



Allosteric Modulators for  
Human Health

Annual Report 2019

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## Key Facts / Addex Therapeutics

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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, 2019:	23
Stock symbol / exchange:	ADXN (ISIN:CH0029850754) / SIX Swiss Exchange
Shares outstanding as of December 31, 2019:	32,848,635
Cash as of December 31, 2019:	31,536,803
Headquarters:	Geneva, Switzerland

## Letter to Shareholders

Dear Shareholders,

We have made substantial progress in 2019 across our portfolio as we continue to focus on the discovery and development of allosteric modulator drug candidates for the treatment of neurological disorders. Our progress in pursuing these important goals has been considerably enhanced by the award of a grant of EUR 4.85 million from the Eurostars / Innosuisse program to a consortium led by us and additional funding of USD 1.6 million from our partner, Indivior PLC (“Indivior”).

As a priority, we are developing our lead drug candidate, dipraglurant, an mGlu5 NAM, for the treatment of levodopa induced dyskinesia associated with Parkinson’s disease (“PD-LID”). We have substantially completed all preparatory activities including manufacturing of drug product and additional development activities to support future studies including our open label extension study. We are planning to initiate a placebo-controlled Phase 2b/3 pivotal clinical trial of dipraglurant in PD-LID patients in the second half of 2020, pending removal of governmental restrictions and delays in the United States (“US”) healthcare system due to the global coronavirus pandemic, which delayed our previously anticipated initiation in the first quarter of 2020. The study will be conducted at approximately 50 sites in the US and will target enrolment of approximately 140 patients. We have continued to strengthen our US based team with additional clinical development expertise and have established a US subsidiary, Addex Pharmaceuticals Inc., in May 2019 with offices in San Francisco where our development team is based. We have received orphan drug designation from the US Food and Drug Administration, or FDA, for dipraglurant in PD-LID and assuming initiation of the study in the second half of 2020, we expect to report topline results in the second quarter of 2022.

Our partnership with Indivior was a key focus for our discovery team in 2019 and we have made significant progress in identifying novel gamma-aminobutyric acid subtype B receptor (“GABA B”) positive allosteric modulators (“PAMs”) both for our partner and for our independent Charcot-Marie Tooth type 1A neuropathy program. 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 strong intellectual property position, for development by our partner, Indivior. In 2019, Indivior provided additional research funding of USD 1.6 million bringing total funding to \$3.6 million in the year, demonstrating their strong commitment to our partnership.

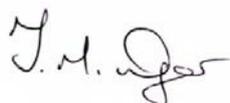
We have made significant progress in identifying novel small molecule metabotropic glutamate receptor subtype 7 (“mGlu7”) negative allosteric modulators (“NAM”) as a potential orally available treatment to reduce fear memory in post-traumatic stress disorder (“PTSD”). On 9 July 2019 we announced that we had successfully led a project consortium named DiSARM FEAR which has been awarded a €4.85 million Eurostars grant to identify novel mGlu7 NAM for PTSD. This grant has significantly enhanced the financial resources supporting this important program.

On 29 January 2020, we completed the listing of American Depositary Shares (ADSs) representing our ordinary shares on the Nasdaq Stock Market and the US Securities and Exchange Commission (“SEC”) declared our registration statement on Form F1 and F6 effective. The registration statement was filed to facilitate the creation of a trading market in the US for ADSs representing the Company’s shares and to satisfy our obligations under a registration rights agreement entered into with certain US investors who participated in the Group’s March 2018 private placement.

The success we achieved in 2019 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

The following review and discussion of the financial results for 2019 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 2019, 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"). 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, 2019, our headcount was 19 full time equivalents (FTEs) compared to 17 FTEs at December 31, 2018. Our average headcount increased to 17 FTEs in 2019, compared to 12 FTEs in 2018. 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 CHF 12.4 million and general and administrative expenses increased to CHF 5.0 million. CHF 2.8 million has been recognized as income in the year and our net loss increased to CHF 14.8 million. We ended the year with a cash position of CHF 31.5 million.

### Results of operations

The following table presents our consolidated results of operations for the fiscal years 2019 and 2018:

Amounts in millions of Swiss francs	For the years ended December 31	
	2019	2018
<b>Revenue from contract with customer</b>	<b>2.7</b>	<b>6.0</b>
<b>Other income</b> .....	<b>0.1</b>	<b>0.7</b>
Research and development expenses....	(12.4)	(4.9)
General and administrative expenses.....	(5.0)	(3.2)
<b>Total operating costs</b> .....	<b>(17.4)</b>	<b>(8.1)</b>
<b>Operating loss</b> .....	<b>(14.6)</b>	<b>(1.4)</b>
Finance costs, net.....	(0.2)	(0.2)
<b>Net loss for the year</b> .....	<b>(14.8)</b>	<b>(1.6)</b>

#### Income

Income was CHF 2.8 million in 2019 compared to CHF 6.7 million in 2018. In 2019, the Group recognized CHF 2.7 million under the licensing and research agreement with Indivior. Other income primarily relates to amounts recognized under our Eurostars/Innosuisse grant award.

#### Research and development expenses

R&D expenses increased by CHF 7.5 million to CHF 12.4 million in 2019, compared to CHF 4.9 million in 2018, mainly due to an increase in outsourced development costs related to our dipraglurant PD-LID and GABAB 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 CHF 1.8 million to CHF 5.0 million in 2019, compared to CHF 3.2 million in 2018, mainly due to the increase in headcount and costs related to preparing the listing of ADSs representing our shares on the Nasdaq Stock Market.

#### Finance costs, net

The finance result, net of CHF 0.2 million remained stable in 2019 compared to 2018, and primarily relates to currency exchange differences and negative interest on Swiss francs cash deposits partially offset by positive interest income on USD bank deposits and short-term deposits.

## *Net loss for the year*

The net loss for the 2019 financial year was CHF 14.8 million compared to CHF 1.6 million for 2018 primarily due to the increase in R&D costs. Basic and diluted loss per share increased to CHF 0.56 for 2019, compared to CHF 0.07 for 2018 primarily due to an increased net loss.

## **Balance sheet & cash flows**

Cash and cash equivalents decreased to CHF 31.5 million at December 31, 2019, compared to CHF 41.7 million at December 31, 2018. This decrease of CHF 10.2 million is mainly due to the net loss of CHF 14.8 million, adjusted for changes in net working capital of CHF 2.9 million and non-cash items of CHF 2.1 million. Non-cash items relate mainly to the value of share-based services. Changes in working capital relate mainly to an increase of CHF 1.1 million and CHF 0.9 million in payables and accruals, respectively that are primarily related to our dipraglurant PD-L1D program and professional service fees related to our recent listing of ADSs on the Nasdaq stock market, as well as CHF 0.7 million of increased contract liabilities related to our funded research contract with Indivior.

Total shareholders' equity has decreased to CHF 25.5 million at December 31, 2019 compared to CHF 39.3 million at December 31, 2018, mainly due to the net loss of the year.

## **Post balance sheet event**

On January 29, 2020 the Group listed American Depositary Shares (ADSs) representing its ordinary shares on the Nasdaq Stock Market and the United States Securities and Exchange Commission (SEC) declared its registration statement on Form F1 and F6 becoming effective. The ADSs are listed for trading on Nasdaq under the symbol "ADXN". Addex has not registered any new issuance of securities and its shares will continue to be admitted to trading on SIX Swiss Exchange.

In early 2020 a coronavirus disease (COVID-19) pandemic developed globally resulting in a significant number of infections and negative effects on economic activity. The Group is actively monitoring the situation and is taking any necessary measures to respond to the situation in cooperation with the various stakeholders. As of the date of approving these financial statements, the Group has suspended the initiation of a placebo-controlled Phase 2b/3 pivotal clinical trial of dipraglurant in PD-L1D patients. Depending on the duration of the COVID-19 crisis and continued negative impact on global economic activity, the Group may have to take additional measures that will have a negative impact on the Group's business continuity and may experience certain liquidity restraints as well as incur impairments on its assets. The exact impact on the Group's activities in 2020 and thereafter cannot be reasonably predicted. However, based on the risk mitigation measures undertaken, the Group concluded that there is no material uncertainty that may cast a significant doubt upon the Group's ability to continue as a going concern.

## **Shares and shareholders' information**

At December 31, 2019, the Company had 32,848,635 (2018: 28,564,031) outstanding issued shares and a free float of approximately 81%. Of the outstanding issued shares at December 31, 2019, 6,243,487 shares were held in treasury (at December 31, 2018: 2,158,476 shares). The closing share price reached CHF 1.64 at December 31, 2019 compared to CHF 2.25 at December 31, 2018 and market capitalization of CHF 53.9 million at December 31, 2019, compared to CHF 64.3 million at December 31, 2018, respectively.

## **2020 outlook**

We expect to progress into the pivotal registration study with dipraglurant for PD-L1D. We will also advance our discovery programs including our GABAB PAM program under our partnership with Indivior and mGlu7 NAM program which is supported by a grant from the Eurostars/Innosuisse program. 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. These documents are available on Addex's website at <https://www.addextherapeutics.com/en/investors/corporate-governance/>. This report has been prepared in accordance with the SIX Swiss Exchange Directive on Information Relating to Corporate Governance effective as of January 27<sup>th</sup> 2019.

### 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 CHF 3,987,492 divided into 3,987,492 registered shares with a nominal value of CHF 1 each. Addex Pharmaceuticals France SAS, based in Archamps, France, is a 100% subsidiary of Addex Therapeutics 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. Addex Pharmaceuticals Inc, company incorporated on May 29, 2019 registered in Delaware with its principal business location in San Francisco is a 100% subsidiary of Addex Therapeutics Ltd, with a share capital of USD1 divided into 1,000 shares.

##### 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, 2019, the market capitalization of Addex was CHF 54 million. On January 29, 2020, Addex announced the listing of American Depositary Shares ("ADSs") representing its ordinary shares on the Nasdaq Stock Market. The listing of the ADSs became effective on January 29, 2020.

##### 1.1.3. Non-listed company

For an overview of the operational non-listed consolidated entities please refer to page 60 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, 2019, based on published notifications to the SIX:

Shareholder	Shares held <sup>1</sup>	% of voting rights <sup>2</sup>	% of capital <sup>2</sup>
Addex Pharma SA <sup>3</sup>	6,243,487	19.01%	19.01%
Growth Equity Opportunities Fund IV, LLC <sup>4</sup>	4,568,690	13.91%	13.91%
New Leaf Biopharma Opportunities I, L.P. <sup>5</sup>	1,597,444	4.86%	4.86%
CDK Associates, LLC <sup>6</sup>	1,597,444	4.86%	4.86%
CS (CH) Small Cap Switzerland Equity Fund <sup>7</sup>	1,455,964	4.43%	4.43%

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

<sup>2</sup> Based on the share capital registered in the Commercial Register as of December 31, 2019 (*i.e.* CHF 32,848,635, divided into 32,848,635 registered shares).

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

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

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

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

<sup>7</sup> The beneficial owner is Credit Suisse Fund AG with voting power whilst Credit Suisse Asset Management (Schweiz) AG has investing power. The address of Credit Suisse Fund AG is Kalandergrasse 4, 8045 Zurich, Switzerland.

For a comprehensive list of notifications of shareholdings received during 2019 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 2283 shareholders registered in the share register on December 31, 2019. The distribution of shareholdings is divided as follows:

Number of shares	Number of registered shareholders on December 31, 2019
1 to 100	231
101 to 1,000	953
1,001 to 10,000	954
10,001 to 100,000	133
100,001 to 1,000,000	8
1,000,001 to 10,000,000	4

The shareholder base on December 31, 2019 was constituted as follows:

### Shareholder structure according to category of investors

(weighted by number of shares)

Private persons	25.02%
Institutional shareholders	47.68%
Not registered	27.30%

### Shareholder structure by country

(weighted by number of shares)

United States	19.01%
Switzerland	50.89%
United Kingdom	2.24%
Other	0.56%
Not registered	27.30%

## 2.1. Capital

As of December 31, 2019, the share capital amounted to CHF 32,848,635 consisting of 32,848,635 issued shares with a nominal value of CHF 1 per share. As of December 31, 2019, the Company, indirectly, held 6,243,487 of its own shares. These shares are recorded as treasury shares.

## 2.2. Authorized and conditional capital

### Authorized share capital

As of December 31, 2019, and according to the article 3b of the Articles, the Board of Directors ("Board") is authorized, at any time until June 19, 2021 to increase the share capital in an amount of CHF 16,424,317 through the issuance of 16,424,317 fully paid registered shares with a nominal value of CHF 1 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 3ca of the Articles, the share capital of the Company may be increased by a maximum aggregate amount of CHF 10,557,419 through the issuance of a maximum of 10,557,419 registered shares, which shall be fully paid-in, with a par value of CHF 1 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.

According to article 3cb of the Articles, the share capital of the Company may be increased by a maximum aggregate amount of CHF 5,866,898 through the issuance of a maximum of 5,866,898 registered shares, which shall be fully paid-in, with a par value of CHF 1 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, 2017	CHF 15,384,988
December 31, 2018	CHF 28,564,031
December 31, 2019	CHF 32,848,635

### Conditional share capital

December 31, 2017	CHF 7,692,494
December 31, 2018	CHF 14,282,015
December 31, 2019	CHF 16,424,317

### Authorized share capital

December 31, 2017	CHF 7,692,494
December 31, 2018	CHF 14,282,015
December 31, 2019	CHF 16,424,317

### Changes in capital in 2017

On May 29, 2017, the Company increased its capital from CHF 13,454,553 to CHF 15,384,988 through the issue of 1,930,435 new registered shares at nominal value of CHF 1 each.

### Changes in capital in 2018

On March 16, 2018, the Company increased its capital from CHF 15,384,988 to CHF 15,526,454 through the issue of 141,466 new registered shares at nominal value of CHF 1 each, in connection with the exercise of equity incentive units.

On March 28, 2018, the Company increased its capital from CHF 15,526,454 to CHF 28,564,031 through the issue of 13,037,577 new registered shares at nominal value of CHF 1 each, in connection with a private placement to institutional investors.

## Changes in capital in 2019

On May 17, 2019, the Company increased its capital from CHF 28,564,031 to CHF 32,848,635 through the issue of 4,284,604 new registered shares at nominal value of CHF 1 each.

For further information on changes in capital including changes in reserves, refer to the consolidated statements of changes in equity as well as note 14 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 CHF 1 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/Genussscheine*). 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, 2019, the Company has no convertible or exchangeable bonds or loans outstanding. As of December 31, 2019, 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 CHF 3.43 during a seven year period. For information on equity incentive plans for non-executive Directors, executive management and employees, refer to note 15 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	2020	Chairman
Raymond Hill	1945	UK	2015	2020	Member
Tim Dyer	1968	Swiss/UK	2015	2020	Member
Roger Mills	1957	US/UK	2017	2020	Member
Jake Nunn	1970	US	2018	2020	Member
Isaac Manke	1977	US	2018	2020	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

Raymond Hill was previously a member of the Board of Directors from the Annual General Meetings of 2008 until 2012. Currently Visiting Professor of Pharmacology at Imperial College in London, and Non-Executive Director of Avilex (DMK), Asceneuron (CH) and was NED of Orexo AB (SE) from 2008 to 2019. Prior to his retirement, he was Executive Director, Licensing and External Research at Merck/MSD in Europe (2002 - 2008); 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 awarded an Honorary DSc by the University of Bradford in 2004 and was elected to Fellowship of the Academy of Medical Sciences in 2005. 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 of Pharmacology and in 1990 moved to Merck. He is a past Council Member of the UK Academy of Medical Sciences and President Emeritus of the British Pharmacological Society. He is a Visiting Professor at the University of Bristol and was a member of the UK Government Advisory Council on the Misuse of Drugs from 2010 to 2019. He continues to serve on the ACMD Working Group on the Medicinal Uses of Cannabis and is a member of the Royal Pharmaceutical Society Science and Research Board.

#### 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 CHF 300 million of capital, including Addex IPO and negotiating licensing agreements with pharmaceutical industry partners that generated more than CHF 57 million in cash inflows. Prior to founding Addex, he spent 10 years with Price Waterhouse, or PW, and PricewaterhouseCoopers, or 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. Mr. Dyer has extensive experience in finance, corporate development, business operations and the building of start-up companies. 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 brings more than 30 years of biopharmaceutical industry experience at both large global pharmaceutical companies and smaller biotechnology companies, including Acadia Pharmaceuticals, Pfizer, Gilead Sciences, Abbott Laboratories and The Wellcome Foundation, 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 NUPLAZIDM 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 its 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.

## **Jake Nunn**

Member of the Board of Directors

Mr. Nunn has more than 25 years of experience in the life science industry as an investor, independent director, research analyst and investment banker. Jake is currently a venture advisor at New Enterprise Associates, or 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 Oventus Medical Ltd. (ASX: OVN), Regulus Therapeutics (Nasdaq: RGLS) and Trevena, Inc. (Nasdaq: TRVN). He previously was a Director of Dermira, Inc. (acquired by Eli Lilly), Hyperion Therapeutics (acquired by Horizon Pharma PLC), TriVascular (acquired by Endologix), Acix Therapeutics (acquired by Nicox SA), Transcept Pharmaceuticals (merged with Paratek) and a board observer at Vertiflex, Inc. (acquired by Boston Scientific). 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, is a member of the CFA Society of San Francisco, and recently completed the Stanford GSB Directors' Consortium executive education program.

## **Isaac Manke**

Member of the Board of Directors

Dr. Manke has more than 15 years of experience in the life science industry as an investor, research analyst, consultant and scientist. Isaac joined New Leaf Venture Partners, or NLV, in 2009 and was promoted to Partner from 2014. Isaac's investment activities with NLV started with a focus on venture investments in the biopharmaceutical sector. During his time at NLV, he led the firm's public investment activities initially with the public portfolio within NLV-II, and from 2014 through 2019, had day-to-day management and oversight responsibility for the NLV Biopharma Opportunities Funds. 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, or 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 19, 2019:

- 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, 2019, 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, 2019

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	Committee Member	–

#### Audit Committee

Members as of December 31, 2019: The Audit Committee consists of Vincent Lawton (Chairman Audit Committee), Jake Nunn and Isaac Manke.

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 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 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 2019.

### **Compensation Committee**

Members as of December 31, 2019: 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 2019 to review the 2018 achievements versus the planned corporate objectives, determine the performance related bonus pool, review the annual salary review process and 2019 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 2019, 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 CHF 2,000,000 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 CHF 1,000,000 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 2019 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 11

### Robert Lütjens

Head of Discovery - Biology

Dr. Lütjens is responsible for all biology activities and has extensive experience in drug discovery. He established the biology capabilities and built the Company's small molecule allosteric modulator biology 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. Prior to joining Addex at inception in 2002, 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 Ph.D. 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 30 peer-reviewed publications and patents.

### 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.

### **5. Compensation, shareholdings and loans**

#### **5.1. Content and method of determining the compensation and the shareholding programs**

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 13 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 2019. 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 17 below.

Article 13 of the Articles provides the basis for election of the independent proxy. The Shareholders' Meeting of June 19, 2019, 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 CHF 1,000,000 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 2020. Addex has not enacted any rules on the granting of exceptions in relation to these deadlines. No exceptions were granted in 2019, and the Board does not anticipate granting any exceptions related to the shareholders' meeting to be held in 2020. 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 CHF 20,000,000 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 2019, PricewaterhouseCoopers SA and its affiliates charged the Group audit fees in the amount of CHF 781,456.

### 8.3. Additional fees

In 2019, PricewaterhouseCoopers SA and its affiliates charged the Group additional fees associated with the audit procedures performed in conjunction with a capital increase report in the amount of CHF 2,900.

### 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 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 2019, the Chairman of the Board or Audit Committee met with the auditors two times to discuss the results of their 2018 year-end audit, the financial situation of the Group and the scope of the 2019 audit. In 2020, the Audit Committee of the Board met with the auditors to discuss the results of their 2019 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](http://www.addextherapeutics.com)

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

[www.shab.ch](http://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 4, 2019. For further information on the compensation for members of the Board, please refer to the section "Compensation of the Board in 2019" on page 21.

#### 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 2019 relates to consulting fees and bonuses.

#### Equity incentive plans

The purpose of the Company's share purchase, share option and equity sharing certificate programs refer to note 15 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

## Addex Therapeutics Annual Report 2019 | Compensation Report

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.

### 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 2019.

The Company has not granted any loans, credits or guarantees to members of the Board or of the Executive Management in 2019.

### Compensation for the financial year under review (audited)

#### Measurement basis for compensation

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

- Fixed cash compensation, variable cash compensation and shares acquired under the share purchase plan: accrual basis;
- Equity incentive units: fair value at the grant date in accordance with IFRS 2 valuation methodology; and
- Employers' social security: accrual basis except for equity incentive units where the notional amount is calculated based on the fair value at grant date.

#### Compensation of the Board of Directors in 2019 and 2018

2019	Fixed		Variable compensation		Total
	cash compensation	cash attendance	number of equity incentive units <sup>(1)</sup>	value of equity incentive units <sup>(1)</sup>	
Vincent Lawton.....	25,858	25,858	-	-	51,716
Raymond Hill.....	15,341	15,341	-	-	30,682
Tim Dyer.....	-	-	-	-	-
Roger Mills.....	-	-	-	-	-
Jake Nunn.....	13,284	13,284	-	-	26,568
Isaac Manke.....	10,627	10,627	-	-	21,254
<b>Total.....</b>	<b>65,110</b>	<b>65,110</b>	<b>-</b>	<b>-</b>	<b>130,220</b>

(1) Equity incentive units include share options granted under the Company's share option plan (refer to note 15 of the consolidated financial statements).

2018	Fixed		Variable compensation		Total
	cash compensation	cash attendance	number of equity incentive units <sup>(1)</sup>	value of equity incentive units <sup>(1)</sup>	
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
<b>Total.....</b>	<b>53,155</b>	<b>53,155</b>	<b>418,770</b>	<b>454,641</b>	<b>560,951</b>

(1) Equity incentive units include share options granted under the Company's share option plan (refer to note 15 of the consolidated financial statements).

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## Compensation to the Executive Management in 2019 and 2018

2019	Fixed	Variable compensation			
			number of equity incentive units <sup>(2)</sup>	value of shares <sup>(2)</sup>	Total
CHF	cash compensation	Cash <sup>(3)</sup>			2019
<b>Total Executive Management (1).....</b>	<b>890,350</b>	<b>303,287</b>	<b>356,605</b>	<b>402,363</b>	<b>1,596,000</b>

(1) The highest paid member of Executive Management in 2019 was the CEO, Tim Dyer, who received CHF 429,268 of fixed cash compensation, CHF 74,719 of variable cash compensation and 243,506 equity incentive units. The value of equity incentive units including accrued social charges amounted to CHF 205,258.

(2) Equity incentive units include shares awarded for consulting services under the share purchase plan and share options 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.

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

(1) The highest paid member of Executive Management in 2018 was the CEO, Tim Dyer, who received CHF 392,293 of variable cash compensation and 1,199,662 equity incentive units. The value of equity incentive units including accrued social charges amounted to CHF 1,316,068.

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

(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 2019. 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 labeled Compensation for the financial year under review 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 2019 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers SA

Travis Randolph

Audit expert  
Auditor in charge

Florent Rossetto

Geneva, 8 April 2020

# **Consolidated Financial Statements of Addex Therapeutics Ltd as at December 31, 2019**

## Consolidated Balance Sheets as at December 31, 2019 and December 31, 2018

	<u>Notes</u>	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
<b>ASSETS</b>		Amounts in Swiss francs	
<b>Current assets</b>			
Cash and cash equivalents.....	6	31,536,803	41,670,158
Other financial assets.....	7	13,968	7,983
Receivables.....	7	118,028	273,016
Prepayments.....	7	720,063	199,410
<b>Total current assets.....</b>		<b><u>32,388,862</u></b>	<b><u>42,150,567</u></b>
<b>Non-current assets</b>			
Right-of-use assets.....	8	543,340	-
Property, plant and equipment.....	9	27,626	8,868
Non-current financial assets.....	10	68,911	54,404
<b>Total non-current assets.....</b>		<b><u>639,877</u></b>	<b><u>63,272</u></b>
<b>Total assets.....</b>		<b><u>33,028,739</u></b>	<b><u>42,213,839</u></b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Current lease liabilities.....	12	373,025	-
Payables and accruals.....	11	4,196,411	2,121,084
Contract liability.....	16	945,737	212,744
Deferred income.....	13	165,389	-
<b>Total current liabilities.....</b>		<b><u>5,680,562</u></b>	<b><u>2,333,828</u></b>
<b>Non-current liabilities</b>			
Non-current lease liabilities.....	12	177,220	-
Retirement benefits obligations.....	21	1,481,738	639,351
Deferred income.....	13	165,390	-
<b>Total non-current liabilities.....</b>		<b><u>1,824,348</u></b>	<b><u>639,351</u></b>
<b>Equity</b>			
Share capital.....	14	32,848,635	28,564,031
Share premium.....	14	286,375,977	286,476,912
Reserves.....		7,146,506	10,266,402
Accumulated deficit.....		(300,847,289)	(286,066,685)
<b>Total equity.....</b>		<b><u>25,523,829</u></b>	<b><u>39,240,660</u></b>
<b>Total liabilities and equity.....</b>		<b><u>33,028,739</u></b>	<b><u>42,213,839</u></b>

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

## Consolidated Statements of Loss for the years ended December 31, 2019 and 2018

	<u>Notes</u>	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
		Amounts in Swiss francs	
Revenue from contract with customer.....	16	2,762,830	6,043,855
Other income.....	17	70,835	658,818
<b>Operating costs</b>			
Research and development.....		(12,453,876)	(4,918,793)
General and administration.....		(4,983,946)	(3,208,505)
<b>Total operating costs.....</b>	18	<u>(17,437,822)</u>	<u>(8,127,298)</u>
<b>Operating loss.....</b>		<u>(14,604,157)</u>	<u>(1,424,625)</u>
Finance income.....		36,874	-
Finance expense.....		(213,321)	(220,173)
<b>Finance costs.....</b>	22	<u>(176,447)</u>	<u>(220,173)</u>
<b>Net loss before tax.....</b>		<u>(14,780,604)</u>	<u>(1,644,798)</u>
Income tax expense.....	20	-	-
<b>Net loss for the year.....</b>		<u>(14,780,604)</u>	<u>(1,644,798)</u>
<b>Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company.....</b>	23	<u>(0.56)</u>	<u>(0.07)</u>

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

## Consolidated Statements of Comprehensive Loss for the years ended December 31, 2019 and 2018

	<u>Notes</u>	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
		Amounts in Swiss francs	
<b>Net loss for the year</b> .....		(14,780,604)	(1,644,798)
<b>Other comprehensive loss</b>			
Items that will never be reclassified to the statement of income:			
Remeasurements of retirement benefits obligations.....	21	(745,855)	(375,479)
Items that may be classified subsequently to the statement of income			
Exchange difference on translation of foreign operations.....		(838)	(181)
<b>Other comprehensive loss for the year, net of tax</b> .....		<u>(746,693)</u>	<u>(375,660)</u>
<b>Total comprehensive loss for the year</b> .....		<u>(15,527,297)</u>	<u>(2,020,458)</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, 2019 and 2018

Amounts in Swiss Francs

	Share Capital	Share Premium	Treasury Shares Reserve	Foreign Currency Translation Reserve	Other Reserves	Accumulated Deficit	Total
<b>Balance at</b>							
<b>January 1, 2018.....</b>	<b>15,384,988</b>	<b>264,854,008</b>	<b>(2,019,877)</b>	<b>(652,142)</b>	<b>8,199,437</b>	<b>(284,421,887)</b>	<b>1,342,527</b>
Net loss for the year.....	-	-	-	-	-	(1,644,798)	(1,644,798)
Other comprehensive loss for the year.....	-	-	-	(181)	(375,479)	-	(375,660)
<b>Total comprehensive loss for the year.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(181)</b>	<b>(375,479)</b>	<b>(1,644,798)</b>	<b>(2,020,458)</b>
Issue of shares (note 14).....	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 supplier invoices.....	-	120,908	87,176	-	-	-	208,084
Net purchases under liquidity agreement..	-	6,355	(11,545)	-	-	-	(5,190)
<b>Balance at</b>							
<b>January 1, 2019.....</b>	<b>28,564,031</b>	<b>286,476,912</b>	<b>(2,513,148)</b>	<b>(652,323)</b>	<b>13,431,873</b>	<b>(286,066,685)</b>	<b>39,240,660</b>
Net loss for the year.....	-	-	-	-	-	(14,780,604)	(14,780,604)
Other comprehensive loss for the year.....	-	-	-	(838)	(745,855)	-	(746,693)
<b>Total comprehensive loss for the year....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(838)</b>	<b>(745,855)</b>	<b>(14,780,604)</b>	<b>(15,527,297)</b>
Issue of shares (note 14).....	4,284,604	-	-	-	-	-	4,284,604
Cost of share capital issuance.....	-	(170,411)	-	-	-	-	(170,411)
Value of share-based services.....	-	-	-	-	1,685,965	-	1,685,965
Movement on warrants.....	-	-	(288)	-	-	-	(288)
Movement in treasury shares:							
Capital increase.....	-	-	(4,284,604)	-	-	-	(4,284,604)
Settlement of supplier invoices.....	-	92,604	196,610	-	-	-	289,214
Net sales under liquidity agreement....	-	(23,128)	29,114	-	-	-	5,986
<b>Balance at</b>							
<b>December 31, 2019</b>	<b>32,848,635</b>	<b>286,375,977</b>	<b>(6,572,316)</b>	<b>(653,161)</b>	<b>14,371,983</b>	<b>(300,847,289)</b>	<b>25,523,829</b>

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

## Consolidated Statements of Cash Flows for the years ended December 31, 2019 and 2018

	Notes	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Amounts in Swiss francs			
Net loss for the year.....		(14,780,604)	(1,644,798)
Adjustments for:			
Depreciation.....	8 and 9	333,844	2,937
Value of share-based services.....	15	1,685,965	2,298,933
Pension costs.....	21	96,532	20,008
Finance costs .....		234,663	123,840
Decrease / (increase) in other financial assets.....		(5,985)	3,308
Decrease / (increase) in receivables.....		154,988	(77,134)
Increase in prepayments.....		(520,653)	(40,487)
Increase in payables and accruals.....		1,966,160	1,083,315
Increase in contract liability.....		732,993	212,744
Increase / (decrease) in deferred income.....		330,779	(439,022)
Services paid in shares.....		289,214	208,085
<b>Net cash (used in) / from operating activities.....</b>		<b><u>(9,482,104)</u></b>	<b><u>1,751,729</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment.....	9	(28,459)	(9,054)
Purchase of non-current financial assets.....	10	(14,795)	(47,317)
<b>Net cash used in investing activities.....</b>		<b><u>(43,254)</u></b>	<b><u>(56,371)</u></b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares – capital increase.....	14	-	40,488,180
Costs paid on issue of shares.....		-	(2,963,415)
Costs paid on issue of shares subscribed by the Group.....		(61,244)	-
Sale/ (purchase) of treasury shares.....		5,986	(5,373)
Principal element of lease payments.....		(316,793)	-
Interests received.....		36,874	-
Interests paid.....	22	(128,518)	(134,307)
<b>Net cash (used in) / from financing activities.....</b>		<b><u>(463,695)</u></b>	<b><u>37,385,085</u></b>
<b>(Decrease) / Increase in cash and cash equivalents.....</b>		<b><u>(9,989,053)</u></b>	<b><u>39,080,443</u></b>
Cash and cash equivalents at beginning of the year.....	6	41,670,158	2,579,248
Exchange difference on cash and cash equivalents.....		(144,302)	10,467
<b>Cash and cash equivalents at end of the year.....</b>	6	<b><u>31,536,803</u></b>	<b><u>41,670,158</u></b>

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

## **Notes to the Consolidated Financial Statements for the years ended December 31, 2019 and 2018 (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 Aux 12, CH-1228 Plan-les-Ouates, Geneva, Switzerland with its principal place of business at the Campus Biotech, Chemin des Mines 9, CH-1202 Geneva, Switzerland. The Company is the parent company of Addex Pharma SA, Addex Pharmaceuticals France SAS and Addex Pharmaceuticals Inc., company created on May 29, 2019 registered in Delaware with its principal business location in San Francisco, California, United States. Its registered shares are traded at the SIX, Swiss Exchange, under the ticker symbol ADXN. On January 29, 2020, the Group listed on the Nasdaq Stock Market, American Depositary Shares (ADSs) under the symbol "ADX", without a new issuance of securities. ADSs represents ordinary shares that continues to be admitted to trading on SIX Swiss Exchange.

These consolidated financial statements have been approved for issuance by the Board of Directors on April 7, 2020.

### **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. Where necessary, comparative figures have been revised to confirm with the current year 2019 presentation.

#### **2.2 Standards and interpretations published by the IASB**

##### *New standards adopted by the Group*

##### **IFRS 16**

IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases and lessors to confirm the continuation of classifying leases as operating or finance. The Group is not a lessor and is only impacted by the standard from a lessee point of view. The standard replaces IAS 17, under which operating lease payments were charged to the income statement on a straight-line basis over the term of the contract.

The Group has adopted IFRS16 Leases from its mandatory adoption date of January 1, 2019 and applied the cumulative catch-up approach without restating the comparative amounts for the year prior to first adoption.

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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The group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 "Determining whether an Arrangement contains a Lease".

On January 1, 2019, the Group recognized right-of-use asset and lease liabilities for CHF 544,510 that were previously classified as operating leases under the principles of IAS 17 Leases. The lease liabilities were measured at the present value of the remaining lease payments, discounted using a weighted average incremental borrowing rate of 4.70%.

The following table presents the reconciliation between the non-cancellable operating lease commitments reported as of December 31, 2018 and the lease liabilities recognized on January 1, 2019:

	<b>Total</b>
Operating lease commitments disclosed as at December 31, 2018.....	272,498
Adjustments as a result of different treatment of extension and termination options....	297,721
<b>Total lease commitments as at December 31, 2018.....</b>	<b>570,219</b>
Discount using the incremental borrowing rate at the date of the initial application.....	(24,015)
<b>Gross liabilities as per January 1, 2019 under IFRS 16.....</b>	<b>546,204</b>
Short term leases.....	(1,694)
<b>Lease liability recognized as at January 1, 2019.....</b>	<b>544,510</b>
Of which are:	
Current lease liabilities.....	303,627
Non-current lease liabilities.....	240,883
<b>Lease liability recognized as at December 31, 2019.....</b>	
Current lease liabilities.....	373,025
Non-current lease liabilities.....	177,220

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2018. The right-of-use assets relate to the following types of assets:

	<b>December 31, 2019</b>	<b>January 1, 2019</b>
Properties.....	496,126	483,350
Equipment.....	47,214	61,160
<b>Total right-of-use assets.....</b>	<b>543,340</b>	<b>544,510</b>

The adoption of IFRS 16 Leases did not have a material impact on the Group's net loss after tax or on the Group's loss per share.

### *Other standards*

The following new standards, amendments to standards and interpretations which are mandatory for the financial periods beginning on January 1, 2019 did not have any material impact on the consolidated financial statements:

**Plan Amendments, Curtailment or Settlement:** Amendments to IAS 19 Employee Benefits relates to accounting for plan amendments, curtailments and settlements where changes are made to pension plans. The amendments require an entity: (1) to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and (2) to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. On this basis, the Group has completed its assessment and determined this did not have a material impact on the consolidated financial statements.

There are no other amendments or new standards relevant for the Group for the financial period beginning on January 1, 2019.

### *New standards and interpretations not yet adopted*

There are 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 Group's 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. The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance. Receivables are derecognized when settled.

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.

### *Impairment of financial assets*

The Group recognizes a loss allowance for expected credit losses on lease receivables, trade receivables, contract assets, security rental deposits, contracts investments in debt instruments that are measured at amortized cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes lifetime ECL (expected credit losses) for trade receivables, contract assets and lease receivables where applicable. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

## 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 not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, grants whose primary conditions is that the Group should undertake specific research activities within a defined period of time, are recognized as deferred income in the consolidated statement of financial position and transferred to the statement of profit or loss on a systematic and rationale basis over the defined timeframe.

### 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 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 at least 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 over the period for which the services are received. 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

The Group recognizes revenue from the license 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 there is a 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.

Under IFRS 15, the Group recognizes as revenue our non-refundable license fees, milestone, research activities and royalties when our customer obtains control of promised services, in an amount that reflects the consideration which we expect to receive in exchange for those rendered services. To assess revenue recognition for arrangements that we determine are within the scope of IFRS 15, we perform 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) we satisfy a performance obligation. We only apply the five-step model to contracts when it is probable that we will collect the consideration we are entitled to in exchange for services we transfer to the customer. At contract inception, once the contract is determined to be within the scope of IFRS 15, we assess the services promised within each contract and determine those that are performance obligations and assess whether each promised service is distinct. We use the most likely method to estimate any variable consideration and include 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.

### 2.18 Finance income and expense

Interest received or paid on cash and cash equivalents are classified in the statement of cash flows under financing activities.

### 2.19 Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (less than USD 5 thousand). For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments as from the commencement date of the lease until the expected termination date. In determining the lease term, management consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension option are only considered if the lease is reasonably certain to be extended. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances, that is within the control of the lessees, occurs. The lease payments are discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate, being the rate

that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The lease liability is presented as a separate line in the consolidated statement of financial position. The interest expense is presented in the line finance expenses in the consolidated statement of income.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

All lease payments on leases are presented as part of the cash flow from financing activities, except for the short-term and low value leases cash flows, which are booked under operating activities.

### 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 co-operation with the Group's operating units. The Board provides written guidance 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 and in United States of America, whose net assets are exposed to foreign currency translation risk. In 2019, a 10% increase or decrease in the EUR/CHF exchange rate would have resulted in a CHF 19,920 (2018: CHF 52,398) decrease or increase in net income and shareholders' equity as at December 31, 2019, a 10% increase or decrease in the GBP/CHF exchange rate would have resulted in a CHF 12,489 (2018: CHF 15,965) decrease or increase in net income and shareholders' equity as at December 31, 2019 and a 10% increase or decrease in the USD/CHF exchange rate would have resulted in a CHF 972,596 (2018: CHF 1,224,506) increase or decrease in net income and shareholders' equity as at December 31, 2019. 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 Company's Swiss franc cash holdings are subject to negative interest rates at certain thresholds defined by its bank counterparties. A 10% increase or decrease in the interest rates charged by the counterparties would not have had a material impact on the net income for the period.

## *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, 2019 and 2018.

## **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 and research services. Given the complexity of the relevant agreements, judgements are required to identify distinct performance obligations; allocate the transaction price to these performance obligations and determine when the performance obligations are met. In particular the Group's judgement over the estimated stand alone selling price which is used to allocate the transaction price to the performance obligations is disclosed in note 16.

### *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*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Probability over those tax benefits are assessed by Management on the basis of business projections on each relevant entity.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

## *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, i.e. a 10% increase or decrease in the volatility assumption and a risk-free rate of 0.5 or zero, and the Group calculated the share-based compensation based on the higher and lower values of these ranges, share-based compensation expense in 2019 would have been CHF 1,239,680 or CHF 2,023,158, respectively (2018: CHF 1,696,301 or CHF 2,762,285, respectively). This is compared to the amount recognized as an expense in 2019 of CHF 1,685,965 (2018: CHF 2,298,934). Additional information is disclosed in note 15.

## *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 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 21.

## **5. Segment information**

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

### *Information about products, services and major customers*

External income of the Group for the years ended December 31, 2019 and 2018 is derived from the business of discovery, development and commercialization of pharmaceutical products. Income was earned from the sale of license rights, rendering of research services to a pharmaceutical company and grants earned.

### *Information about geographical areas*

External income is exclusively recorded in the Swiss operating company.

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

	<u>2019</u>	<u>2018</u>
Fees from sale of license rights.....	-	4,876,000
Collaborative research funding.....	2,762,830	1,167,855
Grants earned.....	49,405	609,212
Other service income.....	21,430	49,606
<b>Total .....</b>	<b><u>2,833,665</u></b>	<b><u>6,702,673</u></b>

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

	<u>2019</u>	<u>2018</u>
Indivior PLC .....	2,762,830	6,043,855
The Michael J. Fox Foundation.....	-	609,212
Eurostars (Innosuisse).....	49,405	-
Other counterparties.....	21,430	49,606
<b>Total .....</b>	<b><u>2,833,665</u></b>	<b><u>6,702,673</u></b>

For more detail, refer to note 16, "Revenue from contract with customer" and note 17 "Other Income".

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Switzerland.....	498,066	62,866
United States of America.....	141,420	-
France.....	391	406
<b>Total.....</b>	<b><u>639,877</u></b>	<b><u>63,272</u></b>

The geographical analysis of operating costs is as follows:

	<u>2019</u>	<u>2018</u>
Switzerland.....	17,409,808	8,119,953
United States of America.....	21,214	-
France.....	6,800	7,345
<b>Total operating costs (note 18) .....</b>	<b><u>17,437,822</u></b>	<b><u>8,127,298</u></b>

There was capital expenditure of CHF 28,459 in 2019 and CHF 9,054 in 2018.

### 6. Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Cash at bank and on hand.....	26,889,923	41,670,158
Short term deposits in USD.....	4,646,880	-
<b>Total cash and cash equivalents.....</b>	<b><u>31,536,803</u></b>	<b><u>41,670,158</u></b>

Split by currency:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
CHF.....	64,31%	72,33%
USD.....	35,03%	26,87%
EUR.....	0,26%	0,51%
GBP.....	0,40%	0,29%
<b>Total.....</b>	<b><u>100,00%</u></b>	<b><u>100,00%</u></b>

The Group pays interests on CHF cash and cash equivalents and earns interests on USD cash and cash equivalents. The Group invest its cash balances into a variety of current and deposit accounts in two different Swiss banks to limit negative interests. In addition, the Group invests a portion of its USD cash in line with its treasury guidelines.

All cash and cash equivalents were held either at bank or on hand as at December 31, 2019 and December 31, 2018.

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## 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, 2019</u>	<u>December 31, 2018</u>
P-1 / A-1.....	31,536,646	41,670,040
Cash on hand.....	157	118
<b>Total cash and cash equivalents.....</b>	<b><u>31,536,803</u></b>	<b><u>41,670,158</u></b>

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, 2019</u>	<u>December 31, 2018</u>
Other financial assets.....	13,968	7,983
Receivables.....	118,028	273,016
Prepayments.....	720,063	199,410
<b>Total other current assets.....</b>	<b><u>852,059</u></b>	<b><u>480,409</u></b>

The Group applies the IFRS 9 simplified approach to measure expected credit losses, using lifetime expected loss allowance for all trade receivables and contract assets. As of December 31, 2019, the receivables comprise of five non-governmental debtors whose combined outstanding balances are CHF 88,075 (two non-governmental debtors for CHF 115,949 as of December 31, 2018). The Group has considered these customers to 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. As a result, expected loss allowance has been deemed as nil as of December 31, 2019 (2018: nil).

The increase in prepayments primarily relates to advance payments relating to R&D service contracts.

## 8. Right-of-use assets

	<u>Properties</u>	<u>Equipment</u>	<u>Total</u>
<b>At December 31, 2019</b>			
Opening net book amount.....	-	-	-
Adoption of IFRS16 as at January 1, 2019.....	483,350	61,160	544,510
Additions.....	308,987	13,541	322,528
Depreciation charge.....	(296,656)	(27,487)	(324,143)
Exchange differences.....	445	-	445
<b>Closing net book amount.....</b>	<b><u>496,126</u></b>	<b><u>47,214</u></b>	<b><u>543,340</u></b>
<b>At December 31, 2019</b>			
Cost.....	792,337	74,701	867,038
Accumulated depreciation.....	(296,211)	(27,487)	(323,698)
<b>Net book value.....</b>	<b><u>496,126</u></b>	<b><u>47,214</u></b>	<b><u>543,340</u></b>

The Group recorded a depreciation charge in 2019 of CHF 259,940 as part of research and development expenses and CHF 64,203 as part of general and administration expenses.

The maturity analysis of lease liabilities is presented under note 12.

**9. Property, plant and equipment**

	<b>Equipment</b>	<b>Furniture &amp; fixtures</b>	<b>Chemical Library</b>	<b>Total</b>
<b>Year ended December 31, 2018</b>				
Opening net book amount.....	2,464	-	287	2,751
Additions.....	9,054	-	-	9,054
Depreciation charge.....	(2,650)	-	(287)	(2,937)
<b>Closing net book amount.....</b>	<b>8,868</b>	<b>-</b>	<b>-</b>	<b>8,868</b>
<b>At December 31, 2018</b>				
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)
<b>Net book value.....</b>	<b>8,868</b>	<b>-</b>	<b>-</b>	<b>8,868</b>
<b>Year ended December 31, 2019</b>				
Opening net book amount.....	8,868	-	-	8,868
Additions.....	28,459	-	-	28,459
Depreciation charge.....	(9,701)	-	-	(9,701)
<b>Closing net book amount.....</b>	<b>27,626</b>	<b>-</b>	<b>-</b>	<b>27,626</b>
<b>At December 31, 2019</b>				
Cost.....	1,622,865	7,564	1,207,165	2,837,594
Accumulated depreciation.....	(1,595,239)	(7,564)	(1,207,165)	(2,809,968)
<b>Net book value.....</b>	<b>27,626</b>	<b>-</b>	<b>-</b>	<b>27,626</b>

The Group recorded a depreciation charge in 2019 of CHF 4,732 (2018: CHF 2,068) as part of research and development expenses and CHF 4,969 (2018: CHF 869) as part of general and administration expenses.

**10. Non-current financial assets**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Security rental deposits.....	68,911	54,404
<b>Total non-current financial assets....</b>	<b>68,911</b>	<b>54,404</b>

Security rental deposits relate to laboratory and office space which has increased during 2019 due to the new company in United States. The applicable interest rate to such deposits is immaterial, and therefore, the value approximates amortized cost.

**11. Payables and accruals**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Trade payables.....	2,216,147	1,148,801
Social security and other taxes.....	107,415	14,921
Accrued expenses.....	1,872,849	957,362
<b>Total payables and accruals.....</b>	<b>4,196,411</b>	<b>2,121,084</b>

All payables mature within 3 months. Accrued expenses relate primarily to amounts accrued under R&D service contracts and professional fees. At December 31, 2019, 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.

**12. Lease liabilities**

The maturities for lease liabilities as of December 31, 2019 are as follows:

	<b>Less than 1 Year</b>	<b>1 to 5 Years</b>	<b>More than 5 Years</b>	<b>Total cash out flows</b>	<b>Carrying amount liabilities</b>
Lease liabilities.....	392,954	182,664	-	575,618	550,245

Lease liabilities relate to the rent of laboratories, equipment, offices and related spaces used by the Group.

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The net debt is detailed as follows:

	Leases	Cash and cash equivalents	Other financial assets
<b>Net debt as at</b>			
<b>January 1, 2018</b> .....	-	2,579,248	11,291
Cash flows.....	-	39,080,443	(3,308)
Acquisition – Finance leases and operating Leases.....	-	-	-
Foreign exchange differences.....	-	10,467	-
<b>Net debt as at</b>			
<b>December 31, 2018</b> .....	-	41,670,158	7,983
Recognized on adoption of IFRS 16.....	(544,510)	-	-
<b>Total</b> .....	<b>(544,510)</b>	<b>41,670,158</b>	<b>7,983</b>
Cash flows.....	316,348	(9,989,053)	5,955
Acquisition – Leases.....	(322,528)	-	-
Foreign exchange differences.....	445	(144,302)	-
<b>Net debt as at</b>			
<b>December 31, 2019</b> .....	<b>(550,245)</b>	<b>31,536,803</b>	<b>13,938</b>

### 13. Deferred income

The Group expects the deferred income to be recognized as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Expected income recognition in year one after the balance sheet date.....	165,389	-
Expected income recognition in year two after the balance sheet date.....	165,390	-
<b>Total deferred income</b> .....	<b>330,779</b>	<b>-</b>

The deferred income relates to a grant from Eurostars/Innosuisse. See note 17 “other income” for further information related to the Eurostars/Innosuisse project.

### 14. Share capital

	Number of shares		
	Common shares	Treasury shares	Total
<b>Balance at January 1, 2018</b> .....	<b>15,384,988</b>	<b>(1,964,973)</b>	<b>13,420,015</b>
Issue of shares – capital increase.....	13,179,043	(278,027)	12,901,016
Settlement of suppliers’ invoices.....	-	87,176	87,176
Net purchase of treasury shares.....	-	(2,652)	(2,652)
<b>Balance at December 31, 2018</b> .....	<b>28,564,031</b>	<b>(2,158,476)</b>	<b>26,405,555</b>
Issue of shares – capital increase.....	4,284,604	(4,284,604)	-
Settlement of suppliers’ invoices.....	-	196,610	196,610
Net sale of treasury shares.....	-	2,983	2,983
<b>Balance at December 31, 2019</b> .....	<b>32,848,635</b>	<b>(6,243,487)</b>	<b>26,605,148</b>

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, 2019, 27,925 (2018: 30,908) treasury shares are recorded under this agreement in the treasury share reserve and CHF 13,968 (2018: CHF 7,983) is recorded in other financial assets.

At December 31, 2019, the total issued share capital is CHF 32,848,635 (2018: CHF 28,564,031), consisting of 32,848,635 shares (2018: 28,564,031). All shares have a nominal value of CHF 1.

On May 17, 2019, the Company issued 4,284,604 new shares from the authorized capital to its 100% owned subsidiary, Addex Pharma SA at CHF 1. These shares are held as treasury shares.

On March 28, 2018, the Company increased its share capital by issuing 13,037,577 new shares with a nominal value of CHF 1 each at an issue price of CHF 3.13 per share. Of these new shares, 12,901,016 were placed with investors raising CHF 40.4 million of gross proceeds and the remaining 136,561 new shares were recorded as treasury shares at the issue price of CHF 427,436. Each new share received a 7-year warrant to purchase 0.45 of a share at a price of CHF 3.43 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 CHF 3,308,982.

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On March 16, 2018, the Group issued 141,466 new shares from the conditional capital to its 100% owned subsidiary, Addex Pharma SA at CHF 1. 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, 2019, the Group used 196,610 treasury shares (2018: 87,176) to purchase services from consultants including 113,099 (2018: 37,824) shares for Roger Mills, the Group's Chief Medical Officer (2018: 32,362 shares for Tim Dyer, the Group's Chief Executive Officer). The total value of consulting services settled in shares was CHF 289,214 (2018: CHF 208,084). Under a liquidity agreement, the Group recorded net sales of treasury shares of CHF 5,986 (2018: net purchases of CHF 5,190).

### 15. 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>2019</u>	<u>2018</u>
Research and development.....	433,536	880,982
General and administration.....	1,252,429	1,417,951
<b>Total share-based compensation.....</b>	<b>1,685,965</b>	<b>2,298,933</b>

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

	<u>2019</u>	<u>2018</u>
Equity sharing certificate plan.....	37,776	77,336
Share purchase plan.....	45,593	38,296
Share option plans.....	1,602,596	2,183,301
<b>Total share-based compensation.....</b>	<b>1,685,965</b>	<b>2,298,933</b>

#### *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 based on service period 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 each grant agreement at the time of issuance. In the event of a change in control, all ESCs are automatically vested. The Group has no legal or constructive obligation to repurchase or settle ESCs in cash.

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

	<u>2019</u>	<u>2018</u>
At January 1.....	265,600	275,933
Granted.....	-	-
Expired.....	(66,850)	(10,333)
Exercised.....	-	-
<b>At December 31.....</b>	<b>198,750</b>	<b>265,600</b>

At December 31, 2019, of the outstanding 198,750 subscription rights (2018: 265,600) attached to the ESCs, 144,750 were exercisable (2018: 184,600). On April 1, 2019, the exercise period of 90,750 vested ESCs has been extended for 5 years. Include in share-based compensation for the year 2019, CHF 8,667 relates to the fair value adjustment for exercise period extensions of vested options.

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The outstanding subscription rights as at December 31, 2019 and 2018 have the following expiry dates, subscription prices and floor prices:

<b>At December 31, 2019</b>			
<b>Expiry date</b>	<b>Subscription prices / floor prices (CHF)</b>		
	<b>1.00 / 2.30</b>	<b>2.00 / 2.30</b>	<b>Total</b>
2024.....	90,750	-	90,750
2027.....	-	108,000	108,000
<b>Total subscription rights.....</b>	<b>90,750</b>	<b>108,000</b>	<b>198,750</b>

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

### *Share option plans*

The Company established a share option plan to provide incentives to directors, executives, employees and consultants of the Group. During 2019, the Group granted the following options with vesting over 4 years and a 10-year exercise period as follow:

	<b>Number</b>	<b>Exercise price</b>	<b>Expiry date</b>
January 1, 2019.....	243,506	2.25	December 31, 2028
July 1, 2019.....	187,189	1.50	June 30, 2029
October 1, 2019.....	30,000	1.80	September 30, 2029
<b>Total 2019.....</b>	<b>460,695</b>		

On June 1, 2018 the Group granted 2,467,584 options at an exercise price of CHF 3, with vesting rights over 4 years and a 10-year exercise period.

Movements in the number of options outstanding are as follows:

	<b>2019</b>	<b>2018</b>
At January 1.....	5,128,680	2,661,096
Granted.....	460,695	2,467,584
Expired.....	(48,775)	-
<b>At December 31.....</b>	<b>5,540,600</b>	<b>5,128,680</b>

At December 31, 2019, of the outstanding 5,540,600 share options (2018: 5,128,680), 2,811,825 were exercisable (2018: 1,736,764). On April 1, 2019, the exercise period of 506,351 vested options has been extended for 5 years and share-based compensation related to the fair value adjustment for the exercise period extensions of CHF 75,331 has been recognized in 2019.

The outstanding share options as at December 31, 2019 and 2018 have the following expiry dates:

<b>At December 31, 2019</b>		<b>Exercises prices (CHF)</b>						
<b>Expiry date</b>	<b>1.00</b>	<b>1.50</b>	<b>1.80</b>	<b>2.00</b>	<b>2.08</b>	<b>2.25</b>	<b>3.00</b>	<b>Total</b>
2020.....	-	-	-	49,687	-	-	-	49,687
2021.....	-	-	-	105,000	50,000	-	-	155,000
2024.....	-	-	-	506,351	-	-	-	506,351
2027.....	292,261	-	-	1,609,022	-	-	-	1,901,283
2028.....	-	-	-	-	-	243,506	2,467,584	2,711,090
2029.....	-	187,189	30,000	-	-	-	-	217,189
<b>Total.....</b>	<b>292,261</b>	<b>187,189</b>	<b>30,000</b>	<b>2,270,060</b>	<b>50,000</b>	<b>243,506</b>	<b>2,467,584</b>	<b>5,540,600</b>

**At December 31, 2018**

**Exercises prices (CHF)**

<b>Expiry date</b>	<b>1.00</b>	<b>2.00</b>	<b>2.08</b>	<b>3.00</b>	<b>Total</b>
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
<b>Total.....</b>	<b>292,261</b>	<b>2,318,835</b>	<b>50,000</b>	<b>2,467,584</b>	<b>5,128,680</b>

The weighted average fair value of share options granted during 2019 determined using a Black-Scholes model was CHF 0.68 (2018: CHF 1.03). The significant inputs to the model were:

	<b>2019</b>	<b>2018</b>
Weighted average share price per share at the grant date.....	CHF 1.93	CHF 2.94
Weighted average strike price per share.....	CHF 1.92	CHF 3.00
Weighted average volatility.....	36.45%	36.86%
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 2019, 196,610 shares (2018: 87,176 shares) were transferred to settle CHF 289,214 (2018: CHF 208,085) of consulting fees.

**16. Revenue from contract with customer**

*License & research agreement with Indivior PLC*

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

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

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

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

The Group received in January 2018, a non-refundable upfront fee of USD5.0 million for the right to use the clinical candidate, ADX71441, including all materials and know-how related to this clinical candidate. In addition, the Group is eligible for payments on successful achievement of pre-specified clinical, regulatory and commercial milestones totaling USD330 million and royalties on net sales of mid-single digits to low teens double-digit.

On February 14, 2019, Indivior terminated the development of their selected compound, ADX71441. Separately, Indivior funds research at the Group, based on a research plan to be mutually agreed between the parties, to discover novel GABAB PAM compounds. These future novel GABAB PAM compounds, if selected by Indivior, become licensed compounds. The Group agreed with Indivior to an initial research term of two years, that can be extended by twelve-month increments and a minimum annual funding of USD2 million for the Group's R&D costs incurred. Following Indivior's selection of one newly identified compound, the

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Group has the right to also select one additional newly identified compound. The Group is responsible for the funding of all development and commercialization costs of its selected compounds and Indivior has no rights to the Group's selected compounds. The initial two-year research term was expected to run from May 2018 to April 2020. On October 7, 2019 and December 20, 2019, Indivior agreed an additional research funding of USD 0.8 million, increasing the research funding by USD 1.6 million, for the research period.

The research activities started on May 1, 2018. For the year ended December 31, 2019, the Group recognized CHF 2.8 million as revenue (2018: CHF 1.2 million) and recorded CHF 0.9 million as contract liability (2018: CHF 0.2 million). In 2018, the non-refundable upfront fees of USD 5.0 million (CHF 4.9 million) for the right of use the clinical candidate ADX71441 was recorded as revenue.

*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 success-based development and regulatory milestone, and low double digit royalties on net sales. The Group considers these various milestones to be variable consideration as they are contingent upon achieving uncertain, future development stages and net sales. For this reason the Group considers the achievement of the various milestones as binary events that will be recognized as revenue upon occurrence. No amounts have been recognized under this agreement in 2019 and 2018.

### 17. Other income

Under grant agreements with Eurostars/Innosuisse and Michael J.Fox Foundation, 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.

*Eurostars/Innosuisse*

In 2019, the Group received CHF 380,184 from Eurostars/Innosuisse that partially funds the two coming years of the project named DISARM FEAR. It aims at developing small-molecule negative allosteric modulators (NAMs) that targets the metabotropic glutamate receptor 7 (mGlu7) as a potential treatment to reduce fear memory in post-traumatic stress disorder (PTSD).

*Michael J.Fox Foundation for Parkinson's Research (MJFF)*

Until 2018, the Group has received USD1.8 Million from MJFF for the funding of clinical testing of Dipraglurant for the treatment of Parkinson's disease levodopa-induced dyskinesia (PD-LID) and TrkB PAM discovery activities.

For the year ended December 31, 2019 the Group recognized as other income CHF 49,405 related to the funding from Eurostars/Innosuisse. For the year ended December 31, 2018, the Group recognized CHF 609,212 in other income from Michael J.Fox Foundation. 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, 2019 the Group recognized CHF 330,079 from Eurostars/Innosuisse as deferred income, including CHF 165,389 on short term (less than one year) and CHF 165,390 (more than one year), in accordance with the budget for the use of the grant received. As of December 31, 2018, deferred income were nil.

In 2019, the Group has additionally recognized as other income CHF 21,430 from IT consultancy agreements.

### 18. Operating costs

	<u>2019</u>	<u>2018</u>
Staff costs (note 19).....	4,288,815	2,224,206
Depreciation.....	333,844	2,938
External research and development costs.....	9,350,667	2,368,457
Laboratory consumables.....	230,097	144,169
Patent maintenance and registration costs.....	268,143	261,954
Professional fees.....	1,951,661	2,313,722
Operating leases.....	-	179,102
Short term leases.....	26,150	-
Other operating costs.....	988,445	632,750
<b>Total operating costs.....</b>	<b><u>17,437,822</u></b>	<b><u>8,127,298</u></b>

Operating expenses have increased significantly during the year due to expanded R&D activities. Professional fees primarily relate to legal, auditors, G&A consultants and board members.

**19. Staff costs**

	<u>2019</u>	<u>2018</u>
Wages and salaries.....	2,438,448	1,273,382
Social charges and insurances.....	243,232	112,524
Value of share-based services (note 15).....	1,310,888	719,374
Retirement benefit expenses (note 21).....	296,247	118,926
<b>Total staff cost.....</b>	<b><u>4,288,815</u></b>	<b><u>2,224,206</u></b>

**20. Taxes**

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Loss before tax.....	14,780,604	1,644,798
Tax calculated at a tax rate of 23.4%.....	3,458,661	384,883
Effect of different tax rates in other countries.....	(1,660)	(1,719)
Expenses charged against equity.....	(39,876)	(693,439)
Expenses not deductible for tax purposes.....	(418,356)	(542,632)
Total tax losses not recognized as deferred tax asset..	<u>(2,998,769)</u>	<u>852,907</u>
<b>Income tax expense.....</b>	<b><u>-</u></b>	<b><u>-</u></b>

The Group has revised the 2018 tax rate and disclosure to include the additional cantonal and communal taxes that are applicable in order to be consistent with 2019.

The Group has decided not to recognize any deferred income tax assets at December 31, 2019 or 2018. 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.

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, 2019</u>	<u>December 31, 2018</u>
2019.....	-	27,481,171
2020.....	15,982,220	15,982,220
2021.....	1,224,210	1,224,210
2022.....	3,540,541	3,540,541
2023.....	141,425,567	3,309,636
2024.....	290,949	290,949
2025.....	3,586,490	3,586,490
2026.....	23,467,858	-
<b>Total unrecorded tax losses carry forwards.....</b>	<b><u>189,517,835</u></b>	<b><u>55,415,217</u></b>

As of December 31, 2019, the unrecorded taxes losses carried forwards raised to CHF 189,517,835, because the swiss tax administration accepted to renew CHF 138 million tax losses, on July 18, 2019.

**21. 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 45% / 55% 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 2019 of CHF 296,247 (2018: CHF 118,926) as part of staff costs.

## Addex Therapeutics Annual Report 2019 | Consolidated Financial Statements Notes

### Employment benefit obligations

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

	<u>2019</u>	<u>2018</u>
Defined benefit obligation.....	(8,583,214)	(7,060,278)
Fair value of plan assets.....	<u>7,101,476</u>	<u>6,420,927</u>
<b>Funded status.....</b>	<b><u>(1,481,738)</u></b>	<b><u>(639,351)</u></b>

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

	<u>2019</u>	<u>2018</u>
Current service cost.....	(286,515)	(115,146)
Interest cost.....	(81,829)	(37,903)
Interest income.....	<u>72,097</u>	<u>34,123</u>
<b>Company pension cost (note 19).....</b>	<b><u>(296,247)</u></b>	<b><u>(118,926)</u></b>

The movement in the defined benefit obligations during the year is as follows:

	<u>2019</u>	<u>2018</u>
Defined benefit obligation at beginning of year.....	(7,060,278)	(3,607,276)
Service cost.....	(286,515)	(115,146)
Interest cost.....	(81,829)	(37,903)
Employee contribution.....	(166,150)	(84,096)
Actuarial gain / (loss) arising from changes in financial assumptions.....	(875,960)	197,291
Actuarial gain / (loss) arising from changes in demographic assumptions.....	91,212	-
Actuarial gain / (loss) on experience adjustment.....	(263,491)	(573,684)
Benefits paid/ (deposited).....	<u>59,797</u>	<u>(2,839,464)</u>
<b>Defined benefit obligations at end of year.....</b>	<b><u>(8,583,214)</u></b>	<b><u>(7,060,278)</u></b>

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

	<u>2019</u>	<u>2018</u>
Fair value of plan assets at beginning of year.....	6,420,927	3,363,412
Interest income.....	72,097	34,123
Employees' contributions.....	166,150	84,096
Company contribution.....	199,715	98,918
Plan assets gains.....	302,384	914
Benefits (paid)/ deposited.....	<u>(59,797)</u>	<u>2,839,464</u>
<b>Fair value of plan assets at end of year.....</b>	<b><u>7,101,476</u></b>	<b><u>6,420,927</u></b>

The principal actuarial assumptions used were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount rate.....	0.20%	0.90%
Mortality tables.....	BVG2015 GT	BVG2015 GT
Salary growth rate.....	1.00%	1.00%
Pension growth rate.....	0.00%	0.00%

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 a decrease of 4.47% (2018: 4.38%) or an increase of 5.22% (2018: 4.74%) 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 0.59% (2018: 1.19%) or a decrease of 0.53% (2018: 1.16%) in the defined benefit obligation of the Swiss pension plan;
- 0.25% increase or decrease in salaries would lead to an increase of 0.03% (2018: 0.18%) or a decrease of 0.02% (2018: 0.18%) in the defined benefit obligation of the Swiss pension plan.

## Addex Therapeutics Annual Report 2019 | Consolidated Financial Statements Notes

- +/-1 year in the life expectancy would lead to an increase of 1.86% (2018: 1.55%) or a decrease of 1.92% (2018: 1.56%) 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 2020 amounts to CHF 213,000. The following table shows the funding of the defined benefit pensions and actuarial adjustments on plan liabilities:

	<u>2019</u>	<u>2018</u>
Present value of defined benefit obligation.....	(8,583,214)	(7,060,278)
Fair value of plan assets.....	7,101,476	6,420,927
<b>Deficit in the plan.....</b>	<b>(1,481,738)</b>	<b>(639,351)</b>
Experience adjustment.....	(1,048,239)	(376,393)
Actuarial gains on plan assets.....	302,384	914

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

2020.....	318,000
2021.....	308,000
2022.....	301,000
2023.....	298,000
2024.....	655,000
2025-2029.....	1,456,000

### 22. Finance costs

	<u>2019</u>	<u>2018</u>
Interests income .....	36,874	-
Interests expense on leases.....	(22,603)	-
Interests cost.....	(105,915)	(134,307)
Foreign exchange losses.....	(84,803)	(85,866)
<b>Finance costs.....</b>	<b>(176,447)</b>	<b>(220,173)</b>

### 23. 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>2019</u>	<u>2018</u>
Loss attributable to equity holders of the Company...	(14,780,604)	(1,644,798)
Weighted average number of shares in issue.....	26,428,269	23,293,237
<b>Basic and diluted loss per share.....</b>	<b>(0.56)</b>	<b>(0.07)</b>

The Company has three categories of dilutive potential shares as at December 31, 2019 and December 31, 2018: equity sharing certificates (ESCs), share options and warrants. As of December 31, 2019, and December 31, 2018, equity sharing certificates, share options and warrants have been ignored in the calculation of the loss per share, as they would be antidilutive.

The total number of dilutive instruments as of December 31, 2019 is 11,906,248 (December 31, 2018: 11,561,178) which consists of 198,750 ESCs, 5,540,600 ESOP and 6,166,898 warrants (December 31, 2018: 265,600 ESCs, 5,128,680 ESOP and 6,166,898 warrants). These options could potentially dilute basic earnings per share in the future.

## 24. Commitments and contingencies

### *Operating leases commitments*

Commitments for operating lease as of December 31, 2018 are as follows:

	Less than 1 Year	1 to 5 Years	More than 5 Years	Total cash out flows
Operating lease commitments.....	142,298	130,200	-	<b>272,498</b>

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

### *Capital commitments*

As at December 31, 2019 and 2018, 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. Currently, there is no outstanding litigation.

## 25. Related party transactions

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

<i>Key management compensation</i>	<u>2019</u>	<u>2018</u>
Salaries, other short-term employee benefits and post-employment benefits.....	1,156,427	522,163
Consulting fees.....	364,535	577,078
Share-based compensation.....	1,434,190	2,019,430
	<u><b>2,955,152</b></u>	<u><b>3,118,671</b></u>

The Group has revised the 2018 share-based compensation reported in this note to reflect actual shared based compensation expense recorded in the consolidated statements of loss of the year, rather than the total fair value at the grant date, as previously disclosed in 2018.

Salaries, other short-term employee benefits and post-employment benefits relate to members of the Board of Directors and Executive Management who are employed by the Group. In 2019, consulting fees relate solely to Roger Mills, a member of the Executive Management who delivers his services to the Group under a consulting contract. In 2018, consulting fees are related to Roger Mills as well as Tim Dyer who delivered his consulting services through TMD Advisory Ltd ("TMDA") until October 31, 2018. TMDA invoiced the Group for the rent of administrative premises, CHF 26,682 in 2018 (nil in 2019), whilst the Group invoiced accounting services to TMDA of CHF 49,606 in 2018 (nil in 2019) recorded in other income. The Group has a net payable to the Board of Directors and Executive Management of CHF 176,089 at December 31, 2019 (2018: CHF 169,486). In addition, at December 31, 2018, the Group had a payable to TMDA of CHF 116,994 for consulting services and a receivable from TMDA of CHF 82,589 for accounting services.

## 26. Events after the balance sheet date

On January 29, 2020 the Company listed American Depositary Shares (ADSs) representing its ordinary shares on the Nasdaq Stock Market and the United States Securities and Exchange Commission (SEC) declared its registration statement on Form F1 and F6 becoming effective. The ADSs are listed for trading on Nasdaq under the symbol "ADXN". Addex has not registered any new issuance of securities and its shares will continue to be admitted to trading on SIX Swiss Exchange.

In early 2020 a coronavirus disease (COVID-19) pandemic developed globally resulting in a significant number of infections and negative effects on economic activity. The Group is actively monitoring the situation and is taking any necessary measures to respond to the situation in cooperation with the various stakeholders. As of the date of approving these financial statements, the Group has suspended the initiation of a placebo-controlled Phase 2b/3 pivotal clinical trial of dipraglurant in PD-L1D patients. Depending on the duration of the COVID-19 crisis and continued negative impact on global economic activity, the Group may have to take additional measures that will have a negative impact on the Groups business continuity and may experience certain liquidity restraints as well as incur impairments on its assets. The exact impact on the Group's activities in 2020 and thereafter cannot be reasonably predicted. However, based on the risk mitigation measures undertaken, the Group concluded that there is no material uncertainty that may cast a significant doubt upon the Group's ability to continue as a going concern.



# Report of the statutory auditor

## to the General Meeting of Addex Therapeutics Ltd

### Report on the audit of the consolidated financial statements

#### Opinion

We have audited the consolidated financial statements of Addex Therapeutics Ltd and its subsidiaries (the “Group”), which comprise the consolidated balance sheets as at December 31, 2019 and the consolidated statements of loss, consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements 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 consolidated financial statements (pages 24 to 50) give a true and fair view of the consolidated financial position of the Group as at December 31, 2019 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 174'000



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 matter, the following area of focus has been identified:

Revenue from contract with customer

## 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.

<b>Overall Group materiality</b>	CHF 174'000
<b>How we determined it</b>	1% of total expenses
<b>Rationale for the materiality benchmark applied</b>	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.

We agreed with the Audit Committee that we would report to them misstatements above CHF 17'400 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 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 Group is comprised of four entities located in Switzerland, France and the United States. The Group's financial statements consolidate three subsidiaries, comprising the Group's operating business and centralized functions. Based on the client's operations, we have performed full scope audit work on the two Swiss entities.

## 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

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
The single source of revenue from contract with customer relates to the licensing & research service agreement with Indivior PLC (the "Agreement").	We inquired of management regarding any changes to the original Agreement which could affect the judgements underlying the revenue recognized in 2019.
Since January 1, 2018 the Group has	On a sample basis, we tested the amounts

implemented the new financial reporting standard IFRS 15 *Revenue from Contracts with Customers*. 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 a point in time as the performance obligations are satisfied and control passes to the customer.

The Group recognized CHF 2,762,830 in revenue during the 12-month period ended December 31, 2019 related to the on-going research collaboration agreement with Indivior.

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

Refer to Note 16 Revenue from contract with customer.

invoiced to Indivior by agreeing the individual expenses to their underlying support and assessing the reasonableness of such individual amounts for invoicing under the Agreement. We reviewed the minutes of the Joint Research Committee, which jointly governs the research services, to identify any indications that certain costs may be challenged. We also obtained a confirmation from Indivior that no costs invoiced in 2019 were currently disputed and that no side agreements or amendments have been made to the Agreement.

Additionally, we obtained the support for the cash received from Indivior in 2019 and recalculated the related contract liability recorded at December 31, 2019.

On the basis of the above procedures, we determined that management's judgements and estimates in relation to revenue recognized under the research service agreement were reasonable and the related disclosures were appropriate.

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### 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 Adnex 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

Florent Rossetto

Audit expert  
Auditor in charge

Geneva, 8 April 2020

# **Statutory Financial Statements of Addex Therapeutics Ltd as at December 31, 2019**

## Balance Sheets

### as at December 31, 2019 and December 31, 2018

	<u>Notes</u>	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
<u>Amounts in Swiss francs</u>			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents.....		317,060	450,886
Other receivables			
Third parties.....		-	29,557
Accrued income and prepayments.....		105,602	44,835
<b>Total current assets.....</b>		<b><u>422,662</u></b>	<b><u>525,278</u></b>
<b>Non-current assets</b>			
Investments in Subsidiaries.....	7	3	2
Other non-current assets			
Loans to Subsidiaries.....	8	33,947,894	40,698,191
<b>Total non-current assets.....</b>		<b><u>33,947,897</u></b>	<b><u>40,698,193</u></b>
<b>Total assets.....</b>		<b><u>34,370,559</u></b>	<b><u>41,223,471</u></b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade payables.....		306,197	103,453
Other payables - third parties.....		43,490	6,028
Accruals.....		439,757	146,217
<b>Total current liabilities.....</b>		<b><u>789,444</u></b>	<b><u>255,698</u></b>
<b>Equity</b>			
Share capital.....		32,848,635	28,564,031
Share premium.....		23,478,771	27,537,939
Treasury shares reserve.....	10	6,572,316	2,513,148
Non-voting equity securities (*).....		p.m	p.m
Accumulated deficit.....		(29,318,607)	(17,647,345)
<b>Total equity.....</b>	9	<b><u>33,581,115</u></b>	<b><u>40,967,773</u></b>
<b>Total liabilities and equity.....</b>		<b><u>34,370,559</u></b>	<b><u>41,223,471</u></b>

(\*) 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, 2019 and 2018

		<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
		Amounts in Swiss francs	
<b>Operating costs</b>			
Professional fees.....	11	(675,570)	(268,610)
Capital increase costs.....		(170,411)	(2,963,415)
Other operating costs.....		(375,050)	(208,080)
Provision for loans to Subsidiaries.....	8	(10,358,031)	-
Taxes.....		(52,806)	(39,091)
<b>Total operating costs.....</b>		<b>(11,631,868)</b>	<b>(3,479,196)</b>
Interest expenses.....		(39,797)	(100,168)
Exchange differences.....		403	(7,126)
<b>Net loss before taxes.....</b>		<b>(11,671,262)</b>	<b>(3,586,490)</b>
Income tax expense.....		-	-
<b>Net loss for the year.....</b>		<b>(11,671,262)</b>	<b>(3,586,490)</b>

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

**Notes to the Financial Statements for the years  
ended December 31, 2019 and 2018  
(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, 2019 and December 31, 2018, 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, 2019 and December 31, 2018, there were no assets pledged to secure own liabilities.

**5. Lease commitments not recorded in the balance sheet**

As of December 31, 2019 and December 31, 2018, there were no lease commitments not recorded in the balance sheet.

**6. Amounts due to pension funds**

As of December 31, 2019 and December 31, 2018, there were no amounts due to pension funds.

## Addex Therapeutics Annual Report 2019 | Statutory Financial Statements

### 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	CHF 3,987,492	100%
Addex Pharmaceuticals France SAS, Archamps, France	Research & development	EUR 37,000	100%
Addex Pharmaceuticals Inc., Delaware, USA	Research & development	USD 1	100%

As at December 31, 2019 and 2018, the Company has provided for its investments in Group companies as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</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
Investment in Addex Pharmaceuticals Inc.....	1	-
	<u>3</u>	<u>2</u>

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

As at December 31, 2019 and 2018, the Company has provided for its loan to Addex Pharma SA as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Loan to Addex Pharma SA.....	204,417,747	200,810,013
Provision for loan to Addex Pharma SA.....	(170,469,853)	(160,111,822)
	<u>33,947,894</u>	<u>40,698,191</u>

The loan to Addex Pharma SA is subordinated to the claims of other creditors of the subsidiary up to CHF 204,417,747. As at December 31, 2019 the Company has a loan to Addex Pharmaceuticals Inc for 1 USD.

### 9. Equity

	Share capital	General reserve, from... ...capital contribution	...retained earnings	Treasury shares reserve	Accumulated deficit	Total
<b>January 01, 2018.....</b>	<b>15,384,988</b>	<b>163,969,271</b>	<b>(163,708,099)</b>	<b>2,019,877</b>	<b>(14,060,855)</b>	<b>3,605,182</b>
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)
<b>December 31, 2018.....</b>	<b>28,564,031</b>	<b>191,246,038</b>	<b>(163,708,099)</b>	<b>2,513,148</b>	<b>(17,647,345)</b>	<b>40,967,773</b>
Issue of shares - capital increase.....	4,284,604	-	-	-	-	4,284,604
Transfer to treasury shares reserve.....	-	(4,059,168)	-	4,059,168	-	-
Net loss of the year.....	-	-	-	-	(11,671,262)	(11,671,262)
<b>December 31, 2019.....</b>	<b>32,848,635</b>	<b>187,186,870</b>	<b>(163,708,099)</b>	<b>6,572,316</b>	<b>(29,318,607)</b>	<b>33,581,115</b>

On May 17, 2019, the Company issued 4,284,604 new shares from the authorized capital to its 100% owned subsidiary, Addex Pharma SA at CHF 1. These shares are held as treasury shares.

On March 28, 2018, the Company increased its share capital by issuing 13,037,577 new shares with a nominal value of CHF 1 each at an issue price of CHF 3.13 per share. Of these new shares, 12,901,016 were placed with investors raising CHF 40.4 million of gross proceeds and the remaining 136,561 new shares were recorded as treasury shares at the issue price of CHF 427,436. Each new share received a 7-year warrant to purchase 0.45 of a share at a price of CHF 3.43. A total of 5,866,898 warrants were granted of which 5,806,882 to investors.

## Addex Therapeutics Annual Report 2019 | Statutory Financial Statements

On March 16, 2018, the Company issued 141,466 new shares from the conditional capital to its 100% owned subsidiary, Addex Pharma SA at CHF 1. These shares have been issued to replenish the treasury share reserve, which had previously been used to settle the exercise of share options.

At December 31, 2019, the total outstanding share capital is CHF 32,848,635 (December 31, 2018: CHF 28,564,031), consisting of 32,848,635 shares (December 31, 2018: 28,564,031). All shares have a nominal value of CHF 1. The authorized capital and conditional capital as at December 31, 2019 and 2018 are as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Authorized capital.....	16,424,317	14,282,015
Conditional capital.....	16,424,317	14,282,015

### 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:

	<u>Number of registered shares</u>	<u>% of share capital</u>	<u>Treasury shares reserves</u>
<b>Balance at January 1, 2018</b>	<b>1,964,973</b>	<b>12.77%</b>	<b>2,019,877</b>
Net purchases.....	193,503		493,271
<b>Balance at December 31, 2018</b>	<b>2,158,476</b>	<b>7.56%</b>	<b>2,513,148</b>
Net purchases.....	4,085,011		4,059,168
<b>Balance at December 31, 2019</b>	<b>6,243,487</b>	<b>19.01%</b>	<b>6,572,316</b>

### 11. Professional fees

For the year ended December 31, 2019, professional fees amount to CHF 675,570 (2018: CHF 268,610). The increase is mainly due to the legal fees of CHF 388,419 (2018: CHF 60,469) related to the listing of American Depositary Shares (ADSs) on the Nasdaq Stock Market.

### 12. 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, 2019<sup>1</sup></u>		<u>December 31, 2018</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 <sup>2</sup> .....	6,243,487	19.01%	2,158,476	7.56%
Growth Equity Opportunities Fund IV, LLC <sup>3</sup> .....	4,638,942	14.12%	4,568,690	16.00%
New Leaf Biopharma Opportunities I, L.P. <sup>4</sup> .....	1,597,444	4.86%	1,597,444	5.59%
CDK Associates, LLC <sup>5</sup> .....	1,597,444	4.86%	1,597,444	5.59%
CS (CH) Small Cap Switzerland Equity Fund <sup>6</sup> .....	1,455,964	4.43%	1,627,985	5.70%

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

<sup>2</sup> Addex Pharma SA, Chemin des Aulx, CH-1228 Plan-Les-Ouates

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

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

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

<sup>6</sup> The beneficial owner is Credit Suisse Fund AG with voting power whilst Credit Suisse Asset Management (Schweiz) AG has investing power. The address of Credit Suisse Fund AG is Kalandergrasse 4, 8045 Zurich, Switzerland.

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### 13. Board of Directors and Executive Management shareholdings and equity incentive units

As of December 31, 2019 and 2018, members of the Board of Directors and Executive Management held the following shares in the Company:

	<b>2019</b> <b>Number of</b> <b>Shares</b>	<b>2018</b> <b>Number of</b> <b>Shares</b>
Vincent Lawton, Chairman.....	500	500
Roger Mills, Chief Medical Officer.....	217,650	104,551
Tim Dyer, Chief Executive Officer.....	435,192	435,192

As of December 31, 2019, members of the Board of Directors and Executive Management held the following equity incentive units in the Company:

	<b>Number of</b> <b>vested equity</b> <b>incentive units</b>	<b>Number of</b> <b>unvested equity</b> <b>incentive units</b>	<b>Total number of</b> <b>equity incentive</b> <b>units</b>
Vincent Lawton, Chairman.....	325,239	240,769	566,008
Raymond Hill.....	161,385	144,310	305,695
Tim Dyer, Chief Executive Officer.....	1,691,348	1,433,551	3,124,899
Roger Mills, Chief Medical Officer.....	126,813	116,025	242,838
Robert Lütjens, Co-Head of Discovery Biology.....	255,688	240,735	496,423
Jean-Philippe Rocher, Co-Head of Discovery Chemistry..	84,800	129,431	214,231

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

	<b>Number of</b> <b>vested equity</b> <b>incentive units</b>	<b>Number of</b> <b>unvested equity</b> <b>incentive units</b>	<b>Total number of</b> <b>equity incentive</b> <b>units</b>
Vincent Lawton, Chairman.....	218,535	347,473	566,008
Raymond Hill.....	92,348	213,347	305,695
Tim Dyer, Chief Executive Officer.....	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	214,231

### 14. Events after the balance sheet date

On January 29, 2020 the Company listed American Depositary Shares (ADSs) representing its ordinary shares on the Nasdaq Stock Market and the United States Securities and Exchange Commission (SEC) declared its registration statement on Form F1 and F6 becoming effective. The ADSs are listed for trading on Nasdaq under the symbol "ADXN". Addex has not registered any new issuance of securities and its shares will continue to be admitted to trading on SIX Swiss Exchange.

In early 2020 a coronavirus disease (COVID-19) pandemic developed globally resulting in a significant number of infections and negative effects on economic activity. The Company is actively monitoring the situation and is taking any necessary measures to respond to the situation in cooperation with the various stakeholders. As of the date of approving these financial statements, the Company has suspended the initiation of a placebo-controlled Phase 2b/3 pivotal clinical trial of dipraglurant in PD-L1D patients. Depending on the duration of the COVID-19 crisis and continued negative impact on global economic activity, the Company may have to take additional measures that will have a negative impact on the Company business continuity and may experience certain liquidity restraints as well as incur impairments on its assets. The exact impact on the Company's activities in 2020 and thereafter cannot be reasonably predicted. However, based on the risk mitigation measures undertaken, the Company concluded that there is no material uncertainty that may cast a significant doubt upon the Company's ability to continue as a going concern.



# 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 (the “Company”), which comprise the balance sheets as at December 31, 2019, statements of loss and notes for the year then ended, including a summary of significant accounting policies. In our opinion, the financial statements (pages 56 to 62) as at December 31, 2019 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

##### Overview

Overall materiality: CHF 341'000



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.

As key audit matter, the following area of focus has been identified:

Recoverability of loans to subsidiaries

#### 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.

<b>Overall materiality</b>	CHF 341'000
<b>How we determined it</b>	1% of total assets
<b>Rationale for the materiality benchmark applied</b>	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 company activities.

We agreed with the Audit Committee that we would report to them misstatements above CHF 34'100 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

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p>The Company has granted loans to a subsidiary for a total gross value of CHF 204,417,747, and has recorded a corresponding provision of CHF 170,688,320.</p> <p>We focused our audit on these loans because of the material amount 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</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 reviewed management's assessment of the recoverability of the loans and resulting provisions, which is based on the financial position of its subsidiary and inquired with management about events that could affect the future performance and financial position of this subsidiary. We also</p>

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the financial strength (equity) of the debtor.	assessed the appropriateness of the related disclosures.
Refer to Note 8. Other non-current assets – Loans to Group companies.	On the basis of the above procedures, we determined that management's judgements and estimates in relation to the loan provisions was reasonable and the related disclosures were appropriate.

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### 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 recommend that the financial statements submitted to you be approved.

We draw attention to the fact that treasury shares have been subscribed by a group company in the absence of sufficient freely disposable equity and that the company holds treasury shares in excess of 10 percent of the share capital, which is in breach of Article 659 paragraph 1 of the Swiss Code of Obligations.

PricewaterhouseCoopers SA

Travis Randolph

Florent Rossetto

Audit expert

Auditor in charge

Geneva, 8 April 2020

## 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, mGlu3, mGlu4, mGlu5, mGlu7, GABA-B 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, mGlu3, mGlu4, mGlu5, mGlu7, GABA-B or other therapeutics 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, mGlu3, mGlu4, mGlu5, mGlu7, GABA-B 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, mGlu3, mGlu4, mGlu5, mGlu7, GABA-B 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.

## For more information about the Addex Therapeutics Ltd Group please contact:

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