Addex Therapeutics Ltd

(incorporated in Switzerland as a stock corporation/société anonyme)

Listing of up to 13,037,577 Registered Shares

This prospectus (the "Prospectus"), which has been prepared in accordance with the listing rules (the "Listing Rules") of the SIX Swiss Exchange Ltd (the "SIX Swiss Exchange") and their implementing provisions and the Swiss Code of Obligations of March 30, 1911, as amended (the "CO"), relates to the listing of up to 13,037,577 registered shares of Addex Therapeutics Ltd (the "Company" and, together with its subsidiaries, "Addex" or the "Group" and referred to as "we" or "our"), with a nominal value of CHF 1.00 per share (the "New Shares"), and the formal listing of up to 6,730,987 registered shares of the Company, with a nominal value of CHF 1.00 per share (the "Additional Shares"), on the SIX Swiss Exchange according to its International Reporting Standard (the "International Reporting Standard"). The New Shares are issued as of the date of this Prospectus. The New Shares are issued out of the Company's ordinary share capital and the Additional Shares may be issued out of the Company's conditional share capital.

The New Shares and the Additional Shares will be listed on the SIX Swiss Exchange in addition to all existing registered shares of the Company (the "Listing") with a nominal value of CHF 1.00 per share (the "Existing Shares"). The New Shares, together with the Additional Shares and the Existing Shares, are referred to herein as the "Shares", and each a "Share". The New Shares rank *pari passu* in all respects with each other and all other Shares and Additional Shares if and when issued. Any dividends, if any, paid by the Company will be subject to Swiss withholding tax (see Section 18 "Certain Swiss Tax Considerations" beginning on page 86).

As of the date of this Prospectus, the Company had 15,526,454 Shares issued of which 15,526,454 Shares are issued and listed, but 141,466 fully paid-in registered shares issued out of the conditional capital have not yet been registered in the commercial register. On March 16, 2018, the shareholders resolved to increase the ordinary share capital by up to CHF 13,037,577 through the issuance of the New Shares. After the Listing and registration of the 141,466 registered shares issued out of the conditional capital in the commercial register, the Company will have 28,564,031 Shares issued and listed (the "Capital Increase"). The board of directors of the Company (the "Board" or the "Board of Directors") plans to propose to the annual general meeting to be held in May or June 2018 to increase the conditional capital of the Company in an amount of up to CHF 6,730,987 from CHF 7,551,028 to a maximum amount of CHF 14,282,015.

The Existing Shares are listed according to the main standard on the SIX Swiss Exchange under the ticker symbol "ADXN" (ISIN CH0029850754, Swiss Security Number 2985075). The Company has applied and approval has been given by the SIX Swiss Exchange, subject to certain conditions, for the New Shares to be listed and traded on the SIX Swiss Exchange on or around March 29, 2018 (the "First Day of Trading") and the Additional Shares to be formally listed on the SIX Swiss Exchange after the resolution and the implementation of the increase of the conditional capital in May or June 2018. The New Shares are to be accepted for clearance through SIX SIS Ltd. ("SIS"). The New Shares will be traded together with the Existing Shares on the SIX Swiss Exchange in Swiss francs and settle and clear through SIS.

The New Shares will be issued as uncertificated securities (*Wertrechte*) within the meaning of article 973c CO and established as intermediated securities (*Bucheffekten*) within the meaning of the Federal Act on Securities held with an Intermediary (*Bucheffektengesetz*) of October 3, 2008, as amended (the "FISA").

The up to 13,037,577 New Shares will represent up to 45.64% of the share capital of the Company as recorded in the commercial register upon completion of the Listing and after registration of the 141,466 registered shares issued out of the conditional capital in the commercial register.

Addex Therapeutics Ltd assumes responsibility for the completeness of and accuracy of this Prospectus pursuant to article 27 of the Listing Rules and Section 4 of Scheme A of Annex I to the Listing Rules. The Company confirms that, to the best of its knowledge, the information contained in this Prospectus is correct and that no material facts or circumstances have been omitted therefrom.

The information contained in this Prospectus has been provided by the Company and by the other sources identified in this Prospectus. No representation or warranty, express or implied, is made by the Managers named in this Prospectus or any of their respective affiliates or advisers as to the accuracy or completeness of this information, and nothing contained in this Prospectus is, or may be relied upon as, a promise or representation in this respect, whether as to the past or the future, by the Managers or by their respective affiliates or advisers.

Each prospective investor in the Shares outside Switzerland, by accepting delivery of this Prospectus, will be deemed to have acknowledged, represented to and agreed with the Company and the Managers that:

(i) this Prospectus is personal to such prospective investor and does not constitute an offer to any other person, or to the public generally, to purchase or otherwise acquire the New Shares outside Switzerland. Distribution of this Prospectus or disclosure of any of its contents to any person other than such prospective investor and those persons, if any, retained to advise such prospective investor with respect thereto is unauthorized, and any disclosure of any of its contents, without the prior written consent of the Joint Global Coordinators is prohibited;

(ii) the prospective investor shall not make any photocopies or electronic copies of this Prospectus or any documents referred to herein (other than for its own use); and

(iii) the prospective investor shall not forward or deliver this Prospectus (in any form) to third parties.

The information contained in this Prospectus is accurate only as of the date of this Prospectus, regardless of the time of delivery of this Prospectus. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date hereof or that the information contained herein is correct as of any time after the date hereof.

Information on the Company's website, any website directly or indirectly linked to the Company or any other website mentioned in this Prospectus is not incorporated by reference into this Prospectus and investors should not rely on any such website in making their decision to invest in the Shares.

The Shares have not been and will not be registered under the US Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States. The New Shares are being sold only pursuant to an exemption from, or in a transaction not subject to, the registration requirements of US Securities Act. The Shares are not transferable except in accordance with the restrictions described under "Certain Sales Restrictions" (see Section 2 "Certain Sales Restrictions" beginning on page 4).

Copies of this Prospectus are available free of charge in Switzerland at the offices of Addex Therapeutics Ltd, c/o Addex Pharma SA, Chemin des Aulx 12, CH-1228 Plan-les-Ouates, Switzerland.

The date of this Prospectus is March 27, 2018.

Investing in the Shares involves risks. For a discussion of certain factors that should be considered in deciding whether to invest in the Shares, see “Risk Factors” beginning on page 12.

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2. CERTAIN SALES RESTRICTIONS

No person has been authorized to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized.

This Prospectus does not constitute (i) an offer to sell, or a solicitation of an offer to buy any securities other than the securities to which it relates; or (ii) an offer to sell, or the solicitation of an offer to buy, such securities by any person in any circumstances in which such offer or solicitation is unlawful.

Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time after the date hereof. Any notices containing or announcing amendments or changes to the terms of the Listing or to this Prospectus will be announced through electronic media. Notices required under the Listing Rules will be published on the website of the SIX Swiss Exchange (currently: http://www.six-exchange-regulation.com). Any such notice will constitute an integral part of this Prospectus.

United States

THE NEW SHARES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE LAWS OF ANY STATE OF THE UNITED STATES. THE NEW SHARES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT TO QUALIFIED INSTITUTIONAL BUYERS IN RELIANCE ON THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144A AND OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S. EACH PROSPECTIVE PURCHASER OF THE NEW SHARES IS HEREBY NOTIFIED THAT SELLERS MAY BE RELYING ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.

THE NEW SHARES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND THE APPLICABLE SECURITIES LAWS OF ANY OTHER JURISDICTION. PROSPECTIVE PURCHASERS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THE NEW SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS, OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE IN THE UNITED STATES.

United Kingdom

This Prospectus is only directed at, and will only be provided to, persons to whom interests may lawfully be promoted pursuant to section 21 of the Financial Services and Markets Act 2000 (the "FSMA"). In particular, this Prospectus is only directed at, and will only be provided to, investment professionals within the meaning of article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ("FPO") ("Relevant Persons"). Any investment or investment activity to which this Prospectus relates is available only to Relevant Persons and dealings hereunder will be made only with Relevant Persons. Persons who are not investment professionals within the meaning of article 19 of the FPO should not rely on this Prospectus.

This Prospectus has not been delivered for approval to the Financial Services Authority ("FSA") in the United Kingdom or to an authorized person within the meaning of FSMA. No approved prospectus within the meaning of section 85 of FSMA or of the Prospectus Directive has been published or is intended to be published in relation to the Listing. This Prospectus does not constitute a prospectus for the purposes of FSMA or the Prospectus Directive. As used herein, "United Kingdom" means the United Kingdom of Great Britain and Northern Ireland.

Canada

The New Shares may not, directly or indirectly, be offered, sold or distributed within Canada, or to, or for the benefit or account of, any resident of Canada, except in compliance with all applicable securities laws, regulations or rules of the provinces and territories of Canada and with the prior approval of the Joint Global Coordinators. This Prospectus, or any other material relating to the New Shares, may not be distributed or delivered in Canada, except in compliance with all applicable securities laws, regulations or rules of the provinces and territories of Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this Prospectus or the merits of the New Shares, and any representation to the contrary is an offence.

The Company is not a reporting issuer in any province or territory of Canada and all of its executive management and directors are ordinarily resident outside of Canada. The New Shares are being sold primarily outside Canada and may be sold in Canada only to purchasers resident or located in the Provinces of Ontario, Quebec, Alberta and British Columbia (the "**Canadian Jurisdictions**"), purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions ("**NI 45-106**") or the Securities Act (Ontario) (the "**OSA**"), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations ("**NI 31-103**"). Any resale of the New Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable Canadian securities laws and purchasers in the Canadian Jurisdictions should consult with a legal advisor prior to any resale of the New Shares whether in Canada or elsewhere.

Each purchaser of New Shares in the Canadian Jurisdictions will be deemed to have represented and agreed as follows:

(a) The purchaser is purchasing, or is deemed to be purchasing, the New Shares as principal for investment purposes and not with a view to resale or further distribution.

(b) The purchaser is not an individual and is resident in one of the Canadian Jurisdictions.

(c) The purchaser is an accredited investor as defined in NI 45-106 and the OSA (other than a person that was created or is used solely to purchase or hold securities as an accredited investor).

(d) The purchaser is a permitted client as defined in NI 31-103.

(e) The purchaser will provide all information and documentation reasonably requested by the Company or a Joint Global Coordinator to establish that the purchaser is an accredited investor (and the applicable paragraph number in the definition thereof) and a permitted client, and to permit them to complete any reports required to be filed in any Canadian Jurisdiction.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment hereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("**NI 33-105**"), the Joint Global Coordinators are relying on the exemption therein from the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest.

In connection with the subscription for the New Shares, the purchaser has required that all documents relating thereto be drawn up in the English language only.

Japan

The Shares have not been and will not be registered under the Financial Instruments and Exchange Law, as amended (the "FIEL"). This Prospectus is not an offer of Shares for sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements under the FIEL and otherwise in compliance with such law and any other applicable laws, regulations and ministerial guidelines of Japan.

Australia

This Prospectus is only made available in Australia to persons to whom a disclosure document is not required to be given under Chapter 6D of the Corporations Act 2001 (the "Corporations Act"). This Prospectus is not a prospectus, product disclosure statement or any other form of formal "disclosure document" for the purposes of the Corporations Act, and is not required to, and does not, contain all the information that would be required in a disclosure document under the Corporations Act. If you are in Australia, this document is made available to you provided you are a person to whom an offer of securities can be made without a disclosure document such as a professional investor or sophisticated investor for the purposes of Chapter 6D of the Corporations Act. Persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus has not been, and will not be, lodged with the Australian Securities and Investments Commission ("ASIC") as a disclosure document for the purpose of the Corporations Act 2001. No Shares may be offered for sale (or transferred, assigned or otherwise alienated) to investors in Australia for at least 12 months after this issue, except in circumstances where disclosure to investors is not required under Chapter 6D of the Corporations Act 2001 or unless a disclosure document that complies with the Corporations Act 2001 is lodged with the ASIC. Each investor acknowledges the above and, by applying for Shares under this

Prospectus, gives an undertaking not to sell those Shares (except in the circumstances referred to above) for 12 months after their issue.

The persons referred to in this Prospectus may not hold Australian financial services licenses and may not be licensed to provide financial product advice in relation to the Shares. No "cooling-off" regime will apply to an acquisition of any interest in the Company.

This Prospectus does not take into account the investment objectives, financial situation or needs of any particular person. Accordingly, before making any investment decision in relation to this Prospectus, you should assess whether the acquisition of any interest in the Company is appropriate in light of your own financial circumstances or seek professional advice.

European Economic Area

Please note that in addition to this section, additional restrictions apply in the United Kingdom, which are set forth above.

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") an offer to the public of any Shares which are the subject of the Listing contemplated by this Prospectus may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State may be made at any time, with effect from and including the Relevant Implementation Date under the following exemptions under the Prospectus Directive, to the extent that such exemptions have been implemented in the Relevant Member State:

a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Joint Global Coordinators; or

c) in any other circumstances falling within article 3(2) of the Prospectus Directive;

provided that no such offer of Shares shall require the Company or the Managers to publish a prospect pursuant to article 3 of the Prospectus Directive or supplement a prospectus pursuant to article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to public" in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information in the terms of the listing and the Shares to be listed so as to enable an investor to decide to purchase or subscribe the Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

General Sales Restrictions

No action has been or will be taken in any jurisdiction other than Switzerland by the Company or the Managers that would, or is intended to, permit a public offering of the Shares, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where further action for that purpose is required.

3. CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus includes statements that are, or may be deemed to be, "forward-looking statements". All statements other than statements of historical fact are forward-looking statements for purposes of this Prospectus, including any projections of earnings, revenue, milestone payments, royalties, sales or other financial items, any statements of the plans and objectives of management for future operations (including, but not limited to, preclinical development, clinical trials and manufacturing), any statements related to our financial condition and future working capital needs, any statements concerning proposed drug candidates, any statements regarding the timing for the start or end of clinical trials or submission of regulatory approval filings, any statements regarding future economic conditions or performance, any statements regarding the success of our collaboration arrangements or future payments that may come due to us under these arrangements, any statements regarding our plans and objectives to initiate or continue clinical trials, and any statements of assumptions underlying any of the foregoing.

In some cases, forward-looking statements can be identified by the use of forward-looking terminology or subjective assessments, including the words "aims", "believes", "may", "will", "expects", "plans", "anticipates", "estimates", "potential", "targets", "intends", "continue", "projects", "predicts", "assumes", "could" or "should", or, in each case, the negative thereof or other comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. Although we believe that the expectations reflected in the forward-looking statements contained herein are reasonable, such expectations or any of the forward-looking statements may prove to be incorrect and actual results could differ materially from those projected or assumed in the forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results of operations, financial condition, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to inherent risks and uncertainties, including, but not limited to, the risk factors set forth in Section 7 "Risk Factors" below and for the reasons described elsewhere in this Prospectus.

Important factors that could cause our actual results, performance or achievements to differ materially from those expressed in these forward-looking statements include, among others, uncertainty related to the efficacy of our drug candidates in the treatment of targeted indications; uncertainty related to results of our clinical and preclinical trials; uncertainty of regulatory approval and, if we receive approval, commercial and marketing uncertainties; availability and terms of third-party price reimbursement for our drug candidates; attraction and retention of key employees; uncertainty of the future grant and maintenance of licenses, patents, proprietary technology and other intellectual property rights; uncertainty of our success in building our sales and marketing force and managing future growth; dependence upon licensing partners, exclusive suppliers and other collaborators; absence of sales and marketing experience and limited manufacturing capabilities; future capital needs and the uncertainty of additional funding; risks of product liability; competition from other pharmaceutical and biopharmaceutical companies; risks related to intellectual property and marketing exclusivity rights; adverse changes in governmental rules and regulations; civil unrest, acts of God and acts of war; and other factors.

All forward-looking statements and reasons why results may differ included in this Prospectus are made as of the date hereof and we do not intend to update any forward-looking statements except as required by law or applicable stock exchange regulations. New risks may emerge from time to time, and it is not possible for the Company to predict all such risks, nor can it assess the impact of all such risks on its business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, prospective investors should not place undue reliance on any forward-looking statements or rely on forward-looking statements as a prediction of actual performance or results.

4. PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

This Prospectus contains certain historical financial information derived from (i) the audited consolidated financial statements of the Company as of and for the years ended December 31, 2016, 2015 and 2014 (ii) the unaudited interim consolidated financial statements of the Company as of and for the six-month period ended June 2017 and 2016, all presented in Swiss francs and prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and (iii) the audited statutory financial statements of the Company as of and for the years ended December 31, 2016, 2015 and 2014 all prepared in accordance with the CO.

These financial statements and financial information are contained elsewhere in this Prospectus and should be read in conjunction with the relevant reports of our independent auditor.

The financial statements as of and for the years ended December 31, 2016, 2015 and 2014 of Addex Therapeutics Ltd included in this Prospectus, have been audited by PricewaterhouseCoopers SA, independent accountants, as stated in their report appearing herein, in accordance with Swiss Auditing Standards and International Standards on Auditing ("ISA").

Certain numbers set out in this Prospectus have been subject to rounding adjustments. Accordingly, amounts shown as totals in tables or elsewhere may not be an arithmetic aggregation of the numbers which precede them. In addition, certain percentages presented in the tables in this Prospectus reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculation were based upon the rounded numbers.

In this Prospectus: (i) "€", "EUR" or "euro" refers to the single currency of the participating member states in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time; (ii) "$", "US dollars", "dollars" or "USD" refers to the lawful currency of the United States; and (iii) "CHF" or "Swiss francs" refers to the lawful currency of Switzerland.

Unless otherwise specified herein, the financial information included herein is prepared and presented in accordance with IFRS. Investors should be aware that the accounting requirements of IFRS and the CO differ in certain respects from each other and from generally accepted accounting principles in certain other countries, including generally accepted accounting principles in the United States ("U.S. GAAP"). Therefore, the financial information contained herein that is prepared in accordance with either IFRS or the CO is not comparable with each other or such other generally accepted accounting principles, including U.S. GAAP. In addition, investors should be aware that the future financial performance of the Company may vary substantially from its historic financial performance. Investors should consult their own professional advisors for an understanding of the differences between IFRS and US GAAP, and how those differences might affect the financial information herein.

Other Financial Measures

This Prospectus contains non-GAAP measures, including net working capital, capital expenditures, net tangible book value per Share that are not required by, or presented in accordance with, IFRS. We present non-GAAP measures because we believe that they are similar measures and widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-GAAP measures may not be comparable to similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. Non-GAAP measures, including, without limitation, net working capital, capital expenditures, net tangible book value per Share are not measurements of our performance or liquidity under IFRS, US GAAP or any other generally accepted accounting principles.

Reference to Sources of Market Information and Additional Statistical Information

Information contained in this Prospectus relating to market shares, growth potential and potential revenues (not necessarily our revenues), prevalence of diseases, the anticipated sales of our or third-party drug candidates and other statistical information was either derived directly from the public domain, in particular third-party studies, or from estimates made by us based on publicly available data and are unaudited.

We have not independently verified any facts underlying such third-party studies or publications. Furthermore, we do not assume any responsibility for the correctness of the information included in this Prospectus that is derived from third parties, in particular, the information relating to market size and the pricing of future drugs.

5. SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

The following tables present certain selected consolidated financial information of Addex Therapeutics Ltd as at and for the years ended December 31, 2016, 2015, and 2014 and as at and for the six-month periods ended June 30, 2017 and 2016. The consolidated statement of income data for the years ended December 31, 2016, 2015, and 2014 and the consolidated balance sheet data as of December 31, 2016, 2015, and 2014 are derived from our audited consolidated financial statements. The consolidated statement of income data for the six-month period ended June 2017 and 2016 and the consolidated balance sheet data as of June 30, 2017 and 2016 are derived from our unaudited interim consolidated financial statements. All consolidated financial statements are prepared in accordance with IFRS and included elsewhere in this Prospectus. The selected financial data in this section is not intended to replace our consolidated financial statements and the accompanying notes. Our historical results are not necessarily indicative of our future results.

Consolidated Income Statement Data:

	For the six-month periods ended June 30,		For the years ended December 31,		
	2017	2016	2016	2015	2014
	(in Swiss francs, unaudited)		(in Swiss francs, audited)		
Income					
Research grants	210,943	178,091	285,091	315,699	307,784
Other income	15,821	105,401	126,653	475,627	726,568
Total income	**226,764**	**283,492**	**411,744**	**791,325**	**1,034,352**
Operating costs					
Staff costs	(425,690)	(316,337)	(587,198)	(545,353)	(355,446)
Depreciation and amortization	(12,676)	(12,530)	(25,761)	(25,878)	(110,135)
External R&D costs	(737,904)	(515,482)	(1,383,330)	(761,217)	(258,058)
Laboratory consumables	(10,930)	(5,602)	(17,329)	(40,301)	(85,404)
Patents	(81,494)	(310,419)	(480,843)	(256,365)	(373,255)
Administrative professional fees	(357,459)	(284,496)	(291,509)	(762,443)	(1,111,469)
Operating leases	(55,909)	(16,257)	(79,639)	(259,978)	(81,004)
French Tax dispute escrow account write off	—	—	—	(1,227,131)	—
Other operating costs	(296,524)	(304,801)	(675,732)	(780,604)	(456,217)
Total Operating costs	**(1,978,586)**	**(1,765,924)**	**(3,541,341)**	**(4,659,270)**	**(2,830,988)**
Operating loss	**(1,751,822)**	**(1,482,432)**	**(3,129,597)**	**(3,867,945)**	**(1,796,636)**
Finance income	—	27	27	39,860	21,778
Finance expenses	(35,349)	(2,512)	(19,816)	(376,128)	—
Net loss	**(1,787,171)**	**(1,484,917)**	**(3,149,386)**	**(4,204,213)**	**(1,774,858)**
Net loss per share					
Basic and diluted net loss per share	(0.14)	(0.13)	(0.28)	(0.39)	(0.18)
Weighted-average number of shares in issue	12,500,385	11,082,971	11,412,301	10,852,056	9,984,888

Consolidated Balance Sheet Data:

	As of June 30		For the years ended December 31,		
	2017	2016	2016	2015	2014
	(in Swiss francs, unaudited)		(in Swiss francs, audited)		
Cash and cash equivalents	3,574,440	2,254,754	1,416,364	2,633,601	1,979,609
Other current assets	261,202	309,210	242,158	149,162	159,389
Total current assets	**3,835,642**	**2,563,964**	**1,658,522**	**2,782,763**	**2,138,998**
Non-current assets	11,738	37,343	24,405	106,952	1,860,224
Total assets	**3,847,380**	**2,601,307**	**1,682,927**	**2,889,715**	**3,999,222**
Current liabilities	1,240,476	1,036,519	1,249,900	1,029,823	1,508,992
Non-current liabilities	227,442	384,373	214,435	195,662	144,536
Shareholders' equity, net	2,379,462	1,180,415	218,592	1,664,230	2,345,694
Total shareholders' equity and liabilities	**3,847,380**	**2,601,307**	**1,682,927**	**2,889,715**	**3,999,222**

Consolidated Cash Flow Data:

	As of June 30		For the years ended December 31,		
	2017	2016	2016	2015	2014
	(in Swiss francs, unaudited)		(in Swiss francs, audited)		
Net cash flows used in operating activities	(1,043,297)	(1,440,518)	(2,694,387)	(2,628,443)	(1,799,642)
Net cash flows used in investing activities	—	(1,512)	(1,513)	399,903	373,450
Net cash flows used in / (from) financing activities	3,236,722	1,065,811	1,491,627	2,[illegible]	472,649
Increase/(Decrease) in cash and cash equivalents	**2,193,425**	**(376,219)**	**(1,204,273)**	**701,**	**(953,543)**

6. KEY TERMS OF THE LISTING

New Shares	Up to 13,037,577 fully paid-in registered shares (*Namenaktien*) of Addex Therapeutics Ltd with a nominal value of CHF 1 each to be newly issued by the Company in an ordinary share capital increase against cash contributions, under exclusion of the pre-emptive and subscription rights of the holders of Existing Shares as resolved by the shareholders on March 16, 2018. The New Shares will be fully fungible and will rank *pari passu* in all respects with each other and with all Existing Shares.
Form of New Shares.....	New Shares were issued in uncertificated form (*Wertrechte*) within the meaning of article 973c of the CO as intermediary-held securities (*Bucheffekten*) within the meaning of the FISA, no share certificates will be issued and share certificates will not be available for individual physical delivery. The Offered Shares will be registered in the main register (*Hauptregister*) maintained by SIS and credited to the securities account of each purchaser, and thus will become intermediated securities (*Bucheffekten*) within the meaning of the FISA.
Listing Size.....	The Company is listing up to 13,037,577 newly issued registered shares of the Company, with a nominal value of CHF 1 each (*i.e.*, the New Shares) and formally listing up to 6,730,987 registered shares of the Company, with a nominal value of CHF 1 per share (i.e. the Additional Shares). The New Shares represent approximatively 83.97 percent of the total issued share capital of the Company divided into 15,526,454 Shares prior to their issuance and up to 45.64 percent of up to 28,564,031 Shares following their issuance, respectively.
Shares held in Treasury.....	On December 31, 2017, the Company held a total of 1,964,973 Shares, directly or indirectly (the "Treasury Shares").
Listing and Trading.....	Application has been made and approval has been given to have the New Shares and the Additional Shares listed under the Main Standard of the SIX Swiss Exchange and admitted to trading on the SIX Swiss Exchange. It is expected that the New Shares will be listed, and trading in the New Shares will commence, on or around March 29, 2018 (*i.e.*, the First Day of Trading) and the Additional Shares will be listed after the resolution and the implementation of the increase of the conditional capital in May or June 2018. It is expected that the New Shares will clear through SIS.
Use of Proceeds.....	As of January 31, 2018, we had CHF 6.5 million in cash and cash equivalents. We expect to raise up to around CHF 40 million, but at least CHF 30 million, in gross proceeds, which we will use for general corporate purposes and implementing our plan to advance our portfolio of drug candidates. For further discussion regarding the use of proceeds, see Section 8 "Use of Proceeds" beginning on page 26.
Dividends	The New Shares shall be entitled to dividends or other distributions made (if any) to shareholders of Addex Therapeutics Ltd as from the date of the registration of the capital increase in the commercial register. Any dividends, if any, will be subject to Swiss withholding tax, see Section 18 "Certain Tax Considerations" beginning on page 86.
Voting Rights.....	Each Share carries one vote at a shareholders' meeting of the Company. Voting rights can only be exercised following registration of a shareholder in the Company's share register as a shareholder with voting rights, which is subject to certain qualifications, see Section 17 "Additional Information regarding the Company and our Shares" beginning on page 77.

Publication | Amendments or Changes to the Listing	The Listing notice in English is expected to be electronically published on the website of the SIX Swiss Exchange on the day of the Listing. Amendments to or changes in the terms of the Listing, if any, will be published on the same platform. Changes so notified will be deemed an amendment of this Prospectus.
Risk Factors.....	For a discussion of certain considerations that should be taken into account in deciding whether to invest in the Shares, see Section 7 "Risk Factors" beginning on page 12.
Selling and Transfer Restrictions	The Shares are subject to certain selling and transfer restrictions as described in Section 2 "Certain Sales Restrictions" beginning on page 4.
Swiss Taxation.....	Any dividends paid on the Shares, if any, will be subject to Swiss withholding tax, see Section 18 "Certain Tax Considerations" beginning on page 86.
Issuer Representative pursuant to art. 43 of the Listing Rules.....	Homburger AG
Law /Jurisdiction	Swiss law | Zurich, Switzerland
SIX Swiss Exchange Ticker Symbol.....	ADXN
Swiss Security Number (*numéro de valeur/Valorennummer*)	2985075
ISIN Number.....	CH0029850754
LEI Number……..	89450068Y9KVP2MQGH86
Common Code.....	030039254

7. RISK FACTORS

An investment in our securities involves a high degree of risk. In addition to the other information contained in this Prospectus, you should carefully consider the specific risk factors set forth below before making a decision to invest in our securities. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of our ordinary shares could decline due to any of these risks, and investors may lose part or all of their investment. The risks described below are not the only ones applicable to us. Additional risks affecting businesses generally, risks not presently known to us and risks that we currently believe to be immaterial may also impair our business operations. This Prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, the risks we face as described below and elsewhere in this Prospectus. For additional information on forward-looking statements, see Section 3"Cautionary Note Regarding Forward-Looking Statements" beginning on page 7.

Investment decisions should not be made solely on the basis of the risk warnings set out in this Prospectus since such information cannot serve as a substitute for individual advice and information that is tailored to the requirements, objectives, experience, knowledge and circumstances of each prospective investor individually. Therefore, before entering into any transaction, each prospective investor should consult with its own legal, regulatory, tax, financial and accounting advisors to the extent it considers necessary in order to determine whether an investment in the Shares is a fit, proper and suitable investment for it with a view to its financial situation, its constitutional documents, its internal policies and guidelines, the laws and regulations applicable to it and the impact an investment in the Shares will have on its overall investment portfolio.

Risks Related to Our Business

Notwithstanding the issue of the New Shares, we will need significant amounts of additional new capital to fund our continued development activities.

As of June 30, 2017, we had CHF 3.6 million in cash and cash equivalents and in January 2018, we received USD 5 million from our licensing agreement with Indivior PLC ("Indivior") bringing cash and cash equivalents at January 31, 2018 to CHF 6.5 million. Our monthly spending levels vary based on new and ongoing development and corporate activities. Currently, on a going concern basis, we expect to be able to finance our operations until the end of June 2020, unless we are able to raise new funds. We expect to raise a minimum of CHF 30 million in gross proceeds through the sale of the New Shares. We anticipate that these funds, together with our existing cash and cash equivalents will be sufficient to fund our planned operations through the end of 2021. Accordingly, we intend to primarily focus our resources on continuing to investigate dipraglurant, an mGluR5 negative allosteric modulator, for use in Parkinson's disease and dystonia and corporate development activities aimed at securing resources from investors, partners and grant providers to advance our other clinical and preclinical programs, as well as our allosteric modulator discovery platform. For further discussion regarding the use of proceeds we intend to raise through the sale of the New Shares, see Section 8 "Use of Proceeds" beginning on page 26.

Our budgeted external costs for the development plans described above and further detailed in Section 12 "Business" are for the most part based on our initial discussions with contract research organizations and other external suppliers, and we have not entered into any agreements or other arrangements that would establish or guarantee the costs of these programs. There is a risk that these development plans could be more costly than we anticipate, including as a result of unanticipated delays.

Although we believe that we will have sufficient resources to fund our intended operations until the end of 2021 as described above after we will have raised the expected minimum gross amount of approximately CHF 30 million from the sale of the New Shares, we cannot assure you of this and our ability to finance our operations and pursue our intended development plans beyond that date which will depend on our ability to generate additional funding through further partnerships or grants and amounts we may raise through further financings such as additional equity offerings. If our development plans are not successful, we may not be able to generate additional funding through partnerships or grants, or raise further financing through equity offerings or otherwise, or we may only be able to do so on terms that are not favourable to our shareholders.

We cannot guarantee that we will have sufficient funds available in the future to develop and commercialize our current or future drug candidates.

We have limited sources of revenue and will need substantial additional capital to develop and commercialize our product candidates. We may be unable to raise additional capital when needed, or at all, which would force us to reduce or discontinue operations. We do not expect to realize meaningful revenue from product sales, milestone payments or royalties in the foreseeable future, if at all. Our revenue sources are, and will remain, extremely limited until and unless our product candidates are clinically tested, approved for commercialization and successfully marketed. To date, we have primarily financed our operations through the sale of securities, milestone payments from partners and grants from foundations and governmental agencies. Our ability to raise additional funds will depend on financial, economic and other factors, many of which are beyond our control. Under Swiss law,

shareholders have certain preemptive rights to subscribe for newly issued securities in proportion to the nominal value of shares held. These preemptive rights may cause delays and uncertainties in any future equity offering, including in pricing, number of shares offered and dilutive effects, which discourage investment in our securities. We can provide no assurance that we can obtain access to sufficient funds when needed. If we fail to obtain additional funds at acceptable terms when needed, we may have to delay, reduce or terminate our research and development programs, limit strategic opportunities or be forced to cease operations, which may adversely affect our business, financial condition, results of operations and prospects.

There may be continued questions about our ability to continue as a going concern which could negatively affect our share price and our ability to enter into collaborative partnership or raise additional capital.

Based on our expected operations and development plans, and the anticipated proceeds from the sale of the New Shares, we believe that we will be able to fund our operations and continue as a going concern for a period of at least 12 months, or until the end of 2021. In order to be able to continue as a going concern beyond that point, we will need to generate additional funding through grants, milestone payments, monetization of assets through collaboration and other commercial arrangements or through equity or debt financing.

When preparing our financial statements, we are required to assess whether we believe that we will be able to meet all of our obligations for a further 12 months as they fall due. If so, we are able to prepare our financial statements on a going concern basis. If not, we would need to prepare our financial statements on a liquidation basis. In addition, under Swiss law if our balance sheet is over-indebted or risks becoming over-indebted, which could occur at least several months prior to our no longer being able to fund our operations, we would be required to prepare a balance sheet on a liquidation basis. This would result in a number of our assets and liabilities being revalued at their short-term realizable value. In addition, certain assets which are not reflected on our balance sheet prepared on a going concern basis, principally related to our patent portfolio and our license agreement with Janssen Pharmaceuticals Inc. (formerly Ortho-McNeil-Janssen Pharmaceuticals Inc) ("Janssen") and Indivior, would be valued and recorded on a liquidation balance sheet at their short-term realizable value and certain additional liabilities, including closing down costs and costs of terminating employees, leases and supply agreements, would be recorded in the liquidation balance sheet at fair value. Our directors and management would also need to manage our company taking into consideration the best interest of our creditors. In such a case, our directors may be compelled to take actions in the best interest of our creditors rather than our shareholders, such as to request our shareholders to vote the liquidation of the Company by way of dissolution and/or, depending on whether our liabilities exceed our assets both on a continuation and on a liquidation basis at such time, notify thereof the competent court, which we anticipate would result in such a court opening bankruptcy proceedings against us.

Although our consolidated financial statements for the six-month period ended June 30, 2017 were prepared on a going concern basis, we noted that the outcome of our activities to ensure that we could continue our operations is inherently uncertain and that, had we assessed differently our ability to execute on our current financial plans and meet our obligations for a further 12 months, we would have needed to present our financial statements on a liquidation basis. The report of our statutory auditor contained an emphasis of matter drawing attention to these disclosures and our need to raise additional financial resources to support our future research activity and enter into collaborations with partners in the pharmaceutical industry in order to continue our operations, and how this may cast significant doubt about our ability to continue as a going concern, although the opinion of our statutory auditor was not qualified in respect of this matter. When preparing our future semi-annual and annual consolidated financial statements, we will need to determine whether we will be able to continue as a going concern, which will depend on our financial resources and intended operations and development plans at that time.

Any doubt about our ability to continue as a going concern, whether as a result of the disclosures contained in our financial statements or due to our financial condition more generally, could have a negative impact on our ability to enter into collaborative partnerships and raise further capital, and could result in a decrease in the price of our Shares as a result of any uncertainty as to our ability to access the additional funding we will require to finance our operations.

We have a history of net losses and negative cash flow, expect to continue such losses for the foreseeable future and may never achieve or maintain profitability.

Since we began operations in 2002, we have not had product revenue and our expenses have substantially exceeded our revenue, resulting in continuing operating losses and an accumulated deficit of approximately CHF 282.9 million at June 30, 2017. For the year ended December 31, 2016, we incurred a net loss of approximately CHF 3.2 million and CHF 1.8 million for the six-month period ended June 30, 2017. These losses have resulted principally from costs incurred in research and development of our drug candidates and general and administrative expense.

We will continue to incur significant operating losses in the foreseeable future, primarily due to the cost of our research and development programs, preclinical studies and clinical trials and the regulatory approval process for drug candidates. The amount of future losses is uncertain and our ability to achieve profitability, if ever, will depend on, among other things, us or partners successfully developing drug candidates, obtaining regulatory approval to market and commercialize drug candidates, manufacturing any approved products on commercially reasonable terms, establishing a sales and marketing organization or

suitable third party alternatives for any approved product and raising sufficient funds to finance our activities. If we or our partners are unable to develop and commercialize one or more of our drug candidates or if sales revenue from any drug candidate that receives approval is insufficient, we will not achieve profitability, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our transition from a discovery based company to a development stage company working with novel approaches to therapeutics may not be successful.

We have devoted our resources to the discovery and development of allosteric modulators for neurological diseases. Since inception, we have focused on building a drug discovery platform, including a knowledge-based library and proprietary biological screening tools as well as a portfolio of drug candidates. Discovery and development of allosteric modulators involves novel approaches to human therapeutics. We are subject to the risks of failure inherent in the development of product candidates based on new technologies. There is little precedent for the successful commercialization of products based on our technologies, and there are a number of technological challenges that we must overcome to complete most of our development efforts.

We have no products on the market and we may never generate revenue from the sale or licensing of product candidates.

Our ability to achieve and sustain profitability depends on obtaining regulatory approvals for and successfully commercializing our product candidates, either alone or with third parties, such as our partner for ADX71149 Janssen, a subsidiary of Johnson & Johnson and our partner for ADX71441 Indivior. Currently, none of our product candidates are approved for marketing and commercialization or are in Phase 3 trials. We cannot guarantee that any of our product candidates will be successfully tested, approved by the U.S. Food and Drug Administration ("FDA"), the European Medicines Agency ("EMEA"), Swissmedic, Swiss Agency for Therapeutic Products, or any other regulatory agency or marketed and commercialized at any time in the foreseeable future or at all. If approval is obtained for a product candidate, we cannot assure that we will generate or sustain revenue from any sales due to factors such as whether the product is manufactured at a competitive cost or accepted in the market, as well as general and industry-specific local and international economic pressures such as those recently experienced worldwide. With our strategy to focus on allosteric modulator development, these risks continue to be significant and may increase to the extent the space becomes more competitive or less favored in the commercial marketplace. Our focus on rare disease indications with the potential for orphan drug designation limits the size of the patient population for even an approved product, unless approval is expanded for use beyond the rare disease. Because of the inherently small patient population for treatment of a rare disease, an approved product with orphan drug designation for which pricing is not approved or accepted in the market at an appropriate level may not generate enough revenue to offset costs of development, manufacturing, marketing and commercialization despite any benefits received from the designation, such as market exclusivity, assistance in clinical trial design, a reduction in user fees or tax credits related to development expense.

The future of our business and operations depends on the success of our allosteric modulator development programs, including our most advanced proprietary product candidate, dipraglurant.

We are substantially dependent on the success of our current lead drug candidate, dipraglurant, which we are developing ourselves. In March 2012, we announced the completion of a Phase 2a clinical trial in the United States and Europe with dipraglurant for the treatment of Parkinson’s disease levodopa induced dyskinesia ("PD-LID"). Though the development so far has produced positive results, further development and commercialization for the treatment of PD-LID or other disease indications may not be successful or may experience significant delays and setbacks. We believe that a failure to develop our most advanced drug candidates, or to do so in a timely manner, would not only harm those programs but also industry and investor confidence in our other programs and could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our dependence on Janssen to develop and commercialize ADX71149 and Indivior to develop and commercialize ADX71441 exposes us to significant risks.

Our collaboration with Janssen, Indivior and any future partner, may not be scientifically, clinically or commercially successful. We are dependent upon Janssen and Indivior, and may be dependent upon any other partners with which we collaborate in the future, to perform and fund development activities, including clinical testing, regulatory filings and the manufacture and marketing of products. Under our collaboration and license agreements with our partners, our partners have sole responsibility for, including the financing of, development of selected compounds through preclinical and clinical trials, as well as registration procedures and commercialization, if any, in the United States, Japan, the United Kingdom, Germany, France, Spain and Italy. Our partners have authority over all aspects of the development of selected compounds and may develop or commercialize third-party compounds with a different mechanism of action for identical use. Our role on the joint development committee formed under the collaboration and license agreement is advisory and we do not have authority to determine or veto actions. Our partners may take independent action concerning product development, marketing strategies, manufacturing and supply issues and rights relating to intellectual property. Thus, the success of ADX71149 and ADX71441 for the treatment of CNS and related diseases currently depends entirely upon the efforts of Janssen and Indivior, respectively. Janssen and Indivior

have significant discretion in determining the efforts and resources it applies to the development and, if approval is obtained, commercialization and marketing of ADX71149 and ADX71441, respectively. Janssen and Indivior may not be effective in obtaining approvals in its field of use, marketing any approved products or arranging for necessary sublicense, supply, manufacturing or distribution relationships, or our partners may change their strategic focus or pursue alternative technologies in a manner that results in reduced or delayed revenue to us. Our partners have a variety of marketed products and their own corporate objectives may not be consistent with our best interests. Changes of this nature might also occur if our partners are acquired or experience changes in management. In any future disagreement with us, our partners will have significantly greater financial and managerial resources on which to draw. Any disagreement could lead to lengthy and expensive litigation or other dispute resolution proceedings as well as extensive financial and operational consequences to us and have a material adverse effect on our business, financial conditions, results of operations and prospects

Our failure to collaborate successfully with collaborators may delay, impair or prevent the development or commercialization of our drug candidates.

Our business strategy requires us to enter into various forms of collaboration arrangements with other companies, licensors or licensees to research, develop and commercialize our drug candidates. We are unlikely to be able to enter into new collaborative arrangements with respect to the drug candidates we are currently developing internally until we complete at least the next stage of their respective development activities. We cannot assure you that we will be able to maintain our existing collaboration with Janssen and Indivior, negotiate collaboration arrangements in the future on acceptable terms with first choice partners, if at all, or that any such collaboration arrangements will be successful. To the extent that we are not able to maintain or establish such arrangements, we would be forced to seek alternatives, including undertaking drug development and commercialization activities on our own, which would increase our capital requirements and could require us to limit the scope of some or all of our other research and development activities. Under a collaboration agreement, we are likely to have limited influence over the future development or commercialization of the relevant drug candidates. Such development or commercialization may depend significantly on the efforts and activities of the collaborator. Under the terms of an agreement, a collaborator may have significant discretion in determining the efforts and resources it dedicates to the collaboration, which may change over time depending on the collaborator's overall strategic priorities. The suspension or termination of our collaboration arrangements, the failure of our collaboration arrangements to be successful or the delay in the development or commercialization of drug candidates pursuant to collaborations could have a material adverse effect on our business, financial condition, results of operations and prospects.

If third parties on which we depend to conduct our clinical trials do not perform as contractually required, fail to satisfy regulatory or legal requirements or miss expected deadlines, our clinical development program could be delayed and otherwise adversely affected.

We rely on third party clinical investigators, contract research organizations ("CROs"), clinical data management organizations, medical institutions and consultants to design, conduct, supervise and monitor preclinical studies and clinical trials in relation to our product candidates. Because we rely on third parties and do not have the ability to conduct clinical trials independently, we have less control over the timing, quality and other aspects of clinical trials than we would if we conducted them on our own. These investigators, CROs and consultants are not our employees and we have limited control over the amount of time and resources that they dedicate to our programs. These third parties may have contractual relationships with other entities, some of which may be our competitors, which may draw time and resources from our programs. If we cannot contract with acceptable third parties on commercially reasonable terms, or at all, or if these third parties do not carry out their contractual duties, satisfy legal and regulatory requirements for the conduct of clinical trials or meet expected deadlines, our clinical development program could be delayed and otherwise adversely affected. In all events, we are responsible for ensuring that each of our clinical trials is conducted in accordance with the general investigational plan and protocols for the trial. The FDA requires us to comply with good clinical practices for conducting, recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of trial participants are protected. Our reliance on third parties that we do not control does not relieve us of these responsibilities and requirements. The third parties with which we contract might not be diligent, careful or timely in conducting our clinical trials, as a result of which the clinical trials could be delayed or unsuccessful. Any such event could have a material adverse effect on our business, financial condition, results of operations and prospects.

Because we rely on third party manufacturing and supply partners, our supply of clinical development and other materials may become limited or interrupted or may not be of satisfactory quantity.

We rely on third party manufacturing and supply partners for research and development, preclinical studies and clinical trials. We currently do not have in-house facilities to manufacture our research and development, preclinical and clinical drug supplies. In the event that any of our suppliers, whether for research and development, preclinical studies or clinical trials, fail to perform their respective obligations in terms of quality, timing or otherwise, or if our supply of such components or other materials become limited or interrupted for other reasons, we would not be able to develop or market our drug candidates on a timely and cost-competitive basis, if at all, which would have a material adverse effect on our business, financial condition, results of operations and prospects. There can be no assurance that our supply of research and development, preclinical and clinical

development drugs and other materials will not be limited, interrupted, restricted in certain geographic regions or of satisfactory quality. If the suppliers that currently manufacture our clinical drug supplies cannot continue to do so, we can provide no assurance that we will be able to obtain alternative components and materials from other manufacturers of acceptable quality, or on terms or in quantities acceptable to us, or that we will not require additional components and other materials to manufacture or use our drug candidates. In addition, suppliers need to meet applicable manufacturing requirements and undergo rigorous facility and process validation tests required by regulatory authorities in order to comply with applicable regulatory standards, such as current Good Manufacturing Practices ("cGMP"). We cannot provide assurance that our suppliers will comply with such requirements.

Our product candidates may not successfully obtain regulatory approval.

Even if Phase 3 clinical trials are completed, there can be no assurance that we will receive approval from the FDA, the EMEA, Swissmedic, Swiss Agency for Therapeutic Products, or any other relevant government agencies. Any approval, if any, may be delayed or may be obtained on restrictive terms. This may occur if a drug candidate does not show acceptable safety and efficacy in preclinical studies and clinical trials or otherwise does not meet applicable regulatory standards for approval or the drug candidate does not prove as effective as, or does not offer therapeutic or other improvements over, existing or future drugs used to treat the same or similar illness or conditions. Failure by us or a partner to obtain approval for products candidates could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our drug candidates must prove their efficacy and safety in rigorous clinical testing that is expensive, time-consuming and may be delayed, suspended or terminated at any time.

Drug approval requires extensive, time consuming and expensive clinical testing to demonstrate safety, tolerability and efficacy of a drug and meet other regulatory standards for authorization to market and commercialize. The development of innovative drugs is inherently risky and the utility and success of a drug will depend on its efficacy and side effect profile for the target patient population. Preclinical studies and clinical trials are long, expensive and uncertain processes. Successful results obtained in preclinical studies and early clinical trials may not be predictive of results in later clinical trials and do not ensure that later preclinical studies or clinical trials will be successful. Clinical trials may be delayed, suspended or terminated as a result of many factors, many of which are or may be beyond our control, such as:

- suspension or termination of clinical trials by regulators or institutional review boards;
- termination due to safety issues or lack of efficiency of the drug tested;
- a collaboration partner’s termination of an arrangement with us or inadequate dedication of financial or other resources towards development under an arrangement with us;
- inability to enter into adequate collaboration arrangements to complete the development or commercialization and manufacturing of our drug candidates;
- insufficient availability of a drug product in accordance with cGMP quality; or
- slower than expected enrollment of patients or lack of compliance by patients.

We or a partner may be required to conduct clinical trials or other testing of drug candidates beyond those currently contemplated, in particular, if the currently contemplated trials fail to complete successfully or if the results of those trials or tests are negative or inconclusive. It may take us several years to complete this testing, if at all, and failure can occur at any stage of the process, which could delay, increase costs associated with or prevent approval or commercialization of a drug candidate. Even after approval, if any, a drug may be shown to be unsafe or not have its purported effect. As a result, we or a partner may be required to conduct additional trials or studies, be subject to fines, suspension or withdrawal of approval, drug recalls, product seizures, operating restrictions or criminal prosecution. In all such cases, our anticipated development or commercialization timelines may not be met, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We face competition from entities that have developed or may develop similar or different product candidates aimed at the indications on which we are focusing.

The development and commercialization of drugs is highly competitive. We compete with a variety of multinational pharmaceutical companies and specialized pharmaceutical companies, including Adamas Pharmaceuticals, Eli Lilly and Company, F. Hoffmann-La Roche Ltd, Heptares Therapeutics Ltd, Lundbeck Pharmaceuticals Ltd, Merck & Co. Inc. and Novartis Pharma AG, as well as technology being developed at universities and other research institutions. Many of our competitors have significantly greater financial, technical, manufacturing, marketing, sales and supply resources or experience

than we have. Our competitors have developed, are developing or will develop drug candidates and processes that will compete with our drug candidates. Competitors may enjoy a significant competitive advantage if they are able to achieve patent protection, obtain marketing authorizations and commence commercial sales of their drugs before us. Competing drugs could present superior treatment alternatives for our targeted indications, including by being more effective, safer or convenient, and even make our drug candidates or know-how obsolete before we reach the market. In addition, competitors may sell drugs below the price level at which appropriate return for our investment in drug development is possible. As a result of these factors, we may be unable to successfully develop commercially feasible drugs and our commercial opportunities may be reduced or eliminated, and we may not be able to successfully compete. This would have a material adverse effect on our business, financial condition, results of operations and prospects.

We may fail to obtain, maintain or enforce licenses, patents and proprietary technology.

Our success depends in part on our ability to obtain patent protection for our drug candidates and processes, preserve our trade secrets and other proprietary rights and to defend and enforce our rights against infringement in Europe, the United States and other countries. If we are unable to do so, our drugs, technologies and know-how may not provide us with a competitive advantage. The validity and breadth of claims in patent applications involve complex legal and factual questions and, therefore, involve uncertainty. We own seven U.S. and 122 foreign patents and a number of pending patent applications that cover various aspects of our technologies. No assurance can be given that patents based on pending patent applications or any future patent applications will be issued. We may need to refine or narrow our claims. Due to their broad scope, some of our generic compound claims may not be patentable. Other of our patent applications may not be granted if third parties have earlier filed applications for inventions covered by our pending patent applications. The scope of any patent protection we are able to obtain may not provide us with sufficient protection against competing drugs or provide competitive advantages to us. Any of the patents that have been or may be issued to us may be held invalid or unenforceable if subsequently challenged by competitors or other third parties. Furthermore, there can be no assurance that others have not developed or will not develop similar drugs, duplicate any of our drugs or design around any patents that have been or may be issued to us. Any of our granted, valid and enforceable patents will provide protection for only a limited period of time. We cannot assure that we will obtain any extensions of patent protection that are sometimes offered if certain clinical development extension application deadlines are met or that we will be successful in seeking any method of use patent. If a method of use patent is granted but product patents are not granted or expire, third parties would be able to develop products using the method in indications not covered by the method of use patent.

We may be restricted in our development and any commercialization activities by third-party patents and patent applications.

Our commercial success depends on our ability to have freedom to operate without infringing third-party patents and other intellectual property or market exclusivity rights. If we are not able to do so, we may be subject to infringement actions. We may not be aware of all patents and patent applications that may impact our ability to make, use or sell our product candidates. Other parties may have filed, or may file in the future, patent applications covering compounds or drug candidates that are similar to ours. For instance, third parties have filed and published several patent applications relating to the use of mGlu5 antagonists for the treatment of, among other indications, Parkinson’s disease, gastroesophageal reflux disease ("GERD"), pain, depression and anxiety. Although there is a significant body of prior art that may prevent patentability of a third party’s broad use claims, if any of these patent applications is granted as published and without limitation to the third party’s own specific compounds, they could have a blocking effect in the specific indication and may restrict the development and commercialization of dipraglurant in the indications for which the broad use patent is granted. Any such event could have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, because patent applications can take many years to issue and are not published for a period of time ranging on the jurisdictions in which we applied for registration, there may be applications currently pending, unknown to us, which may later result in patents that our drug candidates or technology may infringe. Any conflicts arising from the patent rights of others could significantly reduce the scope of our patents and limit our ability to obtain meaningful patent protection. We may be required to obtain licenses to those patents or to develop or obtain alternative technology. We may not be able to obtain any such licenses on acceptable terms, or at all. Any failure to obtain such licenses could delay or prevent us from pursuing the development or commercialization, if any, of our product candidates.

We may fail to protect our intellectual property rights, including trade secrets and know-how.

Our success depends on our ability to obtain and enforce intellectual property rights, including trade secrets and non-patentable know-how related to our allosteric modulator platform. We seek to protect or secure this intellectual property, in part, by entering confidentiality agreements with and receiving assignments from our employees, consultants, suppliers, licensees, funding partners and other contractual partners and advisers. We may not always be able to obtain these agreements or assignments. Even if we obtain these agreements or assignments, there can be no assurance that they will effectively protect our intellectual property rights or prevent improper use or disclosure of confidential information or that they will not be breached. We may not have adequate remedies for any breach of these agreements or assignments, or our trade secrets or non-patentable know-how may otherwise become known or be independently developed by competitors. In addition, these agreements or assignments may conflict with, or be subject to, the rights of third parties with which our employees, consultants, suppliers, licensees, funding partners or other

contractual partners or advisers had previous employment, consulting or other relationships. Any such event could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may have to defend against or initiate lawsuits to protect our intellectual property rights.

In the future, third parties with patent claims that overlap with our intended activities may decide to sue us for monetary damages or to prevent us from manufacturing, selling or developing our drug candidates. We could also become subject to claims that we or our employees have inadvertently or otherwise used or disclosed intellectual property, trade secrets or other proprietary information of an employee's former employer, particularly if such employer is a university or pharmaceutical company. Additionally, to protect our patent rights, we may decide to initiate lawsuits against third parties. Defending against or initiating such claims, which typically go on for years before a legal judgment or settlement is obtained, would involve significant effort and expense and could divert management's attention from the operation of our business. Any such proceedings could involve prior art and put our patents at risk of being invalidated or interpreted narrowly and our pending patent applications at risk of not being issued. In addition, there is a risk that some of our confidential information could be compromised by disclosure in such proceedings and provide competitors with access to our proprietary information. Further, the outcome of any such proceedings may be unfavorable to us. If the manufacture, use or sale of any of our drug candidates infringes the patents, or violates other proprietary rights, of third parties, a court or settlement agreement may require us to pay actual damages and, potentially, penalties, including the other party's attorney's fees, which may be substantial. We could also be required to cease the development, manufacture, use and sale of drugs that infringe the patent rights of others, to expend significant resources to redesign our technology so that it does not infringe the patent rights of others, to develop or acquire non-infringing technology, which may not be possible, or to obtain licenses to the infringed intellectual property, which may not be available to us on acceptable terms or at all. We cannot guarantee that we will have sufficient financial or other resources to protect intellectual property significant to the development of our product candidates.

Even if a product candidate receives regulatory approval, lack of market acceptance may prevent us from generating revenue from commercialization of the product.

Even if a product candidate is approved, if we or a partner are not successful in commercializing the product, we will not generate revenue from sales. Revenue generated from an approved product depends on its successful commercialization. Many factors may impede successful commercialization, many of which are or may be beyond our or a partner's control. These factors include the proprietary rights of third parties, including our competitors, the failure of a product to prove effective as, or offer therapeutic or other improvements over, existing or future drugs used to treat the same or similar conditions or the inability of a product to gain acceptance by patients, the medical community or third-party payers, such as insurance companies or government reimbursement programs, or the inability of produce a product in commercial quantities at an acceptable cost, or at all. Even if our drug development is successful and marketing authorization has been obtained, our ability, or our partners' ability, to generate significant revenue will depend on the acceptance of our drugs by physicians, patients, third-party payers and the medical community. We cannot assure you that we or our partners will achieve market acceptance of our drug candidates or generate revenue once we or our partners obtain marketing authorization. The market acceptance of any of our drug candidates depends on a number of factors, including the continued demonstration of efficacy and safety in commercial use, cost-effectiveness, convenience and ease of administration, competition, marketing and distribution support, the scope of the approved uses and labeling requirements, prevalence and severity of any side effects, and adequate government or other third-party coverage or reimbursement for the cost of the drug. To the extent competitors are able to commercialize competing drugs before our drugs have achieved market approval and acceptance, we may have difficulty gaining market acceptance if physicians, patients, third-party payers and the medical community have grown accustomed to use of the competing drugs, whether or not such competing drugs are more effective or have other advantages over our drug.

Any commercialization efforts by us will require us to develop sales, marketing and distribution capabilities internally or through arrangements with third parties.

Sales, marketing and distribution capabilities are key elements of a successful commercialization strategy, none of which we currently have internally. If any of our product candidates are approved, we intend to market the product either directly or through other strategic alliances and distribution arrangements with third parties. To commercialize our drugs, we will need to enter into new collaborations with third parties or develop our own marketing and sales force with technical expertise and supporting distribution capability. If we decide to market our products directly, we will need to commit significant financial and managerial resources to develop a marketing and sales force with technical expertise and with supporting distribution, administration and compliance capabilities. If we rely on third parties with such capabilities to market our products, we will need to establish and maintain partnership arrangements, and there can be no assurance that we will be able to enter into third-party marketing or distribution arrangements on acceptable terms or at all. To the extent that we do enter into such arrangements, we will be dependent on our marketing and distribution partners. In entering into third-party marketing or distribution arrangements, we expect to incur significant additional expense and there can be no assurance that such third parties will establish adequate sales and distribution capabilities or be successful in gaining market acceptance for our products and services. Any factors preventing or limiting the market acceptance of our drug candidates could have a material adverse effect on our business, financial condition,

results of operations and prospects. There can be no assurance that we will be able to build up our own marketing and sales organization, to attract and maintain established collaboration partners for the third-party commercialization of our drug candidates, to enter into agreements on acceptable terms for sales and marketing, if at all, or that any such collaboration arrangements will be successful. As a consequence, we would be forced to seek alternatives, redirect our resources or have to limit the scope of our research and development activities in other fields and thereby delay the launch and sales of any or all of our drug candidates, or raise new funds. Accordingly, this could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may become exposed to costly and damaging liability claims and may not be able to maintain sufficient liability insurance to cover these claims.

Our business with pharmaceutical drugs entails a potential risk of substantial liability for damages, including drug liability and environmental liability, which are inherent in the development, testing and manufacturing of our drug candidates. It is always possible that a drug, even after marketing authorization, may exhibit unforeseen failures or adverse side effects. We can provide no assurance that sufficient insurance coverage will be available to us at acceptable terms, or at all, for any damages or costs in connection with any liability claims. Liability lawsuits are costly and time consuming and may divert management's attention from their normal responsibilities. If any of our drugs were to fail or produce adverse side effects, substantial uninsured losses could result, which could have a material adverse effect on our business, financial condition, results of operations and prospects. Even where drug failures or side effects are not so serious as to warrant withdrawing the drug from the market or liability in damages, they may reduce the drug's competitiveness or adversely affect our reputation, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We and our partners are subject to significant government regulation, including marketing authorization requirements, which could increase the cost of developing our drug candidates or delay, prevent or limit the commercialization of our drug candidates.

We and our partners are subject to extensive and rigorous governmental regulation and the applicable regulatory requirements are subject to change. Our and a partner's research and development, preclinical studies and clinical trials, manufacturing, safety, efficacy, record-keeping, labeling, marketing, sales and distribution of our drug candidates are regulated by the EMEA, the FDA, Swissmedic, Swiss Agency for Therapeutic Products, and other government agencies in countries where we are testing or intend to test and market our drug candidates. Before a clinical trial can begin, we and our partners must obtain approval from the competent national authority in the country where the trial is planned to be conducted. A favorable opinion from a competent ethics committee or an independent institutional review board on the clinical trial application is also needed. We cannot assure we or our partners will obtain authorization for further testing of drug candidates already in clinical trials or for human clinical trials of any or all of our other candidates currently in research or pre-clinical development. We, and our partners or regulatory authorities may suspend or terminate clinical trials at any time if it is thought that the participants are being exposed to unacceptable health risks. It may take us or our collaborators several years to complete this testing, and failure can occur at any stage of the process.

The governmental regulation of development of drug candidates extends beyond clinical trials to approvals required for their sale and monitoring after sale, including safety reporting requirements, regulatory oversight of drug promotion and marketing and cGMP. A failure by us or our partners to obtain marketing authorization or a delay in obtaining and maintaining approval could damage our reputation and adversely affect the marketing of our drugs and our ability to generate revenue, which could have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, marketing authorizations, if granted, may not include all uses for which we may seek to market a drug, thereby limiting the potential market for the drug. Moreover, even after marketing authorization is obtained, a marketed drug, its manufacturer and its manufacturing facilities are subject to continual review and periodic inspections by the relevant authorities. Consequently, any discovery of previously unknown problems with an approved drug, manufacturer or manufacturing facilities may result in restrictions on the drug or manufacturer, including a requirement to withdraw the drug from the market. In addition, regulatory requirements are evolving in a manner that cannot be predicted. Changes in existing regulations of EMEA, FDA, Swissmedic, Swiss Agency for Therapeutic Products or other regulations or the adoption of new regulations could prevent us from obtaining or maintaining, or affect the timing of, future marketing authorizations. Changes in regulatory policy during the period of development of a drug or regulatory review may result in delays or rejections of approvals of the drug candidates. Any change in the regulations governing us could have a material adverse effect on our business, financial condition, results of operations and prospects.

Current healthcare laws and regulations and future legislative or regulatory changes to the healthcare system may affect our ability to sell any drugs we may develop.

Healthcare laws are subject to change, which may affect our ability to sell any product candidates for which we receive marketing and commercialization approval. In the U.S., an important potential market for our drug candidates, there have been a number of legislative and regulatory changes to the healthcare system that could affect our future results of operations. In particular, there have been and continue to be a number of initiatives at the U.S. federal and state levels that seek to reduce

healthcare costs.

Individual states in the United States have become increasingly aggressive in passing legislation and implementing regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access, and marketing cost disclosure and transparency measures, and designed to encourage importation from other countries and bulk purchasing. Legally-mandated price controls on payment amounts by third-party payers or other restrictions could harm our business, results of operations, financial condition and prospects. In addition, regional healthcare authorities and individual hospitals in the United States are increasingly using bidding procedures to determine what pharmaceutical products and which suppliers will be included in their prescription drug and other healthcare programs. This could reduce ultimate demand for our products or put pressure on our product pricing, which could negatively affect our business, results of operations, financial condition and prospects.

In addition, given recent federal and state government initiatives directed at lowering the total cost of healthcare, Congress and state legislatures will likely continue to focus on healthcare reform, the cost of prescription drugs and biologics and the reform of the Medicare and Medicaid programs. While we cannot predict the full outcome of any such legislation, it may result in decreased reimbursement for drugs and biologics, which may further exacerbate industry-wide pressure to reduce prescription drug prices. This could harm our ability to generate revenue. In addition, legislation has been introduced in Congress that, if enacted, would permit more widespread importation or re-importation of pharmaceutical products from foreign countries into the United States, including from countries where the products are sold at lower prices than we might sell our products in the United States. Such legislation, or similar regulatory changes, could put competitive pressure on our ability to profitably price our products, which, in turn, could adversely affect our business, results of operations, financial condition and prospects. It is also possible that other legislative proposals having similar effects will be adopted.

In certain European countries, particularly Germany, there has been an increasing trend towards reference pricing which is likely to increase and which is likely to severely restrict the sales potential for many new drugs unless the drug can be significantly differentiated from existing drugs.

Additional governmental and regulatory proposals and health care reforms are likely. However, we are unable to forecast what additional legislation or regulation relating to the health care industry or third-party reimbursement may be enacted in the future, or what effect such legislation or regulation would have on our business. Our business could be harmed by other health care reforms that may be erected or adopted in the future, and in particular this could have a material adverse effect on the amounts that private payers will pay for drugs. As a consequence, we may not be able to realize an appropriate return on our investment in research and development and generate revenue sufficient to attain profitability, even if our drugs are approved for marketing. This could have a material adverse effect on our business, financial condition, results of operations and prospects.

The availability and level of third-party reimbursement for our potential drugs will be uncertain, and it may be difficult to obtain or maintain expected price levels.

Our or a partner's ability successfully to commercialize our drug candidates and to attract strategic partners for our drug candidates or future drugs will depend in part on price levels and on the extent to which reimbursement for the costs of treatment with these drug candidates will be available from government health administration authorities, private health insurers and other third-party payers, as well as government health care programs. Governments and other third-party payers are increasingly attempting to contain health care costs, in part by challenging the price of medical drugs and services or by restricting the eligibility for reimbursement. Health care cost pressure could lead to pricing pressure which could adversely affect pricing of dipraglurant, ADX71149, ADX71441 and our other potential drugs. Seeking third-party reimbursement is a time-consuming and costly process, which will require us and our partners to provide scientific and clinical support for the use of each of our drug candidates to each third-party payer separately. Significant uncertainty exists as to the payment status of newly approved medical drugs. The unavailability or inadequacy of third-party reimbursement, or legislation controlling treatments or prices, would have an adverse effect on the price level and consequently the market acceptance of our drug candidates and may have a material adverse effect on our results or operations, financial condition and prospects.

Any non-compliance by us with the environmental, health and safety laws and regulations that we are subject to could result in fines, suspension of drugs research and development or cessation of our operations or civil liability.

We are subject to a variety of health, safety and environmental laws and regulations in the jurisdictions in which we operate, particularly in our research and development activities, as well as in our pre-clinical studies. These laws and regulations govern, among other things, the use, storage, handling and discharge or disposal of hazardous materials, chemicals and compounds, including wastewater discharge, air emissions and waste management, where we operate. Our research and development programs involve the controlled use of hazardous materials, chemical and biological materials and controlled pre-clinical animal studies. Although we believe that we hold all permits required to operate our business and otherwise comply with current laws and regulations, any failure by us to comply with present or future laws and regulations could result in fines, suspension of research and development or cessation of our operations. We, like many of our competitors, have incurred, and will continue to incur,

capital and operating expenditures and other costs in the ordinary course of our business in complying with such laws and regulations in most of the jurisdictions in which we operate. We do not currently anticipate any material additional capital expenditures in respect of such regulations outside of the ordinary course of our business. However, the risk of environmental liability is inherent in our business and there can be no assurance that additional material costs of complying with environmental regulations will not arise in the future. Our research and manufacturing activities involve the use of hazardous materials. Although we believe that our safety procedures for handling and disposing of hazardous materials (including medical and biological waste) comply with relevant laws and regulations, we cannot eliminate the risk of accidental or manmade contamination, injury or damage from these materials. In the event of an accident or environmental discharge, we may be held liable for any resulting damages. We cannot assure you that the amount of our insurance coverage will be sufficient to satisfy any such damages. As a result, any such accident could have a material adverse effect on our business, financial condition, results of operation and prospects. In addition, changes to existing or future laws and regulations may result in the imposition on us of significant additional environmental, health and safety compliance costs.

We are exposed to currency fluctuation risks and other financial risks.

In the six-month period ended June 30, 2017, 21 and 94 percent of our costs and revenue, respectively, were denominated in currencies other than the Swiss franc. As a result, our business is affected by fluctuations in foreign exchange rates between the Swiss franc and other currencies, particularly U.S. dollars, the Euro and the British pound. A significant amount of our costs are denominated in currencies other than Swiss francs as we source supplies, research and development, consulting and other services in several countries other than Switzerland. On the revenue side, a significant amount relates to currencies other than Swiss francs. The research grants from The Michael J. Fox Foundation for Parkinson's Research are paid in U.S dollars, whereas under our agreement with Janssen, all milestone payments and royalties payable by Janssen to us are denominated in Euros. Furthermore, under our agreement with Indivior, all research funding, milestones payments and royalties payable by Indivior to us are denominated in U.S dollars. Since our reporting currency is the Swiss francs, we convert financial line items into Swiss francs at the applicable foreign exchange rates. As our business grows, we expect that a significant part of our revenue, including milestone payments and royalties, and of our costs, including costs for clinical trials, will be denominated in U.S. dollars, the Euro or the British pound. Unfavorable fluctuations in the value of the Swiss franc compared to these other currencies could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our current operations are concentrated in one location and any events affecting this location may have material adverse consequences.

Our current operations are located in our facilities situated in Geneva, Switzerland. Any unplanned event, such as flood, fire, explosion, earthquake or other accidents that result in us being unable to fully utilize the facilities, may have a material adverse effect on our ability to operate our business, particularly on a daily basis, and have significant negative consequences on our financial and operating conditions. Loss of access to these facilities may result in increased costs, delays in the development of our product candidates or interruption of our business operations. As part of our risk management policy, we maintain insurance coverage at levels we believe are appropriate for our business. However, in the event of an accident at these facilities, we cannot assure you that the amounts of insurance will be sufficient to satisfy any damages and losses. If our facilities are unable to operate because of an accident or for any other reason, even for a short period of time, any or all of our research and development programs may be harmed. Any business interruption may have a material adverse effect on our business, financial position, results of operations and prospects.

Risks Related to Our Securities

An investment in our securities is speculative, and there can be no assurance of any return on any such investment.

An investment in our securities is highly speculative, and there is no assurance that investors will obtain any return on their investment. Investors will be subject to substantial risks involved in their investment, including the risk of losing their entire investment.

The market price for our securities may continue to be highly volatile and could decline significantly.

Our securities have a relatively small public float and may be less liquid and more volatile than securities of companies with broader public ownership. Factors affecting the market price of the securities, many of which are beyond our control, include:

- low daily trading volume of our securities on the SIX Swiss Exchange;
- announcements by us and developments that impact our financial results, business and partners;
- fluctuations in our financial position or operating results;

- changes in our business strategy and operations;
- changes in our senior management team or Board of Directors;
- changes in the recommendations of securities analysts regarding us or our industry;
- investor need for liquidity;
- investor assessment of the valuation of us and our competitors;
- fluctuations in interest rates;
- price and volume of the markets where our securities trade; and
- future offerings of our securities.

In addition, securities markets in general have from time to time, and in particular in recent years, experienced significant price and volume fluctuations. Such fluctuations, as well as the economic environment as a whole, can have a substantial negative effect on the market price of our securities, regardless of our operating results or our financial position. Any such broad market fluctuations may adversely affect the trading price of our securities.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they adversely change their recommendations regarding our Shares, our share price and trading volume could decline.

The trading market for our Shares will be influenced by the research and reports that industry or securities analysts may publish about us or our business, market or competitors. The Company does not control these analysts. If no securities or industry analysts cover or no longer cover our company, our share price and trading volume would likely be negatively impacted. If any analysts cover us and then adversely change their recommendation regarding our Shares, publish incorrect or unfavorable research about the Company, or provide more favorable relative recommendations about our competitors, our share price would likely decline. If any analysts cover us and then cease coverage or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our share price or trading volume to decline.

The Shareholders have resolved to include in the Company's Articles of Association a selective "opting-out" clause limited in time and as a result, the investors and their affiliates as mentioned in the clause will not be required to make a mandatory tender offer pursuant to FMIA.

The shareholders have resolved to include in the Company's Articles of Association an opting-out provision exempting Growth Equity Opportunities Fund IV, LLC, c/o New Enterprise Associates, 1954 Greenspring Drive, Suite 600, Timonimu, MD 21093, and New Leaf Biopharma Opportunities I, L.P., 7 Times Square, Suite 3502, New York, NY 10036, United Stated, in each case including their direct or indirect partners or shareholders as well as any other entity or person (whether incorporated or not) that alone or together with others controls or otherwise holds any interest in them, from the duty to make a mandatory tender offer pursuant to Art. 135 of the Swiss Financial Markets Infrastructure Act (FMIA) based on Art. 125 para. 3 FMIA. The opting-out clause is limited in time and will expire on March 21, 2023, with effect for any crossing of the threshold pursuant to Art. 135 FMIA which occurs thereafter. As a result, until expiration of the opting-out clause, when exceeding the threshold of 33 1/3% of the voting rights (whether exercisable or not) of the Company, the investors mentioned in the opting-out clause are, when acting alone or in concert pursuant to Art. 135 FMIA, exempted from the duty pursuant to Art. 135 FMIA to make a mandatory tender offer to the other shareholders. Different from other companies listed in Switzerland which have no opting-out clause, upon reaching the threshold of 331/3% of the voting rights (whether exercisable or not) of the Company by the investors mentioned in the opting-out clause, the shareholders will neither benefit from the option to sell their shares in a mandatory tender offer nor from minority shareholder protection rules related to such mandatory tender offers. See also Section 16 "Additional Information regarding the Company and our Shares".

The future issuance of equity or of debt securities that are convertible into equity will dilute our share capital.

We may choose to raise additional capital in the future, depending on market conditions, strategic considerations and operational requirements. To the extent that additional capital is raised through the issuance of shares or other securities convertible into shares, our existing shareholders will be diluted. Future issuances of our registered shares or other equity securities, or the perception that such sales may occur, could adversely affect the trading price of our registered shares and impair our ability to raise capital through future offerings of shares or equity securities. No prediction can be made as to the effect, if any, that future sales of registered shares or the availability of registered shares for future sales will have on the trading price of our registered Shares.

The exercise of equity incentive instruments granted under our equity incentive plan could dilute our share capital.

Pursuant to our existing equity incentive plan, equity sharing certificates ("ESCs") with subscription rights to purchase registered Shares, employee stock option plan ("ESOP") and warrants may be exercisable at prices below the market price of our registered Shares at the time of exercise. To the extent that these instruments are exercised in the future, holders of our registered Shares will be diluted. At December 31, 2017, there were 3,237,029 outstanding subscription rights attached to ESCs, ESOP and warrants.

We have never paid dividends on our share capital, and we do not anticipate paying cash dividends in the foreseeable future.

We have never declared or paid cash dividends on our share capital. We do not anticipate paying cash dividends on our registered Shares in the foreseeable future. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. Any future determination to declare cash dividends will be made at the discretion of our Board of Directors, subject to compliance with applicable laws and covenants under current or future credit facilities, which may restrict or limit our ability to pay dividends and will depend on our financial condition, operating results, capital requirements, distributable profits and/or distributable reserves from capital contributions, general business conditions and other factors that our Board of Directors may deem relevant. As a result, capital appreciation, if any, of our securities will be your sole source of gain for the foreseeable future.

Additional Risks applicable to U.S. Shareholders

Shareholders outside of Switzerland may not be able to exercise certain rights of our Shares proscribed under Swiss law, including preemptive rights.

Under Swiss law, shareholders have certain preemptive rights to subscribe on a pro rata basis for issuances of new shares or other securities that entitle holders to acquire new shares. Due to laws and regulations in jurisdictions outside of Switzerland, including the United States, Canada and Japan, shareholders in those jurisdictions may not be able to exercise their preemptive subscription rights unless we take action to register or otherwise qualify any rights offering under the laws of that jurisdiction. For example, in the United States, U.S. holders of ordinary shares may not be able to exercise preemptive rights unless a registration statement under the Securities Act is declared effective with respect to the shares issuable upon exercise of such rights or an exemption from the registration requirements is available. We cannot assure shareholders that we would take any such action in relation to any rights offering. If shareholders in the United States or other jurisdictions are unable to exercise their subscription rights, their ownership interest in us would be diluted and they effectively would not have the same rights as other shareholders.

Limitations on ability of shareholders located or residing in the United States to bring actions or enforce judgments against us.

The ability of a shareholder located or residing in the United States to bring an action against us may be limited. Court judgments obtained in the U.S. may not be enforceable against us or our directors or officers in Switzerland. The courts of Switzerland may not recognize or enforce judgments of U.S. courts, including judgments based on U.S. federal or state securities or other civil laws, and Swiss courts may refuse to hear actions against us or our directors or officers based on U.S. laws. Currently, the U.S. does not have a treaty with Switzerland providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. A final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, whether or not based solely on U.S. federal or state securities laws, would not automatically be enforceable in Switzerland. In addition, the duties of directors and officers of a Swiss company are owed only to the company and not to shareholders. Generally, shareholders of a Swiss company do not have a personal right of action against directors or officers and may exercise such rights of action on behalf of the company only in limited circumstances.

Swiss law differs from laws in effect in the U.S. and may afford less protection to holders of our securities.

As a Swiss company, we are governed by Swiss law, which differs in some material respects from laws applicable to U.S. corporations and shareholders, including, among others, differences relating to interested director and officer transactions and shareholder lawsuits. The rights of our shareholders may differ from the rights typically offered to shareholders of a U.S. corporation and these differences may make our ordinary Shares less attractive to investors. The principal differences include the following:

- under Swiss law, each eholder generally has preemptive rights to subscribe on a proportionate basis to any issuance of shares, compared to U.S. law, under which shareholders generally do not have preemptive rights unless specifically granted in the certificate of incorporation or otherwise;

- under Swiss law, certain matters require the approval of two thirds of the votes represented at the shareholders' meeting, which may make it more difficult for us to complete corporate transactions deemed advisable by our

Board of Directors, compared to U.S. law., under which only majority shareholder approval is generally required to amend the certificate of incorporation or to approve other significant transactions;

- under Swiss law, shareholders may be required to disclose information regarding their equity interests upon our request, and the failure to provide the required information could result in the loss or restriction of rights attaching to the shares, including prohibitions on the transfer of the shares, as well as restrictions on voting, dividends and other payments, compared to U.S. law, which generally does not include comparable provisions; and

- under Swiss law, dividends may only be declared if we have sufficient distributable profits from previous business years or if our reserves are sufficient to allow a distribution of dividends. If our Board of Directors proposes a dividend, the approval of the general meeting of shareholders is required. Dividends are usually due and payable immediately after the shareholders' meeting approving the distribution of dividends. Payment of dividends is barred by statute of limitations after five years. Dividends for which no payment has been requested within five years after the due date accrue to the issuing company and are allocated to the general reserves. Dividends, if any, are expected to be declared in Swiss francs. In addition, our statutory auditors are required to declare that the distribution of dividends proposed by our Board of Directors complies with Swiss law.

We could be treated as a "passive foreign investment company", which could result in adverse U.S. tax consequences to U.S. investors.

There is a risk that we, and each of our subsidiaries that is treated as a corporation for U.S. federal income tax purposes, will be classified as a passive foreign investment company ("PFIC") for U.S. federal income tax purposes. The U.S. Internal Revenue Service (IRS) typically treats a non-U.S. corporation as a PFIC for any taxable year if either 75 percent or more of its gross income in that taxable year consists of passive income or 50 percent or more of the average quarterly value of its gross assets is attributable to assets that produce or are held for the production of passive income in any taxable year. The determination of our PFIC status involves extensive factual investigation. This investigation includes ascertaining the fair market value of all of our assets on a quarterly basis and the character of each item of income we earn, which cannot be completed until the close of a taxable year. Although the matter is not free from doubt, we do not believe we were a PFIC in 2017. Because the PFIC determination is made annually and because the principles and methodology for applying the PFIC tests are not entirely clear, we cannot assure you that we or our subsidiaries were not or will not be PFICs for this or any prior or future taxable year. Accordingly, U.S. investors may be subject to adverse U.S. federal income tax consequences on a disposition, or deemed disposition, of ordinary shares and certain distributions with respect to our ordinary shares or other equity interests in our subsidiaries that are PFICs. We will not provide U.S. investors with the information that would be necessary for such persons to make qualified electing fund elections with respect to our ordinary shares. Any mark-to-market election that is made with respect to our ordinary shares will not apply to our subsidiaries that are PFICs. No assurances can be provided that U.S. investors will be able to obtain all of the information that such U.S. investors would need to satisfy any reporting obligations or compute any U.S. federal income tax liabilities with respect to their indirect interests in such lower-tier PFICs. In addition, if we are a PFIC, our distributions will not qualify for the reduced rate of U.S. federal income tax that applies to "qualified dividends" paid to non-corporate U.S. taxpayers. The PFIC rules are extremely complex, and U.S. investors should consult their own tax advisors concerning the U.S. federal income tax consequences that will apply to them as direct or indirect shareholders in PFICs and any U.S. federal income tax elections that may be available to them to mitigate such adverse consequences.

Our reported financial results are prepared in accordance with IFRS and differ from those prepared in accordance with U.S. GAAP.

Our audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). Financial statements prepared in accordance with IFRS differ from those prepared under generally accepted accounting principles in the United States (U.S. GAAP) in a number of respects, including revenue recognition, share option compensation and accounting for business combinations, acquisitions of intellectual property and capital instruments. An investor in our securities should consult their own professional advisors for an understanding of the differences between IFRS and U.S. GAAP, and how those differences might affect our financial information, before investing in our securities.

Our disclosure and corporate governance standards may differ from the disclosure and standards of similar companies in the United States.

Our corporate disclosure may differ from the disclosure made by U.S. companies with similar businesses. Publicly available information about the issuers of securities listed on the SIX Swiss Exchange differs from and, in certain respects, is less detailed than the information that is regularly published by or about companies listed on a securities exchange in the United States. In addition, regulations governing the SIX Swiss Exchange may not be as extensive in all respects as those in effect on exchanges in the U.S.

8. USE OF PROCEEDS

We will use the proceeds of the sale of the New Shares for general corporate purposes, including the financing of our operations and the development of our products. As at January 31, 2018 we had CHF 6.5 million in cash and cash equivalents. We expect to raise up to around CHF 40 million but at least CHF 30 million in gross proceeds through the sale of the New Shares. We anticipate that these funds, together with our existing cash, cash equivalents will be sufficient to fund our operations until the end of 2021. Accordingly, we will primarily focus our resources on executing the development of dipraglurant, an mGluR5 negative allosteric modulator, for use in Parkinson's disease and dystonia. We will also to a lesser extent deploy resources for corporate development activities aimed at securing resources from investors, through partnerships and from grant providers to advance our clinical and preclinical programs, as well as our allosteric modulator discovery platform.

Our ability to pursue and finance our operations and our intended development plans beyond 2021 will depend on our ability to generate additional funding through partnerships or grants and amounts we may raise through further financings such as additional equity offerings.

9. DIVIDENDS AND OTHER DISTRIBUTIONS

Since its inception, the Company has paid no dividends or made other distributions and does not anticipate paying dividends or make other distributions in the foreseeable future. As a result, investors in Shares will benefit in the foreseeable future only if the Shares appreciate in value.

In order for the Company to declare and pay distributions, the distribution must be approved by shareholders holding a relative majority of the Shares represented at the general meeting of shareholders (whereby abstentions, blank or invalid ballots shall be disregarded for purposes of establishing the majority). The Company's Board of Directors may propose distributions in the form of an ordinary dividend or in the form of a distribution of cash or property that is based upon a reduction of the Company's share capital recorded in the commercial register.

Under the CO, if the Company's general reserves amount to less than 20% of its share capital recorded in the commercial register (i.e. 20% of the aggregate par value of the Company's registered capital), then at least 5% of the Company's annual profit must be retained as general reserves. The CO permits the Company to accrue additional general reserves. In addition, the Company is required to create a minus item in the equity on its annual standalone statutory balance sheet in the amount of the acquisition cost of Shares repurchased by the Company itself or build an additional general reserve if repurchased by another member of the group, which amount may not be used for dividends or subsequent repurchases.

Ordinary dividends may be paid only if the Company has sufficient distributable profits from previous years or freely distributable reserves to allow the distribution of a dividend, in each case, as presented on the Company's annual statutory standalone balance sheet prepared in accordance with Swiss law and the Company's Articles of Association. The Company's auditor must confirm that a proposal made by the Board of Directors of the Company to shareholders regarding the appropriation of the Company's available earnings conforms to the requirements of the CO and the Company's Articles of Association (*Statuten*). Furthermore, in order for the Company to pay dividends to its shareholders out of statutory reserves from capital contributions (*Reserven aus Kapitaleinlagen*), shareholders holding a relative majority of the Shares entitled to vote and represented at a general meeting of shareholders must approve the reclassification of such statutory reserves from capital contributions (*Reserven aus Kapitaleinlagen*) to freely distributable reserves (to the extent permissible by the CO). Dividends paid on Shares are subject to Swiss withholding tax, except if paid out of statutory reserves from capital contributions (*Reserven aus Kapitaleinlagen*). See Section 18 ''Certain Tax Considerations'' beginning on page 86 for a summary of certain tax consequences regarding dividends paid to holders of the Shares.

Payments out of the Company's registered share capital (in other words, the aggregate par value of the Company's registered share capital) in the form of dividends are not allowed; however, payments out of registered share capital may be made by way of a capital reduction.

Qualifying additional paid-in capital may only be paid out as dividends to shareholders following approval by the shareholders of a reclassification of such qualifying additional paid-in capital as freely distributable reserves (to the extent permissible under the CO). The affirmative vote of shareholders with a relative majority of the votes cast (whereby abstentions, blank or invalid ballots shall be disregarded for purposes of establishing the majority) must approve reserve reclassifications and distributions of dividends.

A distribution of cash or property that is based upon a reduction of the Company's share capital requires a special audit report confirming that the claims of the Company's creditors remain fully covered by the Company's assets despite the reduction in the share capital recorded in the commercial register. Upon approval by the general meeting of the shareholders of the capital reduction, the Company's Board of Directors must give public notice of the capital reduction in the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*) three times and notify the Company's creditors that they may request, within two months of the third publication, satisfaction of or security for their claims. Distributions of cash or property that are based upon a capital reduction are not subject to Swiss withholding tax. See Section 18 ''Certain Tax Considerations'' beginning on page 86 for a summary of certain tax consequences regarding distributions paid on the Shares that are based upon a capital reduction.

Swiss companies generally must maintain a separate company, standalone "statutory" balance sheet for the purpose of, among other things, determining the amounts available for the return of capital to shareholders, including by way of a distribution of dividends. The Company's statutory auditors must confirm that a proposal made by the Board of Directors to shareholders regarding the appropriation of the Company's available earnings conforms to the requirements of the CO and the Company's articles of association. Dividends are usually due and payable shortly after the shareholders have passed a resolution approving the payment. According to Swiss law, dividends that have not been claimed within five years after the due date become the property of the Company. Dividends paid are subject to Swiss withholding tax (except if paid out of statutory contribution reserves (*Reserven aus Kapitaleinlagen*)), all or part of which can potentially be reclaimed under the relevant tax rules in Switzerland or double taxation treaties concluded between Switzerland and foreign countries. Distributions of cash or property that are based upon a capital reduction are not subject to Swiss withholding tax. See Section 18 ''Certain Tax Considerations'' beginning on page 86 for a summary of certain tax consequences regarding distributions paid on the Shares that are based upon a capital

reduction.

All Shares are equally entitled to dividends and other distributions paid by the Company with respect to the Shares, if any. Holders of New Shares are entitled to dividends (if any) as from the date of the registration of the capital increase in the commercial register. However, the Company intends to retain future earnings, if any, for investment in R&D and financing of its business.

10. CAPITALIZATION

The following table sets forth our statutory capitalization as at June 30, 2017, (i) on an actual basis, and (ii) as adjusted to reflect the receipt of the estimated gross proceeds of up to around CHF 40 million but at least CHF 30 million from the sale of up to 13,037,577 New Shares. This table should be read in conjunction with our consolidated and statutory financial statements and the related notes included elsewhere in this Prospectus.

In January 2018, the Company received an upfront payment of USD 5 million from Indivior following the signing of a strategic partnership focused on ADX71441 for addiction. Besides this payment, as of the date of this Prospectus, there have been no material changes to the information set forth in the table below and the 2017 Half Year Condensed Interim Financial Statements as at June 30, 2017, other than (i) as a result of ongoing normal operating activities, such as changes in the cash and cash equivalents, results of operations and borrowings of the Company, (ii) as otherwise discussed in this Prospectus and (iii) any changes that would not have a material adverse effect on the Company.

In Swiss Francs	**Actual As at June 30, 2017**	**Actual As at December 31, 2017**	**As adjusted for the issuance and sale of the New Shares**
	(unaudited)	**(Unaudited as at prospectus date)**	**(unaudited)**
Cash and cash equivalents	3,574,440	2,590,539	47,068,616
Non-Current Liabilities	227,442	243,864	248,653
Shareholders' equity			
Share capital	13,251,233	13,420,015	26,596,810
Additional paid in capital	264,744,154	264,797,104	292,567,143
Other reserves	7,312,727	7,547,295	7,547,295
Accumulated deficit	(282,928,652)	(284,421,887)	(284,695,220)
Total shareholders' equity, net	2,379,462	1,342,527	42,016,028
Total capitalization	2,379,462	1,342,527	42,016,028

11. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULT OF OPERATIONS

The following discussion and analysis of the financial condition and results of operations of the Company should be read in conjunction with our consolidated financial statements and the related notes thereto and other financial information appearing elsewhere in this Prospectus. This discussion contains forward-looking statements, which are based on assumptions about our future business that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements, please see the Section 3 *"Cautionary Note regarding forward -looking statements" for a discussion of the risks, uncertainties and assumptions associated with these statements. Factors that may cause such a difference in results include, but are not limited to, those outlined in the section "Risk Factors".*

A. Operating Results

Critical Accounting Estimates and Judgments

The preparation of our financial statements in conformity with International Financial Reporting Standards ("IFRS") requires the use of certain critical accounting estimates. It also requires us to exercise our judgment in the process of applying our accounting policies. 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.

Critical Accounting Estimates and Assumptions

The preparation of our financial statements requires our management to make estimates and assumptions concerning the future. Our management bases its estimates on historical experience and various other assumptions it believes to be reasonable under the circumstances. We review those estimates on an ongoing basis. The resulting accounting estimates may, however, 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. For a description of our accounting policies, see the notes to our financial statements included in the F-Pages.

Uncertainties and Ability to Continue Operations

As of June 30, 2017, we believed we would be able to meet all of our obligations for a further 12 months as they fall due and, hence, our consolidated financial statements for the six-month period ended June 30, 2017 have been prepared on a going concern basis. We are currently engaged in a number of activities to ensure that we can continue our operations, including monetizing our assets, raising additional capital and pursuing strategic alternatives. We anticipate that the amount of up around to CHF 40 million and at least CHF 30 million in gross proceeds we anticipate to raise through the sale of the New Shares together with our existing cash and cash equivalents will be sufficient to fund our planned operations through the end of 2021. Accordingly, we intend to primarily focus our resources on pursuing the development of dipraglurant, an mGluR5 negative allosteric modulator, for use in Parkinsons' disease and dystonia (see Section 12 "Business" beginning on page 41) and corporate development activities aimed at securing resources from investors, through partnerships and from grant providers to advance our clinical and preclinical programs, as well as our allosteric modulator discovery platform.

Our ability to pursue and finance our operations and our intended development plans beyond 2021 will depend on our ability to generate additional funding through further partnerships or grants and amounts we may raise through further financings such as additional equity offerings.

Income Tax

We have significant tax losses for Swiss federal tax purposes. These tax losses represent potential value to us to the extent that we are able to create taxable profits within seven years of the end of the year in which the losses arose. We have not recorded any deferred tax assets in relation to these tax losses. The key factors which have influenced management in arriving at this evaluation are the fact that we have not yet had a history of making profits and product development remains at an early stage. Should management's assessment of the likelihood of future taxable profits change, we will record a deferred tax asset.

Commitments and Contingencies

In assessing the need for provisions for legal cases, estimates and judgments are made by the Group with support of external legal advisors and other technical experts in order to determine the probability, timing and amounts involved. At the date of the prospectus, the only commitment for the group is for operating lease.

Share-Based Compensation

We recognize an expense for share-based compensation based on a black scholes model using a number of assumptions to calculate the fair value of the financial instruments granted under our equity incentive plan. Should the assumptions and estimates underlying the fair value of these instruments vary significantly from our estimates, then the share-based compensation expense would be materially different from the amount recognized.

Pension Obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. We determine the appropriate discount rate at the end 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, we consider 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 20 of our audited consolidated financial statements as of and for the year ended on December 31, 2016.

Critical Judgments in Applying our Accounting Policies

Development Supplies

On the consolidated financial statements for the years ended December 31, 2016, 2015 and 2014 and for the six-month period ended June 2017 and 2016, we owned development supplies that have been expensed in the statement of income. These amounts have not been recognized on the balance sheet as an asset since they are used in preclinical and clinical trials of specific products that have not demonstrated technical feasibility.

Results of Operations

General

To date, we have not generated any net income from operations and at June 30, 2017 had an accumulated loss of CHF 282.9 million primarily as a result of expenditures for research and development and general and administrative expense. While we may in the future generate revenue from a variety of sources, including license fees, milestone payments, research and development payments in connection with strategic partnerships, our product candidates are at an early stage of development and may never be successfully developed or commercialized. Accordingly, we expect to continue to incur substantial losses from operations for the foreseeable future and there can be no assurance that we will ever generate significant revenue.

Revenue

From the beginning of January 2014 to the end of June 2017, we recognized CHF 2.2 million as income. To date, our revenue has consisted of grants from The Michael J. Fox Foundation for Parkinson's Research, sponsored research payments from our partners and the sale of fixed assets and consumables that are surplus to requirements. We do not have approval to market or commercialize any of our product candidate and have never generated revenue from the sale of products. Prior to approval of a product candidate, we will seek to generate revenue from a combination of milestone payments in connection with collaborative or strategic relationships, royalties resulting from the licensing of our drug candidates and sponsored research and development activities.

Income from collaborative arrangements, comprises the fair value for the sale of products and services, net of value-added tax, rebates and discounts. Income from the sale of products is recognized when the product has been delivered and accepted by the customer and collectability of the receivable is reasonably assured. Income from the rendering of services is recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total service to be provided. Income from collaborative arrangements may include the receipt of non-refundable license fees, milestone payments, and research and development payments. When we have continuing performance obligations under the terms of the arrangements, non-refundable fees and payments are recognized as income by reference to the completion of the performance obligation and the economic substance of the agreement.

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

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

Operating Costs

Our operating costs consist of research and development expenses and general and administrative related costs (staff costs, professional fees for legal, tax and strategic purposes, and overheads).

Our costs and expense may vary substantially from period to period based on the timing of our research and development activities, including timing of payments to clinical research organizations, to regulatory approvals and to enrollment of patients in clinical trials.

Financial Results

Net financial income consists primarily of interest income from cash and cash equivalents and foreign exchange gains and losses.

Taxation

Due to losses incurred to date, Addex Therapeutics Ltd has not paid any income taxes.

At June 30 2017 and December 31, 2016, 2015, 2014 respectively, we had a tax loss carry-forward of CHF 156.2 million, CHF 187.0 million, CHF 152 million and CHF 170.8 million, respectively. Under Swiss tax law, the period to offset tax losses carry-forward against taxable profits is limited to seven years. Accordingly, CHF 77.9 million of our tax losses carry-forward will expire within the next five years and CHF 78.28 million will expire within the next five to seven years.

Tax losses carry-forward generated gross deferred tax assets of CHF 0.1 million for the six-month period ended June, 30 2017 and CHF 0.2 million, CHF 0.3 million; and CHF 0.1 million, as of the years ended December 31, 2016, 2015 and 2014, respectively, using the current federal income tax rate in Switzerland of 7.8 percent. We have not capitalized a deferred tax asset relating to tax losses carry-forward since there is a limited probability that sufficient taxable profit will be available to allow the benefit of part, or all, of the deferred tax asset to be utilized.

Currency

We operate internationally and are therefore exposed to foreign exchange risk arising from various exposures, primarily with respect to the Euro, U.S. dollar and UK pound. Our functional currency is the Swiss franc. The majority of our revenue to date has been denominated in Euros. We anticipate that a significant portion of any future revenue from milestones, royalty payments and sales of products following the successful commercialization of any of our drug candidates will be generated in currencies other than the Swiss franc, primarily the Euro and U.S. dollar. To manage foreign exchange risk, we maintain foreign currency cash balances to cover anticipated future requirements. Our risk management policy is to economically hedge 50 percent to 100 percent of anticipated transactions in each major currency for the subsequent 12 months.

Consolidated Income Statement Data

The following table outlines the consolidated income statement data for the fiscal years ended December 31, 2016, 2015, 2014 and for the six-month periods ended June 30, 2017 and 2016.

	For the six-month periods ended June 30		For the years ended December 31		
	2017	2016	2016	2015	2014
	(in thousands of Swiss francs) (unaudited)		(in thousands of Swiss francs) (audited)		
Income	227	284	412	791	1,034
Research and development costs	(1,148)	(1,061)	(2,461)	(1,779)	(929)
General and administrative costs	(831)	(705)	(1,080)	(1,653)	(1,902)
French tax authorities escrow account write off	—	—	—	(1,227)	—
Operating loss	**(1,752)**	**(1,482)**	**(3,129)**	**(3,868)**	**(1,797)**
Finance result, net	(35)	(3)	(20)	(336)	22
Net loss	**(1,787)**	**(1,485)**	**(3,149)**	**(4,204)**	**(1,775)**

Analysis of Results of Operations

Six-month period Ended June 30, 2017 Compared to Six-month period Ended June 30, 2016

Revenue

The following table sets forth our revenue for the six-month periods ended June 30, 2017 and 2016.

	For the six month periods ended June 30	
	2017	**2016**
	(in thousands of Swiss francs)	
Research grants	211	178
Other income	16	106
Total	**227**	**284**

Our revenue was CHF 0.2 million for the six-month period ended June 30, 2017, compared to CHF 0.3 million for the six-month period ended June 30, 2016, representing a decrease of 20% percent, primarily due to reduced sponsored research payments. Research grants relate to amounts recognized from The Michel J. Fox Foundation for Parkinson's Research.

Research and development costs

The following table sets forth our research and development costs for the six-month periods ended June 30, 2017 and 2016.

	For the six month periods ended June 30	
	2017	**2016**
	(in thousands of Swiss francs)	
Staff costs	237	202
Depreciation and amortization	9	9
External R&D costs	738	516
Laboratory consumables	11	6
Patents	81	310
Operating leases	43	14
Other operating costs	29	4
Total	**1,148**	**1,061**

Our research and development costs amounted to CHF 1.2 million for the six-month period ended June 30, 2017, compared to CHF 1.1 million for the six month period ended June 30, 2016, representing an increase of 8 percent. In the first half 2017, staff costs and external research and development costs increased due to additional resources being deployed for the development of dipraglurant. Patent costs in the first half 2017 relate to renewals whereas first half 2016 included costs related to a number of patents entering the national phase.

General and Administration Costs

The following table sets forth our general and administrative costs for the six-month periods ended June 30, 2017 and 2016.

	For the six month periods ended June 30	
	2017	**2016**
	(in thousands of Swiss francs)	
Staff costs	189	115
Depreciation and amortization	3	3
Professional fees	358	284
Operating leases	13	2
Other operating costs	268	301
Total	**831**	**705**

Our general and administrative costs were CHF 0.8 million for the six-month period ended June, 30 2017, compared to CHF 0.7 million for the six-month period ended June, 30 2016, representing an increase of 17 percent and relate primarily to staff costs and professional fees.

Financial Result

We had a financial loss of approximately CHF 0.3 thousand for the six-month period ended June 30, 2017, compared to a financial result of close to nil for the six-month period ended June 30, 2016, primarily due to currency exchange differences resulting from the strengthening of the Swiss Franc against the U.S. dollar during the first half 2017.

Net Loss

Our net loss was CHF 1.8 million for the six-month period ended June 30, 2017, compared to CHF 1.5 million for the six-month period ended June 30, 2016, representing an increase of 20 percent, primarily due to the increase in our operating costs.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue

The following table sets forth our revenue in 2016 and 2015.

	For the years ended December 31	
	2016	**2015**
	(in thousands of Swiss francs)	
Research grants	285	316
Other income	127	475
Total	**412**	**791**

Our revenue was CHF 0.4 million for the year ended December 31, 2016, compared to CHF0.8 million for the year ended December 31, 2015, representing a decrease of 48 percent, primarily due to the decrease in sales of fixed assets and stocks of consumables. In 2016 income comprised CHF 0.3 million of grants from The Michel J. Fox Foundation for Parkinson's Research to cover certain clinical activities related to dipraglurant development in Parkinson's disease levodopa-induced dyskinesia, and sponsored research payments from our partners for certain research services.

Research and Development Costs

The following table sets forth our research and development costs in 2016 and 2015.

	For the years ended December 31	
	2016	**2015**
	(in thousands of Swiss francs)	
Staff costs	377	327
Depreciation and amortization	23	23
External R&D costs	1,383	761
Laboratory consumables	17	40
Patents	481	256
Operating leases	61	198
Other operating costs	119	174
Total	**2,461**	**1,779**

Our research and development costs were CHF 2.5 million for the year ended December 31, 2016, compared to CHF 1.8 million for the year ended December 31, 2015, an increase of 38 percent, primarily due to external research and development costs and consulting fees associated with preparing dipraglurant for registration clinical trials and to a lesser extent increased staff related costs. In 2016, outsourced research and development services were primarily driven by the development costs of our dipraglurant and ADX71441 programs.

General and Administration Costs

The following table sets forth our general and administrative costs in 2016 and 2015.

	For the years ended December 31	
	2016	2015
	(in thousands of Swiss francs)	
Staff costs	210	218
Depreciation and amortization	2	2
Professional fees	292	762
Operating leases	19	62
Other operating costs	557	609
Total	**1,080**	**1,653**

Our general and administrative costs were CHF 1.1 million for the year ended December 31, 2016, compared to CHF 1.6 million for the year ended December 31, 2015, a decrease of 35 percent, primarily due to reduced professional fees and a 69 percent decrease operating leases costs.

Financial Result

We had a financial result of CHF 0.2 thousand for the year ended December 31, 2016 compared to a financial loss of approximately CHF 0.3 million for the year ended December 31, 2015, a decrease of 94 percent, primarily due to the reduction of the net foreign exchange losses following the stabilization of the EUR/CHF exchange rate.

Net Loss

Our net loss was CHF 3.1 million in 2016, compared to CHF 4.2 million in 2015, a decrease of 25 percent, primarily due to the CHF1.2 million non-cash charge related to the write off of the French tax dispute escrow account in 2015.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Revenue

The following table sets forth our revenue in 2015 and 2014:

	For the years ended December 31	
	2015	2014
	(in thousands of Swiss francs)	
Research grants	316	—
Other income	476	1,034
Total	**791**	**1,034**

Our revenue amounted to CHF 0.8 million for the year ended December 31, 2015, compared to CHF 1 million for the year ended December 31, 2014, a decrease of 23 percent. Our 2015 revenue was comprised primarily of grants from The Michel J. Fox Foundation for Parkinson's Research to cover certain clinical activities related to dipraglurant development in Parkinson's disease levodopa-induced dyskinesia, CHF65 thousand received from Pierre Fabre Pharmaceuticals for certain research services, and CHF 0.4 million from the sale of fixed assets and consumables that are surplus to requirements.

Research and Development Costs

The following table sets forth our research and development costs in 2015 and 2014:

	For the years ended December 31	
	2015	2014
	(in thousands of Swiss francs)	
Staff costs	327	213
Depreciation and amortization	23	—
External R&D costs	761	258
Laboratory consumables	40	85

Patents	256	373
Operating leases	198	—
Other operating costs	174	—
Total	**1,779**	**929**

Our research and development costs amounted to CHF 1.8 million for the year ended December 31, 2015, compared to CHF 0.9 million for the year ended December 31, 2014, representing an increase of 91 percent primarily due to increases in external research and development costs and consulting fees associated with preparing dipraglurant future development and to a lesser extent increased staff related costs. Research and development 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 research and development.

During 2015, outsourced research and development services slightly increased to CHF 0.8 million, mainly driven by the cost of running Phase 2 clinical trials for dipraglurant.

General and Administration Costs

The following table sets forth our general and administrative costs in 2015 and 2014:

	For the years ended December 31	
	2015	**2014**
	(in thousands of Swiss francs)	
Staff costs	218	142
Depreciation and amortization	2	110
Professional fees	762	1,111
Operating leases	62	81
Other operating costs	609	458
Total	**1,653**	**1,902**

Our general and administrative expense was approximately CHF 1.7 million for the year ended December 31, 2015, compared to CHF 1.9 million for the year ended December 31, 2014, representing a decrease of 13 percent primarily due to reduced professional fees. G&A expenses consist primarily of staff costs, professional fees for legal, tax and strategic purposes and overheads related to general management, human resources, finance, information technology, business development and communication functions.

French tax authorities' escrow account write-off

In 2015 we recorded a charge of CHF1.2 million related to the write-off of an escrow account that had been set up and recorded as a non-current asset in 2012 to cover an amount claimed by the French tax authorities for VAT that had not been charged on intercompany R&D services from Addex Pharmaceutical France SAS (Addex France) to Addex Pharma SA (Addex Swiss).

Financial Result

We had a financial loss of approximately CHF 0.3 million for the year ended December 31, 2015, compared to a financial result of close to nil for the year ended December 31, 2014, primarily due to financial exchange differences resulting from the strengthening of the Swiss franc against other major currencies.

Net Loss

Our net loss was approximately CHF 4.2 million for the year ended December 31, 2015, compared to CHF 1.8 million for the year ended December 31, 2014, an increase of 133 percent, primarily due to the increase in our operating costs.

B. Liquidity and Capital Resources

Since we are currently in the development stage, our liquidity requirements arise primarily from the need to fund our ongoing research and development activities and, as a result, we have incurred losses and generated negative operating cash flows since inception. We have primarily funded our cash requirements through the sale of equity and, to a lesser extent, from non-refundable upfront fees and sponsored research payments from collaborations and the sale of license rights.

Our cumulative net losses since inception up to the six-month period ended June, 30 2017 amounted to CHF 282.9 million. We expect to continue incurring losses over the next several years.

As of June 30, 2017, we held CHF 3.6 million as cash and cash equivalents and as of December 31, 2016, 2015 and 2014, CHF 1.4 million, CHF 2.6 million and CHF 1.9 million were held as cash and cash equivalents, respectively. Our policy is to invest these funds in low risk investments including interest-bearing deposits.

We have received a statutory audit report for Addex Therapeutics Ltd for each of the years ended December 31, 2016 and 2015 from our independent auditors containing an explanatory paragraph stating that the accumulated losses exceeded one half of our share capital and legal reserves on a non-consolidated (standalone) basis.

We have not planned and have not made any commitments or entered into any binding agreements for any material investments other than for investments in the normal course of our business. The financial needs of our wholly-owned subsidiaries Addex Pharma SA and Addex Pharmaceuticals France SAS are exclusively covered by us.

Future Funding Requirements

At January 31, 2018, we had cash and cash equivalents of approximately CHF 6.5 million. We believe our cash and cash equivalents, together with the expected amount of funds of up around to CHF 40 million and at least CHF 30 million in gross proceeds we anticipate to raise through the sale of the New Shares, will be sufficient to meet our current anticipated operations, capital requirements and planned operations through the end of 2021. Accordingly, we will primarily focus our resources on continuing to investigate dipraglurant, an mGluR5 negative allosteric modulator, for use in Parkinson's disease and dystonia and corporate development activities aimed at securing resources from investors, partners and from grant providers to advance our clinical and preclinical programs, as well as our allosteric modulator discovery platform.

Over the longer term, our ability to finance our operations and pursue our intended development plans will depend on our receipt of any further milestone payments under our collaboration with Janssen and Indivior, our ability to generate additional funding through further partnerships or grants and amounts we may raise through further financings such as additional equity offerings.

Our present and future funding requirements may change and will depend on many factors, including, among other things:

- timing of the clinical development programs and the planned marketing authorization of the programs that are currently in clinical development;
- change in product development plans needed to address any set-backs in research and development;
- scope, prioritization and number of clinical trials and research and development activities;
- rate of progress and cost of the clinical trials, and other research and development activities;
- terms and timing of any collaborative, licensing and other arrangements that may be established;
- cost of filing, prosecuting, defending and enforcing patent claims and other intellectual property rights;
- the need or decision to acquire or license complementary compounds or complementary businesses or companies;
- regulatory approval, manufacturing or commercialization through partners;
- cost and timing of regulatory approvals;
- cost of manufacturing;
- cost of establishing or contracting for sales and marketing;
- changes in regulatory policies or laws that affect the operations; and
- competing medical treatment and market developments.

We expect our operating costs to increase in 2018, as they have been reduced significantly since the second half of 2013. The funding of our future needs in operating expenditure will depend on our ability to secure resources from investors, partners and grant providers. As a result, we will require additional funds to further develop our projects and to reach market launch with our first drugs. In addition, we do not know whether any additional financing will be available at all or available on commercially acceptable terms when needed. For further discussion, see Section 3 “Cautionary Note Regarding Forward-Looking Statements” beginning on page 7 and Section 7, “Risk Factors” beginning on page 12.

Consolidated Cash Flow Statement Data:

Consolidated Cash Flow Data:

The following table summarizes our consolidated cash flows for the six-month period ended June 30, 2017 and 2016. As well as for the years ended December 31, 2016, 2015 and 2014:

	For the six-month periods ended June 30		For the years ended December 31		
	2017	2016	2016	2015	2014
	(in thousands of Swiss francs) (Unaudited)		(in thousands of Swiss francs) (Audited)		
Net cash flows from / (used in) operating activities	(1,043)	(1,440)	(2,694)	(2,628)	(1,800)
Net cash flows from / (used in) investing activities	—	(2)	(2)	400	374
Net cash flows from / (used in) financing activities	3,236	1,066	1,492	2,929	473
Increase/(Decrease) in cash and cash equivalents	**2,193**	**(376)**	**(1,204)**	**701**	**(953)**

Cash Flow from Operating Activities

Net cash flows used in operating activities consist of the net loss adjusted for changes in working capital, that are current assets and current liabilities, and non-cash items such as depreciation and amortization, and the value of share-based services.

Net cash used in operating activities was CHF 1.0 million for the first half ended June 30, 2017, CHF 2.7 million in 2016, CHF 2.6 million in 2015 and CHF 1.8 million in 2014. The net cash used in each of these periods primarily reflects the net loss for these periods. We were, are and for the foreseeable future will remain unable to finance our operating cash needs through cash generated by revenue. Hence, future operating activities will be financed by the cash reserves available or through the proceeds raised in subsequent equity transactions or any other available external financing.

Cash Flow from Investing Activities

Net cash flows used in investing activities consist primarily of investment in our chemical library, computer hardware and software and laboratory equipment.

Net cash used in investing activities was nil for the six-month period ended June 30, 2017, close to nil for the year in 2016, CHF 0.4 million in 2015 and CHF 0.4 million in 2014.

Cash Flow from Financing Activities

Net cash flows used in and from financing activities consist of proceeds and related costs from the issuance of share capital.

Net cash from financing activities was CHF 3.2 million for the six-month period ended June 30, 2017, CHF 1.5 million in 2016, CHF 2.9 million in 2015 and CHF 0.5 million in 2014.

Our cash flows for 2018 and beyond will depend on a variety of factors, including upfront, sponsored research, milestone and royalty payments, potential revenue from the commercialization of our drug candidates and the funding requirements discussed above.

Historical Cash and Funding Sources

Since 2002, we have received a total of CHF 284 million in equity financing (gross of issuance costs). The table below summarizes our equity financings since 2002, including proceeds from the issuance of shares under equity incentive plans established to provide incentives to our directors, executives and employees.

	Share capital and share premium
	(in thousands of Swiss francs) (audited)
2017	3,259
2016	1,524
2015	2,765
2014	—
2013	3,219
2012	9,680
2011	—
2010	20,000
2009	318
2008	—

2007	136,875
2006	40,226
2005	25,247
2004	19,400
2003	11,000
2002	10,712
Total	**284,225**

Our sources of funding also include revenue from collaborations, license agreements and research funding. For the six-month period ended June 30, 2017 we have received an aggregate of CHF 0.2 million in cash payments under collaborations, license agreements and research funding and CHF 0.4 million for the year ended December 31, 2016.

Net Working Capital

We define net working capital as current assets less current liabilities, excluding cash and cash equivalents. The following table shows a breakdown of our net working capital as of the dates indicated.

	For the six-month period ended June 30		For the years ended December 31		
	2017	2016	2016	2015	2014
	(in thousands of Swiss francs) (Unaudited)		(in thousands of Swiss francs) (Audited)		
Current assets (cash and cash equivalents excluded)	261	309	242	149	159
Current liabilities	1,240	1,036	1,250	1,030	1,509
Net working capital	**(979)**	**(727)**	**(1,008)**	**(881)**	**(1,350)**

We had net negative working capital for the six-month periods ended at June 30, 2017 and 2016 of CHF 1.0 million and CHF 0.7 million. At December 31, 2016, 2015 and 2014, the negative working capital was respectively of CHF 1.0 million, CHF 0.8 million and CHF 1.4 million. Fluctuations in working capital are primarily due to our reduced headcount and clinical development activities since 2014.

Capital Expenditures

Capital expenditure of CHF 11 thousand was incurred in the six-month period ended June 30, 2016. No capital expenditure was incurred in the six-month period ended June 30, 2017 and years ended December 31, 2016, 2015 and 2014.

We have no plans or commitments, or entered into any binding agreements, to make any material future capital expenditures, defined as any investment in fixed assets. As of the date of this prospectus, no future capital expenditures have been approved by our Board of Directors or management.

Research and Development

Research and Development Costs

Research and development costs consist primarily of expenses associated with research, pre-clinical and clinical testing and related staff costs, and to a lesser extent, 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. This expense includes costs of proprietary and third-party collaborative research and development. Our research and development costs amounted to CHF 1.2 million, CHF 1 million for the six-month periods ended respectively June 30, 2017 and 2016 and CHF 2.5 million, CHF 1.8 million, CHF 0.9 million for the years ended December 31, 2016, 2015 and 2014.

Research and development costs are expensed as incurred. Costs incurred on development projects are recognized as intangible assets when they meet the recognition criteria of IAS 38 “Intangible Assets”. To-date, no research and development costs have met these recognition criteria. Accordingly, all of our research and development costs to-date have been expensed as they have been incurred.

Property, plant and equipment used for research and development purposes are capitalized and depreciated on a straight line basis at rates adequate to apportion the cost over the useful life, in accordance with our property, plant and equipment policy.

Absence of Material Changes since June 30, 2017

Other than as disclosed elsewhere in this prospectus, we are not aware of any significant trends, uncertainties, demands, commitments, changes or events since June 30, 2017, which are reasonably likely to have a material effect on our net revenue, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information not to be indicative of future operating results or financial conditions.

Off-Balance Sheet Arrangements

Since inception, we have had no relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Tabular Disclosure of Contractual Obligations

Contractual Commitments

As at June 30, 2017, we had a contractual commitment of CHF11 thousands on operating leases.

12. BUSINESS

History and Development of the Company

Addex Therapeutics Ltd, the holding company for the Group, is a Swiss corporation (*société anonyme/Aktiengesellschaft*) of unlimited duration, incorporated under the laws of Switzerland and registered in the commercial register of the Canton of Geneva, Switzerland, on March 19, 2007, under the register number CHE-113.514.094. Addex Therapeutics Ltd was listed on the SIX Swiss Exchange in May 2007. Addex Pharma SA, the Group's operating company, was founded in 2002.

Addex Therapeutics Ltd was formerly known as Addex Pharmaceuticals Ltd and changed its name to Addex Therapeutics Ltd in March 2012. We have our seat in Plan-les-Ouates and our registered office and business office located at c/o Addex Pharma SA, Chemin des Aulx 12, 1228 Plan-les-Ouates, Switzerland our administrative office located at c/o TMD Advisory, c/o Fongit at Chemin des Pré-Fleuri 3, CH1228 Plan-les-Oautes and our laboratories located at the Campus Biotech, Chemin des Mines 9, 1202 Geneva, Switzerland. Our telephone number at this location is +41 22 884 1555. Our website address is http://www.addextherapeutics.com. The information contained on our website is not incorporated by reference in this Prospectus and you should not consider it a part of this Prospectus.

Business Purpose and Business Year

According to article 2 of our articles of association, our purpose is to acquire, to hold, to administer continuously, to sell and to finance participations in companies of all kinds in Switzerland and abroad, to the exclusion of real estate participation unless permitted under Swiss law. Our articles of association further provide that we may (i) open branch offices and subsidiaries and agencies in Switzerland and abroad and grant guarantees or other security in relation to liabilities of affiliated companies, (ii) engage in any other commercial, financial and other activities which may promote or relate to the purpose of the Company and (iii) acquire, manage, exploit and sell in Switzerland and abroad intellectual property rights and, where permitted under Swiss law, real estate.

Our fiscal year commences on January 1 and ends on December 31 of each calendar year.

Group Structure

As of the date of this Prospectus, we have two wholly owned subsidiaries. Addex Pharma SA, based in Plan-les-Ouates, Geneva, Switzerland, conducts our operations, including research, development, and registration activities, and holds the Group's intellectual property. Addex Pharmaceuticals SAS, based in Archamps, France, is organized under the laws of France.

Business Overview

We are a biopharmaceutical company focused on the development of an emerging class of oral small molecule drugs known as allosteric modulators. Allosteric modulators target a specific receptor or protein and alter the effect of the body's own signaling molecules on that target through a novel mechanism of action. The principles underlying allosteric modulators have applicability across a wide range of biological targets and therapeutic areas. Our primary focus is the development of allosteric modulators for neurological diseases, where there is a significant need for new therapeutic approaches. Our innovative drug candidates may offer several advantages over conventional orthosteric small molecule drugs and an improved therapeutic approach to existing treatments, such as selectivity – even among closely related receptor subtypes; differentiated modulation of receptor function, which more closely mimics natural physiology compared to conventional drugs; and access to target classes, such as G-protein coupled receptors, peptide and cytokine receptors, epigenetic enzymes and receptor tyrosine kinases, previously intractable to existing oral small molecule drug discovery efforts.

Using our allosteric modulator discovery capabilities, we have developed a pipeline of proprietary clinical and preclinical stage drug candidates. We or our partner are developing these clinical and preclinical stage proprietary drug candidates for disease indications which lack effective therapies and present significant unmet medical needs, including Parkinson's disease levodopa-induced dyskinesia ("PD-LID"), dystonia, addiction, epilepsy, Charcot-Marie-Tooth neuropathy ("CMT1A") and neurodegenerative diseases. Some of these indications are classified as rare diseases that may allow for orphan drug designation by regulatory agencies in major commercial markets, such as the United States, Europe and Japan. Orphan drug designation may entitle the recipient to benefits in the jurisdiction granting the designation, such as market exclusivity following marketing and commercialization approval, if any, assistance in clinical trial design, a reduction in user fees or tax credits related to development expense.

We plan to continue to maintain our core expertise in allosteric modulation and to seek licensing and strategic collaborations for preclinical and discovery stage programs outside of our strategic focus. Our discovery efforts have led to multiple early stage programs covering indications in a broad range of therapeutic areas.

Our current business strategy includes the possibility of entering into collaborative arrangements with third parties to complete the development and commercialization of our proprietary drug candidates, such as our partnership with Janssen, a subsidiary of Johnson & Johnson, for ADX71149 and our strategic partnership with Indivior for ADX71441. We cannot forecast with any degree of certainty which proprietary products or indications, if any, will be subject to future collaborative arrangements, in whole or in part, and how such arrangements would affect our development plan or capital requirements. We also plan to apply for subsidies, grants or government or agency-sponsored studies that could reduce our development costs, such as the grants we have received from The Michael J. Fox Foundation for Parkinson's Research for the development of dipraglurant (ADX48621) in the treatment of PD-LID and from the Swiss Commission for Technology and Innovation ("CTI") to develop allosteric modulator therapeutics for neurodegenerative and psychiatric diseases.

Short Overview of Product Pipeline

Dipraglurant, levodopa-induced dyskinesia associated with Parkinson's disease and dystonia. Our most advanced proprietary drug candidate, dipraglurant (ADX48621), is an orally active negative allosteric modulator ("NAM") of the metabotropic glutamate receptor 5 (mGluR5). In Phase 2a clinical trials conducted in the United States and Europe in patients with PD-LID, dipraglurant demonstrated statistically significant clinical efficacy. With the support of a grant from The Michael J. Fox Foundation for Parkinson's Research of USD1.0 million, we have substantially completed the preparation of dipraglurant to start registration studies in PD-LID. PD-LID is an indication with significant commercial opportunities due to the lack of effective therapies for these indications. We believe that dipraglurant may be a first-in-class oral drug candidate for PD-LID and offers an innovative and differentiated treatment approach from existing therapies.

Dipraglurant, non-Parkinsonian dystonia. We have developed an extended release formulation of dipraglurant and plan to begin a Phase 2a proof of concept clinical trial with dipraglurant for the treatment of focal cervical dystonia. There are many types of dystonia's which present a significant commercial opportunity for dipraglurant due to the lack of effective therapies for these indications. We believe that dipraglurant may be a first-in-class oral drug candidate for multiple types of dystonia and offers an innovative and differentiated treatment approach from existing therapies.

ADX71441, Addiction. Our partnered drug candidate ADX71441 is a PAM of the gamma-aminobutyric acid subtype B receptor ("GABAb"). Our partner Indivior is developing ADX71441 for the treatment of addiction. Under our agreement with Indivior, Indivior is responsible for, including the financing of, development and commercialization, if any, of ADX71441. We have announced on October 3, 2017 that ADX71441 has received a grant from the US National Institute for Drug Abuse ("NIDA") of USD 5.3 million to fund Phase 1 and a Phase 1b cocaine interaction study. Consequently, we expect Indivior to initiate a Phase 1 clinical trial of ADX71441 in the second half of 2018. Addiction is an indication with significant commercial opportunity. Existing therapies often do not provide effective control of symptoms or have side effects that discourage adherence. We believe that ADX71441 may provide significant benefit to patients.

GABAB PAM, Charcot-Marie-Tooth neuropathy. Our license agreement with Indivior provides for a funded research program, under which we have the right to select drug candidates for development in certain indications, including Charcot-Marie-Tooth neuropathy ("CMT1A"), a rare disease indication. We plan to pursue orphan drug designation for a selected drug candidate in CMT1A. We believe an oral small molecule allosteric modulator of GABAb with a once-a-day dosing and without the adherence-limiting side effects of baclofen could bring significant benefit to patients and consequently present a strong commercial opportunity for us.

ADX71149, epilepsy. Our partnered drug candidate ADX71149 is an orally active positive allosteric modulator (PAM) of the metabotropic glutamate receptor 2 (mGlu2). Our partner Janssen is developing ADX71149 for the treatment of epilepsy and other CNS disorders. Under our agreement with Janssen, Janssen is responsible for, including the financing of, development and commercialization, if any, of ADX71149. Janssen has announced that ADX71149 demonstrated synergistic efficacy with levetiracetam (a globally commercialized antiepileptic drug) in preclinical models of epilepsy. ADX71149 has been extensively profiled in preclinical models of epilepsy showing efficacy both stand alone and in combination with SV2A ligands including levetiracetam. Epilepsy is an indication with significant commercial opportunity. Existing therapies often do not provide effective control of symptoms or have side effects that discourage adherence. We believe that ADX71149 may provide significant benefit to patients.

Our Strategy

We have established a leading presence in the discovery of allosteric modulation-based drug candidates. Using our allosteric modulator discovery capabilities, we have developed a pipeline of proprietary clinical and preclinical stage drug candidates and believe we are in a strong position to secure resources from investors, partners and grant providers to advance our pipeline. Subject to securing the necessary resources, we plan to focus on developing our clinical and preclinical stage pipeline for disease indications that lack effective therapies and present significant unmet medical needs. In pursuing this strategy, we will advance our programs in disease indications for which we believe orphan drug designation is obtainable in major commercial markets,

such as the United States, Europe and Japan. We may seek collaborative arrangements with third parties to complete the development and commercialization of our drug candidates.

Our Strengths

Our current strategic focus is the development of certain proprietary drug candidates in our existing portfolio. We believe that we have a number of competitive advantages that distinguish us from our competitors.

Robust clinical stage pipeline. We have completed a Phase 2a clinical trial in the United States and Europe demonstrating statistically significant clinical efficacy in the treatment of PD-LID with our lead drug candidate, dipraglurant (ADX48621), for the treatment of PD-LID. We have also received orphan drug designation from the US FDA in PD-LID and plan to start registration studies in the US in the second half of 2018. We have also built a robust preclinical data package for dipraglurant in dystonia and plan to begin an additional Phase 2a clinical trial with dipraglurant for the treatment of cervical dystonia. Our partner, Janssen announced completion of a Phase 2a clinical trial in Europe with ADX71149 for the treatment of schizophrenia which demonstrated proof of principal in patients with negative symptoms of schizophrenia, such as apathy, social withdrawal, loss of emotional expression or sleep disorders. Janssen also conducted a Phase 2a clinical trial with ADX71149 for the treatment of patients with anxious depression which failed to show statistical significant effects. In addition, Janssen announced that ADX71149 demonstrated synergistic efficacy with levetiracetam (a globally commercialized antiepileptic drug) in preclinical models of epilepsy. Our partner, Indivior has indicated that they plan to initiate a Phase 1 clinical trial with ADX71441 and continue the development in addiction. The timing and outcome of clinical results is extremely difficult to predict. Drug research and development is an inherently uncertain process and there is a high risk of failure at every stage prior to commercialization and marketing approval. Clinical development success and failure can have a disproportionate positive or negative impact on our scientific and medical prospects, financial prospects, financial condition and market value.

High value partnerships. In December 2004, we entered into a collaboration and license agreement with Janssen (formerly known as Ortho-McNeil Pharmaceutical, Inc.) for the discovery, development and commercialization of novel mGlu2 PAM compounds for the treatment neurological diseases. ADX71149 is one of the drug candidates discovered and selected for development by Janssen and under the agreement Janssen has sole responsibility for, including the financing of, development of selected compounds under the agreement through preclinical and clinical trials, as well as registration procedures and commercialization, if any. Under the terms of the agreement, we are eligible for payments of €109 million on successful achievement of pre-specified clinical and regulatory milestones and a low double-digit royalty on net sales. In January 2018, we entered into a strategic partnership and license agreement with Indivior for the discovery, development and commercialization of ADX71441 and novel GABAB PAM compounds for the treatment of addiction and other neurological diseases. Under the agreement, Indivior has sole responsibility for, including the financing of, development of selected compounds under the agreement through preclinical and clinical trials, as well as registration procedures and commercialization, if any. Under the terms of the agreement, we are eligible for payments of USD 330 million on successful achievement of pre-specified clinical, regulatory and commercial milestones and up to double-digit royalties on net sales.

Global leadership in an emerging drug class. Allosteric modulators are an emerging class of oral small molecule therapeutics that have the potential to become first-in-class drug candidates for a number of disease indications. We believe that our expertise, unique knowledge-based library and proprietary biological screening tools make us a leader in allosteric modulation-based drug discovery and development and that we have the potential to develop patentable, novel, highly differentiated oral small molecules for clinically validated targets considered “undruggable” or beyond the reach of conventional drug discovery approaches.

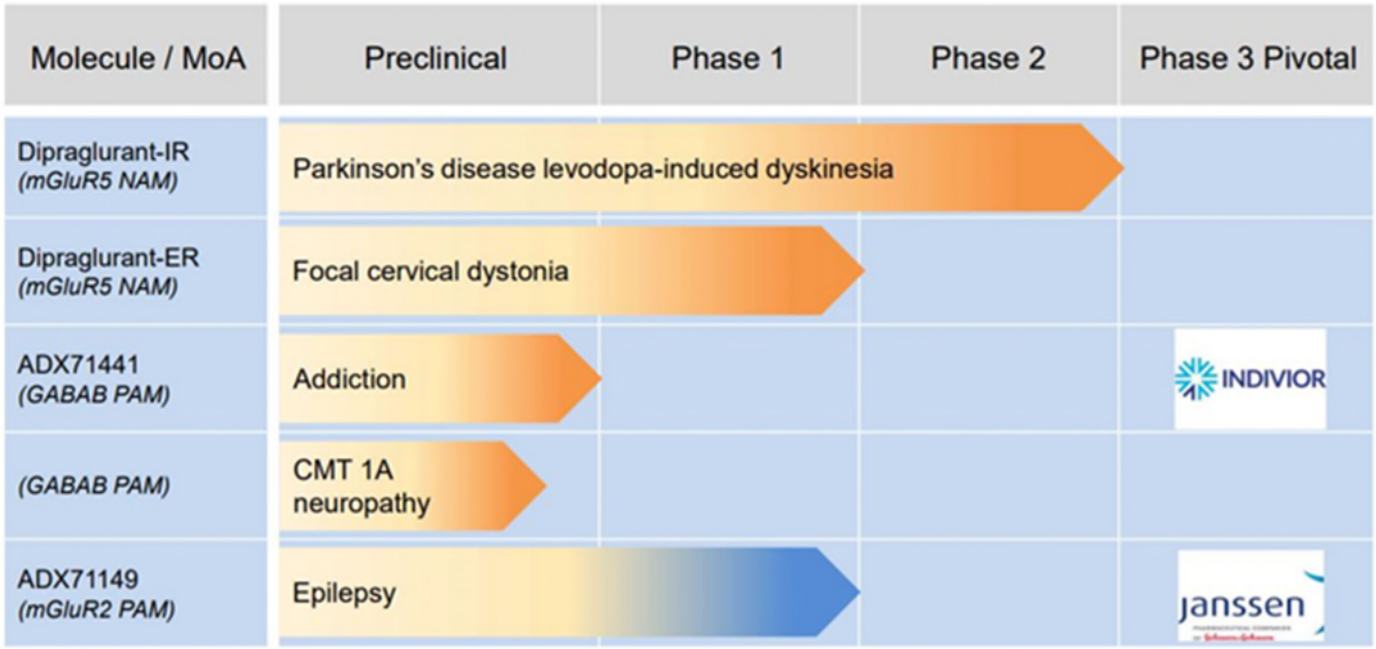
Focus on rare diseases with high unmet medical needs. We plan to focus on therapeutic indications with significant unmet medical needs and commercial potential, including indications considered rare diseases for the purpose of orphan drug designation. If we are successful in an application for orphan drug designation for a drug candidate, the designation could accelerate the timeline to an approval and provide benefits such as market exclusivity, assistance in clinical trial design, reduction in user fees or tax credits related to development expense. An orphan drug approach has the potential to allow us to attain accelerated regulatory approvals, conduct less costly clinical trials with smaller patient populations and gain market exclusivity upon approval.

Experienced Board and management team. Our management team of biopharmaceutical industry executives has extensive global experience and its members are recognized experts in their respective fields. We seek to leverage the complementary skill sets of our management team members in our approach to drug discovery and development. The members of our management and Board of Directors draw on prior experience gained at leading international companies, pharmaceutical and biotech companies.

Our Product Pipeline

Using our allosteric modulator platform and drug discovery and development expertise, we have established a pipeline of clinical and preclinical programs. Internally, these programs include dipraglurant (ADX48621) for the treatment of PD-LID and

dystonia, GABAB PAM for the treatment of CMT1A. Our partner Janssen is developing ADX71149 for epilepsy and our partner Indivior is developing ADX71441 for addiction. The following chart summarizes our clinical and preclinical programs.



PAM = positive allosteric modulator (activator)
NAM = negative allosteric modulator (inhibitor)
Dipraglurant-IR partially funded by a grant from the Michael J. Fox Foundation

Dipraglurant (ADX48621)

Dipraglurant is a selective, orally available small molecule drug candidate which acts as a NAM of mGluR5. We discovered dipraglurant at Addex and hold composition of matter patents granted in the United States and Europe. Dipraglurant is selective for mGluR5 and does not have significant activity or binding affinity to other mGluRs or other CNS receptors, such as serotonin, GABA or dopamine receptors. Clinical validation has been shown for mGluR5 inhibitors in indications of anxiety, depression, PD-LID, migraines, gastroesophageal reflux disease and Fragile X syndrome. There are currently no drugs of this class on the market.

We have conducted a Phase 2a proof of concept clinical trial of dipraglurant in PD-LID, in which dipraglurant demonstrated safety and tolerability and statistically significant effects on clinical symptoms. We are preparing dipraglurant for a registration clinical trial in PD-LID that we expect to begin in the second half of 2018. This registration clinical trial will be of a larger scale, with longer treatment duration (12 weeks) with the objective of demonstrating clinical efficacy in PD-LID patients.

We plan to start a Phase 2a clinical trial with dipraglurant for the treatment of focal cervical dystonia. Dipraglurant was shown to reduce dystonia in both the Phase 2a clinical trial of dipraglurant for the treatment of patients with PD-LID and in the preclinical 1-methyl-4-phenyl-1,2,3,6-tetrahydropyridine (MPTP) primate model of Parkinson's disease.

Parkinson's disease levodopa induced dyskinesia (PD-LID)

Parkinson's disease is a progressive neurodegenerative disease that results in the loss of dopaminergic neurons in the substantia nigra (SN). One consequence of the depletion of dopamine in this disease is a series of movement disorders, including bradykinesia, akinesia, tremor, gait disorders and problems with balance. Early in the course of the disease, these motor symptoms of Parkinson's disease are effectively treated by dopamine replacement with the use of levodopa or dopamine D2 receptor agonists or monoamine oxidase B inhibitors. However, as the disease progresses, these agents become less effective in controlling motor symptoms and PD-LID often emerges.

PD-LID is involuntary movement that may affect any body area, including the face, trunk or limbs. Oral levodopa is currently the most effective treatment available for motor symptoms associated with Parkinson's disease. However, long term levodopa use is often associated with the development of dyskinesia, which may be as disabling as the symptoms of Parkinson's disease.

Dyskinesias are comprised principally of two types of movement, chorea, which is a rapid uncontrolled movement, and dystonia, which is a slow, often painful, writhing movement.

Even though levodopa provides more effective motor symptom control than other currently available therapies, physicians tend to delay use of levodopa use for as long as possible, using dopamine agonists or monoamine oxidase B inhibitors in the early stages of the disease, due to the inevitability of dyskinesia onset with levodopa use. Dopamine agonists and monoamine oxidase B inhibitors become less effective as Parkinson's disease progresses and are associated with dose limiting side effects, including, in relation to dopamine agonists, Impulse Control Disorders ("ICD") such as pathological addictions to gambling, shopping, eating or sex.

The occurrence of PD-LID is linked to the neurodegenerative process of PD and is not solely related to the duration of dopamine replacement therapy. For instance, in severe advanced stage Parkinson's disease patients, dyskinesia can be provoked after a first high dose of levodopa. Chronic or high dose dopamine replacement treatments alone do not lead to dyskinesia, but may lower the threshold for dyskinesia occurrence following dosing, as neurodegeneration progresses. Efforts to reduce the use of high doses of levodopa or dopamine agonists, by using more frequent lower doses or extended release formulations, can improve dyskinesias but may be at the expense of optimal motor function. In the later stages of Parkinson's disease, the patient and physician have to juggle good motor symptom control against the occurrence of levodopa-induced dyskinesia.

If dyskinesia could be effectively treated, or even delayed or eliminated, it is likely that doctors would use levodopa earlier in the treatment of Parkinson's disease. Currently available therapies, such as amantadine and Deep Brain Stimulation (DBS) surgery, often have limited effectiveness or tolerance in patients. The response of patients varies widely to amantadine, commonly used off label to treat dyskinesia. Typically, amantadine only works for some, if any, dyskinesias suffered by a patient. Amantadine often has side effects which may limit its use, and some patients do not tolerate it at all. Some of the more common side effects of amantadine include blurred vision, digestive issues, dizziness, drowsiness, lightheadedness and trouble sleeping. DBS surgery, a non-pharmacological treatment strategy, is used primarily for patients whose symptoms cannot be satisfactorily controlled with medications. Patients experience varied results with DBS, and even patients who experience better motor symptom control with DBS may have continued symptoms of dyskinesia. Further, many patients are unwilling to undergo DBS, since it is a costly, invasive surgical procedure that could result in complications. There is a need for new approaches to the treatment of Parkinson's disease that improve the effectiveness of the control of motor symptoms and treatment of Parkinson's disease.

We evaluated the efficacy, safety and tolerability of dipraglurant 50 and 100 mg in a Phase 2a proof-of-concept four weeks, randomized, double-blind, placebo-controlled, parallel-group out-patient clinical trial in 76 patients with Parkinson's disease (dipraglurant n = 52, placebo n = 24) with moderate or severe LID. The study was conducted in 25 centers in the United States, France, Germany and Austria. The severity of LID was evaluated by both clinicians and the patients using the modified Abnormal Involuntary Movement Scale ("mAIMS"), patient diaries and the patient global impression of change ("PGIC") and the clinician global impression of change ("CGIC") for both dyskinesia and motor symptoms of Parkinson's disease. Motor symptoms of Parkinson's disease were assessed using the Unified Parkinson Disease Rating Scale ("UPDRS"). The Phase 2a proof of concept clinical trial of dipraglurant in PD-LID illustrated safety and tolerability and statistically significant effects on clinical symptoms. Subject to securing resources from investors, partners and grant providers, we expect to advance dipraglurant for a pivotal Phase 2/3 clinical trial in PD-LID. This pivotal Phase 2/3 clinical trial would be on a larger scale, with longer treatment duration (12 weeks), than the Phase 2a trial, with the objective of evaluating efficacy, safety and tolerability.

Dipraglurant in PD motor symptoms

There is an increasing body of literature that suggests that inhibiting mGluR5 in the striatopallidal pathway may also improve the motor symptoms of PD and may also prevent excitotoxic damage to the substantia nigra. Dipraglurant was investigated in an animal model of Parkinson's disease, haloperidol induced catalepsy (HIC). Haloperidol is an antagonist of the dopamine D2 receptor and overcoming the catalepsy (immobility) induced by haloperidol administration is suggestive of antiparkinsonian activity and may also have relevance for other movement disorders, such as tardive dyskinesia and dystonia, where reduced activity of dopamine D2 receptors is implicated. In the rat HIC model, dipraglurant reduced the amount of time rats were immobile, in a dose dependent manner. The effective plasma concentration was similar to that for the treatment of dyskinesia in the MPTP macaque and that which was seen to be effective in PD-LID patients. The suggestion of antiparkinsonian activity was also supported by observations in the Phase 2a clinical trial. In week 4 of treatment, patients reported and average "Off" time reduction of 50 minutes per day. Also both patients and clinicians showed a small tendency to report improvement in PD symptoms compared to placebo. Although none of these results were statistically significant, the observations were interesting and caught the attention of the PD experts who took part in the trials. PD motor symptom effects will be evaluated more thoroughly in the larger pivotal Phase 2/3 clinical trials.

Dipraglurant in PD non-motor symptoms

As well as suffering from difficulty with poor and uncontrolled movements, PD patients also suffer from a wide variety of other symptoms unrelated to movement and known as non-motor symptoms. Among these are affective disorders (anxiety, depression and anhedonia) and compulsive behavioural disorders (sex, alcohol, gambling, shopping addiction, to name but a few). The compulsions are particularly linked to treatment with dopamine agonists and more specifically to those which act on the dopamine D3 receptor as well as D2 eg pramipexole. Inhibition of mGluR5 is pre-clinically and clinically validated for the treatment of anxiety and depression, although no mGluR5 inhibitors are yet marketed for these indications. Also, inhibition of mGluR5 has been shown to have anti-addictive properties in a number of models, including cocaine self-administration in rats. These data suggest that mGluR5 inhibition may be of use in treating non-motor symptoms of PD.

Dipraglurant was tested in various rodent models of anxiety, depression and obsessive compulsion, and was found to have dose dependent effects, with efficacy being achieved at similar plasma concentrations as those for anti-dyskinetic activity and anti-parkinsonian activity. In the Phase 2a clinical trial, the effect of dipraglurant on mood was evaluated with the Hospital Anxiety Depression Scale ("HADS"). This is a fairly simple scale used to screen for overt affective disorder and is not as detailed as for example, the Hamilton Inventories for anxiety and depression. In the trial no effect of dipraglurant was seen on the HADS. This is not surprising as the trial was not designed to look in detail at mood and the duration of treatment (4 weeks) was likely too short to be able to show any benefit. In future trials affective disorder can be investigated more thoroughly, perhaps concentrating on the domains where it is believed that the mechanism of action might be most likely to show benefit, for example anhedonia, anxiety and compulsion.

Dystonia

Dystonia is a movement disorder that causes the muscles to contract and spasm involuntarily. The involuntary muscle contractions force the body into repetitive and often twisting movements as well as awkward, irregular, sometimes painful postures. Dystonia aetiologies and symptoms are heterogenous. There are approximately 23 forms of dystonia, and dozens of diseases and conditions include dystonia as a major symptom. Dystonia may affect a single body area (focal), multiple areas (segmental) or be generalized throughout multiple muscle groups. Further, dystonias are distinguished as either primary, with idiopathic or genetic causes, or secondary, induced by drugs or toxins. A number of types of dystonia are classified as rare, including cervical dystonia, DYT1 familial generalized dystonia or X-linked dystonia parkinsonism.

Dystonia affects people of all ages and backgrounds. Dystonia causes varying degrees of disability and pain, from mild to severe. Presently, there is no cure for dystonia. Doctors often prescribe drugs for the treatment of dystonia off-label, i.e., drugs that have not been approved for the indication being treated. Since these drugs have not been approved for the treatment of dystonia, they have not undergone rigorous clinical trials for the indication.

Current therapies include oral drugs such as anticholinergic agents, dopamine receptor agonists/antagonists and baclofen. The efficacy of these drugs is marginal and side effects further limit compliance and usage. The leading indicated treatment is botulinum toxin injections, which is only suitable for focal or segmental dystonia treatment. Deep Brain Stimulation (DBS) surgery is also used for both focal and generalized refractory dystonia. Many dystonia patients are left with inadequate efficacy. A significant unmet need exists for an oral, safe and effective treatment for dystonia.

Initial data from the testing of dipraglurant in the MPTP macaque model of LID and the Phase 2a clinical trial of dipraglurant in patients with PD-LID suggest that dipralurant may have a role in treating dystonia. In the MPTP macaque model of LID, dipraglurant reduced dystonia following levodopa administration to the same extent as chorea. Initial data from the testing of dipraglurant in the MPTP primate model of Parkinson’s disease and the Phase 2a clinical trial of dipraglurant in patients with PD-LID suggest that dipralurant may have a role in treating dystonia. Subject to securing resources from investors, partners and grant providers, we plan to start a Phase 2a clinical trial with dipraglurant for the treatment of cervical and DYT1 familial generalized dystonias.

ADX71441 for the treatment of addiction

ADX71441 is a selective positive allosteric modulator (PAM) of the gamma-aminobutyric acid subtype B receptor (GABAb) discovered and developed using our drug discovery platform. GABA is the main inhibitory neurotransmitter in the adult mammalian brain. The GABAb is a subtype of the GABA receptor, a Family C class of GPCR. GABAb are involved in the fine-tuning of inhibitory synaptic transmission by mediating slow, prolonged physiological effects of GABA.

We have substantially completed the preclinical regulatory toxicology studies needed to support First-in-Man ("FIM") studies, including repeated dose studies up to one month in duration in two relevant preclinical species. ADX71441 was well tolerated and no toxicologically significant findings were observed.

In January 2018, we entered into a strategic partnership and license agreement with Indivior for the discovery, development and commercialization of novel GABAb PAM compounds including lead drug candidate, ADX71441, for the treatment of addiction and other CNS diseases.

Under our agreement with Indivior, we have granted Indivior an exclusive license to use relevant patents and know-how in relation to the development and commercialization of product candidates selected by Indivior under the agreement. Subject to certain conditions, the parties shall own, jointly, all intellectual property rights that they develop jointly and, individually, all intellectual property rights that they develop individually. We have 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 ("CMT1A"). Under certain conditions, but subject to certain consequences, Indivior may terminate the agreement.

Indivior has sole responsibility, including funding liability, for development of selected compounds under the agreement through preclinical and clinical trials, as well as registration procedures and commercialization, if any, worldwide. Indivior has the right to design development programs for selected compounds under the agreement. Through our participation in a joint development committee, we review, in an advisory capacity, any development programs designed by Indivior. However, Indivior has authority over all aspects of the development of selected compounds and may develop or commercialize third-party compounds with a different mechanism of action for identical use.

Under the terms of the Indivior agreement, we received an upfront fee of USD 5.0 million and are eligible for research funding of CHF 4 million during the two year research period, which is expected to run from May 2018 to April 2020. In addition, we are eligible for payments on successful achievement of pre-specified clinical, regulatory and commercial milestones totaling USD 330 million, and royalties on net sales of up to low double-digit.

GABAb PAM for the treatment of CMT1A

Under our agreement with Indivior, we will conduct a funded research program to discover and develop novel GABAb PAM compounds. We have retained the right to select compounds from the research program for further development in areas outside the interest of Indivior including CMT1A.

Our GABAb PAM program includes selective, orally available small molecules that are brain penetrant and show pharmacokinetic properties for once-daily dosing. Our GABAb PAM compounds have demonstrated the potential role of GABAb PAM in CMT1A and we plan to complete lead optimization and select a clinical candidate.

Charcot-Marie-Tooth disease, previously classified as a subtype of muscular dystrophy, is a rare hereditary motor and sensory neuropathy ("HMSN") which causes demyelination of the peripheral nerves. The disease leads to damage or destruction to the myelin sheath covering nerve fibers. The nerve fibers most severely affected are those that stimulate movement, with the nerves in the legs being affected first and most severely. Similar symptoms may appear in the arms and hands, which may include a claw-like hand.

The disease is highly invalidating with cases of accompanying neurological pain and muscular disability. A combination of lower motor neuron-type motor deficits and sensory symptoms are observed, and paresis and muscle atrophy develop with areflexia. The chronic nature of the motor neuropathy results in foot deformity, hammertoes, very high-arched feet, loss of lower leg muscle, which leads to skinny calves, numbness in the foot or leg, “slapping” gait (feet hit the floor hard when walking), foot drop (inability to hold foot horizontal) and weakness of the hips, legs or feet. Involvement of the hands may follow as the disease progresses. Signs of sensory system dysfunction are common and include loss of vibration and joint position sense followed by decreased pain and temperature sensation.

Onset of CMT1A is between age 5 and 25 years, with a prevalence of 1 in 5,000. There are no known cures for this debilitating condition. Current CMT1A therapies are primarily symptomatic, such as physiotherapy, and only focus on the manifestations of the disease.

ADX71149

In December 2004, we entered into a collaboration and license agreement with Janssen for the discovery, development and commercialization of novel mGluR2 PAM compounds for the treatment of CNS and related diseases. ADX71149 is one of the drug candidates discovered and selected for development by Janssen under the agreement. Janssen announced completion of a Phase 2a clinical trial in Europe with ADX71149 for the treatment of schizophrenia demonstrated proof of principal in patients with negative symptoms of schizophrenia, such as apathy, social withdrawal, loss of emotional expression or sleep disorders. Janssen also conducted a Phase 2a clinical trial with ADX71149 for the treatment of patients with anxious depression which failed to show statistical significant effects. In addition, Janssen announced that ADX71149 demonstrated synergistic efficacy with levetiracetam (a globally commercialized antiepileptic drug) in preclinical models of epilepsy.

Under our agreement with Janssen, we have granted Janssen an exclusive license to use relevant patents and know-how in relation to the development and commercialization of product candidates selected by Janssen under the agreement and a non-exclusive worldwide license to conduct research on the collaboration compounds using relevant patents and know-how. Subject to certain conditions, the parties shall own, jointly, all intellectual property rights that they develop jointly and, individually, all intellectual property rights that they develop individually. Under certain conditions, but subject to certain consequences, Janssen may terminate the agreement for any reason, subject to a 90-day notice period.

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

Under the terms of the Janssen agreement, we received an upfront fee of CHF 4.6 million and research funding of CHF 6.4 million during the research period, which ran from 2005 to 2007. In addition, we are eligible for payments on successful achievement of pre-specified clinical and regulatory milestones and a low double-digit royalty on net sales. We received a CHF 1.5 million milestone payment in relation to the entry of ADX71149 into Phase 1 in July 2009 and a CHF 2.6 million milestone payment in relation to the entry of ADX71149 into Phase 2 in June 2011. We are eligible for a further €109 million in success-based development and regulatory milestones and low double digit royalties on net sales.

Patents and Proprietary Rights

We own seven U.S. and 132 foreign patents and a number of pending patent applications that cover various aspects of our allosteric modulator technologies and discovery platform, including several classes of compounds which are potentially useful as modulators of mGluR5, mGluR4 and GABAb. More specifically, our patents and patent applications cover compounds, pharmaceutical compositions, polymorphs and uses of compounds for medical treatment.

Our patent strategy is to file patent applications on innovations and improvements to cover a significant majority of the major pharmaceutical markets in the world. We typically file priority applications at the United Kingdom Patent Office to establish a priority date for the generic subject matter and examples which are available at the filing date of each invention. Subsequently, we file international applications under the Patent Cooperation Treaty ("PCT") with extra examples to support the scope of the claims (International Phase). After the International Phase, we file patent applications in selected countries representing potential major markets for our drug candidates (National/Regional Phase).

Generally, patents have a term of twenty years from the earliest priority date, assuming all maintenance fees are paid. In some instances, patent terms can be increased or decreased, depending on the laws and regulations of the country or jurisdiction that issued the patent. Wherever appropriate and legally possible, we aim at obtaining patent protection for novel molecules, composition of matter and uses for drugs and inventions originating from our research and development efforts, as well as new manufacturing and other processes and formulations. In each case, we carefully balance the value of patent protection against the advantage of keeping the know-how regarding the invention confidential. We aim to position the claims of our applications to exploit gaps in prior art.

Jointly with Janssen, we have 2 patent families covering compounds which are useful as mGluR2 PAMs for which patent applications are pending. We have 2 patent families covering compounds which are useful as mGluR5 NAMs of which 72 patents have been granted and 16 patent applications are pending. Dipraglurant is granted as a compound and patent applications of its polymorphs are pending. ADX71149 is explicitly exemplified and claimed as a compound and as a pharmaceutical composition in one of our National/Regional Phase patent families. Furthermore, we have 2 patent families covering compounds which are potentially useful as mGluR4 PAMs. One is owned by Addex and a second one is jointly owned with Merck & Co Inc. pursuant to our collaboration agreement for the development of mGlu4 PAM in 2007. Further, we have one patent family covering compounds which are useful as GABA-B PAMs of which 45 patents have been granted and 2 patent applications are pending. ADX71441 is explicitly exemplified and claimed as a compound and as a Pharmaceutical composition. Our granted patents have expiration dates ranging from 2025 to 2034 without extensions.

The patent positions of pharmaceutical and biotechnology companies are uncertain and involve complex legal and factual issues. There can be no assurance that patents that have been issued will be held valid and enforceable in a court of law. Even for patents that are held valid and enforceable, the legal process associated with obtaining such a judgment is time consuming and costly. Additionally, issued patents can be subject to opposition or other proceedings that can result in the revocation of the patent or maintenance of the patent in amended form, and potentially in a form that renders the patent without commercially relevant or broad coverage. Further, our competitors may be able to circumvent and otherwise design around our patents. Even if a patent is issued and enforceable, because development and commercialization of pharmaceutical products can be subject to substantial delays, patents may expire early and provide only a short period of protection, if any, following the commercialization of a

product covered by any of our patents. We may have to participate in interference proceedings declared by the U.S. Patent and Trademark Office, which could result in a loss of the patent or substantial cost to us.

U.S. and foreign patent rights and other proprietary rights exist that are owned by third parties and relate to pharmaceutical compositions and reagents, medical devices and equipment and methods for preparation, packaging and delivery of pharmaceutical compositions. We cannot predict with any certainty which, if any, of these rights will be considered relevant to our technology by authorities in the various jurisdictions where such rights exist, nor can we predict with certainty which, if any, of these rights will or may be asserted against us by third parties. We could incur substantial costs in defending ourselves and our partners against any such claims. Furthermore, parties making such claims may be able to obtain injunctive or other equitable relief, which could effectively block our ability to develop or commercialize some or all of our products in the U.S. and abroad and could result in the award of substantial damages. In the event of a claim of infringement, we or our partners may be required to obtain one or more licenses from third parties. There can be no assurance that we can obtain a license to any technology that we determine we need on reasonable terms, if at all, or that we could develop or otherwise obtain alternative technology. The failure to obtain licenses if needed may have a material adverse effect on our business, results of operations and financial condition.

We also rely on trade secret protection for our confidential and proprietary information. No assurance can be given that we can meaningfully protect our trade secrets. Others may independently develop substantially equivalent confidential and proprietary information or otherwise gain access to, or disclose, our trade secrets. Our success will depend in part on our ability to obtain and maintain patent protection for our drugs, preserve trade secrets, prevent third parties from infringing upon our proprietary rights and operate without infringing upon the proprietary rights of others, both in Switzerland and in other territories worldwide.

It is our policy to require our employees and consultants, outside scientific collaborators, sponsored researchers and other advisors who receive confidential information from us to execute confidentiality agreements upon the commencement of employment or consulting relationships with us. These agreements provide that all confidential information developed or made known to the individual during the course of the individual's relationship with us is to be kept confidential and not disclosed to third parties except in specific circumstances. The agreements provide that all inventions conceived by an employee shall be our property. There can be no assurance, however, that these agreements will provide meaningful protection or adequate remedies for our trade secrets in the event of unauthorized use or disclosure of such information.

Trademarks

We own trademarks for Addex Pharmaceuticals in Switzerland. We also have trademarks for AddeLite and ProxyLite in relation to our screening technologies in the United States, Switzerland and the People's Republic of China and, in the case of ProxyLite, the E.U.

Competition

Competition in the pharmaceutical and biotechnology industry is intense and characterized by aggressive research and development and rapidly-evolving science, technology and standards of medical care throughout the world. We frequently compete with pharmaceutical companies and other institutions with greater financial, research and development, marketing and sales, manufacturing and managerial capabilities. We face competition from these companies not just in product development but also in areas such as recruiting employees, acquiring technologies that might enhance our ability to commercialize products, establishing relationships with certain research and academic institutions, enrolling patients in clinical trials and seeking program partnerships and collaborations with larger pharmaceutical companies.

Science and Technology Competition

We believe that our proprietary and partnered products will compete with others in the market on the basis of one or more of the following parameters: efficacy, safety, ease of use and cost. We face intense science and technology competition from a multitude of technologies seeking to enhance the efficacy, safety and ease of use of approved drugs and new drug molecule candidates. A number of the drug candidates in our pipeline have direct and indirect competition from large pharmaceutical companies and biopharmaceutical companies. We constantly monitor scientific and medical developments in order to improve our current technologies, seek licensing opportunities where appropriate, and determine the best applications for our technology platforms.

In the field of allosteric modulators, our competitors include Eli Lilly and Company, F. Hoffmann-La Roche Ltd, Heptares Therapeutics Ltd, Lundbeck Pharmaceuticals Ltd, Merck & Co. Inc. and Novartis Pharma AG. Several other chemical, biotechnology and pharmaceutical companies may also be developing allosteric modulators or technologies intended to deliver similar scientific and medical benefits. Some of these companies license intellectual property or materials to other companies, while others apply the technology to create their own drug candidates.

Product and Program Specific Competition

Dipraglurant (ADX48621) for the treatment of PD-LID

Amantadine, Gocovri (extended release amantadine) and Deep Brain Stimulation (DBS) surgery are currently available therapies for the treatment of PD-LID. Adamas Pharmaceuticals, Inc. has developed extended release amantadine (NMDA anatagonist and anticholinergic agent) and is planning to launch it in the United States during the first quarter of 2018. In addition, several drug candidates currently in clinical development could compete with dipraglurant (ADX48621) for the treatment of PD-LID. Avanir Pharmaceuticals, Inc. is developing AVP-923 (NMDA anatagonist), Neuraltus Pharmaceuticals, Inc. is developing NP002 (nicotine receptor agonist), Newron Pharmaceuticals, Inc. is developing safinamide (MAO-B inhibitor) and Novartis Pharma AG is developing AQW051 (alpha 7 nAChR inhibitor).

Dipraglurant (ADX48621) for the treatment of dystonia

Currently available therapies include tetrabenazine (a dopamine antagonist), with a broad label for movement disorders, levodopa for levodopa responsive dystonia, botulinum toxin for focal and limb dystonia and DBS surgery. Other compounds, such as baclofen, anticholinergic drugs and benzodiazepines, are used off label or within the broad label context of treating muscle spasms. In addition, drug candidates currently in development could compete with dipraglurant (ADX48621) for the treatment of dystonias, including MT10109 clostridium botulinum toxin, currently in development by Medy-Tox for cervical dystonia and transcranial magnetic stimulation.

ADX71441 for the treatment of addiction

Currently available treatments of addiction include Buprenorphine (Suboxone®, Subutex®, Probuphine®, Sublocade™), naltrexone (Vivitrol®) to treat opioid addiction; bupropion (Zyban®) and varenicline (Chantix®) to treat nicotine addiction; and naltrexone (Vivitrol®), Acamprosate (Campral®), Disulfiram (Antabuse®) to treat alcohol addiction. Baclofen (a GABAb agonist) has been largely used off-label to treat alcohol abuse, and its approval is under review in France. In addition, several novel derivatives of baclofen are in clinical development, including arbaclofen placarbil by Indivior.

GABAb PAM for the treatment of CMT1A

Currently, there is no disease-modifying treatment available for CMT1A. Currently approved therapies for relief from certain symptoms of CMT1A, including musculoskeletal and neuropathic pain, include anti-inflammatory drugs, tricyclic antidepressants and anticonvulsants.

ADX71149 for the treatment of epilepsy

Currently available therapies treatment of epilepsy includes racetams such as Brivaracetam (Briviact) or Levetiracetam (Keppra); benzodiazepines such as diazepam (Valium), clonazepam (Klonopin), lorazepam (Ativan); carboxamides such as Carbamazepine (Carbatrol or Tegretol) and Eslicarbazepine (Aptiom); GABA analogs such as Gabapentin (Neurotin) or Pregabalin (Lyrica); Perampanel (Fycompa). Late stage drug candidates in development which could compete with ADX714419 include Ganaxolone, Cannabidiol (Epidiolex), Everolimus (Afinitor / Votubia), ZX008.

Sales and Marketing

Our current focus is on the development of our existing portfolio, the completion of clinical trials and, if and where appropriate, the registration of our drug candidates. We currently do not have marketing, sales and distribution capabilities. If we receive marketing and commercialization approval for any of our product candidates, we intend to market the product either directly or through strategic alliances and distribution agreements with third parties. The ultimate implementation of our strategy for realizing the financial value of our drug candidates is dependent on the results of clinical trials for our drug candidates, the availability of funds and the ability to negotiate acceptable commercial terms with third parties.

Manufacturing and Supply

We do not currently own or operate manufacturing facilities for the production of clinical or commercial quantities of any of our product candidates. We rely on a small number of third party manufacturers to produce our clinical drug supplies and expect to continue to do so to meet the preclinical and clinical requirements of our potential drug candidates. We do not have long term agreements with any of these third parties.

We source drug starting materials for our manufacturing activities from one or more suppliers. For the drug starting materials necessary for our proprietary drug candidate development, we have agreements for the supply of such drug components with drug manufacturers or suppliers that we believe have sufficient capacity to meet our demands. However, from time to time, we source

critical raw materials and services from one or a limited number of suppliers and there is a risk that, if such supply or services were interrupted, it would materially harm our business. In addition, we typically order raw materials and services on a purchase order basis and do not enter into long-term dedicated capacity or minimum supply arrangements.

Environment

Our third party manufacturers are subject to inspections by the FDA for compliance with cGMP and other U.S. regulatory requirements, including U.S. federal, state and local regulations regarding environmental protection and hazardous and controlled substance controls, among others. Environmental laws and regulations are complex, change frequently and have tended to become more stringent over time. We have incurred, and may continue to incur, significant expenditures to ensure we are in compliance with these laws and regulations. We would be subject to significant penalties for failure to comply with these laws and regulations.

Legal and Regulatory Proceedings

As of the date of this Prospectus, there are no pending or threatened court, arbitral or administrative proceedings that are of material importance to our business, financial condition, results of operations or prospects, other than the filings pending before medical product authorities and similar authorities discussed elsewhere in this Prospectus.

Government Regulation

We operate in a highly regulated industry. In both Europe and the United States, our drug candidates require the submission of regulatory filings prior to clinical trials and regulatory approvals prior to commercial production and distribution. The regulatory approval process is generally stringent and time consuming.

To obtain these approvals, preclinical studies and clinical trials must be conducted to demonstrate safety, efficacy and consistent quality of the drug candidates. Preclinical studies involve laboratory and animal studies and clinical trials are the means by which drug candidates are tested in humans.

Regulation in the United States

In the United States, the U.S. Food and Drug Administration (the "FDA") regulates drugs under the Federal Food, Drug, and Cosmetic Act (the "FDCA") and, in the case of therapeutic biologics (biological products), the Public Health Services Act ("PHSA"), and its implementing regulations. Drugs are also subject to other federal, state and local statutes and regulations. The FDA and comparable regulatory agencies in state and local jurisdictions impose substantial requirements upon, among other things, the testing, development, manufacture, quality control, safety, purity, potency, labeling, storage, distribution, record keeping and reporting, approval, import and export, advertising and promotion, and post-market surveillance of products. The FDA must approve a drug candidate before marketing of that drug candidate may begin.

The FDA's policies may change and additional government regulations may be enacted that could prevent or delay marketing approval of any product candidates, product or manufacturing changes, additional disease indications, or label changes. We cannot predict the likelihood, nature or extent of government regulation that might arise from future legislative or administrative action.

Failure to comply with the applicable United States regulatory requirements at any time during the product development process, approval process or after approval may subject an applicant to administrative or judicial enforcement actions. These actions could include the suspension or termination of clinical trials by the FDA, the FDA's refusal to approve pending applications or supplemental applications, withdrawal of an approval, warning or untitled letters, product recalls, product seizures, total or partial suspension of production or distribution, import detention, injunctions, fines, civil penalties or criminal prosecution. Any such administrative or judicial action could have a material adverse effect on the Group.

Marketing Approval

The process required by the FDA before a drug or biologic may be marketed in the United States generally involves the following:

- the completion of preclinical laboratory tests and animal studies conducted in accordance with applicable regulations, including the FDA's Good Laboratory Practice ("GLP") regulations;
- the submission to the FDA of an Investigational New Drug ("IND") application for human clinical testing, which must become effective before human clinical trials commence;

- the approval by an independent institutional review board ("IRB") representing each clinical site before a clinical trial may be initiated;
- the performance of adequate and well-controlled human clinical trials in accordance with applicable regulations, including the FDA's Good Clinical Practice ("GCP") regulations, to establish the safety and efficacy of the proposed product for its intended use or uses;
- the submission to the FDA of a New Drug Application ("NDA") for a drug, or a Biologics License Application ("BLA") for a biologic;
- a determination by the FDA within 60 days of its receipt of an NDA or BLA to accept the NDA or BLA for filing and review;
- satisfactory completion of an FDA inspection of the manufacturing facilities at which the product is made to assess compliance with the FDA's current Good Manufacturing Practice ("cGMP") regulations to ensure that the facilities, methods and controls are adequate to preserve the 'product's identity, strength, quality and purity;
- a potential FDA audit of the preclinical and/or clinical trial sites that generated the data in support of the NDA or BLA; and
- the FDA's review and approval of an NDA or BLA prior to any commercial marketing or sale of the product in the United States and compliance with any post-authorization requirements.

The testing and approval process requires substantial time and financial resources, and we cannot be certain that any new approvals for our drug candidates will be granted on a timely basis if at all.

Preclinical Testing

Before testing any compounds with potential therapeutic value in humans, the product candidate enters the preclinical testing stage. Preclinical tests include laboratory evaluations of product chemistry and formulation, as well as animal studies to assess the potential safety, toxicity profile and efficacy of the product for initial testing in humans. The conduct of the preclinical tests must comply with federal regulations and requirements, including GLP regulations.

IND Application

Prior to commencing the first clinical trial in humans, an IND application must be submitted to the FDA, and the IND application must become effective. A sponsor must submit preclinical testing results to the FDA as part of the IND application and the FDA must evaluate whether there is an adequate basis for testing the product in humans. The IND application will automatically become effective 30 days after receipt by the FDA, unless the FDA within the 30-day time period raises concerns or questions about the submitted data or the conduct of the proposed clinical trial and places the IND application on clinical hold. In this case, the IND application sponsor must resolve any outstanding concerns with the FDA before clinical trial may begin. A separate submission to the existing IND application must be made for each successive clinical trial to be conducted during product development.

Clinical Trials

Clinical trials involve the administration of the product candidates to healthy volunteers or patients with the disease to be treated under the supervision of a qualified principal investigator. Clinical trials are conducted under protocols detailing, among other things, the objectives of the study, the parameters to be used in monitoring safety, and the efficacy criteria to be evaluated. A protocol for each clinical trial and any subsequent protocol amendments must be submitted to the FDA as part of the IND application. Further, each clinical trial must be reviewed and approved by an IRB, either centrally or individually at each institution at which the clinical trial will be conducted. The IRB will consider, among other things, ethical factors, the safety of human subjects and the possible liability of the institution. Additionally, some clinical trials (typically phase III clinical trials) are overseen by an independent group of qualified experts organized by the clinical trial sponsor, known as a data safety monitoring board or committee. This group provides confirmation as to whether or not a trial may move forward at designated check points based on access to certain data from the study.

Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA and written IND safety reports must be submitted to the FDA and the investigators for serious and unexpected adverse events or any finding from tests in laboratory animals that suggests a significant risk for human subjects. There are also requirements governing the reporting of ongoing clinical trials and clinical trial results to public registries.

The FDA, the IRB or the sponsor may suspend or terminate a clinical trial at any time on various grounds, including a finding that the research subjects or patients are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB's requirements or

if the product has been associated with unexpected serious harm to patients. A sponsor may also suspend or terminate a clinical trial based on evolving business objectives and/or competitive climate.

Clinical trials are typically conducted in three sequential phases prior to approval, but the phases may overlap or be combined. These phases generally include the following:

Phase I. Phase I clinical trials represent the initial introduction of a product candidate into human subjects, frequently healthy volunteers. In phase I, the product candidate is usually tested for safety, including adverse effects, dosage tolerance, absorption, distribution, metabolism, excretion and pharmacodynamics. Phase I studies are sometimes separated into phase 1a and phase 1b. Although there is no specific regulatory definition, phase 1b is often used to denote studies in patients rather than healthy volunteers (in which clinical responses as well as safety are evaluated), studies conducted with combinations of investigational agents, multiple dose studies or expanded cohort studies (as opposed to single ascending dose studies) or clinical pharmacology/pharmacokinetic studies.

Phase II. Phase II clinical trials usually involve studies in a limited patient population to (1) preliminarily evaluate the efficacy of the product candidate for specific indications, (2) determine dosage tolerance, optimal dosage and dosing schedule and (3) continue to identify possible adverse effects and safety risks.

Phase III. If a product candidate is found to be potentially effective and to have an acceptable safety profile in phase II studies, the clinical trial program will be expanded to phase III clinical studies to further demonstrate clinical efficacy, optimal dosage and safety within an expanded patient population at geographically dispersed clinical study sites. These clinical trials are intended to establish the overall benefit-risk ratio of the product and to provide an adequate basis for product approval by the FDA.

A pivotal study is a clinical study that adequately meets FDA requirements for the evaluation of a product candidate's efficacy and safety such that it can be used to justify the approval of the product. Generally, pivotal studies are also phase III studies, but may be phase II studies if the trial design provides a reliable assessment of clinical benefit, particularly in situations. See also "—Expedited review programs" beginning on page 55 below.

Post-authorization studies, or phase IV clinical trials, may be conducted after initial marketing approval. These studies may be required by the FDA as a condition of approval and are used to gain additional experience from the treatment of patients in the intended therapeutic indication. The FDA also has express statutory authority to require post-market clinical studies to address safety issues.

Concurrent with clinical trials, companies usually complete additional animal studies and must also develop additional information about the chemistry and physical characteristics of the product as well as finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things, must include developed methods for testing the identity, strength, quality and purity of the finished product. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the product candidate does not undergo unacceptable deterioration over its shelf life.

Disclosure of Clinical Trial Information

Sponsors of clinical trials (other than phase I trials) of FDA-regulated products, including drugs and biologics, are required to register and disclose certain clinical trial information. Information related to the product, comparator, patient population, phase of investigation, trial sites and investigators and other aspects of the clinical trial is made public as part of the registration. Sponsors are also obligated to disclose the results of their clinical trials after completion. Disclosure of the results of certain trials may be delayed until the new product or new indication being studied has been approved. However, there are evolving rules and increasing requirements for publication of trial-related information, and it is possible that data and other information from trials involving products that never garner approval could in the future be required to be disclosed. In addition, publication policies of major medical journals mandate certain registration and disclosures as a pre-condition for potential publication, even when this is not presently mandated as a matter of law. Competitors may use this publicly available information to gain knowledge regarding the progress of development programs.

FDA NDA and BLA Review and Approval Processes

The results of preclinical studies and clinical trials, including negative or ambiguous results as well as positive findings, together with detailed information on the manufacture, composition and quality of the product as well as the behavior of the product in the body, are submitted to the FDA in the form of an NDA for a new drug or BLA for a biologic, requesting approval to market the product. Data can come from company-sponsored clinical trials intended to test the safety and effectiveness of a use of a product, or from a number of alternative sources, including studies initiated by investigators. The FDA has substantial

discretion in the approval process and may refuse to accept any application or decide that the data is insufficient for approval and require additional preclinical, clinical or other studies.

The cost of preparing and submitting an NDA or BLA is substantial. Under federal law, NDAs and BLAs are subject to substantial application user fees and the sponsor of an approved NDA or BLA is also subject to annual product and establishment user fees. Under the Prescription Drug User Fee Act ("PDUFA"), each NDA or BLA must be accompanied by a user fee. The FDA adjusts the PDUFA user fees on an annual basis. For federal fiscal year 2018, the submission of an NDA is subject to an application user fee of USD 2,421,495. PDUFA also imposes a program fee (USD 304,162), which is assessed annually for eligible products. Fee waivers or reductions are available in certain circumstances, including a waiver of the application fee for the first application filed by a small business. Additionally, no user fees are assessed on NDAs or BLAs for products designated as orphan drugs, unless the product also includes a non-orphan indication.

In addition, under the Pediatric Research Equity Act (the "PREA"), an NDA or BLA or supplement to an NDA or BLA must contain data to assess the safety and effectiveness of the product for the claimed indications in all relevant pediatric subpopulations and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The FDA may grant deferrals for submission of data or full or partial waivers. Unless otherwise required by regulation, PREA does not apply to any product for an indication for which orphan designation has been granted. However, if only one indication for a product has orphan designation, a pediatric assessment may still be required for any applications to market that same product for the non-orphan indication(s).

Once the NDA or BLA submission has been submitted, the FDA has 60 days after submission of the NDA or BLA to conduct an initial review to determine whether it is sufficient to accept for filing. Once the submission is accepted for filing, the FDA begins an in-depth review. Under the PDUFA, the FDA sets a goal date by which it plans to complete its review. This is typically 12 months from the date of submission of the NDA or BLA application (10 months from the time at which FDA accepts the NDA or BLA application for filing). The review process is often extended by FDA requests for additional information or clarification. The FDA reviews an NDA to determine, among other things, whether a product candidate is safe and effective for its intended use and indication for use, including use of a product as a combination therapy, and a BLA to determine whether the biologic is safe, pure, and potent for its intended use. The FDA also evaluates whether the product's manufacturing is cGMP-compliant to assure and preserve the product candidate's identity, strength, quality and purity. Before approving an NDA or BLA, the FDA will typically inspect the facilities at which the active ingredient and the formulated product candidate are manufactured and may also inspect clinical trial sites for integrity of data supporting safety and efficacy. The FDA may also convene an advisory committee of external experts to provide input on certain review issues relating to risk, benefit and interpretation of clinical trial data. The FDA is not bound by the recommendations of an advisory committee, but generally follows such recommendations in making its decisions. The FDA may delay approval of an NDA or BLA if applicable regulatory criteria are not satisfied and/or the FDA requires additional testing or information. The FDA may require post-marketing testing and surveillance to monitor safety or efficacy of a product.

After the FDA evaluates the NDA or BLA, reviews the information that will go on the product's professional labeling, and conducts inspections of manufacturing facilities at which the active ingredient and the formulated product candidate will be manufactured, it may issue an approval letter or a Complete Response Letter. An approval letter authorizes commercial marketing of the product with specific prescribing information for specific indications. A Complete Response Letter indicates that the review cycle of the application is complete and the application is not ready for approval. A Complete Response Letter may require additional clinical data and/or an additional pivotal phase III clinical trial(s), and/or other significant, expensive and time-consuming requirements related to clinical trials, preclinical studies or manufacturing. Even if such additional information is submitted, the FDA may ultimately decide that the NDA or BLA does not satisfy the criteria for approval. The FDA could also approve the NDA or BLA with a Risk Evaluation and Mitigation Strategy ("REMS") plan to mitigate risks, which could include medication guides, physician communication plans, or elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. The FDA also may condition approval on, among other things, changes to proposed labeling, development of adequate controls and specifications, or a commitment to conduct one or more post-market studies or clinical trials. Such post-market testing may include phase IV clinical trials and surveillance to further assess and monitor the product's safety and effectiveness after commercialization.

Companion Diagnostics

The FDA issued a final guidance document in July 2014 addressing agency policy in relation to in vitro diagnostic medical devices and in vitro companion diagnostic tests. The guidance explains that for some drugs and therapeutic biologics, the use of a companion diagnostic test is essential for the safe and effective use of the product, such as when the use of a product is limited to a specific subpopulation that can be identified by using the test. According to the guidance, the FDA generally will not approve such a product if the companion diagnostic is not also approved or cleared for the appropriate indication, and accordingly the therapeutic product and companion diagnostic should be developed and approved or cleared contemporaneously. However, the FDA may decide that it is appropriate to approve such a product without an approved or cleared in vitro companion diagnostic when the drug or therapeutic biologic is intended to treat a serious or life-threatening condition for which no satisfactory

alternative treatment exists and the FDA determines that the benefits from the use of a product with an unapproved or uncleared in vitro companion diagnostic are so pronounced as to outweigh the risks from the lack of an approved or cleared in vitro companion diagnostic. The FDA encourages sponsors considering developing a therapeutic product that requires a companion diagnostic to request a meeting with both relevant device and therapeutic product review divisions to ensure that the product development plan will produce sufficient data to establish the safety and effectiveness of both the therapeutic product and the companion diagnostic. Because the FDA's policy on companion diagnostics is set forth only in guidance, this policy is subject to change and is not legally binding.

Certain U.S. Regulatory Incentives and Other Programs

a. Expedited Review Programs

The FDA has established four programs that are intended to facilitate and expedite development and review of new drugs and biologics to address unmet medical need in the treatment of a serious or life-threatening condition: fast track designation, breakthrough therapy designation, priority review designation and accelerated approval.

Fast track designation. The FDA has a fast track program that is intended to facilitate development and expedite review of the process for reviewing new product candidates that meet certain criteria. Specifically, new products are eligible for fast track designation if they are intended to treat a serious or life-threatening disease or condition and demonstrate the potential to address unmet medical needs for the disease or condition. Fast track designation applies to the combination of the product and the specific indication for which it is being studied. There are opportunities for frequent interactions with the review team for a fast track product candidate. These include meetings with FDA, including pre-IND meetings, end-of-phase I meetings, and end-of-phase II meetings to discuss study design, extent of safety data required to support approval, dose-response concerns, and use of biomarkers. Other meetings may be scheduled as appropriate (e.g., to discuss accelerated approval, the structure and content of an NDA or BLA, and other critical issues). For a fast track product candidate, the FDA may consider for review sections of the NDA or BLA on a rolling basis before the complete application is submitted, if the sponsor provides a schedule for the submission of the sections of the NDA or BLA, the FDA agrees to accept sections of the NDA or BLA and determines that the schedule is acceptable, and the sponsor pays any required user fees upon submission of the first section of the NDA or BLA. The FDA may rescind a fast track designation in the qualifying criteria for designation are no longer met. In addition, a product candidate with a fast track designation may also be eligible for a priority review designation if supported by clinical data at the time of the NDA or BLA submission.

Breakthrough therapy designation. The FDA may also expedite the review of a drug or biologic designated as a breakthrough therapy, which is a product that is intended, alone or in combination with one or more other products, to treat a serious or life-threatening disease or condition and preliminary clinical evidence indicates that the product may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. A sponsor may request the FDA to designate a product as a breakthrough therapy at the time of, or any time after, the submission of an IND application for the drug or biologic. The designation of a product as a breakthrough therapy provides the same benefits as are available under the fast track program, as well as intensive FDA guidance on the product candidate's development program. If the FDA designates a product as a breakthrough therapy, it must take actions appropriate to expedite the development and review of the NDA or BLA, which may include holding meetings with the sponsor and the review team throughout the development of the product, providing timely advice to, and interactive communication with, the sponsor regarding the development of the product to ensure that the development program to gather the nonclinical and clinical data necessary for approval is as efficient as practicable, involving senior managers and experienced review staff, as appropriate, in a collaborative, cross-disciplinary review, assigning a cross-disciplinary project lead for the FDA review team to facilitate an efficient review of the development program and to serve as a scientific liaison between the review team and the sponsor, and taking steps to ensure that the design of the clinical trials is as efficient as practicable, when scientifically appropriate, such as by minimizing the number of patients exposed to a potentially less efficacious treatment. In addition, the FDA may consider for review sections of the NDA or BLA on a rolling basis before the complete application is submitted, if the sponsor provides a schedule for the submission of the sections of the NDA or BLA, the FDA agrees to accept sections of the NDA or BLA and determines that the schedule is acceptable, and the sponsor pays any required user fees upon submission of the first section of the NDA or BLA. The FDA may rescind a breakthrough therapy designation in the future if further clinical development later shows that the criteria for designation are no longer met. In addition, a product candidate with a breakthrough therapy designation may also be eligible for a priority review designation if supported by clinical data at the time of the NDA or BLA submission.

Accelerated approval. The FDA may grant accelerated approval to a product candidate for a serious or life-threatening disease or condition upon a determination that the product candidate has an effect on a surrogate endpoint that is reasonably likely to predict clinical benefit, or on a clinical endpoint that can be measured earlier than irreversible morbidity or mortality, that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit, taking into account the severity, rarity or prevalence of the condition and the availability or lack of alternative treatments. As a condition of approval, the FDA may require that a sponsor of a product receiving accelerated approval perform adequate and well-controlled post-marketing clinical studies, with failure to complete such studies or failure to demonstrate the relevant clinical benefit potentially leading to

withdrawal of the approval. In addition, the FDA requires as a condition for accelerated approval pre-approval of promotional materials, which could adversely impact the timing of the commercial launch of the product.

Priority review designation. An NDA or BLA will receive priority review designation if it is for a product that treats a serious condition and, if approved, would provide a significant improvement in safety or effectiveness of the treatment, diagnosis, or prevention of serious conditions. A priority review designation is intended to direct overall attention and resources to the evaluation of such applications and means that the FDA's goal is to take action on an application within six months (compared to ten months under standard review).

Fast track designation, breakthrough therapy designation, priority review designation and accelerated approval do not change the standards for approval, but may expedite the development or review process.

b. Special Protocol Assessment

The FDA and an IND sponsor may agree in writing on the design and size of clinical studies intended to form the primary basis of a claim of effectiveness in an NDA or BLA. This process is known as a special protocol assessment ("SPA"). Upon a specific request for a SPA by an IND sponsor, the FDA will evaluate the protocol. If a SPA agreement is reached, however, it is not a guarantee of product approval by the FDA or approval of any permissible claims about the product. The FDA retains significant latitude and discretion in interpreting the terms of the SPA agreement and the data and results from any study that is the subject of the SPA agreement. In particular, the SPA agreement is not binding on the FDA if previously unrecognized public health concerns later come to light, other new scientific concerns regarding product safety or efficacy arise, the IND sponsor fails to comply with the protocol agreed upon, or the relevant data, assumptions, or information provided by the IND sponsor when requesting a SPA agreement change, are found to be false statements or misstatements, or are found to omit relevant facts. A SPA agreement may not be changed by the sponsor or the FDA after the trial begins except with the written agreement of the sponsor and the FDA, or if the FDA determines that a substantial scientific issue essential to determining the safety or effectiveness of the product was identified after the testing began.

c. Orphan Drug Designation

Under the Orphan Drug Act, the FDA may grant orphan drug designation to a drug or biologic candidate intended to treat a rare disease or condition, which is generally a disease or condition that affects fewer than 200,000 individuals in the United States per year, or, if it affects more than 200,000 individuals in the United States per year, there is no reasonable expectation that cost of research and development of the drug or biologic for the indication can be recovered by sales of the drug or biologic in the United States. Applications for orphan drug designation must be submitted to the FDA Office of Orphan Products Development ("OOPD"). Orphan drug designation must be requested before submitting an NDA or BLA. After the FDA grants orphan drug designation, the identity of the therapeutic agent and its potential orphan use are disclosed publicly by the FDA. Although there may be some increased communication opportunities, orphan drug designation does not convey any advantage in or shorten the duration of the regulatory review and approval process.

A sponsor may request orphan drug designation not only for a previously unapproved drug or biologic but also for a drug or biologic that has already been approved and is already being marketed for a different use. A sponsor may also file a common application for orphan drug designation in the European Union and in the United States if it wishes to receive orphan drug designation in both territories. In that case, a common application must be filed with both the European Medicines Agency ("EMA") and the OOPD.

If a drug or biologic candidate that has orphan drug designation subsequently receives the first FDA approval for the disease for which it has such designation, the product is entitled to orphan drug exclusivity, which means that the FDA may not approve any other applications to market the same product for the same indication for seven years, except in very limited circumstances, such as if the second applicant demonstrates the clinical superiority of its product. Orphan drug exclusivity does not prevent the FDA from approving a different product for the same disease or condition, or the same product for a different disease or condition. Among the other benefits of orphan drug designation are tax credits for certain research and a waiver of the NDA or BLA application user fee. Orphan drug exclusivity could block the approval of the Group's drug candidates for seven years if a competitor obtains approval of the same product as defined by the FDA or if the Group's drug candidate is determined to be contained within the competitor's product for the same indication or disease.

The Orphan Products Grants Program in the FDA's Office of Orphan Products Development, with an annual budget of approximately USD 15 million, supports clinical development of products including drugs, biologics, medical devices and medical foods for use in rare diseases and conditions where no therapy exists or where the proposed product will be superior to the existing therapy. This program provides grants for clinical studies on safety and/or effectiveness that will either result in, or substantially contribute to, market approval of these products.

The FDA expects holders of exclusivity for orphan drugs to assure the availability of sufficient quantities of their orphan drugs to meet the needs of patients. Failure to do so could result in the withdrawal of marketing exclusivity for the orphan drug.

Hatch-Waxman Act

Under the Drug Price Competition and Patent Term Restoration Act of 1984 (the "Hatch-Waxman Act"), the U.S. Congress created an abbreviated FDA review process for generic versions of approved pioneer (brand name) NDA products. In considering whether to approve such a generic product submitted under an Abbreviated New Drug Application ("ANDA"), the FDA generally requires that an ANDA applicant demonstrate that the proposed generic drug product's active ingredient, strength, dosage form, and route of administration are the same as that of the reference product, that the two products are bio-equivalent, that any impurities in the proposed product do not affect the product's safety or effectiveness, and that its manufacturing processes and methods ensure the consistent potency and purity of its proposed product. Similarly, section 505(b)(2) of the Federal Food, Drug, and Cosmetic Act provides a reduced burden of demonstrating safety and effectiveness for an NDA for a product that is similar, but not identical, to the pioneer product.

The Hatch Waxman Act requires NDA applicants and NDA holders to provide certain information about patents related to the product for listing in its publication Approved Drug Products with Therapeutic Equivalence Evaluations, referred to as the Orange Book. ANDA and 505(b)(2) applicants who seek to reference a pioneer product must then certify regarding each of the patents listed with the FDA for the reference product. A certification that a listed patent is invalid or will not be infringed by the marketing of the applicant's product is called a "Paragraph IV certification."

The Hatch Waxman Act also provides periods of regulatory exclusivity for certain pioneer products during which FDA review or approval of an ANDA or 505(b)(2) application is precluded. If the pioneer product is a New Chemical Entity (an "NCE"), the FDA is precluded for a period of five years from accepting for review an ANDA or 505(b)(2) application for the same chemical entity. Under NCE exclusivity, the FDA may accept an ANDA or 505(b)(2) application for review after four years, however, if that application contains a Paragraph IV certification challenging one of the pioneer's listed patents.

The Hatch Waxman Act also provides three years of exclusivity for applications containing the results of new clinical investigations (other than bioavailability studies) essential to the FDA's approval of new uses of approved products, such as new indications, dosage forms, strengths, or conditions of use. During this three-year exclusivity period, the FDA may review but not approve an ANDA or 505(b)(2) application for a product with the same conditions of use as supported by those new clinical investigations. This exclusivity will not necessarily prohibit the FDA from accepting or approving ANDAs or 505(b)(2) applications for other products containing the same active ingredient.

If an ANDA or 505(b)(2) application containing a Paragraph IV certification is accepted for filing by the FDA, the applicant must within 20 days provide notice to the NDA holder and patent owner that the application has been submitted and provide the factual and legal basis for the applicant's opinion that the patent is invalid or not infringed. The NDA holder or patent owner may then file suit against the AN-DA or 505(b)(2) applicant for patent infringement. If a suit is filed within 45 days of receiving notice of the Paragraph IV certification, the FDA is precluded from approving the ANDA or 505(b)(2) application for a period of 30 months. The 30-month stay generally begins on the date of the receipt of notice by the NDA holder or patent owner. If the pioneer product has NCE exclusivity and the pioneer files suit against the ANDA or 505(b)(2) application during the fifth year of exclusivity, however, the 30-month stay will not be triggered until five years from the date of the reference product's approval. The FDA may approve the proposed product before the expiration of the 30-month stay if a court finds the patent invalid or not infringed or if the court shortens the period because the parties have failed to cooperate in expediting the litigation.

Post-authorization Requirements

Any products manufactured or distributed pursuant to FDA approvals are subject to pervasive and continuing regulation by the FDA, including, among other things, requirements relating to recordkeeping, periodic reporting, product distribution, advertising and promotion and reporting of adverse experiences with the product. After approval, most changes to the approved product, such as adding new indications or other labeling claims are subject to prior FDA review and approval. There also are continuing, annual user fee requirements for any marketed products and the establishments at which such products are manufactured, as well as new application fees for supplemental applications with clinical data.

a. Good Manufacturing Practices

Manufacturers and other entities involved in the manufacture and distribution of approved drugs or biologics are required to register their facilities with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with cGMP requirements, which impose certain quality processes, manufacturing controls and documentation requirements upon manufacturers in order to ensure that the product is safe, has the identity and strength, and meets the quality and purity characteristics that it purports to have. The FDA and certain states also impose requirements on manufacturers and distributors to establish the pedigree of product in the chain of distribution, including some

states that require manufacturers and others to adopt new technology capable of tracking and tracing product as it moves through the distribution chain. Changes to the manufacturing process are strictly regulated and often require prior FDA approval before being implemented. FDA regulations also require investigation and correction of any deviations from cGMP and impose reporting and documentation requirements upon the sponsor and any third-party manufacturers that the sponsor may decide to use. Accordingly, manufacturers must continue to expend time, money, and effort in the area of production and quality control to maintain cGMP compliance. Noncompliance with cGMP or other requirements can result in issuance of warning letters, civil and criminal penalties, seizures and injunctive action.

b. Advertising and promotion

The FDA strictly regulates marketing, labeling, advertising and promotion of an approved product. While doctors are free to prescribe any product approved by the FDA for any use, a company can only make claims relating to safety and efficacy of a drug or biologic that are consistent with FDA approval, and the company is allowed to actively market a product only for the particular use and treatment approved by the FDA. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of "off-label" uses (i.e., outside the FDA-approved indication, dosing and/or population), and a company that is found to have improperly promoted off-label uses may be subject to significant liability, such as heavy fines, obligation to submit all future promotional material to the FDA's review before distribution, and other reporting obligations. In addition, any claims a company makes for its products in advertising or promotion must be appropriately balanced with important safety information and otherwise adequately substantiated. Failure to comply with these requirements can result in adverse publicity, warning letters, corrective advertising, injunctions and potential civil and criminal penalties. Government regulators recently have increased their scrutiny of the promotion and marketing of approved products.

In addition, certain products (or classes of products, such as immunosuppressants) that have special problems (particularly ones that may lead to death or serious injury) are required to include warning information displayed within a box in the prescribing information (a so-called "boxed" or "black box warning"). Some products are also subject to certain promotion and advertising restrictions (e.g., they may be the subject of so-called "reminder advertisements", which are ads that call attention to the name of the product but do not give the product's use).

c. Withdrawal of Approval

Once an approval is granted, the FDA may withdraw the approval if compliance with regulatory requirements and standards is not maintained or if problems occur after the product reaches the market. Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with manufacturing processes, or failure to comply with regulatory requirements, may result in revisions to the approved labeling to add new safety information, imposition of post-market studies or clinical trials to assess new safety risks, or imposition of distribution or other restrictions under a REMS program. Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of the product, complete withdrawal of the product from the market or product recalls;
- fines, warning letters or holds on post-authorization clinical trials;
- refusal of the FDA to approve pending NDAs or BLAs or supplements to approved NDAs or BLAs, or suspension or revocation of product license approvals;
- product seizure or detention, or refusal to permit the import or export of products; or
- injunctions or the imposition of civil or criminal penalties.

Federal and state fraud and abuse and data privacy and security laws and regulations

In addition to FDA restrictions on marketing of pharmaceutical products, federal and state healthcare laws restrict certain business practices in the biopharmaceutical industry. These laws include, but are not limited to, anti-kickback, false claims, data privacy and security, and transparency statutes and regulations.

The federal Anti-Kickback Statute prohibits, among other things, knowingly and willfully offering, paying, soliciting or receiving remuneration, directly or indirectly, to induce, or in return for, purchasing, leasing, ordering or arranging for the purchase, lease or order of any good, facility, item or service reimbursable under Medicare, Medicaid or other federal healthcare programs. The term "remuneration" has been broadly interpreted to include anything of value, including for example, gifts, discounts, the furnishing of supplies or equipment, credit arrangements, payments of cash, waivers of payment, ownership interests and providing anything at less than its fair market value. The Anti-Kickback Statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on the one hand and prescribers, purchasers and formulary managers on the other. Practices that involve remuneration that may be alleged to be intended to induce prescribing, purchases or recommendations may be subject to scrutiny if they do not qualify for an exception or safe harbor. Failure to meet all of the requirements of a

particular applicable statutory exception or regulatory safe harbor does not make the conduct per se illegal under the Anti-Kickback Statute. Instead, the legality of the arrangement will be evaluated on a case-by-case basis based on a cumulative review of all of its facts and circumstances. Several courts have interpreted the statute's intent requirement to mean that if any one purpose of an arrangement involving remuneration is to induce referrals of federal healthcare covered business, the statute has been violated. The PPACA amended the intent requirement under the Anti-Kickback Statute and criminal healthcare fraud statutes (discussed below) such that a person or entity no longer needs to have actual knowledge of the statute or the specific intent to violate it in order to have committed a violation. In addition, the PPACA provides that the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the civil False Claims Act (discussed below). Further, the civil monetary penalties statute imposes penalties against any person or entity who, among other things, is determined to have presented or caused to be presented a claim to a federal health program that the person knows or should know is for an item or service that was not provided as claimed or is false or fraudulent.

The federal False Claims Act prohibits, among other things, any person or entity from knowingly presenting, or causing to be presented, a false or fraudulent claim for payment or approval to the federal government or knowingly making, using or causing to be made or used a false record or statement material to a false or fraudulent claim to the federal government. A claim includes "any request or demand" for money or property presented to the U.S. government. Several pharmaceutical and other healthcare companies have been prosecuted under these laws for, among other things, allegedly providing free product to customers with the expectation that the customers would bill federal programs for the product. Other companies have been prosecuted for causing false claims to be submitted because of the companies' marketing of the product for unapproved, and thus non-covered, uses. In addition, the federal Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act, and their respective implementing regulations (collectively, "HIPAA"), created federal criminal laws that prohibit knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payers and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of, or payment for, healthcare benefits, items or services.

Many states have similar fraud and abuse statutes or regulations, including, without limitation, laws analogous to the federal Anti-Kickback Statute and the federal False Claims Act, that apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payer. Some of these state laws apply to a broader range of conduct and may not have the same exceptions as analogous federal laws.

The federal Physician Payments Sunshine Act, enacted as part of the PPACA, requires applicable manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid, or the Children's Health Insurance Program, with specific exceptions, to track and annually report to the Centers for Medicare and Medicaid Services ("CMS") payments and other transfers of value provided to physicians and teaching hospitals and certain ownership and investment interests held by physicians or their immediate family members.

In addition, HIPAA imposes specified requirements relating to the privacy, security and transmission of certain individually identifiable health information. HIPAA applies to certain covered entity health care providers, health plans and health care clearinghouses as well as their business associates, which are entities that create, receive, maintain or transmit protected health information in connection with providing a service to or performing an activity for or on behalf of a covered entity. Violations of HIPAA may result in civil and/or criminal penalties and state attorneys general have authority to file civil actions for damages or injunctions in federal courts to enforce HIPAA and seek attorney's fees and costs associated with pursuing federal civil actions. In addition, state laws govern the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts. Further, pharmaceutical companies may also be subject to federal and state laws that govern the privacy and security of other personal information, including federal and state consumer protection laws, state data security laws, and data breach notification laws.

Healthcare reform in the United States

In the United States there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system. Among policy makers and payers in the United States, there is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality and expanding access. In the United States, the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by major legislative initiatives. In March 2010, the President of the United States signed into law the PPACA, which substantially changes the way healthcare will be financed by both governmental and private insurers, and significantly impacts the pharmaceutical industry. Among the provisions of the PPACA of greatest importance to the pharmaceutical industry are the following:

- an annual, nondeductible fee on any entity that manufactures or imports branded prescription drugs and biologic agents, apportioned among these entities according to their sales of branded prescription drugs under certain government healthcare programs, such as Medicare and Medicaid;

- increases in the statutory minimum rebates a manufacturer must pay as a condition to having covered drugs available for payment under the Medicare Part B and Medicaid programs to 23.1% and 13% of the average manufacturer price for branded and generic drugs, respectively;
- expansion of healthcare fraud and abuse laws, including the federal False Claims Act and the federal Anti-Kickback Statute, and the addition of new government investigative powers and enhanced penalties for non-compliance;
- extension of a manufacturer's Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations;
- a new Medicare Part D coverage gap discount program, under which a participating manufacturer must agree to offer 50% point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D;
- expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to additional individuals and by adding new eligibility categories for certain individuals with income at or below 133% of the federal poverty level beginning in 2014;
- expansion of the entities eligible for discounts under the Public Health Service pharmaceutical pricing program, known as the 340B drug pricing program;
- the new requirements under the federal Open Payments program created as part of the Physician Payments Sunshine Act under Section 6002 of the PPACA, which requires manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with certain exceptions) to report annually to the U.S. Department of Health and Human Services information related to "payments or other transfers of value" made to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals. Applicable manufacturers and applicable group purchasing organizations must also report annually to the U.S. Department of Health and Human Services ownership and investment interests held by physicians (as defined above) and their immediate family members. Data collection for these reporting requirements began on August 1, 2013, and manufacturers were required to submit reports to the U.S. Department of Health and Human Services by March 31, 2014. Since 2015, manufacturers have been required to submit data reports by the 90th day of each calendar year. The U.S. Department of Health and Human Services discloses the information on a public website;
- a new requirement to annually report drug samples that manufacturers and distributors provide to physicians; and
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research.

The PPACA also establishes an Independent Payment Advisory Board ("IPAB") to reduce the per capita rate of growth in Medicare spending. IPAB is mandated to propose recommendations to reduce the rate of Medicare spending growth if it is determined that the rate of growth of Medicare expenditures exceeds target growth rates. The IPAB has broad discretion to propose policies to reduce expenditures, which may have a negative impact on payment rates for medical products and services. The threshold for triggering IPAB proposals was not reached in 2016, so no adjustments will be made under the IPAB until 2019 at the earliest. If no IPAB members are nominated, the duties of the IPAB will default to the Secretary of the Department of Health and Human Services.

Additionally, efforts by government officials or legislators to implement measures to regulate prices or payment for pharmaceutical products could adversely affect our business if implemented. There has recently been considerable public and government scrutiny of pharmaceutical pricing and proposals to address the perceived high cost of pharmaceuticals. Adoption of other new legislation at the federal or state level could further affect demand for, or pricing of, our products. We face uncertainties as a result of federal legislative and administrative efforts to repeal, substantially modify or invalidate some or all of the provisions of the PPACA. There can be no assurance that repeal or replacement of the PPACA, if it occurs, will not adversely affect our business and financial results, and we cannot predict how future federal or state legislative or administrative changes relating to healthcare reform will affect our business.

Regulation in the European Union

Clinical trial approval

Clinical trials performed in Member States of the European Union (each, a "Member State") are subject to certain common rules and regulations. At present, clinical trials performed in the European Union are subject to three directives: (i) the Directive 2001/20/EC of the European Parliament and of the Council of 4 April 2001 on the approximation of the laws, regulations and administrative provisions of the Member States relating to the implementation of good clinical practice in the conduct of clinical trials on medicinal products for human use (the "Clinical Trials Directive"), (ii) Commission Directive 2003/94/EC of 8 October 2003, laying down the principles and guidelines of good manufacturing practice in respect of medicinal products for human use

and investigational medicinal products for human use (the "GMP Directive"), and (iii) Commission Directive 2005/28/EC of 8 April 2005 laying down principles and de-tailed guidelines for good clinical practice ("GCP") as regards investigational medicinal products for human use, as well as the requirements for authorization of the manufacturing or importation of such products (the "GCP Directive"). Among others, these directives ensure uniform application of the legislation on clinical trials in the European Union by laying down guidelines regarding applications for and the conduct of clinical trials, the transparency of clinical trials, safety reporting obligations and set up EudraCT, the database of clinical trials in the European Union.

The European Medicines Agency ("EMA") plays a role regarding the uniform application of the above-described directives, although it has no role at all in the authorization of clinical trials, which remains at Member State level. The EMA has a central role in harmonizing and coordinating GCP standards within different Member States, maintains, develops and coordinates the above-mentioned EudraCT database and manages the European Union Clinical Trials Register that provides publicly available information on certain clinical trials.

Pursuant to the Clinical Trials Directive, a system for the approval of clinical trials in the European Union has been implemented through national legislation of the Member States. Under this system, sponsors must seek approval from the competent national authority of any Member State in which a study is planned to be conducted. To this end, a Clinical Trial Application is submitted, which must be supported by an investigational medicinal product dossier and further supporting information prescribed by the Clinical Trials Directive and other applicable guidance documents. Furthermore, a clinical trial may only be started after a competent ethics committee has issued a favorable opinion on the clinical trial application in that country.

A new EU regulation, Regulation EU No. 536/2014 of the European Parliament and of the Council of 16 April 2014 on clinical trials on medicinal products for human use, and repealing Directive 2001/20/EC, will provide a more streamlined process for clinical trials in the European Union. The new Regulation entered into force in 2014, but it is at present not expected to become applicable until the second half of 2019 or later. After the date of application, a transitional period of three years will apply, during which clinical trials in the European Union may continue to be governed by the three directives described above. In particular, clinical trial sponsors will be able to submit new clinical trial applications under either the Directive or the Regulation during the first year of application of the Regulation. During the second and third year of application of the Regulation, new clinical trial applications will have to be submitted under the Regulation, whereas existing clinical trials which application was submitted under the Directive will continue to be regulated under the Directive.

The new Regulation will create a straightforward application process for clinical trial authorizations, their assessment and the public's access to clinical trial data through one single channel, the new EU Clinical Trial Portal and Database. The assessment of such applications will also be harmonized among Member States to some extent. In particular, for clinical trials to be conducted in multiple EU Member States, Part I of the assessment, covering mainly the administrative and scientific aspects, will be carried out by a Reporting Member State. Part II of the assessment, covering mainly ethical and national aspects, will be carried out by each Member State Concerned individually. Each Member State Concerned will then issue a single decision concerning the clinical trial, applicable with respect to its territory. This is expected to provide for more transparency of the entire process and more legal certainty to the sponsors concerned, although the actual extent of the changes brought by the Regulation remain to be determined in practice. Among other things, it is unclear whether the Regulation will shorten the time frames for approval of new clinical trials in the EU, and whether it will bring more harmonization in the assessment of clinical trial applications in the EU. The Regulation will also streamline sponsors' reporting and notification obligations, which may increase and be more detailed, but will have to be done through the EU Portal, thereby likely facilitating compliance by sponsors with such obligations. Finally, the new Regulation will increase the mandatory public disclosure of data relating to clinical trials, including clinical trial results, given that all data submitted through the EU Portal will be made publicly available through the EU Database, subject to limited exceptions concerning mainly the protection of personal data and commercially confidential information.

Marketing authorization

Authorization to market a medicinal product in the European Union proceeds under one of four procedures: a centralized authorization procedure, a mutual recognition procedure, a decentralized procedure or a national procedure:

Centralized authorization procedure. The centralized authorization procedure provides for the grant of a single marketing authorization that is valid for all 28 Member States, plus by extension the European Economic Area (the "EEA") member states, Norway, Iceland and Liechtenstein. This procedure results in a single marketing authorization issued by the European Commission (the "EC") that is valid across the EEA. The centralized procedure is mandatory for human medicines that (i) contain a new active substance indicated for the treatment of certain diseases, such as cancer, HIV/AIDS, diabetes, neurodegenerative disorders or autoimmune diseases and other immune dysfunctions, (ii) are derived from biotechnology processes, such as genetic engineering, and (iii) are officially designated orphan medicines. The centralized procedure is optional for those products that are highly innovative or for which a centralized process is in the interest of patients.

Other authorization procedures. In general, if the centralized procedure is not followed, there are three alternative routes to authorize medicinal products in the European Union:

Decentralized procedure. Using the decentralized procedure, an applicant may apply for simultaneous authorization in more than one European Union country of medicinal products that have not yet been authorized in any European Union country and that do not fall within the mandatory scope of the centralized procedure. The competent authority of the reference Member State will lead in the assessment of the application.

Mutual recognition procedure. In the mutual recognition procedure, a medicine is first authorized in one Member State, in accordance with the national procedures of that country. Following this, further marketing authorizations can be sought from other European Union countries in a procedure whereby the countries concerned agree to recognize the validity of the original, national marketing authorization.

National procedure. Applicants following the national procedure will be granted a marketing authorization that is valid only in a single Member State. This procedure is not available for applicants seeking approval in more than one Member State.

In some cases, a Pediatric Investigation Plan (a "PIP"), and/or a request for waiver or deferral, is required for submission prior to submitting a marketing authorization application. A PIP describes, among other things, proposed pediatric trials and their timing relative to clinical trials in adults.

In the European Union, approved drugs are subject to continuing regulation by the regulatory authorities. Consequences of non-compliance with EU post-market obligations are largely similar to those imposed by U.S. regulatory authorities.

Regulatory data protection

In the European Union, some marketing authorizations benefit from an "8+2(+1)" period of regulatory data protection. This regime consists of a regulatory data protection period of eight years plus a concur-rent market exclusivity of ten years. The overall ten-year period will be extended to a maximum of 11 years if, during the first eight years of those ten years, the marketing authorization holder obtains an authorization for one or more new therapeutic indications that, during the scientific evaluation prior to their authorization, are held to bring a significant clinical benefit in comparison with existing therapies. This data exclusivity prevents a third party from referencing the innovator's data for eight years, after which generic manufacturers may submit marketing authorization applications referencing the innovator's data, but the third party cannot market a generic version until the ten- (or 11-)year period has elapsed.

Depending upon the timing and duration of the EU marketing authorization process, products may be eligible for up to five years' supplementary protection certification (an "SPC"), pursuant to Regulation (EC) No. 469/2009. Such SPCs extend the rights under the basic patent for the drug.

EMA Orphan designation and exclusivity

In the European Union, Regulation (EC) No 141/2000 of the European Parliament and of the Council of 16 December 1999 on orphan medicinal products, complemented by various other regulations, lay down the rules of orphan drug designation. The EMA's Committee for Orphan Medicinal Products ("COMP") grants orphan drug designation to promote the development of products that are intended for the diagnosis, prevention or treatment of life-threatening or chronically debilitating conditions that affect not more than five in 10,000 persons in the European Union, or when, without incentives, it is unlikely that sales of such products in the European Union may be sufficient to justify the necessary investment in developing the products. Orphan drug designation is only available where no satisfactory method of diagnosis, prevention or treatment of the condition has been authorized (or the product would be a significant benefit to those affected).

In the European Union, orphan drug designation, if maintained by the time of the EC decision on the marketing authorization, entitles a company to financial incentives such as reduction of fees or fee waivers and ten years of market exclusivity following grant of the medicinal product approval. This period may be reduced to six years if the orphan drug designation criteria are no longer met, including where it is shown that the product is sufficiently profitable not to justify maintenance of market exclusivity. Two year additional orphan exclusivity protection can be applied for when an applicant has complied with all requirements as set forth in an approved PIP. Market exclusivity would not prevent the approval of a similar drug that is shown to be safer, more effective or otherwise clinically superior.

Companies that classify as small or medium-sized enterprises ("SME") benefit from further incentives, including administrative and procedural assistance from the EMA's SME office and fee reductions.

Orphan drug designation must be requested before submitting an application for marketing approval. Orphan drug designation does not convey any advantage in, or shorten the duration of, the regulatory review and approval process. Sponsors must submit orphan drug applications to the EMA. The evaluation process by the COMP takes a maximum of 90 days from validation of the application. The EC will issue a decision on a COMP opinion within 30 days of receipt of such opinion.

A sponsor may file a common application for orphan drug designation in the European Union and in the United States if it wishes to receive orphan drug designation in both territories. In that case, a common application must be filed with both the EMA and the OOPD.

Exceptional circumstances/conditional approval

Orphan drugs or drugs with unmet medical needs may be eligible for EU approval under exceptional circumstances or with conditional approval. Approval under exceptional circumstances is used when an applicant is unable to provide comprehensive data on the efficacy and safety under normal conditions of use because the indication for which the product is intended is encountered so rarely that the applicant cannot reasonably be expected to provide comprehensive evidence, when the present state of scientific knowledge does not allow comprehensive information to be provided, or when it is medically unethical to collect such information. An approval under exceptional circumstances must be subject to post-authorization controls or conditions, such as an obligation to conduct further studies, restrictions on supply, use or prescription or special labeling. An approval under exceptional circumstances is based on the assumption that the company will never be able to generate a complete data package. The authorization is valid for the standard five-year period (during which it is reviewed annually), after which it must usually be renewed only once.

A conditional marketing authorization may be applicable to orphan medicinal products, medicinal products for seriously debilitating or life-threatening diseases or medicinal products to be used in emergency situations in response to recognized public threats. Conditional marketing authorization can be granted on the basis of less complete data than is normally required in order to meet unmet medical needs and in the interest of public health, provided the risk-benefit balance is positive, it is likely that the applicant will be able to provide the comprehensive clinical data, and unmet medical needs will be fulfilled. Conditional marketing authorization is subject to certain specific obligations, usually including the obligation to generate and submit additional clinical data, and must be renewed annually until the obligations have been completed and the authorities have reviewed the new data and confirmed the approvability of the product.

Accelerated assessment

Under the centralized procedure in the European Union, the maximum timeframe for the evaluation by the EMA's Committee for Medicinal Products for Human Use ("CHMP") of a marketing authorization application is 210 days (excluding clock stops, when additional written or oral information is to be provided by the applicant in response to questions asked by the CHMP). However, the applicant may request an accelerated assessment procedure in order to meet, in particular, the legitimate expectations of patients and to take account of the increasingly rapid progress of science and therapies, for medicinal products of major interest from the point of view of public health and in particular from the viewpoint of therapeutic innovation. Applicants requesting an accelerated assessment procedure must justify that the medicinal product is expected to be of major public health interest. If the CHMP accepts the request, the maximum timeframe for the evaluation of the marketing authorization application is reduced to 150 days, excluding clock stops.

Post-authorization requirements

Requirements on drug manufacturers and other entities involved in the manufacture and distribution of approved drugs are similar to those in the United States. Drug manufacturers are required to register their establishments with the local health authorities and state agencies, and are subject to periodic inspections by these authorities and state agencies for compliance with cGMP requirements in order to gain renewal of their manufacturing license. Changes to the manufacturing process are strictly regulated and often require prior regulatory approval before being implemented. Regulations also require investigation and correction of any deviations from cGMP requirements and impose reporting and documentation requirements upon the sponsor and any third-party manufacturers that the sponsor may decide to use. Accordingly, manufacturers must continue to expend time, money, and effort in the area of production and quality control to maintain cGMP compliance.

Marketing Authorization Variation Procedure

Once a marketing authorization has been granted by the competent authority, variations to the terms of such marketing authorization are possible and may be necessary. Variations include: (i) administrative changes such as a change of company name and/or address; (ii) changes to the characteristics of a product that can affect its quality, such as a change to its composition; (iii) changes to the safety, efficacy or pharmacovigilance of the product. Changes are classed as minor (type I) or major (type II). Minor changes are either type IA or IB. Type II variations include, among others, variations related to the addition of a new therapeutic indication or to the modification of an existing indication.

Type I variations are subject to a notification procedure.

Type II variations are subject to a 'prior approval procedure' in accordance with Article 10 of Commission Regulation (EC) No 1234/2008 on marketing authorization variations. The CHMP is responsible for drawing up an opinion concerning the variation of

the marketing authorization. The CHMP opinion can be either favorable or not favorable to the granting of the requested variation of the marketing authorization by the European Commission. The European Commission takes the final decision on whether or not to grant a variation of a marketing authorization for a medicinal product that was approved under the centralized procedure.

Procedure for the re-examination of CHMP opinions

In case of a negative CHMP opinion on a variation application, the marketing authorization holder may request re-examination of the CHMP opinion within 15 days after receipt of the opinion. Within 60 days the marketing authorization holder must submit details grounds for requesting re-examination.

As a general rule, the CHMP must re-examine its opinion and adopt a new opinion within 60 days following receipt of the grounds for the re-examination request. Within 15 days of its adoption, the CHMP must send the final CHMP opinion to the European Commission, the Member States and the marketing authorization holder. The final CHMP opinion can be either favorable or not favorable to the granting of the requested variation of the marketing authorization by the European Commission.

Pharmaceutical compounding

Pharmaceutical compounding is a practice in which a licensed pharmacist prepares medicines in a pharmacy by combining, mixing, or altering pharmaceutical ingredients. In particular, pharmaceutical com-pounds are formulations developed by licensed (compounding) pharmacists based on active ingredients that are out of patent. Article 3 of the EU Directive 2001/83 provides that the Directive does not apply to:

- any medicinal product prepared in a pharmacy in accordance with a medical prescription for an individual patient ("magistral formula"); or
- any medicinal product which is prepared in a pharmacy in accordance with the prescriptions of a pharmacopoeia and is intended to be supplied directly to the patients served by the pharmacy in question ("officinal formula").

Consequently, pharmaceutical compounding is subject to national regulations and the practice may vary significantly amongst countries.

In pharmaceutical compounding, the medication is most often tailor-made per patient, and may or may not be specifically prescribed by a physician or other prescriber. The formulation can contain alternative dosages or strengths or can consist of combination therapies not commercially available. Because of the tailor-made character, compounded formulations fall under different regulatory rules than those governing standard drugs produced by pharmaceutical companies.

One of the main reasons for prescribing compounded medications is "patient non-compliance". This means that a patient is unable to take certain medications in their existing formulations or forms because the patient is allergic to certain preservatives, dyes or other non-essential ingredients, has difficulty taking the standard available forms (such as pills or capsules), or the medication strength is not suitable (for example, for infants or the elderly) or the complexity of the patient's chronic conditions require customised ready-to-use drug formulations not commercially available.

Compounding pharmacists are able to alter the formulations and/or forms of existing medications, including:

- lowering the level of or eliminating the preservatives, dyes or other ingredient causing allergies;
- increasing or decreasing dosage strengths;
- creating combination therapies, such as for HIV and cancer patients;
- combining multiple pharmaceuticals into a single medication to simplify a dosing regime;
- alternative forms, such as troches, lozenges, candies, gels and liquids, to create a specialized delivery mechanism; and
- added flavors for better taste and easier ingestion.

Pharmaceutical compounding also offers a solution to patients who require medications that have been discontinued by drug manufacturers or can become an alternative for patients who may be facing a supply shortage of their normal commercially available medications.

Some countries (e.g., Belgium and the Netherlands) allow the outsourcing of pharmaceutical compounding by licensed pharmacists to commercial manufacturers, thus enhancing the potential for compounding on a large scale. In addition, given the high prices of certain medicinal products (e.g., especially in oncology or with respect to orphan medicines), certain governments are considering to adopt measures to enlarge the possibility of compounding by pharmacists (e.g., the Netherlands by including an exception in its patent act). Whether compounded medicines can be reimbursed depends on the country.

Regulation in Other Countries

Approval of a drug by comparable regulatory authorities may be necessary in other countries prior to the commencement of marketing of the drug in those countries, whether or not approval in the United States or the European Union has been obtained. The approval procedure varies among countries and can involve requirements for additional testing. The time required may differ from that required for approval in the United States or the European Union. In general, each country has its own procedures and requirements, many of which are time consuming and expensive. Thus, there can be substantial delays in obtaining required approvals from foreign regulatory authorities after the relevant applications are filed.

For instance, the Japanese approval agency requires that tests to determine appropriate dosages for Japanese patients be conducted on Japanese subjects. Also, other parts of the clinical program may need to be repeated in Japan. This may result in a delay in introducing a drug developed outside of Japan to the Japanese market.

In Switzerland, we are subject to various regulations concerning the development of pharmaceutical products, such as, but not limited to, the (i) approval of clinical studies in the laboratory by the Ethical Commission for Clinical Tests (*commission d'éthique pour les essais cliniques/Ethikkommission für klinische Versuche*) and (ii) the authorization for animal studies by the State (*canton/Kanton*) and the marketing of pharmaceutical products, such as approval for therapeutic products by Swissmedic (Swiss Agency for Therapeutic Products).

Pharmaceutical coverage, pricing and reimbursement

In the United States, the European Union and other countries and jurisdictions, sales of the Groups product or any product candidates for which the Group may receive marketing approval will depend in part on the availability of coverage and adequate reimbursement to healthcare providers and patients from third-party payers. Third-party payers include government authorities (including government health programs, such as Medicare and Medicaid in the United States), managed care providers, private health insurers and other organizations. Patients who are prescribed treatments for their conditions and providers performing the prescribed services generally rely on third-party payers to reimburse all or part of the associated healthcare costs. Patients are unlikely to use pharmaceutical products unless coverage is provided and reimbursement is adequate to cover a significant portion of the cost of those products. Third-party payers are increasingly focused on containing healthcare costs by challenging the price and examining the cost-effectiveness of medical products and services.

In addition, significant uncertainty exists as to the coverage and reimbursement status of newly approved healthcare product candidates. The market for the Group's product or any product candidates for which the Group may receive marketing approval in the future will depend significantly on the degree to which these products are listed on third-party payers' drug formularies, or lists of medications for which third-party payers provide coverage and reimbursement to the extent products for which the Group may receive marketing approval are covered under a pharmacy benefit or are otherwise subject to a formulary. The industry competition to be included on such formularies often leads to downward pricing pressures on pharmaceutical companies. Also, third-party payers may refuse to include a particular branded drug on their formularies or otherwise restrict patient access to a branded drug when a less costly generic equivalent or other alternative is available. Furthermore, third-party payer reimbursement to providers for the Group's product or any product candidates for which the Group may receive marketing approval may be subject to a bundled payment that also includes the procedure administering such products. To the extent there is no separate payment for any such products, there may be further uncertainty as to the adequacy of reimbursement amounts. In addition, because each third-party payer individually approves coverage and reimbursement levels, obtaining coverage and adequate reimbursement is a time-consuming, costly and sometimes unpredictable process. The Group may be required to provide scientific and clinical support for the use of any product to each third-party payer separately with no assurance that coverage and reimbursement approval would be obtained, and the Group may need to conduct expensive pharmacoeconomic studies in order to demonstrate the cost-effectiveness of the Group's products. The Group cannot be certain that its product or any product candidates for which it may receive marketing approval will be considered cost-effective. Further, because coverage and reimbursement determinations are made on a payer-by-payer basis, obtaining acceptable coverage and reimbursement from one payer does not guarantee that the Group will obtain similar acceptable coverage or reimbursement from another payer. This process could delay the market acceptance of the Group's product or any product candidate for which the Group may receive marketing approval and could have a negative effect on the Group's future sales and operating results. If the Group is unable to obtain coverage of, and adequate reimbursement and payment levels for, its product or any products for which it may receive marketing approval from third-party payers, physicians may limit how much or under what circumstances they will prescribe or administer them and patients may decline to purchase them. This in turn could affect the Group's ability to successfully commercialize its products and impact its profitability, results of operations, financial condition and future success.

Furthermore, in many countries, particularly the countries in the European Union, the pricing of prescription drugs is subject to government control. In some non-U.S. jurisdictions, the proposed pricing for a drug must be approved before it may be lawfully marketed. The requirements governing drug pricing vary widely from country to country. For example, European Union Member States typically have options to restrict the range of medicinal products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use. A Member State may approve a specific price for the medicinal product or it may instead adopt a system of direct or indirect controls on the profitability of the company placing the medicinal product on the market. The Group may face competition for its product or any product candidates for which it may receive marketing approval from lower-priced products in any country that has placed price controls on pharmaceutical products. In addition, there may be importation of foreign products that compete with the Group's product or any products for which it may receive marketing approval, which could negatively impact the Group's profitability.

Investments

Besides the investments made in the product pipeline described in Section "Our Product Pipeline" starting on page 42, we do not have current investments or future investments that have already been firmly decided and for which legally binding undertakings have been entered into.

Property, Plant and Equipment

We do not currently own any real estate. We lease 200 square meters of laboratory and office space in Plan-les-Ouates and Geneva, Switzerland.

13. THE TRANSACTION

On March 16, 2018, the shareholders resolved to increase the ordinary share capital by up to CHF 13,037,577 through the issuance of the New Shares. This capital increase has been resolved in connection with a financing transaction announced by the Company on February 15, 2018 by which the Company intends to raise around CHF 40,000,000 of new funds. The Company announced that the Board of Directors would seek such shareholder approval to increase its ordinary share capital. The shareholders of the Company resolved on March 16, 2018 to increase the ordinary share capital by issuing up to 13,037,577 new registered shares (*i.e.*, the New Shares) at a price of CHF 3.13.

The Company entered into an investment agreement along with other agreements with two investors, Growth Equity Opportunities Fund IV, LLC ("NEA") and New Leaf Biopharma Opportunities I, L.P. ("NLV"). Other investors will invest alongside NEA and NLV (together with NEA and NLV, the " Investors"). The Investors will receive for each New Share 0.45 warrant, each warrant entitling to the subscription of one registered share at a price of CHF 3.43 during a seven year period (the "Warrants").

The proceeds will be used to advance Addex’s portfolio of drug candidates, including registration studies for lead program, dipraglurant, for levodopa-induced dyskinesia associated with Parkinson’s disease (PD-LID).

14. BOARD OF DIRECTORS, EXECUTIVE MANAGEMENT AND EMPLOYEES

A. Board of Directors and Executive Management

Board of Directors

The following table sets forth certain information with respect to our current directors. The business address for each member of the Board of Directors is c/o Addex Pharma SA, Chemin des Aulx 12, CH-1228 Plan-les-Ouates, Switzerland.

Name	Year of birth	First elected	Elected until	Board
Vincent Lawton (1)	1949	2009	2018	Chairman
Raymond Hill (1)	1945	2015	2018	Member
Tim Dyer	1968	2015	2018	Member
Roger Mills	1957	2017	2018	Member

(1) Member of the Compensation Committee

Vincent Lawton. Professor Lawton was born in 1949 and is a U.K. citizen. He 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. Professor Raymond Hill was previously a member of the Board of Directors from the Annual General Meetings of 2008 until 2012. He is currently Visiting Professor of Pharmacology at Imperial College in London, and Non-Executive Director of Avilex (DMK), Asceneuron (CH) and Orexo AB (SE). Prior to his retirement, he was Executive Director, Licensing and External Research, Europe (2002 - 2008) at Merck/MSD, Executive Director, Pharmacology (1990-2002) at the Merck Neuroscience Research Centre and had oversight responsibility for Neuroscience research at the Banyu Research Labs in Tsukuba, Japan (1997-2002). At Merck, he chaired a number of discovery project teams including those responsible for the marketed products Maxalt® and Emend®. Dr. Hill received his academic training (BPharm PhD) at the University of London. He was a lecturer in Pharmacology at the University of Bristol School of Medicine from 1974 to 1983 and supervisor in Pharmacology at Downing College, University of Cambridge from 1983 to 1988. He joined the pharmaceutical industry in 1983 as Head of Biology and founder member of the Park Davis Research Unit at Cambridge. In 1988, he joined SK&F (UK) as Group Director, Pharmacology and in 1990 moved to Merck. He is a past Council Member of the UK Academy of Medical Sciences and President Emeritus, British Pharmacological Society. He is Visiting Professor at the University of Bristol and a member of the UK Government Advisory Council on Misuse of Drugs.

Tim Dyer. Since co-founding Addex in 2002, Mr Dyer has played a pivotal role in building the Addex Group, raising CHF284 million of capital, including Addex IPO and negotiating licensing agreements with pharmaceutical industry partners that generated more than CHF55 million in cash inflows. Prior to founding Addex, he spent 10 years with Price Waterhouse (PW) & PricewaterhouseCoopers (PwC) in the UK and Switzerland as part of the audit and business advisory group. At PwC in Switzerland, Mr Dyer's responsibilities included managing the service delivery to a diverse portfolio of clients including high growth start-up companies, international financial institutions and venture capital and investment companies. At PW in the UK, Mr Dyer gained extensive experience in audit and transaction support; spending two years performing inward investment due diligence on local financial institutions in the Ex-Soviet Union. Mr Dyer has extensive experience in finance, corporate development, business operations and the building of start-up companies and served as a member of the Swiss government innovation promotion agency coaching team from 2011 to 2016. Mr Dyer also serves on the advisory board of the École polytechnique fédérale de Lausanne Management of Technology MBA program. Mr Dyer is also founder and managing partner of TMD Advisory, a chief financial officer ("CFO") services company. He is a UK Chartered Accountant and holds a BSc (Hons) in Biochemistry and Pharmacology from the University of Southampton, UK.

Roger Mills. Dr. Mills, who joined Addex in 2016, brings more than 25 years of biopharmaceutical industry experience at both large global pharmaceutical companies and smaller biotechnology companies, including Acadia Pharmaceuticals, Pfizer, Gilead Sciences, Abbott Laboratories and Wellcome, across a spectrum of disease areas. His extensive track record includes managing drug development programs from Investigational New Drug Application preparation through to post-marketing and OTC products, including NUPLAZID™ for the treatment of Parkinson's Disease Psychosis, as well as regulatory affairs and business development activities. Most recently, Dr. Mills was with Acadia Pharmaceuticals for nine years, serving as Executive Vice

President, Development and Chief Medical Officer. In this role, he oversaw the largest ever international Phase III program in Parkinson's Disease Psychosis, and led the Company's New Drug Application submission to the US Food and Drug Administration (FDA) for NUPLAZID, which was subsequently approved and remains the first and only medication approved by the FDA in this indication. Dr. Mills currently serves as a Visiting Professor at the Centre for Age Related Diseases, Institute of Psychiatry, Psychology and Neuroscience, King's College London. He received his medical degree from Imperial College, Charing Cross Hospital Medical School, London, United Kingdom. Dr. Mills is co-author of more than 50 research publications and patents.

Executive Management

Members of our senior management are elected by and serve at the discretion of our Board of Directors. In accordance with our articles of association and our organizational rules (the "Organizational Rules"),"), the Board of Directors has delegated operational management of the Company to the chief executive officer ("CEO").

The following table sets forth certain information with respect to our current members of senior management and employees , including scientists, upon whose work we depend.

Name	Year of Birth	Position	Nationality
Tim Dyer	1968	Chief Executive Officer	Swiss / British
Roger Mills	1957	Chief Medical Officer	USA / British
Robert Lütjens	1968	Head of Discovery	Swiss

Tim Dyer – Refer to page 68

Roger Mills – Refer to page 68

Robert Lütjens. Dr Lütjens rejoined Addex Therapeutics in May 2015 as Head of Discovery, with the objective to restart pre-clinical discovery activities and to supply the company's pipeline with new allosteric modulators for the treatment of human diseases. Dr Lütjens previously worked at Addex Pharmaceuticals from its inception in 2002 until 2013, where he held different positions within executive management of the Company (the "Executive Management") responsible for the Biology department. While at Addex, he established the biology capabilities and built the company's small molecule allosteric modulator biology platform. He played a pivotal role in all of Addex's small molecule allosteric modulator programs, including research collaborations with Merck & co. and Janssen. The latter partnership has led to the successful progression of the first mGluR2 positive allosteric modulator into man. Prior to joining Addex, Dr Lütjens completed a postdoctoral fellowship in the Department of Neuropharmacology at the Scripps Research Institute, in La Jolla, CA, where he focused on understanding molecular changes involved in addiction disorders. Dr Lütjens obtained his degrees in Biology from the University of Geneva, his master's at the Swiss Institute for Experimental Cancer Research and his 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 20 peer-reviewed publications and co-inventor on patents covering screening methods or chemical compounds.

B. Compensation of the Members of the Board of Directors and the Executive Management

General Information

The Company is incorporated in Switzerland and is subject to the Directive on Information Relating to Corporate Governance of the SIX Swiss Exchange (the **Corporate Governance Directive**) and the Swiss Ordinance Against Excessive Compensation in Listed Stock Companies of November 20, 2013 (the **Compensation Ordinance**). The Compensation Ordinance requires, among other things, shareholder approval of board and executive compensation of Swiss public companies, as well as a ban on compensation paid in advance, severance payments and transaction bonuses.

The Compensation Ordinance also contains compensation disclosure rules. Pursuant to these rules, the Company is required to prepare an annual compensation report. The compensation report includes, among other things, the compensation of the members of the Board of Directors on an aggregate and on an individual basis and of the members of the Executive Management on an aggregate basis as well as the amount for the highest paid member of the Executive Management. Pursuant to the Corporate Governance Directive, the Company is required to disclose basic principles and elements of compensation and shareholding programs for both acting and former members of the Board of Directors and the Executive Management as well as the authority and procedures for determining such compensation.

The Compensation Ordinance contains a "say on pay'' approval mechanism for the compensation of the members of the Board of Directors and the Executive Management pursuant to which the stakeholders must vote on the compensation of the Board of Directors and the Executive Management on an annual basis.

Compensation of the Members of the Board of Directors

The compensation of the member of the Board of Directors 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 of Directors. In addition, the Company reimburses members of the Board of Directors for out-of-pocket expenses incurred in relation to their services on an on-going basis upon presentation of the corresponding receipts.

Subject to the approval by the annual general meeting ("AGM"), the members of the Board of Directors may receive remuneration in cash at customary conditions for advisory services rendered outside their capacity as members of the Board of Directors for the benefit of the Company or companies under its control. The AGM may approve an additional bonus for the members of the Board of Directors in exceptional cases.

The compensation may also be paid for activities in companies that are directly or indirectly controlled by the Company and may be paid by the Company or by a company controlled by it.

Agreements on compensation with members of the Board of Directors may not exceed a term of one year.

Compensation of the Board of Directors for 2016 is detailed as follows:

2016(1)	**Fixed**	**Variable compensation**			
CHF	**cash compensation**	**cash attendance**	**number of equity incentive units**(2)	**value of equity incentive units**(2)	**Total 2016**
Vincent Lawton…….……	-	-	39,238	62,189	62,189
Raymond Hill……..	-	-	23,543	37,314	37,314
Tim Dyer……	-	-	-	-	-
Total…….	-	-	62,781	99,503	99,503

(1) On February 1, 2017, members of the Board of Directors waived their 2016 board fees totaling CHF80,000. On February 28, 2017, members of the Board of Directors were granted a total of 62,781 options at a strike price of CHF1 per share. The compensation report reflects this post balance sheet event which has not been adjusted in the consolidated financial statements.
(2) Equity incentive units include share options granted under the Company's share option plan (refer to note 14 of the consolidated financial statements).

Compensation of the Board of Directors for 2015 is detailed as follows:

2015	**Fixed**	**Variable compensation**			
CHF	**cash compensation**	**cash attendance**	**number of equity incentive units**(1)	**value of equity incentive units**(1)	**Total 2015**
Vincent Lawton…….……	25,858	25,858	-	-	51,715
Raymond Hill……..	15,341	15,341	26,000	41,986	72,668
Tim Dyer……	-	-	-	-	-
Total…….	**41,199**	**41,199**	**26,000**	**41,986**	**124,383**

(1) Equity incentive units include share options granted under the Company's share option plan and equity sharing certificates subscription rights that have been re-priced (refer to note 14 of the consolidated financial statements).

Compensation of the Members of the Executive Committee

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 stock 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 of Directors. 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 of Directors decides, on the total amount of variable element 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.

The compensation may also be paid for activities in companies that are directly or indirectly controlled by the Company and may be paid by the Company or by a company controlled by it.

Compensation of the Executive Management for 2016 is detailed as follows:

2016(1)	**Fixed**	**Variable compensation**			
CHF	**cash compensation**	**Cash**(4)	**number of shares**(3)	**value of shares**(3)	**Total 2015**
Total Executive Management(2)……..	-	444,234	280,132	485,507	929,741

(1) On February 1, 2017, Tim Dyer waived CHF192,000 of consulting fees and on February 28, 2017 was granted 229,480 options at a strike price of CHF1 per share. The compensation report reflects this post balance sheet event which has not been adjusted in the consolidated financial statements.
(2) The highest paid member of Executive Management in 2016 was the CEO, Tim Dyer, who received CHF192,000 of variable cash compensation, 272,744 equity incentive units. The value of equity incentive units including accrued social charges amounted to CHF473,273.
(3) Equity incentive units include shares awarded for consulting services under the share purchase plan and options granted under the Company's share option plan.
(4) Executive managers have been engaged under consulting contracts which include hourly and daily rates with a monthly cap.

Compensation of the Executive Management for 2015 is detailed as follows:

2015	**Fixed**	**Variable compensation**			
CHF	**cash compensation**	**Cash**(3)	**number of shares &** (2)	**value of shares** (2)	**Total 2015**
Total Executive Management(1)……..	-	624,000	34,212	122,877	746,877

(1) The highest paid member of Executive Management in 2015 was the CEO, Tim Dyer, who received CHF384,000 of variable cash compensation, 34,212 shares. The value of shares including accrued social charges amounted to CHF122,877.
(2) Equity incentive units include shares awarded for consulting services under the share purchase plan.
(3) Executive managers have been engaged under consulting contracts which include hourly and daily rates with a monthly cap.

Equity incentive plans

The purpose of the Company's share purchase, share option and equity sharing certificate programs is to provide members of the Board of Directors, 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 of Directors. Key factors considered by the Board of Directors in making grants of share options or equity sharing certificates are the amount of shareholder approved conditional capital, the benchmarking with other companies as well as individual performance. The strike price is determined by the Board of Directors 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 2016.

The Company has not granted any loans, credits or guarantees to members of the Board of Directors or of the Executive Management in 2016.

C. Board Practices

Our articles of association provide that the Board of Directors shall consist between one or eleven members, with the exact number to be fixed by our Board of Directors. Currently, our Board of Directors consists of four members. In accordance with 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 AGM.

In 2017, the Board held five meetings with average duration of one day. The majority of the meetings were held at the Company's offices with full attendance at all meetings. In addition to regular Board meetings, the Board holds additional ad hoc meetings or telephone conferences to discuss specific matters. The CEO is 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.

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.

D. Board Committees

The tasks, responsibilities and constitution of standing committees of the Board are defined in the Organizational Rules.

Audit Committee

The Audit Committee consists of Vincent Lawton as sole member and Chairman. The Audit Committee assists the Board in fulfilling its duties of supervision of management. It is responsible for the guidelines for risk management and the internal control system, review of the compliance system, review of the auditors' audit plans, review of annual and interim financial statements, monitoring of the performance and independence of external auditors (including authorizing non-audit services by the auditors and their compliance with applicable rules), review of the audit results and monitoring of the implementation of their findings by management.

In 2017, the Audit Committee held two meeting to review the half year ended June 30, 2017 and the full year 2016 financial statements and to generally review legal and regulatory compliance matters. The CEO and Head of Finance were present at a portion of the meetings.

Compensation Committee

The compensation committee consists of the following members: Vincent Lawton and Raymond Hill. The compensation committee operates under provisions set forth in our Organizational Rules.

The compensation committee assists our Board of Directors in compensation related matters. It reviews and assesses, on a regular basis, the remuneration system of the Group (including the management incentive plans) and makes proposals to the Board of Directors, provides our Board of Directors with recommendations on the compensation of the members of our Board of Directors and on the terms of employment (including remuneration package) for the CEO and employees reporting directly to the CEO, reviews the policies for the compensation, benefits and human resources practices of our executive officers and the Group's other employees and makes recommendations to the Board of Directors on the grant of options or other securities under any management incentive plans.

The compensation committee meets as often as business requires. The compensation committee held two meeting in 2017 to review the 2016 achievements versus the planned corporate objectives and determination of the performance related bonus pool, to conduct the annual salary review process and recommendation of the CEO and to review grants under the 2010 Equity Sharing Certificate Equity Incentive Plan (the "ESC Plan") and remuneration of the members of our Board of Directors. The CEO was present at a portion of this meeting.

Corporate Governance

There are two sets of corporate governance rules in Switzerland: the Swiss Code of Best Practice for Corporate Governance ("("Swiss Code")") issued by economiesuisse, the largest umbrella organization representing Swiss business establishments, and the Directive Corporate Governance dated December 13, 2016 ("DCG")") issued by the SIX Swiss Exchange. The Swiss Code is non-binding and recommends good corporate standards in line with international business practice. The DCG is binding for Swiss

companies with shares listed on the SIX Swiss Exchange, as well as for foreign companies not being listed in their home country and having their primary listing on the SIX Swiss Exchange, and requires them to disclose important information on the management and control mechanism at the highest corporate level or, alternatively, to give specific reasons why this information is not disclosed.

E. Employees

As of June 30 2017, December 31, 2016, 2015 and 2014, we had 6, 6, 5, 2 full-time equivalent employees, respectively. As of June 30, 2017, we had 6 employees, of whom 4 were engaged in research and development and 2 were engaged in business development, human resources, finance and administration.

We have not experienced any work stoppage and consider our employee relations to be good.

F. Securities and Option Rights held by Directors, Executive Management and Employees

The following table lists the shares, subscription rights and options of the Company held by the members of the Board of Directors and the Executive Management as at December 31, 2017:

Name	Position	Number of shares held	% of voting rights	Number of options/ subscription rights held	Total
Vincent Lawton …….……	Chairman	500	0.03%	303,088	303,588
Tim Dyer ……	Chief Executive & Board Member	370,882	2.41%	1,681,730	2,052,612
Raymond Hill……	Board Member	-	-	149,853	149,853
Roger Mills……	Chief Medical Officer & Board Member	66,727	0.43%	164,622	231,349
Robert Lütjens ……	Head of Discovery	-	-	254,365	254,365

[1] Calculated on the basis of the number of registered shares recorded in the commercial register as of December 31, 2017

As at December 31, 2017, total options and subscription rights owned by Members of the Board, Executive Management and Employees amounted to 2,937,029. All options and subscription rights expire between March 2018 and December 2027.

G. Legal Proceedings and Convictions

None of our members of the Board of Directors or our senior management have been convicted for major or minor finance or business-related crimes in the last five years nor do such persons currently have proceedings that are going to be nor have been concluded with a sanction.

15. MAJOR SHAREHOLDERS

The following tables describe the individual shareholdings of those shareholders that hold 3% or more of the Company's voting rights, to the extent known to the Company, as of the date of this Prospectus, as well as the shareholdings that such shareholders are expected to hold upon completion of the Capital Increase. The number of shares held by the relevant shareholder may have changed without the Company's knowledge.

As of March 27, 2018

The percentages set forth in the table below are calculated on the basis of the 15,384,988 Shares recorded in the commercial register as at the date of this Prospectus.

Shareholder	Place of residence | Registered office	Number of Shares held (registered shares)	% of Voting Rights	Delegated Voting Rights	% of voting rights	Other purchase positions	% of voting Rights	ISIN or basic terms	Aggregate % of voting rights	Sale Positions	% of voting rights	ISIN or basic terms
Addex Pharma SA[1]	Chemin des Aulx 12, PO Box 68, CH-1228 Plan-les-Ouates, Switzerland	1,967,211	12.78%	-	-	-	-		13.75%	10,965,174	71.27%	[2]
Tim Dyer/TMD Advisory SARL[3]	c/o Addex Pharma SA, Chemin des Aulx 12, PO Box 68, CH-1196 Gland, Switzerland	370,882	2.41%	-	-	1,681,730	10.93%	[4]	13.34%	-	-	
Growth Equity Opportunities Fund IV, LLC[5]	c/o New Enterprise Associates 15 L.P, MD 21093, Timonium / USA	-	-	-	-	6,948,881	45.17%	[6]	45.17%	-	-	
New Leaf Biopharma Opportunities I, L.P.[7]	1209 Orange Street, c/o Corporation Trust Company/Center, DE 19801 Wilmington, USA	-	-	-	-	2,316,293	15.06%	[8]	15.06%	-	-	

Total Shares registered in the commercial register: 15,384,988

(1) The beneficial owner is the Company, chemin des Aulx 12, PO Box 68, CH-1228 Plan-les-Ouates, Switzerland.

(2) Call options | warrants: Issuer: Addex Therapeutics Ltd. Underlying: registered shares of Addex Therapeutics Ltd. Subscription ratio: 1:1. Exercise price: CHF 3.43. Exercise period: 7 years from the registration of the capital increase and the conditional share capital in the commercial register. Exercise type: Actual delivery.

(3) The beneficial owner of the respective positions is Timothy Dyer, c/o Addex Pharma SA, Chemin des Aulx 12, CH-1196 Gland, Switzerland.

(4) Call options | warrants Issuer: Addex Therapeutics Ltd. Underlying: registered shares of Addex Therapeutics Ltd. Subscription ratio: 1:1. Exercise price: between CHF 1.00 and CHF 2.30. Exercise period: until December 31, 2027 at the latest. Exercise type: Actual delivery.

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

(6) Call options | warrants. Issuer: Addex Therapeutics Ltd. Underlying: registered shares of Addex Therapeutics Ltd. Subscription ratio: 1:1. Exercise price: CHF 3.43. Exercise period: March 28, 2025 at the latest. Exercise type: American (net basis).

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

(8) Call options | warrants. Issuer: Addex Therapeutics Ltd. Underlying: registered shares of Addex Therapeutics Ltd. Subscription ratio: 1:1. Exercise price: CHF 3.43. Exercise period: March 28, 2025 at the latest. Exercise type: Actual delivery.

After Completion of the Capital Increase

The figures set forth in the table below are calculated based on the assumption that 28,564,031 Shares will be recorded in the commercial register upon completion of the Capital Increase and registration of the 141,466 registered shares issued out of the conditional capital. Further, the table below is based on the assumption that none of the warrants have been exercised.

Shareholder	Place of residence | Registered office	Number of Shares held	Percentage of Voting Rights	Delegated Voting Rights	% of voting rights	Other purchase positions	% of voting Rights	ISIN or basic terms	Aggregate % of voting rights	Sale Positions	% of voting rights	ISIN or basic terms
Addex Pharma SA[1]	Chemin des Aulx 12, PO Box 68, CH-1228 Plan-les-Ouates, Switzerland	2,090,853	7.32%	-	-	55,639	-		7.32%	1,700,000	5.95%	[2]
Tim Dyer/TMD Advisory SARL[3]	c/o Addex Pharma SA, Chemin des Aulx 12, CH-1196 Gland, Switzerland	402,830	1.41%	-	-	1,696,106	5.89%	[4]	7.10%	-	-	
Growth Equity Opportunities Fund IV, LLC[5]	c/o New Enterprise Associates 15 L.P, MD 21093, Timonium / USA	4,568,690	15.99%	-	-	2,055,910	7.20%	[6]	23.19%	-	-	[7]
New Leaf Biopharma Opportunities I, L.P. [8]	1209 Orange Street, c/o Corporation Trust Company/Center, DE 19801 Wilmington, USA	1,597,444	5.59%	-	-	718,849	2.52%	[9]	8.11%	-	-	

Total Shares registered in the commercial register: 28,564,031

(1) The beneficial owner is the Company, chemin des Aulx 12, PO Box 68, CH-1228 Plan-les-Ouates, Switzerland.

(2) Call options | warrants Issuer: Addex Therapeutics Ltd. Underlying: registered shares of Addex Therapeutics Ltd. Subscription ratio: 1:1. Exercise price: CHF 3.43. Exercise period: 7 years from the registration of the capital increase and the conditional share capital in the commercial register. Exercise type: Actual delivery.

(3) The beneficial owner of the respective positions is Timothy Dyer, /o Addex Pharma SA, Chemin des Aulx 12, CH-1196 Gland, Switzerland.

(4) Call options | warrants Issuer: Addex Therapeutics Ltd. Underlying: registered shares of Addex Therapeutics Ltd. Subscription ratio: 1:1. Exercise price: between CHF 1.00 and CHF 2.30. Exercise period: until December 31, 2027 at the latest. Exercise type: Actual delivery.

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

(6) Call options | warrants. Issuer: Addex Therapeutics Ltd. Underlying: registered shares of Addex Therapeutics Ltd. Subscription ratio: 1:1. Exercise price: CHF 3.43. Exercise period: March 28, 2025 at the latest. Exercise type: Actual delivery.

(7) The amount of Growth Equity Opportunities Fund IV, LLC's investment has been slightly revised by the contractual parties on March 22, 2018. As a result, the number of newly issued registered shares of the Company with a nominal value of CHF 1.00 each which are subscribed for by Growth Equity Opportunities Fund IV, LLC as part of the Capital Increase is slightly below the number as of March 27, 2018. Consequently, the number of purchase positions issued to Growth Equity Opportunities Fund IV, LLC is also slightly below the number as of March 27, 2018.

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

(9) Call options | warrants. Issuer: Addex Therapeutics Ltd. Underlying: registered shares of Addex Therapeutics Ltd. Subscription ratio: 1:1. Exercise price: CHF 3.43. Exercise period: March 28, 2025 at the latest. Exercise type: Actual delivery.

16. RELATED PARTY TRANSACTIONS

Mr. Dyer and Mr. Mills are members of the Board or Directors, and serve as Chief Executive Officer and Chief Medical Officer, respectively. Mr Dyer, our CEO provides his services through ("TMDA"). TMDA subleases office space to the Group and the Group provides certain accounting and administrative services to TMDA, all of which are invoiced on an arms-length basis based on contracts approved by the Chairman of the Board of Directors.

There are no other interests of any member of our Board of Directors or Executive Management in transactions effected by us.

We have covered the members of our Board of Directors and senior management team with customary directors' and officers' liability insurance.

17. ADDITIONAL INFORMATION REGARDING THE COMPANY AND OUR SHARES

A. Share capital

Corporate History and Capital Structure

As of the date of this Prospectus, the outstanding share capital (including treasury shares) amounts to CHF 15,526,454 consisting of 15,526,454 registered shares with a nominal value of CHF 1.00 per share. The issued share capital comprises 15,384,988 Shares recorded in the commercial register and 141,466 Shares issued out of the Company's conditional share capital (article 3c of the articles of association) in 2017, which have not yet been recorded in the commercial register. The outstanding share capital is fully paid up. On March 16, 2018, the shareholders resolved to increase the ordinary share capital by up to CHF 13,037,577 through the issuance of the up to 13,037,577 registered shares with a nominal value of CHF 1.00 per share (the New Shares) to up to CHF 28,422,565. After the Listing and registration of the 141,466 registered shares issued out of the conditional capital in the commercial register, the Company will have 28,564,031 Shares issued and listed.

Each of our Shares carries one vote at our general meetings of shareholders. Voting rights may be exercised only after a shareholder has been registered upon application in our share register (*registre des actionnaires/Aktienregister*) as a shareholder or usufructuary (*usufruitier/Nutzniesser*) with voting rights. Registration with voting rights is subject to certain restrictions. See "Transfer of Shares, Restrictions" and "—"General Meeting of Shareholders' Meetings" in this Section.

Our Shares are traded on the SIX Swiss Exchange and are accepted for clearance and settlement through SIS. Since the Shares traded on the SIX Swiss Exchange are issued in uncertificated form (*Wertrechte/droit-valeur*) as intermediary-held securities (*Bucheffekten/titres intermédiés*), no share certificates are issued and share certificates are not available for individual physical delivery. However, any shareholder registered with our share registrar may, at any time, request confirmation of its shareholdings in written form. Such confirmation is not a negotiable instrument.

The Shares rank *pari passu* in all respects with each other, including with respect of entitlements to dividends, to a share of the liquidation proceeds in the case of a liquidation of the Company and to preemptive rights, subject to restrictions under the laws of the domicile or residence of the shareholder.

History of Share Capital

In 2017, the Group sold 1,613,271 treasury Shares for net proceeds of CHF3,259,721 and used 132,767 treasury Shares to purchase services from consultants including 67,283 Shares for Roger Mills, 47,706 shares for Tim Dyer. As part of the sale of treasury Shares, the Company granted 200,000 options to Herculis Partners SA at an exercise price of CHF 3.0 with an expiry in February 2020.

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

On May 27, 2016, the Group increased its share capital by CHF 1,754,941 (1,754,941 registered Shares with nominal value of CHF 1 per Share) out of authorized share capital. The 1,754,941 new Shares were subscribed by the Company's 100% owned subsidiary, Addex Pharma SA at CHF 1 and recorded as treasury shares.

In 2016 the Group sold 538,058 treasury Shares for gross proceeds of CHF 1,523,948 and used 43,264 treasury Shares to settle supplier invoices.

On March 9, 2015, the Group issued 1,526,036 new Shares from the authorized capital. Of the new Shares, 921,667 where placed at CHF 3 per Share with investors in a private placement and 604,369 were placed with Addex Pharma SA at CHF 1, and are held as treasury Shares. As part of the capital increase the Company granted 100,000 options to Herculis Partners SA at an exercise price of CHF 3.3 with an expiry in March 2020. The gross proceeds of CHF 2,765,001 have been recorded in equity net of directly related share issuance costs of CHF 185,555. At December 31, 2015, CHF 100,000 of accrued share issuance costs have been released in 2015.

In 2015 the Group sold 118,934 treasury Shares for gross proceeds of CHF 418,396.

Authorized Share Capital

As of the date of this Prospectus, we have an authorized share capital (*capital autorisé/genehmigtes Kapital*) of CHF 7,692,494, which allows our Board of Directors to issue up to an additional 7,692,494 Shares with a nominal value of CHF 1.00 each.

Article 3b of our articles of association authorizes our Board of Directors, at any time until June 22, 2019, to increase the outstanding share capital in an amount of CHF 7,692,494 through the issuance of 7,692,494 fully paid registered Shares with a nominal value of CHF 1.00 each. An increase in partial amounts is permitted. Our Board of Directors shall determine the issue price, type of payment, date of issue of new shares, conditions for the exercise of preemptive rights and beginning date for dividend entitlement. In this regard, our Board of Directors may issue new shares by means of a firm underwriting through a banking institution, a syndicate or another third party, provided that, to satisfy the preemptive rights of shareholders, the issuance is followed by a subsequent offer of shares to shareholders or the preemptive rights of shareholders in relation to the issuance are excluded. Our Board of Directors may permit preemptive rights that have not been exercised to expire or place preemptive rights or shares to which preemptive rights have been granted but not exercised at market conditions or use them for other purposes in the interest of the Company. For further discussion of shareholder preemptive rights, see "Additional Information — Share Capital — Preemptive Rights" in this Section.

Conditional Share Capital

As of the date of this Prospectus, the Company's total conditional share capital amounts to CHF 7,551,028. The reduction of the conditional capital by CHF 141,466 through the exercise of share options and subscription rights and the issuance of shares from the conditional share capital has not yet been recorded in the commercial register. With the conditional share capital (*capital conditionnel/bedingtes Kapital*) our share capital may be increased (i) by a maximum amount of CHF 3,358,534 by issuing a maximum of up to 3,358,534 Shares, under an exception to the advance preemptive rights of shareholders, if directors, executive officers or employees of the Group exercise subscription rights attached to ESCs granted under our ESC Plan or any future equity incentive plan and (ii) by a maximum amount of CHF 4,192,494 by issuing a maximum of up to 4,192,494 Shares, under an exception to the advance preemptive rights of shareholders, upon the exercise of any options or other conversion rights granted in connection with an issuance of bonds, similar obligations or other financial instruments by the Company or another Group company. On March 16, 2018, the shareholders resolved to amend the allocation of the conditional share capital and article 3c of our articles of association. The conditional capital for the issuance of registered shares upon exercise of the subscription rights attached to ESCs will be reduced to CHF 1,684,130 and the conditional capital for the issuance of registered shares upon exercise of any options or other conversion rights granted in connection with an issuance of bonds, similar obligations or other financial instruments will be increased to CHF 5,866,898.

The Company agreed to issue to certain investors on the day of registration of the Capital Increase in the commercial register 5,866,909 Warrants. Each Warrant entitles its holder to the subscription of one registered share of the Company. The warrants will be exercisable at the discretion of the investors for a period of seven years from the registration of the Capital Increase in the commercial register.

We currently expect to use the conditional share capital for the purposes of fulfilling our obligations under the ESC Plan and in connection with the warrant issuance and for raising additional funds.

The Board of Directors plans to propose to the AGM 2018 to be held in May or June 2018 to increase the conditional capital of the Company in an amount of up to CHF 6,730,987 from CHF 7,551,028 to a maximum amount of CHF 14,282,015.

Equity Sharing Certificates (ESCs)

Under the ESC Plan, equity sharing certificates ("ESCs", bons de jouissance / Genussscheine) may be granted by the Group to directors, executive officers or employees. Pursuant to article 3a of our articles of association, 1,700 registered bons de jouissance (ESCs) may be granted to directors, consultants or employees of the Company or any Group company according to regulations approved by our Board of Directors. The bons de jouissance are uncertificated and only with the prior consent of our Board of Directors transmissible. The bons de jouissance do not form part of the share capital and do not have a nominal value. They do not confer any right to vote or to attend shareholder meetings. Each bon de jouissance grants (i) a right to subscribe for 1,000 Shares and (ii) certain rights to liquidation proceeds of the Company.

We maintain a register of holders of bons de jouissance listing the surname and first name (in the case of legal entities, the company name), address and nationality (in the case of legal entities, the registered office) of the holders of bons de jouissance. Our Board of Directors may, at any time, hold, acquire or alienate bons de jouissance for the account of the Company, and we may, at any time, cancel bons de jouissance.

At December 31, 2017, there were 275,933 outstanding subscription rights attached to ESCs.

Share option plan

Under our 2007 Share option plan, options may be granted by the group to directors, executive officers or employees and consultants of the Group. At December 31, 2017, there were 2,679,981 outstanding options to be exercised.

Ordinary Capital Increase, Authorized and Conditional Share Capital

Under the CO, our share capital may be increased by a resolution passed at a general meeting of our shareholders (i) by a simple majority of the votes cast increased in consideration of contributions in cash and, (ii) by a majority of two-thirds of the Shares represented and the majority of the nominal value of the Shares represented at the passing of the resolution (x) in consideration of contributions in kind *(apports en nature*/*Sacheinlage*), (y) if the pre-emptive rights (*droits de scouscription préférentiels*/*Bezugsrechte*) of the existing shareholders are excluded or (z) in the event of a transformation of reserves into share capital. In addition, under the CO, the general meeting of shareholders may empower the Board of Directors to effect the increase of the share capital based on:

(a) authorized share capital to be utilized at the discretion of our Board of Directors within a period not exceeding two years from approval by the general meeting of shareholders; and

(b) conditional share capital to be issued upon the exercise of (1) ESCs granted at the discretion of our Board of Directors to employees and directors of the Company or another Group company or (2) option or conversion rights granted at the discretion of our Board of Directors pursuant to the issue of bonds, similar obligations or other financial instruments by the Company or another Group company.

The authorized share capital and the conditional share capital may each not exceed 50 percent of the outstanding share capital.

B. Preemptive Rights

Under the CO, holders of our Shares generally have preemptive rights and preferential rights to subscribe for newly issued securities of the Company in proportion to the nominal value of Shares held. The shareholders may, by a resolution passed by at least two thirds of the votes represented at a general meeting and the majority of the nominal value of the shares represented, withdraw or limit the preemptive rights for "important reasons", with the definition of "important reasons" interpreted by the courts in Switzerland.

If a general meeting of shareholders has approved, by amendment of the articles of association, the creation of authorized capital, it may at the same time delegate to the Board of Directors the decision whether to withdraw or limit the preemptive rights for important reasons, provided that the basic principles are set forth in its delegation. Our articles of association provide for this delegation with respect to our authorized share capital and conditional share capital in the circumstances described below.

Authorized Share Capital

Our Board of Directors is authorized to withdraw or limit the preemptive rights of the shareholders and to allot them to third parties for important reasons, including if:

- for the acquisition of enterprises, parts of an enterprise or participations, or new investments, by the Company in third parties or assets 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 of up to 20 percent 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 preemptive rights of the existing shareholders.

Courts in Switzerland have not addressed whether certain of the reasons above qualify as important reasons under Swiss law, in particular, for purposes of the participation of strategic partners.

In order to be an important reason justifying the withdrawal of the preemptive right such withdrawal must in any case:

- be in the interest of the Company and necessary for the pursuit of its lawful goals; and

- observe the principles of the equal treatment of shareholders and of the considerate exercise of rights.

Conditional Share Capital

Our share capital may be increased through the exercise of equity incentive rights, including ESCs and options, which are granted to directors and employees. Shareholders will not have preferential subscription rights in connection with the granting of such equity incentive rights nor will they have advance preemptive rights with respect to any registered shares issued from our conditional share capital upon the exercise of such equity incentive rights.

In addition, under article 3c of our articles of association, our Board of Directors is authorized to restrict or exclude the advance preemptive rights of shareholders in relation to the issuance of conditional share capital issued pursuant to (i) debt securities, warrants or other financial instruments issued with conversion rights for the purpose of the financing or refinancing of our acquisition of enterprises or parts of an enterprise, or participations or new investments made by us, (ii) debt, warrants or other financial instruments issued in the national or international capital markets and for the purpose of a firm underwriting by a banking institution or a consortium of banks with a subsequent offering to the public or (iii) debt, warrants or other financial instruments issued to raise capital in a fast and flexible manner. If the advance subscription rights are excluded by our Board of Directors, 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 ten-year period, and warrants may be exercised during a maximum seven-year period, in each case from the date of the respective issuance.

C. Transfer of Shares, Restrictions

A transfer of uncertified shares on the SIX Swiss Exchange is effected 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 us 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 our 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 our share register as a shareholder with voting rights if the purchaser discloses its name, citizenship or registered office and address and declares that it has acquired the Shares in its own name and for its own account.

Our articles of association provide that a person or entity not explicitly stating 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 ordinary shares up to a maximum of five percent of the outstanding nominal share capital. 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 name, address and shareholding of any person or legal entity for whose account it is holding one percent or more of the outstanding nominal share capital. The limit of one percent 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, we will only recognize one representative of each Share. Furthermore, ordinary Shares may only be pledged to 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, our Board of Directors may cancel such registration with retroactive effect.

D. Own Shares, Repurchase of Shares and Cross-shareholdings

Swiss law limits the number of ordinary shares that we may hold or repurchase. We may only repurchase ordinary Shares if we have sufficient free distributable reserves in our balance sheet to pay the purchase price and if the aggregate nominal value of such ordinary Shares does not exceed ten percent of our nominal share capital. Ordinary shares repurchased by us do not carry any rights to vote at general meetings of shareholders, but are generally entitled to the economic benefits applicable to the ordinary Shares, such as dividend rights and preemptive rights (*droits de souscription préférentiels/Bezugsrechte*) in case of share capital increases. Furthermore, we must create a special reserve on our balance sheet in the amount of the purchase price of the acquired ordinary shares. In addition, selective share repurchases are only permitted under certain circumstances. In particular, repurchases of ordinary shares listed on the SIX Swiss Exchange are subject to certain restrictions promulgated by the Swiss Takeover Board (the regulatory body for takeover bids in Switzerland) and the Swiss Financial Markets Supervisory Authority FINMA ("FINMA") under the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading ("FMIA")") and the implementing ordinances enacted thereunder. Within these limitations, as is customary for Swiss companies, we may purchase and sell its own ordinary shares from time to time in order to meet imbalances of supply and demand, to provide liquidity and to even-out swings in the ordinary share market place.

As of the date of this Prospectus, out 100% owned subsidiary, Addex Pharma SA holds 366,316 of our ordinary Shares, each with a nominal value of CHF 1.00.

E. Disclosure of Principal Shareholders

Under the FMIA and its implementing ordinances, persons who directly, indirectly or in concert with other parties acquire or dispose of Shares or are granted the power to exercise the voting rights attached to Shares at their own discretion ("delegated voting rights") or acquire or dispose of purchase or sale rights relating to Shares, and thereby reach, exceed or fall below a threshold of 3%, 5%, 10%, 15%, 20%, 25%, 331/3%, 50% or 662/3% of the Company's voting rights (whether exercisable or not), must report such acquisition or disposal to the Company and the SIX Swiss Exchange in writing within four trading days. Within two trading days after the receipt of such notification, the Company must publish such information through SIX Swiss Exchange's electronic reporting and publishing platform. For purposes of calculating whether a threshold has been reached or crossed, shares, delegated voting rights and acquisition rights or obligations ("Purchase Positions") on the one hand and sale rights or obligations ("Sale Positions") on the other hand may not be netted. Rather, the Purchase Positions and the Sale Positions must be accounted for separately and may each trigger disclosure obligations if the respective positions reach one of the thresholds. In addition, actual share ownership and delegated voting rights must be reported separately from other Purchase Positions if it reaches one of the thresholds.

Furthermore, under the CO, the Company must disclose the identity of shareholders and shareholder groups acting in concert who hold more than 5% of the Company's voting rights in the notes to the financial statements as published in the Company's annual report.

F. Obligation to Make an Offer and Opting-out

Pursuant to the FMIA, any person that acquires shares of a company whose shares are listed on a Swiss stock exchange, whether directly or indirectly or acting in concert with third parties, and, as a result, exceeds the threshold of 33 1/3% of the voting rights (whether exercisable or not) of such company, must submit a public tender offer to acquire 100% of the listed equity securities of such company. A company's articles of association may waive this requirement or raise the relevant threshold to up to 49% ("opting-out" and "opting-up", respectively). On March 16, 2018, the shareholders resolved to introduce a formally selective opting-out provision, pursuant to which Growth Equity Opportunities Fund IV, LLC and New Leaf Biopharma Opportunities I, L.P., in each case including their direct or indirect partners or shareholders as well as any other entity or person (whether incorporated or not) are for a period of five years exempt from the duty to submit a public tender offer. Different from other companies listed in Switzerland which have no opting-out clause, in case the shareholders listed above reach the threshold of 33 1/3% of the voting rights (whether exercisable or not) of the Company, the shareholders will neither benefit from the option to sell their shares in a mandatory tender offer nor from minority shareholder protection rules related to such mandatory tender offers.

The Swiss Takeover Board or the Swiss Financial Market Supervisory Authority FINMA may grant exemptions from the mandatory offer rule in certain circumstances. Also, there is no obligation to make a public tender offer under the FMIA and its implementing ordinances if the voting rights in question are acquired as a result of a gift, succession or partition of an estate, a transfer based upon matrimonial property law or execution proceedings. However, such acquisitions have to be notified to the Swiss Takeover Board. On March 20, 2018, the Swiss Takeover Board validated the opting-out which had been adopted by the shareholders of the Company on March 16, 2018.

G. Cancellation of Remaining Equity Securities

Under the FMIA, any offeror who has made a tender offer for equity securities of a listed Swiss company and who, as a result of such offer, holds more than 98% of the voting rights of such company, may petition the court to cancel such company's remaining equity securities. The petition must be filed against the target company within three months after the lapse of the offer period. The remaining shareholders of the target company may join the proceedings. If the court orders cancellation of the remaining equity securities, the target company must reissue and deliver such equity securities to the offer or against payment of the offer consideration for the benefit of the holders of the canceled equity securities.

H. Squeeze-Out Merger

The Swiss Federal Act on Merger, Demerger, Transformation and Transfer of Assets ("Swiss Merger Act") allows a squeeze-out of minority shareholders by way of a squeeze-out merger. With the approval of at least 90% of all shareholders of the target company, the target company may be merged into another company and the minority shareholders of the target company may be compensated in cash or other consideration (e.g. securities from another company) instead of receiving shares in the surviving company. It is unclear and controversial whether the 90% approval relates to the total number of votes represented by all shares of the target company outstanding or to the total number of shareholders of the target company entitled to vote.

I. Notices

Notices to shareholders are validly made by publication in the Swiss Official Gazette of Commerce (*Feuille Officielle Suisse du Commerce/Schweizerisches Handelsamtsblatt*). Our Board of Directors may designate further means of communication for publishing notices to shareholders. Notices required under the Listing Rules will be announced via the electronic media and, if required, published in electronic form on the website of the SIX Swiss Exchange (www.six-exchange-regulation.com).

K. Business Purpose and Business Year

According to article 2 of our articles of association, the Company's purpose is to acquire, to hold, to administer continuously, to sell and to finance participations in companies of all kinds in Switzerland and abroad, to the exclusion of real estate participation, except where permitted under Swiss law. Our articles of association further provide that we may (i) open branch offices and subsidiaries and agencies in Switzerland and abroad and grant guarantees or other security in relation to liabilities of affiliated companies, (ii) engage in any other commercial, financial and other activities which may promote or relate to the purpose of the Company, and (iii) acquire, manage, exploit and sell in Switzerland and abroad intellectual property rights and, where permitted under Swiss law, real estate.

L. General Meetings of Shareholders

Under Swiss law, a meeting of ordinary shareholders must be held annually within six months after the end of the fiscal year. General meetings of shareholders may be convened by our Board of Directors or, if necessary, by our statutory auditors. Our Board of Directors is further required to convene an extraordinary shareholders' meeting if so resolved by shareholders at a shareholders' meeting or if so requested by holders of Shares holding in aggregate at least ten percent of the nominal share capital of the Company. Shareholders holding Shares with the lower of a nominal value of at least CHF 1,000,000 and ten percent of the nominal share capital have the right to request that a specific proposal be discussed and voted upon at the next shareholders' meeting, setting forth the item and proposal. Under our articles of association, a request to put an item on the agenda has to be made at least 60 days prior to the relevant meeting. Extraordinary general meetings of shareholders may be called as often as necessary, including in all cases required by law.

A general meeting of shareholders is convened by publishing a notice in the Swiss Official Gazette of Commerce (*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.

Our articles of association do not prescribe a quorum for general meetings of shareholders. Resolutions of general meetings of shareholders generally require the approval of the simple majority (*majorité simple/einfache Mehrheit*) of the votes represented at the general meeting. Such resolutions include most amendments to our articles of association, elections of the members of our Board of Directors and statutory auditors, approval of the annual financial statements, setting the annual dividend, decisions to discharge the members of our Board of Directors and management for liability for matters disclosed to the general meeting of shareholders and the ordering of an independent investigation into specific matters proposed to the general meeting of shareholders (*contrôle special/Sonderprüfung*).

A resolution passed at a general meeting of shareholders with a qualified majority (*majorité qualifiée/qualifiziertes Mehr*) of at least two thirds of the votes represented and the absolute majority of the nominal share capital represented at such meeting is required by law for (i) changes to our business purpose; (ii) the creation of shares with privileged voting rights; (iii) restrictions on the transferability of registered shares; (iv) an increase of the authorized or conditional share capital; (v) an increase in our share capital by way of capitalization of reserves (*augmentation de capital au moyen des fonds propres*/*Kapitalerhöhung aus Reserven*), against contribution in kind *(apport en nature*/*Sacheinlage*), for the acquisition of assets (*reprise de biens/Sachübernahme*) or involving the grant of special privileges; (vi) the restriction or elimination of preemptive rights of shareholders; (vii) a relocation of the registered office; and (viii) the dissolution of the Company. Special quorum rules apply by law to a merger (*fusion/Fusion*), demerger (*scission/Spaltung*) or conversion (*transformation/Umwandlung*) of the Company. The introduction or removal of any provision in our articles of association introducing a majority greater than that required by law must be resolved in accordance with such greater majority.

Each shareholder may authorize in writing another person, a company representative (*représentant de la société*/*Organvertreter*), a specially designated independent shareholder representative (*représentant independant/unabhängiger Stimmrechtsvertreter*) or a depositary representative (*représentant dépositaire/Depotvertreter*) to represent such shareholder at a general meeting of shareholders.

Shareholder's Inspection Rights

A shareholder may, upon application to us, inspect the minutes of a general meeting of shareholders. In accordance with Swiss law, we make our annual report and the auditor's report available for inspection by shareholders at our registered address at least

20 days prior to each general meeting of shareholders. Any shareholder may request a copy of these reports in advance of or after the general meeting of shareholders. In addition, at a general meeting of shareholders, a shareholder may request information from our Board of Directors concerning our business and operations and may request information from the auditors concerning the performance and results of their examination of the financial statements. We may refuse to provide that information to a shareholder if, in our opinion, the disclosure of the requested information would reveal confidential secrets or infringe other of our protected interests.

M. Shareholder's Rights to Bring Derivative Actions

Under the CO, any shareholder may bring an action in the shareholder's own name, for our benefit, against our directors, officers, liquidators or auditors, which seek to allow us to recover any damages incurred due to intentional or negligent breach by such directors, officers, liquidators or auditors of their duties.

N. Net Profits and Dividends

Swiss law requires that we retain at least five percent of our annual net profits as general reserves until the reserves reach 20 percent of our nominal share capital. The allocation of the remaining net profits is decided by the general meeting of shareholders upon the proposal of our Board of Directors.

Under Swiss law, dividends may only be paid if we have sufficient distributable profits from previous business years or if our reserves are sufficient to allow a distribution of dividends. If our Board of Directors proposes a dividend, the approval of the general meeting of shareholders is required. Dividends are usually due and payable immediately after the shareholders' meeting approving the distribution of dividends. Payment of dividends is barred by statute of limitations after five years. Dividends for which no payment has been requested within five years after the due date accrue to the issuing company and are allocated to the general reserves.

Our statutory auditors are required to declare that the distribution of dividends proposed by our Board of Directors complies with Swiss law.

O. Borrowing Power

Neither Swiss law nor our articles of association restrict in any way our power to borrow and raise funds. The decision to borrow funds is passed by our Board of Directors or the management under the direction of our Board of Directors. No shareholders' resolution is required.

P. Board Practices

Please see the discussion under "Directors, Senior Management and Employees — Board Practices" in Section 13.

Q. Conflicts of Interest

Our organizational rules set forth rules for handling actual or potential conflicts of interest of directors, members of the Executive Management team (which comprises the CEO and officers of the Group designated by and directly reporting to the CEO) and their related persons. A conflict of interest means the special interest a director or member of the Executive Management team has, which could be opposite to the interest of the Company or the Group, with respect to a transaction or matter due to the fact such director, member or a related person has a financial or non-financial interest in, or is otherwise closely linked to, the transaction or matter. The Board of Directors shall decide, without the participation of the director or member of the Executive Management team in question, whether any conflict of interest exists. Our directors and members of the Executive Management team are required to disclose all board memberships each holds and any other interests or activities which could potentially lead to a point of contact with the Company or the Group on a continuing basis to the secretary of our Board of Directors, who shall report to the chairman of the board. Our directors and members of the Executive Management team are required to abstain from dealing or exercising their voting rights (if applicable) in any transaction or matter involving their personal interests or the interests of individuals or entities related to them. They may not receive any confidential information with respect to such transaction or matter and shall not participate in meetings to the extent such transaction or matter is discussed or resolved. In addition, any transaction between the Company or a Group company, on the one hand, and a director or a member of the Executive Management team, on the other hand, is required to be carried out "at arm's length" and approved without participation of the person concerned.

Swiss law does not have a general provision on conflicts of interest. However, under Swiss law, payments made to a shareholder or director, or any person associated with a shareholder or director, other than at arm's length must be repaid to the Company if such shareholder or director was acting in bad faith. Further, any contract entered between the Company and a third

party that represented the Company in connection with such contract must be in writing. This requirement does not apply to contracts relating to daily business matters where the value of the performance by the Company does not exceed CHF 1,000.

In addition, the CO contains a provision which requires directors and senior management to safeguard the interests of the Company and, in this connection, imposes a duty of loyalty and duty of care on its directors and officers. Among other effects, this provision is generally understood to disqualify directors and senior management from participation in decisions that directly affect them. Directors and senior management are personally liable to the Company for violation of these provisions. Under Swiss law, the members of our Board of Directors and all persons engaged in management are liable to the Company, to each shareholder and to the Company's creditors for damages caused by an intentional or negligent violation of their duties.

Under the CO, companies listed on the SIX Swiss Exchange are obliged to disclose, in the notes on the accounts, (i) the total amount of all compensation and loans granted by the Company to current and former members of our Board of Directors and management; and (ii) compensation and loans granted by the Company to persons affiliated with the current or former members of our Board of Directors or management. For any compensation or loan to a member of our Board of Directors, a separate disclosure including the identity of the director must be disclosed. With respect to members of management, only the highest compensation awarded in that fiscal year must be disclosed, including the recipient's identity. With respect to persons affiliated with members of our Board of Directors or management, a separate disclosure for any compensation or loan to such persons must be made.

R. Duration and Liquidation

Our articles of association do not limit our duration.

The Company may be dissolved at any time by a shareholders' resolution which must be passed with a qualified majority (*majorité qualifiée/qualifiziertes Mehr*) of at least two-thirds of the votes represented and the absolute majority of the nominal share capital represented at the meeting (i) in the event of the Company being dissolved by way of liquidation, and (ii) in case of a merger (in accordance with the Swiss Merger Act). Dissolution and liquidation by court order is possible: (i) if we become bankrupt; or (ii) for valid reasons if shareholders holding at least 10 percent of our share capital so request.

Under Swiss law, any surplus arising out of a liquidation (after the settlement of all claims of all creditors) is distributed in proportion to the paid-in nominal share capital, subject to Swiss withholding tax of 35 percent. See Section 17, "Certain Tax Considerations" beginning on page 86.

S. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business or as described in Section 12, "Business", in Section 14, "Major Shareholders and Related Party Transactions" or elsewhere in this Prospectus.

T. Exchange Controls

Persons who are neither nationals of, nor resident in, Switzerland may freely hold, vote and transfer their shares in the same manner as Swiss residents or nationals under Swiss law and under our articles of association.

Other than in connection with government sanctions imposed on certain persons from the Republic of Iraq, the Islamic Republic of Iran, Lebanon, Yemen, Libya, Sudan, the Republic of South Sudan, Burundi, the Democratic Republic of Congo, Somalia, Mali, Guinea-Bissau, Eritrea, Syria, Myanmar (Burma), Zimbabwe, Belarus, Guinea, the Democratic People's Republic of Korea (North Korea) and the Central African Republic, persons and organizations with connections to Usama bin Laden, the "Al-Qaïda" group or the Taliban, certain persons in connection with the assassination of Rafik Hariri, and certain measures in connection with the prevention of circumvention of international sanctions in connection with the situation in, there are currently no government laws, decrees or regulations in Switzerland that restrict the export or import of capital, including, but not limited to, Swiss foreign exchange controls on the payment of dividends, interest or liquidation proceeds, if any, to non-resident holders of the Shares.

U. Historical Price Performance of the Shares for the Years Ended 2014, 2015, 2016 and 2017

The following table contains a summary of the historical price performance our Shares for the years ended 2014, 2015 and 2016 and 2017:

Year Ended | Time Period	High	Low	Year End | End of Time Period
2014	5.24	1.28	2.32
2015	4.67	2.32	2.85
2016	3.46	1.70	1.84
2017	2.53	1.82	2.29

18. CERTAIN TAX CONSIDERATIONS

The following summary does not purport to address all tax consequences of the acquisition, ownership and sale or other disposition of the Shares, and does not take into account the specific circumstances of any particular investor. The summary relates only to the position of persons who are the absolute beneficial owners of the Shares and may not apply to certain other classes of persons. The summary is based on the tax laws, regulations and regulatory practices of Switzerland as in effect on the date hereof, which are subject to change (or subject to changes in interpretation), possibly with retroactive effect.

Current and prospective shareholders are advised to consult their own tax advisers in light of their particular circumstances as to the Swiss tax laws, regulations and regulatory practices that could be relevant for them in connection with the acquiring, owning and selling or other disposing of Shares and receiving dividends and similar cash or in-kind distributions on Shares (including dividends on liquidation proceeds and stock dividends) (Dividends) or other payments on Shares and the consequences thereof under the tax laws, regulations and regulatory practices of Switzerland.

Swiss Federal Withholding Tax

Any Dividends, as well as liquidation proceeds, that we pay on Shares that are not a repayment of share capital (*remboursement de capital/Nennwertrückzahlung*) or of reserves from capital contributions (*réserves issues d'apport de capital/Reserven aus Kapitaleinlagen*) are, with their gross amount, subject to Swiss Federal Withholding Tax at a rate of 35 percent. We are required to withhold the Swiss Federal Withholding Tax from the Dividend and remit it to the Swiss Federal Tax Administration. The Swiss Federal Withholding Tax on a Dividend will be refundable in full to a resident private shareholder and to a domestic commercial shareholder, who, in each case, inter alia, as a condition to a refund, duly reports the Dividend in his individual income tax return as income or recognizes the dividend in his income statement as earnings, as applicable.

A Non-Resident Shareholder may be entitled to a total or partial refund of the Swiss Federal Withholding Tax on a Dividend if the country of his or her residence for tax purposes has entered into a bilateral treaty for the avoidance of double taxation with Switzerland, or based on the agreement on the taxation of savings income between Switzerland and the EU, and provided that the conditions of such treaty or agreement are met. Such shareholders should be aware that the procedures for claiming treaty benefits (and the time required for obtaining a refund) might differ from country to country.

Swiss Federal, Cantonal and Communal Individual Income Tax and Corporate Income Tax

Non-Resident Shareholders

Non-resident shareholders will not be subject to any Swiss federal, cantonal and communal income tax either on Dividends (or repayments of share capital or capital contributions) paid to them on Shares or on any gain realized on the sale or other disposition of Shares, provided that such Dividends or gain realized are not attributable to a permanent establishment or fixed place of business located in Switzerland. See ‘‘—Swiss Federal Withholding Tax’’ above for a summary on Swiss federal withholding tax on Dividend distributions on Shares and ‘‘—Automatic Exchange of Information in Tax Matters’’ below for a summary on the tax treatment of individuals resident outside Switzerland who hold the Shares in Swiss accounts.

Resident Shareholders

Resident private shareholders (including individuals who for income tax purposes, are classified as “professional securities dealers”) are required to include Dividends, as well as liquidation proceeds, but not repayments of the share capital and reserves from capital contributions (*réserves issues d'apport de capital/Reserven aus Kapitaleinlagen*), in their personal income tax return for the relevant taxation period and are subject to Swiss federal, cantonal and communal income tax on any net taxable income, including the Dividends but not repayments of share capital or reserves from capital contributions (*réserves issues d'apport de capital/Reserven aus Kapitaleinlagen*), for such taxation period at the prevailing tax rates. A gain or loss realized by them on the sale or other disposition of Shares will be a tax-free private capital gain or a not tax-deductible capital loss, as the case may be. In some case, the sale of shares representing at least 20 percent of a company’s share capital may trigger tax consequences. Domestic commercial shareholders are required to recognize Dividends as well as liquidation proceeds received on Shares and capital gains or losses realized on the sale or other disposition of Shares in their income statement for the respective taxation period and are subject to Swiss federal, cantonal and communal individual or corporate income tax, as the case may be, on any net taxable earnings or income for such taxation period (to the extent that such dividends or capital gains or losses realized on the sale or other disposition of Shares are not attributable to a permanent establishment located outside Switzerland). Domestic commercial shareholders who are corporate taxpayers may be eligible for relief (*réduction pour participation/Beteiligungsabzug*) in respect of (i) Dividends (and repayments of share capital and reserves from capital contributions on the Shares) if the Shares held by them as part of a Swiss business represent at least ten percent of our share capital or have an aggregate market value of at least CHF 1.0 million, or (ii) gains from the sale of Shares if the Shares held by them as part of a Swiss business represent at least ten percent of our share capital, have been held for at least one year and to the extent that the sale price exceeds the cost of the investment (i.e., depreciation or provision on the participation are recovered).

Swiss Cantonal and Communal Private Wealth Tax and Capital Tax

Non-resident shareholders are not subject to Swiss cantonal and communal wealth tax or capital tax, provided that such dividends, respectively such gain realized is not attributable to a permanent establishment located in Switzerland. Resident private shareholders and domestic commercial shareholders, who are individuals are required to report their Shares as part of private wealth, respectively as part of their Swiss business assets, as the case may be, and will be subject to Swiss cantonal and communal wealth tax on any net taxable wealth (including Shares), in the case of domestic commercial shareholders to the extent the aggregate taxable wealth is allocable to Switzerland. Domestic commercial shareholders who are corporate taxpayers are subject to Swiss cantonal and communal capital tax on taxable capital to the extent the aggregate taxable capital is allocable to Switzerland.

Residents of the United States

The Convention between the Swiss Confederation and the United States of America for the Avoidance of Double Taxation with Respect to Taxes on Income, which entered into force on December 19, 1997 (the Treaty), allows U.S. resident individuals or U.S. corporations to seek a refund of the Swiss withholding tax paid on dividends in respect of our Shares if they qualify for benefits under the Treaty. U.S. resident individuals and U.S. corporations holding less than ten percent of the voting rights in respect of our Shares are entitled to seek a refund of withholding tax to the extent the tax withheld exceeds 15 percent of the gross dividend. U.S. corporations holding ten percent or more of the voting rights of our Shares are entitled to seek a refund of withholding tax to the extent the tax withheld exceeds five percent of the gross dividend. Qualifying U.S. pension or other retirement arrangements that do not control the Company are entitled to seek a full refund of withholding tax.

Claims for refunds must be filed with the Swiss Federal Tax Administration, Eigerstrasse 65, 3003 Bern, Switzerland, no later than December 31 of the third year following the calendar year in which the dividend or similar distribution became payable. The form used for obtaining a refund is Swiss Tax Form 82 (82C for companies; 82E for other entities; 82I for individuals; 82R for regulated investment companies ("RICs")). This form may be obtained from any Swiss Consulate General in the United States or from the Swiss Federal Tax Administration at the address above. The form must be filled out in triplicate with each copy duly completed and signed before a notary public in the United States. The form must be accompanied by evidence of the deduction of withholding tax withheld at the source (including tax voucher issued by the custodian bank).

Swiss Facilitation of the Implementation of the U.S. Foreign Account Tax Compliance Act

Switzerland has concluded an intergovernmental agreement with the U.S. to facilitate the implementation of FATCA. The agreement ensures that the accounts held by U.S. persons with Swiss financial institutions are disclosed to the U.S. tax authorities either with the consent of the account holder or by means of group requests within the scope of administrative assistance. Information will not be transferred automatically in the absence of consent, and instead will be exchanged only within the scope of administrative assistance on the basis of the double taxation agreement between the U.S. and Switzerland. On 8 October 2014, the Swiss Federal Council approved a mandate for negotiations with the U.S. on changing the current direct-notification-based regime to a regime where the relevant information is sent to the Swiss Federal Tax Administration, which in turn provides the information to the U.S. tax authorities. The new regime may come into force earliest in 2018.

Automatic Exchange of Information in Tax Matters

Switzerland has concluded a multilateral agreement with the EU on the international automatic exchange of information ("AEOI") in tax matters (the "AEOI Agreement"). The AEOI Agreement became effective as of January 1, 2017, and applies to all 28 member states and also Gibraltar. In addition, on January 1, 2017 the multilateral competent authority agreement on the automatic exchange of financial account information ("MCAA") and, based on the MCAA, a number of bilateral AEOI agreements with other countries became effective. Based on the AEOI Agreement and the bilateral AEOI agreements and the implementing laws of Switzerland, Switzerland began to collect data in respect of financial assets, which may include Offered Shares, held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of residents in a member state or a treaty state from 2017, and will exchange it from January 1, 2018. Switzerland has signed and is expected to sign further AEOI agreements with other countries

Stamp Tax

The transfer of Shares, where a bank or another securities dealer in Switzerland, as defined in the Swiss Federal Stamp Tax Act, acts as an intermediary, or is a party, to the transaction, are, subject to certain exemptions provided for in the Swiss Federal Stamp Tax Act, subject to Swiss federal securities turnover stamp duty (*droit de timbre de négociation/Umsatzabgabe*) at an aggregate tax rate of up to 0.15% of the consideration paid for such Shares.

C. U.S. Tax Considerations

The following summary describes the material United States federal income tax consequences associated with the acquisition, ownership and disposition of ordinary shares as of the date hereof. The discussion set forth below is applicable only to U.S. Holders (as defined below) and does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person's decision to acquire the ordinary shares. Except where noted, this summary applies only to a U.S. Holder that holds ordinary shares as capital assets for United States federal income tax purposes. As used herein, the term "U.S. Holder" means a beneficial owner of an ordinary share that is for United States federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary does not describe all of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are a broker, a dealer or trader in securities or currencies, a bank or other financial institution, a regulated investment company, a real estate investment trust, a cooperative, an insurance company, a pension plan, a tax-exempt entity, a person holding our ordinary shares as part of a hedging, integrated or conversion transaction, a constructive sale, a wash sale or a straddle, a person liable for alternative minimum tax, a person who owns or is deemed to own ten percent or more of our voting stock, a person holding our ordinary shares in connection with a trade or business conducted outside of the United States, a person who acquired our ordinary shares pursuant to the exercise of employee stock options or otherwise as compensation, a partnership or other pass-through entity for United States federal income tax purposes, a U.S. expatriate or a person whose "functional currency" for United States federal income tax purposes is not the United States dollar. The discussion below is based upon the provisions of the United States Internal Revenue Code of 1986, as amended (the Code), and regulations (including proposed regulations), rulings and judicial decisions thereunder as of the date hereof, and such authorities may be replaced, revoked or modified, possibly with retroactive effect, so as to result in United States federal income tax consequences different from those discussed below.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds our ordinary shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partnership holding our ordinary shares or a partner of a partnership holding our ordinary shares, you should consult your tax advisors as to the particular United States federal income tax consequences of acquiring, holding and disposing of the ordinary shares.

This discussion does not contain a detailed description of all the United States federal income tax consequences to you in light of your particular circumstances and does not address the effects of any state, local or non-United States tax laws. If you are considering the purchase, ownership or disposition of our ordinary shares, you should consult your own tax advisors concerning the United States federal income tax consequences to you in light of your particular situation as well as any other consequences to you arising under U.S. federal, state and local laws and the laws of any other applicable taxing jurisdiction and your eligibility for benefits under the Treaty in light of your particular circumstances.

Taxation of Distributions

Subject to the passive foreign investment company, or PFIC, rules discussed below, the gross amount of distributions on the ordinary shares (including the amount of any foreign taxes withheld from the distribution) will generally be taxable as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Because we do not expect to keep track of earnings and profits in accordance with United States federal income tax principles, you should expect that a distribution in respect of the ordinary shares will generally be treated and reported as a dividend to you. Such dividend income will be includable in your gross income as ordinary income on the day actually received by you or on the day received by your nominee or agent that holds the shares on your behalf. Such dividends will not be eligible for the dividends received deduction allowed to corporations in respect of dividends received from other U.S. corporations under the Code.

With respect to non-corporate United States investors, certain dividends received from a qualified foreign corporation may be subject to reduced rates of taxation. A foreign corporation is treated as a qualified foreign corporation with respect to dividends paid by that corporation on shares that are readily tradable on an established securities market in the United States. We plan to

apply to list our ordinary shares on The NASDAQ Capital Market. If our listing application is accepted, our ordinary shares will be readily tradable on that established securities market, subject to certain registration requirements or exemptions therefrom in the United States. However, even if the shares are readily tradable on an established securities market in the United States, we will not be treated as a qualified foreign corporation if we are a PFIC for the taxable year in which we pay a dividend or were a PFIC for the preceding taxable year. Non-corporate holders that do not meet a minimum holding period requirement during which they are not protected from a risk of loss or that elect to treat the dividend income as "investment income" pursuant to Section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of our status as a qualified foreign corporation. For this purpose, the minimum holding period requirement will not be met if a share has been held by a holder for 60 days or less during the 121-day period beginning on the date which is 60 days before the date on which such share becomes ex-dividend with respect to such dividend, appropriately reduced by any period in which such holder is protected from risk of loss. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. You should consult your own tax advisors regarding the availability of the reduced tax rate on dividends in light of your particular circumstances.

Taxable dividends paid in Swiss or other foreign currency will be included in a U.S. Holder's gross income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date the dividend is received by the U.S. Holder, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, U.S. Holders should not be required to recognize foreign currency gain or loss in respect of the dividend income. U.S. Holders may have foreign currency gain or loss if any such Swiss or foreign currency is converted into U.S. dollars after the date of receipt. U.S. Holders should consult their own tax advisors concerning the possibility of foreign currency gain or loss if any such Swiss or other foreign currency is not converted into U.S. dollars on the date of receipt.

If you are a U.S. Holder, then dividends received by you with respect to ordinary shares will be treated as foreign source income, which may be relevant in calculating your foreign tax credit limitation. Subject to certain conditions and limitations, Swiss tax withheld on dividends may be deducted from your taxable income or credited against your U.S. federal income tax liability. However, to the extent that you would be entitled to a refund of Swiss withholding taxes pursuant to the Treaty, you may not be eligible for a U.S. foreign tax credit with respect to the amount of such withholding taxes which may be refunded, even if you fail to claim the refund. See "—Taxation of Shares—Residents of the United States". The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by us generally will constitute passive income. The rules relating to the determination of the U.S. foreign tax credit are complex, and you should consult your tax advisor to determine whether and to what extent you would be entitled to this credit.

Passive Foreign Investment Company

In general, a non-United States corporation will be treated as a PFIC for U.S. federal income tax purposes for any taxable year in which:

- at least 75 percent of its gross income is passive income (the "income" test); or

- at least 50 percent of the value (determined based on a quarterly average) of its gross assets is attributable to assets that produce, or are held for the production of, passive income (the "asset" test).

For this purpose, passive income generally includes dividends, interest, royalties and rents (other than rents and royalties derived from the active conduct of a trade or business and not derived from a related person), certain gains from commodities and securities transactions and the excess of gains over losses from the disposition of assets which produce passive income. If we own, directly or indirectly, at least 25 percent (by value) of the stock of another corporation, we will be treated, for purposes of the PFIC tests described above, as directly owning our proportionate share of the other corporation's assets and receiving our proportionate share of the other corporation's income.

Under the tests described above, whether or not we are a PFIC will be determined annually based upon the composition of our income and the composition and valuation of our assets, all of which are subject to change. Although the matter is not free from doubt, we do not believe we were a PFIC in 2012. Because the PFIC determination is made annually and because the principles and methodology for applying the PFIC tests are not entirely clear, there can be no assurance that we will not be a PFIC in 2013 or were not or will not be a PFIC in any prior or subsequent taxable year.

If we are a PFIC for any taxable year during which you hold our ordinary shares, you will be subject to special tax rules with respect to any "excess distribution" received and any gain realized from a sale or other disposition, including a pledge, of ordinary shares, unless you make a "mark-to-market" election as discussed below. Distributions you receive in a taxable year that are greater than 125 percent of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the ordinary shares will be treated as excess distributions. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for your ordinary shares;

- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income; and

- the amount allocated to each other year will be subject to tax at the highest applicable tax rate in effect for corporations or individuals, as appropriate, for that taxable year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition, or "excess distribution," cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the ordinary shares cannot be treated as capital and will be subject to the "excess distribution" regime described above, even if you hold the ordinary shares as capital assets.

You will be required to file Internal Revenue Service Form 8621 annually regarding any distributions received on the ordinary shares and any gain realized on the disposition of the ordinary shares if you hold our ordinary shares in any year in which we are classified as a PFIC, and other reporting requirements may apply.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ordinary shares and any of our non-United States subsidiaries is also a PFIC, a U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. Under these circumstances, a U.S. Holder would be subject to United States federal income tax on (i) a distribution on the shares of a lower-tier PFIC and (ii) a disposition of shares of a lower-tier PFIC, both as if such U.S. Holder directly held the shares of such lower-tier PFIC. You are urged to consult your tax advisors about the application of the PFIC rules to any of our subsidiaries.

In certain circumstances, in lieu of being subject to the excess distribution rules discussed above, you may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method, provided that such stock is regularly traded in other than de minimis quantities for at least 15 days during each calendar quarter on a qualified exchange, as defined in applicable U.S. Treasury Regulations. We plan to apply to list our ordinary shares on The NASDAQ Capital Market. If our listing application is accepted, we expect that our ordinary shares will be "regularly traded" for purposes of the mark-to-market election, subject to certain registration requirements or exemptions therefrom in the United States.

If you make an effective mark-to-market election, you will include in each year that we are a PFIC as ordinary income the excess of the fair market value of your ordinary shares at the end of the year over your adjusted tax basis in the ordinary shares. You will be entitled to deduct as an ordinary loss in each such year the excess of your adjusted tax basis in the ordinary shares over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. If you make an effective mark-to-market election, any gain you recognize upon the sale or other disposition of your ordinary shares in a year in which we are a PFIC will be treated as ordinary income. Any loss will be treated as ordinary loss, but only to the extent of the net amount of previously included income as a result of the mark-to-market election.

Your adjusted tax basis in the ordinary shares will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If you make a mark-to-market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the ordinary shares are no longer regularly traded on a qualified exchange or the Internal Revenue Service consents to the revocation of the election. A mark-to-market election should be made by filing IRS Form 8621 in the first taxable year during which the U.S. Holder held the ordinary shares and in which we are a PFIC. A mark-to-market election would not be available with respect to a subsidiary PFIC of ours that a U.S. Holder is deemed to own for the purposes of the PFIC rules; accordingly, a U.S. Holder would not be able to mitigate certain of the adverse U.S. "excess distribution" federal income tax consequences of its deemed ownership of stock in our subsidiary PFICs by making a mark-to-market election. You are urged to consult your tax advisor about the availability of the mark-to-market election and whether making the election would be advisable in your particular circumstances.

Alternatively, holders of PFIC shares can sometimes avoid the rules described above by electing to treat such PFIC as a "qualified electing fund" under Section 1295 of the Code. However, this option is not available to you because we do not intend to comply with the requirements, or furnish you with the information, necessary to permit you to make this election.

You are urged to consult your tax advisors concerning the United States federal income tax consequences of holding ordinary shares if we are considered a PFIC in any taxable year.

Sale or Other Disposition of Shares

For United States federal income tax purposes, you will recognize taxable gain or loss on any sale or exchange or other taxable disposition of a Share in an amount equal to the difference between the amount realized for the Share and your tax basis in the Share, in each case as determined in United States dollars. Subject to the discussion above under "Passive Foreign Investment Company," such gain or loss will be capital gain or loss. Capital gains of non-corporate U.S. Holders derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by you will generally be treated as United States source gain or loss for U.S. foreign tax credit purposes. You are encouraged to consult your tax advisor regarding the availability of the U.S. foreign tax credit in your particular circumstances.

If you are a U.S. Holder and you receive any foreign currency on the sale of ordinary shares, then you may recognize U.S. source ordinary income or loss as a result of currency fluctuations between the date of the sale of the ordinary shares and the date the sales proceeds are converted into U.S. dollars.

Information Reporting and Backup Withholding

In general, information reporting will apply to distributions in respect of our ordinary shares and the proceeds from the sale, exchange or redemption of our ordinary shares that are paid to you within the United States or through certain U.S.-related financial intermediaries, unless you are an exempt recipient. Backup withholding may apply to such payments if you fail to (i) provide a taxpayer identification number or (ii) certify that you are not subject to backup withholding. U.S. Holders who are required to establish their exemption from backup withholding must provide such certification on Internal Revenue Service Form W-9. U.S. Holders should consult their tax advisors regarding the application of the United States information reporting and backup withholding rules.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is timely furnished to the Internal Revenue Service.

Medicare Tax

For taxable years beginning after December 31, 2012, certain U.S. Holders that are individuals, estates or trusts will be subject to an additional 3.8 percent tax on all or a portion of their “net investment income,” which may include all or a portion of their dividends and net gains from the disposition of ordinary shares. If you are a U.S. Holder that is an individual, estate or trust, you should consult your tax advisors regarding the applicability of this tax to your income and gains in respect of your investment in the ordinary shares. Neither we nor the Financial Adviser is providing any tax advice or information regarding United States federal, state or local tax considerations pertinent to an investment in the ordinary shares and nothing contained in this Prospectus should be construed to be tax advice as to such matters. None of the information contained herein is intended or written to be used, and cannot be used, for the purpose of avoiding U.S. tax related penalties. Any prospective investor that is resident in the United States for tax purposes or otherwise subject to U.S. taxation in any respect should fully consider both the present and future U.S. federal, state and local tax consequences of any investment in the ordinary shares. The U.S. tax consequences of an investment in the ordinary shares are complex and will not necessarily be the same for all investors. Accordingly, each prospective U.S. investor is urged to consult his or her own tax advisors as to the particular U.S. tax consequences to him or her of the purchase, ownership, conversion and disposition of the ordinary shares, including the applicability of any U.S. federal tax laws or any state or local tax laws, and any changes (or proposed changes) in applicable tax laws or interpretations thereof. There is no assurance that the U.S. tax consequences of investing in the ordinary shares will not be significantly modified by future legislation or administrative or court decisions.

19. SIX SWISS EXCHANGE

General Information

As the Shares are listed according to the Main Standard of the SIX Swiss Exchange, the Company is subject to the Listing Rules and further regulations enacted by the SIX Swiss Exchange.

The SIX Swiss Exchange (formerly known as the SWX Swiss Exchange AG) was founded in 1993 as the successor of the local stock exchanges in Zurich, Basel and Geneva. Full electronic trading in foreign equities and derivatives began in 1995. In 1996, the SIX Swiss Exchange introduced full electronic trading in Swiss equities, derivatives and bonds. In 2008, the SWX Swiss Exchange AG changed its name to SIX Swiss Exchange AG.

In 2017, the aggregate trading volume of the SIX for Swiss and foreign equity (on, off and dark order book) was CHF 1,048.8 billion. As of March 26, 2018, 143 issuers (of shares) were listed in accordance with the International Reporting Standard of the SIX (source: https://www.six-swiss-exchange.com/shares/companies/issuer_list_en.html).

General rules on securities trading

Trading on the SIX Swiss Exchange occurs through a fully integrated trading system covering the entire process from trade order through settlement. Trading in equity securities begins each business day at 9:00 am local time and continues until 5:20 pm, at which time the closing auction starts and continues until 5:30 pm Central European Time ("CET") or Central European Summer Time ("CEST") (as applicable, with a random close of trading within two minutes). After the close of exchange trading, new orders can be entered or deleted until 10:00 pm CET or CEST (as applicable). From 6:00 am CET or CEST (as applicable) new entries and enquiries can be made until 9:00 am CET or CEST (as applicable). The system is not available between 10:00 pm and 6:00 am CET or CEST (as applicable). For the opening phase (starting at 9:00 am CET or CEST (as applicable)), the system closes the order book and starts opening procedures, it establishes the opening prices and determines orders to be executed according to the matching rules. Closing auctions are held to determine the daily closing price for all equity securities traded on the SIX Swiss Exchange. At the start of the closing auction, the status of all equity order books changes from permanent trading to auction. The auction itself consists of a pre-opening period and the actual auction according to rules that are similar to the opening procedure.

Transactions take place through the automatic matching of orders. Each valid order of at least a round lot is entered and listed according to the price limit. A round lot of the shares is expected to consist of one share. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a price limit), provided that if several orders are listed at the same price, they are executed according to the time of entry. The SIX Swiss Exchange may provide for a duty to trade on the SIX Swiss Exchange in individual market segments. This duty requires the participant, during trading hours, to execute orders on the order book only. The duty to trade on the SIX Swiss Exchange for Mid-/Small-Cap equity securities does not apply to (i) orders with a market price of CHF 200,000 or more, (ii) collective orders, if the market price of the order is CHF 1,000,000 or more, or (iii) portfolio orders. Members of the SIX Swiss Exchange must observe the principle of best execution for any off-exchange transaction during the trading period. Transactions in shares effected by or through members of the SIX Swiss Exchange are subject to a stock exchange levy. This levy includes the reporting fee and is payable per trade and participant. The fee is defined individually for each trading segment.

Banks and broker-dealers doing business in Switzerland are required to report all transactions in listed securities traded on the SIX Swiss Exchange. For transactions effected via the exchange system reporting, reporting occurs automatically. Off-order book transactions during trading hours must be reported to the SIX Swiss Exchange within one minute. Transaction information is collected, processed and immediately distributed by the SIX Swiss Exchange. Transactions outside trading hours must be reported no later than the next opening. The SIX Swiss Exchange distributes a comprehensive range of information through various publications, including in particular the Swiss Market Feed. The Swiss Market Feed supplies SIX Swiss Exchange data in real time to all subscribers as well as to other information providers such as SIX Financial Information Ltd and Reuters.

A quotation may be suspended by the SIX Swiss Exchange if large price fluctuations are observed, or if important, price-sensitive information is about to be disclosed, or in other situations that might endanger fair and orderly trading. Surveillance and monitoring is the responsibility of the SIX Swiss Exchange as the organizer of the market. The aim of such self-regulation is to ensure transparency, fair trading and an orderly market

Clearing, Payment and Settlement

Clearing and settlement of securities listed on the SIX Swiss Exchange is made through SIS. Delivery against payment of exchange transactions usually occurs two trading days after the trade date.

Corporate Governance Directive and the Swiss Code of Best Practice for Corporate Governance

In Switzerland, two sets of rules are relevant with respect to corporate governance, specifically the SIX Directive on Information Relating to Corporate Governance of December 13, 2016, as amended (the "DCG"), and the Swiss Code of Best Practice for Corporate Governance of 2014, published by economiesuisse (the "Swiss Code"). In addition, certain requirements on corporate governance were recently introduced through the Compensation Ordinance (see Section 13 "Compensation of the Members of the Board of Directors and the Executive Management" beginning on page 70).

The DCG is binding on all Swiss companies whose equity securities have their primary or main listing on the SIX Swiss Exchange. The DCG requires issuers to disclose important information on the management and control mechanisms at the highest corporate level or to give specific reasons why this information is not disclosed.

The Swiss Code was established by economiesuisse, the largest umbrella organization representing Swiss businesses. The Swiss Code is non-binding and provides recommendations for good corporate standards in line with international business practices on a comply-or-explain basis.

Directive on the Disclosure of Management Transactions

The Directive on the Disclosure of Management Transactions issued by the SIX Swiss Exchange (the "DMT") requires issuers whose equity securities have their primary listing on the SIX Swiss Exchange to ensure that members of their board of directors and senior management disclose transactions they have made in the securities of their own company. Under the DMT, the relevant individuals must disclose any such transaction to the issuer, and the issuer must forward such information to the SIX Swiss Exchange. Such transactions are subsequently published on a "no names basis" on the SIX Swiss Exchange's website

20. GENERAL INFORMATION

Clearing Codes

The Swiss Security number (*numéro de valeur/Valorennummer*) of the Shares is 2985075. The ISIN is CH0029850754. The SIX Swiss Exchange ticker symbol will be ADXN. The Common Code is 030039254.

Documents Available for Inspection

This Prospectus and Addex's Articles are available for inspection during regular business hours c/o Addex Pharma SA, Chemin des Aulx 12, CH-1228 Plan-les-Ouates, Switzerland.

Recognized Representative

In accordance with article 43 of the Listing Rules, Homburger AG being recognized as an expert by the Admission Board of the SIX Swiss Exchange, has filed on our behalf an application for the listing of the New Shares on the SIX Swiss Exchange.

Notices

According to our Articles, notices to shareholders are validly made by publication in the Swiss Official Gazette of Commerce (*Feuille Officielle Suisse du Commerce/Schweizerisches Handelsamtsblatt*). The Board of Directors may designate other publication organs as well. Notices required under the Listing Rules will be announced via the electronic media, and, if required, published in electronic form on the website of the SIX Swiss Exchange (www.six-exchange-regulation.com).

Independent Auditors

Duration of the mandate and term of office of the independent auditors

PricewaterhouseCoopers SA, Avenue Giuseppe Motta 50, 1202 Genève ("PwC"), has held the mandate of independent auditor of the Company since 2002 and is elected as independent auditor for the fiscal year 2017. Yves Cerruti has succeeded to Michael Foley as lead auditor since the audit of 2016. The consolidated financial statements and the statutory financial statements of the Company as per December 31, 2016, 2014 and 2015, included in this Prospectus, have been audited by PwC, as stated in their reports appearing herein.

Auditing honorarium

PwC received a fee of CHF 104,000 for auditing the financial statements of the Company and the Group for the financial year 2016.

Additional honorariums

PwC received no additional fee for consultancy and other services for the financial year 2016.

Paying Agent

As long as the Shares are listed on the SIX Swiss Exchange, the Company will maintain a principal paying agent (*Hauptzahlstelle*) in Switzerland. The principal paying agent for the Shares in Switzerland is Banque Cramer & Cie SA.

21. GLOSSARY

Acute	Having a sudden onset, rapid rise, and short course (e.g., an *acute* disease). Acute is a term used in contrast to chronic or lasting.
Agonist	An endogenous or exogenous agent that mimics the action of hormones and/or neurotransmitters on their receptors to induce a response. For example, dopamine agonists stimulate specific brain dopamine receptors to induce a motor response.
Allosteric modulation	The regulation of an enzyme or protein by binding an effector molecule at an allosteric site on the protein, that is, a site other than the binding site of the protein's endogenous activator.
Anhedonia	Inability to feel pleasure in normally pleasurable activities
Antagonist	A chemical entity that counteracts or neutralizes the action of the body's endogenous chemical messenger or another foreign chemical entity, see Receptor.
Anxiety	An exaggerated response to a natural fear, or an excessive fear of a normal situation. A variety of disorders are grouped under anxiety; these include panic disorder, social phobia, obsessive-compulsive disorder, post-traumatic stress disorder and generalized anxiety disorder ("GAD"). Also anxiety commonly accompanies other psychiatric conditions such as depression, schizophrenia and addiction.
Areflexia	Absent reflexes
Benzodiazepines	A class of drugs with hypnotic, anxiolytic, anticonvulsant, amnestic and muscle relaxant properties, which are used for short-term relief of severe, disabling anxiety, insomnia, and for muscle relaxation for surgical procedures.
BLA	Biologics License Application
Bradykinesia	Slowness of movement
cGMP	current Good Manufacturing Practices.
CHMP	Committee for Medicinal Products for Human Use.
Chorea	Abnormal involuntary movement disorder
Clinical trial	Clinical trials are conducted to evaluate new drug candidates in patients in a strictly scientifically controlled setting. Such trials are designed to assess safety and efficacy of a potential new therapy.
CMT1A	Charcot-Marie-Toth neuropathy
CNS	Central Nervous System; the nerves and cells of the brain and the spinal cord.
COMP	Committee of Orphan Medicinal Product
Cytokine	Small proteins
Contract Research Organization ("CRO")	A company involved in performing clinical or non-clinical research on a contractual basis for a pharmaceutical company, research organization, or other health organization.
Dopamine	A monoamine with the chemical formula of C8H11NO2 that functions as a neurotransmitter in the brain.
Dopamine receptors	A class of metabotropic G protein-coupled receptors with the neurotransmitter dopamine as their endogenous ligand.
Double-blinded study	A clinical trial design in which neither the participating individuals (healthy volunteers or patients) nor the study staff know which participants are receiving the experimental drug and which are receiving placebo or another active treatment. Double-blind trials are thought to produce objective results, since the expectations of the doctor and the participant about the experimental drug do not affect the outcome.
Drug candidate	A molecule that is selected at the end of pre-clinical studies to become the subject of the clinical phase of development.
Dystonia	Neurological movement disorder, characterized by small involuntary movements and muscle cramps
Dyskinesia	Neurological movement disorder, characterized by involuntary

	skacking movements that are the consequence of medications
EC	European Commission
EMA	European Medicines Agency.
Endogenous	Produced or synthesized within the organism.
Enzyme	Proteins that catalyze (i.e. accelerate) chemical reactions.
Epilepsy	Neurological disorder in which brain activity becomes abnormal, causing unusual sensations and sometimes loss of awareness
Exogenous	Produced or synthesized outside the organism.
FDA	The US Food and Drug Administration.
FDCA	Federal Food, Drug and Cosmetic act
GABA	Gamma-Amino Butyric Acid, an amino acid which acts as an inhibitory neurotransmitter in the central and peripheral nervous systems.
GAD	Generalized Anxiety Disorder, an anxiety disorder characterized by chronic excessive anxiety that is difficult to control, impairs daily functioning, and is accompanied by three or more associated symptoms (e.g., restlessness, irritability, impaired concentration, or sleep disturbances).
GERD	Gastroesophageal Reflux Disease, a chronic condition characterized by abnormal episodes of reflux of stomach contents into the esophagus usually accompanied by heartburn and that may result in mucosal damage in the esophagus.
Glutamate	An amino acid which acts as an excitatory neurotransmitter in the central and peripheral nervous systems.
GCP	Good Clinical Practices
GLP	Good Laboratory Practices
GMP	Good Manufacturing Practices.
GPCRs	G Protein-Coupled Receptors, a protein family of transmembrane receptors that transduce an extracellular signal (ligand binding) into an intracellular signal (G protein activation).
Investigational New Drug (IND)	A request for authorization from the FDA to administer an investigational drug or biological product to humans.
In-vitro	A biological or chemical process occurring outside a living organism, i.e. conducted on cultured cells.
IRB	Independent Institutional Review Board
Kinetics	See Pharmacokinetics.
Mechanism of action	The manner by which a drug exerts its activity.
mGluR	Metabotropic glutamate receptors, a set of G protein-coupled glutamate receptors (GPCRs) comprising 8 members designated mGluR1-mGluR8. They are members of the family C of GPCRs. Like all glutamate receptors, mGluRs bind glutamate, an amino acid that functions as an excitatory neurotransmitter.
mGluR2	Metabotropic glutamate receptor subtype 2, a subtype of the set of G protein-coupled glutamate receptors.
mGluR5	Metabotropic glutamate receptor subtype 5, a subtype of the set of G protein-coupled glutamate receptors.
Migraine	A neurobiological disorder resulting from dysfunction of the trigeminovascular system. The disorder manifests as recurring episodes of characteristic headache, usually lasting 4-72 hours. These episodes, which can interfere with normal functioning, involve unilateral throbbing headache pain of moderate to severe intensity. They also usually involve nausea, sometimes vomiting, and sensitivity to light, sound and other sensory stimuli.
NAM	Negative Allosteric Modulator, inhibitors of the natural physiological activity of the endogenous activator.
New Drug Application (NDA)	New Drug Application with the FDA. A submission form that contains specific information on the manufacturing processes, chemistry, pharmacology, clinical pharmacology and the medical effects of a new chemical entity. If the information provided meets FDA requirements, the application is approved and a license allowing

a company to market the product is granted.

Neurotransmitter	A chemical substance in the central or peripheral nervous system that transmits nerve impulses across synapses.
Novel drug	A drug/pharmaceutical/antibiotic that is patentable because it is pharmaceutically new in chemical structure and either acts on a target which is not exploited by any other known drug or it has properties which make it sufficiently differentiable from any other drug sharing the same target.
Novel target	A target which is not exploited by any other known drug.
Novel mechanism of action	The mechanism of action of a drug that either acts differently from any other drug on a known target or that acts on a novel target.
Novel class of drugs/novel pharmaceuticals	Drugs/pharmaceuticals/antibiotics that all employ a new or unique mechanism of action.
Obsessive-compulsive	A psychiatric disorder most commonly characterized by a subject's obsessive, distressing, intrusive thoughts and related compulsive behaviors (tasks or "rituals") which attempt to neutralize the obsessions.
OOPD	Office of Orphan Products Development
Off-label	The use of a drug for a medical condition other than that for which it was officially approved and marketed.
PAM	Positive Allosteric Modulator, enhancers of the natural physiological activity of the endogenous activator.
Parkinson's disease (PD)	PD is a degenerative disorder of the central nervous system that affects the control of muscles, and so may affect movement, speech and posture. Parkinson's disease belongs to a group of conditions called movement disorders. It is often characterized by muscle rigidity, tremor, a slowing of physical movement (bradykinesia), and in extreme cases, a loss of physical movement (akinesia). The primary symptoms are the results of excessive muscle contraction, normally caused by the insufficient formation and action of dopamine, which is produced in the dopaminergic neurons of the brain. Secondary symptoms may include impaired cognitive function and language problems. PD is both chronic, meaning it persists over a long period of time, and progressive.
PD-LID	Parkinson's disease levodopa – induced dyskinesia
PDUFA	Prescription Drug User Fees Act
Peptide	short molecules formed from the linking, in a defined order, of various α-amino acids.
Pharmacokinetics	Pharmacokinetics is a branch of pharmacology dedicated to the study of the time course of substances and their relationship with an organism or system. So, in basic terms, while pharmacodynamics explores what a drug does to the body, pharmacokinetics explores what the body does to the drug. It includes the evaluation of absorption, distribution, metabolism, and excretion of drugs.
Phase I	Clinical trials in which a drug is tested for safety in healthy individuals. This is normally the first time the drug is given to humans. In one or more clinical trials, safety, tolerability, dose range pharmacodynamic and pharmacokinetic profiles are explored.
Phase II	Clinical trials in which a drug is given to a limited number of patients with a disease for which it is believed the drug may have some therapeutic effect. Positive efficacy is often referred to as clinical "proof of concept". This phase should conclude with evidence of whether the drug works, which patient population to target, and what is the optimal dose between beneficial effect and side effect.
Phase III	Clinical trials in which a drug undergoes testing of its ultimate proposed use on the market. The trials need to prove statistical significance that the drug presented at a particular dose, to a particular population and in a particular formulation has sufficient effect along with appropriately low side effects. A "pivotal Phase III trial" is one which ultimately provides statistically sound evidence of effect and

	safety.
PHSA	Public Health Services Act
Placebo	An inactive substance designed to resemble the drug being tested. It is used as a control to rule out any psychological effects testing may present.
Post traumatic stress disorder	A psychological disorder classified under anxiety disorders that occurs after the experience of a highly stressful event and that is characterized by anxiety, depression, nightmares and intrusive memories of the event,.
Pre-clinical (development)	The phase of drug discovery and development which precedes testing of the drug in humans.
Prevalence	A measure of the proportion of people in a population that are affected with a particular disease at a given time.
Proof of concept study	Proof of concept studies are initial phase IIa clinical trials, usually conducted within the target patient group to examine potential efficacy and safety in the target indication.
Protein	Relatively large organic compounds made of amino acids arranged in a linear chain and joined together by peptide bonds between the carboxyl and amino groups of adjacent amino acid residues.
R&D	Research and development.
Receptor	A specialized protein on the cell surface or inside the cell which relays information delivered by chemical messengers called transmitters.
Regulatory approval	Marketing approval granted by regulatory authorities following a positive assessment of a new drug application or marketing authorization application; or approval granted by regulatory authorities allowing the sponsor to conduct a clinical trial.
REMS	Risk Evaluation and Mitigation Strategy
Significant	A result is significant when it is unlikely to have occurred by chance.
SME	Small or Medium Enterprises
SPC	Supplementary Protection Certification
Stimulus (stimuli)	A detectable change in the internal or external environment.
Swissmedic	Swiss agency for therapeutic products.
Target	A specific biological molecule (protein, enzyme or other) that is addressed by a drug.
Tricyclic	Molecular structures which contain three rings of atoms. The term ‘tricyclic antidepressant’ is related to imipramine, desimipramine, amitriptyline, etc.

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INDEX TO THE FINANCIAL STATEMENTS

Half Year Condensed Consolidated Interim Financial Statements of Addex Therapeutics Ltd as at June 30, 2017
(unaudited)

Condensed Consolidated Interim Balance Sheets as at June 30, 2017 and December 31, 2016 (unaudited)

	Notes	June 30, 2017	December 31, 2016
ASSETS		**Amounts in Swiss francs**	
Current assets			
Cash and cash equivalents (excluding bank overdrafts)…….....	7	3,574,440	1,416,634
Other current assets……..…….….		261,202	242,158
Total current assets……		**3,835,642**	**1,658,522**
Non-current assets			
Property, plant and equipment……..	9	4,627	17,303
Non-current financial assets……..	8	7,111	7,102
Total non-current assets……		**11,738**	**24,405**
Total assets…….....		**3,847,380**	**1,682,927**
LIABILITIES AND EQUITY			
Current liabilities			
Payables and accruals……	10	965,476	1,249,900
Deferred income……	14	275,000	-
Total current liabilities……		**1,240,476**	**1,249,900**
Non-current liabilities			
Employment benefit obligations……	12	227,442	214,435
Total non-current liabilities…….....		**227,442**	**214,435**
Equity			
Share capital……....	11	13,251,233	11,563,547
Share premium……...		264,744,154	263,038,639
Other reserves…… …		7,312,727	6,757,887
Accumulated deficit……...		(282,928,652)	(281,141,481)
Total equity…….....		**2,379,462**	**218,592**
Total liabilities and equity…….....		**3,847,380**	**1,682,927**

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

Condensed Consolidated Interim Statements of Income for the six-month periods ended June 30, 2017 and 2016 (unaudited)

	Notes	June 30, 2017	June 30, 2016
		Amounts in Swiss francs	
Income			
Research grants	14	210,943	178,091
Other income		15,821	105,401
Total income	6	**226,764**	**283,492**
Operating costs			
Research and development		(1,147,856)	(1,060,522)
General and administration		(830,730)	(705,402)
Total operating costs	15	**(1,978,586)**	**(1,765,924)**
Operating loss		**(1,751,822)**	**(1,482,432)**
Finance income		-	27
Finance costs		(35,349)	(2,512)
Finance costs, net	16	**(35,349)**	**(2,485)**
Net loss before tax		**(1,787,171)**	**(1,484,917)**
Income tax expense		-	-
Net loss for the period		**(1,787,171)**	**(1,484,917)**
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company, expressed in Swiss francs		**(0.14)**	**(0.13)**

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

Condensed Consolidated Interim Statements of Comprehensive Income for the six-month periods ended June 30, 2017 and 2016 (unaudited)

	June 30, 2017	June 30, 2016
	Amounts in Swiss francs	
Net loss for the period……...……	**(1,787,171)**	**(1,484,917)**
Other comprehensive loss		
Items that will never be reclassified to the statement of income:		
Remeasurements of post-employment benefit obligations….……..…....	4,365	(176,215)
Items that may or may not be classified subsequently to the statement of income:		
Exchange difference on translation of foreign operations differences……	(254)	(312)
Other comprehensive loss for the period, net of tax……	**4,111**	**(176,527)**
Total comprehensive loss for the period……	**(1,783,060)**	**(1,661,444)**

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

Condensed Consolidated Interim Statements of Changes in Equity for the six-month periods ended June 30, 2017 and 2016 (unaudited)

Amounts in Swiss francs

	Notes	Share capital	Share premium	Other reserves	Accumulated deficit	Total
Balance at January 1, 2016		**11,025,489**	**262,078,103**	**6,552,733**	**(277,992,095)**	**1,664,230**
Net loss for the period		-	-	-	(1,484,917)	(1,484,917)
Other comprehensive loss for the period		-	-	(176,527)	-	(176,527)
Total comprehensive loss for the period		-	-	**(176,527)**	**(1,484,917)**	**(1,661,444)**
Issue of shares	11	1,754,941	-	-	-	1,754,941
Cost of share capital Issuance capital increase		-	(17,289)	-	-	(17,289)
Net movement of treasury shares	11	(1,409,791)	737,950	-	-	(671,841)
Value of share-based services		-	-	111,818	-	111,818
Balance at June 30, 2016		**11,370,639**	**262,798,764**	**6,488,024**	**(279,477,012)**	**1,180,415**
Balance at January 1, 2017		**11,563,547**	**263,038,639**	**6,757,887**	**(281,141,481)**	**218,592**
Net loss for the period		-	-	-	(1,787,171)	(1,787,171)
Other comprehensive income for the period		-	-	4,111	-	4,111
Total comprehensive loss for the period		-	-	**4,111**	**(1,787,171)**	**(1,783,060)**
Issue of shares	11	1,930,435	-	-	-	1,930,435
Cost of share capital Issuance capital increase		-	(23,000)	-	-	(23,000)
Net movement in treasury shares	11	(242,749)	1,728,515	-	-	1,485,766
Value of share-based services		-	-	550,729	-	550,729
Balance at June 30, 2017		**13,251,233**	**264,744,154**	**7,312,727**	**(282,928,652)**	**2,379,462**

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

Condensed Consolidated Interim Statements of Cash Flows for the six-month periods ended June 30, 2017 and 2016 (unaudited)

	Notes	June 30, 2017	June 30, 2016
		Amounts in Swiss francs	
Net loss for the period		(1,787,171)	(1,484,917)
Adjustments for:			
Depreciation and amortization	9	12,676	12,530
(Gain) / loss on disposal of fixed assets		-	(9,681)
Value of share-based services		550,729	111,818
Changes in retirement benefit obligations		17,372	12,496
Finance costs, net		35,349	2,485
Net changes in working capital		127,748	(85,249)
Net cash used in operating activities		**(1,043,297)**	**(1,440,518)**
Net cash (used in)/from investing activities		**-**	**(1,512)**
Net cash from financing activities		**3,236,722**	**1,065,811**
Increase/(decrease) in cash and cash equivalents		**2,193,425**	**(376,219)**
Cash and cash equivalents at beginning of the period	7	1,416,364	2,633,601
Exchange loss on cash and cash equivalents		(35,349)	(2,628)
Cash and cash equivalents at end of the period	7	**3,574,440**	**2,254,754**

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

1. General information

Addex Therapeutics Ltd, (the Company) and its subsidiaries (together, the Group) are a discovery based pharmaceutical group focused on discovery, development and commercialization of small-molecule pharmaceutical products for the treatment of human health. The Company is a Swiss stockholding corporation domiciled c/o Addex Pharma SA, Chemin des Aulx 12, CH-1228 Plan-les-Ouates, Geneva, Switzerland and the parent company of Addex Pharma SA and Addex Pharmaceuticals France SAS. Its registered shares are traded at the SIX, Swiss Exchange, under the ticker symbol ADXN.

To date, the Group has financed its cash requirements primarily from share issuances and out-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. Inherent in the Group's business are various risks and uncertainties, including the substantial uncertainty that current projects will succeed. The Group's success may depend in part upon its ability to (i) establish and maintain a strong patent position and protection, (ii) enter into collaborations with partners in the pharmaceutical industry, (iii) acquire and retain key personnel, and (iv) acquire additional capital to support its operations. The Board of Directors believes the Group will be able to meet all of its obligations for a further 12 months as they fall due and, hence, the condensed consolidated interim financial statements have been prepared on a going concern basis.

These condensed consolidated interim financial statements have been approved by the Board of Directors on September 25, 2017.

2. Basis of preparation

These half year condensed consolidated financial statements for the six months ended June 30, 2017, have been prepared in accordance with IAS 34 "Interim Financial Reporting". These half year condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS.

The half year condensed consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in accordance with IAS 34 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment which are significant to the half year condensed consolidated financial statements are disclosed in note 4 to the consolidated financial statements for the year ended December 31, 2016. Certain prior period figures have been corrected or re-classed to be consistent with the current period presentation.

3. Accounting policies

The accounting policies used in the preparation of the half year consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended December 31, 2016.

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:
The adoption of new standards, amendments to standards and interpretations which are mandatory for financial periods beginning on or after January 1, 2017 did not have a material impact on the Group financial position or disclosures made in these half year consolidated financial statements:

- IAS 7, statement of cash flow. This standard has been applied for the first time for the annual reporting period commencing 1 January 2017, and has no impact on the condensed consolidated interim financial statements.

New standards, amendments to standards and interpretations, that have been issued but are not mandatory for the financial year beginning January 1, 2017, have not been early adopted by the Group and are not expected to have any impact on the condensed consolidated interim financial statements:

- IFRS 15, Revenue from contracts with customers (effective from January 1, 2018). The Group will apply this standard from January 1, 2018;
- IFRS 16, Leases (effective for annual periods beginning on or after January 1, 2019). The Group will apply this standard from January 1, 2019; and
- IFRS 9, Financial instruments (effective from January 1, 2018). The Group will apply this standard from January 1, 2018.

4. Critical accounting estimates and judgments

Uncertainties and ability to continue operations
As discussed in note 1 under "general information", The Board of Directors (Board) believes the Group will be able to meet all of its obligations for a further 12 months as they fall due and, hence, the half year consolidated financial statements have been prepared on a going concern basis. The Group is currently engaged in a number of activities to ensure that it can continue its operations, including monetizing its assets, raising additional capital and pursuing strategic alternatives. The outcome of these activities is inherently uncertain and had the Board assessed differently the ability of the Group to execute on its current financial plans and the ability of the Group to meet all of its obligations for a further 12 months then the Group would have presented the half year consolidated financial statements on a liquidation basis. Had the half year consolidated financial statements been prepared on a liquidation basis then certain commitments and contingencies would have been recorded on the balance sheet and certain assets would have been written down to their recoverable amounts.

5. Interim measurement note

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

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

6. Segment reporting

6.1 Reportable segments

The Group operates in one segment, which is the business of developing drugs for human health.

6.2 Entity wide information

Information about products, services and major customers
The majority of external income of the Group is derived from the business of developing drugs for human health and is earned from collaborative arrangements and the sale of license rights to pharmaceutical companies, and grants from patient organizations.

Information about geographical areas
External income is recorded in the Swiss operating company.

Analysis of income by nature is detailed as follows:

	June 30, 2017	June 30, 2016
Research & development grants……..…….	210,943	178,091
Research services and other collaborative arrangements……..	-	75,265
Sales of fixed assets and stocks of consumables.....……..	-	9,681
Other service income…….	15,821	20,455
Total income…..……...	**226,764**	**283,492**

Analysis of income by major customer is detailed as follows:

	June 30, 2017	June 30, 2016
The Michael J. Fox Foundation (USA)…….……...	210,943	178,091
Pierre Fabre Pharmaceuticals (France)…….....	-	75,265
Multiple customers…….……...	15,821	30,136
Total income……..……..…….	**226,764**	**283,492**

For more detail, refer to note 14, "Other Income".

The geographical analysis of assets is as follows:

	June 30, 2017	December 31, 2016
Switzerland…….…….....	3,839,234	1,675,171
Current.…….……..	*3,827,889*	*1,651,152*
Non-current.…….……..	*11,345*	*24,019*
Europe……..……..……...	8,146	7,756
Current.…….……..	*7,752*	*7,370*
Non-current.…….……..	*394*	*386*
Total assets…….……..…….....	**3,847,380**	**1,682,927**

The geographical analysis of operating costs is as follows:

	June 30, 2017	June 30, 2016
Switzerland…….…….....	1,965,432	1,766,867
Europe……..…….....	13,154	(943)
Total operating costs (note 15) ……	**1,978,586**	**1,765,924**

There was no capital expenditure during the six-month period ended June 30, 2017 (first half 2016: CHF11,221).

7. Cash and cash equivalents

	June 30, 2017	December 31,2016
Cash at bank and on hand…….....	3,574,440	1,416,364
Total cash and cash equivalents…….....	**3,574,440**	**1,416,364**

All cash and cash equivalents were held either at bank or on hand as at June 30, 2017 and December 31, 2016.

8. Non-current financial assets

	June 30, 2017	December 31,2016
Security rental deposit..…….....	7,111	7,102
Total non-current financial assets……..…….	**7,111**	**7,102**

9. Property, plant and equipment

	Property, plant and equipment
Six months ended June 30, 2016	
Opening net book amount as at January 1, 2016…….	31,843
Additions…….…….....	11,221
Depreciation charge…….	(12,530)
Closing net book amount as at June 30, 2016…….	**30,534**
Six months ended June 30, 2017	
Opening net book amount as at January 1, 2017…….	17,303
Depreciation charge…….	(12,676)
Closing net book amount as at June 30, 2017…….	**4,627**

10. Payables and accruals

	June 30, 2017	December 31, 2016
Trade payables…….....	262,228	669,678
Social security and other taxes……..	43,760	7,240
Accrued expenses……..	659,488	572,982
Total payables and accruals…….	**965,476**	**1,249,900**

11. Share capital

	Number of shares		
	Common shares	Treasury shares	Total
Balance at January 1, 2016……	**11,699,612**	**(674,123)**	**11,025,489**
Issue of shares – capital increase…….	1,754,941	(1,754,941)	-
Net sale of treasury shares….....	-	345,150	345,150
Balance at June 30, 2016……..	**13,454,553**	**2,083,914**	**11,370,639**
Balance at January 1, 2017…….	**13,454,553**	**(1,891,006)**	**11,563,547**
Issue of shares – capital increase…….....	1,930,435	(1,930,435)	-
Net sale of treasury shares…….....	-	1,687,686	1,687,686
Balance at June 30, 2017…….....	**15,384,988**	**2,133,755**	**13,251,233**

Share capital

At June 30, 2017, the total outstanding share capital is CHF15,384,988 (June 30, 2016: CHF13,454,553), consisting of 15,384,988 shares (June 30, 2016: 13,454,553). All shares have a nominal value of CHF1 and are fully paid.

On May 29, 2017, the Group issue 1,930,435 new shares from the authorized capital to its 100% owned subsidiary, Addex Pharma SA at CHF1. These shares are held as treasury shares.

During the six month period ended 30 June 2017, the Group sold 1,613,271 treasury shares for net proceeds of CHF3,259,721 and used 74,415 treasury shares to purchase services from consultants including 43,960 shares for Roger Mills, 23,187 shares for Tim Dyer.

On May 27, 2016, the Group issued 1,754,941 new shares from authorized capital to its 100% owned subsidiary, Addex Pharma SA at CHF1. These shares are held as treasury shares.

12. Employee benefits

The amounts recognized in the income statements were as follows:

	June 30, 2017	June 30, 2016
Service costs……..…….....	(38,374)	(30,120)
Interest cost…..…….....	(10,881)	(9,028)
Interest income…….	10,231	8,223
Employees' contributions……..…….....	21,652	16,034
Pension income / (cost)……...	**(17,372)**	**(14,891)**

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

	June 30, 2017	December 31, 2016
Defined benefit obligation....……	(2,146,281)	(2,152,878)
Fair value of plan assets……..…….....	1,918,839	1,938,443
Defined benefit obligations at end of year…….	**(227,442)**	**(214,435)**

The discount rate was 0.8% at June 30, 2017 and December 31, 2016.

13. License and collaboration agreements

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 for future payments contingent on the products from the research achieving certain development milestones. The Group is also eligible for low double digit royalties on net sales. No income has been recognized under this agreement in the six-month periods ended June 30, 2017 and 2016.

14. Research grants

During the six-month period ended June 30, 2017, the Group received CHF 485,943 of grants from The Michael J. Fox Foundation for Parkinson's Research. Of this amount, CHF210,943 has been recognized as income and CHF275,000 has been recorded in deferred income.

15. Operating costs by nature

	June 30, 2017	June 30, 2016
Staff costs…….....	425,690	316,337
Depreciation and amortization…….....	12,676	12,530
External research and development costs…….....	370,904	354,482
Laboratory consumables……...……..	10,930	5,602
Patent costs……..…	81,494	310,419
Professional fees……..……	724,459	445,496
Operating leases……..……	55,909	16,257
Other operating costs…….....	296,524	304,801
**Total operating costs…….……	**1,978,586**	**1,765,924**

16. Finance costs, net

	June 30, 2017	June 30, 2016
Finance income…….	-	27
Unrealized foreign exchange (losses) / gains……...	(35,349)	(2,512)
**Finance costs, net...……..…….....	**(35,349)**	**(2,485)**

17. 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 common shares in issue during the period excluding common shares purchased by the Group and held as treasury shares.

	June 30, 2017	June 30, 2016
Loss attributable to equity holders of the Company.....	(1,787,171)	(1,484,917)
Weighted average number of shares in issue……	12,500,385	11,082,971
**Basic and diluted loss per share…….	**(0.14)**	**(0.13)**

The Company has two categories of dilutive potential shares as at June 30, 2017 and 2016: equity sharing certificates and share options. As of June 30, 2017 and 2016, equity sharing certificates and share options have been ignored in the calculation of the loss per share, as they would be anti-dilutive.

18. Related party transactions

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

Key management compensation	June 30, 2017	June 30, 2016
Salaries and other short-term employee benefits….....	42,000	41,374
Consulting fees…….	305,666	370,932
Share-based compensation…..……..	372,970	89,287
	720,636	**501,593**

Consulting fees relate to amounts paid to Sonia Poli, Tim Dyer and Roger Mills who deliver their services to the Group under consulting contracts. During the period, the Group invoiced CHF15,821 (first half 2016: CHF20,455) of consulting services to TMD Advisory Ltd, a company owned and managed by Tim Dyer.

Consolidated Financial Statements of Addex Pharmaceuticals Ltd as at December 31, 2016 (Audited)

Report of the statutory auditor to the General Meeting of Addex Therapeutics Ltd as at December 31, 2016 (Audited)

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 statement of financial position as at December 31, 2016 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 20 to 42) give a true and fair view of the consolidated financial position of the Group as at December 31, 2016 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 34'500

We concluded full scope audit work at two reporting units in Switzerland.

Our audit scope addressed over 100% of the Group's total expenses.

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

Risk of fraud in related party transactions

Going concern

Audit scope

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.

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.

The audit procedures covered 100% of the expenses incurred by the company and all of the work was performed by ourselves without recourse to either other PwC offices or other professional service firms.

Materiality

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

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

Overall Group materiality	CHF 34'500
How we determined it	1% of total expenses (rounded)
Rationale for the materiality benchmark applied	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 in its current research and development phase, and is a generally accepted benchmark.

We agreed with the Board of Directors that we would report to them misstatements above CHF 3'400 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Risk of fraud in related party transactions

Key audit matter	*How our audit addressed the key audit matter*
Although a risk of fraud exists in any business environment, the company's lean management structure heightens the risk of fraud. In addition related party transactions, which comprise consulting fees and other arrangements with key management, are significant and material to the financial statements. The combination of these factors resulted in our conclusions that fraud risk in related party transactions should be considered a key audit matter. The principal source of risk is asset misappropriation, particularly involving related parties which may overcharge for services rendered to the Group or undercharge for services received from the Group.	We obtained evidence regarding related party relationships and transactions disclosed in note 24. In particular, we inspected significant contracts with related parties. We understood the purpose, specific terms and conditions or amounts of the transactions with related parties. We reviewed approval by the Board of Directors and we evaluated if the transactions are properly accounted for and disclosed. Based on the work performed, we concluded that transactions are properly authorized, accounted for and disclosed.

Going concern

Key audit matter	*How our audit addressed the key audit matter*
The Group remains in a development phase and has yet to earn significant revenues from its product pipeline. In addition the Group has made significant losses throughout its history and a relatively weak cash balance as of December 31, 2016 may not allow it to continue its operations and support its activities in the future. As a result we identified going concern as a key audit matter. Following the successful fund raising completed in February 2017 (note 25), the Board of Directors has concluded that it is appropriate to prepare the consolidated financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Board of Directors intends it to do so, for at least 12 months	We evaluated the Board of Directors' conclusion in respect of going concern and critically assessed the Group's cash flow forecast to assess the adequacy of cash balance and new inflows for the Group to remain in operation. We obtained and scrutinised the supporting documentation for the significant funding transaction incurred in February 2017 and disclosed in note 25. We compared current year actual expenses to the prior year's forecast for the current year to assess the Board of Directors' ability to produce an accurate forecast. We further challenged the reasonableness of the future forecast through comparison to the current year actual expenses Where significant variances were noted we challenged the

from the end of the reporting period. The Group has conducted an assessment up until April 30, 2018.	reasonableness of the forecast and considered alternative assumptions and their impact on the cash forecast. We tested the mathematical accuracy of the forecast and the process by which it was prepared. We concluded that the Board of Directors' forecast was reasonable for the purpose of assessing going concern and concluded that the Board of Directors' use of the going concern assumption is appropriate.

Other information in the annual report

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

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

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

Responsibilities of the Board of Directors for the consolidated financial statements

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

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

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

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

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

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

the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

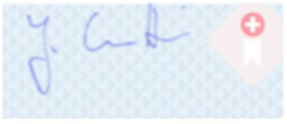
From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's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

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers SA



Yves Cerutti
Audit expert
Auditor in charge

Adrien Benoit

Geneva, March 30, 2017

Consolidated Balance Sheets
as at December 31, 2016 and December 31, 2015

	Notes	31.12.2016	31.12.2015
ASSETS			
Current assets			
Cash and cash equivalents (excluding bank overdrafts)	7	1,416,364	2,633,601
Other current assets	8	242,158	149,162
Total current assets		**1,658,522**	**2,782,763**
Non-current assets			
Intangible assets	9	-	-
Property, plant and equipment	10	17,303	31,843
Non-current financial assets	11	7,102	75,109
Total non-current assets		**24,405**	**106,952**
Total assets		**1,682,927**	**2,889,715**
LIABILITIES AND EQUITY			
Current liabilities			
Payables and accruals	12	1,249,900	1,029,823
Total current liabilities		**1,249,900**	**1,029,823**
Non-current liabilities			
Employment benefits obligations	20	214,435	195,662
Total non-current liabilities		**214,435**	**195,662**
Equity			
Share capital	13	11,563,547	11,025,489
Share premium		263,038,639	262,078,103
Other reserves		6,757,887	6,552,733
Accumulated deficit		(281,141,481)	(277,992,095)
Total equity		**218,592**	**1,664,230**
Total liabilities and equity		**1,682,927**	**2,889,715**

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

Consolidated Statements of Profit or Loss
for the years ended December 31, 2016 and 2015

	Notes	2016	2015
		Amounts in Swiss francs	
Income			
Research grants	16	285,091	315,699
Other income	16	126,653	475,626
Total income		**411,744**	**791,325**
Operating costs			
Research and development		(2,461,414)	(1,779,372)
General and administration		(1,079,927)	(1,652,767)
French tax authorities escrow account write off		-	(1,227,131)
Total operating costs	17	**(3,541,341)**	**(4,659,270)**
Operating loss		**(3,129,597)**	**(3,867,945)**
Finance income	21	27	39,860
Finance costs	21	(19,816)	(376,128)
Finance costs, net		**(19,789)**	**(336,268)**
Net loss before tax		**(3,149,386)**	**(4,204,213)**
Income tax expense	19	-	-
Net loss for the year		**(3,149,386)**	**(4,204,213)**
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company, expressed in Swiss franc	22	**(0.28)**	**(0.39)**

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

Consolidated Statements of Comprehensive Income
for the years ended December 31, 2016 and 2015

	2016	2015
	Amounts in Swiss francs	
Net loss for the year	**(3,149,386)**	**(4,204,213)**
Other comprehensive income		
Items that will never be reclassified to the statement of income:		
Remeasurements of post-employment benefit obligations	8,731	(54,926)
Items that may or may not be classified subsequently to the statement of income:		
Exchange difference on translation of foreign operations differences	(107)	-
Other comprehensive income for the year, net of tax	**8,624**	**(54,926)**
Total comprehensive income for the year	**(3,140,762)**	**(4,259,139)**

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

Consolidated Statements of Changes in Equity
for the years ended December 31, 2016 and 2015

Amounts in Swiss francs

	Notes	Share capital	Share premium	Other reserves	Accumulated deficit	Total
Balance at January 1, 2015		**9,984,888**	**260,020,862**	**6,127,826**	**(273,787,882)**	**2,345,694**
Net loss for the year		-	-	-	(4,204,213)	(4,204,213)
Other comprehensive loss for the year		-	-	(54,926)	-	(54,926)
Total comprehensive loss for the year		-	-	**(54,926)**	**(4,204,213)**	**(4,259,139)**
Issue of common shares	13	921,667	1,843,334	-	-	2,765,001
Cost of share capital Issuance capital increase		-	(85,555)	-	-	(85,555)
Net sales of treasury shares	13	118,934	299,462	-	-	418,396
Value of share-based services		-	-	479,833	-	479,833
Balance at January 1, 2016		**11,025,489**	**262,078,103**	**6,552,733**	**(277,992,095)**	**1,664,230**
Net loss for the year		-	-	-	(3,149,386)	(3,149,386)
Other comprehensive income for the year		-	-	8,624	-	8,624
Total comprehensive loss for the year		**-**	**-**	**8,624**	**(3,149,386)**	**(3,140,762)**
Issue of common shares	13	1,754,941	-	-	-	1,754,941
Cost of share capital Issuance capital increase		-	(25,354)	-	-	(25,354)
Net purchase of treasury shares	13	(1,216,883)	985,890	-	-	(230,993)
Value of share-based services		-	-	196,530	-	196,530
Balance at December 31, 2016		**11,563,547**	**263,038,639**	**6,757,887**	**(281,141,481)**	**218,592**

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

Consolidated Statements of Cash Flows
for the years ended December 31, 2016 and 2015

	Notes	2016	2015
		Amounts in Swiss francs	
Net loss for the year		(3,149,386)	(4,204,213)
Adjustments for:			
Depreciation and amortization	9/10	25,761	25,878
(Gain) / loss on disposal of fixed assets		(9,681)	(359,871)
Value of share-based services	14	197,347	355,909
Pension costs	20	27,504	(3,800)
Finance costs, net	21	19,789	336,268
French tax dispute escrow account write off	11	-	1,227,131
Net changes in working capital		194,279	(5,745)
Net cash used in operating activities		**(2,694,387)**	**(2,628,443)**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		9,681	360,043
Payment for purchase of property, plant and equipment	10	(11,221)	-
Interest received	21	27	39,860
Net cash (used in)/from investing activities		**(1,513)**	**399,903**
Cash flows from financing activities			
Proceeds from issue of shares – capital increase	13	-	2,765,001
Costs paid on issue of shares		(25,397)	(61,631)
Proceeds from sales of treasury shares	13	1,523,948	418,396
Interest paid	21	(6,924)	(192,070)
Net cash from financing activities		**1,491,627**	**2,929,696**
Decrease/(increase) in cash and cash equivalents		**(1,204,273)**	**701,156**
Cash and cash equivalents at beginning of the year	7	2,633,601	1,979,609
Exchange loss on cash and cash equivalents		(12,964)	(47,164)
Cash and cash equivalents at end of the year	7	**1,416,364**	**2,633,601**

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

Notes to the Consolidated Financial Statements
for the years ended December 31, 2016 and 2015
(amounts in Swiss francs)

1. General information

Addex Therapeutics Ltd (the Company), formerly Addex Pharmaceuticals Ltd, and its subsidiaries (together, the Group) are a drug discovery based pharmaceutical group focused on discovery, development and commercialization of small-molecule pharmaceutical products for the treatment of human health. The Company is a Swiss stockholding corporation domiciled c/o Addex Pharma SA, Chemin des Aulx 12, CH-1228 Plan-les-Ouates, Geneva, Switzerland and the parent company of Addex Pharma SA and Addex Pharmaceuticals France SAS. Its registered shares are traded at the SIX, Swiss Exchange, under the ticker symbol ADXN.

To date, the Group has financed its cash requirements primarily from share issuances and out-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. Inherent in the Group's business are various risks and uncertainties, including the substantial uncertainty that current projects will succeed. The Group's success may depend in part upon its ability to (i) establish and maintain a strong patent position and protection, (ii) enter into collaborations with partners in the pharmaceutical industry, (iii) acquire and retain key personnel, and (iv) secure additional capital to support its operations. The Board of Directors (Board) believes the Group will be able to meet all of its obligations for a further 12 months as they fall due and, hence, the consolidated financial statements have been prepared on a going concern basis. Further analysis is disclosed in note 4.1.

These consolidated financial statements have been approved by the Board of Directors on March 29, 2017. They are subject to approval by the shareholders prior to the June 30, 2017.

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) 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. Certain prior year figures have been re-classed to be consistent with current year presentation.

Changes in accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended December 31, 2015, The following new standards, amendments to standards and interpretations which are mandatory for the financial periods beginning on January 1, 2016 did not have any material impact on the consolidated financial statements:

- IFRS 11 (Amendment), Accounting for acquisitions of interests in joint operations (effective from January 1, 2016)
- IFRS 14, Regulatory deferral accounts (effective January 1, 2016).
- Annual improvements to IFRS 2012 -2014 cycle (effective January 1, 2016)
- IAS 1 (Amendment), Disclosure initiative (effective January 1, 2016)
- IAS 16 and 38 (Amendment), Clarification of acceptable methods of depreciation and amortization (effective January 1, 2016)

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

- IFRS 15, Revenue from contracts with customers (effective from January 1, 2018). The Group will apply this standard from January 1, 2018;
- IFRS 16, Leases (effective for annual periods beginning on or after January 1, 2019). The Group will apply this standard from January 1, 2019;
- IAS 7, Statement of cash flow (effective January 1, 2017); and

- IFRS 9, Financial instruments (effective from January 1, 2018). The Group will apply this standard from January 1, 2018.

At this stage, the Group does not expect any significant impact from new or revised standards, with the exception of IFRS 15. The Group will assess the potential impact of IFRS 15 in due course.

2.2 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.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CEO.

2.4 Foreign currency transactions

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of income within ‘finance result, net’. All other foreign exchange gains and losses are presented in the statement of income within ‘operating expenses’.

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.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. 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:

Leasehold improvements	(over life of lease)
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 carrying amount, and are included in the statement of income.

2.6 Intangible assets

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (2 to 5 years) on a straight-line basis. Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred.

2.7 Impairment of non-financial assets

Assets that are subject to depreciation or amortization are reviewed for impairment 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 which is “loans and receivables”.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the loans or 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. Loans and receivables are included in other current assets and non-current assets in the balance sheet (see note 8 and 11).

Loans and receivables are initially measured at fair value plus transaction costs that are directly attributable and subsequently measured at amortized cost. Amortized cost is the amount at which the loan or receivable is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount.

Loans and receivables are recognized on the trade-date, the date on which the Group commits to purchase or sell the asset. Loans and receivables are derecognized when settled or when the rights to receive cash flows have expired.

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

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.

2.10 Share capital

Common 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 deducted from equity attributable to the Company's equity

holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effect, is included in equity attributable to the Company's equity holders.

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.

2.13 Grants

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

2.14 Deferred income tax

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

2.15 Employee benefits

Pension obligations
Group companies operate various pension schemes. The schemes are 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 less the fair value of the plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Share-based compensation
The Group operates an equity sharing certificates' equity incentive plan, a share option plan and a share purchase plan: The fair value of the services received in exchange for the grant or transfer of equity incentive units is recognized as an expense. The total amount to be expensed 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.

2.16 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.17 Income recognition

Income, which currently relates primarily to collaborative arrangements, comprises the fair value for the sale of products and services, net of value-added tax, rebates and discounts. Income from the sale of products is recognized when the product has been delivered and accepted by the customer and collectability of the receivable is reasonably assured. Income from the rendering of services is recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total service to be provided. Income from collaborative arrangements may include the receipt of non-refundable license fees, milestone payments, and research and development payments. When the Group has continuing performance obligations under the terms of the arrangements, non-refundable fees and payments are recognized as income by reference to the completion of the performance obligation and the economic substance of the agreement.

2.18 Finance income and expense

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

2.19 Leases

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

2.20 Research and development

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

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

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

Property, plant and equipment used for research and development purposes are capitalized and depreciated in accordance with the Group's property, plant and equipment policy (see note 2.5).

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 principles 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

The Group operates internationally and is exposed to foreign exchange risk arising from various exposures, primarily with respect to the Euro, US dollar and UK pound. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. To manage foreign exchange risk Group Finance maintains foreign currency cash balances to cover anticipated future requirements. The Group's risk management policy is to economically hedge 50% to 100% of anticipated transactions in each major currency for the subsequent 12 months. The Group has a subsidiary in France, whose net assets are exposed to foreign currency translation risk. In 2016, a 10% increase or decrease in the EUR/CHF exchange rate would have resulted in a CHF4,761 (2015: CHF129,589) increase or decrease in net income and shareholders' equity as at December 31, 2016, a 10% increase or decrease in the GBP/CHF exchange rate would have resulted in a CHF5,747 (2015: CHF24,511) increase or decrease in net income and shareholders' equity as at December 31, 2016 and a 10% increase or decrease in the USD/CHF exchange rate would have resulted in a CHF32,894 (2014: CHF6,639) increase or decrease in net income and shareholders' equity as at December 31, 2016. 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. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Therefore the Group has no significant interest rate risk exposure.

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures to collaboration partners. The Group has a limited number of collaboration partners and consequently has a significant concentration of credit risk. The Group has policies in place to ensure that credit exposure is kept to a minimum and significant concentrations of credit risk are only granted for short periods of time to high credit quality partners. The Group's policy is to invest funds in low risk investments including interest bearing deposits. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted (see note 7).

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 4.1).

3.2 Capital risk management

The Company and its subsidiaries are subject to capital maintenance requirements under Swiss and French law, respectively. To ensure that statutory capital requirements are met, the Group monitors capital periodically, at the entity level, on an interim basis as well as annually. From time to time the Group may take appropriate measures or propose capital increases to ensure the necessary capital remains intact.

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. 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

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.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. 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:

Uncertainties and ability to continue operations

As discussed in note 1 under "general information", The Board of Directors (Board) believes the Group will be able to meet all of its obligations for a further 12 months as they fall due and, hence, the consolidated financial statements have been prepared on a going concern basis. The Group is currently engaged in a number of activities to ensure that it can continue its operations, including monetizing its assets, raising additional capital and pursuing strategic alternatives. The outcome of these activities is inherently uncertain and had the Board assessed differently the ability of the Group to execute on its current financial plans and the ability of the Group to meet all of its obligations for a further 12 months then the Group would have presented the consolidated financial statements on a liquidation basis. Had the consolidated financial statements been prepared on a liquidation basis then certain commitments and contingencies (refer to details of operating lease commitments in note 23) would have been recorded on the balance sheet and certain assets would have been written down to their recoverable amounts (refer to other current assets in note 8 and non-current financial assets in note 11).

Income taxes

As disclosed in note 19 the Group has significant Swiss tax losses. These tax losses represent potential value to the Group to the extent that the Group is able to create taxable profits within 7 years of the end of the year in which the losses arose. The Group has not recorded any deferred tax assets in relation to these tax losses. The key factors which have influenced management in arriving at this evaluation are the fact that the Group has not yet a history of making profits and product development remains at an early stage. Should management's assessment of the likelihood of future taxable profits change, a deferred tax asset will be recorded.

Commitments and contingencies

In assessing the need for provisions for legal cases, estimates and judgments are made by the Group with support of external legal advisors and other technical experts in order to determine the probability, timing and amounts involved. The Group is currently in dispute with the French tax authorities and in this regard an amount of EUR1,202,610 (CHF1,446,259) was deposited in an escrow account on April 18, 2012. On the March 9, 2015 the Group received a negative judgment from the "Tribunal of Grenoble". On May 5, 2015 the Group filed an appeal to the decision in the Appeal Court "Court d'Appel de Lyon". On May 7, 2015 the Group was informed that the French tax authorities had made a claim against the escrow account on the basis of the decision by the "Tribunal of Grenoble". The total balance of the escrow account was paid to the French tax authorities on May 29, 2015. As a consequence the balance of the escrow account that had previously been recorded in non-current assets has been written off with a corresponding charge of CHF1,227,131 recognized in the statement of income in 2015. On December 6, 2016 the group received a negative judgment from the Appeal Court ("Cour d'Appel de Lyon"). The Group is currently assessing whether to file an appeal to this decision in the Supreme Court ("Conseil d'Etat").

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 are made in these models. Should the assumptions and estimates underlying the fair value of these instruments vary significantly from management's estimates, then the share-based compensation expense would be materially different from the amounts recognized. Had these assumptions been modified within their feasible ranges and the Group calculated the share-based compensation based on the higher and lower values of these ranges, share-based compensation expense in 2016 would have been CHF143,486 or CHF237,882, respectively (2015: CHF320,318 or CHF391,500, respectively). This is compared to the amount recognized as an expense in 2016 of CHF197,347 (2015: CHF355,909). Additional information is disclosed in note 14.

Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each 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 20.

Loans to employees

In connection with the granting of equity sharing certificates (ESCs), the Group has made loans to its employees to finance the tax and social charges consequences of the grant of ESCs. The loans are only repayable if capital gains are realised from the exercise of the subscription rights attached to the ESCs. ESCs' subscription rights are exercisable, subject to vesting, until their expiry date, at their subscription price only if the underlying share price exceeds a predefined floor price. As at December 31, 2016 the total of loans that are not related to forfeited or expired subscription rights amount to CHF318,467 (2015: CHF468,201). At December 31, 2016 and 2015, no amount of these loans was assessed as recoverable within 12 months and no amount was assessed as recoverable in more than 1 year. The loans were tested for impairment based on the historic volatility, the closing share price at December 31 and expected forfeiture and expiry rates. Had the Group made different assumptions regarding the recoverability of these loans, then their carrying value would have changed accordingly. In 2016, this would have resulted in an income of between CHF0 and CHF318,467 (2015: CHF0 and CHF468,201).

4.2 Critical judgments in applying the accounting policies

Development supplies

At December 31, 2016, the Group owns development supplies that have been expensed in the statement of income. These amounts have not been recognized on the balance sheet as an asset since they are to be used in pre-clinical and clinical trials of specific products that have not demonstrated technical feasibility.

5. Segment information

5.1 Reportable segments

The Group operates in one segment, which is the business of developing drugs to improve human health.

5.2 Entity wide information

Information about products, services and major customers

External income of the Group for the years ended December 31, 2016 and 2015 is derived from the business of developing drugs for human health. Income was earned from grants, collaborative arrangements and the sale of license rights to pharmaceutical companies.

Information about geographical areas

External income is recorded in the Swiss operating company as research and development grants and other income.

Analysis of income by nature is detailed as follows:

	2016	2015
Research & development grants	285,091	315,699
Research services and other collaborative arrangements	80,676	65,302
Sales of fixed assets and stocks of consumables	11,781	399,310
Other service income	34,196	11,014
Total income	**411,744**	**791,325**

Analysis of income by major customer is detailed as follows:

	2016	2015
The Michael J. Fox Foundation (USA)	285,091	315,699
Pierre Fabre Pharmaceuticals (France)	80,676	65,302
Multiple customers	45,977	410,324
Total income	**411,744**	**791,325**

For more detail, refer to note 15, "License and collaboration agreements" and note 16 "Income".

The geographical analysis of assets is as follows:

	December 31, 2016	December 31, 2015
Switzerland	1,675,171	2,881,331
Current	*1,651,152*	*2,774,379*
Non-current	*24,019*	*106,952*
Europe	7,756	8,384
Current	7,370	8,384
Non-current	386	-
Total assets	**1,682,927**	**2,889,715**

The geographical analysis of operating costs is as follows:

	2016	2015
Switzerland	3,530,650	3,409,874
Europe	10,691	1,249,396
Total operating costs (note 17)	**3,541,341**	**4,659,270**

There was capital expenditure of CHF11,221 in 2016 and no capital expenditure in 2015.

6. Consolidated entities

The consolidated financial statements include the accounts of Addex Therapeutics Ltd and its 100% owned subsidiaries, Addex Pharma SA and Addex Pharmaceuticals France SAS.

7. Cash and cash equivalents (excluding bank overdrafts)

	December 31, 2016	December 31, 2015
Cash at bank and on hand	1,416,364	2,633,601
Total cash and cash equivalents	1,416,364	**2,633,601**

In 2016, the effective interest rate on cash and cash equivalents was 0.0% (2015: 0.0%).

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	December 31, 2016	December 31, 2015
P-1 / A-1	1,416,195	2,632,149
Cash on hand	169	1,452
Total cash and cash equivalents	1,416,364	**2,633,601**

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

8. Other current assets

	December 31, 2016	December 31, 2015
Receivables	220,723	132,075
Prepayments	21,435	17,087
Total other current assets	**242,158**	**149,162**

As at December 31, 2016 and 2015, there are no loans to employees or related parties in current assets.

Movements in the provision for impairment of receivables are as follows:

	2016	2015
At January 1	55,845	93,771
Provisions used in the year	(55,845)	(37,926)
At December 31	**-**	**55,845**

9. Intangible assets

	Computer software Licenses
Year ended December 31, 2015	
Opening net book amount	13,216
Amortization charge	(13,216)
Closing net book amount	**-**
At December 31, 2015	
Cost	108,955
Accumulated amortization	(108,955)
Net book value	**-**
Year ended December 31, 2016	
Opening net book amount	-
Amortization charge	-
Closing net book amount	**-**
At December 31, 2016	
Cost	108,955
Accumulated amortization	(108,955)
Net book value	**-**

The Group recorded an amortization charge in 2016 of CHF0 (2015: CHF7,930) as part of research and development expenses and CHF0 (2015: CHF5,286) as part of general and administration expenses.

10. Property, plant and equipment

	Equipment	Furniture & fixtures	Chemical library	Total
Year ended December 31, 2015				
Opening net book amount	1,209	2,086	41,382	44,677
Disposals	-	(172)	-	(172)
Depreciation charge	(1,160)	(1,477)	(10,025)	(12,662)
Closing net book amount	**49**	**437**	**31,357**	**31,843**
At December 31, 2015				
Cost	1,573,433	45,312	1,204,427	2,823,172
Accumulated depreciation	(1,573,384)	(44,875)	(1,173,070)	(2,791,329)
Net book value	**49**	**437**	**31,357**	**31,843**
Year ended December 31, 2016				
Opening net book amount	49	437	31,357	31,843
Additions	11,221	-	-	11,221
Depreciation charge	(1,927)	(437)	(23,397)	(25,761)
Closing net book amount	**9,343**	**-**	**7,960**	**17,303**
At December 31, 2016				
Cost	1,584,654	7,564	1,207,165	2,799,383
Accumulated depreciation	(1,575,311)	(7,564)	(1,199,205)	(2,782,080)
Net book value	**9,343**	**-**	**7,960**	**17,303**

The Group recorded a depreciation charge in 2016 of CHF23,381 (2015: CHF11,114) as part of research and development expenses and CHF2,380 (2015: CHF1,548) as part of general and administration expenses.

11. Non-current financial assets

	December 31, 2016	December 31, 2015
Security rental deposit	7,102	75,109
Total non-current financial assets	**7,102**	**75,109**

12. Payables and accruals

	December 31, 2016	December 31, 2015
Trade payables	669,678	170,899
Social security and other taxes	7,240	64,814
Accrued expenses	572,982	793,952
Total payables and accruals	**1,249,900**	**1,029,665**

All payables mature within 3 months.

13. Share capital

	Number of shares		
	Common shares	Treasury shares	Total
Balance at January 1, 2015	**10,173,576**	**(188,688)**	**9,984,888**
Issue of shares – capital increase	1,526,036	(604,369)	921,667
Sale of treasury shares	-	118,934	118,934
Balance at December 31, 2015	**11,699,612**	**(674,123)**	**11,025,489**
Issue of shares – capital increase	1,754,941	(1,754,941)	-
Sale of treasury shares	-	538,058	538,058
Balance at December 31, 2016	**13,454,553**	**(1,891,006)**	**11,563,547**

At December 31, 2016, the total outstanding share capital is CHF13,454,553 (December 31, 2015: CHF11,669,612), consisting of 13,454,553 shares (December 31, 2015: 11,699,612). All shares have a nominal value of CHF1 and are fully paid.

On May 27, 2016, the Group increased its share capital by CHF1,754,941 (1,754,941 registered shares with nominal value of CHF1 per share) out of authorized share capital. The 1,754,941 new shares were subscribed by the Company's 100% owned subsidiary, Addex Pharma SA at CHF1 and recorded as treasury shares.

During 2016 the Group sold 538,058 (2015: 118,934) treasury shares for gross proceeds of CHF1,523,948 (2015: CHF418,396), and used 43,264 treasury shares to settle supplier invoices (2015: 34,212).

On March 9, 2015, the Group issue 1,526,036 new shares from the authorized capital. Of the new shares, 921,667 where placed at CHF3 per share with investors in a private placement and 604, 369 were placed with Addex Pharma SA at CHF1, and are held as treasury shares. As part of the capital increase the Company granted 100,000 options to Herculis Partners SA at an exercise price of CHF3.3 with an expiry in March 2020. The gross proceeds of CHF2,765,001 have been recorded in equity net of directly related share issuance costs of CHF185,555. At December 31, 2015, CHF100,000 of accrued share issuance costs have been released in 2015.

14. Share-based compensation

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

	2016	2015
Research and development	66,055	118,872
General and administration	131,292	237,037
Total share-based compensation	**197,347**	**355,909**

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

	2016	2015
Equity sharing certificate plan	54,652	122,094
Share purchase plan	13,563	13,191
Share option plans	129,132	220,624
Total share-based compensation	**197,347**	**355,909**

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 a 5 year period from date of grant with the ownership of the ESCs reverting to the Group. ESCs granted are subject to certain vesting conditions which are defined in each grant agreement. The holder of vested ESCs has the right to subscribe to shares at the subscription price if the underlying share price has reached the floor price. The floor and subscription price are defined by the Board of Directors. In the event of a change in control, all ESCs automatically vest. The Group has no legal or constructive obligation to repurchase or settle ESCs in cash.

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

	2016	2015
At January 1	586,587	942,343
Granted	-	-
Forfeited	-	-
Expired	(221,758)	(342,061)
Exercised	(10,396)	(13,695)
At December 31	**354,433**	**586,587**

At December 31, 2016, of the outstanding 354,433 subscription rights (2015: 586,587) attached to the ESCs, 309,837 (December 31, 2015: 457,465) were exercisable.

The outstanding subscription rights as at December 31, 2016 and 2015 have the following expiry dates, subscription prices and floor prices:

At December 31, 2016	**Subscription prices / floor prices (CHF)**						
Expiry date	**1.00 / 2.30**	**4.00 / 8.00**	**5.00 / 10.00**	**6.50 / 13.00**	**7.00 / 14.00**	**7.50 / 15.00**	**Total**
2017	108,000	-		78,500	-	-	186,500
2018	-	-	8,000	-	2,333	-	10,333
2019	151,600	-	-	-	-	-	151,600
2020	6,000	-	-	-	-	-	6,000
Total subscription rights	**265,600**	**-**	**8,000**	**78,500**	**2,333**	**-**	**354,433**

At December 31, 2015	**Subscription prices / floor prices (CHF)**						
Expiry date	**1.00 / 2.30**	**4.00 / 8.00**	**5.00 / 10.00**	**6.50 / 13.00**	**7.00 / 14.00**	**7.50 / 15.00**	**Total**
2016	-	146,758	-	-	7,500	67,500	221,758
2017	108,000	-	-	78,500	-	-	186,500
2018	-	-	8,000	-	2,333	-	10,333
2019	161,996	-	-	-	-	-	161,996
2020	6,000	-	-	-	-	-	6,000
Total subscription rights	**275,996**	**146,758**	**8,000**	**78,500**	**9,833**	**67,500**	**586,587**

No ESC were granted or re-priced in 2016.

Share option plans

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

On December 31, 2016 the Group granted 175,000 options at an exercise price of CHF2. Options vest over 4 year and expired in 2021. On December 31, 2015 the Group granted 70,000 options at an exercise price of CHF 2. Options vest over 4 years and expired in 2020.

Movements in the number of options outstanding are as follows:	**2016**	**2015**
At January 1	630,107	564,501
Granted	175,000	70,000
Exercised	(4,981)	(4,394)
Forfeited	(20,313)	-
At December 31	**779,813**	**630,107**

At December 31, 2016, of the outstanding 779,813 share options (2015: 630,107), 344,543 (December 31, 2015: 191,126) were exercisable.

The outstanding share options as at December 31, 2016 have the following expiry dates:

At December 31, 2016			**Exercises prices (CHF)**	
Expiry date	**2.00**	**2.08**	**5.00**	**Total**
2019	475,126	-	80,000	555,126
2020	49,687	-	-	49,687
2021	125,000	50,000	-	175,000
Total	**649,813**	**50,000**	**80,000**	**779,813**

At December 31, 2015		**Exercises prices (CHF)**	
Expiry date	**2.00**	**5.00**	**Total**
2019	480,107	80,000	560,107
2020	70,000	-	70,000
Total	**550,107**	**80,000**	**630,107**

The weighted average fair value of share options granted during 2016 determined using a Black-Scholes model was CHF0.78 (2015: CHF0.93). The significant inputs to the model were:

	2016	**2015**
Weighted average share price per share at the grant date	CHF 2.08	CHF2.85
Weighted average strike price per share	CHF 2.08	CHF2.00
Weighted average volatility / volatility	43%	48%
Dividend yield	-	-
Weighted average annual risk free rate / annual risk-free rate	0.0%	0.0%

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 2016, 43,264 shares (2015: 34,212 shares) were transferred to settle CHF109,563 (2015: CHF112,877) of consulting fees.

15. License and collaboration agreements

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 for future payments contingent on the products from the research achieving certain development milestones. No amounts have been recognised in 2016 and 2015.

Pierre Fabre Pharmaceuticals.

On October 7, 2015, following the signature of a material transfer and option agreement with Pierre Fabre Pharmaceuticals, the Group entered into a separate service agreement to perform certain invitro pharmacology characterization services. In 2016, CHF80,676 (2015: CHF65,302) has been recognised in the income statement.

16. Income

During 2016, the Group recognized CHF80,676 (2015: CHF65,302) of other income from Pierre Fabre Pharmaceuticals, CHF285,091 (2015: CHF315,699) of research grants from The Michael J. Fox Foundation for Parkinson's Research (MJFF). The grant was received in instalments and recognized as income over the period necessary to match it against the specific research costs it was intended to cover. The Group sold fixed assets and surplus consumables for a total of CHF11,781 (2015: CHF399,310).

17. Operating costs

	2016	2015
Staff costs (note 18)	587,198	545,353
Depreciation and amortization	25,761	25,878
External research and development costs	819,330	761,217
Laboratory consumables	17,329	40,301
Patent costs	480,843	256,365
Professional fees	855,509	762,443
Operating leases	79,639	259,978
French Tax dispute escrow account write off	-	1,227,131
Other operating costs	675,732	780,604
Total operating costs	**3,541,341**	**4,659,270**

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

During 2015, the escrow account of EUR 1,202,610 (CHF1,446,259) was written off following receipt of notice that the French tax authorities had claimed release of the account in their favor following a decision against the Group by the Tribunal de Grenoble. For additional information on the status of the appeal process refer to note 4.1.

18. Staff costs

	2016	2015
Wages and salaries	437,891	371,689
Social charges and insurances	49,616	57,326
Value of share-based services (note 14)	39,297	90,028
Pension costs – defined benefit plans (note 20)	63,020	22,056
Other employee costs	(2,626)	4,254
Total staff cost (note 17)	**587,198**	**545,353**

19. Taxes

	December 31, 2016	December 31, 2015
Loss before tax	3,149,386	4,204,213
Tax calculated at a tax rate of 7.8% (2015: 7.8%)	245,652	327,929
Effect of different tax rates in other countries	(616)	(109,320)
Expenses charged against equity	(1,348)	(6,673)
Expenses not deductible for tax purposes	(922)	(37,427)
Tax losses not recognized as deferred tax assets	(242,766)	(174,508)
Income tax expense	-	-

The Group is subject to Swiss income taxes and has a tax loss carry forward of CHF114,988,180 as of December 31, 2016 (2015: CHF154,460,545), of which CHF107,634,581 (2015: CHF148,551,847) expire within the next five years and CHF7,353,599 (2015: CHF5,908,698) will expire between five and seven years. Tax losses of CHF42,692,124 expired in 2016 (2015: CHF22,066,277).

20. Retirement benefit obligations

Apart from the social security plans fixed by the law, the Group sponsors independent pension plans. All employees are covered by these plans, which are defined benefit plans. Retirement benefits are based on contributions, computed as a percentage of salary, adjusted for the age of the employee and shared approximately 46%/54% by employee and employer. In addition to retirement benefits, the plans provide death and long-term disability benefits to its employees. Liabilities and assets are revised every year by an independent actuary. Assets are held in the insurance company. In accordance with IAS 19 (revised), plan assets have been estimated at fair market values and liabilities have been calculated according to the "projected unit credit" method.

The Group recorded a pension benefit charge in 2016 of CHF 63,020 (2015: CHF22,056) as part of staff costs.

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

	2016	2015
Defined benefit obligation	(2,152,878)	(2,234,012)
Fair value of plan assets	1,938,443	2,038,350
Funded status	**(214,435)**	**(195,662)**

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

	2016	2015
Current service cost	(61,356)	(40,531)
Interest cost	(17,740)	(25,427)
Interest income	16,076	23,611
Past service costs	-	20,291
Company pension income / (cost) (note 18)	**(63,020)**	**(22,056)**

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

	2016	2015
Defined benefit obligation at beginning of year	(2,234,012)	(2,057,079)
Service cost	(61,356)	(40,531)
Past service costs	-	20,291
Interest cost	(17,740)	(25,427)
Employee contribution	(32,501)	(20,138)
Actuarial gain / (loss) arising from changes in financial assumptions	2,564	(126,096)
Actuarial gain / (loss) arising from changes in demographic assumptions	60,261	-
Actuarial gain / (loss) on experience adjustment	4,173	79,040
Benefits paid / (deposited)	125,733	(64,072)
Defined benefit obligations at end of year	**(2,152,878)**	**(2,234,012)**

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

	2016	2015
Fair value of plan assets at beginning of year	2,038,350	1,912,543
Interest income	16,076	23,611
Employees' contributions	32,501	20,138
Company contribution	35,516	25,856
Plan assets (losses) / gains	(58,267)	(7,870)
Benefits paid / (deposited)	(125,733)	64,072
Fair value of plan assets at end of year	**1,938,443**	**2,038,350**

The principal actuarial assumptions used were as follows:

	December 31, 2016	December 31, 2015
Discount rate	0.80%	0.80%
Mortality tables	BVG2015 GT	BVG2010 GT

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

- 0.25% increase or decrease in the discount rate would lead to a decrease or increase of 4.5% in the defined benefit obligation of the Swiss pension plan (2015: 4.3%);
- +/-1 year in the life expectancy would lead to an increase or decrease of 1.6% in the defined benefit obligation of the Swiss pension plan (2015: 1.8%).

The estimated Group contributions to pension plans for the financial year 2017 amounts to CHF37,170.

The following table shows the funding of the defined benefit pensions and actuarial adjustments on plan liabilities:

	2016	2015
Present value of defined benefit obligation	(2,152,878)	(2,234,012)
Fair value of plan assets	1,938,443	2,038,350
Deficit in the plan	**(214,435)**	**(195,662)**
Experience adjustment	66,998	47,056
Actuarial (losses) / gains on plan assets	(58,267)	(7,870)

The following table shows the estimated benefit payments for the next ten years:

2017	59,732
2018	60,029
2019	60,324
2020	60,625
2021	60,940
2021-2026	310,235

21. Finance costs, net

	2016	2015
Finance costs	(6,924)	(192,070)
Finance income	27	39,860
Unrealized foreign exchange (losses) / gains	(12,892)	(184,058)
Finance costs, net	**(19,789)**	**(336,268)**

22. Loss per share

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

	2016	2015
Loss attributable to equity holders of the Company	(3,149,386)	(4,204,213)
Weighted average number of shares in issue	11,412,301	10,852,056
Basic and diluted loss per share	**(0.28)**	**(0.39)**

The Company has one category of dilutive potential shares as at December 31, 2016 and December 31, 2015: equity sharing certificates (ESCs) and share option. As of December 31, 2016 and December 31, 2015, equity sharing certificates and share options have been ignored in the calculation of the loss per share, as they would be antidilutive.

23. Commitments and contingencies

Operating lease commitments

	2016	2015
Within 1 year	9,861	1,934
Total operating lease commitments	**9,861**	**1,934**

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

Capital commitments

As at December 31, 2016 and 2015, the Group has no contracted capital expenditure.

Contingencies

As part of the ordinary course of business, the Group is subject to contingent liabilities in respect of certain litigation. In the opinion of management, none of the outstanding litigation will have a significant adverse effect on the Group's financial position (see note 4.1).

24. Related party transactions

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

Key management compensation	2016	2015
Salaries and other short-term employee benefits	83,627	82,397
Consulting fees	636,234	624,000
Share-based compensation	157,049	265,225
	876,910	**971,622**

Consulting fees relate to amounts paid to Sonia Poli and Tim Dyer who deliver their services to the Group under consulting contracts. Tim Dyer services are delivered through TMD Advisory Ltd, a company owned and managed by Mr. Dyer, which has been mandated to provide CEO / CFO services to the Addex Group. The Group invoiced CHF34,196 of consulting services to TMD Advisory Ltd during the year which have been recorded in other income.

25. Events after the balance sheet date

The period January 1 to February 28, 2017 the group sold 1,623,427 treasury shares for proceeds of CHF3,282,093.

On February 1, 2017, members of the Board of Directors waived their 2016 board fees totaling CHF80,000 and Tim Dyer waived CHF192,000 of consulting fees. On February 28, 2017, members of the Board of Directors were granted a total of 62,781 options and Tim Dyer was granted 229,480 options at a strike price of CHF1 per share. The compensation report reflects this post balance sheet event which has not been adjusted in the consolidated financial statements.

26. Risk assessment disclosure required by Swiss law

The CEO coordinates and aligns the risk management processes, and reports to the Board on a regular basis on risk assessment and risk management. The organization and the corporate processes have been designed and implemented to identify and mitigate risks at an early stage. Organizationally, the responsibility for risk assessment and management is allocated to the CEO and members of the Executive Management and specialized corporate functions such as Group Finance. Group Finance provides support and controls the effectiveness of the risk management processes. Financial risk management is described in more detail in note 3 to the Group's consolidated financial statements.

Consolidated Financial Statements of Addex Pharmaceuticals Ltd as at December 31, 2015 (Audited)

Report of the statutory auditors to the General Meeting of Addex Pharmaceuticals Ltd, Plan-les-Ouates

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Addex Therapeutics Ltd, which comprise the balance sheet, statements of income, statements of comprehensive income, statements of changes in equity, statements of cash flows and notes, for the year ended 31 December 2015.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

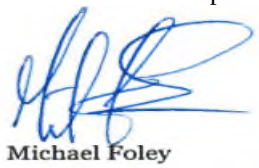
Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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



Adrien Benoit

Audit expert
Auditor in charge

Geneva, , 29 April 2016

Enclosure:

Consolidated Balance Sheets
as at December 31, 2015 and December 31, 2014

	Notes	31.12.2015	31.12.2014
ASSETS			
Current assets			
Cash and cash equivalents	7	2,633,601	1,979,609
Other current assets.	8	149,162	159,389
Total current assets		**2,782,763**	**2,138,998**
Non-current assets			
Intangible assets	9	-	13,216
Property, plant and equipment	10	31,843	44,677
Non-current financial assets	11	75,109	1,802,331
Total non-current assets		**106,952**	**1,860,224**
Total assets		**2,889,715**	**3,999,222**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Payables and accruals	12	1,029,665	1,494,595
Deferred income		158	14,397
Total current liabilities		**1,029,823**	**1,508,992**
Non-current liabilities			
Post-employment benefits	20	195,662	144,536
Total non-current liabilities		**195,662**	**144,536**
Shareholders' equity			
Share capital	13	11,025,489	9,984,888
Share premium		262,078,103	260,020,862
Other reserves		6,552,733	6,127,826
Accumulated deficit		(277,992,095)	(273,787,882)
Total shareholders' equity		**1,664,230**	**2,345,694**
Total liabilities and shareholders' equity		**2,889,715**	**3,999,222**

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

Consolidated Statements of Income
for the years ended December 31, 2015 and 2014

	Notes	2015	2014
		Amounts in Swiss francs	
Income			
Research grants	16	315,699	—
Other income	16	475,626	1,034,352
Total income		**791,325**	**1,034,352**
Operating expenses			
Research and development		(1,779,372)	(929,494)
General and administration		(1,652,767)	(1,901,494)
French tax authorities escrow account write off		(1,227,131)	—
Total operating expenses	17	**(4,659,270)**	**(2,830,988)**
Operating loss		**(3,867,945)**	**(1,796,636)**
Finance income	21	39,860	21,778
Finance expense	21	(376,128)	—
Finance result, net		(336,268)	21,778
Net loss before tax		**(4,204,213)**	**(1,774,858)**
Income tax expense	19	—	—
Net loss for the year		**(4,204,213)**	**(1,774,858)**
Basic and diluted loss per share for loss attributable to the equity holders of the Company, expressed in Swiss francs	22	**(0.39)**	**(0.18)**

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

Consolidated Statements of Comprehensive Income
for the years ended December 31, 2015 and 2014

	2015	2014
	Amounts in Swiss francs	
Net loss for the year	**(4,204,213)**	**(1,774,858)**
Other comprehensive gains and losses		
Items that will never be reclassified to the statement of income:		
Defined benefit plan actuarial (losses) / gain	(54,926)	372,054
Items that may or may not be classified subsequently to the statement of income:		
Currency translation differences	-	(25,866)
Other comprehensive (losses) / gains for the year, net of tax	**(54,926)**	**346,188**
Total comprehensive loss for the year	**(4,259,139)**	**(1,428,670)**

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

Consolidated Statements of Changes in Equity
for the years ended December 31, 2015 and 2014

Amounts in Swiss francs

	Notes	Share capital	Share premium	Other reserves	Accumulated deficit	Total
Balance at January 1, 2014		**9,843,247**	**259,689,854**	**5,505,898**	**(272,013,024)**	**3,025,975**
Net loss for the year.		-	-	-	(1,774,858)	(1,774,858)
Retirement benefit plan actuarial gain		-	-	372,054	-	372,054
Translation Differences		-	-	(25,866)	-	(25,866)
Other comprehensive loss for the year		-	-	346,188	-	346,188
Total comprehensive loss for the year		-	-	**346,188**	**(1,774,858)**	**(1,428,670)**
Cost of share capital Issuance capital increase	13	-	4,320	-	-	4,320
Value of share-based compensation.		-	-	275,740	-	275,740
Net sale of treasury shares	13	141,641	326,688	-	-	468,329
Balance at January 1, 2015		**9,984,888**	**260,020,862**	**6,127,826**	**(273,787,882)**	**2,345,694**
Issue of Common shares	13	921,667	1,843,334	-	-	2,765,001
Net loss for the Year		-	-	-	(4,204,213)	(4,204,213)
Other comprehensive loss for the year		-	-	(54,926)	-	(54,926)
Total comprehensive loss for the year		-	-	**(54,926)**	**(4,204,213)**	**(4,259,139)**
Cost of share capital Issuance capital increase[(1)]	13	-	(85,555)	-	-	(85,555)
Value of share-based Compensation		-	-	479,833	-	479,833
Net sales of treasury Shares	13	118,934	299,462	-	-	418,396
Balance at December 31, 2015		**11,025,489**	**262,078,103**	**6,552,733**	**(277,992,095)**	**1,664,230**

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

Consolidated Statements of Cash Flows
for the years ended December 31, 2015 and 2014

	Notes	2015	2014
		Amounts in Swiss francs	
Net loss for the year		(4,204,213)	(1,774,858)
Adjustments for			
Depreciation and amortization	9/10	25,878	110,135
(Gain) / loss on disposal of fixed assets		(359,871)	(307,784)
Value of share-based compensation	14	355,909	275,740
Pension costs	20	(3,800)	26,155
Finance result, net	21	336,268	(21,778)
French tax dispute escrow account write off	11	1,227,131	-
Net changes in working capital		(5,745)	(107,252)
Net cash used in operating activities		**(2,628,443)**	**(1,799,642)**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		360,043	371,864
Interest received	21	39,860	1,586
Net cash from investing activities		**399,903**	**373,450**
Cash flows from financing activities			
Proceeds from issue of shares – capital increase	13	2,765,001	-
Costs paid on issue of shares	13	(61,631)	4,320
Net proceeds from sales of treasury shares	13	418,396	468,329
Interest paid	21	(192,070)	-
Net cash from financing activities		**2,929,696**	**472,649**
Increase/(decrease) in cash and cash equivalents		**701,156**	**(953,543)**
Cash and cash equivalents at beginning of the year	7	1,979,609	2,913,396
Exchange loss on cash and cash equivalents		(47,164)	19,756
Cash and cash equivalents at end of the year	7	**2,633,601**	**1,979,609**

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

Notes to the Consolidated Financial Statements
for the years ended December 31, 2015 and 2014 (amounts in Swiss francs)

1. General information

Addex Therapeutics Ltd (the Company), formerly Addex Pharmaceuticals Ltd, and its subsidiaries (together, the Group) are a drug discovery based pharmaceutical group focused on discovery, development and commercialization of small-molecule pharmaceutical products for the treatment of human health. The Company is a Swiss stockholding corporation domiciled c/o Addex Pharma SA, Chemin des Mines 9, CH-1202 Geneva, Switzerland and the parent company of Addex Pharma SA and Addex Pharmaceuticals France SAS. Its registered shares are traded at the SIX, Swiss Exchange, under the ticker symbol ADXN.

To date, the Group has financed its cash requirements primarily from share issuances and out-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. Inherent in the Group's business are various risks and uncertainties, including the substantial uncertainty that current projects will succeed. The Group's success may depend in part upon its ability to (i) establish and maintain a strong patent position and protection, (ii) enter into collaborations with partners in the pharmaceutical industry, (iii) acquire and retain key personnel, and (iv) secure additional capital to support its operations. The Board of Directors (Board) believes the Group will be able to meet all of its obligations for a further 12 months as they fall due and, hence, the consolidated financial statements have been prepared on a going concern basis. Further analysis is disclosed in note 4.1.

These consolidated financial statements have been approved by the Board of Directors on April 28, 2016. They are subject to approval by the shareholders on June 23, 2016.

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) 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. Certain prior year figures have been re-classed to be consistent with current year presentation.

Changes in accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended December 31, 2014, The following new standards, amendments to standards and interpretations which are mandatory for the financial periods beginning on January 1, 2015 did not have any material impact on the consolidated financial statements:

- IFRS 1 (Amendment), First-time adopters standard (effective from January 1, 2015);
- IFRS 2, Vesting condition (effective from January 1, 2015);
- IFRS 3, Obligation to pay contingent consideration (effective from January 1, 2015);
- IFRS 8 (Disclosure), Judgment made by management in aggregating operation segments (effective form January 1, 2015);
- IFRS 13, Short-term receivables and payables (effective from January 1, 2015);
- IAS 16 and 38 (Amendment), Treatment of gross carrying amount and accumulated depreciation (effective from January 1, 2015);
- IAS 24 (Disclosure), Management personal services fees (effective from January 1, 2015); and
- IAS 40, Investment property (effective from January 1, 2015).

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

- IFRS 14, Regulatory Deferral Accounts (effective January 1, 2016). The Group will apply this standard from January 1, 2016;
- IFRS 15, Revenue from Contracts with Customers (effective from January 1, 2017). The Group will apply this standard from January 1, 2017; and
- IFRS 9, Financial Instruments (effective from January 1, 2018). The Group will apply this standard from January 1, 2018.

At this stage, the Group does not expect any significant impact from new or revised standards, with the exception of IFRS 15. The Group will assess the potential impact of IFRS 15 in due course.

2.2 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.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CEO.

2.4 Foreign currency transactions

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of income within ‘finance result, net’. All other foreign exchange gains and losses are presented in the statement of income within ‘operating expenses’.

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.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. 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:

Buildings	25 years
Leasehold improvements	(over life of lease)
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 carrying amount, and are included in the statement of income.

2.6 Intangible assets

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (2 to 5 years) on a straight-line basis. Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred.

2.7 Impairment of non-financial assets

Assets that are subject to depreciation or amortization are reviewed for impairment 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 which is “loans and receivables”.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the loans or 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. Loans and receivables are included in other current assets and non-current assets in the balance sheet (see note 8 and 11).

Loans and receivables are initially measured at fair value plus transaction costs that are directly attributable and subsequently measured at amortized cost. Amortized cost is the amount at which the loan or receivable is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount.

Loans and receivables are recognized on the trade-date, the date on which the Group commits to purchase or sell the asset. Loans and receivables are derecognized when settled or when the rights to receive cash flows have expired.

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

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.

2.10 Share capital

Common 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 deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effect, is included in equity attributable to the Company's equity holders.

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.

2.13 Grants

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

2.14 Deferred income tax

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

2.15 Employee benefits

Pension obligations
Group companies operate various pension schemes. The schemes are 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 less the fair value of the plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Share-based compensation
The Group operates an equity sharing certificates' equity incentive plan, a share option plan and a share purchase plan: The fair value of the services received in exchange for the grant or transfer of equity incentive units is recognized as an expense. The total amount to be expensed 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.

2.16 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.17 Income recognition

Income, which currently relates primarily to collaborative arrangements, comprises the fair value for the sale of products and services, net of value-added tax, rebates and discounts. Income from the sale of products is recognized when the product has been delivered and accepted by the customer and collectability of the receivable is reasonably assured. Income from the rendering of services is recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total service to be provided. Income from collaborative arrangements may include the receipt of non-refundable license fees, milestone payments, and research and development payments. When the Group has continuing performance obligations under the terms of the arrangements, non-refundable fees and payments are recognized as income by reference to the completion of the performance obligation and the economic substance of the agreement.

2.18 Finance income and expense

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

2.19 Leases

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

2.20 Research and development

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

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

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

Property, plant and equipment used for research and development purposes are capitalized and depreciated in accordance with the Group's property, plant and equipment policy (see note 2.5).

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 principles 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

The Group operates internationally and is exposed to foreign exchange risk arising from various exposures, primarily with respect to the Euro, US dollar and UK pound. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. To manage foreign exchange risk Group Finance maintains foreign currency cash balances to cover anticipated future requirements. The Group's risk management policy is to economically hedge 50% to 100% of anticipated transactions in each major currency for the subsequent 12 months. The Group has a subsidiary in France, whose net assets are exposed to foreign currency translation risk. In 2015, a 10% increase or decrease in the EUR/CHF exchange rate would have resulted in a CHF129,589 (2014: CHF10,540) increase or decrease in net income and shareholders' equity as at December 31, 2015, a 10% increase or decrease in the GBP/CHF exchange rate would have resulted in a CHF24,511 (2014: CHF33,193) increase or decrease in net income and shareholders' equity as at December 31, 2015 and a 10% increase or decrease in the USD/CHF exchange rate would have resulted in a CHF6,639 (2014: CHF55,777) increase or decrease in net income and shareholders' equity as at December 31, 2015. 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. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Therefore the Group has no significant interest rate risk exposure.

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures to collaboration partners. The Group has a limited number of collaboration partners and consequently has a significant concentration of credit risk. The Group has policies in place to ensure that credit exposure is kept to a minimum and significant concentrations of credit risk are only granted for short periods of time to high credit quality partners. The Group's policy is to invest funds in low risk investments including interest bearing deposits. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted (see note 7).

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 4.1).

3.2 Capital risk management

The Company and its subsidiaries are subject to capital maintenance requirements under Swiss and French law, respectively. To ensure that statutory capital requirements are met, the Group monitors capital periodically, at the entity level, on an interim basis as well as annually. From time to time the Group may take appropriate measures or propose capital increases to ensure the necessary capital remains intact.

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. 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

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.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. 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:

Uncertainties and ability to continue operations

As discussed in note 1 under "general information", The Board of Directors (Board) believes the Group will be able to meet all of its obligations for a further 12 months as they fall due and, hence, the consolidated financial statements have been prepared on a going concern basis. The Group is currently engaged in a number of activities to ensure that it can continue its operations, including monetizing its assets, raising additional capital and pursuing strategic alternatives. The outcome of these activities is inherently uncertain and had the Board assessed differently the ability of the Group to execute on its current financial plans and the ability of the Group to meet all of its obligations for a further 12 months then the Group would have presented the consolidated financial statements on a liquidation basis. Had the consolidated financial statements been prepared on a liquidation basis then certain commitments and contingencies (refer to details of operating lease commitments in note 23) would have been recorded on the balance sheet and certain assets would have been written down to their recoverable amounts (refer to other current assets in note 8 and non-current financial assets in note 11).

Income taxes

As disclosed in note 19 the Group has significant Swiss tax losses. These tax losses represent potential value to the Group to the extent that the Group is able to create taxable profits within 7 years of the end of the year in which the losses arose. The Group has not recorded any deferred tax assets in relation to these tax losses. The key factors which have influenced management in arriving at this evaluation are the fact that the Group has not yet a history of making profits and product development remains at an early stage. Should management's assessment of the likelihood of future taxable profits change, a deferred tax asset will be recorded.

Commitments and contingencies

In assessing the need for provisions for legal cases, estimates and judgments are made by the Group with support of external legal advisors and other technical experts in order to determine the probability, timing and amounts involved. The Group is currently in dispute with the French tax authorities and in this regard an amount of EUR1,202,610 (CHF1,446,259) was deposited in an escrow account on April 18, 2012. On the March 9, 2015 the Group received a negative judgment from the "Tribunal of Grenoble". On May 5, 2015 the Group filed an appeal to the decision in the "Court d'Appel de Lyon". On May 7, 2015 the Group was informed that the French tax authorities had made a claim against the escrow account on the basis of the decision by the "Tribunal of Grenoble". The total balance of the escrow account was paid to the French tax authorities on May 29, 2015. As a consequence the balance of the escrow account that had previously been recorded in non-current assets has been written off with a corresponding charge of CHF1,227,131 recognized in the statement of income in 2015.

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 are made in these models. Should the assumptions and estimates underlying the fair value of these instruments vary significantly from management's estimates, then the share-based compensation expense would be materially different from the amounts recognized. Had these assumptions been modified within their feasible ranges and the Group calculated the share-based compensation based on the higher and lower values of these ranges, share-based compensation expense in 2015 would have been CHF320,318 or CHF391,500, respectively (2014: CHF241,528 or CHF309,247, respectively). This is compared to the amount recognized as an expense in 2015 of CHF355,909 (2014: CHF275,740). Additional information is disclosed in note 14.

Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each 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 20.

Loans to employees

In connection with the granting of equity sharing certificates (ESCs), the Group has made loans to its employees to finance the tax and social charges consequences of the grant of ESCs. The loans are only repayable if capital gains are realised from the exercise of the subscription rights attached to the ESCs. ESCs' subscription rights are exercisable, subject to vesting, until their expiry date, at their subscription price only if the underlying share price exceeds a predefined floor price. As at December 31, 2015 the total of loans that are not related to forfeited or expired subscription rights amount to CHF468,201 (2014: CHF764,800). At December 31, 2015 and 2014, no amount of these loans was assessed as recoverable within 12 months and no amount was assessed as recoverable in more than 1 year. The loans were tested for impairment based on the historic volatility, the closing share price at December 31 and expected forfeiture and expiry rates. Had the Group made different assumptions regarding the recoverability of these loans, then their carrying value would have changed accordingly. In 2015, this would have resulted in an income of between CHF0 and CHF468,201 (2014: CHF0 and CHF764,800).

4.2 Critical judgments in applying the accounting policies

Development supplies

At December 31, 2015, the Group owns development supplies that have been expensed in the statement of income. These amounts have not been recognized on the balance sheet as an asset since they are to be used in pre-clinical and clinical trials of specific products that have not demonstrated technical feasibility.

5. Segment information

5.1 Reportable segments

The Group operates in one segment, which is the business of developing drugs for human health.

5.2 Entity wide information

Information about products, services and major customers

External income of the Group for the years ended December 31, 2015 and 2014 is derived from the business of developing drugs for human health. Income was earned from collaborative arrangements and the sale of license rights to pharmaceutical companies.

Information about geographical areas

External income is recorded in the Swiss operating company as research and development grants and other income.

Analysis of income by nature is detailed as follows:

	2015	2014
Research & development grants	315,699	-
Research services and other collaborative arrangements	65,302	726,568
Sales of fixed assets and stocks of consumables	399,310	307,784
Other service income	11,014	-
Total income	**791,325**	**1,034,352**

Analysis of income by major customer is detailed as follows:

	2015	2014
The Michael J. Fox Foundation (USA)	315,699	-
Pierre Fabre Pharmaceuticals (France)	65,302	-
Janssen Pharmaceuticals Inc	-	726,568
Multiple customers	410,324	307,784
Total income	**791,325**	**1,034,352**

For more detail, refer to note 16, "License and collaboration agreements" and note 17 "Income".

The geographical analysis of assets is as follows:

	December 31, 2015	December 31, 2014
Switzerland	2,881,331	2,531,046
Current	2,774,379	2,117,080
Non-current	106,952	413,966
Europe	8,384	1,468,176
Current	8,384	21,917
Non-current	-	1,446,259
Total assets	**2,889,715**	**3,999,222**

The geographical analysis of operating expenses is as follows:

	2015	2014
Switzerland	3,409,874	2,810,656
Europe	1,249,396	20,332
Total operating expenses (note 17)	**4,659,270**	**2,830,988**

There was no capital expenditure in 2015 and 2014.

6. Consolidated entities

The consolidated financial statements include the accounts of Addex Therapeutics Ltd and its 100% owned subsidiaries, Addex Pharma SA and Addex Pharmaceuticals France SAS.

7. Cash and cash equivalents

	December 31, 2015	December 31, 2014
Cash at bank and on hand	2,633,601	1,979,609
Total cash and cash equivalents	**2,633,601**	**1,979,609**

In 2015, the effective interest rate on cash and cash equivalents was 0.0% (2014: 0.00%).

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	December 31, 2015	December 31, 2014
P-1 / A-1	2,632,149	1,977,922
Cash on hand	1,452	1,687
Total cash and cash equivalents	**2,633,601**	**1,979,609**

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

8. Other current assets

	December 31, 2015	December 31, 2014
Receivables	132,075	91,507
Prepayments	17,087	67,882
Total other current assets	**149,162**	**159,389**

As at December 31, 2015 and 2014, there are no loans to employees or related parties in current assets.

Movements in the provision for impairment of receivables are as follows:

	2015	2014
At January 1……..	93,771	-
Provisions made in the year……..……	-	93,771
Provisions used in the year..…….....	(37,926)	-
At December 31…….....	**55,845**	**93,771**

9. Intangible assets

At January 1, 2014	**Computer software Licenses**
Cost…….	870,184
Accumulated amortization……	(817,600)
Net book value……	52,584
Year ended December 31, 2014	
Opening net book amount…….	52,584
Disposals……..	(752)
Amortization charge……..	(38,616)
Closing net book amount…….....	**13,216**
At January 1, 2015	
Cost……...	108,955
Accumulated amortization…….....	(95,739)
Net book value……..	13,216
Year ended December 31, 2015	
Opening net book amount…….	13,216
Amortization charge……..	(13,216)
Closing net book amount…….....	**-**
At December 31, 2015	
Cost……...	108,955
Accumulated amortization…….....	(108,955)
Net book value……...……..	**-**

The Group recorded an amortization charge in 2015 of CHF7,930 (2014: CHF33,824) as part of research and development expenses and CHF5,286 (2014: CHF4,792) as part of general and administration expenses.

10. Property, plant and equipment

	Buildings	Equipment	Furniture & fixtures	Chemical Library	Total
At January 1, 2014	32,698	10,424,548	1,296,875	1,204,427	12,958,548
Cost……	-	-	-	-	-
Disposal…….	-	(251,933)	-	-	(251,933)
Accumulated depreciation	(12,274)	(10,129,790)	(1,272,494)	(1,112,533)	(12,527,091)
Net book value.....	20,424	42,825	24,381	91,894	179,524
Year ended December 31, 2014					
Opening net book amount……..	20,424	42,825	24,381	91,894	179,524
Disposals…….....	(20,424)	(26,939)	(15,965)	-	(63,328)
Depreciation charge……...	-	(14,677)	(6,330)	(50,512)	(71,519)
Closing net book amount	**-**	**1,209**	**2,086**	**41,382**	**44,677**
At December 31, 2014					
Cost…….....	12,274	3,123,337	66,713	1,204,427	4,406,751
Accumulated depreciation…….	(12,274)	(3,122,128)	(64,627)	(1,163,045)	(4,362,074)
Net book value……...	-	1,209	2,086	41,382	44,677
Year ended December 31, 2015					
Opening net book amount……..	-	1,209	2,086	41,382	44,677
Disposals……			(172)		(172)
Depreciation charge……...	-	(1,160)	(1,477)	(10,025)	(12,662)
Closing net book amount	**-**	**49**	**437**	**31,357**	**31,843**
At December 31, 2015					
Cost…….....	-	1,573,433	45,312	1,204,427	2,823,172
Accumulated depreciation…….	-	(1,573,384)	(44,875)	(1,173,070)	(2,791,329)
**Net book value…….. **	**-**	**49**	**437**	**31,357**	**31,843**

The Group recorded a depreciation charge in 2015 of CHF11,114 (2014: CHF67,445) as part of research and development expenses and CHF1,548 (2014: CHF4,074) as part of general and administration expenses.

11. Other non-current assets

	December 31, 2015	December 31, 2014
Security rental deposit	75,109	356,072
Other deposits	-	1,446,259
Total non-current financial assets	**75,109**	**1,802,331**

During 2015, the escrow account of EUR 1,202,610 (CHF1,446,259) was written off following receipt of notice that the French tax authorities had claimed release of the account in their favor following a decision against the Group by the Tribunal de Grenoble. The Group has appealed the decision (see note 4.1).

12. Payables and accruals

	December 31, 2015	December 31, 2014
Trade payables	170,899	647,304
Social security and other taxes	64,814	11,500
Accrued expenses	793,952	835,791
Total payables and accruals	**1,029,665**	**1,494,595**

All payables mature within 3 months.

13. Share capital and share premium

	Number of shares		
	Common shares	Treasury shares	Total
Balance at January 1, 2014	10,173,576	(330,329)	9,843,247
Sales of treasury shares		141,641	141,641
Balance at December 31, 2014	**10,173,576**	**(188,688)**	**9,984,888**
Issue of shares – capital increase	1,526,036	(604,369)	921,667
Sale of treasury shares	-	118,934	118,934
Balance at December 31, 2015	**11,699,612**	**(674,123)**	**11,025,489**

At December 31, 2015, the total outstanding share capital is CHF11,669,612 (December 31, 2014: CHF10,173,576), consisting of 11,699,612 shares (December 31, 2014: 10,173,576). All shares have a nominal value of CHF1 and are fully paid.

On March 9, 2015, the Group issue 1,526,036 new shares from the authorized capital. Of the new shares, 921,667 where placed at CHF3 per share with investors in a private placement and 604,369 were placed with Addex Pharma SA at CHF1, and are held as treasury shares. As part of the capital increase the Company granted 100,000 options to Herculis Partners SA at an exercise price of CHF3.3 with an expiry in March 2020. The gross proceeds of CHF2,765,001 have been recorded in equity net of directly related share issuance costs of CHF185,555. At December 31, 2015, CHF100,000 of accrued share issuance costs have been released in 2015.

During 2015 the Group sold 118,934 (2014: 141,641) treasury shares for gross proceeds of CHF418,396 (2014: CHF468,329).

14. Share-based compensation

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

	2015	2014
Research and development	118,872	987
General and administration	237,037	274,753
Total share-based compensation	**355,909**	**275,740**

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

	2015	2014
Equity sharing certificate plan	122,094	132,758
Share purchase plan	13,191	16,498
Share option plans	220,624	126,484
Total share-based compensation	**355,909**	**275,740**

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 a 5 year period from date of grant with the ownership of the ESCs reverting to the Group. ESCs granted are subject to certain vesting conditions which are defined in each grant agreement. The holder of vested ESCs has the right to subscribe to shares at the subscription price if the underlying share price has reached the floor price. The floor and subscription price are defined by the Board of Directors. In the event of a change in control, all ESCs automatically vest. The Group has no legal or constructive obligation to repurchase or settle ESCs in cash.

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

	2015	2014
At January 1	942,343	942,343
Granted	-	-
Forfeited	-	-
Expired	(342,061)	-
Exercised	(13,695)	-
At December 31	**586,587**	**942,343**

At December 31, 2015, of the outstanding 586,587 subscription rights (2014: 942,343) attached to the ESCs, 457,465 (December 31, 2014: 751,037) were exercisable.

The outstanding subscription rights as at December 31, 2015 and 2014 have the following expiry dates, subscription prices and floor prices:

At December 31, 2015	**Subscription prices / floor prices (CHF)**						
Expiry date	**1.00 / 2.30**	**4.00 / 8.00**	**5.00 / 10.00**	**6.50 / 13.00**	**7.00 / 14.00**	**7.50 / 15.00**	**Total**
2016	-	146,758	-	-	7,500	67,500	221,758
2017	108,000	-	-	78,500	-	-	186,500
2018	-	-	8,000	-	2,333	-	10,333
2019	161,996	-	-	-	-	-	161,996
2020	6,000	-	-	-	-	-	6,000
Total subscription rights	**275,996**	**146,758**	**8,000**	**78,500**	**9,833**	**67,500**	**586,587**

At December 31, 2014	**Subscription prices / floor prices (CHF)**						
Expiry date	**1.00 / 2.30**	**4.00 / 8.00**	**5.00 / 10.00**	**6.50 / 13.00**	**7.00 / 14.00**	**7.50 / 15.00**	**Total**
2015	-	-	-	-	5,250	348,061	353,311
2016	-	146,758	-	-	2,250	67,500	216,508
2017	108,000	-	-	78,500	-	-	186,500
2018	-	-	8,000	-	2,333	-	10,333
2019	175,691	-	-	-	-	-	175,691
Total subscription rights	**283,691**	**146,758**	**8,000**	**78,500**	**9,833**	**415,561**	**942,343**

During 2015, 6,000 ESC subscription rights were re-priced at a strike price of CHF1 and floor price of CHF2.30 (2014: 283,691). The weighted average fair value of the re-pricing of each ESC subscription right was determined using the Black-Scholes valuation model at CHF1.58 (2014: CHF1.18).

The significant inputs to the models were:

	2015	2014
Weighted average share price / share price at the grant date	CHF2.85	CHF2.40
Weighted average subscription price / subscription price per share	CHF1.00	CHF1.00
Weighted average floor price / floor price per share	CHF2.30	CHF2.30
Weighted average volatility / volatility	50.00%	50.00%
Dividend yield	—	—
Weighted average annual risk free rate / annual risk-free rate	0.13%	0.13%

Share option plans

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

On December 31, 2015 the Group granted 70,000 options at an exercise price of CHF2. Options vest over 4 year and expired in 2020. On December 31, 2014 the Group granted 164,501 options at an exercise price of CHF 2. Options vest over 4 years and expired in 2019. On July 1, 2014, the Group granted 400,000 options, 320,000 options at an exercise price of CHF 2 and 80,000 options at an exercise price of CHF 5.

Movements in the number of options outstanding are as follows:

	2015	2014
At January 1	564,501	-
Granted	70,000	564,501
Exercised	(4,394)	-
At December 31	**630,107**	**564,501**

At December 31, 2015, of the outstanding 630,107 share options (2014: 564,501), 191,125 (December 31, 2014: 50,000) were exercisable.

The outstanding share options as at December 31, 2015 have the following expiry dates:

At December 31, 2015	**Exercises prices (CHF)**		
Expiry date	**2.00**	**5.00**	**Total**
2019	480,107	80,000	560,107
2020	70,000	-	70,000
Total	**550,107**	**80,000**	**630,107**

At December 31, 2014	**Exercises prices (CHF)**		
Expiry date	**2.00**	**5.00**	**Total**
2019	484,501	80,000	564,501
Total	**484,501**	**80,000**	**564,501**

The weighted average fair value of share options granted during 2015 determined using a Black-Scholes model was CHF0.93 (2014: CHF0.90). The significant inputs to the model were:

	2015	2014
Weighted average share price per share at the grant date	CHF2.85	CHF2.37
Weighted average strike price per share	CHF2.00	CHF2.00
Weighted average volatility / volatility	48%	50%
Dividend yield	-	-
Weighted average annual risk free rate / annual risk-free rate	0.0%	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 2015, 34,212 shares (2014: 41,651 shares) were transferred to settle CHF112,877 (2014: CHF112,498) of consulting fees.

15. License and collaboration agreements

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 for future payments contingent on the products from the research achieving certain development milestones. During 2014, the Group recognized CHF726,568 of other income following amendment of the agreement. Under the amendment certain jointly owned patents have been assigned to JPI and all past patent costs paid by the Group have been reimbursed. No amounts have been recognised in 2015.

Pierre Fabre Pharmaceuticals

On October 7, 2015, following the signature of a material transfer and option agreement with Pierre Fabre Pharmaceuticals, the Group entered into a separate service agreement to perform certain invitro pharmacology characterization services.

16. Income

During 2015, the Group recognized CHF65,302 of other income from Pierre Fabre Pharmaceuticals, CHF315,699 of research grants from The Michael J. Fox Foundation for Parkinson's Research (MJFF). The grant was received in instalments and recognized as income on the period necessary to match it against the specific research costs it was intended to compensate. The Group sold fixed assets and surplus consumables for a total of CHF399,310. During 2014, the Group recognized CHF726,568 of income from Janssen Pharmaceuticals Inc., following the amendment of the license and collaboration agreement. (see note 15)

17. Operating expenses by nature

	2015	2014
Staff costs (note 18)	545,353	355,446
Depreciation and amortization	25,878	110,135
External research and development costs	761,217	258,058
Laboratory consumables	40,301	85,404
Patent costs	256,365	373,255
Professional fees	762,443	1,111,469
Operating leases	259,978	81,004
French Tax dispute escrow account write off	1,227,131	-
Other operating expenses	780,604	456,217
Total operating expenses	**4,659,270**	**2,830,988**

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

18. Staff costs

	2015	2014
Wages and salaries	371,689	274,460
Social charges and insurances	57,326	33,204
Value of share-based services (note 14)	90,028	2,081
Pension costs – defined benefit plans (note 20)	22,056	52,904
Other employee costs	4,254	(7,203)
Total staff cost (note 17)	**545,353**	**355,446**

19. Taxes

	December 31, 2015	December 31, 2014
Loss before tax	4,204,213	1,774,858
Tax calculated at a tax rate of 7.8% (2014: 7.8%)	327,929	138,439
Effect of different tax rates in other countries	(109,320)	(1,573)
Expenses charged against equity	(6,673)	337
Expenses not deductible for tax purposes	(37,427)	(21,507)
Tax losses not recognized as deferred tax assets	(174,508)	(115,696)
Income tax expense	-	-

The Group is subject to Swiss income taxes and has a tax loss carry forward of CHF154,460,545 as of December 31, 2015 (2014: CHF172,392,982), of which CHF148,551,847 (2014: CHF156,156,296) expire within the next five years and CHF5,908,698 (2014: CHF16,236,686) will expire between five and seven years. Tax losses of CHF22,066,277 expired in 2015 (2014: CHF35,085,765).

20. Retirement benefit obligations

Apart from the social security plans fixed by the law, the Group sponsors independent pension plans. All employees are covered by these plans, which are defined benefit plans. Retirement benefits are based on contributions, computed as a percentage of salary, adjusted for the age of the employee and shared approximately 46%/54% by employee and employer. In addition to retirement benefits, the plans provide death and long-term disability benefits to its employees. Liabilities and assets are revised every year by an independent actuary. 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 2015 of CHF 22,056 (2014: CHF92,128) as part of staff costs.

Pension benefits

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

	2015	2014
Defined benefit obligation	(2,234,012)	(2,057,079)
Fair value of plan assets	2,038,350	1,912,543
Funded status	**(195,662)**	**(144,536)**

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

	2015	2014
Current service cost	(40,378)	(187,617)
Interest cost	(25,427)	(44,273)
Interest income	23,611	33,572
Employee contribution	20,138	53,095
Company pension income / (cost) (note 18)	**(22,056)**	**(145,223)**

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

	2015	2014
Defined benefit obligation at beginning of year	(2,057,079)	(1,739,890)
Service cost	(40,378)	(134,522)
Interest cost	(25,427)	(44,273)
Change in financial assumptions		
Experience adjustments	(47,056)	366,589
Increase in disability obligation	(64,072)	(504,983)
Defined benefit obligations at end of year	**(2,234,012)**	**(2,057,079)**

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

	2015	2014
Fair value of plan assets at beginning of year	1,912,543	1,249,455
Interest income	23,611	33,572
Employees' contributions	20,138	53,095
Company contribution	25,856	65,973
Plan assets (losses) / gains	(7,870)	5,465
Disability insurance	64,072	504,983
Fair value of plan assets at end of year	**2,038,350**	**1,912,543**

The principal actuarial assumptions used were as follows:

	December 31, 2015	December 31, 2014
Discount rate	0.80%	1.20%
Future salary increases	1.00%	1.00%
Future pension increases	0.00%	0.00%
Turnover, on average	12.50%	12.50%

Mortality rate

Assumptions regarding future mortality experience are set based on advice, published statistics and experience.

The average life expectancy in years of a pensioner retiring at age of 65 (male) or 64 (female) on the balance sheet date are as follows:

	2015	2014
Male	21.49	21.39
Female	24.94	24.84

The estimated Group contributions to pension plans for the financial year 2016 amount to CHF34,860.

The following table shows the funding of the defined benefit pensions and actuarial adjustments on plan liabilities:

	2015	2014
Present value of defined benefit obligation	(2,234,012)	(2,057,079)
Fair value of plan assets	2,038,350	1,912,543
Deficit in the plan	**(195,662)**	**(144,536)**
Experience adjustment	47,056	366,589
Actuarial (losses) / gains on plan assets	(7,870)	5,465

The following table shows the estimated benefit payments for the next ten years:

2016	59,963
2017	60,597
2018	61,220
2019	61,837
2020	62,449
2020-2024	321,436

21. Finance income and costs

	2015	2014
Interest expense	(192,070)	-
Interest income	39,860	1,586
Unrealized foreign exchange (losses) / gains	(184,058)	20,192
Finance result, net	**(336,268)**	**21,778**

22. Loss per share

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

	2015	2014
Loss attributable to equity holders of the Company	(4,204,213)	(1,774,858)
Weighted average number of shares in issue	10,852,056	9,984,888
Basic and diluted loss per share	**(0.39)**	**(0.18)**

The Company has one category of dilutive potential shares as at December 31, 2015 and December 31, 2014: equity sharing certificates (ESCs) and share option. As of December 31, 2015 and December 31, 2014, equity sharing certificates and share options have been ignored in the calculation of the loss per share, as they would be antidilutive.

23. Commitments and contingencies

Operating lease commitments

	2015	2014
Within 1 year	1,934	147,447
Total operating lease commitments	**1,934**	**147,447**

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

Capital commitments

As at December 31, 2015 and 2014, the Group has no contracted capital expenditure.

Contingencies

As part of the ordinary course of business, the Group is subject to contingent liabilities in respect of certain litigation. In the opinion of management, none of the outstanding litigation will have a significant adverse effect on the Group's financial position (see note 4.1).

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:

Key management compensation

Key management compensation	2015	2014
Salaries and other short-term employee benefits	82,397	53,146
Consulting fees	624,000	676,000
Post-employment benefits	-	-
Share-based compensation	265,225	274,039
	971,622	**1,003,185**

Consulting fees relate to amounts paid to Sonia Poli and Tim Dyer who deliver their services to the Group under consulting contracts. Tim Dyer services are delivered through TMD Advisory Ltd, a company owned and managed by Mr. Dyer, which has been mandated to provide CEO / CFO services to the Addex Group. The Group invoiced CHF11,014 of consulting services to TMD Advisory Ltd during the year which have been recorded in other income.

26. Events after the balance sheet date

In January 2016, the Group sold 317,400 treasury shares for net proceeds of CHF1,003,496.

27. Risk assessment disclosure required by Swiss law

The CEO coordinates and aligns the risk management processes, and reports to the Board on a regular basis on risk assessment and risk management. The organization and the corporate processes have been designed and implemented to identify and mitigate risks at an early stage. Organizationally, the responsibility for risk assessment and management is allocated to the CEO and members of the Executive Management and specialized corporate functions such as Group Finance. Group Finance provides support and controls the effectiveness of the risk management processes. Financial risk management is described in more detail in note 3 to the Group's consolidated financial statements.

The CEO and CFO coordinate and align the risk management processes, and report to the Board and the Audit Committee on a regular basis on risk assessment and risk management. The organization and the corporate processes have been designed and implemented to identify and mitigate risks at an early stage. Organizationally, the responsibility for risk assessment and management is allocated to the CEO and members of the Executive Management and specialized corporate functions such as Group Finance and the Group Safety Committee. Group Finance provides support and controls the effectiveness of the risk management processes. Financial risk management is described in more detail in note 3 to the Group's consolidated financial statements.

Swiss Statutory Financial Statements of Addex Therapeutics Ltd as at December 31, 2016 (Audited)

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Addex Therapeutics Ltd, which comprise the balance sheet as at December 31, 2016, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements as at December 31, 2016 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 25'000

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 matters the following area of focus has been identified:

Going concern

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.

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.

Overall materiality	CHF 25'000
How we determined it	Total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is the benchmark against which the financial performance of the entity is most commonly measured in its holding activity, and is a generally accepted benchmark.

We agreed with the Board of Directors that we would report to them misstatements above CHF 2'500 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on key audit matters

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.

Going concern

Key audit matter	*How our audit addressed the key audit matter*
The Group remains in a development phase and has yet to earn significant revenues from its product pipeline. In addition, the Group has made significant losses throughout its history and has a relatively weak cash balance as of December 31, 2016 may not allow it to continue its operations and support its activities in the future. As a result we identified going concern as a key audit matter. Following the successful fund raising completed in February 2017, the Board of Directors has concluded that it is appropriate to prepare the consolidated financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Board of Directors intends it to do so, for at least 12 months from the end of the reporting period. The Group has conducted an assessment up until April 30, 2018.	We evaluated the Board of Directors' conclusion in respect of going concern and critically assessed the Group's cash flow forecast to assess the adequacy of cash balance and new inflows for the Group to remain in operation. We obtained and scrutinised the supporting documentation for the significant funding transaction incurred in February 2017. We compared current year actual expenses to the prior year's forecast for the current year to assess the Board of Directors' ability to produce an accurate forecast. We further challenged the reasonableness of the future forecast through comparison to the current year actual expenses Where significant variances were noted we challenged the reasonableness of the forecast and considered alternative assumptions and their impact on the cash forecast. We tested the mathematical accuracy of the forecast and the process by which it was prepared. We concluded that the Board of Directors' forecast was reasonable for the purpose of assessing going concern and concluded that the Board of Directors' use of the going concern assumption is appropriate.

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.

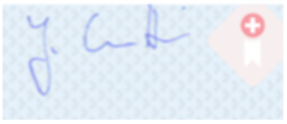
Report on other legal and regulatory requirements

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.

Further, we draw attention to the fact that half of the share capital and the legal reserves is no longer covered (article 725 para. 1 CO).

PricewaterhouseCoopers SA



Yves Cerutti
Audit expert
Auditor in charge

Adrien Benoit

Geneva, March 30, 2017

Balance Sheets
as at December 31, 2016 and December 31, 2015

	Notes	31.12 2016	31.12. 2015
		Amounts in Swiss francs	
ASSETS			
Current assets			
Cash and cash equivalents (excluding bank overdrafts)		424,280	441,281
Other receivables			
Third parties		8	105
Total current assets		**424,288**	**441,386**
Non-current assets			
Investments in Group companies	6	2	2
Other non-current assets			
Loans to Group companies	7	2,449,845	2,435,206
Total non-current assets		**2,449,847**	**2,435,208**
Total assets		**2,874,135**	**2,876,594**
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		110,927	6,293
Other payables: Third parties		6,024	4,629
Accruals		248,128	246,813
Total current liabilities		**365,079**	**257,735**
Equity			
Share capital		13,454,553	11,699,612
Share premium		327,982	1,544,864
Treasury shares reserve	9	1,953,067	736,184
Non-voting equity securities (*)	11	p.m.	p.m.
Accumulated deficit		(13,226,546)	(11,361,801)
Total equity	8	**2,509,056**	**2,618,859**
Total liabilities and equity		**2,874,135**	**2,876,594**

(*) 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 Income
for the years ended December 31, 2016 and 2015

	2016	2015
	Amounts in Swiss francs	
Operating costs		
Professional fees	(216,835)	(91,808)
Other operating costs	(218,531)	(245,287)
Provision for loans to Group companies	(1,289,864)	(2,163,931)
Reversal of prior year provision	-	100,000
Taxes	(132,617)	(98,914)
Total operating costs	**(1,857,847)**	**(2,499,940)**
Interest income	27	21
Interest expenses	(6,924)	-
Net loss before taxes	**(1,864,744)**	**(2,499,919)**
Income tax expense	-	-
Net loss for the year	**(1,864,744)**	**(2,499,919)**

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

Notes to the Financial Statements for the years ended December 31, 2016 and 2015 (amounts in Swiss francs)

1. General

Addex Therapeutics Ltd, formerly Addex Pharmaceuticals Ltd, was founded on February 19, 2007.

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

As of December 31, 2016 and December 31, 2015, there were no guarantees, other indemnities or assets pledged in favor of third parties.

3. Pledges on assets to secure own liabilities

As of December 31, 2016 and December 31, 2015, there were no assets pledged to secure own liabilities.

4. Lease commitments not recorded in the balance sheet

As of December 31, 2016 and December 31, 2015, there were no lease commitments not recorded in the balance sheet.

5. Amounts due to pension funds

As of December 31, 2016 and December 31, 2015, there were no amounts due to pension funds.

6. Significant investments

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

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

As at December 31, 2015 and 2016, the Company has provided for its investments in Group companies as follows:

	December 31, 2016	December 31, 2015
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
	2	2

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

As at December 31, 2016 and 2015, the Company has provided for its loan to Addex Pharma SA as follows:

	December 31, 2016	December 31, 2015
Loan to Addex Pharma SA	162,148,305	160,843,801
Provision for loan to Addex Pharma SA	(159,698,460)	(158,408,595)
	2,449,845	2,435,206

The loan to Addex Pharma SA is subordinated to the claims of other creditors of the subsidiary up to CHF159,698,459.

8. Equity

	Share capital	General reserve, from… …capital contribution	…retained earnings	Treasury shares reserve	Accumulated deficit	Total
January 01, 2015……	**10,173,576**	**163,895,065**	**(163,708,099)**	**250,749**	**(8,861,883)**	**1,749,408**
Issue of shares, capital increase……..	1,526,036	1,843,334	-	-	-	3,369,370
Transfer to treasury shares reserve……	-	(485,435)	-	485,435	-	-
Net loss of the year…….	-	-	-	-	(2,499,919)	(2,499,919)
December 31, 2015…….	**11,699,612**	**165,252,964**	**(163,708,099)**	**736,184**	**(11,361,802)**	**2,618,859**
Issue of shares, capital increase……..	1,754,941	-	-	-	-	1,754,941
Transfer to treasury shares reserve……	-	(1,216,883)	-	1,216,883	-	-
Net loss of the year…….	-	-	-	-	(1,864,744)	(1,864,744)
December 31, 2016……	**13,454,553**	**164,036,081**	**(163,708,099)**	**1,953,067**	**(13,226,546)**	**2,509,056**

On May 27, 2016, the Group increased its share capital by CHF1,754,941 (1,754,941 registered shares with nominal value of CHF1 per share) out of authorized share capital. The 1,754,941 new shares were subscribed by the Company's 100% owned subsidiary, Addex Pharma SA at CHF1 and recorded as treasury shares.

On, March 9, 2015 the Group issued 1,526,036 new shares at CHF1 from the authorized capital, 921,667 shares were sold in a private placement for CHF3.00 for a gross proceeds of CHF2,765,001 per share and 604,369 shares were issued to Addex Pharma SA at CHF1.00 for gross proceeds of CHF604,369. Gross proceeds of CHF3,369,370 have been recorded in share capital for CHF1,526,036 and in general reserve from capital contributions for CHF1,843,334.

At December 31, 2016, the total outstanding share capital is CHF13,454,553 (December 31, 2015: CHF11,612,699), consisting of 13,454,553 shares (December 31, 2015: 11,612,699). All shares have a nominal value of CHF1 and are fully paid. The authorized capital and conditional capital as at December 31, 2016 and 2015 are as follows:

	December 31, 2016	**December 31, 2015**
Authorized capital	6,727,276	5,849,806
Conditional capital.....	6,727,276	5,849,806

9. Treasury share reserve

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

	Number of registered shares	Price in CHF	Total purchase price in CHF	% of share capital
Balance at January 1, 2015	**188,688**		**250,749**	**2.46%**
Net purchases	485,435	1.00	485,435	
Balance at December 31, 2015	**674,123**		**736,184**	**6.29%**
Net purchases	1,216,883	1.00	1,216,883	
Balance at December 31, 2016	**1,891,006**		**1,953,067**	**14.52%**

10. Significant shareholders

According to the information available to the Board of Directors the following shareholders held shares entitling them to more than 3% of the total voting rights:

	December 31, 2016		**December 31, 2015**	
	1. Number of shares	**2. Interest in capital in %**	**3. Number of shares**	**4. Interest in capital in %**
Tim Dyer (1).....	723,176	5.37%	662,763	5.66%
IFM Independent Fund Management AG*	582,695	4.98%	582,695	4.98%

*Addex Therapeutics Ltd shares were held by several related entities.

(1) the shareholding of Tim Dyer assumes the exercise of all equity incentive units at the 31 December 2016 and 2015

11. Non-voting equity securities

Refer to note 14 of the consolidated financial statements.

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

As of December 31, 2016 and 2015, members of the Board of Directors and Executive Management held the following shares in the Company:

	2016 Number of Shares	2015 Number of Shares
Vincent Lawton, Chairman	500	500
Sonia Poli, Chief Scientific Officer	17,000	17,000
Roger Mills, Chief Medical Officer	7,388	-
Tim Dyer, Chief Executive Officer	215,176	154,763

As of December 31, 2016, members of the Board of Directors and Executive Management held the following equity incentive units in the Company:

	Number of vested equity incentive units	Number of unvested equity incentive units	Total number of equity incentive units
Vincent Lawton, Chairman	50,000	50,000	100,000
Raymond Hill	8,625	22,375	31,000
Sonia Poli, Chief Scientific Officer	50,000	50,000	100,000
Roger Mills, Chief Medical Officer	1,042	48,958	50,000
Tim Dyer, Chief Executive Office	358,000	150,000	508,000

As of December 31, 2015, members of the Board of Directors and Executive Management held the following equity incentive units in the Company:

	Number of vested equity incentive units	Number of unvested equity incentive units	Total number of equity incentive units
Vincent Lawton, Chairman	25,000	75,000	100,000
Raymond Hill	875	30,125	31,000
Sonia Poli, Chief Scientific Officer	25,000	75,000	100,000
Tim Dyer, Chief Executive Office	258,000	250,000	508,000

13. Uncertainties and ability to continue operations

As discussed in note 1 under "general information" of the consolidated financial statements, The Board of Directors (Board) believes the Group will be able to meet all of its obligations for a further 12 months as they fall due and, hence, the consolidated financial statements have been prepared on a going concern basis. The Group is currently engaged in a number of activities to ensure that it can continue its operations, including monetizing its assets, raising additional capital and pursuing strategic alternatives. The outcome of these activities is inherently uncertain and had the Board assessed differently the ability of the Group to execute on its current financial plans and the ability of the Group to meet all of its obligations for a further 12 months then the Group would have presented the consolidated financial statements on a liquidation basis. Had the consolidated financial statements been prepared on a liquidation basis then certain commitments and contingencies (refer to details of operating lease commitments in note 23) would have been recorded on the balance sheet and certain assets would have been written down to their recoverable amounts (refer to other current assets in note 8 and non-current financial assets in note 11).

Proposal of the Board of Directors for appropriation of loss carried forward

The Board of Directors proposes to transfer CHF1,216,883 from the treasury shares reserve to the general reserve from capital contribution and to carry forward the net loss for the year 2016 of CHF1,864,744.

Swiss Statutory Financial Statements of Addex Pharmaceuticals Ltd as at December 31, 2015 (Audited)

Report of the statutory auditors to the General Meeting of Addex Pharmaceuticals Ltd, Plan-les-Ouates

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Addex Therapeutics Ltd, which comprise the balance sheets, statements of income and notes, for the year ended 31 December 2015.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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.

Further, we draw attention to the fact that half of the share capital and the legal reserves are no longer covered (article 725 para. 1 CO).

PricewaterhouseCoopers Ltd

Adrien Benoit

Audit expert
Auditor in charge

Geneva, 29 April 2016

Balance Sheets
as at December 31, 2015 and December 31, 2014

	Notes	December 31, 2015	December 31, 2014
		Amounts in Swiss francs	
ASSETS			
Current assets			
Cash and cash equivalents		441,281	636,916
Other receivables			
Third parties		105	1,166
Accrued income		—	17,219
Total current assets		**441,386**	**655,301**
Non-current assets			
Investments in Group companies	6	2	2
Other non-current assets			
Loans to Group companies	7	2,435,206	1,470,496
Total non-current assets		**2,435,208**	**1,470,498**
Total assets		**2,876,594**	**2,125,799**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payables		6,293	149,430
Other payables: Third parties		4,629	11,404
Accruals		246,813	215,557
Total current liabilities		**257,735**	**376,391**
Shareholders' equity			
Share capital		11,699,612	10,173,576
Share premium		1,544,864	186,966
Treasury shares reserve	9	736,184	250,749
Non-voting equity securities (*)	11	p.m.	p.m.
Accumulated deficit		(11,361,801)	(8,861,883)
Total shareholders' equity	8	**2,618,859**	**1,749,408**
Total liabilities and shareholders' equity		**2,876,594**	**2,125,799**

(*) 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 Income
for the years ended December 31, 2015 and 2014

	2015	2014
	Amounts in Swiss francs	
Operating expenses		
Board of director fees	(91,808)	(162,631)
Other operating expenses	(245,287)	(166,605)
Provision for loans to Group companies	(2,163,931)	(1,770,059)
Reversal of prior year provision	100,000	-
Taxes	(98,914)	(128,657)
Total operating expenses	**(2,499,940)**	**(2,227,952)**
Interest income	21	980
Net loss before taxes	**(2,499,919)**	**(2,226,972)**
Income tax expense	—	—
Net loss for the year	**(2,499,919)**	**(2,226,972)**

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

Notes to the Statutory Financial Statements
for the years ended December 31, 2015 and 2014 (amounts in Swiss francs)

1. General

Addex Therapeutics Ltd, formerly Addex Pharmaceuticals Ltd, was founded on February 19, 2007.

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

As of December 31, 2015 and December 31, 2014, there were no guarantees, other indemnities or assets pledged in favor of third parties.

3. Pledges on assets to secure own liabilities

As of December 31, 2015 and December 31, 2014, there were no assets pledged to secure own liabilities.

4. Lease commitments not recorded in the balance sheet

As of December 31, 2015 and December 31, 2014, there were no lease commitments not recorded in the balance sheet.

5. Amounts due to pension funds

As of December 31, 2015 and December 31, 2014, there were no amounts due to pension funds.

6. Significant investments

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

	December 31, 2015	December 31, 2014
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
	2	2

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

As at December 31, 2015 and 2014, the Company has provided for its loan to Addex Pharma SA as follows:

	December 31, 2015	December 31, 2014
Loan to Addex Pharma SA	160,843,801	157,710,319
Provision for loan to Addex Pharma SA	(158,408,595)	(156,239,823)
	2,435,206	1,470,496

The loan to Addex Pharma SA is subordinated to the claims of other creditors of the subsidiary up to CHF158,408,595.

8. Equity

	Share capital	General reserve, from… …capital contribution	…retained earnings	Treasury shares reserve	Accumulated deficit	Total
January 1, 2014	**10,173,576**	**163,708,099**	**(153,531,166)**	**437,715**	**(16,811,844)**	**3,976,380**
Offset accumulated deficit with general reserve	—	—	(10,176,933)	—	10,176,933	—
Transfer from treasury shares reserve	—	186,966	—	(186,966)	—	—
Net loss of the year	—	—	—	—	(2,226,972)	(2,226,972)
December 31, 2014	**10,173,576**	**163,895,065**	**(163,708,099)**	**250,749**	**(8,861,883)**	**1,749,408**
Issue of shares, capital increase	1,526,036	1,843,334	—	—	—	3,369,370
Transfer to treasury shares reserve	—	(485,435)	—	485,435	—	—
Net loss of the year	—	—	—	—	(2,499,919)	(2,499,919)
December 31, 2015	**11,699,612**	**165,252,964**	**(163,708,099)**	**736,184**	**(11,361,802)**	**2,618,859**

On March 9, 2015, the Group issued 1,526,036 new shares at CHF1 from the authorized capital, 921,667 shares were sold in a private placement for CHF3.00 for a gross proceeds of CHF2,765,001 per share and 604,369 shares were issued to Addex Pharma SA at CHF1.00 for gross proceeds of CHF604,369. Gross proceeds of CHF3,369,370 have been recorded in share capital for CHF1,526,036 and in general reserve from capital contributions for CHF1,843,334.

At December 31, 2015, the total outstanding share capital is CHF11,612,699 (December 31, 2014: CHF10,173,576), consisting of 11,612,699 shares (December 31, 2014: 10,173,576). All shares have a nominal value of CHF1 and are fully paid. The authorized capital and conditional capital as at December 31, 2015 and 2014 are as follows:

	December 31, 2015	December 31, 2014
Authorized capital	5,849,806	5,086,788
Conditional capital	5,849,806	4,485,921

9. Treasury share reserve

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

	Number of registered shares	Price in CHF	Total purchase price in CHF	% of share capital
Balance at January 1, 2014	**330,329**		**437,715**	**4.30%**
Net sales	(141,641)	1.32	(186,966)	
Balance at December 31, 2014	**188,688**		**250,749**	**2.46%**
Net purchases	485,435	1.00	485,435	
Balance at December 31, 2015	**674,123**		**736,184**	**6.29%**

10. Significant shareholders

According to the information available to the Board of Directors the following shareholders held shares entitling them to more than 3% of the total voting rights:

	December 31, 2015		December 31, 2014	
	Number of Shares	Interest in capital in %	Number of Shares	Interest in capital in %
BVF Partners L.P.*	—	—%	2,503,849	24.61%
Tim Dyer (1)	662,763	5.66%	594,906	5.85%
IFM Independent Fund Management AG*	582,695	4.98%	—	—%
Sofinnova Capital IV FCPR	—	—%	311,667	3.06%

*Addex Pharmaceuticals Ltd shares were held by several related entities.
(1) the shareholding of Tim Dyer assumes the exercise of all equity incentive units at the 31 December 2015 and 2014

11. Non-voting equity securities

Refer to note 14 of the consolidated financial statements.

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

As of December 31, 2015 and 2014, members of the Board of Directors and Executive Management held the following shares in the Company:

	2015 Number of Shares	2014 Number of Shares
Vincent Lawton, Chairman	500	500
Sonia Poli, Chief Scientific Officer	17,000	17,000
Timothy Dyer, Chief Executive Officer…	154,763	86,906

As of December 31, 2015, members of the Board of Directors and Executive Management held the following equity incentive units in the Company:

	Number of vested equity incentive units	Number of unvested equity incentive units	Total number of equity incentive units
Vincent Lawton, Chairman	25,000	75,000	100,000
Raymond Hill	875	30,125	31,000
Sonia Poli, Chief Scientific Officer	25,000	75,000	100,000
Tim Dyer, Chief Executive Office	258,000	250,000	508,000

As of December 31, 2014, members of the Board of Directors and Executive Management held the following equity incentive units in the Company:

	Number of vested equity incentive units	Number of unvested equity incentive units	Total number of equity incentive units
Vincent Lawton, Chairman	0	100,000	100,000
Sonia Poli, Chief Scientific Officer	0	100,000	100,000
Tim Dyer, Chief Executive Office	158,000	350,000	508,000

13. Risk assessment

Refer to note 26 of the consolidated financial statements.

14. Uncertainties and ability to continue operations

The Company's ability to continue operations is highly dependent on the Group's ability to continue as a going concern. The Group is a development stage enterprise and is exposed to all the risks inherent in establishing a business. Inherent in the Group's business are various risks and uncertainties, including the substantial uncertainty that current projects will succeed. The Group's success may depend in part upon its ability to (i) establish and maintain a strong patent position and protection, (ii) enter into collaborations with partners in the pharmaceutical industry, (iii) acquire and retain key personnel, and (iv) acquire additional capital to support its operations. As at December 31, 2015, there is significant uncertainty with respect to the Group's ability to continue as a going concern. After considering the Group's cash position in light of current financial plans and financial commitments, the Board of Directors believes the Group and therefore the Company will be able to meet all of its obligations for a further 12 months as they fall due and, hence, the financial statements have been prepared on a going concern basis. The Group is currently engaged in a number of activities to ensure that it can continue its operations, including monetizing its assets, raising additional capital, pursuing strategic alternatives and evaluating restructuring options. The outcome of these activities is inherently uncertain and had the Board assessed differently the ability of the Group to execute on its current financial plans and the ability of the Company to meet all of its obligations for a further 12 months then the Company would have presented the financial statements on a liquidation basis. Had the financial statements been prepared on a liquidation basis then certain commitments and contingencies would have been recorded on the balance sheet and certain assets would have been written down to their recoverable amounts.

Proposal of the Board of Directors for appropriation of loss carried forward

The Board of Directors proposes to transfer CHF485,435 from the treasury shares reserve to the general reserve from capital contribution and to carry forward the net loss for the year 2015 of CHF2,499,919.