



Allosteric Modulators for
Human Health

Annual Report 2018

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Key Facts / Addex Therapeutics

Focus:	Oral small molecule allosteric modulation-based drug discovery and development against diseases with high unmet medical needs. Rare diseases with orphan drug designation potential
Disease area:	Central Nervous System (CNS)
Lead programs:	Dipraglurant for Parkinson's disease levodopa-induced dyskinesia; Dipraglurant for dystonia; ADX71149 for epilepsy and undisclosed CNS disorders (licensed to Janssen Pharmaceuticals Inc.); and GABAB PAM for addiction (licensed to Indivior PLC);
Total full time equivalent employees and consultants as of December 31, 2018:	17
Stock symbol / exchange:	ADXN (ISIN:CH0029850754) / SIX Swiss Exchange
Shares outstanding as of December 31, 2018:	28,564,031
Cash as of December 31, 2018:	CHF41.7 million
Headquarters:	Geneva, Switzerland

Letter to Shareholders

Dear Shareholders,

We have continued during 2018 with our focus on the discovery and development of allosteric modulator drug candidates for the treatment of critical neurological disorders. Our progress in pursuing these important goals has been considerably enhanced by a CHF 40 million financing from leading US healthcare investors and the achievement of a partnership with Indivior PLC (“Indivior”).

Dipraglurant development in levodopa induced dyskinesia associated with Parkinson’s disease (PD-LID) is an important priority and following the financing, we have accelerated our activities to prepare for the start of a pivotal registration study. We significantly strengthened our team with expertise including clinical, regulatory, quality assurance, toxicology, pharmacokinetics and manufacturing as well as creating a development team in the United States, where we are planning to conduct the PD-LID studies. We have made good progress with the manufacturing of dipraglurant and are on track to deliver drug product for the start of our first pivotal registration study in the fourth quarter of 2019. We also initiated a number of additional dipraglurant related development activities which will be important to support future studies, including our planned open label extension study, scheduled to start in the first half of 2020.

Our partnership with Indivior was a key focus for our discovery team in 2018. We handed over development candidate ADX71441 to the Indivior team and restarted discovery activities to identify novel gamma-aminobutyric acid subtype B receptor (“GABA B”) positive allosteric modulators (“PAMs”). On February 14, 2019, we announced that Indivior had elected to stop development of ADX71441 and to concentrate resources on alternative GABA B PAM compounds which are the focus of our discovery activities. While the termination of ADX71441 development is disappointing, we are confident that our discovery activities will be successful at providing novel drug candidates with superior drug profiles and stronger patent position than ADX71441, for development by our partner, Indivior. Under the terms of the agreement, we received USD 5.0 million upfront and a minimum of USD 4.0 million of committed research funding over two years. In addition we are eligible for USD 330 million of potential development, regulatory and commercialization milestones as well as tiered royalties up to double-digit. We also retained the right to select compounds from the GABA B PAM research for certain indications outside addiction, including the rare disease, Charcot-Marie-Tooth type 1a neuropathy (CMT1A).

We also made significant progress in 2018, advancing our discovery programs. Our tyrosine kinase type B (TrkB) PAM program for neurodegeneration received a grant of USD 0.8 million from the Michael J. Fox Foundation for Parkinson’s Research and delivered drug candidates for in vivo profiling. Our ongoing, Swiss government funded collaborations, with universities of Lausanne and Geneva, have made significant progress in advancing our understanding of the mechanisms of action of our metabotropic glutamate receptor (mGlu) 7 and 4, and TrkB programs. In addition to progress made through collaborative arrangements, we reinitiated chemistry activities for a number of our early stage programs including mGlu7, mGlu4 and mGlu3 to ensure growth of our clinical portfolio in the years to come.

The success we achieved in 2018 and our optimism looking ahead has been accomplished through strong collaboration and teamwork. We would like to acknowledge and thank our employees, consultants and collaboration partners for their dedication, loyalty and perseverance. We would also like to thank our shareholders for their much valued support.

Vincent Lawton
Chairman of the Board

Tim Dyer
Chief Executive Officer

Financial Review

Overview

The following review and discussion of the financial results for 2018 should be read in conjunction with the consolidated financial statements and related notes, which have been prepared in accordance with International Financial Reporting Standards and are presented in this Annual Report.

We are a development-stage biopharmaceutical company focused on building a sustainable pharmaceutical business around our expertise in the discovery and development of oral small molecule allosteric modulators of G-protein coupled receptors. As a result, commercialization is currently limited to licensing and research and development services related to selected discovery and development stage programs.

During 2018, our financial results are driven primarily by activities related to the development of dipraglurant for Parkinson's disease levodopa-induced dyskinesia ("PD-LID") and discovery activities related to our gamma-aminobutyric acid subtype B receptor ("GABAB") positive allosteric modulators ("PAMs") partnership with Indivior PLC ("Indivior") and our tyrosine kinase type B ("TrkB") PAM program for neurodegeneration. In addition, we were engaged in a number of business development and financing activities related to securing resources to advance our portfolio, including entering into collaborations with patient advocacy groups, academic institutions and governmental organizations to characterize our portfolio of drug candidates and access expertise to complement our internal resources. At December 31, 2018, our headcount was 17 full time equivalents (FTEs) compared to 8 FTEs at December 31, 2017. Our average headcount increased to 12 FTEs in 2018, compared to 8 FTEs in 2017. In addition to our headcount, we engaged a number of consultants and service providers to complement our internal resources.

Research and development expenditure increased to CHF4.9 million and general and administrative expenses increased to CHF3.2million. CHF6.7 million has been recognized as income in the year and our net loss decreased to CHF1.6 million. We ended the year with a cash position of CHF41.7 million.

Results of operations

The following table presents our consolidated results of operations for the fiscal years 2018 and 2017:

Amounts in millions of Swiss francs	For the years ended December 31	
	2018	2017
Revenue from contract with customer	6.0	-
Other income	0.7	0.5
Research and development expenses....	(4.9)	(2.6)
General and administrative expenses.....	(3.2)	(1.1)
Total operating costs	(8.1)	(3.7)
Operating loss	(1.4)	(3.2)
Finance costs, net.....	(0.2)	(0.1)
Net loss for the year	(1.6)	(3.3)

Income

Income was CHF6.7 million in 2018 compared to CHF0.5 million in 2017. In 2018, the Group recognized CHF6 million under the licensing and research agreement with Indivior and CHF0.6 million from The Michael J. Fox Foundation for Parkinson's Research related to dipraglurant development in PD-LID and TrkB PAM discovery activities.

Research and development expenses

R&D expenses increased by CHF2.3 million to CHF4.9 million in 2018, compared to CHF2.6 million in 2017, mainly due to an increase in the number of staff and consultants deployed in the preparation of dipraglurant for registration studies in PD-LID and outsourced research costs related to our GABAB PAM and our TrkB PAM programs. R&D expenses consist primarily of costs associated with research, preclinical and clinical testing and related staff costs. They also include depreciation of laboratory equipment and leasehold improvements, costs of materials used in research, costs associated with renting and operating facilities and equipment, as well as fees paid to consultants, patent costs and other outside service fees and overhead costs. These expenses include costs for proprietary and third party R&D.

General and administrative expenses

G&A expenses increased by CHF2.1 million to CHF3.2 million in 2018, compared to CHF1.1 million in 2017, mainly due to the grant of equity incentive units, whose cost reached CHF1.4 million compared to CHF0.3 million in 2017. The other G&A expenses consist primarily of staff costs, professional fees for legal, tax and strategic purposes and overheads related to general management, human resources, finance, information technology, business development and communication functions.

Finance costs, net

The finance result, net in 2018 of CHF0.2 million is related primarily to currency exchange differences and negative interest on Swiss francs cash deposits.

Net loss for the year

The net loss for the 2018 financial year was CHF1.6 million compared to CHF3.3 million for 2017 primarily due to the increase in revenue related to the license and research agreement with Indivior. Basic and diluted loss per share decreased to 0.07 for 2018, compared to CHF0.25 for 2017 primarily due to the increase in the outstanding issued share capital in March 2018 and a lower net loss.

Balance sheet & cash flows

Cash and cash equivalents increased to CHF41.7 million at December 31, 2018, compared to CHF2.6 million at December 31, 2017. This increase of CHF39.1 million is mainly due to the proceeds from the capital increase completed on March 28, 2018 and a positive cash flows from operating activities that reached CHF1.9 million

Total shareholders' equity has increased to CHF39.3 million at December 31, 2017 compared to CHF1.3 million at December 31, 2017, mainly due to the proceeds from the issue of new shares partially offset by the net loss of the year.

Post balance sheet event

No events occurred 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

Shares and shareholders' information

At December 31, 2018, the Company had 28,564,031 (2017: 15,384,988) outstanding issued shares and a free float of approximately 92%. Of the outstanding issued shares at December 31, 2018, 2,158,476 shares were held in treasury (at December 31, 2017: 1,964,973 shares). As part of the March 2018 capital increase, 136,561 shares were acquired by the Group and recorded as treasury shares at CHF1. The closing share price reached CHF2.25 at December 31, 2018 compared to CHF2.29 at December 31, 2017 and market capitalization of CHF64.3 million at December 31, 2018, compared to CHF35.2 million at December 31, 2017, respectively.

2019 outlook

We expect to start a pivotal registration study with dipraglurant for PD-L1. We will also advance our discovery programs including our GABAB PAM program under our partnership with Indivior. We will continue to invest in our allosteric modulator technology platform and pursue collaborations with industry, patient advocacy groups, academic institutions and governmental organizations to drive forward our portfolio of allosteric modulator drug candidates.

Corporate Governance Report

General information

Addex Therapeutics Ltd's articles of association (the "Articles"), organizational rules (the "Organizational Rules") and policies provide the basis for the principles of Corporate Governance. This report has been prepared in accordance with the SIX Swiss Exchange Directive on Information Relating to Corporate Governance effective as of May 1, 2018.

1. Group structure and shareholders

1.1. Group structure

1.1.1. Description of Addex' operational group structure

Addex Therapeutics Ltd ("Addex" or the "Company"; CHE-113.514.094) is the holding and finance company of the Group. Addex Pharma SA (CHE-109.561.624), based in Geneva, Switzerland, a 100% subsidiary of Addex Therapeutics Ltd, is in charge of research, development, registration, commercialization, and holds the Group's intellectual property. Addex Pharma SA has a share capital of CHF3,987,492 divided into 3,987,492 registered shares with a nominal value of CHF1 each. Addex Pharmaceuticals France SAS, based in Archamps, France, is a 100% subsidiary of Addex Pharmaceuticals Ltd. Addex Pharmaceuticals France SAS has a share capital of EUR37,000 divided into 37,000 registered shares with a nominal value of EUR1 each.

1.1.2. Listed company

Addex Therapeutics Ltd has its registered office c/o Addex Pharma SA, Chemin des Aulx 12, P.O. Box 68, CH-1228 Plan-les-Ouates, Geneva, Switzerland. Its shares have been listed on the SIX Swiss Exchange (SIX) since May 21, 2007 under the Swiss security number (*Valorennummer*) 2985075. The ISIN is CH0029850754, the common code is 030039254 and the ticker symbol is ADXN. On December 31, 2018, the market capitalization of Addex was CHF64,269,070.

1.1.3. Non-listed company

For an overview of the operational non-listed consolidated entities please refer to page 53 in the section financial statements of this Annual Report.

1.2. Significant shareholders

As far as can be ascertained from the information available, the following shareholders own 3% or more of the Company's share capital as at December 31, 2018, based on published notifications to the SIX:

Shareholder	Shares held ¹	% of voting rights ²	% of capital ²
Addex Pharma SA ³	2,158,476	7.56%	7.56%
Growth Equity Opportunities Fund IV, LLC ⁴	4,568,690	16.00%	16.00%
New Leaf Biopharma Opportunities I, L.P. ⁵	1,597,444	5.59%	5.59%
CDK Associates, LLC ⁶	1,597,444	5.59%	5.59%
CS (CH) Small Cap Switzerland Equity Fund ⁷	1,627,985	5.70%	5.70%

¹ This table presents the shares held by the shareholders listed therein. The derivative holdings held by such shareholders are not included.

² Based on the share capital registered in the Commercial Register as of December 31, 2018 (i.e. CHF28,564,031, divided into 28,564,031 registered shares).

³ The beneficial owner is Addex Therapeutics Ltd, Chemin des Aulx 12, CH-1228 Plan-les-Ouates, Switzerland.

⁴ The beneficial owner is New Enterprise Associates 15 L.P., Timonium MD 21093, USA.

⁵ The beneficial owner is New Leaf Venture Management III LLC, 1209 Orange Street, c/o Corporation Trust Company/Center, DE 19801 Wilmington, USA.

⁶ The beneficial owner is Bruce Kovner, c/o CDK Associates LLC, Princeton, 08540 New Jersey, USA.

⁷ The licensee and person that can exercise the voting rights at their own discretion is Credit Suisse Asset Management (Schweiz) AG, Kalandergrasse 4, 8045 Zurich, Switzerland.

For a comprehensive list of notifications of shareholdings received during 2018 pursuant to article 120 of the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FMIA) and its implementing ordinances, refer to the SIX website (<https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>).

1.3. Cross-shareholdings

There are no cross-shareholdings in terms of capital shareholdings or voting rights in excess of 5%.

2. Capital structure

There were 2,346 shareholders registered in the share register on December 31, 2018. The distribution of shareholdings is divided as follows:

Number of shares	Number of registered shareholders on December 31, 2018
1 to 100	268
101 to 1,000	1010
1,001 to 10,000	931
10,001 to 100,000	126
100,001 to 1,000,000	8
1,000,001 to 10,000,000	3

The shareholder base on December 31, 2018 was constituted as follows:

Shareholder structure according to category of investors

(weighted by number of shares)

Private persons	27.45%
Institutional shareholders	34.23%
Not registered	38.32%

Shareholder structure by country

(weighted by number of shares)

United States	16.09%
Switzerland	41.04%
United Kingdom	2.51%
Other	2.04%
Not registered	38.32%

2.1. Capital

As of December 31, 2018, the share capital amounted to CHF28,564,031 consisting of 28,564,031 issued shares with a nominal value of CHF1 per share. As of December 31, 2018, the Company, indirectly, held 2,158,476 of its own shares. These shares are recorded as treasury shares.

2.2. Authorized and conditional capital

Authorized share capital

As of December 31, 2018 and according to the article 3b of the Articles, the Board of Directors ("Board") is authorized, at any time until June 20, 2020 to increase the share capital in an amount of CHF14,282,015 through the issuance of 14,282,015 fully paid registered shares with a nominal value of CHF1 each. An increase in partial amounts is permitted. The Board shall determine the issue price, the type of payment, the date of issue of new shares, the conditions for the exercise of pre-emptive rights and the beginning date for dividend entitlement. In this regard, the Board may issue new shares by means of a firm underwriting through a banking institution, a syndicate or another third party with a subsequent offer of these shares to the current shareholders (unless the pre-emptive rights of current shareholders are excluded). The Board may permit pre-emptive rights that have not been exercised to expire or it may place these rights and/or shares as to which pre-emptive rights have been granted but not exercised, at market conditions or use them for other purposes in the interest of the Company.

The subscription and acquisition of the new shares, as well as each subsequent transfer of the shares, shall be subject to the restrictions set forth in article 5 of the Articles.

The Board is authorized to restrict or exclude the pre-emptive rights of shareholders and allocate such rights to third parties if the shares are to be used:

- for the acquisition of enterprises, parts of an enterprise, or participations, or for new investments, or, in case of a share placement, for the financing or refinancing of such transactions;
- for the purpose of the participation of strategic partners (including in the event of a public tender offer) or for the purpose of an expansion of the shareholder constituency in certain investor markets;
- for the granting of an over-allotment option (Greenshoe) of up to 20% to the banks involved in connection with a placement of shares; or
- for raising capital in a fast and flexible manner, which would not be achieved without the exclusion of the statutory pre-emptive rights of the existing shareholders.

Conditional share capital

According to article 3c of the Articles, the share capital of the Company may be increased by a maximum aggregate amount of CHF8,415,117 through the issuance of a maximum of 8,415,117 registered shares, which shall be fully paid-in, with a par value of CHF1 per share by the exercise of option rights or subscription rights attached to *bons de jouissance* which the employees, directors and/or consultants of the Company or a group company are granted according to respective regulations of the Board. The pre-emptive rights of the shareholders are excluded. The acquisition of registered shares through the exercise of option rights or subscription rights granted to the holders of *bons de jouissance* and the subsequent transfer of the registered shares shall be subject to the transfer restrictions provided in article 5 of the Articles.

The share capital of the Company may be increased by a maximum aggregate amount of CHF5,866,898 through the issuance of a maximum of 5,866,898 registered shares, which shall be fully paid-in, with a par value of CHF1 per share by the exercise of option and/or conversion rights which are granted to shareholders of the Company and/or in connection with the issue of bonds, similar obligations or other financial instruments by the Company or another group company. In the case of such grants of option and/or conversion rights, the advanced subscription right of shareholders is excluded. The holders of option and/or conversion rights are entitled to receive the new shares. The Board shall determine the terms of the option and/or conversion rights. The acquisition of registered shares through the exercise of option or conversion rights and the subsequent transfer of the registered shares shall be subject to the transfer restrictions provided in article 5 of the Articles.

The Board is authorized to restrict or exclude the advanced subscription rights of shareholders:

- if the debt or other financial instruments and/or conversion rights or warrants are issued for the purpose of financing or refinancing of the acquisition of enterprises, parts of an enterprise, or participations or new investments;
- if such debt or other financial instruments and/or conversion rights or warrants are issued on the national or international capital markets and for the purpose of a firm underwriting by a banking institution or a consortium of banks with subsequent offering to the public; or
- if such debt or other financial instruments and/or conversion rights or warrants are issued for raising capital in a fast and flexible manner, which would not be achieved without the exclusion of the advanced subscription rights of the existing shareholders. If the Board excludes the advance subscription rights, the followings shall apply: the issuance of convertible bonds or warrants or other financial market instruments shall be made at the prevailing market conditions (including dilution protection provisions in accordance with market practice) and the new shares shall be issued pursuant to the relevant conversion or exercise rights in connection with bond or warrant issue conditions. Conversion rights may be exercised during a maximum 10 year period, and warrants may be exercised during a maximum 7 year period, in each case from the date of the respective issuance.

2.3. Changes in capital

Nominal share capital

December 31, 2016	CHF13,454,553
December 31, 2017	CHF15,384,988
December 31, 2018	CHF28,564,031

Conditional share capital

December 31, 2016	CHF6,727,276
December 31, 2017	CHF7,692,494
December 31, 2018	CHF14,282,015

Authorized share capital

December 31, 2016	CHF6,727,276
December 31, 2017	CHF7,692,494
December 31, 2018	CHF14,282,015

Changes in capital in 2016

On May 26, 2016, the Company increased its capital from CHF11,699,612 to CHF13,454,553 through the issue of 1,754,941 new registered shares at nominal value of CHF1 each.

Changes in capital in 2017

On May 29, 2017, the Company increased its capital from CHF13,454,553 to CHF15,384,988 through the issue of 1,930,435 new registered shares at nominal value of CHF1 each.

Changes in capital in 2018

On March 16, 2018, the Company increased its capital from CHF15,384,988 to CHF15,526,454 through the issue of 141,466 new registered shares at nominal value of CHF1 each, in connection with the exercise of equity incentive units.

On March 28, 2018, the Company increased its capital from CHF15,526,454 to CHF28,564,031 through the issue of 13,037,577 new registered shares at nominal value of CHF1 each, in connection with a private placement to institutional investors.

For further information on changes in capital including changes in reserves, refer to the consolidated statements of changes in equity as well as note 11 of the consolidated financial statements included in this Annual Report.

2.4. Shares and participation certificates

Addex has one class of shares, *i.e.* registered shares with a nominal value of CHF1 per share. Each share is fully paid up and carries one vote and equal dividend rights, with no privileges. The Company has no participation certificates (*bons de participation / Partizipationsscheine*).

2.5. Dividend-right certificates

Equity sharing certificates are available for granting to employees and/or directors and/or consultants of the Company or any Group company under the Group's equity incentive plan. Equity sharing certificates do not form part of the share capital, have no nominal value, and do not grant any right to vote nor to attend meetings of shareholders. The Company has 1,700 issued equity sharing certificates (*bons de jouissance / Genusschein*). Each equity sharing certificate grants the right to subscribe for 1,000 shares of the Company and a right to liquidation proceeds of the Company calculated in accordance with article 34 of the Articles.

The Company's shares and equity sharing certificates are not certificated. Shareholders and equity sharing certificate holders are not entitled to request printing and delivery of certificates, however, any shareholder or equity sharing certificate holder may at any time request the Company to issue a confirmation of their holdings.

2.6. Limitations on transferability of shares and nominee registration

A transfer of uncertified shares is affected by a corresponding entry in the books of a bank or depository institution following an assignment in writing by the selling shareholder and notification of such assignment to Addex by the bank or the depository institution. A transfer of shares further requires that a shareholder files a share registration form in order to be registered in Addex' share register with voting rights. Failing such registration, a shareholder may not vote at or participate in a shareholders' meeting.

A purchaser of shares will be recorded in Addex' share register as a shareholder with voting rights if the purchaser discloses its name, citizenship or registered office and address and gives a declaration that it has acquired the shares in its own name and for its own account.

Article 5 of the Articles provides that a person or entity that does not explicitly state in its registration request that it will hold the shares for its own account (Nominee) may be entered as a shareholder in the share register with voting rights for shares up to a maximum of 5% of the share capital as set forth in the commercial register. Shares held by a Nominee that exceed this limit are only registered in the share register with voting rights if such Nominee declares in writing to disclose the name, address and shareholding of any person or legal entity for whose account it is holding 1% or more of the share capital as set forth in the commercial register. The limit of 1% shall apply correspondingly to Nominees who are related to one another through capital ownership or voting rights or have a common management or are otherwise interrelated. A share being indivisible, hence only one representative of each share will be recognized. Furthermore, shares may only be pledged in favor of the bank that administers the bank entries of such shares for the account of the pledging shareholders. If the registration of shareholdings with voting rights was effected based on false information, the Board may cancel such registration with retroactive effect.

2.7. Convertible bonds and options

As of December 31, 2018, the Company has no convertible or exchangeable bonds or loans outstanding. As of December 31, 2018, the Company has 5,866,898 options (warrants) outstanding which have been granted in connection with the capital increase of March 28, 2018. For each new share, the investors received 0.45 of a warrant. Each warrant entitles the investor to subscribe (which may be exercised without any specific conditions) to one registered share at a price of CHF3.43 during a seven year period. For information on equity incentive plans for non-executive Directors, executive management and employees, refer to note 12 of the consolidated financial statements included in this Annual Report.

3. Board of directors

3.1. Members of the board of directors

The following table sets forth the name, year joined the Board, position and directorship term of each member of the Board, followed by a short description of each member's business experience, education and activities:

Name	Year of birth	Nationality	First elected	Elected until	Board
Vincent Lawton	1949	UK	2009	2019	Chairman
Raymond Hill	1945	UK	2015	2019	Member
Tim Dyer	1968	Swiss/UK	2015	2019	Member
Roger Mills	1957	US/UK	2017	2019	Member
Jake Nunn	1970	US	2018	2019	Member
Isaac Manke	1977	US	2018	2019	Member

Vincent Lawton

Chairman of the Board of Directors

Professor Lawton was Vice President Merck Europe and Managing Director of MSD UK until he stepped down in 2006, after 26 years' service internationally for Merck & Co Inc. He was appointed CBE (Commander of the British Empire) by the Queen of England for services to the Pharmaceutical Industry. During his tenure, MSD UK achieved sustained commercial success, launching many new medicines to the market in a wide range of therapeutic areas, becoming the fastest growing company in the market over a number of years. He worked in commercial, research and senior management roles in France, the US and Canada, Spain and throughout Europe. As President of the UK Industry Association, the ABPI, he negotiated industry pricing, worked with Government bodies to help establish the UK globally as a leading center of clinical research. He served on the board of the UK regulatory authority (MHRA) from 2008 to 2015. He is a Senior Strategy Advisor for Imperial College Department of Medicine, University of London and serves as a consultant to a number of leading healthcare organizations. He studied Psychology at the University of London and holds an undergraduate degree and PhD.

Raymond Hill

Member of the Board of Directors

Professor Hill was previously a member of the Board of Directors from the Annual General Meetings of 2008 until 2012. He is currently Visiting Professor of Pharmacology at Imperial College in London, and Non-Executive Director of Avilex (DMK), Asceneuron (CH) and Orexo AB (SE). Prior to his retirement, he was Executive Director, Licensing and External Research, Europe (2002 - 2008) at Merck/MSD, Executive Director, Pharmacology (1990-2002) at the Merck Neuroscience Research Centre and had oversight responsibility for Neuroscience research at the Banyu Research Labs in Tsukuba, Japan (1997-2002). At Merck, he chaired a number of discovery project teams including those responsible for the marketed products Maxalt® and Emend®. Dr. Hill received his academic training (BPharm PhD) at the University of London. He was a lecturer in Pharmacology at the University of Bristol School of Medicine from 1974 to 1983 and supervisor in Pharmacology at Downing College, University of Cambridge from 1983 to 1988. He joined the

pharmaceutical industry in 1983 as Head of Biology and founder member of the Park Davis Research Unit at Cambridge. In 1988, he joined SK&F (UK) as Group Director, Pharmacology and in 1990 moved to Merck. He is a past Council Member of the UK Academy of Medical Sciences and President Emeritus, British Pharmacological Society. He is Visiting Professor at the University of Bristol and a member of the UK Government Advisory Council on Misuse of Drugs.

Tim Dyer

Member of the Board of Directors and Chief Executive Officer

Since co-founding Addex in 2002, Mr. Dyer has played a pivotal role in building the Addex Group, raising CHF280 million of capital, including Addex IPO and negotiating licensing agreements with pharmaceutical industry partners that generated more than CHF50 million in cash inflows. Prior to founding Addex, he spent 10 years with Price Waterhouse (PW) & PricewaterhouseCoopers (PwC) in the UK and Switzerland as part of the audit and business advisory group. At PwC in Switzerland, Mr. Dyer's responsibilities included managing the service delivery to a diverse portfolio of clients including high growth start-up companies, international financial institutions and venture capital and investment companies. At PW in the UK, Mr. Dyer gained extensive experience in audit and transaction support, spending two years performing inward investment due diligence on local financial institutions in the Ex-Soviet Union. Mr. Dyer has extensive experience in finance, corporate development, business operations and the building of start-up companies and served as a member of the Swiss government innovation promotion agency coaching team from 2011 to 2016. Mr. Dyer also serves on the advisory board of the École polytechnique fédérale de Lausanne Management of Technology MBA program. He is a UK Chartered Accountant and holds a BSc (Hons) in Biochemistry and Pharmacology from the University of Southampton, UK.

Roger Mills

Member of the Board of Directors and Chief Medical Officer

Dr. Mills, who joined Addex in 2016, brings more than 25 years of biopharmaceutical industry experience at both large global pharmaceutical companies and smaller biotechnology companies, including Acadia Pharmaceuticals, Pfizer, Gilead Sciences, Abbott Laboratories and Wellcome, across a spectrum of disease areas. His extensive track record includes managing drug development programs from Investigational New Drug Application preparation through to post-marketing and OTC products, including NUPLAZID™ for the treatment of Parkinson's Disease Psychosis, as well as regulatory affairs and business development activities. Most recently, Dr. Mills was with Acadia Pharmaceuticals for nine years, serving as Executive Vice President, Development and Chief Medical Officer. In this role, he oversaw the largest ever international Phase III program in Parkinson's Disease Psychosis, and led the Company's New Drug Application submission to the US Food and Drug Administration (FDA) for NUPLAZID, which was subsequently approved and remains the first and only medication approved by the FDA in this indication. Dr. Mills currently serves as a Visiting Professor at the Centre for Age Related Diseases, Institute of Psychiatry, Psychology and Neuroscience, King's College London. He received his medical degree from Imperial College, Charing Cross Hospital Medical School, London, United Kingdom. Dr. Mills is co-author of more than 50 research publications and patents.

Jake Nunn

Member of the Board of Directors

Mr. Nunn has more than 20 years' experience in the life science industry as an investor, research analyst and investment banker. Jake is currently a venture advisor at New Enterprise Associates (NEA), where he was a partner from 2006 to 2018, focusing on later-stage specialty pharmaceuticals, biotechnology and medical device investments and managing a number of NEA's public investments in healthcare. Jake is a Director of Dermira (Nasdaq: DERM) and Trevena, Inc. (Nasdaq: TRVN). He previously was a Director of Hyperion Therapeutics (acquired by Horizon Pharma PLC), TriVascular (acquired by Endologix), Aciex Therapeutics (sold to Nicox SA) and Transcept Pharmaceuticals (merged with Paratek). Prior to NEA, Jake worked at MPM Capital as a Partner with the MPM BioEquities Fund, where he specialized in public, PIPE and mezzanine-stage life sciences investing. Previously, he was a healthcare research analyst and portfolio manager at Franklin Templeton Investments. Jake was also an investment banker with Alex. Brown & Sons. He received an MBA from the Stanford Graduate School of Business and an AB in Economics from Dartmouth College. Jake holds the Chartered Financial Analyst designation, and is a member of the CFA Society of San Francisco..

Isaac Manke

Member of the Board of Directors

Dr. Manke has more than 15 years' experience in the life science industry as an investor, research analyst, consultant and scientist. Isaac joined New Leaf Venture Partners (NLV) in 2009 and was promoted to Partner in 2014. Isaac's investment activities with NLV started with a focus on venture investments in the biopharmaceutical sector. He has led the firm's public investment activities initially with the public portfolio within NLV-II, and since 2014 has day-to-day management and oversight responsibility for the NLV Biopharma Opportunities Fund I. Isaac has been a board member or observer for several companies, including the boards of True North Therapeutics (acquired by Bioverativ) and Karos Pharmaceuticals (acquired by an undisclosed company). Prior to joining NLV, Isaac was an Associate in the Global Biotechnology Equity Research group at Sanford C. Bernstein. Previously, Isaac worked as an Associate in the Biotechnology Equity Research group at Deutsche Bank and was a Senior Analyst at Health Advances, a biopharmaceutical and medical device strategy consulting firm. Isaac received a B.A. in Biology and a B.A. in Chemistry at Minnesota State University (Moorhead), and a Ph.D. in Biophysical Chemistry and Molecular Structure at the Massachusetts Institute of Technology (MIT). Isaac's discoveries led to several publications in top journals, including Science and Cell, and were selected by Science as one of the "2003: Signaling Breakthroughs of the Year". These discoveries also resulted in four issued patents.

3.2. Other activities and vested interests

Apart from the information given above, none of the members of the Board of Directors has had other activities or holds any positions:

- in governing and supervisory bodies of important Swiss and foreign organizations, institutions and foundations under private and public law;
- of permanent management and consultancy functions for important Swiss and foreign interest groups; or
- of official government functions and political posts.

3.3. Rules in the articles of incorporation regarding the number of permitted mandates outside the Company

Article 31 of the Articles provides certain restrictions to the number of mandates that members of the Board of Directors may have in the supreme governing bodies of legal entities registered in the Swiss commercial register or similar foreign register as follows:

- no member of the Board of Directors may hold more than fifteen board of director mandates with no more than four mandates in listed entities;
- mandates in companies controlled by Addex or which control Addex are not subject to restrictions;
- mandates that are held by order and on behalf of Addex or companies under Addex control are restricted to ten; and
- mandates in associations, charitable organizations, family trusts and foundations relating to post-retirement benefits and other not-for-profit organizations are restricted to twenty-five.

Multiple mandates in different legal entities which are under common control or same beneficial ownership are deemed to be one mandate.

3.4. Elections and terms of office

In accordance with articles 15, 16 and 17 of the Articles, dated June 20, 2018:

- The Board of Directors shall consist of between one and eleven members. The Company currently has six members of the Board.
- In accordance with the Swiss Ordinance Against Excessive Compensation in Listed Stock Companies of November 20, 2013 (the "Compensation Ordinance"), members of the Board including the Chairman are appointed and removed exclusively by shareholders' resolution for a term of one year until completion of the next annual general meeting of shareholders.
- The members of the Board of Directors and the Chairman of the Board may be re-elected without limitation.
- If the office of the Chairman of the Board of Directors is vacant, the Board of Directors shall appoint a Chairman from among its members for a term of office extending until completion of the next annual general meeting of shareholders.
- Subject to mandatory law and the provisions of these Articles, the Board of Directors determines its own internal organization and the modalities for the passing of resolutions in its Organizational Rules.

3.5. Internal organization

Except for the election of the Chairman of the Board of Directors and the members of the Compensation Committee (which are to be elected by the general meeting of shareholders), the Board of Directors determines the Company's internal organization. It shall elect the members of the Audit Committee and of the Nomination Committee and appoint a Secretary who does not need to be a member of the Board of Directors. The committees may designate their own secretaries.

3.5.1. Allocation of tasks within the Board of Directors

The Articles and Organizational Rules define the Company's internal organization and areas of responsibility of the Board, Chairman, Chief Executive Officer ("CEO") and the Executive Management. In accordance with article 17 of the Articles, the Board of Directors may appoint from amongst its members standing or *ad hoc* committees entrusted with the preparation and execution of its decisions or the supervision of specific parts of business of the Company.

3.5.2. Committees of the Board of Directors

As of December 31, 2018, the Company has two committees: the Audit Committee and the Compensation Committee. These Committees are assisting the Board of Directors in fulfilling its duties and have also decision authority to the extent described below.

The Board Committees as of December 31, 2018

Members of the Board of Directors	Board of Directors	Audit Committee	Compensation Committee
Vincent Lawton	Chairman	Committee Member	Committee Member
Raymond Hill	Member	–	Committee Member
Tim Dyer	Member	–	–
Roger Mills	Member	–	–
Jake Nunn	Member	Committee Member	–
Isaac Manke	Member	–	–

Audit Committee

On December 13, 2018, the Board elected to constitute an Audit Committee. Prior to December 13, 2018, Vincent Lawton assumed the task of supervising the auditors. He met with external auditors at least once a year to discuss the scope and the results of the audit and to assess the quality of their service. The auditors prepare a Board Report addressed to the Chairman of the Board of Directors two times per year, informing them of their audit plan for the year under review followed by a report detailing the result of their annual audit.

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Members as of December 31, 2018: The Audit Committee consists of Vincent Lawton (Chairman Audit Committee) and Jake Nunn.

In accordance with the Organization Rules, the Audit Committee consists of up to three non-executive and independent Director. The members have to be financially literate.

For the purpose of the Organizational Rules, a "non-executive" Director shall be a Director who does not perform any line management function within the Company; an "independent" Director shall be a non-executive Director and a Director who never was or was more than three years ago a member of the executive management and who has no or comparatively minor business relations with the Company. The members shall be appointed, as a rule, for the entire duration of their mandate as Board members and be re-eligible.

The Audit Committee assists the Board of Directors in fulfilling its duties of supervision of management. The Audit Committee has following powers and duties:

- to review and assess the effectiveness of the statutory auditors and the group auditors, in particular their independence from the Company. In connection therewith, it reviews in particular additional assignments given by the Company or its subsidiaries. It may issue binding regulations or directives in connection with such additional assignments;
- to review and assess the scope and plan of the audit, the examination process and the results of the audit and to examine whether the recommendations issued by the auditors have been implemented by management;
- to review the auditors' reports, to discuss their contents with the auditors and with the management;
- to approve the terms and conditions of the engagement of the auditors;
- to assess the risk assessment established by the management and the proposed measures to reduce risks;
- to assess the state of compliance with norms within the Company;
- to review in cooperation with the auditors, the CEO, CFO and Head of Finance whether the accounting principles and the financial control mechanism of the Company and its subsidiaries are appropriate in view of the size and complexity of the Group;
- to review the annual and interim statutory and consolidated financial statements intended for publication. It should discuss these with the CEO, CFO and the Head of Finance and, separately, with the head of external audit; and
- to make a proposal to the Board with respect to these annual and interim statutory and consolidated financial statements; the responsibility for approving the annual financial statements remains with the Board.

Should an internal audit function be established, the Audit Committee would have the power and duties:

- to review the effectiveness of the internal audit function, its professional qualifications, resources and independence and its cooperation with external audit;
- to approve the annual internal audit concept and the annual internal audit report, including the responses of the management thereto;

The Audit Committee regularly reports to the Board of Directors on its decisions, assessments, findings and proposes appropriate actions.

Nomination Committee

In accordance with the Organization Rules, should the Board elect to constitute a Nomination Committee then the Nomination Committee shall consist of up to three Directors, the majority of which shall be non-executive and independent. The Board did not constitute a Nomination Committee in 2018.

Compensation Committee

Members as of December 31, 2018: Raymond Hill (Chairman Compensation Committee) and Vincent Lawton.

In accordance with the Organization Rules, the Compensation Committee consists of two non-executive and independent Directors.

For the purpose of these Organizational Rules, a "non-executive" Director shall be a Director who does not perform any line management function within the Company; an "independent" Director shall be a non-executive Director and a Director who never was or was more than three years ago a member of the Executive Management and who has no or comparatively minor business relations with the Company. The members shall be appointed by the shareholder's meeting until the next ordinary general meeting of shareholders and be re-eligible.

The Compensation Committee assists the Board of Directors in fulfilling its remuneration related matters. The Compensation Committee has the following powers and duties:

- to review and assess on a regular basis the remuneration system of the Company and the Group (including the management incentive plans) and to make proposals in connection thereto to the Board;
- to recommend the terms of employment, in particular the remuneration package, of the CEO and to make proposals in relation to the remuneration of Directors;
- to recommend upon proposal of the CEO the terms of employment, in particular the remuneration package, of employees reporting directly to the CEO as well as review matters related to the compensation of other top managers, as well as the general employee compensation, benefit policies and HR practices of the Company; and
- to make recommendations on the grant of options or other securities under any management incentive plan of the Company.

The Compensation Committee regularly reports to the Board of Directors on its decisions, assessments, findings and proposes appropriate actions.

The Compensation Committee meets as often as business requires. The Compensation Committee held 2 meetings in 2018 to review the 2017 achievements versus the planned corporate objectives and determination of the performance related bonus pool, to conduct the annual salary review process, recommendation of the CEO, 2018 corporate objectives as well as to review the remuneration of the members of the Board of Directors.

3.5.3. Working methods of the Board of Directors and its committees

In 2018, the Board held four meetings with average duration of one day. The majority of meetings were held at the Company's offices with full attendance at all meetings. In addition to formal Board meetings, the Board holds additional *ad hoc* meetings or telephone conferences to discuss specific matters. The CEO and Chief Medical Officer ("CMO") are entitled to attend every Board meeting and to participate in its debates and deliberations with the exception of non-executive sessions.

During Board meetings, each member of the Board may request information from the other members of the Board, as well as from the members of the Executive Management present on all affairs of the Company. The CEO reports at each meeting of the Board on the course of business of the Company in a manner agreed upon from time to time between the Board and the CEO. The Board of Directors also engages specific advisors to address specific matters when required.

In addition to reporting at Board meetings, the CEO reports immediately any extraordinary event and any significant change within the Company to the Chairman. Outside of Board meetings, each member of the Board may request from the CEO information concerning the course of business of the Company.

3.6. Definition of areas of responsibility

The Board is the ultimate corporate body of the Company. It further represents the Company towards third parties and shall manage all matters which by law, Articles or Organizational Rules have not been delegated to another body of the Company.

In Accordance with article 19 of the Articles, the Board has delegated all areas of management of the Group's business to the CEO and the Executive Management, and has granted the CEO the power to appoint the members of the Executive Management. The Board carries out the responsibilities and duties reserved to it by law, the Articles and the Organizational Rules. The following responsibilities remain with the Board:

- the ultimate direction of the Company and the Group and the issuance of the necessary instruction;
- the determination of the organization of the Company, including the adoption and revision of the Organizational Rules;
- the organization of the accounting system, the financial control and the financial planning;
- the appointment, remuneration and dismissal of the CEO of the company and of managers directly reporting to the CEO, as well as the determination of their signatory power;
- the ultimate supervision of the persons entrusted with management of the Company, specifically in view of their compliance with the law, the Articles, the Organizational Rules and directives given from time to time by the Board;
- the preparation of the business report, the preparation for the meetings of shareholders and the implementation of the resolutions adopted by the meeting of shareholders;
- the notification of the judge if liabilities exceed assets;
- the passing of resolutions regarding the supplementary contribution for shares not fully paid-in;
- the passing of resolutions concerning an increase in share capital to the extent that such power is vested in the Board, and of resolutions concerning the confirmation of capital increases and corresponding amendments to the Articles, as well as making the required report on the capital increase;
- the non-delegable and inalienable duties and powers of the Board pursuant to the Swiss Merger Act and any other law;
- the examination of the necessary qualifications of the auditors;
- the adoption of, and any amendments or modifications (except for immaterial changes) to, any equity incentive plan, stock option agreement, restricted stock purchase agreement, etc.;
- the decisions regarding entering into any financing arrangement in excess of CHF2,000,000 including loan agreements, credit lines, letters of credit or capitalized leases;
- the issuance of convertible debentures, debentures with option rights or other financial market instruments;
- the approval of the business strategy and the approval and adoption of the budget of the Company;
- decisions or actions in excess of CHF1,000,000 which are not in accordance with the budget; and
- the approval of any recommendation made by any of the Committees.

According to the current Organizational Rules enacted by the Board, resolutions of the Board are passed by way of simple majority vote. To validly pass a resolution, more than half of the members of the Board have to attend the meeting. No quorum is required for confirmation resolutions and adaptations of the Articles in connection with capital increases pursuant to articles 634a, 651a, 652g and 653g of the Swiss Federal Code of Obligations.

Except for Vincent Lawton (Chairman) and Timothy Dyer, who have single signature authority, the members of the Board have joint signatory authority, if any.

3.7. Information and control instruments vis-à-vis the executive management

The Board ensures that it receives sufficient information from the CEO and Executive Management to perform its supervisory duty and to make the decisions that are reserved to the Board. At each Board meeting the Board receives reports from the CEO and selected members of the Executive Management on the status of finance, business, research and development. These reports focus

on the main risks and opportunities related to the Group. In addition, the Board is provided with a status report prior to each board meeting, a monthly finance report and other *ad hoc* reports on significant matters related to the Group's operations.

Furthermore, the Board receives unaudited annual and interim financial statements for all Group companies including consolidated financial statements for the Company. The Board receives a written report from the auditors on the results of the audit which includes any findings with respect to internal control risks arising as a result of their audit procedures. The auditors held two meetings with the chairman during the 2018 audit process. Addex does not have an independent internal audit function. For further information on the risk management and the financial risks factors inherent to the Group's activities, refer to note 3 of the consolidated financial statements.

4. Executive Management

4.1. Members of the Executive Management

In accordance with the Articles and the Organizational Rules, the Board has delegated the operational management to the CEO. The CEO together with the Executive Management and under the control of the Board conducts the operational management of the Company pursuant to the Organizational Rules and reports to the Board on a regular basis.

The following table sets forth the name, year of birth and principal position of those individuals who currently are part of the Executive Management followed by a short description of each member's business experience, education and activities:

Name	Year of Birth	Position	Nationality	Member since
Tim Dyer	1968	Chief Executive Officer	Swiss / British	2002
Roger Mills	1957	Chief Medical Officer	USA / British	2016
Robert Lütjens	1968	Head of Discovery - Biology	Swiss	2015
Jean-Philippe Rocher	1959	Head of Discovery - Chemistry	French	2018

Tim Dyer

Chief Executive Officer – Refer to page 10

Roger Mills

Chief Medical Officer – Refer to page 10

Robert Lütjens

Head of Discovery - Biology

Dr. Lütjens rejoined Addex in May 2015 as Head of Discovery to lead the preclinical portfolio and allosteric modulator discovery activities. Dr. Lütjens previously worked at Addex from its inception in 2002 until 2013, where he was a member of the executive management responsible for the Biology department. While at Addex, he established the biology capabilities and built the company's small molecule allosteric modulator biology platform. He played a pivotal role in all of Addex's small molecule allosteric modulator programs, including research collaborations with Merck & co. and Janssen Pharmaceuticals Inc. The latter partnership has led to the successful progression of the first mGluR2 positive allosteric modulator into man. Prior to joining Addex, Dr. Lütjens completed a postdoctoral fellowship in the Department of Neuropharmacology at the Scripps Research Institute, in La Jolla, CA, where he focused on understanding molecular changes involved in addiction disorders. Dr. Lütjens obtained his degrees in Biology from the University of Geneva, his master's at the Swiss Institute for Experimental Cancer Research and his PhD thesis at the Glaxo Institute for Molecular Biology in Geneva and the Institute for Cellular Biology and Morphology in Lausanne. Dr. Lütjens is co-author of over 20 peer-reviewed publications and co-inventor on patents covering screening methods or chemical compounds.

Jean-Philippe Rocher

Head of Discovery - Chemistry

Dr. Rocher is responsible for all chemistry activities and has extensive experience in drug discovery. He returns to Addex from Pierre Fabre where he was Director of CNS Programs from March 2014 to May 2018. Joining Addex at its inception in 2002, Dr. Rocher established the company's chemistry capabilities and built its small molecule allosteric modulator chemistry platform. He played a pivotal role in the success of both internal and partnered programs, including the discovery of dipraglurant and ADX71149, both of which progressed into phase II clinical development. Under the chemistry leadership of Dr. Rocher, Addex team also discovered ADX71441, which was recently licensed to Indivior PLC. Prior to joining Addex, Dr. Rocher was director of chemistry at Devgen NV (Gent, Belgium), senior research scientist for GlaxoSmithKline KK (Tsukuba, Japan), scientific project leader in CNS at Mitsubishi Tanabe (Yokohama, Japan) and Head of Drug Discovery Unit for Battelle (Geneva, Switzerland). He started his career as a research scientist in the dermatology research centre of Galderma (Sophia-Antipolis, France) following a PhD in medicinal chemistry and Pharm D at the Faculty of Pharmacy of Lyon (France). He is a co-author of more than 40 research publications and patents.

4.2. Other activities and vested interests

Apart from the information given above, none of the members of the Executive Management has had other activities or holds any positions in:

- governing and supervisory bodies of important Swiss and foreign organizations, institutions and foundations under private and public law;

- permanent management and consultancy functions for important Swiss and foreign interest groups; or
- official government functions and political posts.

4.3. Rules in the articles of association on the number of permitted mandates outside the Company

Article 31 of the Articles provide certain restrictions to the number of mandates that members of the executive management may have in the supreme governing bodies of legal entities registered in the Swiss commercial register or similar foreign register as follows:

- no member of the executive management may hold more than five board of director mandates with no more than two mandates in listed entities;
- mandates in companies controlled by Addex or which control Addex are not subject to restrictions;
- mandates that are held by order and on behalf of Addex or companies under Addex control are restricted to ten; and
- mandates in associations, charitable organizations, family trusts and foundations relating to post-retirement benefits and other not-for-profit organizations are restricted to twenty-five.

Multiple mandates in different legal entities which are under common control or same beneficial ownership are deemed to be one mandate.

4.4. Management contracts

There are no management contracts between Addex and third parties, except for the contract with TMD Advisory Ltd, a company owned and managed by Mr. Dyer with registered office in Gland (Canton of Vaud), Switzerland, that has been mandated to provide CEO / CFO services to the Addex Group. The remuneration for the services performed by TMD Advisory Ltd is disclosed in the Compensation Report of the Company.

5. Compensation, shareholdings and loans

5.1. Content and method of determining the compensation and the shareholding programmes

Detailed information about content and method of determining compensation and shareholder programs of the members of the Board of Directors and Executive Management is included in the Compensation Report of the Group. Information about shareholdings of the members of the Board of Directors and Executive Management is included in note 12 of the statutory financial statements of the Company.

5.2. Disclosure of rules in the articles of incorporation regarding compensation of the Board of Directors and of the Executive Management

For rules in the Articles regarding the approval of compensation by the meeting of shareholders, the supplementary amount for changes in the executive management as well as the general compensation principles, please refer to articles 26–28 of the Articles. The rules regarding agreements with members of the Board of Directors and of the Executive Management in terms of duration and termination, please refer to article 29 of the Articles. Article 30 of the Articles indicates the rules regarding credits for the members of the Board of Directors and of the Executive Management.

6. Shareholders' participation rights

6.1. Voting rights restrictions and representation

Voting rights may be exercised only after a shareholder has been recorded in the Company's share register as a shareholder or usufructuary with voting rights, subject further the restrictions on transferability set forth in article 5 of the Articles. No exceptions from these restrictions were granted in 2018. A shareholder may be represented by his legal representative, the independent proxy or by a duly authorized person who does not need to be a shareholder. Subject to the registration of shares in the share register within the deadline set from time to time by the Board before shareholders' meetings, the Articles do not impose any restrictions on the voting rights of shareholders. Specifically, there is no limitation on the number of voting rights per shareholder. For further information on the conditions for registration in the share register (including in relation to Nominees) and for attending and voting at a shareholders' meeting, please refer to the sections "Limitations on transferability of shares and nominee registration" on page 9 above and "Registration in the share register" on this page 16 below.

Article 13 of the Articles provides the basis for election of the independent proxy. The Shareholders' Meeting of June 20, 2018, elected Robert P. Briner as the independent proxy.

Resolutions of shareholders' meetings generally require the approval of the absolute majority of the votes represented at the shareholders meeting (more than 50% of the share votes represented at such meeting). Such resolutions include amendments to the Articles, elections of the members of the Board and statutory and group auditors election of the chairman of the Board and of the members of the Compensation Committee, election of the independent proxy, approval of the annual financial statements, setting the annual dividend, approval of the compensation of the Board and management pursuant to the Articles, decisions to discharge the members of the Board and management for liability for matters disclosed to the shareholders' meeting and the ordering of an independent investigation into specific matters proposed to the shareholders' meeting.

A resolution passed at a shareholders' meeting with a qualified majority of at least two-thirds of the votes represented and the absolute majority of the nominal share capital is required by law for:

- changes to the business purpose;
- the creation of shares with privileged voting rights;

- restrictions on the transferability of registered shares;
- an increase of the authorized or conditional share capital;
- an increase in the share capital by way of capitalization of reserves, against contribution in kind, for the acquisition of assets or involving the grant of special privileges;
- the restriction or exclusion of pre-emptive rights of shareholders;
- a relocation of the registered office; and
- the dissolution of the Company.

Special quorum rules apply by law to a merger, demerger, or conversion of the Company. The introduction or abolition of any provision in the Articles introducing a majority greater than that required by law must be resolved in accordance with such greater majority.

6.2. Statutory quorums

There is no provision in the Articles requiring a majority for shareholders' resolutions beyond the majority requirements set out by applicable legal provisions.

6.3. Convocation of the general meeting of shareholders

The shareholders' meeting is the supreme institution of the Company and under Swiss law, the ordinary shareholders' meeting takes place annually within six months after the close of the business year. Shareholders' meetings may be convened by the Board or, if necessary, by the auditors. Furthermore, the Board is required to convene an extraordinary shareholders' meeting if so requested in writing by holders of shares representing at least 10% of the share capital and who submit a petition specifying the item for the agenda and the proposals.

6.4. Inclusion of items on the agenda

Shareholders representing shares with a nominal value of at least CHF1,000,000 or 10% of the share capital have the right to request in writing that an item be included on the agenda of the next shareholders' meeting, setting forth the item and the proposal. A request to put an item on the agenda has to be made at least 60 days prior to the meeting. Extraordinary shareholders' meetings may be called as often as necessary, in particular in all cases required by law.

A shareholders' meeting is convened by publishing a notice in the Swiss Official Commercial Gazette (*Feuille Officielle Suisse du Commerce/Schweizerisches Handelsamtsblatt*) at least 20 days prior to such meeting. In addition, holders of shares may be informed by a letter sent to the address indicated in the share register.

6.5. Entries in the share register

The Board determines the relevant deadline for registration in the share register giving the right to attend and to vote at the shareholders' meeting. Such deadline is published by Addex on the Company's website, usually in connection with the publication of the invitation to the shareholders' meeting in the Swiss Official Commercial Gazette. The registration deadline for the ordinary shareholders' meeting shall be determined and communicated prior to the end of May 2018. Addex has not enacted any rules on the granting of exceptions in relation to these deadlines. No exceptions were granted in 2018, and the Board does not anticipate granting any exceptions related to the shareholders' meeting to be held in 2019. For further information on registration in the share register, please refer to section "Limitations on transferability of shares and nominee registration" on page 9.

7. Changes of control and defense measures

7.1. Duty to make an offer

Swiss law provides for the possibility to have the Articles contain a provision which would eliminate the obligation of an acquirer of shares, exceeding the threshold of 33 1/3% of the voting rights (whether exercisable or not), to proceed with a public tender offer to acquire 100% of the listed equity securities of the Company (opting-out provision pursuant to article 125 para. 3 FMIA or which would increase such threshold to 49% of the voting rights (opting-up provision pursuant to article 135 para. 1 FMIA).

On March 16, 2018, the EGM resolved a selective opting-out limited to a 5-year period of the mandatory offer rules of article 135 FMIA based on article 125 para. 3 FMIA by adopting a new article 39 of the Articles (the "Opting-out") in order to facilitate the financing of the Company by two lead investors, *i.e.* Growth Equity Opportunities Fund IV, LLC and New Leaf Biopharma Opportunities I, L.P., and to provide legal certainty in connection with the possible legal consequences under Swiss takeover law of these investors' acquisition of newly issued registered shares of the Company for an amount of around CHF20,000,000 in March 2018. As a result of the Opting-out, neither Growth Equity Opportunities Fund IV, LLC. or New Leaf Biopharma Opportunities I, L.P., nor their respective affiliates would have a duty to make a mandatory offer for a period until March 21, 2023 in case any of them would acquire (either alone or acting in concert pursuant to article 135 FMIA) 33 1/3% or more of the outstanding voting rights of the Company. The Company's shareholders would be deprived of their right to tender their shares in a mandatory offer triggered by a change of control over the Company caused by Growth Equity Opportunities Fund IV, LLC and/or New Leaf Biopharma Opportunities I, L.P. and/or their respective affiliates until March 21, 2023 pursuant to article 135 FMIA.

7.2. Clauses on changes of control

Addex' equity sharing certificate equity incentive plan and share option plan contain a provision in respect of changes of Addex shareholder base. In the event of a change of control over Addex (defined as a change of control event triggering a mandatory public tender offer according to applicable stock exchange rules) all outstanding unvested share options and subscription rights attached to equity sharing certificates, vest, and they become exercisable with their remaining term being reduced proportionally.

8. Auditors

8.1. Duration of the mandate and term of office of the lead auditor

Pursuant to article 23 of the Articles and the Organization Rules, the auditor shall be elected every year and may be re-elected. The statutory and group auditors of Addex are PricewaterhouseCoopers SA, Geneva, Switzerland. PricewaterhouseCoopers SA has held the function of statutory auditor since inception of the Company in February 2007 and of Addex Pharma SA since its inception in 2002, and acts as group auditor since 2004. The lead auditor of Addex since 2018 is Mr Travis Randolph.

8.2. Auditing fees

In 2018, PricewaterhouseCoopers SA and its affiliates charged the Group audit fees in the amount of CHF113,939.

8.3. Additional fees

In 2018, PricewaterhouseCoopers SA and its affiliates charged the Group no additional fees.

8.4. Information instruments pertaining to the external audit

The Audit Committee as a committee of the Board reviews and evaluates the performance and independence of the auditors at least once a year. Based on its review, the Audit Committee recommends to the Board, which external auditor should be proposed for election at the general meeting of shareholders. The decision regarding this agenda is then taken by the Board. When evaluating the performance and independence of the auditors, the Audit Committee puts special emphasis on criteria such as global network of the audit firm, professional competence of the lead audit team, understanding of Addex' specific business risks, personal independence of the lead auditor and independence of the audit firm as a company and coordination of the auditors with the Audit Committee.

The Audit Committee determines the scope of the external audit and the relevant methodology to be applied to the external audit with the auditors and discusses the results of the respective audits with the auditors. Representatives of the auditors are regularly invited to meetings of the Audit Committee, namely to attend during those agenda points dealt with an accounting, financial reporting or auditing matters.

The Audit Committee was disbanded on June 27, 2014 and since this date the Chairman of the Board, Vincent Lawton assumed the task of supervising the auditors. Following the AGM of June, 20, 2018, the Audit Committee was reconstituted. The Audit Committee assumes the task of supervising the auditors. The Audit Committee meets with external auditors at least once a year to discuss the scope and the results of the audit and to assess the quality of their service. The auditors prepare a Board Report addressed to the Chairman of the Board two times per year, informing them of their audit plan for the year under review followed by a report detailing the result of their annual audit.

In 2018, the Chairman of the Board or Audit Committee met with the auditors two times to discuss the results of their 2017 year-end audit, the financial situation of the Group and the scope of the 2018 audit. In 2019, the Audit Committee of the Board met with the auditors to discuss the results of their 2018 year-end audit and the financial situation of the Group.

9. Information policy

Addex is committed to an open and transparent communication with its shareholders, financial analysts, potential investors, the media, customers, suppliers and other interested parties.

Addex publishes financial results in the form of an Annual Report and a Half-year Report (Interim Report). In addition, Addex informs shareholders and the public regarding the Group's business through press releases, conference calls, as well as roadshows. Where required by law or Addex' Articles, publications are made in the Swiss Official Commercial Gazette. The Annual Report, usually published no later than April of the following year, and the Interim Report, usually published no later than in September, are both announced by press release. Annual Reports, Interim Reports and press releases are available on request in printed form to all registered shareholders, and are also made available on the Group's website. The Group's website, which is the Group's permanent source of information, also provides other information useful to investors and the public, including information on the Group's research and development programs as well as contact information. It is the Group's policy not to release explicit earnings projections, but it will provide general guidance to enable the investment community and the public to better evaluate the Group and its prospective business and financial performance. The Board has issued a disclosure policy to ensure that investors will be informed in compliance with the requirements of the SIX.

Details and information on the business activities, Company structure, financial reports, media releases and investor relations are available on the Company's website:

www.addextherapeutics.com

The official means of publication of the Company is the Swiss Official Gazette of Commerce:

www.shab.ch

Web-links regarding the SIX push-/pull-regulations concerning *ad hoc* publicity issues are:

<https://www.addextherapeutics.com/en/news-and-events/press-releases>

<https://www.addextherapeutics.com/en/investors/register-email-news>

The financial reports as well as shareholders meeting invitations and results are available under:

<https://www.addextherapeutics.com/en/investors/downloads>

The Group's investor relations department is available to respond to shareholders' or potential investors' queries under IR@addextherapeutics.com or via post at Addex Therapeutics Ltd., Investor Relations, C/O Addex Pharma SA, Chemin des Mines 9, CH-1202 Geneva, Switzerland. Additional inquiries may also be made by phone at +41 22 884 1555.

10. Ethical business conduct

The Group is committed to the highest standards of ethical conduct. As a pharmaceutical business, the Group is operating in a highly regulated business environment. Strict compliance with all legal and health authority requirements, as well as requirements of other regulators, is mandatory. The Group expects its employees, contractors and agents to observe the highest standards of integrity in the conduct of the Group's business. The Code of Conduct sets forth the Group's policy embodying the highest standards of business ethics and integrity required of all directors, executives, employees and agents when conducting business affairs on behalf of the Group. The Group is committed to complying with the spirit and letter of all applicable laws and regulations where the Group engages in business.

Compensation Report

Overview

This Compensation Report provides the information required by the federal Ordinance against excessive compensation in listed companies ("Compensation Ordinance") (effective as of January 1, 2014). It also includes information required by section 5 of the Annex to the Directive on Information relating to Corporate Governance of the SIX Swiss Exchange (effective date October 1, 2014) and the Swiss Code of Best Practice for Corporate Governance (status August 28, 2014).

Addex' Articles, Organization Rules and policies provided the basis for the principles of compensation.

Review and approval process

The Board reviews compensation of its members and members of the Executive Management annually in accordance with the Company's Compensation Policy. In its review process the Board considers compensation packages of other companies in the biotech and pharmaceutical industry in Switzerland and Europe that are comparable to Addex with respect to size or business model, the professional experience and areas of responsibility of the respective members. The Board of Directors may also consult relevant compensation surveys and bench marking reports. Based on its review, the Board of Directors submits two proposals for approval at the shareholders meeting: (i) the maximum aggregate amount of fixed and variable compensation for the Board of Directors for the prospective period from one ordinary general meeting of shareholders to the following ordinary general meeting of shareholders; and (ii) the maximum aggregate amount of fixed and variable compensation for the Executive Management for the period from January 1 to December 31 of the next financial year. Approval of these proposals requires an absolute majority (more than 50% of the share votes represented at the shareholders meeting).

Compensation elements for the Board of Directors and Executive Management

Board of Directors

The compensation of the member of the Board consists of fixed and variable elements. The fixed element comprises a fixed annual monetary compensation per board term from one general meeting of shareholders to the next. The variable element comprises a monetary compensation based on board meeting attendance and equity incentive units (share options and equity sharing certificates). Social security contributions of the Company are accrued on the fixed and variable elements. Board member social security contributions are accrued on the fair value of equity incentive units. Equity incentive units are granted based on the discretion of the Board. In addition, the Company reimburses members of the Board for out-of-pocket expenses incurred in relation to their services on an on-going basis upon presentation of the corresponding receipts. The most recent review of compensation for members of the Board took place on December 13, 2018. For further information on the compensation for members of the Board, please refer to the section "Compensation of the Board in 2018" on page 20.

Executive Management

The compensation of members of the Executive Management consists of fixed and variable elements. The fixed element may include a base salary or a cash retainer paid under a consulting contract. The variable element may include performance-related cash or share based bonuses, consulting fees based on chargeable hours and equity incentive units (equity sharing certificates and share options). Company contributions to pension plans, death and invalidity insurances and social security contributions are accrued on all fixed and variable element compensation that relates to an employment relationship. Both company and employee social security contributions are accrued for all shares or equity incentive unit compensation. The amount of the fixed element depends on the position, responsibilities, experience and skills, and takes into account individual performance. The fixed element is reviewed at the end of each year by the Board. Any changes in the fixed elements are made effective in January of the following year. The variable elements are based on individual and company performance. The potential variable cash bonus is determined in the employment contract and in general is a percentage of the base salary. Where the Executive Manager has been engaged under a consulting contract, the variable element is based on the time spent at the contractually defined rate of remuneration. At the beginning of each year the Board decides, on the total amount of variable elements including the amount of cash and equity incentive units to be granted for the previous year based on the achievement of Company goals. Equity incentive units are granted based on the discretion of the Board. Variable cash compensation paid to Executive Managers in 2018 relates to consulting fees.

Equity incentive plans

The purpose of the Company's share purchase, share option and equity sharing certificate programs (refer to note 12 of the consolidated financial statements) is to provide members of the Board, Executive Management, employees and certain consultants with an opportunity to benefit from the potential appreciation in the value of the Company's shares, thus providing an increased incentive for participants to contribute to the future success and prosperity of the Company, enhancing the value of the shares for the benefit of the shareholders of the Company and increasing the ability of the Company to attract and retain individuals of exceptional skill. In addition, these plans provide the Company with a mechanism to engage services for non-cash consideration. The grant of any share option or equity sharing certificate is at the discretion of the Board. Key factors considered by the Board in making grants of share options or equity sharing certificates are the amount of shareholder approved conditional capital, the benchmarking with other companies as well as individual performance. The strike price is determined by the Board and is primarily based on the closing price of the Company's shares on the SIX Swiss Exchange on the grant date. The transfer of treasury shares under the share purchase plan to settle consulting services are based on predefined terms of the consulting contract.

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Indirect benefits

The Company may contribute to the pension plan and maintains certain insurance for death and invalidity for the members of the Executive Management. New entrants may be eligible for reimbursement of relocation costs, compensation for lost benefits or stock granted by a previous employer, international school for children or language courses for a limited time period. No Indirect benefits have been paid to Executive Management in 2018.

The Company has not granted any loans, credits or guarantees to members of the Board or of the Executive Management in 2018.

Compensation for the financial year under review (audited)

Measurement basis for compensation

The measurement basis for each component of compensation is described below:

- Cash compensation, cash variable compensation and share purchase plan: accrual basis;
- Equity incentive units: total fair value as determined at the date award calculated in accordance with the valuation methodology of IFRS 2; and
- Employers' social security: accrual basis except for equity incentive units which is based on the notional amount based on fair value at grant date.

Compensation of the Board of Directors in 2018 and 2017

2018	Fixed		Variable compensation		Total 2018
	cash compensation	cash attendance	number of equity incentive units ⁽¹⁾	value of equity incentive units ⁽¹⁾	
CHF					
Vincent Lawton.....	25,858	25,858	262,929	285,451	337,167
Raymond Hill.....	15,341	15,341	155,841	169,190	199,872
Tim Dyer.....	-	-	-	-	-
Roger Mills.....	-	-	-	-	-
Jake Nunn.....	6,642	6,642	-	-	13,284
Isaac Manke.....	5,314	5,314	-	-	10,628
Total.....	53,155	53,155	418,770	454,641	560,951

(1) Equity incentive units include share options granted under the Company's share option plan (refer to note 12 of the consolidated financial statements).

2017	Fixed		Variable compensation		Total 2017
	cash compensation	cash attendance	number of equity incentive units ⁽¹⁾	value of equity incentive units ⁽¹⁾	
CHF					
Vincent Lawton.....	25,858	25,858	163,850	173,081	224,797
Raymond Hill.....	15,341	15,341	100,310	105,961	136,643
Tim Dyer.....	-	-	-	-	-
Roger Mills.....	-	-	-	-	-
Total.....	41,199	41,199	264,160	279,042	361,440

(1) Equity incentive units include share options granted under the Company's share option plan (refer to note 12 of the consolidated financial statements).

Compensation to the Executive Management in 2018 and 2017

2018	Fixed		Variable compensation		Total 2018
	cash compensation	Cash ⁽³⁾	number of equity incentive units ⁽²⁾	value of shares ⁽²⁾	
CHF					
Total Executive Management⁽¹⁾.....	415,853	408,539	1,804,351	2,070,240	2,894,632

(1) The highest paid member of Executive Management in 2018 was the CEO, Tim Dyer, who received CHF392,293 of variable cash compensation and 1,199,662 equity incentive units. The value of equity incentive units including accrued social charges amounted to CHF1,316,068.

(2) Equity incentive units include shares awarded for consulting services under the share purchase plan and options, equity sharing certificates granted under the Company's share option plan.

(3) Executive managers have been engaged under consulting contracts which include hourly and daily rates with a monthly cap.

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2017	Fixed	Variable compensation			Total
CHF	cash compensation	Cash ⁽³⁾	number of equity incentive units ⁽²⁾	value of shares ⁽²⁾	2017
Total Executive Management ⁽¹⁾.....	49,554	704,496	1,440,287	1,661,158	2,415,208

(1) The highest paid member of Executive Management in 2017 was the CEO, Tim Dyer, who received CHF384,000 of variable cash compensation and 1,099,956 equity incentive units. The value of equity incentive units including accrued social charges amounted to CHF1,220,733.

(2) Equity incentive units include shares awarded for consulting services under the share purchase plan and options, equity sharing certificates granted under the Company's share option plan.

(3) Executive managers have been engaged under consulting contracts which include hourly and daily rates with a monthly cap.



Report of the statutory auditor to the General Meeting of Addex Therapeutics Ltd

We have audited the remuneration report of Addex Therapeutics Ltd for the year ended 31 December 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labelled *Compensation of the Board of Directors in 2018 and 2017* and *Compensation to the Executive Management in 2018 and 2017* of the remuneration report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of Addex Therapeutics Ltd for the year ended 31 December 2018 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers SA

Travis Randolph

Audit expert
Auditor in charge

Filippos Mintiloglitis

Audit expert

Geneva, 30 April 2019

Consolidated Financial Statements of Addex Therapeutics Ltd as at December 31, 2018

Consolidated Balance Sheets as at December 31, 2018 and December 31, 2017

	<u>Notes</u>	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
ASSETS		Amounts in Swiss francs	
Current assets			
Cash and cash equivalents.....	6	41,670,158	2,579,248
Other financial assets.....	7	7,983	11,291
Receivables.....	7	273,016	303,882
Prepayments.....	7	199,410	158,923
Total current assets.....		<u>42,150,567</u>	<u>3,053,344</u>
Non-current assets			
Property, plant and equipment.....	8	8,868	2,751
Non-current financial assets.....	9	54,404	7,087
Total non-current assets.....		<u>63,272</u>	<u>9,838</u>
Total assets.....		<u>42,213,839</u>	<u>3,063,182</u>
LIABILITIES AND EQUITY			
Current liabilities			
Payables and accruals.....	10	2,121,084	1,037,769
Contract liability.....	13	212,744	-
Deferred income.....	14	-	439,022
Total current liabilities.....		<u>2,333,828</u>	<u>1,476,791</u>
Non-current liabilities			
Retirement benefits obligations.....	18	639,351	243,864
Total non-current liabilities.....		<u>639,351</u>	<u>243,864</u>
Equity			
Share capital.....	11	28,564,031	15,384,988
Share premium.....	11	286,476,912	264,852,008
Reserves.....		10,266,402	5,527,418
Accumulated deficit.....		(286,066,685)	(284,421,887)
Total equity.....		<u>39,240,660</u>	<u>1,342,527</u>
Total liabilities and equity.....		<u>42,213,839</u>	<u>3,063,182</u>

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

Consolidated Statements of Loss for the years ended December 31, 2018 and 2017

	<u>Notes</u>	<u>2018</u> Amounts in Swiss francs	<u>2017</u> Amounts in Swiss francs
Revenue from contract with customer.....	13	6,043,855	-
Other income.....	14	658,818	499,894
Operating costs			
Research and development.....		(4,918,793)	(2,628,901)
General and administration.....		(3,208,505)	(1,106,049)
Total operating costs.....	15	<u>(8,127,298)</u>	<u>(3,734,950)</u>
Operating loss.....		<u>(1,424,625)</u>	<u>(3,235,056)</u>
Finance costs.....	19	<u>(220,173)</u>	<u>(45,350)</u>
Net loss before tax.....		<u>(1,644,798)</u>	<u>(3,280,406)</u>
Income tax expense.....	17	-	-
Net loss for the year.....		<u>(1,644,798)</u>	<u>(3,280,406)</u>
 Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company			
	20	<u>(0.07)</u>	<u>(0.25)</u>

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

Consolidated Statements of Comprehensive Loss for the years ended December 31, 2018 and 2017

	<u>Notes</u>	<u>2018</u> Amounts in Swiss francs	<u>2017</u>
Net loss for the year		(1,644,798)	(3,280,406)
Other comprehensive loss			
Items that will never be reclassified to the statement of income :			
Remeasurements of retirement benefits obligations.....	18	(375,479)	(9,909)
Items that may be classified subsequently to the statement of income			
Exchange difference on translation of foreign operations differences..		(181)	(871)
Other comprehensive loss for the year, net of tax		<u>(375,660)</u>	<u>(10,780)</u>
Total comprehensive loss for the year		<u>(2,020,458)</u>	<u>(3,291,186)</u>

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

Consolidated Statements of Changes in Equity for the years ended December 31, 2018 and 2017

Amounts in Swiss Francs

	Share Capital	Share Premium	Treasury Shares Reserve	Foreign Currency Translation Reserve	Other Reserves	Accumulated Deficit	Total
Balance at							
January 1, 2017....	13,454,553	263,100,700	(1,953,067)	(651,271)	7,409,158	(281,141,481)	218,592
Net loss for the year.....	-	-	-	-	-	(3,280,406)	(3,280,406)
Other comprehensive loss for the year.....	-	-	-	(871)	(9,909)	-	(10,780)
Total comprehensive loss for the year...	-	-	-	(871)	(9,909)	(3,280,406)	(3,291,186)
Issue of shares (Note 11).....	1,930,435	-	-	-	-	-	1,930,435
Cost of share capital issuance.....	-	(25,573)	-	-	-	-	(25,573)
Value of share-based services.....	-	-	-	-	800,188	-	800,188
Movement in treasury Shares:							
Capital increase.....	-	-	(1,930,435)	-	-	-	(1,930,435)
Sale of shares to investors.....	-	1,647,645	1,617,523	-	-	-	3,265,168
Net sales under liquidity agreement..	-	-	6,006	-	-	-	6,006
Exercise of ESC....	-	-	108,000	-	-	-	108,000
Settlement of supplier invoices.....	-	129,236	132,096	-	-	-	261,332
Balance at							
January 1, 2018....	15,384,988	264,854,008	(2,019,877)	(652,142)	8,199,437	(284,421,887)	1,342,527
Net loss for the year.....	-	-	-	-	-	(1,644,798)	(1,644,798)
Other comprehensive loss for the year.....	-	-	-	(181)	(375,479)	-	(375,660)
Total comprehensive loss for the year...	-	-	-	(181)	(375,479)	(1,644,798)	(2,020,458)
Issue of Shares (Note 11).....	13,179,043	24,461,056	-	-	-	-	37,640,099
Cost of share capital issuance.....	-	(2,963,415)	-	-	-	-	(2,963,415)
Value of share-based services.....	-	-	-	-	2,298,933	-	2,298,933
Value of Warrants.....	-	-	-	-	3,308,982	-	3,308,982
Movement in treasury Shares:							
Capital increase.....	-	-	(568,902)	-	-	-	(568,902)
Settlement of suppliers invoices...	-	120,908	87,176	-	-	-	208,084
Net purchases under liquidity agreement....	-	6,355	(11,545)	-	-	-	(5,190)
Balance at							
December 31, 2018...	28,564,031	286,476,912	(2,513,148)	(652,323)	13,431,873	(286,066,685)	39,240,660

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

Consolidated Statements of Cash Flows for the years ended December 31, 2018 and 2017

	Notes	2018	2017
		Amounts in Swiss francs	
Net loss for the year.....		(1,644,798)	(3,280,406)
Adjustments for:			
Depreciation.....	8	2,937	15,249
Value of share-based services.....	12	2,298,933	800,188
Pension costs.....	18	20,008	19,520
Finance costs		123,840	45,471
Decrease / (increase) in other financial assets.....		3,308	(4,992)
Increase in receivables.....		(77,134)	(83,159)
Increase in prepayments.....		(40,487)	(137,488)
Increase / (decrease) in payables and accruals.....		1,083,315	(212,131)
Increase in contract liability.....		212,744	-
Increase / (decrease) in deferred income.....		(439,022)	439,022
Services paid in shares.....		208,085	258,903
Net cash (used in) / from operating activities.....		<u>1,751,729</u>	<u>(2,139,823)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment.....	8	(9,054)	(697)
Purchase of non-current financial assets.....	9	(47,317)	-
Purchase of treasury shares.....		(5,373)	-
Net cash used in investing activities.....		<u>(61,744)</u>	<u>(697)</u>
Cash flows from financing activities			
Proceeds from issue of shares – capital increase.....	11	40,488,180	-
Proceeds from sales of treasury shares.....		-	3,380,747
Costs paid on issue of shares.....		(2,963,415)	(25,573)
Interests paid.....	19	(134,307)	(171)
Net cash from financing activities.....		<u>37,390,458</u>	<u>3,355,003</u>
Increase in cash and cash equivalents.....		<u>39,080,443</u>	<u>1,214,483</u>
Cash and cash equivalents at beginning of the year.....	6	2,579,248	1,410,065
Exchange difference on cash and cash equivalents.....		10,467	(45,300)
Cash and cash equivalents at end of the year.....	6	<u>41,670,158</u>	<u>2,579,248</u>

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

Notes to the Consolidated Financial Statements for the years ended December 31, 2018 and 2017 (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 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, CH-1228 Plan-les-Ouates, Geneva, Switzerland and the parent company of Addex Pharma SA and Addex Pharmaceuticals France SAS. Its registered shares are traded at the SIX, Swiss Exchange, under the ticker symbol ADXN.

These consolidated financial statements have been approved for issuance by the Board of Directors on April 25, 2019.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Addex Therapeutics Ltd have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB"), and under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 "Critical accounting estimates and judgements".

Due to rounding, numbers presented throughout these 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.

2.2 Standards and interpretations published by the IASB

New standards adopted by the Group

The following new standards, amendments to standards and interpretations which are mandatory for the financial periods beginning on January 1, 2018 did not have any material impact on the consolidated financial statements:

- IFRS 15, Revenue from contracts with customers (effective from January 1, 2018). This standard applies to all contracts with customers, except for contracts that are within the scope of other standards, such as leases, insurance, collaboration arrangements and financial instruments. Under IFRS 15, an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of IFRS 15, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Group only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of IFRS 15, the Group assesses the goods or services promised within each contract and determines those that are performance obligations and assesses whether each promised good or service is distinct. The Group then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. This standard has been applied for the first time for the annual reporting period commencing January 1, 2018 and would have recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of accumulated losses; however, the Group did not deem any adjustments required in the transition to the new standard. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. We expect the impact of the adoption of the new standard to be immaterial to our net profit / loss on an ongoing basis, and as of January 1, 2018 it applies to the Indivior PLC ("Indivior") contract signed on January 2, 2018.

- IFRS 9, Financial instruments (effective from January 1, 2018), replacing IAS 39 Financial Instruments: Recognition and Measurement. This standard has been applied for the first time for the annual reporting period commencing January 1, 2018. This standard includes requirements on the classification and measurement of financial assets and liabilities. It defines three classification categories for debt instruments: amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVPL"). Classification for investments in debt instruments is driven by the entity's business model for managing financial assets and their contractual cashflows. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. The standard does not introduce any changes for the classification and measurement of financial liabilities, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. IFRS 9 also contains a new impairment model which will result in earlier recognition of losses. The expected credit losses ("ECL") model is a 'three-stage' model for impairment based on changes in credit quality since initial recognition. In addition, the new standard contains amendments to general hedge accounting that will enable entities to better reflect their risk management activities in their financial statements. The Group is affected by only one section of this standard, namely the ECL model. As at January 1, 2018, all receivables were due from 2 counter-parties with no defaults in the past, and based on Management's forward-looking analysis, there is no material expected credit default risk. On this basis, the Group has completed its assessment and has concluded that the adoption of this standard has no material impact on its consolidated financial statements.

New standards and interpretations not yet adopted

New standards, amendments to standards and interpretations which have been published, but are not yet effective and have not been early adopted by the Group:

- IFRS 16 (amendment), Leases (effective from January 1, 2019). Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets, although this exemption can only be applied by lessees. IFRS 16 is likely to have a significant impact on the financial statements of a number of lessees, as it will result in almost all leases being recognized on the balance sheet (as the distinction between operating and finance leases is removed), while for lessors the accounting stays almost the same. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The Group will apply IFRS 16 from January 1, 2019. It will affect primarily the accounting for the Group's operating leases. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). As at December 31, 2018, the Group has non-cancellable operating lease commitments of CHF272,498 (see note 21 "Commitments and contingencies"). Of these commitments, approximately CHF26,142 relate to short-term leases, which will be recognized on a straight-line basis as an expense in the income statement. Based on certain assumptions, including but not limited to the term life of the leases, early termination clauses, on January 1, 2019, the Group will recognize estimated right-of-use assets and lease liabilities of approximately CHF221,852. However, the Group will continue to assess the impact of the implementation and update the assumptions used in the estimate.

There are other new standards, amendments to standards and interpretations that are not yet effective, which have been deemed by the Group as currently not relevant, hence are not listed or discussed further here.

2.3 Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. The reporting date of all Group companies is December 31.

2.4 Segment reporting

The Group operates in one segment, which is the discovery, development and commercialization of small-molecule pharmaceutical products. A single management team that reports to the chief executive officer comprehensively manages the entire business. The chief operating decision-maker, is the Chief Executive Officer who reviews the statement of operations of the Group on a consolidated basis, makes decisions and manages the operations of the Group as a single operating segment. The Group's activities are not affected by any significant seasonal effect. Revenue is attributable to the Company's country of domicile, Switzerland.

2.5 Foreign currency transactions

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Swiss francs, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of income within 'finance cost'.

Group companies

The results and financial position of the Group's subsidiary that has a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of income are translated at the average exchange rate; and
- all resulting exchange differences are recognized in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation, and impairment (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Computer equipment	3 years
Laboratory equipment	4 years
Furniture and fixtures	5 years
Chemical library	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 2.7). Gains and losses on disposals are determined by comparing proceeds with the carrying amount, and are included in the statement of income.

2.7 Impairment of non-financial assets

Assets that are subject to depreciation or amortization are reviewed for impairment annually, and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Prior impairment of non-financial assets other than goodwill is reviewed for possible reversal at each reporting date.

2.8 Financial assets

The Group has one category of financial assets, namely "receivables". Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are held for collection of contractual cash flows which represent solely the payment of principal and interest. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Receivables are included in other current assets in the balance sheet (see note 7).

Receivables are initially measured at fair value and subsequently measured at amortized cost. Amortized cost is the amount at which the receivable is measured at initial recognition plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Receivables are derecognized when settled.

In 2017, a provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of impairment is the difference between the carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in the statement of income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the statement of loss.

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

The Company classifies a contract asset as a receivable when the Company's right to consideration is unconditional. If the Company transfers control of goods or services to a customer before the customer pays consideration, the Company records either a contract asset or a receivable depending on the nature of the Company's right to consideration for its performance. Contract assets and contract liabilities arising from the same contract are netted and presented as either a single net contract asset or net contract liability.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. They are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Any bank overdrafts are not netted against cash and cash equivalents, but are shown as part of current liabilities on the consolidated balance sheet.

2.10 Share capital

Shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental cost (net of income taxes) is recorded as a deduction from equity attributable to the Company's equity holders as a treasury share reserve until the shares are cancelled, reissued or disposed of. When such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effect, the nominal amount is reversed from the treasury share reserve, with any remaining difference to the total transaction value being recognized in share premium.

The Company has entered into a liquidity contract where an independent broker buys and sells the Company's shares held in the broker's custody. Such shares are presented in the treasury share reserve.

The Company also uses treasury shares to partially settle services rendered by third and related parties. When shares are issued for this purpose, the nominal share value is recognized as a treasury share reserve and the value above par is presented as a share premium.

2.11 Equity instruments

Equity instruments issued by the Group are recorded at the fair value of the proceeds received, net of direct issuance costs.

2.12 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. All payables have a contract maturity within 1 year.

2.13 Grants

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

2.14 Deferred income tax

Deferred income tax is recorded in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is recorded on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Potential deferred income tax assets from tax loss carry forwards exceed deferred tax liabilities. Deferred income tax assets from tax loss carry forwards are initially recognized to the extent that there are suitable deferred income tax liabilities, then to the extent that the realization of the related tax benefit through future taxable profits is probable.

2.15 Pension obligations

The Group operates one pension scheme. The scheme is generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has defined benefit plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in other comprehensive income and past-service costs are recognized immediately in the statement of income.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the defined benefit obligation at the balance sheet date minus the fair value of the plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined obligation is determined by discounting the estimated future cash outflows using 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 to the terms of the related pension liability.

2.16 Share-based compensation

The Group operates an equity sharing certificates' equity incentive plan, a share option plan, and a share purchase plan. The Group also from time to time grants warrants to brokers and investors. The fair value of the services received in exchange for the grant or transfer of equity sharing certificates, options, shares or warrants is recognized in the Consolidated Financial Statements. The total amount to be recognized over the vesting period is determined by reference to the fair value of the equity incentive unit granted or transferred. The fair value of instruments granted includes any market performance conditions and excludes the impact of any service and non-market performance vesting conditions. Service and non-market performance conditions are included in assumptions about the number of equity incentive units that are expected to vest.

At each balance sheet date, the Group revises its estimates for the number of equity incentive units that are expected to vest. It recognizes the impact of the revision to original estimates, if any, in the statement of income, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the equity incentive units are exercised.

2.17 Revenue recognition

Effective January 1, 2018, the Group adopted IFRS 15 Revenue from Contracts with Customers, without deeming any adjustments necessary in the transition to the new standard. Under IFRS 15, an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of IFRS 15, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Group only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of IFRS 15, the Group assesses the goods or services promised within each contract and determines those that are performance obligations and assesses whether each promised

good or service is distinct. The Group uses the most likely method to estimate any variable consideration and includes such consideration in the amount of the transaction price based on an estimated stand-alone selling price. Revenue is recognized for the respective performance obligation when (or as) the performance obligation is satisfied. For a complete discussion of accounting for revenue recognition, see Note 13, "Revenue from contract with customer".

The Group recognizes revenue from the licence of intellectual property and providing research and development services:

License of intellectual property

If the license to the Group's intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, the Group recognizes revenues when the license conveys a right of use or right of access to the underlying intellectual property. For licenses that are sold in conjunction with a related service, the Group uses judgment to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time. If the performance obligation is settled over time, the Group determines the appropriate method of measuring progress for purposes of recognizing license revenue. The Group evaluates the measure of progress each reporting period and, if necessary, adjusts the measure of performance and related revenue recognition.

Research and development services

The Group has an arrangement with its partner that includes deploying its full-time employees for research and development activities. The Group assesses if these research and development activities are considered distinct in the context of the respective contract and, if so, they are accounted for as a separate performance obligation. This revenue is recorded within "Revenue from contract with customer" over time as the activities are performed.

Contract balances

The Group receives payments and determines credit terms from its customers for its various performance obligations based on billing schedules established in each contract. The actual timing of the income recognition, billings and cash collections may result in other current receivables, accrued revenue (contract assets), and deferred revenue (contract liabilities) being recorded on the balance sheets. Amounts are recorded as other current receivables when the Group's right to consideration is unconditional. The Group does not assess whether a contract has a significant financing component if the expectation at contract inception is such that the period between payment by the customer and the transfer of the promised goods or services to the customer will be one year or less.

2.18 Finance income and expense

Interest received and interest paid are classified in the statement of cash flows under investing activities and financing activities, respectively.

2.19 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

2.20 Research and development

Research and development costs are expensed as incurred. Costs incurred on development projects are recognized as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

In the opinion of management, due to uncertainties inherent in the development of the Group's products, the criteria for development costs to be recognized as an asset, as prescribed by IAS 38, "Intangible Assets", are not met.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and capital risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the Group's finance department (Group Finance) under the policies approved by the Board. Group Finance identifies, evaluates and in some instances economically hedges financial risks in close cooperation with the Group's operating units. The Board provides written guidances for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, use of derivative financial instruments and non-derivative financial instruments, credit risk and investing excess liquidity.

Market risk and foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various exposures, primarily with respect to the Euro, US dollar and UK pound. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. To manage foreign exchange risk Group Finance maintains foreign currency cash balances to cover anticipated future requirements. The Group's risk management policy is to economically hedge 50% to 100% of anticipated transactions in each major currency for the subsequent 12 months. The Group has a subsidiary in France, whose net assets are exposed to foreign currency translation risk. In 2018, a 10% increase or decrease in the EUR/CHF exchange rate would have resulted in a CHF 52,398 (2017: CHF11,144) increase or decrease in net income and shareholders' equity as at December 31, 2018, a 10% increase or decrease in the GBP/CHF exchange rate would have resulted in a CHF 15,965 (2017: CHF3'791) increase or decrease in net income and shareholders' equity as at December 31, 2018 and a 10% increase or decrease in the USD/CHF exchange rate would have resulted in a CHF 1,224,506 (2017: CHF86,326) increase or decrease in net income and shareholders' equity as at December 31, 2018. Movements in other currencies would not have had a material impact. The Group is not exposed to equity price risk or commodity price risk as it does not invest in these classes of investment.

Interest rate risk

The Group's exposure to interest rate fluctuations is limited because the Group has no interest-bearing indebtedness. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Therefore the Group has no significant interest rate risk exposure.

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures to collaboration partners. The Group has a limited number of collaboration partners and consequently has a significant concentration of credit risk. The Group has policies in place to ensure that credit exposure is kept to a minimum and significant concentrations of credit risk are only granted for short periods of time to high credit quality partners. The Group's policy is to invest funds in low risk investments including interest bearing deposits. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted (see note 6).

Liquidity risk

The Group's principal source of liquidity is its cash reserves which are obtained through the sale of new shares and to a lesser extent the sale of its research and development stage products. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. The ability of the Group to maintain adequate cash reserves to sustain its activities in the medium term is highly dependent on the Group's ability to raise further funds from the licensing of its development stage products and the sale of new shares. Consequently, the Group is exposed to significant liquidity risk (see note 4).

3.2 Capital risk management

The Group is not regulated and not subject to specific capital requirements. The amount of equity depends on the Group's funding needs and statutory capital requirements. The Group monitors capital periodically on an interim and annual basis. From time to time, the Group may take appropriate measures or propose capital increases to its shareholders to ensure the necessary capital remains intact. The Group did not have any short-term or long-term debt outstanding as of December 31, 2018 and 2017.

3.3 Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate to their fair values due to the short-term maturity of these instruments and are held at their amortized cost in accordance with IFRS 9. The fair value of other financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. 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.

Revenue recognition

Revenue is primarily from fees related to licenses, milestones, research services and royalties. 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 13.

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 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.

Deferred taxes

As disclosed in note 17 the Group has significant Swiss tax losses. These tax losses represent potential value to the Group to the extent that the Group is able to create taxable profits within 7 years of the end of the year in which the losses arose. The Group has not recorded any deferred tax assets in relation to these tax losses. The key factors which have influenced management in arriving at this evaluation are the fact that the Group has not yet a history of making profits and product development remains at an early stage. Should management's assessment of the likelihood of future taxable profits change, a deferred tax asset will be recorded.

Share-based compensation

The Group recognizes an expense for share-based compensation based on the valuation of equity incentive units using binomial and Black-Scholes valuation models. A number of assumptions on the volatility of the underlying shares and on the risk free rate are made in these models. 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. Had these assumptions been modified within their feasible ranges and the Group calculated the share-based compensation based on the higher and lower values of these ranges, share-based compensation expense in 2018 would have been CHF1,696,301 or CHF2,762,285, respectively (2017: CHF711,856 or CHF911,946, respectively). This is compared to the amount recognized as an expense in 2018 of CHF2,298,934 (2017: CHF800,188). Additional information is disclosed in note 12.

Pension obligations

The present value of the pension obligations 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 beginning of each year. 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

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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. Additional information is disclosed in note 18.

5. Segment information

Information about products, services and major customers

External income of the Group for the years ended December 31, 2018 and 2017 is derived from the business of discovery, development and commercialization of pharmaceutical products. Income was earned from the sale of license rights, and rendering of research services to a pharmaceutical company and grants earned.

Information about geographical areas

External income is recorded in the Swiss operating company.

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

	<u>2018</u>	<u>2017</u>
Fees from sale of license rights.....	4,876,000	-
Collaborative research funding.....	1,167,855	-
Grants earned.....	609,212	464,916
Other service income.....	49,606	34,978
Total	<u>6,702,673</u>	<u>499,894</u>

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

	<u>2018</u>	<u>2017</u>
Indivior PLC	6,043,855	-
The Michael J. Fox Foundation.....	609,212	464,916
Other counterparties.....	49,606	34,978
Total	<u>6,702,673</u>	<u>499,894</u>

For more detail, refer to note 13, "Revenue from contract with customer" and note 14 "Other Income".

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Switzerland.....	62,866	9,417
France.....	406	421
Total.....	<u>63,272</u>	<u>9,838</u>

The geographical analysis of operating costs is as follows:

	<u>2018</u>	<u>2017</u>
Switzerland.....	8,119,953	3,719,191
France.....	7,345	15,759
Total operating costs (note 15)	<u>8,127,298</u>	<u>3,734,950</u>

There was capital expenditure of CHF9,054 in 2018 and CHF697 in 2017.

6. Cash and cash equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash at bank and on hand.....	41,670,158	2,579,248
Total cash and cash equivalents.....	<u>41,670,158</u>	<u>2,579,248</u>

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Split by currency:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
CHF.....	72,33%	73,39%
USD.....	26,87%	23,55%
EUR.....	0,51%	2,63%
GBP.....	0,29%	0,43%
Total.....	<u>100,00%</u>	<u>100,00%</u>

The effective interest rate on Swiss francs cash and cash equivalent was -0.43% in 2018 (2017: 0.0%). The Swiss national bank applies negative interests on Swiss francs deposits. All cash and cash equivalents were held either at bank or on hand as at December 31, 2018 and December 31, 2017.

Credit quality of cash and cash equivalents

The table below shows the cash and cash equivalents by credit rating of the major counterparties:

External credit rating of counterparty	<u>December 31, 2018</u>	<u>December 31, 2017</u>
P-1 / A-1.....	41,670,040	2,579,124
Cash on hand.....	118	124
Total cash and cash equivalents.....	<u>41,670,158</u>	<u>2,579,248</u>

External credit ratings of counterparties were obtained from Moody's (P-1) or Standard & Poor's (A-1), respectively.

7. Other current assets

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other financial assets.....	7,983	11,291
Receivables.....	273,016	303,882
Prepayments.....	199,410	158,923
Total other current assets.....	<u>480,409</u>	<u>474,096</u>

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. As of December 31, 2018, the receivables comprise of only two non-governmental debtors, one of which is also a related party and whose combined outstanding balances are CHF115,949. The Group has considered both customers have a low risk of default based on historic loss rates and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Based on this the ECL is immaterial.

8. Property, plant and equipment

	<u>Equipment</u>	<u>Furniture & fixtures</u>	<u>Chemical Library</u>	<u>Total</u>
Year ended December 31, 2017				
Opening net book amount.....	9,343	-	7,960	17,303
Additions.....	697	-	-	697
Depreciation charge.....	(7,576)	-	(7,673)	(15,249)
Closing net book amount.....	<u>2,464</u>	<u>-</u>	<u>287</u>	<u>2,751</u>
At December 31, 2017				
Cost.....	1,585,351	7,564	1,207,165	2,800,080
Accumulated depreciation.....	(1,582,887)	(7,564)	(1,206,878)	(2,797,329)
Net book value.....	<u>2,464</u>	<u>-</u>	<u>287</u>	<u>2,751</u>
Year ended December 31, 2018				
Opening net book amount.....	2,464	-	287	2,751
Additions.....	9,054	-	-	9,054
Depreciation charge.....	(2,650)	-	(287)	(2,937)
Closing net book amount.....	<u>8,868</u>	<u>-</u>	<u>-</u>	<u>8,868</u>
At December 31, 2018				
Cost.....	1,594,405	7,564	1,207,165	2,809,134
Accumulated depreciation.....	(1,585,537)	(7,564)	(1,207,165)	(2,800,266)
Net book value.....	<u>8,868</u>	<u>-</u>	<u>-</u>	<u>8,868</u>

The Group recorded a depreciation charge in 2018 of CHF2,068 (2017: CHF11,541) as part of research and development expenses and CHF869 (2017: CHF3,708) as part of general and administration expenses.

9. Non-current financial assets

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Security rental deposits.....	54,404	7,087
Total non-current financial assets.....	<u>54,404</u>	<u>7,087</u>

Security rental deposits relate to laboratory and office space which has increased during 2018. The applicable interest rate to such deposits is immaterial, and therefore, the value approximates amortised cost.

10. Payables and accruals

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Trade payables.....	1,148,801	383,211
Social security and other taxes.....	14,921	10,979
Accrued expenses.....	957,362	643,579
Total payables and accruals.....	<u>2,121,084</u>	<u>1,037,769</u>

All payables mature within 3 months. Accrued expenses relate primarily to amounts accrued under R&D service contracts and professional fees. At December 31, 2018, amounts have increased in line with increased R&D activities. The carrying amounts of trade payables do not materially differ from their fair values, due to their short-term nature.

11. Share capital

	<u>Number of shares</u>		
	<u>Common shares</u>	<u>Treasury shares</u>	<u>Total</u>
Balance at January 1, 2017.....	13,454,553	(1,891,006)	11,563,547
Issue of shares – capital increase.....	1,930,435	(1,930,435)	-
Sale of treasury shares.....	-	1,856,468	1,856,468
Balance at December 31, 2017.....	15,384,988	(1,964,973)	13,420,015
Issue of shares – capital increase.....	13,179,043	(278,027)	12,901,016
Net sale of treasury shares.....	-	84,524	84,524
Balance at December 31, 2018.....	<u>28,564,031</u>	<u>(2,158,476)</u>	<u>26,405,555</u>

The Company maintains a liquidity contract 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. At December 31, 2018, 44,513 (2017: 42,561) treasury shares are recorded in the treasury share reserve and CHF7,983 (2017: CHF11,291) is recorded in other financial assets.

At December 31, 2018, the total issued share capital is CHF28,564,031 (December 31, 2017: CHF15,384,988), consisting of 28,564,031 shares (December 31, 2017: 15,384,988). All shares have a nominal value of CHF1.

On March 28, 2018, the Company increased its share capital by issuing 13,037,577 new shares with a nominal value of CHF1 each at an issue price of CHF3.13 per share. Of these new shares, 12,901,016 were placed with investors raising CHF40.4 million of gross proceeds and the remaining 136,561 new shares were recorded as treasury shares at the issue price of CHF427,436. Each new share received a 7-year warrant to purchase 0.45 of a share at a price of CHF3.43 per share. A total of 5,866,898 warrants were granted of which 5,806,882 to investors. The fair value of each of the warrants issued to investors is CHF 0.56, and has been calculated using the Black-Scholes valuation model and recorded in equity as a cost of the capital increase, with a volatility of 37.15% and an annual risk free rate of 0.13%. The total value of the warrants granted to investors amounts to CHF3,308,982.

On March 16, 2018, the Group issued 141,466 new shares from the conditional capital to its 100% owned subsidiary, Addex Pharma SA at CHF1. These shares have been issued to replenish the treasury share reserve, which had previously been used to settle the exercise of share options.

For the fiscal year ended December 31, 2018, the Group used 87,176 treasury shares (2017: 132,096) to purchase services from consultants including 37,824 (2017: 66,727) shares for Roger Mills, and 32,362 (2017: 47,706) shares for Tim Dyer. The total value of consulting services settled in shares was CHF208,084. Under a liquidity agreement, the Group recorded net purchases of treasury shares of CHF5,190.

On May 29, 2017, the Group increased its share capital by CHF1,930,435 (1,930,435 registered shares with nominal value of CHF1 per share) out of authorized share capital. The 1,930,435 new shares were subscribed by the Company’s 100% owned subsidiary, Addex Pharma SA at CHF1 and recorded as treasury shares.

For the fiscal year ended December, 31 2017, the Group sold 1,617,523 treasury shares for gross proceeds of CHF3,265,168 and used 132,096 treasury shares to purchase services from consultants including 66,727 shares for Roger Mills, and 47,706 shares for

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Tim Dyer. The total value of consulting services settled in shares was CHF261,332. 108,000 treasury shares were used to settle the exercise of subscription rights attached to equity sharing certificates. Under a liquidity agreement, the Group recorded net sale of treasury shares of CHF6,006.

12. Share-based compensation

The total share-based compensation expense recognized in the statement of loss for equity incentive units granted to directors, executives, employees, consultants and investors has been recorded under the following headings:

	<u>2018</u>	<u>2017</u>
Research and development.....	880,982	511,789
General and administration.....	1,417,951	288,399
Total share-based compensation.....	<u>2,298,933</u>	<u>800,188</u>

Analysis of share-based compensation by equity incentive plan is detailed as follows:

	<u>2018</u>	<u>2017</u>
Equity sharing certificate plan.....	77,336	28,588
Share purchase plan.....	38,296	34,821
Share option plans.....	2,183,301	736,779
Total share-based compensation.....	<u>2,298,933</u>	<u>800,188</u>

Equity Sharing Certificate Equity Incentive Plan

On June 1, 2010, the Company established an equity incentive plan based on equity sharing certificates (ESCs) to provide incentives to directors, executives, employees and consultants of the Group. Each ESC provides the holder (i) a right to subscribe for 1,000 shares in the Company, and (ii) a right to liquidation proceeds equivalent to that of shareholders. All rights of the ESCs expire after their defined exercise period with the ownership of the ESCs reverting to the Group. ESCs granted are subject to certain vesting conditions which are defined in each grant agreement. The holder of vested ESCs has the right to subscribe to shares at the subscription price if the underlying share price has reached the floor price. The floor and subscription price are defined by the Board of Directors. In the event of a change in control, all ESCs automatically vested. The Group has no legal or constructive obligation to repurchase or settle ESCs in cash.

Movements in the number of subscription rights attached to the ESCs outstanding are as follows:

	<u>2018</u>	<u>2017</u>
At January 1.....	275,933	354,433
Granted.....	-	108,000
Expired.....	(10,333)	(78,500)
Exercised.....	-	(108,000)
At December 31.....	<u>265,600</u>	<u>275,933</u>

At December 31, 2018, of the outstanding 265,600 subscription rights (2017: 275,933) attached to the ESCs, 184,600 were exercisable (2017: 128,533). On December 31 2017, the Group granted 108,000 ESC at an exercise price of CHF2 and a floor of CHF2.30 with a vesting period of 4 years and a 10 year exercise period.

The outstanding subscription rights as at December 31, 2018 and 2017 have the following expiry dates, subscription prices and floor prices:

At December 31, 2018	Subscription prices / floor prices (CHF)				Total
	1.00 / 2.30	2.00 / 2.30	5.00 / 10.00	7.00 / 14.00	
Expiry date					
2019.....	151,600	-	-	-	151,600
2020.....	6,000	-	-	-	6,000
2027.....	-	108,000	-	-	108,000
Total subscription rights.....	<u>157,600</u>	<u>108,000</u>	<u>-</u>	<u>-</u>	<u>265,600</u>

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At December 31, 2017		Subscription prices / floor prices (CHF)			
Expiry date	1.00 / 2.30	2.00 / 2.30	5.00 /10.00	7.00 / 14.00	Total
2018.....	-	-	8,000	2,333	10,333
2019.....	151,600	-	-	-	151,600
2020.....	6,000	-	-	-	6,000
2027.....	-	108,000	-	-	108,000
Total subscription rights.....	157,600	108,000	8,000	2,333	275,933

Share option plans

The Company established a share option plan to provide incentives to directors, executives, employees and consultants of the Group.

On June 1, 2018 the Group granted 2,467,584 options at an exercise price of CHF3. Options vest over 4 years and expire in 2028. On December 23, 2017 the Group granted 1,609,022 options at an exercise price of CHF 2 with vesting over 4 years and a 10 year exercise period. On February 28, 2017, the Group granted 292,261 options at an exercise price of CHF1 with a vesting period of 1 year and a 10 year exercise period.

Movements in the number of options outstanding are as follows:

	2018	2017
At January 1.....	2,661,096	779,813
Granted.....	2,467,584	1,901,283
Forfeited.....	-	(20,000)
At December 31.....	5,128,680	2,661,096

At December 31, 2018, of the outstanding 5,128,680 share options (2017: 2,661,096), 1,736,764 were exercisable (2017: 773,489).

The outstanding share options as at December 31, 2018 have the following expiry dates:

At December 31, 2018		Exercises prices (CHF)			
Expiry date	1.00	2.00	2.08	3.00	Total
2019.....	-	555,126	-	-	555,126
2020.....	-	49,687	-	-	49,687
2021.....	-	105,000	50,000	-	155,000
2027.....	292,261	1,609,022	-	-	1,901,283
2028.....	-	-	-	2,467,584	2,467,584
Total.....	292,261	2,318,835	50,000	2,467,584	5,128,680

At December 31, 2017		Exercises prices (CHF)			
Expiry date	1.00	2.00	2.08	3.00	Total
2019.....	-	555,126	-	-	555,126
2020.....	-	49,687	-	-	49,687
2021.....	-	105,000	50,000	-	155,000
2027.....	292,261	1,609,022	-	-	1,901,283
Total.....	292,261	2,318,835	50,000	-	2,661,096

The weighted average fair value of share options granted during 2018 determined using a Black-Scholes model was CHF1.03 (2017: CHF1.08). The significant inputs to the model were:

	2018	2017
Weighted average share price per share at the grant date.....	CHF 2.94	CHF 2.27
Weighted average strike price per share.....	CHF 3.00	CHF 1.85
Weighted average volatility.....	36.86%	43.00%
Dividend yield.....	-	-
Weighted average annual risk free rate / annual risk-free rate.....	0.13%	0.13%

Share purchase plan

The Group established a share purchase plan under which services are settled for shares. Under the plan directors, executives, employees and consultants may receive fully paid ordinary shares from the Group's treasury share reserve for services rendered. During 2018, 87,176 shares (2017: 132,096 shares) were transferred to settle CHF 208,085 (2017: CHF 258,903) of consulting fees.

13. Revenue from contract with customer

License & research agreement with Indivior PLC

On January 2, 2018, the Group entered into a license and research agreement with Indivior PLC (Indivior). The contract contained two distinct performance obligations, the provision of a license to intellectual property and the provision of research services to discover novel GABAB PAM compounds. According to this agreement, the Group has granted an exclusive worldwide license to develop ADX71441 and related early-stage compounds for the treatment of human health. Indivior is solely responsible for the development and commercialization of licensed compounds. The Group will also provide research services to discover novel GABAB PAM compounds for a minimum period of 2 years and Indivior had committed to fully cover the Group's costs related to these research activities. The Group has the right to select new GABAB PAM compounds from the resulting research for development and commercialization in certain retained indications, including Charcot-Marie-Tooth type 1a neuropathy.

Under the agreement the Group received a non-refundable upfront payment of USD5.0 million (CHF4.9 million) in January 2018. The full upfront was allocated to the right-of-use license of intellectual property based on the stand-alone selling price and was recorded when the right to use the IP was transferred in January 2018.

Under the agreement the Group has committed to provide research services to discover novel GABAB PAM compounds for a minimum period of 2 years and Indivior had committed to fully cover the Group's costs related to these efforts at a minimum of USD 4 million of research funding, which is due monthly in arrears, over the 2 years. The Group has allocated USD 4 million to the research services based on the estimated stand-alone sales price for this performance obligation based on the agreed research plan. The Company has concluded that the standalone selling price of the research services is effectively their cost plus the future margin to be gained by the opportunity to own one or more novel compounds with the right to exclusively develop and commercialize in the retained indications i.e. future molecules. The Group will recognize this revenue overtime based on the costs incurred and in accordance with the research plan.

The research activities started on May 1, 2018 and the Group has recognized CHF6.0 million for the year ended December 31, 2018 and recorded CHF0.2 million as contract liability.

In addition the Group is eligible to receive up to USD 330 million in development, regulatory and commercial milestone payments, as well as tiered royalties up to low double-digit on net sales. The Group considers these various milestones to be variable consideration. However, no variable consideration was included at inception as the most likely amount to be recognized was determined to be zero, since revenue is contingent upon achieving uncertain, future development stages and net sales.

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 mGluR2PAM compounds for the treatment of human health. The Group is eligible to receive up to EUR 109 million in development and regulatory milestone payments, as well as 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 2018 and 2017.

14. Other income

Under the agreements with The Michael J. Fox Foundation for Parkinson's Research (MJFF), 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 these agreed research activities and incurring the related costs. For the year ended December 31, 2018, the Group recognized as income CHF0.6 million from MJFF (2017: CHF0.5 million). The Grants are deferred and recognized as other income in the statement of loss over the period according to when the Group has satisfied the underlying grant conditions. As of December 31, 2018 there was no deferred income (2017: CHF439,022). Other income from related party transactions is further disclosed in note 22.

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15. Operating costs

	<u>2018</u>	<u>2017</u>
Staff costs (note 16).....	2,224,206	751,277
Depreciation.....	2,938	15,249
External research and development costs.....	2,368,457	841,308
Laboratory consumables.....	144,169	29,764
Patent maintenance and registration costs.....	261,954	180,125
Professional fees.....	2,313,722	1,347,913
Operating leases.....	179,102	96,889
Other operating costs.....	632,750	472,425
Total operating costs.....	<u>8,127,298</u>	<u>3,734,950</u>

Operating lease contracts are renewable on normal business terms and provide for annual rent increases based on the Swiss consumer price index.

Operating expenses have increased significantly during the year due to increases in R&D activities. Professional fees primarily relate to legal, accounting and auditing, and R&D consulting fees.

16. Staff costs

	<u>2018</u>	<u>2017</u>
Wages and salaries.....	1,273,382	544,912
Social charges and insurances.....	112,524	59,749
Value of share-based services (note 12).....	719,374	83,459
Retirement benefit expenses (note 18).....	118,926	63,157
Total staff cost.....	<u>2,224,206</u>	<u>751,277</u>

17. Taxes

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Loss before tax.....	1,644,798	3,280,406
Tax calculated at a tax rate of 7.8% (2017: 7.8%).....	128,294	255,872
Effect of different tax rates in other countries.....	(573)	(1,229)
Expenses charged against equity.....	(231,146)	(1,995)
Expenses not deductible for tax purposes.....	(180,877)	(62,415)
Total tax losses not recognized as deferred tax asset	<u>(284,302)</u>	<u>(190,233)</u>
Income tax expense.....	<u>-</u>	<u>-</u>

On the basis of Note 2.14, the Company has decided not to recognize any deferred income tax assets at December 31, 2018 or 2017. The amounts of deferred income tax assets that arise from sources other than tax loss carry forwards and the amounts of deferred income tax liabilities are insignificant in comparison to the unrecognized tax loss carry forwards.

The tax losses carry forwards of the Group and their respective expiring dates are as follows :

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
2018.....	-	28,861,010
2019.....	28,287,766	28,287,766
2020.....	15,982,220	15,982,220
2021.....	1,224,210	1,224,210
2022.....	3,540,541	3,540,541
2023.....	3,309,636	3,309,636
2024.....	1,125,258	1,125,258
2025.....	2,147,924	-
Total unrecorded tax losses carry forwards.....	<u>55,617,555</u>	<u>82,330,641</u>

18. Retirement benefits obligations

Apart from the social security plans fixed by the law, the Group sponsors an independent pension plan. The Group has contracted with Swiss Life based in Lausanne for the provision of occupational benefits. All benefits in accordance with the regulations are reinsured in their entirety with Swiss Life within the framework of the corresponding contract. This pension solution fully reinsures the risks of disability, death and longevity with Swiss Life. The latter invests the vested pension capital and provides a 100% capital and interest guarantee. The pension plan is entitled to an annual bonus from Swiss Life comprising the effective savings, risk and cost results. Although, as is the case with many Swiss pension plans, the amount of ultimate pension benefit is not defined, certain legal obligations of the plan create constructive obligations on the employer to pay further contributions to fund an eventual deficit; this results in the plan nevertheless being accounted for as a defined benefit plan. All employees are covered by this plan, which is a defined benefit plan. Retirement benefits are based on contributions, computed as a percentage of salary, adjusted for the age of the employee and shared approximately 46% / 54% by employee and employer. In addition to retirement benefits, the plans provide death and long-term disability benefits to its employees. Liabilities and assets are revised every year by an independent actuary. Assets are held in the insurance company. In accordance with IAS 19 (revised), plan assets have been estimated at fair market values and liabilities have been calculated according to the "projected unit credit" method. The Group recorded a pension benefit charge in 2018 of CHF118,926 (2017: CHF63,157) as part of staff costs.

Employment benefit obligations

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

	<u>2018</u>	<u>2017</u>
Defined benefit obligation.....	(7,060,278)	(3,607,276)
Fair value of plan assets.....	<u>6,420,927</u>	<u>3,363,412</u>
Funded status.....	<u>(639,351)</u>	<u>(243,864)</u>

The amounts recognized in the statements of loss are as follows:

	<u>2018</u>	<u>2017</u>
Current service cost.....	(115,146)	(61,375)
Interest cost.....	(37,903)	(22,865)
Interest income.....	<u>34,123</u>	<u>21,083</u>
Company pension cost (note 16).....	<u>(118,926)</u>	<u>(63,157)</u>

The movement in the defined benefit obligations at the beginning of the year is as follows:

	<u>2018</u>	<u>2017</u>
Defined benefit obligation at beginning of year.....	(3,607,276)	(2,152,878)
Service cost.....	(115,146)	(61,375)
Interest cost.....	(37,903)	(22,825)
Employee contribution.....	(84,096)	(38,920)
Actuarial gain / (loss) arising from changes in financial assumptions.....	197,291	(65,563)
Actuarial gain / (loss) arising from changes in demographic assumptions.....	-	-
Actuarial gain / (loss) on experience adjustment.....	(573,684)	45,513
Benefits deposited.....	<u>(2,839,464)</u>	<u>(1,311,188)</u>
Defined benefit obligations at end of year.....	<u>(7,060,278)</u>	<u>(3,607,276)</u>

The movements in the fair value of plan assets during the year are as follows:

	<u>2018</u>	<u>2017</u>
Fair value of plan assets at beginning of year.....	3,363,412	1,938,443
Interest income.....	34,123	21,083
Employees' contributions.....	84,096	38,920
Company contribution.....	98,918	43,637
Plan assets gains.....	914	10,141
Benefits deposited.....	<u>2,839,464</u>	<u>1,311,188</u>
Fair value of plan assets at end of year.....	<u>6,420,927</u>	<u>3,363,412</u>

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The principal actuarial assumptions used were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Discount rate.....	0.90%	0.80%
Mortality tables.....	BVG2015 GT	BVG2015 GT

The discount rate and the life expectancy were identified as significant actuarial assumptions for the Swiss pension plan. The following impacts on the defined benefit obligation are to be expected:

- 0.25% increase or decrease in the discount rate would lead to an increase of 4.74% (2017: 5.30%) or a decrease of 4.38% (2017: 4.90%) in the defined benefit obligation of the Swiss pension plan;
- 0.25% increase or decrease in the interest rate on retirement savings capital would lead to an increase of 1.19% (2017 : 0.53%) or a decrease of 1.16% (2017 : 0.51%) in the defined benefit obligation of the Swiss pension plan;
- 0.25% increase or decrease in salaries would lead to an increase of 0.18% (2017 : 0.07%) or a decrease of 0.18% (2017: 0.06%) in the defined benefit obligation of the Swiss pension plan.
- +/-1 year in the life expectancy would lead to an increase of 1.55% (2017: 1.78%) or a decrease of 1.56% (2017: 1.82%) in the defined benefit obligation of the Swiss pension plan.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the consolidated balance sheets.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

The estimated Group contributions to pension plans for the financial year 2019 amounts to CHF186,928. The following table shows the funding of the defined benefit pensions and actuarial adjustments on plan liabilities:

	<u>2018</u>	<u>2017</u>
Present value of defined benefit obligation.....	(7,060,278)	(3,607,276)
Fair value of plan assets.....	6,420,927	3,363,412
Deficit in the plan.....	(639,351)	(243,864)
Experience adjustment.....	(376,393)	(20,050)
Actuarial gains on plan assets.....	914	10,141

The following table shows the estimated benefit payments for the next ten years where the number of employees remains constant:

2019.....	100,354
2020.....	105,406
2021.....	110,792
2022.....	116,607
2023.....	125,302
2024-2028.....	1,317,664

19. Finance costs

	<u>2018</u>	<u>2017</u>
Interests cost.....	(134,307)	(171)
Foreign exchange losses.....	(85,866)	(45,179)
Finance costs.....	(220,173)	(45,350)

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 year excluding shares purchased by the Group and held as treasury shares.

	<u>2018</u>	<u>2017</u>
Loss attributable to equity holders of the Company...	(1,644,798)	(3,280,406)
Weighted average number of shares in issue.....	<u>23,293,237</u>	<u>12,941,439</u>
Basic and diluted loss per share.....	<u>(0.07)</u>	<u>(0.25)</u>

The Company has one category of dilutive potential shares as at December 31, 2018 and December 31, 2017: equity sharing certificates (ESCs), share options and warrants. As of December 31, 2018 and December 31, 2017, equity sharing certificates, share options and warrants have been ignored in the calculation of the loss per share, as they would be antidilutive.

21. Commitments and contingencies

Operating lease commitments

	<u>2018</u>	<u>2017</u>
Within 1 year.....	142,298	19,656
Later than 1 year and no later than 5 years.....	<u>130,200</u>	<u>1,776</u>
Total operating lease commitments.....	<u>272,498</u>	<u>21,432</u>

Operating lease commitments consist mainly of rental contracts for laboratories, offices and related spaces used by Addex Pharma SA. There are no commitments over 5 years.

Capital commitments

As at December 31, 2018 and 2017, the Group has no contracted capital expenditure.

Contingencies

As part of the ordinary course of business, the Group is subject to contingent liabilities in respect of certain litigation. In the opinion of management, none of the outstanding litigation will have a significant adverse effect on the Group's results of operations, financial position or cash flows

22. 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:

	<u>2018</u>	<u>2017</u>
<i>Key management compensation</i>		
Salaries and other short-term employee benefits.....	522,163	133,180
Consulting fees.....	577,078	737,685
Share-based compensation.....	<u>2,357,067</u>	<u>595,835</u>
	<u>3,456,308</u>	<u>1,466,700</u>

Salaries and other short-term employee benefits relate to members of the Board of Directors and Executive Management who are employed by the Group including Tim Dyer, the CEO/CFO since November 1, 2018. Consulting fees include members of the Executive Management who deliver their services to the Group under consulting contracts including Tim Dyer until October 31, 2018 and Roger Mills. Tim Dyer delivered his consulting services through TMD Advisory Ltd ("TMDA"). TMDA invoiced the Group for the rent of administrative premises, CHF26,682 in 2018 (2017: CHF22,536), whilst the Group invoiced accounting services to TMDA of CHF49,606 in 2018 (2017: CHF34,978), recorded in other income. The Group has a net payable to the Board of Directors and Executive Management of CHF169,486 at December 31, 2018 and a net receivable of CHF6,087 at December 31, 2017. In addition, the Group has a net payable to TMDA of CHF116,994 at December 31, 2018 (2017: CHF176,640) for consulting services and a net receivable of CHF82,589 at December 31, 2018 (2017 : CHF43,105) for invoiced administrative services. For more detail, refer to Note 11, "Share capital".

23. Events after the balance sheet date

No events occurred 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.



Report of the statutory auditor to the General Meeting of Adnex Therapeutics Ltd

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Adnex Therapeutics Ltd and its subsidiaries (the “Group”), which comprise the consolidated balance sheet as at December 31, 2018 and the consolidated statement of loss, consolidated statement of comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: CHF 81,000

We performed full scope audit work at both of the Group’s Swiss entities. Our audit scope addressed 100% of the Group’s total operating expenses and total assets.

As a key audit matters, the following areas of focus have been identified:

- Revenue from contract with customer
- Transactions with related parties

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including

among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The audit procedures addressed 100% of the expenses and assets recorded by the Group and all of the work was performed by ourselves without recourse to either other PwC offices or other professional service firms.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

<i>Overall Group materiality</i>	CHF 81,000
<i>How we determined it</i>	1% of total expenses
<i>Rationale for the materiality benchmark applied</i>	We chose total expenses as the benchmark because, in our view, it is the benchmark against which the financial performance of the Group is most commonly measured given its current research and development phase, and is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 8,100 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue from contract with customer

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>The main source of revenue generated by the Group relates to the licensing & research service agreement with Indivior PLC (the “Agreement”).</p> <p>At January 1, 2018 the Group implemented the new financial reporting standard IFRS 15 <i>Revenue from Contracts with Customers</i>. Under this standard, the Group identifies the distinct performance obligations in a contract, uses the most likely method to determine variable consideration for inclusion in the transaction price based on an estimated stand-alone selling price and recognizes the related revenue over time or at</p>	<p>With the support of our financial reporting specialists, we assessed the application of the accounting policy for the sole applicable licensing and research and development agreement in accordance with IFRS 15.</p> <p>We read the Agreement and discussed with management the business and scientific rationale behind the various elements. We then compared management’s identification of the performance obligations in the contract with our own, as well as, the determination, and allocation of the transaction price to the respective performance obligations. Finally, we challenged management’s</p>

a point in time as the performance obligations are satisfied and control passes to the customer.

The Group recognized CHF 6,043,855 in revenue generated from the Agreement during the 12 months ended December 31, 2018. The critical judgement is focused on the allocation of the transaction price to the license (i.e. the allocation of the upfront fee to the right-of-use license) and to the research services as a performance obligation based on the estimated stand-alone price using the research plan.

We focused on this area due to the significance of the revenue recognized, the complex nature of the Agreement, judgements involved in identifying performance obligations and the allocation of the transaction price.

Refer to Note 13 Revenue from contract with customer.

conclusions as to the principle versus agent considerations and the timing of revenue recognition based on when control has been transferred and the performance obligations have been satisfied.

On the basis of the above procedures, we concluded that management's judgements and estimates in relation to IFRS 15 were reasonable and the related disclosures were appropriate.

Transactions with related parties

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>Although a risk of fraud exists in any business environment, the Group's lean management structure heightens the risk of fraud. Related party transactions, which include consulting fees and other arrangements with key management and service organisations such as TMD Advisory that is owned by the CEO, are significant and material to the financial statements.</p> <p>The principal source of risk is asset misappropriation, particularly involving related parties which may overcharge for services rendered to the Group or undercharge for services received from the Group.</p> <p>Additionally, IAS 24 <i>Related Party Disclosure</i>, requires complete and accurate disclosures of transactions with related parties.</p> <p>The combination of these factors resulted in our conclusion that fraud risk in related party transactions should be considered a key audit matter.</p> <p>Refer to Note 22. Related party transactions.</p>	<p>We obtained an understanding of management's overall process for identifying related party transactions, including the related internal controls to address the risk of fraud and the involvement of independent board members in the approval processes for such transactions.</p> <p>We inspected significant contracts with related parties including the contract with TMD Advisory.</p> <p>We evaluated the business rationale behind the related party transactions. In particular, we evaluated the purpose, specific terms and conditions and amounts of the transactions, including the involvement of an independent approver in reviewing the remuneration and pricing of the related party transactions.</p> <p>We obtained evidence that an appropriate level of independent approval was obtained for the related party transactions.</p> <p>We determined whether the related party relationships have been appropriately disclosed in accordance with IAS 24.</p>

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of Addex Therapeutics Ltd. and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Travis Randolph

Audit expert
Auditor in charge

Filippos Mintiloglitis

Audit expert

Geneva, 30 April 2019

Enclosure:

- Consolidated financial statements (the consolidated balance sheet, consolidated statement of loss, consolidated statement of comprehensive loss, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements)

Statutory Financial Statements of Addex Therapeutics Ltd as at December 31, 2018

Balance Sheets

as at December 31, 2018 and December 31, 2017

	<u>Notes</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
Amounts in Swiss francs			
ASSETS			
Current assets			
Cash and cash equivalents.....		450,886	247,639
Other receivables			
Third parties.....		29,557	109,203
Related parties.....		-	108,000
Accrued income and prepayments.....		44,835	8,497
Total current assets.....		525,278	473,339
Non-current assets			
Investments in Subsidiaries.....	7	2	2
Other non-current assets			
Loans to Subsidiaries.....	8	40,698,191	3,376,827
Total non-current assets.....		40,698,193	3,376,829
Total assets.....		41,223,471	3,850,168
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables.....		103,453	66,576
Other payables - third parties.....		6,028	-
Accruals.....		146,217	178,410
Total current liabilities.....		255,698	244,986
Equity			
Share capital.....		28,564,031	15,384,988
Share premium.....		27,537,939	261,172
Treasury shares reserve.....	10	2,513,148	2,019,877
Non-voting equity securities (*).....		p.m	p.m
Accumulated deficit.....		(17,647,345)	(14,060,855)
Total equity.....	9	40,967,773	3,605,182
Total liabilities and equity.....		41,223,471	3,850,168

(*) p.m. = pro memoria. Non-voting equity securities have no nominal value.

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

Statements of Loss for the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
	Amounts in Swiss francs	
Operating costs		
Professional fees.....	(148,669)	(242,965)
Capital increase costs.....	(2,963,415)	-
Other operating costs.....	(328,021)	(151,364)
Provision for loans to Subsidiaries.....	-	(413,363)
Taxes.....	(39,091)	50,477
Total operating costs.....	(3,479,196)	(757,215)
Interest expenses.....	(100,168)	(88)
Exchange differences.....	(7,126)	(218)
Extraordinary non-recurring expenses.....	-	(76,788)
Net loss before taxes.....	(3,586,490)	(834,309)
Income tax expense.....	-	-
Net loss for the year.....	(3,586,490)	(834,309)

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

Notes to the Financial Statements for the years ended December 31, 2018 and 2017 (amounts in Swiss francs)

1. General

Addex Therapeutics Ltd, formerly Addex Pharmaceuticals Ltd, was founded on February 19, 2007 and domiciled C/O Addex Pharma SA, Chemin des Aulx 12, CH1228 Plan-Les-Ouates, Geneva, Switzerland.

2. Accounting Policies

These financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (Art. 957 to 963b CO, effective since 1 January 2013). Significant balance sheet items are accounted for as follows:

Cash and cash equivalents

Cash and cash equivalents include cash on hand. Any bank overdrafts are not netted against cash and cash equivalents, but are shown as part of current liabilities on the balance sheet.

Loans and other receivables

Loans and other short-term receivables are carried at their nominal value. Impairment charges are calculated for these assets on an individual basis, and no general allowance is recorded.

Foreign currencies

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the remeasurement of current assets and current liabilities denominated in foreign currencies are recognized in financial income and financial (expense). Net unrealized gains on noncurrent assets and liabilities are deferred in noncurrent liabilities, net unrealized losses are recognized in financial expense.

3. Guarantees, other indemnities and assets pledged in favor of third parties

As of December 31, 2018 and December 31, 2017, there were no guarantees, other indemnities or assets pledged in favor of third parties.

4. Pledges on assets to secure own liabilities

As of December 31, 2018 and December 31, 2017, there were no assets pledged to secure own liabilities.

5. Lease commitments not recorded in the balance sheet

As of December 31, 2018 and December 31, 2017, there were no lease commitments not recorded in the balance sheet.

6. Amounts due to pension funds

As of December 31, 2018 and December 31, 2017, there were no amounts due to pension funds.

7. Significant investments

Addex Therapeutics Ltd as a holding company for the Addex Therapeutics Group owns:

Company	Business	Capital	Interest in capital & votes %
Addex Pharma SA, Plan-les-Ouates, Switzerland	Research & development	CHF3,987,492	100%
Addex Pharmaceuticals France SAS, Archamps, France	Research & development	€37,000	100%

As at December 31, 2018 and 2017, the Company has provided for its investments in Group companies as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Investment in Addex Pharma SA.....	3,987,492	3,987,492
Provision for investment in Addex Pharma SA.....	(3,987,491)	(3,987,491)
Investment in Addex Pharmaceuticals France SAS.....	1	1
	<u>2</u>	<u>2</u>

8. Other non-current assets – Loans to Group companies

As at December 31, 2018 and 2017, the Company has provided for its loan to Addex Pharma SA as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Loan to Addex Pharma SA.....	200,810,013	163,448,649
Provision for loan to Addex Pharma SA.....	<u>(160,111,822)</u>	<u>(160,111,822)</u>
	<u>40,698,191</u>	<u>3,376,827</u>

The loan to Addex Pharma SA is subordinated to the claims of other creditors of the subsidiary up to CHF 200,810,013.

9. Equity

	Share capital	General reserve, from... ...capital contribution	...retained earnings	Treasury shares reserve	Accumulated deficit	Total
January 01, 2017.....	13,454,553	164,036,081	(163,708,099)	1,953,067	(13,226,546)	2,509,056
Issue of shares, capital increase.....	1,930,435	-	-	-	-	1,930,435
Transfer to treasury shares reserve.....	-	(66,810)	-	66,810	-	-
Net loss of the year.....	-	-	-	-	(834,309)	(834,309)
December 31, 2017.....	15,384,988	163,969,271	(163,708,099)	2,019,877	(14,060,855)	3,605,182
Issue of shares, capital increase.....	13,179,043	27,770,038	-	-	-	40,949,081
Transfer to treasury shares reserve.....	-	(493,271)	-	493,271	-	-
Net loss of the year.....	-	-	-	-	(3,586,490)	(3,586,490)
December 31, 2018.....	28,564,031	191,246,038	(163,708,099)	2,513,148	(17,647,345)	40,967,773

On March 28, 2018, the Company increased its share capital by issuing 13,037,577 new shares with a nominal value of CHF1 each at an issue price of CHF3.13 per share. Of these new shares, 12,901,016 were placed with investors raising CHF40.4 million of gross proceeds and the remaining 136,561 new shares were recorded as treasury shares at the issue price of CHF427,436. Each new share received a 7-year warrant to purchase 0.45 of a share at a price of CHF3.43. A total of 5,866,898 warrants were granted of which 5,806,882 to investors.

On March 16, 2018, the Company issued 141,466 new shares from the conditional capital to its 100% owned subsidiary, Addex Pharma SA at CHF1. These shares have been issued to replenish the treasury share reserve, which had previously been used to settle the exercise of share options.

On May 29, 2017, the Company increased its share capital by CHF1,930,435 (1,930,435 registered shares with nominal value of CHF1 per share) out of authorized share capital. The 1,930,435 new shares were subscribed by the Company's 100% owned subsidiary, Addex Pharma SA at CHF1 and recorded as treasury shares.

At December 31, 2018, the total outstanding share capital is CHF28,564,031 (December 31, 2017: CHF15,384,988), consisting of 28,564,031 shares (December 31, 2017: 15,384,988). All shares have a nominal value of CHF1. The authorized capital and conditional capital as at December 31, 2018 and 2017 are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Authorized capital.....	14,282,015	7,692,494
Conditional capital.....	14,282,015	7,692,494

10. Treasury share reserve

This reserve relates to the purchase price of shares in Addex Therapeutics Ltd held by Group companies. The table shows movements in the number of shares and the treasury share reserve:

	Number of registered shares	% of share capital	Treasury shares reserves
Balance at January 1, 2017	1,891,006	14.05%	1,953,067
Net purchases.....	<u>73,967</u>		<u>66,810</u>
Balance at December 31, 2017	1,964,973	12.77%	2,019,877
Net purchases.....	<u>193,503</u>		<u>493,271</u>
Balance at December 31, 2018	2,158,476	7.56%	2,513,148

11. Significant shareholders

According to the information available, based on published notifications to the SIX, the following shareholders own 3% or more of the company's share capital:

	<u>December 31, 2018¹</u>		<u>December 31, 2017</u>	
	<u>Number of shares</u>	<u>Interest in capital in %</u>	<u>Number of shares</u>	<u>Interest in capital in %</u>
Addex Pharma SA ²	2,158,476	7.56%	1,964,973	12.77%
Growth Equity Opportunities Fund IV, LLC ³	4,568,690	16.00%	-	-
New Leaf Biopharma Opportunities I, L.P. ⁴	1,597,444	5.59%	-	-
CDK Associates, LLC ⁵	1,597,444	5.59%	-	-
CS (CH) Small Cap Switzerland Equity Fund ⁶	1,627,985	5.70%	-	-
IFM Independent Fund Management AG ⁷	-	-	582,695	3.79%

¹ This table presents the shares held by the shareholders listed therein. The derivative holdings held by such shareholders are not included.

² Addex Pharma SA, Chemin des Aulx, CH-1228 Plan-Les-Ouates

³ The beneficial owner is New Enterprise Associates 15 L.P., Timonium MD 21093, USA.

⁴ The beneficial owner is New Leaf Venture Management III LLC, 1209 Orange Street, c/o Corporation Trust Company/Center, DE 19801 Wilmington, USA.

⁵ The beneficial owner is Bruce Kovner, c/o CDK Associates, LLC, Princeton, 08540 New Jersey, USA.

⁶ The licensee and person that can exercise the voting rights at their own discretion is Credit Suisse Asset Management (Schweiz) AG, Kalandergrasse 4, 8045 Zurich, Switzerland.

⁷ Addex Therapeutics Ltd shares were held by several related entities

12. Board of Directors and Executive Management shareholdings and equity incentive units

As of December 31, 2018 and 2017, members of the Board of Directors and Executive Management held the following shares in the Company:

	<u>2018</u> <u>Number of</u> <u>Shares</u>	<u>2017</u> <u>Number of</u> <u>Shares</u>
Vincent Lawton, Chairman.....	500	500
Roger Mills, Chief Medical Officer.....	104,551	66,727
Tim Dyer, Chief Executive Officer.....	435,192	370,882

As of December 31, 2018, members of the Board of Directors and Executive Management held the following equity incentive units in the Company:

	<u>Number of</u> <u>vested equity</u> <u>incentive units</u>	<u>Number of</u> <u>unvested equity</u> <u>incentive units</u>	<u>Total number of</u> <u>equity incentive</u> <u>units</u>
Vincent Lawton, Chairman.....	218,535	347,473	566,008
Raymond Hill.....	92,348	213,347	305,695
Tim Dyer, Chief Executive Office.....	1,067,494	1,813,899	2,881,393
Roger Mills, Chief Medical Officer.....	77,562	165,276	242,838
Robert Lütjens, Co-Head of Discovery Biology.....	140,429	355,994	496,423
Jean-Philippe Rocher, Co-Head of Discovery Chemistry..	31,242	182,989	214,213

As of December 31, 2017, members of the Board of Directors and Executive Management held the following equity incentive units in the Company:

	<u>Number of</u> <u>vested equity</u> <u>incentive units</u>	<u>Number of</u> <u>unvested equity</u> <u>incentive units</u>	<u>Total number of</u> <u>equity incentive</u> <u>units</u>
Vincent Lawton, Chairman.....	107,698	195,390	303,088
Raymond Hill.....	34,119	115,734	149,853
Tim Dyer, Chief Executive Office.....	541,233	1,140,497	1,681,730
Roger Mills, Chief Medical Officer.....	12,500	152,122	164,622
Robert Lütjens, Head of Discovery.....	41,538	212,828	254,366

13. Events after the balance sheet date

No events occurred 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



Report of the statutory auditor to the General Meeting of Addex Therapeutics Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Addex Therapeutics Ltd, which comprise the balance sheet as at December 31, 2018, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements as at December 31, 2018 comply with Swiss law and the company’s articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

<p>Overview</p>	<p>Overall materiality: CHF 412,000</p> <p>We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.</p> <p>As a key audit matter the following area of focus has been identified:</p> <ul style="list-style-type: none"> - Recoverability of loans to subsidiaries
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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

<i>Overall materiality</i>	CHF 412,000
<i>How we determined it</i>	1% of total assets
<i>Rationale for the materiality benchmark applied</i>	We chose total assets as the benchmark because, in our view, it is the benchmark against which the financial performance of the entity is most commonly measured in its holding activity, and is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 42,700 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of loans to subsidiaries

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>The Company has granted loans to a subsidiary for a total gross value of CHF 200,810,013, and has previously recorded a corresponding provision of CHF 160,111,822.</p> <p>We focused our audit on these loans because of the material nature of these assets and the judgment involved in assessing the recoverability of these loans when considering the historically negative financial performance of the subsidiary.</p> <p>In order to determine any potential impairment of the value of the loans granted to subsidiaries, management has assessed the financial strength (equity) of the debtor.</p> <p>Refer to Note 8. <i>Other non-current assets – Loans to Group companies.</i></p>	<p>We obtained an understanding of management’s overall process for valuing loans to affiliates, including the related internal controls to address the risk of non-recoverability of such loans and recording of timely provisions, where applicable.</p> <p>We inspected the loan agreements with the subsidiary.</p> <p>We have tested management’s assessment of the recoverability of the loans and resulting provisions by reviewing the financial statements of the subsidiary, inquiring about events that could affect future performance and auditing the consistency of the applied valuation methodology.</p> <p>We assessed the appropriateness of the related disclosures.</p> <p>On the basis of the above procedures, we concluded that management’s judgements and estimates in relation to the loan provisions was reasonable and the related disclosures were appropriate.</p>

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Travis Randolph

Audit expert
Auditor in charge

Filippos Mintiloglitis

Audit expert

Geneva, 30 April 2019

Enclosures:

- Financial statements (balance sheet, income statement and notes)

Forward Looking Statements

These materials contain forward-looking statements that can be identified by terminology such as “not approvable”, “continue”, “believes”, “believe”, “will”, “remained open to exploring”, “would”, “could”, or similar expressions, or by express or implied discussions regarding Addex Therapeutics, formerly known as, Addex Pharmaceuticals, its business, the potential approval of its products by regulatory authorities, or regarding potential future revenues from such products. Such forward-looking statements reflect the current views of Addex Therapeutics regarding future events, future economic performance or prospects, and, by their very nature, involve inherent risks and uncertainties, both general and specific, whether known or unknown, and/or any other factor that may materially differ from the plans, objectives, expectations, estimates and intentions expressed or implied in such forward-looking statements. Such may in particular, cause actual results with allosteric modulators of mGlu2, mGlu4, mGlu5, mGlu7, GABA-BR or other therapeutic targets to be materially different from any future results, performance or achievements expressed or implied by such statements. There can be no guarantee that allosteric modulators of mGlu2, mGlu4, mGlu5, mGlu7, GABA-BR or other therapeutic targets will be approved for sale in any market or by any regulatory authority. Nor can there be any guarantee that allosteric modulators of mGlu2, mGlu4, mGlu5, mGlu7, GABA-BR or other therapeutic targets will achieve any particular levels of revenue (if any) in the future. In particular, management’s expectations regarding allosteric modulators of mGlu2, mGlu4, mGlu5, mGlu7, GABA-BR or other therapeutic targets could be affected by, among other things, unexpected actions by our partners, unexpected regulatory actions or delays or government regulation generally; unexpected clinical trial results, including unexpected new clinical data and unexpected additional analysis of existing clinical data; competition in general; government, industry and general public pricing pressures; the company’s ability to obtain or maintain patent or other proprietary intellectual property protection. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. Addex Therapeutics is providing the information in these materials as of this date and does not undertake any obligation to update any forward-looking statements contained in these materials as a result of new information, future events or otherwise, except as may be required by applicable laws.

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