General and Administrative Costs

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

We expect our general and administrative costs to remain stable for the foreseeable future.

Finance Result, Net

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

Taxation

We are subject to corporate taxation in Switzerland, United States and France. We are also entitled under Swiss laws to carry forward any losses incurred for a period of seven years and can offset our losses carried forward against future taxes. As of December 31, 2022, we had tax losses carried forward totaling CHF 275.2 million of which CHF 141.4 million will expire by the end of 2023. Deferred income taxes are not recognized as we do not believe it is probable that we will generate sufficient taxable profits to utilize these tax losses carried forward.

A. Operating Results

Analysis of Results of Operations

The following table presents our consolidated results of operations for the fiscal years 2022, 2021 and 2020.

	For the years ended December 31,		
	2022	2021	2020
	(CHF in thousands)		
Revenue	1,422	2,916	3,613
Other Income	23	237	266
Research and development costs	(14,665)	(12,840)	(10,373)
General and administrative costs	(7,300)	(5,819)	(5,749)
Operating loss	**(20,520**	**(15,506)**	**(12,243)**
Finance income	29	217	35
Finance expense	(313)	(63)	(651)
Net loss	**(20,804)**	**(15,352)**	**(12,859)**

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

The following table sets forth our revenue in 2022 and 2021.

	For the years ended December 31,	
	2022	2021
	(CHF in thousands)	
Collaborative research funding	1,422	2,916
Total	**1,422**	**2,916**

Revenue decreased by CHF 1.5 million in 2022 compared to 2021 due to amounts received under our license and research agreements with Indivior which are recognized as related costs are incurred.

Other Income

The following table sets forth the other income in 2022 and 2021.

	For the years ended December 31,	
	2022	2021
	(CHF in thousands)	
Research grants	—	218
Other service income	23	19
Total	**23**	**237**

Other income, decreased by CHF 0.2 million in 2022 compared to 2021 as the Group did not recognized any income from the grant with Eurostars/Innosuisse in 2022, in accordance with the grant conditions. Other service income relates to IT consultancy agreements.

Research and Development Expenses

The following table sets forth our research and development expenses in 2022 and 2021.

	For the years ended December 31,	
	2022	2021
	(CHF in thousands, unaudited)	
Dipraglurant PD-LID	5,984	5,455
Dipraglurant blepharospasm	632	720
GABAB PAM	1,267	1,513
M4 PAM	1,228	403
Other discovery programs	919	923
Subtotal outsourced R&D per program	**10,030**	**9,014**
Staff costs	3,358	2,587
Depreciation and amortization	256	273
Laboratory consumables	319	295
Patent maintenance and registration costs	318	266
Short-term leases	42	22
Other operating expenses	342	383
Subtotal unallocated R&D expenses	**4,635**	**3,826**
Total	**14,665**	**12,840**

Research and development costs increased by CHF 1.8 million in 2022 compared to 2021 primarily due to higher outsourced R&D expenses of CHF 1.0 million including CHF 0.6 million for discovery activities and CHF 0.4 million for dipraglurant clinical development activities. During the same period, staff costs primarily driven by the evolution of higher share-based compensation costs, increased by CHF 0.8 million.

General and Administrative Costs

The following table sets forth our general and administrative costs in 2022 and 2021.

	For the years ended December 31,	
	2022	2021
	(CHF in thousands, unaudited)	
Staff costs	3,695	2,150
Depreciation and amortization	68	74
Professional fees	1,424	1,380
Short-term leases	5	16
D&O insurance	1,591	1,592
Other operating costs	517	607
Total	**7,300**	**5,819**

General and administrative costs increased by CHF 1.5 million in 2022 compared to 2021. The increase primarily relates to staff costs for CHF 1.5 million driven by higher share-based compensation costs.

Finance Result, Net

The following table sets forth our finance result net in 2022 and 2021.

	For the years ended December 31,	
	2022	2021
	(CHF in thousands)	
Interest income	29	5
Interest cost	(26)	(39)
Interest expense on leases	(23)	(24)
Foreign exchange (losses)/ gains, net	(264)	212
Total	**(284)**	**154**

Finance result, net decreased by CHF 0.4 million in 2022 compared to 2021 mainly due to a net currency exchange loss of CHF 0.3 million in 2022 compared to a net currency exchange gain of CHF 0.2 million in 2021 primarily due to currency exchange differences on U.S dollar cash deposits due to the strengthening of the Swiss franc.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

The following table sets forth our revenue in 2021 and 2020.

	For the years ended December 31,	
	2021	2020
	(CHF in thousands)	
Collaborative research funding	2,916	3,613
Total	**2,916**	**3,613**

Revenue decreased by CHF 0.7 million in 2021 compared to 2020 due to amounts received under our license and research agreements with Indivior which are recognized as related costs are incurred.

Other Income

The following table sets forth the other income in 2021 and 2020.

	For the years ended December 31,	
	2021	**2020**
	(CHF in thousands)	
Research grants	218	244
Other service income	19	22
Total	**237**	**266**

Other income, remained stable in 2021 compared to 2020 primarily due to amounts from our Eurostars/Innosuisse research grant award, which is being recognized in income as related costs are incurred. Other service income relates to IT consultancy agreements.

Research and Development Expenses

The following table sets forth our research and development expenses in 2021 and 2020.

	For the years ended December 31,	
	2021	**2020**
	(CHF in thousands, unaudited)	
Dipraglurant PD-LID	5,455	4,871
Dipraglurant blepharospasm	720	144
GABAB PAM	1,513	1,372
M4 PAM	403	64
Other discovery programs	923	531
Subtotal outsourced R&D per program	**9,014**	**6,982**
Staff costs	2,587	2,168
Depreciation and amortization	273	303
Laboratory consumables	295	295
Patent maintenance and registration costs	266	328
Short-term leases	22	24
Other operating expenses	383	273
Subtotal unallocated R&D expenses	**3,826**	**3,391**
Total	**12,840**	**10,373**

Research and development costs increased by CHF 2.5 million in 2021 compared to 2020. The increase primarily relates to outsourced R&D expenses for CHF 2.0 million, of which, CHF 0.6 million relate to our dipraglurant PD-LID program and CHF 0.6 million for our dipraglurant blepharospasm program. During the same period, staff costs increased by CHF 0.4 million primarily due to the strengthening of our R&D team in 2021.

General and Administrative Costs

The following table sets forth our general and administrative costs in 2021 and 2020.

	For the years ended December 31,	
	2021	**2020**
	(CHF in thousands, unaudited)	
Staff costs	2,150	2,229
Depreciation and amortization	74	76
Professional fees	1,380	1,399
Short-term leases	16	12
D&O Insurance	1,592	1,506
Other operating costs	607	527
Total	**5,819**	**5,749**

General and administrative costs increased by CHF 0.1 million in 2021 compared to 2020. The increase primarily relates to higher directors and officer’s liability insurance premiums as we strengthened our insurance coverage on January 29, 2020 following the Company’s listing on the Nasdaq Stock Market.

Finance Result, Net

The following table sets forth our finance result net in 2021 and 2020.

	For the years ended December 31,	
	2021	**2020**
	(CHF in thousands)	
Interest income	5	35
Interest cost	(39)	(51)
Interest expense on leases	(24)	(19)
Foreign exchange gains/(losses), net	212	(581)
Total	**154**	**(616)**

Finance result, net increased by CHF 0.8 million in 2021 compared to 2020 mainly due to a net currency exchange gain of CHF 0.2 million in 2021 compared to a net currency exchange loss of CHF 0.6 million in 2020 primarily to the impact of a strengthening U.S dollar on U.S dollar cash deposits.

B. Liquidity and Capital Resources

Since our inception through December 31, 2022, we have generated CHF 64.8 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 December 31, 2022, we raised an aggregate of CHF 349.4 million of gross proceeds from the sale of equity. As at December 31, 2022, we had CHF 7.0 million in cash and cash equivalents and we raised a total of CHF 1.2 million under our sale agency agreement with Kepler Cheuvreux between the closing date and the issuance date of our Annual Report on Form 20-F.

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

We expect our expenses to decrease in the near term as we have no ongoing clinical studies funded by us. In the medium and long term, our expenses may increase in connection with our ongoing activities, particularly as we continue to advance our portfolio of drug candidates, initiate further clinical trials and seek marketing approval for our drug candidates.

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

We expect our existing cash and cash equivalents at the issuance date of annual report on Form 20-F will enable us to fund our operating expenses and capital expenditure requirements through end of the third quarter of 2023. This indicates that a material uncertainty exists that raise substantial doubt about the Group's ability to continue as a going concern for one year from the date of issuance of these unaudited interim condensed consolidated financial statements. Our future viability is dependent on our ability to monetize our intellectual property portfolio and /or raise additional capital though public or private financings that may dilute existing shareholders. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect. Our future capital requirements 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;
- the costs associated with building out our operations; and
- the costs and timing of future commercialization activities, including drug manufacturing, marketing, sales and distribution, for any of our 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 years indicated:

	For the years ended December 31,		
	2022	2021	2020
		(CHF in thousands)	
Cash and cash equivalents at the beginning of the year	**20,485**	**18,695**	**31,537**
Net cash flows used in operating activities	(16,437)	(14,705)	(12,180)
Net cash flows from /(used in) investing activities	3	(30)	(59)
Net cash flows from financing activities	3,102	16,403	46
Increase/(Decrease) in cash and cash equivalents.	**(13,332)**	**1,668**	**(12,193)**
Effect of the exchange rates	(196)	122	(649)
Cash and cash equivalents at end of year	**6,957**	**20,485**	**18,695**

Operating Activities

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

During the year ended December 31, 2022, operating activities used CHF 16.4 million of cash primarily due to our net loss of CHF 20.8 million adjusted for CHF 0.2 million of decreased net working capital and CHF 0.2 million of net finance income, partially offset by non-cash items for CHF 4.0 million including CHF 3.7 million of share-based compensation costs and CHF 0.3 million of depreciation of the right-of-use assets for leases. Changes in net working capital mainly relate to decreased prepayments due to the termination of our dipraglurant clinical development activities.

During the year ended December 31, 2021, operating activities used CHF 14.7 million of cash primarily due to our net loss of CHF 15.4 million adjusted for CHF 0.6 million of increased net working capital and CHF 0.1 million of net finance income primarily relating to currency exchange gains on cash and cash equivalents, partially off-set by CHF 1.4 million of non-cash items mainly related to the value of share-based services and depreciation of the right-of-use assets for leases. Changes in net working capital mainly relate to increased prepayments on our dipraglurant PD-LID program.

During the year ended December 31, 2020, operating activities used CHF 12.2 million of cash primarily due to our net loss of CHF 12.9 million adjusted for CHF 0.7 million of finance costs and the net effect of increased net working capital of CHF 1.5 million off-set by CHF 1.5 million of non-cash items mainly related to the value of share-based services and depreciation of the right-of-use assets for leases. Changes in working capital mainly relate to decreased payables and accruals that are primarily due to delays in starting certain clinical development activities due to the global coronavirus pandemic.

Investing Activities

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

During the years ended December 31, 2022, 2021 and 2020 net cash used in investing activities was close to nil, primarily related to investments in laboratory equipment and to a lesser extent computer hardware and software.

Financing Activities

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

During the year ended December 31, 2022, net cash flows from financing activities amounted to CHF 3.1 million and relate to an offering with Armistice Capital LLC executed on July 22, 2022 and sales of treasury shares through the sale agency agreement with Kepler Cheuvreux in July 2022 with gross proceed of CHF 4.1 million and CHF 0.4 million, respectively, partially offset by the costs associated with the offering executed on December 16, 2021 and July 22, 2022 and paid in 2022 for CHF 0.5 million and CHF 0.4 million, respectively. The other cash out flows primarily relate to the principal element of lease payments and associated interest expense for CHF 0.3 million and issuance cost of new treasury shares executed in 2022 for a total amount of CHF 0.2 million.

During the year ended December 31, 2021, net cash flows from financing activities amounted to CHF 16.4 million and primarily relate to offerings executed on January 8, 2021 and December 16, 2021 with a respective gross proceed of CHF 10.1 million and CHF 9.2 million partially offset by total offering costs of CHF 3.3 million of which CHF 0.2 million has been paid in December 2020 and CHF 0.5 million was still pending to be paid as of December 31, 2021. The other cash out flows primarily relate to the principal element of lease payments and associated interest expense for CHF 0.4 million.

During the year ended December 31, 2020, net cash flows from financing activities was close to nil. The sale of treasury shares of CHF 0.7 million has been offset by the principal of lease payments for CHF 0.4 million and offering costs of CHF 0.2 million paid in December 2020 for the preparation of the capital increase executed on January 8, 2021.

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.

Lease liabilities and commitments

The maturities for lease payments in relation to operating lease under IFRS 16 as of December 31, 2022 are as follows:

At December 31 2022	Less than 1 Year	1 to 5 Years	More than 5 Years	Total cash out flows	Carrying amount liabilities
			(CHF in thousands)		
Lease Liabilities	305,294	90,684	—	**395,978**	**373,135**

Lease liabilities relate to the rent of laboratories, equipment, offices and related spaces used by the Group. There are no cancellable operating lease commitments over 5 years.

We enter into contracts in the normal course of business with CROs for clinical trials, preclinical studies, manufacturing and other services and products for operating purposes. These contracts generally provide for termination upon notice, and therefore we believe that our non-cancelable obligations under these agreements are not material.

Outstanding Debt

We do not engage in trading activities involving non-exchange traded contracts nor do we currently have any debt outstanding. We therefore believe that we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in these relationships.

C. Research and Development

For a discussion of our research and development activities, see “Item 4.B—Business Overview” and “Item 5.A—Operating Results.”

D. Trend Information

For a discussion of trends, see “Item 5.A—Operating Results” and “Item 5.B—Liquidity and Capital Resources.”