June 30, 2021 (1/2)

Amounts in Swiss francs

	Notes	Share Capital	Share Premium	Treasury Shares Reserve	Foreign Currency Translation Reserve	Additional Reserves	Accumulated Deficit	Total
Balance as of January 1, 2020.....		32,848,635	286,375,977	(6,572,316)	(653,161)	14,371,983	(300,847,289)	25,523,829
Net loss for the period.....		-	-	-	-	-	(4,305,921)	(4,305,921)
Other comprehensive income for the period..		-	-	-	(33)	184,951	-	184,918
Total comprehensive loss for the period.....		-	-	-	(33)	184,951	(4,305,921)	(4,121,003)
Value of share-based services.....	13	-	-	-	-	297,708	-	297,708
Movement in treasury shares:	12							
Settlement of supplier invoices.....		-	20,123	62,808	-	-	-	82,931
Net sales under liquidity agreement.....		-	(3,193)	596	-	-	-	(2,597)
Balance as of March 31, 2020.....		32,848,635	286,392,907	(6,508,912)	(653,194)	14,854,642	(305,153,210)	21,780,868
Net loss for the period.....		-	-	-	-	-	(3,114,738)	(3,114,738)
Other comprehensive loss for the period..		-	-	-	(814)	(226,999)	-	(227,813)
Total comprehensive loss for the period.....		-	-	-	(814)	(226,999)	(3,114,738)	(3,342,551)
Value of share-based services.....	13	-	-	-	-	343,083	-	343,083
Movement in treasury shares:	12							
Settlement of supplier invoices.....		-	7,832	49,034	-	-	-	56,866
Net purchases under liquidity agreement.....		-	(4,794)	(32,355)	-	-	-	(37,149)
Balance as of June 30, 2020.....		32,848,635	286,395,945	(6,492,233)	(654,008)	14,970,726	(308,267,948)	18,801,117

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 June 30, 2021 (2/2)

Amounts in Swiss francs

Notes	Share Capital	Share Premium	Treasury Shares Reserve	Foreign Currency Translation Reserve	Additional Reserves	Accumulated Deficit	Total
Balance as of January 1, 2021.....	32,848,635	286,888,354	(6,078,935)	(657,230)	15,314,867	(313,705,888)	14,609,803
Net loss for the period.....	-	-	-	-	-	(2,639,613)	(2,639,613)
Other comprehensive income for the period..	-	-	-	464	125,401	-	125,865
Total comprehensive loss for the period.....	-	-	-	464	125,401	(2,639,613)	(2,513,748)
Issue of shares-third parties.....	12 6,900,000	3,199,323	-	-	-	-	10,099,323
Cost of share capital issuance.....	-	(1,767,053)	-	-	-	-	(1,767,053)
Value of share-based services.....	13 -	-	-	-	186,102	-	186,102
Movement in treasury shares:	12						
Settlement of supplier invoices.....	-	21,284	37,382	-	-	-	58,666
Net purchases under liquidity agreement.....	-	8,061	(63,028)	-	-	-	(54,967)
Other net sales of treasury shares.....	-	41,004	39,940	-	-	-	80,944
Balance as of March 31, 2021.....	39,748,635	288,390,973	(6,064,641)	(656,766)	15,626,370	(316,345,501)	20,699,070
Net loss for the period.....	-	-	-	-	-	(4,690,149)	(4,690,149)
Other comprehensive income for the period..	-	-	-	1,232	126,061	-	127,293
Total comprehensive loss for the period.....	-	-	-	1,232	126,061	(4,690,149)	(4,562,856)
Issue of treasury shares.....	12 9,524,317	-	(9,524,317)	-	-	-	-
Cost of share capital issuance.....	-	(135,434)	-	-	-	-	(135,434)
Value of share-based services.....	13 -	-	-	-	336,849	-	336,849
Movement in treasury shares:	12						
Settlement of supplier invoices.....	-	13,831	42,924	-	-	-	56,755
Net sales under liquidity agreement.....	-	(12,483)	40,825	-	-	-	28,342
Balance as of June 30, 2021.....	49,272,952	288,256,887	(15,505,209)	(655,534)	16,089,280	(321,035,650)	16,422,726

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

Unaudited Interim Condensed Consolidated Statements of Cash Flows

for the six-month periods ended June 30, 2021 and 2020

	Notes	For the six months ended June 30,	
		2021	2020
Amounts in Swiss francs			
Net loss for the period.....		(7,329,762)	(7,420,659)
Adjustments for:			
Depreciation.....	8/9	176,909	192,670
Value of share-based services.....	13	522,951	640,791
Post-employment benefits.....		(177,901)	(61,538)
Finance cost/(income) net		(328,977)	195,452
Decrease/(increase) in other financial assets.....	7	26,625	(40,253)
Decrease/(increase) in trade and other receivables.....	7	(58,072)	14,032
Increase in contract asset.....	7	(1,101,429)	-
Increase in prepayments.....	7	(1,127,268)	(1,142,610)
Increase/(decrease) in payables and accruals.....	11	880,344	(1,788,170)
Decrease in contract liability.....	15	(733,668)	(945,737)
Decrease in deferred income.....	16	(86,481)	(110,806)
Services paid in shares.....		115,421	139,797
Net cash used in operating activities.....		(9,221,308)	(10,327,031)
Cash flows from investing activities			
Purchase of property, plant and equipment.....	9	(5,393)	(10,634)
Net cash used in investing activities.....		(5,393)	(10,634)
Cash flows from financing activities			
Proceeds from capital increase.....		10,161,746	-
Costs paid on issue of shares		(1,682,517)	(109,167)
(Purchase)/sale of treasury shares.....		54,319	(39,746)
Principal element of lease payment.....		(157,033)	(185,766)
Interest received.....	19	3,329	32,769
Interest paid.....	19	(43,679)	(46,695)
Net cash from/(used in) financing activities.....		8,336,165	(348,605)
Decrease in cash and cash equivalents.....		(890,536)	(10,686,270)
Cash and cash equivalents at the beginning of the period.....	6	18,695,040	31,536,803
Exchange difference on cash and cash equivalents.....		303,710	(179,832)
Cash and cash equivalents at the end of the period.....	6	18,108,214	20,670,701

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 six-month periods ended June 30, 2021

(Amounts in Swiss francs)

1. General information

Addex Therapeutics Ltd (the “Company”), formerly Addex Pharmaceuticals Ltd, and its subsidiaries (together, the “Group”) are a clinical stage pharmaceutical group applying its leading allosteric modulator drug discovery platform to discovery and development of small molecule pharmaceutical products, with an initial focus on central nervous system disorders.

The Company is a Swiss stockholding corporation domiciled c/o Addex Pharma SA, Chemin des Aulx 12, CH1228 Plan-les-Ouates, Geneva, Switzerland and the parent company of Addex Pharma SA, Addex Pharmaceuticals France SAS and Addex Pharmaceuticals Inc. registered in Delaware with its principal business location in San Francisco, California, United States. Its registered shares are traded at the SIX, Swiss Exchange, under the ticker symbol ADXN. On January 29, 2020, the Group listed on the Nasdaq Stock Market, American Depositary Shares (ADSs) under the symbol “ADXN”, without a new issuance of securities. ADSs represents shares that continue to be admitted to trading on SIX Swiss Exchange.

These condensed consolidated financial statements have been approved for issuance by the Board of Directors on August 4, 2021.

2. Basis of preparation

These condensed consolidated interim financial statements for the three-month and six-month periods ended June 30, 2021, 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, 2020.

Interim financial results are not necessarily indicative of results anticipated for the full year. The preparation of these unaudited condensed consolidated interim financial statements made in accordance with IAS 34 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment which are significant to the condensed consolidated interim financial statements are disclosed in note 4 to the consolidated financial statements for the year ended December 31, 2020.

A number of new or amended standards and interpretations became applicable for financial periods beginning on or after January 1, 2021. The Group noted that the latter did not have a material impact on the Group’s financial position or disclosures made in the condensed consolidated interim financial statements.

Due to rounding, numbers presented throughout these condensed consolidated financial statements may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount.

3. Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. These estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities or may have had a significant impact on the reported results are disclosed below:

Going concern

The Group's accounts are prepared on a going concern basis. To date, the Group has financed its cash requirements primarily from share issuances and licensing certain of its research and development stage products. The Group is a development-stage enterprise and is exposed to all the risks inherent in establishing a business. The Group maintains detailed financial forecasts and monitors actual results on a regular basis so that measures can be taken to ensure the Group remains solvent.

COVID-19

In early 2020 a coronavirus disease (COVID-19) pandemic developed globally resulting in a significant number of infections and negative effects on economic activity. The Group is actively monitoring the situation and is taking any necessary measures to respond to the situation in cooperation with the various stakeholders. On March 18, 2020, the Group announced the suspension of the initiation of a placebo-controlled Phase 2b/3 pivotal clinical trial of dipraglurant in levodopa-induced dyskinesia associated with Parkinson's disease (PD-LID). The Group decided to suspend the trial based on the inability of planned clinical trial sites in the United States to initiate the trial in full compliance with the Group's planned clinical trial procedures including with respect to data reporting, data monitoring, and the recommendations of various health authorities that the infirm patients who would participate in the trial not risk being exposed to COVID-19 at clinical trial sites. Such sites have been and may continue to be required to focus their limited resources on matters unrelated to our planned clinical trial, thereby decreasing availability, in whole or in part, for services to our planned clinical trial. On June 29, 2021, the Group announced the initiation of a placebo-controlled Phase 2b/3 pivotal clinical trial of dipraglurant in PD-LID. Although the Group believes, based on current projections of the pandemic, that it will be able to execute the clinical trial as planned, the duration of the COVID-19 crisis is uncertain and, if the enumerated risks are not addressed, the Group may have to adjust its expectations as to trial duration, in order to accommodate the foregoing factors. In addition, the COVID-19 pandemic may affect the operations of the FDA and other health authorities, which could result in delays of reviews and approvals, including with respect to dipraglurant and our other product candidates. Any such delays could increase the cost of our clinical trials and increase the uncertainty of receiving approval from the FDA of our product candidates. Depending on the duration of the COVID-19 crisis and continued negative impact on global economic activity, the Group may have to take additional measures that will have a negative impact on the Group's business continuity and may experience certain liquidity restraints as well as incur impairments on its assets. The exact impact on the Group's activities in 2021 and thereafter cannot be reasonably predicted. However, based on the risk mitigation measures undertaken, the Group concluded that there is no material uncertainty that may cast a significant doubt upon the Group's ability to continue as a going concern.

Revenue recognition

Revenue is primarily from fees related to licenses, milestones and research services. Given the complexity of the relevant agreements, judgements are required to identify distinct performance obligations, allocate the transaction price to these performance obligations and determine when the performance obligations are met. In particular, the Group's judgement over the estimated stand-alone selling price which is used to allocate the transaction price to the performance obligations is disclosed in note 15.

Grants

Grants are recorded at their fair value when there is reasonable assurance that they will be received and recognized as income when the Group has satisfied the underlying grant conditions. In certain circumstances, grant income may be recognized before explicit grantor acknowledgement that the conditions have been met.

Accrued research and development costs

The Group records accrued expenses for estimated costs of research and development activities conducted by third party service providers. The Group records accrued expenses for estimated costs of research and development activities based upon the estimated amount of services provided but not yet invoiced, and these costs are included in accrued expenses on the balance sheets and within research and development expenses in the statements of comprehensive loss. These costs are a significant component of research and development expenses. Accrued expenses for these costs are recorded based on the estimated amount of work completed in accordance with agreements established with these third parties.

To date, the Group has not experienced significant changes in the estimates of accrued research and development expenses after a reporting period. However, due to the nature of estimates, the Group may be required to make changes to the estimates in the future as it becomes aware of additional information about the status or conduct of its research activities.

Research and development costs

The Group recognizes expenditure incurred in carrying out its research and development activities, including development supplies, until it becomes probable that future economic benefits will flow to the Group, which results in recognizing such costs as intangible assets, involving a certain degree of judgement. Currently, such development supplies are associated with pre-clinical and clinical trials of specific products that do not have any demonstrated technical feasibility.

Share-based compensation

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

Pension obligations

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

4. Interim measurement note

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

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

5. Segment reporting

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

Information about products, services and major customers

External income of the Group for the three-month and six-month periods ended June 30, 2021 and 2020 is derived from the business of discovery, development and commercialization of pharmaceutical products. Income was earned from rendering of research services to a pharmaceutical company and grants earned.

Information about geographical areas

External income is exclusively recorded in the Swiss operating company.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Collaborative research funding.....	992,595	860,793	1,836,818	1,764,853
Grants earned.....	73,735	66,381	146,852	110,806
Other service income.....	5,550	5,180	10,631	9,151
Total.....	1,071,880	932,354	1,994,301	1,884,810

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

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Indivior PLC.....	992,595	860,793	1,836,818	1,764,853
Eurostars /Innosuisse.....	73,735	66,381	146,852	110,806
Other counterparties.....	5,550	5,180	10,631	9,151
Total.....	1,071,880	932,354	1,994,301	1,884,810

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:

	June 30, 2021	December 31, 2020
Switzerland.....	517,641	665,012
United States of America.....	13,530	26,847
France.....	395	389
Total.....	531,566	692,248

The geographical analysis of operating costs is as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Switzerland.....	5,567,368	3,886,741	9,628,157	9,086,493
United States of America.....	8,646	18,506	16,627	43,047
France.....	2,503	1,013	4,182	1,854
Total operating costs (note 17).....	5,578,517	3,906,260	9,648,966	9,131,394

The capital expenditure during the six-month period ended June 30, 2021 is CHF 5,393 (CHF 10,634 for the six-month period ended June 30, 2020).

6. Cash and cash equivalents

	June 30, 2021	December 31, 2020
Cash at bank and on hand.....	18,108,214	18,695,040
Total cash and cash equivalents.....	18,108,214	18,695,040

Split by currency:

	June 30, 2021	December 31, 2020
CHF.....	59.79%	60.53%
USD.....	39.47%	38.70%
EUR.....	0.45%	0.63%
GBP.....	0.29%	0.14%
Total	100.00%	100.00%

The Group pays interests on CHF cash and cash equivalents and earns interests on USD cash and cash equivalents. The Group invests its cash balances into a variety of current and deposit accounts mainly with Swiss banks. In addition, the Group invests a portion of its USD cash in line with its treasury guidelines. As of December 31, 2020, non-used funds received from Eurostars/Innosuisse amount to CHF 86,481 (note 16).

All cash and cash equivalents were held either at banks or on hand as of June 30, 2021 and December 31, 2020.

7. Other current assets

	June 30, 2021	December 31, 2020
Other financial assets.....	38,305	64,930
Trade and other receivables.....	126,445	68,373
Contract asset.....	1,101,429	-
Prepayments.....	1,625,650	498,382
Deferred costs.....	-	162,839
Total other current assets.....	2,891,829	794,524

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (“ECL”), which uses a lifetime expected loss allowance for all contract assets, trade receivables and other receivables. As of June 30, 2021, the contract asset relates to the research agreement with Indivior whilst the trade and other receivables comprise of CHF 60,371 related to the grant from Eurostars/Innosuisse to be received and three non-governmental debtors whose combined outstanding balances are CHF 7,698 (four non-governmental debtors for CHF 20,577 as of December 31, 2020). The Group has considered that the contract asset and the trade 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 June 30, 2021 and December 31, 2020. The increase in prepayments as of June 30, 2021 compared to December 31, 2020 primarily relates to the Directors and Officers (D&O) Insurance premium and the retirement benefits paid annually at the beginning of the year. As of December 31, 2020 deferred costs relate to paid legal and auditor fees associated with the preparation of the capital increase executed on January 8, 2021.

8. Right-of-use assets

	Properties	Equipment	Total
Year ended December 31, 2020			
Opening net book amount.....	496,126	47,214	543,340
Additions.....	27,612	-	27,612
Depreciation charge.....	(333,714)	(25,760)	(359,474)
Effect of lease modifications.....	434,150	-	434,150
Disposals.....	(72,504)	-	(72,504)
Exchange differences.....	(7,780)	-	(7,780)
Closing net book amount.....	543,890	21,454	565,344
As of December 31, 2020			
Cost.....	1,111,338	71,168	1,182,506
Accumulated depreciation.....	(567,448)	(49,714)	(617,162)
Net book value.....	543,890	21,454	565,344
Period ended June 30, 2021			
Opening net book amount.....	543,890	21,454	565,344
Additions.....	2,000	-	2,000
Depreciation charge.....	(150,356)	(12,880)	(163,236)
Effect of lease modifications.....	(3,998)	11,796	7,798
Exchange differences.....	811	-	811
Closing net book amount.....	392,347	20,370	412,717
As of June 30, 2021			
Cost.....	1,110,610	82,964	1,193,574
Accumulated depreciation.....	(718,263)	(62,594)	(780,857)
Net book value.....	392,347	20,370	412,717

9. Property, plant and equipment

	Equipment	Furniture & fixtures	Chemical Library	Total
Year ended December 31, 2020				
Opening net book amount.....	27,626	-	-	27,626
Additions.....	59,414	-	-	59,414
Depreciation charge.....	(19,280)	-	-	(19,280)
Closing net book amount.....	67,760	-	-	67,760
As of December 31, 2020				
Cost.....	1,682,279	7,564	1,207,165	2,897,008
Accumulated depreciation.....	(1,614,519)	(7,564)	(1,207,165)	(2,829,248)
Net book value.....	67,760	-	-	67,760
Period ended June 30, 2021				
Opening net book amount.....	67,760	-	-	67,760
Additions.....	5,393	-	-	5,393
Depreciation charge.....	(13,673)	-	-	(13,673)
Closing net book amount.....	59,480	-	-	59,480
As of June 30, 2021				
Cost.....	1,687,672	7,564	1,207,165	2,902,401
Accumulated depreciation.....	(1,628,192)	(7,564)	(1,207,165)	(2,842,921)
Net book value.....	59,480	-	-	59,480

10. Non-current financial assets

	June 30, 2021	December 31, 2020
Security rental deposits	59,369	59,144
Total non-current financial assets	59,369	59,144

11. Payables and accruals

	June 30, 2021	December 31, 2020
Trade payables.....	1,209,329	983,545
Social security and other taxes.....	171,988	171,876
Accrued expenses.....	2,044,231	1,336,506
Total payables and accruals.....	3,425,548	2,491,927

All payables mature within 3 months. Accrued expenses and trade payables primarily relate to R&D services from contract research organizations, consultants and professional fees. The increase in accrued expenses as of June 30, 2021 compared to December 31, 2020, primarily relates to R&D activities linked to the initiation of a placebo-controlled Phase 2b/3 pivotal clinical trial of dipraglurant in PD-L1D announced by the Group on June 29, 2021. 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, 2020.....	32,848,635	(6,243,487)	26,605,148
Settlement of supplier invoices.....	-	111,842	111,842
Net purchase of treasury shares under liquidity agreement.....	-	(29,801)	(29,801)
Balance as of June 30, 2020.....	32,848,635	(6,161,446)	26,687,189

	Number of shares		
	Common shares	Treasury shares	Total
Balance as of January 1, 2021	32,848,635	(5,729,861)	27,118,774
Issue of shares – capital increase.....	16,424,317	(9,524,317)	6,900,000
Settlement of supplier invoices.....	-	80,306	80,306
Net purchase of treasury shares under liquidity agreement.....	-	(19,448)	(19,448)
Other net sale of treasury shares.....	-	39,940	39,940
Balance as of June 30, 2021	49,272,952	(15,153,380)	34,119,572

The Company maintains a Liquidity Agreement with Kepler Capital Markets SA (“Kepler”). Under the agreement, the Group has provided Kepler with cash and shares to enable them to buy and sell the Company’s shares. As of June 30, 2021, 73,937 (December 31, 2020: 54,489) treasury shares are recorded under this agreement in the treasury share reserve and CHF 38,305 (December 31, 2020: CHF 64,930) is recorded in other financial assets.

As of June 30, 2021, the total outstanding share capital is CHF 34,119,572, consisting of 34,119,572 shares excluding 15,153,380 treasury shares. As of December 31, 2020, the total outstanding share capital was CHF 27,118,774 consisting of 27,118,774 shares excluding 5,729,861 treasury shares. All shares have a nominal value of CHF 1.

On April 23, 2021, Addex Therapeutics Ltd issued 9,524,317 new shares from the authorized capital to its 100% owned subsidiary, Addex Pharma SA, at CHF 1. These shares are held as treasury shares.

On January 8, 2021, Addex Therapeutics Ltd issued 6,900,000 registered shares, with a nominal value of CHF 1 each, at an issue price of CHF 1.46. Out of the total new shares, 6,750,000 are in the form of American Depositary Shares, listed on the Nasdaq Stock Market. The gross proceeds amounted to CHF 10.1 million (USD 11.5 million) and directly related share issuance costs of CHF 1.8 million were recorded as a deduction in equity.

During the six-month period ended June 30, 2021, the Group sold 39,940 treasury shares for a gross amount of CHF 80,944 under a Sale Agency Agreement entered with Kepler Cheuvreux and used 80,306 treasury shares to purchase services from consultants (June 30, 2020: 111,842) including 41,937 treasury shares for Roger Mills, the Group’s Chief Medical Officer (June 30, 2020: 64,689). The total value of consulting services settled in shares was CHF 116,817 for the six-month period ended June 30, 2021 (CHF 139,797 for the six-month period ended June 30, 2020). On June 30, 2021, the Company entered into a sales agreement with Cantor Fitzgerald & Co (Cantor Fitzgerald) to offer ADSs through an “at-the-market” (ATM) offering program. As of June 30, 2021, no treasury shares have been sold under the ATM offering program.

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 six-month periods ended June 30, 2021 amounts respectively to CHF 336,849 and CHF 522,951 (CHF 343,083 and CHF 640,791 for the three-month and six-month periods ended June 30, 2020).

As of June 30, 2021, 8,592,056 options were outstanding (6,768,460 options as of December 31, 2020). During the first half 2021, the Group granted 1,828,492 options with vesting over 4 years and a 10-year exercise period and 4,896 options were forfeited. Of these new options, 27,492 were granted at an exercise price of CHF 1.99 on April 1, 2021 and 1,801,000 were granted at an exercise price of CHF 1.45 on May 17, 2021.

On January 1, 2020, the exercise period of 194,687 vested options has been extended for 5 years and share-based compensation related to the fair value adjustment for the exercise period extensions of CHF 21,613 has been recognized for the six-month period ended June 30, 2020 (CHF 6,111 for the three-month period ended June 30, 2020).

As of June 30, 2021 and December 31, 2020, a total of 198,750 equity sharing certificates (ESCs) were outstanding.

14. Retirement benefits obligations

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

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Current service cost.....	(74,885)	(78,931)	(163,439)	(157,863)
Past service cost.....	-	-	219,104	102,764
Interest cost.....	(6,036)	(5,501)	(12,121)	(11,002)
Interest income.....	3,857	3,550	7,714	7,101
Company pension amount (note 18)...	(77,064)	(80,882)	51,258	(59,000)

The conversion rates have successively changed as of January 1, 2020, and January 1, 2021, which has led to a positive past service cost for the six-month periods ended June 30, 2020 and 2021.

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

	June 30, 2021	December 31, 2020
Defined benefit obligation.....	(9,067,974)	(9,406,967)
Fair value of plan assets.....	7,804,800	7,714,430
Funded status.....	(1,263,174)	(1,692,537)

15. Revenue from contract with customer

License & research agreement with Indivior PLC

On January 2, 2018, the Group entered into an agreement with Indivior for the discovery, development and commercialization of novel GABA_B PAM compounds for the treatment of addiction and other CNS diseases. This agreement included the selected clinical candidate, ADX71441. In addition, Indivior agreed to fund a research program at the Group to discover novel GABA_B PAM compounds.

The contract contains two distinct material promises and performance obligations: (1) the selected compound ADX71441 which falls within the definition of a licensed compound, whose rights of use and benefits thereon was transferred in January 2018 and, (2) the research services to be conducted by the Group and funded by Indivior to discover novel GABA_B PAM compounds for clinical development that may be discovered over the research term of the agreement and selected by Indivior.

Indivior has sole responsibility, including funding liability, for development of selected compounds under the agreement through preclinical and clinical trials, as well as registration procedures and commercialization, if any, worldwide. Indivior has the right to design development programs for selected compounds under the agreement. Through the Group's participation in a joint development committee, the Group reviews, in an advisory capacity, any development programs designed by Indivior. However, Indivior has authority over all aspects of the development of such selected compounds.

Under terms of the agreement, the Group granted Indivior an exclusive license to use relevant patents and know-how in relation to the development and commercialization of product candidates selected by Indivior. Subject to agreed conditions, the Group and Indivior jointly own all intellectual property rights that are jointly developed and the Group or Indivior individually own all intellectual property rights that the Group or Indivior develop individually. The Group has retained the right to select compounds from the research program for further development in areas outside the interest of Indivior including Charcot-Marie-Tooth type 1A neuropathy, or CMT1A. Under certain conditions, but subject to certain consequences, Indivior may terminate the agreement.

In January 2018, the Group received, under the terms of the agreement, a non-refundable upfront fee of USD 5.0 million for the right to use the clinical candidate, ADX71441, including all materials and know-how related to this clinical candidate. In addition, the Group is eligible for payments on successful achievement of pre-specified clinical, regulatory and commercial milestones totaling USD 330 million and royalties on net sales of mid-single digits to low double-digits.

On February 14, 2019, Indivior terminated the development of their selected compound, ADX71441. Separately, Indivior funds research at the Group, based on a research plan to be mutually agreed between the parties, to discover novel GABA_B PAM compounds. These future novel GABA_B PAM compounds, if selected by Indivior, become licensed

compounds. The Group agreed with Indivior to an initial research term of two years, that can be extended by twelve-month increments and a minimum annual funding of USD 2 million for the Group's R&D costs incurred. R&D costs are calculated based on the costs incurred in accordance with the contract. Following Indivior's selection of one newly identified compound, the Group has the right to also select one additional newly identified compound. The Group is responsible for the funding of all development and commercialization costs of its selected compounds and Indivior has no rights to the Group's selected compounds. The initial two-year research term was expected to run from May 2018 to April 2020. In 2019, Indivior agreed an additional research funding of USD 1.6 million, for the research period. On October 30, 2020, the research term was extended until June 30, 2021 and Indivior agreed an additional research funding of USD 2.8 million. Effective May 1, 2021, the research term was extended until July 31, 2022 and Indivior agreed an additional research funding of CHF 3.7 million, of which CHF 2.7 million is expected to be received directly by the Group and CHF 1 million paid directly by Indivior to third party suppliers that are supporting the funded research program.

For the three-month and six-month periods ended June 30, 2021, the Group recognized CHF 1.0 million and CHF 1.8 million as revenue, respectively (For the three-month and the six-month periods ended June 30, 2020, CHF 0.9 million and CHF 1.8 million, respectively) and recorded CHF 1.1 million as contract asset as of June 30, 2021 (December 31, 2020: CHF 0.7 million as contract liability).

Janssen Pharmaceuticals Inc. (formerly Ortho-McNeil-Janssen Pharmaceuticals Inc).

On December 31, 2004, the Group entered into a research collaboration and license agreement with Janssen Pharmaceuticals Inc. (JPI). In accordance with this agreement, JPI has acquired an exclusive worldwide license to develop mGlu2 PAM compounds for the treatment of human health. The Group is eligible to receive up to EUR 109 million in success-based development and regulatory milestone, and low double-digit royalties on net sales. The Group considers these various milestones to be variable consideration as they are contingent upon achieving uncertain, future development stages and net sales. For this reason, the Group considers the achievement of the various milestones as binary events that will be recognized as revenue upon occurrence.

No amounts have been recognized under this agreement in the three-month and six-month periods ended June 30, 2021 and 2020.

16. Other income

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

The Group was funded by Eurostars/Innosuisse for CHF 512,032 of which CHF 380,184 were paid as of June 30, 2021. For the three-month and six-month periods ended June 30, 2021, the Group recognized CHF 73,735 and CHF 146,852 as other income (CHF 66,381 and CHF 110,806 for the three-month and six-month periods ended June 30, 2020). As of June 30, 2021, the Group recognized CHF 60,371 as other receivables in accordance with the grant conditions (CHF 86,481 as short term deferred income as of December 31, 2020).

17. Operating costs

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Staff costs (note 18).....	1,273,385	1,278,094	2,163,344	2,217,064
Depreciation (notes 8/9)	88,264	96,514	176,909	192,670
External research and development costs.....	2,781,951	1,336,831	4,741,337	4,143,388
Laboratory consumables.....	55,561	102,056	138,906	159,794
Patent maintenance and registration costs.....	66,270	107,710	144,961	173,360
Professional fees.....	642,403	421,993	928,746	995,246
Short-term leases.....	8,046	9,641	16,437	17,334
D&O Insurance.....	396,838	389,506	795,858	726,885
Other operating costs.....	265,799	163,915	542,468	505,653
Total operating costs.....	5,578,517	3,906,260	9,648,966	9,131,394

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

During the six-month period ended June 30, 2021, total operating costs increased by CHF 0.5 million compared to the same period ended June 30, 2020, primarily due to increased external research and development costs of CHF 0.6 million partially offset by decreased professional fees.

During the three-month period ended June 30, 2021, total operating costs increased by CHF 1.7 million compared to the same period ended June 30, 2020, primarily due to increased external research and development costs of CHF 1.4 million and increased legal fees of CHF 0.2 million. The increase in external research and development primarily relates to CHF 0.7 million for dipraglurant PD-L1D program, CHF 0.4 million for dipraglurant blepharospasm program and CHF 0.3 million for other preclinical research programs.

18. Staff costs

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Wages and salaries.....	816,750	817,597	1,592,602	1,501,417
Social charges and insurances.....	118,595	109,661	217,606	175,880
Value of share-based services	260,976	269,954	404,394	480,767
Retirement benefit (note 14).....	77,064	80,882	(51,258)	59,000
Total staff costs.....	1,273,385	1,278,094	2,163,344	2,217,064

19. Finance result, net

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Interest income.....	1,717	10,843	3,329	32,769
Interest cost.....	(17,274)	(13,080)	(31,404)	(35,477)
Interest expense on leases.....	(5,665)	(5,056)	(12,275)	(11,218)
Foreign exchange (losses)/gains, net.....	(162,290)	(133,539)	365,253	(160,149)
Finance result, net.....	(183,512)	(140,832)	324,903	(174,075)

20. Loss per share

Basic and diluted loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of shares in issue during the period excluding shares purchased by the Group and held as treasury shares.

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Loss attributable to equity holders of the Company.....	(4,690,149)	(3,114,738)	(7,329,762)	(7,420,659)
Weighted average number of shares in issue.....	34,060,051	26,668,552	33,789,956	26,636,850
Basic and diluted loss per share.....	(0.14)	(0.12)	(0.22)	(0.28)

The Company has three categories of dilutive potential shares as of June 30, 2021 and 2020: equity sharing certificates (“ESCs”), share options and warrants. For the three-month and six-month periods ended June 30, 2021 and 2020, equity sharing certificates, share options and warrants have been ignored in the calculation of the loss per share, as they would be antidilutive.

21. Related party transactions

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

<i>Key management compensation</i>	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Salaries, other short-term employee benefits and post-employment benefits...	516,146	490,109	793,077	759,316
Consulting fees.....	63,077	65,255	121,854	179,473
Share-based compensation.....	266,916	288,423	421,221	511,385
Total.....	846,139	843,787	1,336,152	1,450,174

Salaries, other short-term employee benefits and post-employment benefits relate to members of the Board of Directors and Executive Management who are employed by the Group. Consulting fees relate to Roger Mills, a member of the Executive Management who delivers his services to the Group under a consulting contract. The Group has a net payable to the Board of Directors and Executive Management of CHF 170,268 as of June 30, 2021 (December 31, 2020: CHF 145,443).

22. Events after the balance sheet date

The research agreement with Indivior has been extended until July 31, 2022, with an effective date of May 1, 2021. Under the amendment to the research agreement, Indivior committed additional research funding of CHF 3.7 million, of which CHF 2.7 million is expected to be received directly by the Group and CHF 1 million paid directly by Indivior to third party suppliers that are supporting the funded research program.

There were no other material events between the balance sheet date and the date on which these financial statements were approved by the board of directors that would require adjustment to the financial statements or disclosure under this heading.

Financial Review

Overview

We are a clinical-stage pharmaceutical company focused on the development and commercialization of an emerging class of novel orally available small molecule drugs known as allosteric modulators. Allosteric modulators target a specific receptor or protein and alter the effect of the body's own signaling molecules on their target through a novel mechanism of action. These innovative small molecule drug candidates offer several potential advantages over conventional non-allosteric molecules and may offer an improved therapeutic approach to existing drug treatments. To date, our research and development efforts have been primarily focused on building a portfolio of proprietary candidates based on our allosteric modulator development capability. The allosteric modulator principle has broad applicability across a wide range of biological targets and therapeutic areas, but our primary focus is on G-protein coupled receptors, or GPCR, targets implicated in neurological diseases, where we believe there is a clear medical need for new therapeutic approaches.

Using our allosteric modulator discovery capabilities, we have developed a pipeline of proprietary clinical and preclinical stage drug candidates. We or our partners are developing these clinical and preclinical stage proprietary drug candidates for diseases for which there are no approved therapies or where improved therapies are needed. These include levodopa induced dyskinesia associated with Parkinson's disease, non-parkinsonian dystonia (including blepharospasm), or dystonia, epilepsy, addiction (including alcohol use disorder), Charcot-Marie-Tooth type 1A neuropathy, or CMT1A and other neurodegenerative diseases. Some of these indications are classified as rare diseases that may allow for orphan drug designation by regulatory agencies in major commercial markets, such as the United States, Europe and Japan. Orphan drug designation may entitle the recipient to benefits in the jurisdiction granting the designation, such as market exclusivity following approval and assistance in clinical trial design, a reduction in user fees or tax credits related to development expense.

We are developing our lead drug candidate, dipraglurant, as a metabotropic glutamate receptor subtype 5 negative allosteric modulator, or mGlu5 NAM, for the treatment of PD-LID. We have initiated a placebo-controlled Phase 2b/3 pivotal clinical trial of dipraglurant in PD-LID patients in June 2021. The clinical trial is expected to be conducted at approximately 50 sites in the United States and target enrollment of approximately 140 patients. We have received orphan drug designation from the United States Food and Drug Administration, or FDA, for dipraglurant in PD-LID and expect to report topline results in the fourth quarter of 2022. In parallel, we are developing an extended release formulation of dipraglurant as a novel orally available mGlu5 NAM for the treatment of blepharospasm. We expect to start an exploratory placebo-controlled Phase 2 clinical trial in blepharospasm patients using the current immediate release formulation of dipraglurant in the third quarter of 2021 and expect to report topline results in the fourth quarter of 2021.

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

We are also conducting a research program under our strategic partnership with Indivior UK Limited, or Indivior, to discover novel orally available gamma-aminobutyric acid subtype B receptor positive allosteric modulators, or GABA_B PAMs. We are currently in clinical candidate selection and expect to deliver a drug candidate by the end of 2021. Under the terms of the agreement with Indivior, we have the right to select drug candidates for development in certain exclusive indications outside of addiction. We plan to develop our selected drug candidate in CMT1A, an indication that has been clinically validated with baclofen, an orthosteric agonist of GABA_B.

In addition, we are conducting a number of early stage research programs including mGlu7 NAM, mGlu2 NAM, mGlu4 PAM and mGlu3 PAM.

We were founded in May 2002 and completed our initial public offering of shares on the SIX Swiss Exchange in May 2007. On January 29, 2020, we listed American Depositary Shares, or ADSs, representing our shares on the Nasdaq Stock Market following the United States Securities and Exchange Commission, or SEC having declared our registration statements on Forms F-1 and F-6 effective. Our operations to date have included organizing and staffing our

company, raising capital, out-licensing rights to our research stage programs including our mGlu2 PAM and GABA_B PAM programs and conducting preclinical studies and clinical trials.

To date, we have generated CHF 62.4 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 June 30, 2021, we had raised an aggregate of CHF 335.6 million of gross proceeds from the sale of equity. On January 8, 2021, we issued 6,900,000 new shares of which 6,750,000 were in the form of ADSs. The gross proceeds amounted to CHF 10.1 million (USD 11.5 million).

We have never been profitable and have incurred significant net losses in each period since our inception. Our net losses were CHF 7.3 million and CHF 7.4 million for the six-month periods ended June 30, 2021 and June 30, 2020, respectively. As of June 30, 2021, we had accumulated losses of CHF 321 million. We expect to continue to incur significant expenses and operating losses for the foreseeable future. We anticipate that our expenses will increase significantly in connection with our ongoing activities as we:

- continue to invest in the research and development of our allosteric modulator discovery platform and pipeline, and specifically in connection with our Phase 2b/3 clinical trial of dipraglurant for the treatment of PD-L1D and any additional clinical trials that we may conduct for product candidates;
- hire additional research and development, and general and administrative personnel;
- maintain, expand and protect our intellectual property portfolio;
- identify and in-license or acquire additional product candidates; and
- incur additional costs associated with operating as a public company in the United States.

We will need substantial additional funding to support our operating activities as we advance our research and product candidates through clinical development, seek regulatory approval, and if any of our product candidates are approved, prepare for commercialization. Adequate funding may not be available to us on acceptable terms, or at all.

We have no manufacturing facilities, and all of our manufacturing activities are contracted out to third parties. Additionally, we currently utilize third-party clinical research organizations, or CROs, to carry out our clinical development and trials. We do not yet have a sales organization.

License Agreement with Indivior

In January 2018, we entered into an agreement with Indivior for the discovery, development and commercialization of novel GABA_B PAM compounds for the treatment of addiction and other CNS diseases. This agreement included the selected clinical candidate, ADX71441. In addition, Indivior agreed to fund a research program at Addex to discover novel GABA_B PAM compounds.

Indivior has sole responsibility, including funding liability, for development of selected compounds under the agreement through preclinical and clinical trials, as well as registration procedures and commercialization, if any, worldwide. Indivior has the right to design development programs for selected compounds under the agreement. Through our participation in a joint development committee, we review, in an advisory capacity, any development programs designed by Indivior. However, Indivior has authority over all aspects of the development of such selected compounds.

Under terms of the agreement, we have granted Indivior an exclusive license to use relevant patents and know-how in relation to the development and commercialization of product candidates selected by Indivior. Subject to agreed conditions, Addex and Indivior jointly own all intellectual property rights that are jointly developed, and Addex or Indivior individually own all intellectual property rights that Addex or Indivior develop individually. Addex has retained the right to select compounds from the research program for further development in areas outside the interest of Indivior including Charcot-Marie-Tooth type 1A neuropathy, or CMT1A. Under certain conditions, but subject to certain consequences, Indivior may terminate the agreement.

In January 2018, under terms of the agreement, we received a non-refundable upfront fee of \$5.0 million for the right to use the clinical candidate, ADX71441, including all materials and know-how related to this clinical candidate. In addition, we are eligible for payments on successful achievement of pre-specified clinical, regulatory and commercial milestones totaling \$330 million, and royalties on net sales of mid-single digits to low double-digits. On February 14, 2019, Indivior terminated the development of their selected compound, ADX71441.

Separately, Indivior funds research at Addex, based on a research plan to be mutually agreed between the parties, to discover novel GABA_B PAM compounds. These future novel GABA_B PAM compounds, if selected by Indivior, become licensed compounds. We agreed with Indivior to an initial research term of two years, that can be extended by twelve-month increments and a minimum annual funding of \$2 million for the Addex R&D costs incurred. Following Indivior's selection of one newly identified compound, Addex has the right to also select one additional newly identified compound. Addex is responsible for the funding of all development and commercialization costs of its selected compounds and Indivior has no rights to the Addex selected compounds. The initial two-year research term was expected to run from May 2018 to April 2020. In 2019, Indivior agreed an additional research funding of \$1.6 million, for the research period. On October 30, 2020, the research term was extended until June 30, 2021, and Indivior agreed an additional research funding of \$2.8 million.

Effective May 1, 2021, the research term was extended until July 31, 2022 and Indivior agreed an additional research funding of CHF 3.7 million, of which CHF 2.7 million is expected to be received directly by the Group and CHF 1 million paid directly by Indivior to third party suppliers that are supporting the funded research program.

The contract contains two distinct material promises and performance obligations: (1) the selected compound ADX71441 which falls within the definition of a licensed compound, whose rights of use and benefits thereon was transferred in January 2018 and, (2) the research services to be conducted by Addex and funded by Indivior to discover novel GABA_B PAM compounds for clinical development that may be discovered over the research term of the agreement and selected by Indivior.

License Agreement with Janssen

Under our agreement with Janssen Pharmaceuticals Inc. (formerly known as Ortho-McNeil-Janssen Pharmaceuticals Inc), or Janssen, we granted Janssen an exclusive license to use relevant patents and know-how in relation to the development and commercialization of product candidates selected by Janssen under the agreement and a non-exclusive worldwide license to conduct research on the collaboration compounds using relevant patents and know-how. Subject to certain conditions, we and they agreed to own, jointly, all intellectual property rights that we develop jointly and, individually, all intellectual property rights that either party develops individually. Under certain conditions, but subject to certain consequences, Janssen may terminate the agreement for any reason, subject to a 90-day notice period.

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

Janssen initiated a Phase 2a proof of concept clinical trial of ADX71149 in epilepsy patients in June 2021. We are eligible for a further €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 June 2021, we recognized CHF 14.2 million as revenue primarily under our license agreement with Indivior. We do not have approval to market or commercialize any of our product candidates, we have never generated revenue from the sale of products and we do not expect to generate any revenue from product sales for the foreseeable future. Prior to approval of a product candidate, we will seek to generate revenue from a combination of license fees, milestone payments in connection with collaborative or strategic relationships, royalties resulting from the licensing of our drug candidates and payments from sponsored research and development activities as well as grants from governmental and non-governmental organizations.

Revenue from collaborative arrangements comprises the fair value for the sale of products and services, net of value-added tax, rebates and discounts. Revenue from the rendering of services is recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total service to be provided. Revenue from collaborative arrangements may

include the receipt of non-refundable license fees, milestone payments, and research and development payments. When we have continuing performance obligations under the terms of the arrangements, non-refundable fees and payments are recognized as revenue by reference to the completion of the performance obligation and the economic substance of the agreement.

Our revenue has varied, and we expect revenue to continue to vary, substantially from year to year, depending on the structure and timing of milestone events, as well as our development and commercialization strategies and those of our collaboration partners for our product candidates. We, therefore, believe that historical period to period comparisons are not meaningful and should not be relied upon as an indicator of our future revenue and performance potential.

Other Income

From the beginning of January 2017 through June 2021, we recognized CHF 1.6 million as other income including CHF 1.2 million relating to grants from The Michael J. Fox Foundation for Parkinson’s Research, or MJFF, relating to certain clinical activities related to dipraglurant development in Parkinson’s disease levodopa-induced dyskinesia, or PD-LID, and TrKB PAM discovery activities.

In 2019, we were funded by Eurostars/Innosuisse for CHF 0.5 million to support our mGlu7 NAM program of which CHF 0.4 million were received in October 2019 and being recognized as income from the inception of the contract. As of June 30, 2021, the Group recognized CHF 0.1 million as other receivables 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 June 2021, we incurred CHF 36.9 million in research and development costs. They consist mainly of direct research costs, which include: costs associated with the use of contract research organizations, or CROs, and consultants hired to assist on our research and development activities, personnel costs, share-based compensation for our employees and consultants, costs related to regulatory affairs and intellectual property, as well as depreciation for assets used in research and development activities.

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

The following table provides a breakdown of our outsourced research and development costs that are directly attributable to the specified programs for the three-month and six-month periods ended June 30, 2021 and 2020:

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
	(CHF in thousands)			
Dipraglurant PD-LID.....	1,641	907	2,947	3,217
Dipraglurant blepharospasm.....	379	-	419	-
GABA _B PAM.....	487	292	846	654
Other discovery programs.....	275	138	529	272
Total outsourced research and development costs.....	2,782	1,337	4,741	4,143

We expect our research and development costs will increase for the foreseeable future as we seek to advance the development of our programs. At this time, we cannot reasonably estimate or know the nature, timing and estimated costs of the efforts that will be necessary to complete the development of our product candidates. We are also unable to predict when, if ever, material net cash inflows will commence from sales of our product candidates.

Addex Therapeutics | Financial Review

This is due to the numerous risks and uncertainties associated with developing such product candidates, including:

- uncertainty related to discovering clinical candidate;
- uncertainty related to efficiently manufacturing and distributing drug products;
- competitor intellectual property restraining our freedom to operate;
- the number of patients and sites required for clinical trials;
- the length of time required to enroll patients, run clinical trials and analyze results; and
- the results of our clinical trials.

In addition, the probability of success for any of our product candidates will depend on numerous factors, including competition, manufacturing capabilities and commercial viability. A change in the outcome of any of these variables with respect to the development of any of our product candidates would significantly change the costs, timing and viability associated with the development of that product candidate.

General and Administrative Costs

General and administrative costs consist primarily of personnel costs, including salaries, benefits and share-based compensation cost for our employees as well as corporate facility costs not otherwise included in research and development expenses, legal fees related to corporate matters and fees for accounting and financial or tax consulting services.

We anticipate that our general and administrative costs will increase in the future to support continued research and development activities.

Finance Result, Net

Finance result, net consists mainly of currency exchange differences, interest expenses relating to lease liabilities, and to the negative interest rate on Swiss franc cash deposits, partially offset by positive interest income on USD bank deposits and short-term deposits.

Analysis of Results of Operations

The following table presents our consolidated results of operations for the three-month and six-month periods ended June 30, 2021 and 2020:

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
	(CHF in thousands)			
Revenue	993	861	1,837	1,765
Other income	79	72	157	120
Research and development costs	(3,732)	(2,319)	(6,480)	(5,872)
General and administrative costs	(1,847)	(1,588)	(3,169)	(3,260)
Operating loss	(4,507)	(2,974)	(7,655)	(7,247)
Finance income	(160)	11	369	33
Finance expense	(23)	(152)	(44)	(207)
Net loss	(4,690)	(3,115)	(7,330)	(7,421)

Three Months Ended June 30, 2021 Compared to Three Months Ended June 30, 2020

Revenue

The following table sets forth our revenue in the three-month periods ended June 30, 2021 and 2020:

	For the three months ended June 30,	
	2021	2020
	(CHF in thousands)	
Collaborative research funding.....	993	861
Total.....	993	861

Revenue increased by CHF 0.1 million in the three-month period ended June 30, 2021 compared to the three-month period ended June 30, 2020 primarily due to amounts received under our research agreement with Indivior which are being recognized as related costs are incurred.

Other Income

The following table sets forth our other income in the three-month periods ended June 30, 2021 and 2020:

	For the three months ended June 30,	
	2021	2020
	(CHF in thousands)	
Research grants.....	74	66
Other service income.....	5	6
Total.....	79	72

Other income remained stable in the three-month period ended June 30, 2021, compared to the three-month period ended June 30, 2020 and related primarily to amounts from our Eurostars/Innosuisse research grant award which are being recognized as related costs are incurred.

Research and Development Expenses

The following table sets forth our research and development expenses in the three-month periods ended June 30, 2021 and 2020:

	For the three months ended June 30,	
	2021	2020
	(CHF in thousands)	
Dipraglurant PD-LID.....	1,641	907
Dipraglurant blepharospasm	379	-
GABA _B PAM.....	487	292
Other discovery programs.....	275	138
Subtotal outsourced R&D per program.....	2,782	1,337
Staff costs.....	653	610
Depreciation and amortization.....	70	77
Laboratory consumables.....	56	102
Patent maintenance and registration costs.....	66	108
Short-term leases.....	1	2
Other operating costs.....	104	83
Subtotal unallocated R&D expenses.....	950	982
Total.....	3,732	2,319

Research and development expenses increased by CHF 1.4 million in the three-month period ended June 30, 2021, compared to the three-month period ended June 30, 2020. The increase primarily relates to CHF 0.7 million for dipraglurant PD-LID program, CHF 0.4 million for dipraglurant blepharospasm program and CHF 0.3 million for other preclinical research programs.

General and Administrative Costs

The following table sets forth our general and administrative costs in the three-month periods ended June 30, 2021 and 2020:

	For the three months ended June 30,	
	2021	2020
	(CHF in thousands)	
Staff costs.....	621	668
Depreciation and amortization.....	18	20
Professional fees.....	643	421
Short-term leases.....	7	8
D&O Insurance	396	390
Other operating costs.....	162	81
Total.....	1,847	1,588

General and administrative costs increased by CHF 0.3 million in the three-month period ended June 30, 2021 compared to the three-month period ended June 30, 2020, primarily due to higher professional fees relating to setting-up our US shelf registration and “at-the-market” (ATM) ADS equity sale program with Cantor Fitzgerald.

Finance Result, Net

	For the three months ended June 30,	
	2021	2020
	(CHF in thousands)	
Interest income.....	2	11
Interest cost.....	(17)	(13)
Interest expense on leases.....	(6)	(5)
Foreign exchange losses, net.....	(162)	(134)
Total.....	(183)	(141)

Finance result net loss increased from CHF 0.1 million to CHF 0.2 million in the three-month period ended June 30, 2021 compared to the three-month period ended June 30, 2020 mainly due to currency exchange differences on U.S. dollar cash deposits.

Six Months Ended June 30, 2021 Compared to Six Months Ended June 30, 2020

Revenue

The following table sets forth our revenue in the six-month periods ended June 30, 2021 and 2020:

	For the six months ended June 30,	
	2021	2020
	(CHF in thousands)	
Collaborative research funding.....	1,837	1,765
Total.....	1,837	1,765

Revenue increased by CHF 0.1 million in the six-month period ended June 30, 2021 compared to the six-month period ended June 30, 2020 primarily due to amounts received under our research agreement with Indivior which are being recognized as related costs are incurred.

Other Income

The following table sets forth our other income in the six-month periods ended June 30, 2021 and 2020:

	For the six months ended June 30,	
	2021	2020
	(CHF in thousands)	
Research grants.....	147	111
Other service income.....	10	9
Total.....	157	120

Other income remained stable in the six-month period ended June 30, 2021 compared to the six-month period ended June 30, 2020 and primarily related to amounts from our Eurostars/Innosuisse research grant award which are being recognized as related costs are incurred.

Research and Development Expenses

The following table sets forth our research and development expenses in the six-month periods ended June 30, 2021 and 2020:

	For the six months ended June 30,	
	2021	2020
	(CHF in thousands)	
Dipraglurant PD-LID.....	2,947	3,217
Dipraglurant blepharospasm	419	-
GABA _B PAM.....	846	654
Other discovery programs.....	529	272
Subtotal outsourced R&D per program.....	4,741	4,143
Staff costs.....	1,103	1,072
Depreciation and amortization.....	140	155
Laboratory consumables.....	139	160
Patent maintenance and registration costs.....	145	173
Short-term leases.....	4	10
Other operating costs.....	208	159
Subtotal unallocated R&D expenses.....	1,739	1,729
Total.....	6,480	5,872

Research and development expenses increased by CHF 0.6 million in the six-month period ended June 30, 2021, compared to the six-month period ended June 30, 2020, mainly due to the net effect of reduced costs associated with our dipraglurant PD-LID pivotal program and increased costs related to our dipraglurant blepharospasm program, GABA_B PAM program and other discovery programs.

General and Administrative Costs

The following table sets forth our general and administrative costs in the six-month periods ended June 30, 2021 and 2020:

	For the six months ended June 30,	
	2021	2020
	(CHF in thousands)	
Staff costs.....	1,061	1,145
Depreciation and amortization.....	37	38
Professional fees.....	929	996
Short-term leases.....	12	8
D&O Insurance	795	727
Other operating costs.....	335	346
Total.....	3,169	3,260

General and administrative costs decreased by CHF 0.1 million in the six-month period ended June 30, 2021 compared to the six-month period ended June 30, 2020, primarily due to reduced share based compensation costs.

Finance Result, Net

	For the six months ended June 30,	
	2021	2020
	(CHF in thousands)	
Interest income.....	3	33
Interest cost.....	(31)	(36)
Interest expense on leases.....	(12)	(11)
Foreign exchange (losses)/gains, net.....	365	(160)
Total.....	325	(174)

Finance result net increased by CHF 0.5 million in the six-month period ended June 30, 2021, compared to the six-month period ended June 30, 2020, mainly due to currency exchange differences on U.S. dollar cash deposits.

Liquidity and Capital Resources

Since our inception through June 30, 2021, we have generated CHF 62.4 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 June 30, 2021, we raised an aggregate of CHF 335.6 million of gross proceeds from the sale of equity. As of June 30, 2021, we had CHF 18.1 million in cash and cash equivalents. On January 8, 2021, we issued 6,900,000 new shares of which 6,750,000 were in the form of ADSs. The gross proceeds amount to CHF 10.1 million (USD 11.5 million).

Our primary uses of cash are to fund operating expenses, primarily research and development expenditures. Cash used to fund operating expenses is impacted by the timing of when we pay these expenses, as reflected in the changes in our outstanding accounts payable and accrued expenses. We currently have no ongoing material financing commitments, such as lines of credit or guarantees.

We expect our expenses to increase in connection with our ongoing activities, particularly as we continue to advance our portfolio of product candidates, initiate further clinical trials and seek marketing approval for our product candidates.

In addition, if we obtain marketing approval for any of our product candidates, we expect to incur significant commercialization expenses related to program sales, marketing, manufacturing and distribution to the extent that such sales, marketing and distribution are not the responsibility of potential collaborators. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our research and development programs or future commercialization efforts.

Addex Therapeutics | Financial Review

We expect our existing cash and cash equivalents will enable us to fund our operating expenses and capital expenditure requirements through at least the third quarter 2022. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect. Our future capital requirements will depend on many factors, including:

- the scope, progress, results and costs of our ongoing and planned preclinical studies and clinical trials for dipraglurant PD-L1D and dipraglurant blepharospasm programs;
- the timing and amount of milestone and royalty payments we may receive under our license agreements;
- the extent to which we in-license or acquire other product candidates and technologies;
- the number and development requirements of other product candidates that we may pursue;
- the costs, timing and outcome of regulatory review of our product candidates;
- the duration and severity of the COVID-19 pandemic;
- the costs associated with building out our Swiss and U.S. operations; and
- the costs and timing of future commercialization activities, including drug manufacturing, marketing, sales and distribution, for any of our product candidates for which we receive marketing approval.

Identifying potential product candidates and conducting preclinical studies and clinical trials is a time-consuming, expensive and uncertain process that takes many years to complete, and we may never generate the necessary data or results required to obtain marketing approval and achieve product sales. In addition, our product candidates, if approved, may not achieve commercial success. Our revenue, if any, will be derived from sales of products that we do not expect to be commercially available for many years, if at all.

Until such time, if ever, as we can generate substantial product revenue, we may finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms of any additional securities may include liquidation or other preferences that adversely affect your rights as a shareholder. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends.

If we raise funds through additional collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market product candidates that we would otherwise prefer to develop and market ourselves.

The following table shows a summary of our cash flows for the periods indicated:

	For the six months ended June 30,	
	2021	2020
	(CHF in thousands)	
Cash and cash equivalents at the beginning of the period.....	18,695	31,537
Net cash flows used in operating activities.....	(9,221)	(10,327)
Net cash flows used in investing activities.....	(5)	(10)
Net cash flows from/(used in) financing activities...	8,336	(349)
Decrease in cash and cash equivalents.....	(890)	(10,686)
Effect of the exchange rates.....	303	(180)
Cash and cash equivalents at the end of the period	18,108	20,671

Operating Activities

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

During the six-month period ended June 30, 2021, operating activities used CHF 9.2 million of cash primarily due to our net loss of CHF 7.3 million adjusted for CHF 0.3 million of finance net income and a decreased net working capital movement of CHF 2.1 million partially offset by non-cash items of CHF 0.5 million that primarily relate to the value of the share-based services. The decreased net working capital is mainly due to contract assets from the research agreement funded by Indivior and increased prepayments from D&O insurance premiums and retirement benefits paid annually at the beginning of the year.

During the six-month period ended June 30, 2020, operating activities used CHF 10.3 million of cash primarily due to our net loss of CHF 7.4 million and a decreased net working capital movement of CHF 3.9 million partially offset by non-cash items of CHF 0.8 million that mainly relate to the value of the share-based services. The decrease net working capital movement is mainly due to the increase of the prepayments relating to the D&O insurance premiums for CHF 1.1 million and the decrease in accruals and payables for CHF 1.8 million mainly due to reduced research and development activities on Dipraglurant PD-L1D program because of COVID 19 pandemic during the second quarter 2020 and reduced payables.

Investing Activities

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

During the six-month periods ended June 30, 2021 and 2020, net cash used in investing activities was close to nil, primarily related to investments in computers and laboratory equipment.

Financing Activities

Net cash flows from financing activities consists of proceeds from the sale of equity securities, whilst net cash flows used in financing activities primarily relate to the principal element of lease payments under IFRS 16 and interest expenses on Swiss francs cash deposits and capital increase costs.

During the six-month period ended June 30, 2021, net cash flows from financing activities amounted to CHF 8.3 million and consisted primarily of the net proceeds from the capital increase executed on January 8, 2021, for CHF 8.6 million which were partially offset by the principal element of lease payments and associated interest expense for CHF 0.2 million.

During the six-month period ended June 30, 2020, net cash flows used in financing activities primarily related to the principal element of lease payments and associated interest expense, as well as the costs paid on issue of shares subscribed by the Group.

Off-Balance Sheet Arrangements

As of the date of the discussion and analysis and during the period presented, we did not have, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the U.S. Securities and Exchange Commission.

Critical Accounting Policies and Significant Judgments and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our consolidated interim financial statements, which we have prepared in accordance with International Accounting Standard 34 Interim Financial reporting as issued by the International Accounting Standards Board.

Recent Accounting Pronouncements

The adoption of IFRS standards as issued by the IASB and interpretations issued by the IFRS interpretations committee that are effective for the first time for the financial year beginning on or after January 1, 2021 had no material impact on our financial position or disclosures made in our condensed consolidated interim financial statements.

JOBS Act Transition Period

Subject to certain conditions, as an emerging growth company, we may rely on certain of these exemptions under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, including without limitation, (1) providing an auditor’s attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (2) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an emerging growth company until the earlier to occur of (1) the last day of the fiscal year (a) December 31, 2025 (b) in which we have total annual gross revenues of at least \$1.07 billion or (c) in which we are deemed to be a “large accelerated filer” under the rules of the U.S. Securities and Exchange Commission, which means the market value of our common shares that is held by non-affiliates exceeds \$700 million as of the prior June 30, and (2) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period.