



Allosteric Modulators for
Human Health

Annual Report 2014

Contents

3	Letter to Shareholders
4	Financial Review
6	Corporate Governance Report
15	Compensation Report
18	Consolidated Financial Statements
44	Statutory Financial Statements

Key Facts / Addex Therapeutics

Focus:	Oral small molecule allosteric modulation-based drug discovery and development against diseases with high unmet medical needs. Rare diseases with orphan drug designation potential
Disease area:	Central Nervous System (CNS)
Lead programs:	Dipraglurant (ADX48621) for the treatment of Parkinson's disease levodopa-induced dyskinesia (PD-LID); Dipraglurant (ADX48621) for the treatment of dystonia; ADX71149 for an undisclosed CNS disorders (licensed to Janssen Pharmaceuticals Inc.); ADX71441 for the treatment of Charcot-Marie-Tooth type 1A neuropathy; and ADX71441 for the treatments of addiction (alcohol use disorder and/or nicotine cessation)
Total full time equivalent employees and consultants as of December 31, 2014:	5
Stock symbol / exchange:	ADXN (ISIN:CH0029850754) / SIX Swiss Exchange
Shares outstanding as of 30 April 2015:	11,699,612
Cash as of December 31, 2014:	CHF2.0 million Capital increase of CHF2.8 million executed 9 March 2015
Headquarters:	Geneva, Switzerland

Letter to Shareholders

Dear Shareholders,

Addex has made significant progress in 2014, achieving important milestones as we execute our strategy to rebuild the Company into a successful clinical stage drug developer. We completed a strategic review of our portfolio of allosteric modulator drug candidates and took the decision to restart development of our two unpartnered clinical stage programs, dipraglurant and ADX71441. We are also pursuing strategic alternatives for our preclinical portfolio and technologies. At the same time we continue to develop strategic alliances with patient advocacy groups, academic institutions and governmental organizations to advance the development of our exciting portfolio of drug candidates for the benefit of patients.

The results of our strategic review confirmed the promise of our portfolio of first in class drug candidates and the leading position of our allosteric modulator drug discovery platform. With the support of The Michael J. Fox foundation for Parkinson's Research, we took the decision to restart the development of dipraglurant, a first in class negative allosteric modulator (NAM) of the metabotropic glutamate receptor 5 (mGluR5), for the treatment of Parkinson's disease levodopa induced dyskinesia (PD-LID,). Development of dipraglurant in PD-LID has resumed with the initiation of a receptor occupancy study in healthy volunteers at the Johns Hopkins University, in the United States, while in parallel we are preparing the development plans for a phase IIb study.

As part of our strategy to develop dipraglurant in dystonia, we entered a collaboration, with the Dystonia Medical Research Foundation to prepare a phase IIa proof of concept clinical study in a rare form of dystonia. In parallel, we are working with Professor Dirk Dressler of The Hanover Medical School to run a compassionate use pilot study with dipraglurant in cervical dystonia, which we plan to complete in 2015.

Our other lead drug candidate ADX71441, a GABAB positive allosteric modulator (PAM) is currently involved in three major collaborations. The Charcot-Marie-Tooth association is evaluating ADX71441 for the treatment of the rare neuropathy, Charcot-Marie-Tooth type 1A (CMT1A), in a battery of preclinical models of the disease. The potential utility of ADX71441 for the treatment of addiction has attracted the National Institute on Alcohol Abuse and Alcoholism (NIAAA) to evaluate ADX71441 in preclinical models of alcohol use disorder and the National Institute on Drug Abuse (NIDA) to evaluate ADX71441 in preclinical models of cocaine and nicotine addiction. In 2014, under our collaboration with NIDA, we reported positive results in preclinical models of nicotine addiction with ADX71441.

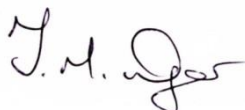
Our strategic partner, Janssen Pharmaceuticals Inc., (JPI) reported in February 2014 that a phase II study with ADX71149 in major depressive disorder patients with significant anxiety symptoms did not meet the primary end point. JPI continues to explore other indications for the program. In December 2014, we announced receiving USD757,000 from JPI following the amendment of our license and collaboration agreement. Under this amendment, certain jointly owned patents have been assigned to JPI and all past patent costs paid by Addex have been reimbursed. Going forward, Addex contribution to patent costs has been significantly reduced while the amendment has no impact on Addex right to receive royalties and milestones under the agreement.

In March of 2015, we executed a capital increase, raising CHF2.8 million of additional financing, extending our cash runway into 2017. Looking forward in 2015, we will complete the preparation of dipraglurant to enter a phase IIb study in PD-LID, complete a pilot study with dipraglurant in cervical dystonia and prepare dipraglurant for a phase IIa study in a rare form of dystonia. We will also initiate the phase 1 program for ADX71441 and start preparation for phase II studies in CMT1A and addiction. We will continue to evaluate strategic options for our portfolio of drug candidate and pursue collaborations with industry, patient advocacy groups, academic institutions and governmental organizations to advance their development for the benefit of patients.

We believe 2015 will be an important year for Addex as we restart clinical studies with dipraglurant and ADX71441. We have a robust pipeline and are focused on executing our strategy to rebuild the Company into a successful clinical stage drug developer based on our leading allosteric modulator drug discovery platform. We are committed to building significant value for our shareholders and believe our ability to execute a clinical and regulatory strategy can drive this value. Finally, we would like to acknowledge and thank all our employees, consultants and collaboration partners for their hard work, dedication, loyalty and perseverance in executing the rebuilding of Addex. We would also like to thank you, our shareholders, for your continued support.



Vincent Lawton
Chairman of the Board



Tim Dyer
Chief Executive Officer

Financial Review 2014

Overview

The following review and discussion of the financial results for 2014 should be read in conjunction with the consolidated financial statements and related notes, which have been prepared in accordance with International Financial Reporting Standards and are presented in this Annual Report.

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

During 2014, we completed a strategic review of our portfolio of drug candidates, and prepared dipraglurant and ADX71441 for restarting clinical development. In addition we entered a number of collaborations with patient advocacy groups, academic institutions and governmental organizations to both characterize our portfolio of drug candidates in various indications and to provide expert opinion on the development and regulatory strategy. At December 31, 2014, our headcount was 5 FTEs compared to 5 FTEs at December 31, 2013, and our average headcount was stable at 5 FTEs in 2014, compared to 30 FTEs in 2013.

Our 2014 research and development expenditure decreased to CHF0.9 million and our general and administrative expenses were reduced to CHF1.6 million. CHF0.7 million has been recognized as income in the year and our net loss was significantly reduced to CHF1.8 million. We ended the year with a cash position of CHF2.0 million.

Results of operations

The following table presents our consolidated results of operations for the fiscal years 2014 and 2013:

Amounts in millions of Swiss francs	2014	2013
Income	0.7	0.1
Research and development expenses	(0.9)	(9.3)
General and administrative expenses	(1.6)	(5.3)
Total operating expenses	(1.8)	(14.5)
Operating loss	(1.8)	(14.5)
Finance result, net	-	-
Net loss for the year	(1.8)	(14.5)

Income

Income has increased significantly in 2014 to CHF0.7 million, compared to CHF0.1 million in 2013 primarily due to an amount received from our strategic partner, Janssen Pharmaceuticals Inc., following the amendment of our collaboration and license agreement. 2013 income comprises an amount recognized under a research grant from The Michael J. Fox Foundation for Parkinson's Research. This grant was provided to support dipraglurant development in Parkinson' disease levodopa-induced dyskinesia.

Research and development expenses

R&D expenses have decreased by 90% to CHF0.9 million in 2014, compared to CHF9.3 million in 2013, mainly due to a significant reduction in headcount following the decision to put on hold the majority of R&D activities in 2013, while the Group secured its financial position. R&D expenses consist primarily of costs associated with research, preclinical and clinical testing and related staff costs. They also include depreciation of laboratory equipment and leasehold improvements, costs of materials used in research, costs associated with renting and operating facilities and equipment, as well as fees paid to consultants, patent costs and other outside service fees and overhead costs. These expenses include costs for proprietary and third party R&D.

General and administrative expenses

G&A expenses have decreased by 70% to CHF1.6 million in 2014, compared to CHF5.3 million in 2013, primarily due to the headcount reduction following the restructuring of the Group. 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.

Net loss for the year

The net loss for the year has decreased by 88% to CHF1.8 million for 2014, compared to CHF14.5 million for 2013, mainly due to the significant reduction in our operating expenses. Basic and diluted loss per share also decreased accordingly to CHF0.18 for 2014, compared to CHF1.60 for 2013.

Balance sheet & cash flows

Cash and cash equivalents decreased by 33% to CHF2.0 million at December 31, 2014, compared to CHF2.9 million at December 31, 2013. This decrease of CHF0.9 million is mainly due to the net cash used in operations of CHF1.8 million offset by cash inflows of CHF0.4 million from the sale of property, plant and equipment and CHF0.5 million from the sale of treasury shares.

There was no investment in property, plant and equipment during 2014 or 2013. The net book value of property, plant and equipment decreased by 75% to CHF44,677 at December 31, 2014 compared to CHF179,524 at December 31, 2013, primarily due to the annual depreciation charge as well as the disposal of certain assets.

Total shareholders' equity has decreased to CHF2.3 million at December 31, 2014 compared to CHF3.0 million at December 31, 2013, mainly due to the net loss for the year.

Shares and shareholders' information

At both December 31, 2014 and December 31, 2013, the Company had 10,173,576 outstanding issued shares and a free float of 100%. Of the outstanding issued shares at December 31, 2014, 188,688 shares were held in treasury (at December 31, 2013: 330,329 shares). During the 2014, 141,641 treasury shares were sold raising gross proceeds of CHF468,329. Our share price performance was disappointing in 2014 and our closing share price and market capitalization decreased to CHF2.32 and CHF23.6 million at December 31, 2014, compared to CHF3.72 and CHF37.8 million at December 31, 2013, respectively.

2015 outlook

Following a strategic review of our portfolio in 2014, we took the decision to restart clinical development of dipraglurant with the support of The Michael J. Fox Foundation for Parkinson's Research and prepare ADX71441 for the start of phase I. We also continue to pursue collaborations with industry, patient advocacy groups, academic institutions and governmental organizations to drive forward our portfolio of exciting allosteric modulator drug candidates. In parallel, we will execute our strategy to secure the resources necessary to advance the pipeline for the benefit of patient while maximizing value for our shareholders.

On March 9, 2015, the Group issued 1,526,036 new shares from authorized capital in a private placement of which 921,667 were placed at CHF3 with investors, raising CHF2.8 million and 604,369 were placed at CHF1 with Addex Pharma SA, a subsidiary of Addex. These shares are recorded as treasury shares and will be used to both raise additional funds and purchase services under the share purchase plan.

Corporate Governance Report 2014

General information

Addex' Articles of Association ("Articles"), Organizational Rules and Policies provide the basis for the principles of Corporate Governance. On January 1, 2014, the Ordinance against Excessive Compensation in Public Companies ("Compensation Ordinance") came into effect. The Compensation Ordinance implements a constitutional amendment based on a popular initiative regarding executive compensation that was approved by the Swiss electorate in 2013. This report has been prepared in accordance with the SIX Swiss Exchange Directive on Information Related to Corporate Governance effective as of October 1, 2014.

Group structure

Description of Addex' operational group structure

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

Listed company

Addex Therapeutics Ltd has its registered office c/o Addex Pharma SA, Chemin des Aulx 12, CH-1228 Plan-les-Ouates, Geneva, Switzerland. Its shares have been listed on the SIX Swiss Exchange (SIX) since May 21, 2007 under the Swiss security number (Valorenummer) 2985075. The ISIN is CH0029850754, the common code is 030039254 and the ticker symbol is ADXN. On December 31, 2014, the market capitalization of Addex was CHF23,602,696.

Significant shareholders

As far as can be ascertained from the information available, the following shareholders own 3% or more of the Company's share capital as at December 31, 2014 based on published notifications to the on SIX:

Shareholder	Number of shares	% of capital
BVF Partners L.P. ¹	2 503 849	24.61%
Sofinnova Capital IV FCPR ²	311 667	3.06%
Tim Dyer	594 906	5.85%

¹BVF Partners L.P., 900 North Michigan Avenue, Suite 1100, Chicago, Illinois, 60611, USA. BVF Partners L.P. comprises Biotechnology Value Fund L.P., Biotechnology Value Fund II L.P., Samana Capital L.P. and Investment 10 L.L.C.

²Sofinnova Capital IV FCPR has its principal office at 18, rue du 4 Septembre, 75002 Paris, France.

³Tim Dyer, Gland, Switzerland holding assumes exercise of all equity incentive units.

For a comprehensive list of notifications of shareholdings received during 2014 pursuant to article 20 of the Swiss Federal Act on Stock Exchanges and Securities Trading ("SESTA") refer to the SIX Swiss Exchange website (www.six-swiss-exchange.com/shares/companies/major_shareholders_en.html).

Cross-shareholdings

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

Shareholder structure

There were 2,142 shareholders registered in the share register on December 31, 2014. The distribution of shareholdings is divided as follows:

Number of shares	Number of registered shareholders on December 31, 2014
1 to 100	329
101 to 1,000	1044
1,001 to 10,000	699
10,001 to 100,000	66
100,001 to 1,000,000	4
1,000,001 to 10,000,000	0

The shareholder base on December 31, 2014 was constituted as follows:

Shareholder structure according to category of investors

(weighted by number of shares)

Private persons	37.66%
Institutional shareholders	18.82%
Not registered	43.52%

Shareholder structure by country

(weighted by number of shares)

United States	12.10%
Switzerland	41.76%
France	0.25%
Germany	0.10%
Other	2.27%
Not registered	43.52%

Capital structure

As of December 31, 2014, the share capital amounted to CHF10,173,576 consisting of 10,173,576 registered shares with a nominal value of CHF1 per share. The share capital is fully paid up. As of December 31, 2014, the Company, indirectly, held 188,688 of its own shares. These shares are recorded as treasury shares.

Authorized share capital

As of December 31, 2014 and according to the Articles, the Board of Directors (Board) is authorized, at any time until June 27, 2016 to increase the share capital in an amount of CHF5,086,788 through the issuance of 5,086,788 fully paid registered shares with a nominal value of CHF1 each. An increase in partial amounts is permitted. The Board shall determine the issue price, the type of payment, the date of issue of new shares, the conditions for the exercise of pre-emptive rights and the beginning date for dividend entitlement. In this regard, the Board may issue new shares by means of a firm underwriting through a banking institution, a syndicate or another third party with a subsequent offer of these shares to the current shareholders (unless the pre-emptive rights of current shareholders are excluded). The Board may permit pre-emptive rights that have not been exercised to expire or it may place these rights and/or shares as to which pre-emptive rights have been granted but not exercised, at market conditions or use them for other purposes in the interest of the Company.

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

The Board is authorized to restrict or exclude the pre-emptive rights of shareholders and allocate such rights to third parties if the shares are to be used (1) for the acquisition of enterprises, parts of an enterprise, or participations, or for new investments, or, in case of a share placement, for the financing or refinancing of such transactions; or (2) 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; or (3) for the granting of an over-allotment option (Greenshoe) of up to 20 percent to the banks involved in connection with a placement of shares; or (4) for raising capital in a fast and flexible manner, which would not be achieved without the exclusion of the statutory pre-emptive rights of the existing shareholders.

Conditional share capital

According to the Articles, the share capital of the Company may be increased by a maximum aggregate amount of CHF2,000,000 through the issuance of a maximum of 2,000,000 registered shares, which shall be fully paid-in, with a par value of CHF1 per share by the exercise of option rights or subscription rights attached to bons de jouissance which the employees, directors and/or consultants of the Company or a group company are granted according to respective regulations of the Board. The pre-emptive rights of the shareholders are excluded. The acquisition of registered shares through the exercise of option rights or subscription

rights granted to the holders of *bons de jouissance* and the subsequent transfer of the registered shares shall be subject to the transfer restrictions provided in Article 5 of the Articles.

The share capital of the Company may be increased by a maximum aggregate amount of CHF3,086,788 through the issuance of a maximum of 3,086,788 registered shares, which shall be fully paid-in, with a par value of CHF1 per share by the exercise of option and/or conversion rights which are granted in connection with the issue of bonds, similar obligations or other financial instruments by the Company or another group company. In the case of the issue of bonds, similar obligations or other financial instruments linked with option and/or conversion rights, the pre-emptive right of shareholders is excluded. The holders of option and/or conversion rights are entitled to receive the new shares. The Board shall determine the terms of the option and/or conversion rights. The acquisition of registered shares through the exercise of option or conversion rights and the subsequent transfer of the registered shares shall be subject to the transfer restrictions provided in Article 5 of the Articles.

The Board is authorized to restrict or exclude the pre-emptive rights of shareholders (1) if the debt or other financial instruments issued with conversion rights or warrants are for the purpose of financing or refinancing of the acquisition of enterprises, parts of an enterprise, or participations or new investments; or (2) if such debt or other financial instruments are issued on the national or international capital markets and for the purpose of a firm underwriting by a banking institution or a consortium of banks with subsequent offering to the public. If the advance subscription rights are excluded by the Board, the following shall apply: the issuance of convertible bonds or warrants or other financial market instruments shall be made at the prevailing market conditions (including dilution protection provisions in accordance with market practice) and the new shares shall be issued pursuant to the relevant conversion or exercise rights in connection with bond or warrant issue conditions. Conversion rights may be exercised during a maximum 10-year period, and warrants may be exercised during a maximum 7-year period, in each case from the date of the respective issuance.

Changes in capital

On March 6, 2015, Addex increased its share capital by CHF1,526,036 (1,526,036 registered shares with a nominal value of CHF1 per share) out of its authorized share capital in connection with a private placement to institutional investors, excluding the pre-emption rights of shareholders in order to raise capital in a fast and flexible manner.

On August 9, 2013, Addex increased its share capital by CHF1,170,612 (1,170,612 registered shares with a nominal value of CHF1 per share) out of its authorized share capital in connection with a private placement to institutional investors, excluding the pre-emption rights of shareholders in order to raise capital in a fast and flexible manner.

For further information on changes in capital in 2014 and 2013, including changes in reserves, refer to the consolidated statements of changes in equity as well as note 14 of the consolidated financial statements and note 8 of the financial statements included in this annual report.

Shares, participation and equity sharing certificates

Addex has one class of shares, i.e. registered shares with a nominal value of CHF1 per share. Each share is fully paid up and carries one vote and equal dividend rights, with no privileges. The Company has 1,700 outstanding equity sharing certificates (*Bon de Jouissance* / *Genussscheine*). Equity sharing certificates are available for granting to employees and/or directors of the Group under the Group's equity incentive plan. Equity sharing certificates do not form part of the share capital, have no nominal value, and do not grant any right to vote nor the right to attend meetings of shareholders. Each equity sharing certificate grants the right to subscribe for 1,000 shares of the Company and a right to liquidation proceeds of the Company calculated in accordance with Article 25 of the Articles. The Company has no participation certificates.

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

Limitations on transferability of shares and nominee registration

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

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

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

for the account of the pledging shareholders. If the registration of shareholdings with voting rights was effected based on false information, the Board may cancel such registration with retroactive effect.

Convertible bonds and options

As of December 31, 2014, the Company has no convertible or exchangeable bonds or loans outstanding. For information on equity incentive plans for Non-Executive Directors, Executive Management and employees, refer to note 15 of the consolidated financial statements included in this annual report.

Board of directors

The following table sets forth the name, year joined the Board, position and directorship term, as well as committee memberships, of each member of the Board, all of whom are Non-Executive Directors, followed by a short description of each member's business experience, education and activities:

Name	First Elected	Elected until	Board
Vincent Lawton	2009	2015	Chairman

Vincent Lawton Chairman

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 centre of clinical research. He is the Chairman of Aqix Ltd, a private UK biotechnology company, member of the Board of the Medicines Regulator, the MHRA and is a Senior Strategy Advisor for Imperial College Department of Medicine, University of London. He also serves as a consultant to a number of leading healthcare organisations. He studied Psychology at the University of London and holds undergraduate and PhD.

Other activities and vested interests

The Addex' Articles provide certain restrictions to the number mandates that members of the Board of Directors may have in the supreme governing bodies of legal entities registered in the Swiss commercial register or similar foreign register as follows: 1) No member of the Board of Directors may hold more than fifteen board of director mandates with no more than four mandates in listed entities; 2) Mandates in companies controlled by Addex or which control Addex are not subject to restrictions; 3) Mandates that are held by order and on behalf of Addex or companies under Addex control are restricted to ten; and 4) mandates in associations, charitable organizations, family trusts and foundations relating to post-retirement benefits and other not-for-profit organizations are restricted to twenty-five. Multiple mandates in different legal entities which are under common control are deemed to be one mandate.

Apart from the information given above, none of the members of the Board of Directors has had other activities or holds any positions of 1) in governing and supervisory bodies of important Swiss and foreign organizations, institutions and foundations under private and public law; 2) permanent management and consultancy functions for important Swiss and foreign interest groups; or 3) official government functions and political posts.

Additional mandates of members of the Board of Directors outside the Group

The Compensation Ordinance requires that as of the Annual General Meeting of June 11, 2015, Addex' Articles govern the maximum number of additional mandates held by members of the Board of Directors outside the Group. Addex' Articles do not yet contain such a provision. A proposal to amend the Articles will be submitted to the Annual General Meeting of June 11, 2015.

Elections and terms of office

Addex' Articles provide for a Board consisting of between one and eleven members. The Company currently has one member of the Board. 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 if the next ordinary general meeting of shareholders. A proposal to amend Addex' Articles accordingly will be submitted to the Annual General Meeting of June 11, 2015.

Changes in the board of directors

At the shareholders meeting of June 27, 2014, André J. Mueller, Oleg Nodelman and Hoyoung Huh did not stand for re-election.

Internal organization and areas of responsibility

Addex' Articles and Organizational Rules define the Company's internal organization and areas of responsibility of the Board, Chairman, CEO and the Executive Management.

Responsibilities of the board of directors

The Board is entrusted with the ultimate direction of the Company and the supervision of management. The Board's non-transferable and irrevocable duties include managing the Company and issuing the necessary directives, determining the organization including adoption and revision of the Organizational Rules, organizing the accounting system, the financial controls,

the financial and strategic planning, as well as appointing, recalling, setting remuneration and ultimately supervising the persons entrusted with the management and representation of the Company, including the CEO. Furthermore, these duties include the responsibility for the preparation of the annual report and the shareholders' meetings, the carrying out of shareholders' resolutions, the notification of the judge in case of over indebtedness of the Company, and, passing resolutions regarding supplementary contributions for shares not fully paid-in, increases in capital to the extent that such power is vested in the Board, and of resolutions concerning the confirmation of capital increases and corresponding amendments to the Articles as well as making the required report on capital increases.

In addition to these duties the Board specifically retains responsibility for the non-delegable and inalienable duties and powers pursuant to the Swiss Merger Act and any other law; the examination of the necessary qualifications of the auditors; the adoption of, and any amendments or modifications to any equity incentive plans; and the decisions regarding entering into any financing arrangement in excess of CHF2 million including loan agreements, credit lines, letters of credit or capitalized leases; the issuance of convertible debentures or other financial market instruments; and the approval of any recommendation made by any of the Committees.

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

Chairman of the board of directors

The Chairman of the Board calls, prepares, and chairs the meetings of the Board. The Chairman also chairs the shareholders' meetings. He supervises the implementation of the resolutions of the Board and generally supervises the CEO, who regularly reports to the Chairman on the meetings of the Executive Management and all important matters of the Group.

Committees of the board of directors

The Board has one standing committee, the Audit Committee that was operational during the year 2014. The tasks and responsibilities of this Committee are set forth in the Organizational Rules. This Committee makes proposals to the Board in its area of responsibility while the resolutions are passed by the Board. On June 27, 2014, following Vincent Lawton being elected by the shareholders as sole member of the Board and Chairman, the Audit Committee was disbanded.

Audit committee

Since June 27, 2014 the Audit Committee has been disbanded and its responsibilities have been assumed by the Board. Prior to June 27, 2014, the Audit Committee included Vincent Lawton as sole member and Chairman. The Audit Committee assisted the Board in fulfilling its duties of supervision of management. It was 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 2014, the Audit Committee held two meetings to review the full year 2013 financial statements and the 2014 first quarter balance sheet and to generally review legal and regulatory compliance matters. The CEO and CFO were present at a portion of the meetings.

Working methods of the board of directors

In 2014, the Board held six meetings with average duration of one half a day. The majority of meetings were held at the Company's offices with virtually full attendance at all meetings. In addition to formal Board meetings, the Board holds additional ad hoc meetings or telephone conferences to discuss specific matters. The CEO 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. The chairman of each Board Committee reports to the full Board at the Board meeting following the relevant Committee meeting. Any resolutions on matters assigned to the Committees are taken by the Board on the basis of recommendations of the relevant Committee.

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.

Definition of areas of responsibility

The Board has delegated all areas of management of the Group's business to the CEO and the Executive Management, and has granted the CEO the power to appoint the members of the Executive Management. The Board carries out the responsibilities and duties reserved to it by law, the Articles and the Organizational Rules as detailed in section "Responsibilities of the board of directors" on page 10.

Information and control instruments of the board of directors

The Board ensures that it receives sufficient information from the CEO and Executive Management to perform its supervisory duty and to make the decisions that are reserved to the Board. At each board meeting the Board receives reports from the CEO and selected members of the Executive Management on the status of finance, business, research and development. These reports focus on the main risks and opportunities related to the Group. In addition, the Board is provided with a status report prior to each board meeting, a monthly finance report and other ad hoc reports on significant matters related to the Group's operations.

Furthermore, the Board receives unaudited annual and interim financial statements for all group companies including consolidated financial statements for the Company. The Board receives a written report from the auditors on the results of the audit which includes any findings with respect to internal control risks arising as a result of their audit procedures. The auditor was invited to the Audit Committee meeting two times and attended two meetings. Since the Audit Committee was disbanded on June 27, 2014, the auditor has been invited once and attended once a meeting with the Board. Addex does not have an independent internal audit function.

For further information on the risk management and the financial risks factors inherent to the Group's activities, refer to note 3 of the consolidated financial statements.

Executive management

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

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

Name	Year of Birth	Position	Nationality
Tim Dyer	1968	Chief Executive Officer	British
Sonia Poli	1965	Chief Scientific Officer	Italian

Tim Dyer

Chief Executive Officer

Since co-founding Addex in 2002, Mr Dyer has played a pivotal role in building the Addex Group, raising CHF276 million of capital, including Addex IPO and negotiating licensing agreements with pharmaceutical industry partners that generated more than CHF50 million in cash inflows. Prior to founding Addex, he spent 10 years with Price Waterhouse (PW) & PricewaterhouseCoopers (PwC) in the UK and Switzerland as part of the audit and business advisory group. At PwC in Switzerland, Mr Dyer's responsibilities included managing the service delivery to a diverse portfolio of clients including high growth start-up companies, international financial institutions and venture capital and investment companies. At PW in the UK, Mr Dyer gained extensive experience in audit and transaction support; spending two years performing inward investment due diligence on local financial institutions in the Ex-Soviet Union. Mr Dyer has extensive experience in finance, corporate development, business operations and the building of start-up companies and serves as a member of the Swiss government innovation promotion agency coaching team. Mr Dyer also serves on the advisory board of the École polytechnique fédérale de Lausanne Management of Technology MBA program. He serves on the boards of Abionic SA, a private medical device start-up company focused on *in vitro* allergy diagnostics and Qwane Biosciences SA, a private drug development tool company focused on commercializing microelectrode array technologies. Mr Dyer is also founder and managing partner of TMD Advisory, a CFO services company. He is a UK Chartered Accountant and holds a BSc (Hons) in Biochemistry and Pharmacology from the University of Southampton, UK.

Sonia Poli

Chief Scientific Officer

Dr Poli, who joined Addex in 2004, is an accomplished drug developer with 18 years of international experience in large and small pharmaceutical companies. At Addex, Dr Poli has provided preclinical support for ongoing clinical development programs and has overseen the transition of four products into clinical development for indications including smoking cessation, anxiety, schizophrenia, migraine, gastroesophageal reflux disease and Parkinson's disease. Prior to joining Addex, she spent 8 years at Roche in the drug metabolism and pharmacokinetics (DMPK) area, where she was a key inventor and global head of a multidimensional optimization approach for drug discovery and development. In this role at Roche, she was an important contributor to selecting clinical candidates in CNS indications, including Alzheimer's disease, Parkinson's disease, bi-polar disorders and anxiety. Dr. Poli serves on the board of Dimerix Bioscience, a public unlisted clinical stage drug discovery and development company, based in Melbourne, Australia. Dr Poli obtained her degree and doctorate in Industrial Chemistry at the University of Milan in 1993 and completed a post doctoral fellowship at the CNRS, in Paris, in the group of Prof. D. Mansuy in 1997. Dr Poli is co-author of more than 40 research publications and several patents.

Management contracts

There are no management contracts between Addex and third parties, except for the contract with TMD Advisory Ltd, a company owned and managed by Mr. Dyer, that has been mandated to provide CEO / CFO services to the Addex Group.

Additional mandates of members of the Executive Management outside the Group

The Compensation Ordinance requires that as of the Annual General Meeting of June 11, 2015, Addex' Articles govern the maximum number of additional mandates held by the Executive Management outside the Group. Addex' Articles do not yet contain such a provision. A proposal to amend the Articles will be submitted to the Annual General Meeting of June 11, 2015.

Other vested activities and vested interests

None of the members of the Executive Management has had other activities in governing and supervisory bodies of important Swiss and foreign organizations, institutions and foundations under private and public law. No member of the Executive Management has permanent management and consultancy functions for important Swiss and foreign interest groups, or holds any official functions and political posts.

Changes in executive management

There have been no changes in the Executive Management during 2014.

Compensation, loans and shareholdings

Information about content and method of determining compensation and shareholder programs of the members of the Board of Directors and Executive Management can be found in the Compensation Report of the Company. Information about shareholdings of the members of the Board of Directors and Executive Management can be found in note 12 of the statutory financial statement of the Company.

Shareholders' participation

Voting rights and representation restrictions

Voting rights may be exercised only after a shareholder has been recorded in the Company's share register as a shareholder or usufructuary with voting rights. No exceptions from these restrictions were granted in 2014. A shareholder may be represented by his legal representative, the corporate proxy, the independent proxy, by a depositary or by another shareholder. Subject to the registration of shares in the share register within the deadline set from time to time by the Board before shareholders' meetings, the Company's Articles do not impose any restrictions on the voting rights of shareholders. Specifically, there is no limitation on the number of voting rights per shareholder. For further information on the conditions for registration in the share register (including in relation to Nominees) and for attending and voting at a shareholders' meeting, please refer to the sections "Limitations on transferability of shares and nominee registration" on page 8 above and "Registration in the share register" on page 14 below.

Resolutions of shareholders' meetings generally require the approval of the simple majority of the votes represented at the shareholders meeting. Such resolutions include amendments to the Articles, elections of the members of the Board and statutory and group auditors, approval of the annual financial statements, setting the annual dividend, decisions to discharge the members of the Board and management for liability for matters disclosed to the shareholders' meeting and the ordering of an independent investigation into specific matters proposed to the shareholders' meeting.

A resolution passed at a shareholders' meeting with a qualified majority of at least two-thirds of the votes represented and the absolute majority of the nominal share capital is required by law for: (i) changes to the 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 the share capital by way of capitalization of reserves against contribution in kind, for the acquisition of assets or involving the grant of special privileges; (vi) the restriction or elimination of pre-emptive 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, demerger, or conversion of the Company. The introduction or abolition of any provision in the Articles introducing a majority greater than that required by law must be resolved in accordance with such greater majority.

Independent proxy

Addex' Articles do not contain a provision regarding election of the independent proxy by the Shareholders' Meeting. The Board will propose to the Annual General Meeting of June 11, 2015 to amend the Articles accordingly. Nevertheless, the Shareholders' Meeting of June 27, 2014, elected Robert P. Briner as the independent proxy in line with the new requirements of the Compensation Ordinance.

Statutory quorums

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

Convening of shareholders' meetings and agenda items

The shareholders' meeting is the supreme institution of the Company and under Swiss law, the ordinary shareholders' meeting takes place annually within six months after the close of the business year. Shareholders' meetings may be convened by the Board or, if necessary, by the auditors. Furthermore, the Board is required to convene an extraordinary shareholders' meeting if so requested in writing by holders of shares representing at least 10% of the share capital and who submit a petition specifying the item for the agenda and the proposals. Shareholders representing shares with a nominal value of at least CHF1,000,000 or 10% of the share capital have the right to request in writing that an item be included on the agenda of the next shareholders' meeting, setting forth the item and the proposal. A request to put an item on the agenda has to be made at least 60 days prior to the meeting. Extraordinary shareholders' meetings may be called as often as necessary, in particular in all cases required by law.

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

Registration in the share register

The Board determines the relevant deadline for registration in the share register giving the right to attend and to vote at the shareholders' meeting. Such deadline is published by Addex on the Company's website, usually in connection with the publication of the invitation to the shareholders' meeting in the Swiss Official Commercial Gazette.

The registration deadline for the ordinary shareholders' meeting to be held on June 11, 2015 has been determined to be June 5, 2015.

Addex has not enacted any rules on the granting of exceptions in relation to these deadlines. No exceptions were granted in 2014, and the Board does not anticipate granting any exceptions related to the shareholders' meeting on June 11, 2015.

For further information on registration in the share register, please refer to section "Limitations on transferability of shares and nominee registration" on page 8.

Changes of control and defense measures

Duty to make an offer

Swiss law provides for the possibility to have the Articles contain a provision which would eliminate the obligation of an acquirer of shares, exceeding the threshold of 33 1/3% of the voting rights, to proceed with a public purchase offer (opting-out provision pursuant to Article 22 para. 2 SESTA) or which would increase such threshold to 49% of the voting rights (opting-up provision pursuant to Article 32 para. 1 SESTA). The Company's Articles do not contain an opting-out or an opting-up provision.

Clauses on change of control

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

Auditors

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

Pursuant to the Articles the auditor shall be elected every year and may be re-elected. The statutory and group auditors of Addex are PricewaterhouseCoopers SA, Geneva, Switzerland. PricewaterhouseCoopers SA has held the function of statutory auditor since inception of the Company in February 2007 and of Addex Pharma SA since its inception in 2002, and acts as group auditor since 2004. The lead auditor of Addex since 2009 is Mr. Michael Foley.

Audit fees

In 2014, PricewaterhouseCoopers SA and its affiliates charged the Group audit fees in the amount of CHF90,000.

Additional fees

In 2014, PricewaterhouseCoopers SA and its affiliates charged the Group additional fees in the amount of CHF0.

Control instruments of the auditors

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

In 2014, the Audit Committee or Chairman of the Board, respectively, met with the auditors two times to discuss the scope and the results of their year-end audit for 2013, the financial situation of the Group and half year financial statements, and the scope of the 2014 audit.

Information policy

Addex publishes financial results in the form of an Annual Report and a Half-year Report (Interim Report). In addition, Addex informs shareholders and the public regarding the Group's business through press releases, conference calls, as well as roadshows. Where required by law or Addex' Articles, publications are made in the Swiss Official Commercial Gazette. The Annual Report, usually published no later than April of the following year, and the Interim Report, usually published no later than in August, are both announced by press release. Annual Reports, Interim Reports and press releases are available on request in printed form to all registered shareholders, and are also made available on the Group's website at www.addextherapeutics.com. The Group's

website, which is the Group's permanent source of information, also provides other information useful to investors and the public, including information on the Group's research and development programs as well as contact information. It is the Group's policy not to release explicit earnings projections, but it will provide general guidance to enable the investment community and the public to better evaluate the Group and its prospective business and financial performance. The Board has issued a disclosure policy to ensure that investors will be informed in compliance with the requirements of the SIX Swiss Exchange. The Group's investor relations department is available to respond to shareholders' or potential investors' queries under IR@addextherapeutics.com or via post at Addex Therapeutics Ltd., Investor Relations, Chemin des Aulx 12, CH-1228 Plan-les-Ouates, Geneva, Switzerland. Additional inquiries may also be made by phone at +41 22 884 1555.

Insider policy

The Board has issued an insider policy and implemented procedures to prevent insiders from benefiting from confidential information. The policy defines guidelines on how to deter corporate insiders from making use of confidential information. The Board has established blocking periods to prevent insiders from trading during sensitive periods.

Ethical business conduct

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

Compensation Report 2014

Overview

This Compensation Report provides the information required by the federal Ordinance against excessive compensation in listed companies ("Compensation Ordinance") (effective as of January 1, 2014), which prevails over articles 663b^{bis} and 663c paragraph 3 of the Swiss Code of Obligations. It also includes information required by section 5 of the Annex to the Directive on Information relating to Corporate Governance of the SIX Swiss Exchange (effective date October 1, 2014) and the Swiss Code of Best Practice for Corporate Governance (status August 28, 2014).

At the 2015 Annual General Meeting, the shareholders will be asked to approve amendments to Addex' Articles that are required to comply with the Compensation Ordinance. The revised Articles include provisions related to the:

- Principles of compensation
- Shareholders' binding vote on remuneration
- Additional amount for members of the Executive Management hired after the vote on remuneration by the Shareholders' Meeting
- Loans and credit facilities for members of the Board of Directors and of the Executive Management

Review and approval process

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

Compensation elements for the Board of Directors and Executive Management

Board of Directors

The compensation of the member of the Board 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. The most recent review of compensation for members of the Board of Directors took place on December 18, 2014. For further information on the compensation for members of the Board of Directors, please refer to the section "Compensation of the Board of Directors in 2014 and 2013" on page 16.

Executive Management

The compensation of members of the Executive Management consists of fixed and variable elements. The fixed element may include a base salary or a cash retainer paid under a consulting contract. The variable element may include performance-related cash or share based bonuses, consulting fees based on chargeable hours and equity incentive units (equity sharing certificates and 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. Variable cash compensation paid to Executive Managers in 2013 and 2014 relates to consulting fees.

Equity incentive plans

The purpose of the Company's share purchase, share option and equity sharing certificate programs (refer to note 15 of the consolidated financial statements) 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 discretionary 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 2014. In 2013, relocation costs including accommodation in Geneva and repatriation costs were paid to members of the Executive Management.

The Company has not granted any loans, credits or guarantees to members of the Board of Directors or of the Executive Management in 2013 or 2014.

Compensation for the financial year under review

Compensation of the Board of Directors in 2014 and 2013

2014	Fixed		Variable compensation		Total
	cash compensation	cash attendance	number of equity incentive units ⁽¹⁾	value of equity incentive units ⁽¹⁾	
CHF					2014
Vincent Lawton.....	26,573	26,573	100,000	111,616	164,762
Total.....	26,573	26,573	100,000	111,616	164,762

(1) Equity incentive units include share options granted under the 2014 share option plan and equity sharing certificates subscription rights that have been reprised (refer to note 15 of the consolidated financial statements).

2013	Fixed		Variable compensation		Total
	cash compensation	cash attendance	number of equity incentive units	value of equity incentive units	
CHF					2013
André J. Mueller.....	15,944	15,944	0	0	31,888
Vincent Lawton.....	15,944	10,629	0	0	26,573
Hoyoung Huh.....	10,629	10,629	0	0	21,258
Oleg Nodelman.....	10,629	10,629	0	0	21,258
Total.....	53,146	47,831	0	0	100,977

Compensation to the Executive Management in 2014 and 2013

2014	Fixed		Variable compensation		Total
	cash compensation	Cash ⁽³⁾	number of equity incentive units ⁽²⁾	value of equity incentive units ⁽²⁾	
CHF					2014
Total Executive Management ⁽¹⁾	-	580,000	649,651	785,247	1,365,247

(1) The highest paid member of Executive Management in 2014 was the CEO, Tim Dyer, who received CHF384,000 of variable cash compensation, 549,651 equity incentive units. The value of equity incentive units including accrued social charges amounted to CHF667,824.

(2) Equity incentive units include share options granted under the 2014 share option plan, shares awarded for consulting services under the share purchase plan and reprised equity sharing certificate subscription rights (refer to note 15 of the consolidated financial statements).

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

2013	Fixed ⁽²⁾	Variable compensation	number of equity incentive units ⁽³⁾	value of equity incentive units ⁽³⁾	Total 2013
CHF	cash compensation	Cash ⁽⁴⁾	units ⁽³⁾	units ⁽³⁾	Total 2013
Total Executive Management ⁽¹⁾	2,244,957	184,000	18143	73,763	2,502,720

- (1) The highest paid member of Executive Management in 2013 was Tim Dyer (CEO from June 2013), who received total compensation of CHF680,340 comprising CHF438,577 of fixed cash compensation including a termination indemnity of CHF303,662, CHF224,000 of variable cash compensation, 18,143 equity incentive units. The value of equity incentive units including accrued social charges amounts to CHF73,763. Bharatt Chowrira (CEO until 31 May 2013) received total compensation of CHF369,669 comprising CHF196,592 of fixed cash compensation and a termination indemnity of CHF173,077.
- (2) Fixed cash compensation includes termination indemnity paid to the executive management.
- (3) Equity incentive units relate to shares awarded for consulting services under the share purchase plan. (refer to note 15 of the consolidated financial statements)
- (4) Post termination of their employment agreements, executive managers have been engaged under consulting contracts which include hourly and daily rates with a monthly cap.

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

Report of the statutory auditor on the Compensation Report

We have audited pages 15-17 of the accompanying Compensation Report dated 30 April 2015 of Addex Therapeutics Ltd for the year ended 31 December 2014.

Board of Directors' responsibility

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

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance. An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

Opinion

In our opinion, the remuneration report of Addex Therapeutics Ltd for the year ended 31 December 2014 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers SA

Michael Foley
Audit expert
Auditor in charge

Adrien Benoit
Audit expert



Geneva, 30 April 2015

Consolidated Financial Statements of Addex Therapeutics Ltd as at December 31, 2014

Consolidated Balance Sheets as at December 31, 2014 and December 31, 2013

	<u>Notes</u>	<u>31.12.2014</u>	<u>31.12.2013</u>
ASSETS			
Current assets			
Cash and cash equivalents.....	7	1,979,609	2,913,396
Other current assets.....	8	159,389	987,612
Total current assets.....		2,138,998	3,901,008
Non-current assets			
Intangible assets.....	9	13,216	52,584
Property, plant and equipment.....	10	44,677	179,524
Non-current financial assets.....	11	1,802,331	1,746,535
Total non-current assets.....		1,860,224	1,978,643
Total assets.....		3,999,222	5,879,651
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Payables and accruals.....	12	1,494,595	2,353,400
Provision for other current liabilities.....	13	—	9,841
Deferred income.....		14,397	—
Total current liabilities.....		1,508,992	2,363,241
Non-current liabilities			
Post-employment benefits.....	21	144,536	490,435
Total non-current liabilities.....		144,536	490,435
Shareholders' equity			
Share capital.....	14	9,984,888	9,843,247
Share premium.....		260,020,862	259,689,854
Other reserves.....		6,127,826	5,505,898
Accumulated deficit.....		(273,787,882)	(272,013,024)
Total shareholders' equity.....		2,345,694	3,025,975
Total liabilities and shareholders' equity.....		3,999,222	5,879,651

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

Consolidated Statements of Income for the years ended December 31, 2014 and 2013

	<u>Notes</u>	<u>2014</u> Amounts in Swiss francs	<u>2013</u>
Income			
Research grants.....	17	—	142,090
Other Income.....	17	726,568	—
Total income		726,568	142,090
Operating expenses			
Research and development.....		929,494	9,307,294
General and administration.....		1,593,710	5,293,391
Total operating expenses	18	2,523,204	14,600,685
Operating loss		1,796,636	14,458,595
Finance income.....	22	(1,586)	(4,134)
Finance cost.....	22	(20,192)	7,367
Finance result, net		(21,778)	(3,233)
Net loss before tax		1,774,858	14,461,828
Income tax expense.....	20	—	—
Net loss for the year		1,774,858	14,461,828
 Basic and diluted loss per share for loss attributable to the equity holders of the Company, expressed in Swiss francs	23	(0.18)	(1.60)

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

Consolidated Statements of Comprehensive Income for the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
	Amounts in Swiss francs	
Net loss for the year	(1,774,858)	(14,461,828)
Other comprehensive gains and losses		
Items that will never be reclassified to the statement of income:		
Defined benefit plan actuarial gains / (losses).....	372,054	(206,823)
Items that may or may not be classified subsequently to the statement of income:		
Currency translation differences.....	(25,866)	20,505
Other comprehensive gains / (losses) for the year, net of tax	346,188	(186,318)
Total comprehensive loss for the year	(1,428,670)	(14,648,146)

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

Consolidated Statements of Changes in Equity for the years ended December 31, 2014 and 2013

Amounts in Swiss francs

	Notes	Share capital	Share Premium	Other reserves	Accumulated deficit	Total
Balance at						
January 1, 2013		8,633,531	257,715,600	5,517,741	(257,551,196)	14,315,676
Net loss for the year.....		-	-	-	(14,461,828)	(14,461,828)
Retirement benefit plan actuarial loss.....		-	-	(206,823)	-	(206,823)
Translation differences.....		-	-	20,505	-	20,505
Other comprehensive loss for the year.....		-	-	(186,318)	-	(186,318)
Total comprehensive loss for the year		-	-	(186,318)	(14,461,828)	(14,648,146)
Issue of shares – capital increase.....	14	1,170,612	2,048,571	-	-	3,219,183
Cost of share capital Issuance capital Increase.....		-	(167,105)	-	-	(167,105)
Value of share-based compensation.....	15	-	-	174,475	-	174,475
Net sale of treasury shares.....	14	39,104	92,788	-	-	131,892
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.....	14	-	4,320	-	-	4,320
Value of share-based compensation.....		-	-	275,740	-	275,740
Net sale of treasury shares.....	14	141,641	326,688	-	-	468,329
Balance at December 31, 2014		9,984,888	260,020,862	6,127,826	(273,787,882)	2,345,694

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

Consolidated Statements of Cash Flows for the years ended December 31, 2014 and 2013

	<u>Notes</u>	<u>2014</u> Amounts in Swiss francs	<u>2013</u>
Cash flows from operating activities			
Net loss for the year.....		(1,774,858)	(14,461,828)
Adjustments for:			
Depreciation and amortization.....	9/10	110,135	662,549
(Gain) / loss on disposal of fixed assets.....		(307,784)	45,012
Write off of non-current financial assets.....		—	822,648
Impairment of non-current financial assets.....		—	995,569
Value of share-based compensation.....	15	275,740	174,475
Pension costs.....	21	26,155	(2,480,217)
Finance result, net.....	22	(21,778)	3,233
Changes in working capital:			
Other current assets.....		744,061	758,938
Deferred income, payables and accruals.....		(851,313)	(2,296,747)
Net cash used in operating activities.....		(1,799,642)	(15,776,368)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment.....		371,864	251,933
Interest received.....	22	1,586	4,134
Net cash from investing activities.....		373,450	256,067
Cash flows from financing activities			
Proceeds from issue of shares – capital increase.....		—	3,219,183
Costs paid on issue of shares.....		4,320	(167,105)
Net proceeds from sales of treasury shares.....		468,329	131,892
Net cash from financing activities.....	14	472,649	3,183,970
Decrease in cash and cash equivalents.....		(953,543)	(12,336,331)
Cash and cash equivalents at beginning of the year.....	7	2,913,396	15,256,708
Exchange loss on cash and cash equivalents.....		19,756	(6,981)
Cash and cash equivalents at end of the year.....	7	1,979,609	2,913,396

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

Notes to the Consolidated Financial Statements for the years ended December 31, 2014 and 2013 (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 14, 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 (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 29, 2015. They are subject to approval by the shareholders on June 11, 2015.

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.

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, 2013. The following new standards, amendments to standards and interpretations which are mandatory for the financial periods beginning on January 1, 2014 did not have any material impact on the consolidated financial statements:

- IAS 32 (Amendment), Offsetting Financial Assets and Financial Liabilities (effective from January 1, 2014);
- IFRIC 21, Levies (effective from January 1, 2014);
- IFRS 10, IFRS 12, IAS 27 (Amendments), Investment Entities (effective from January 1, 2014);
- IAS 36 (Amendment), Recoverable Amount Disclosures for Non-Financial Assets (effective from January 1, 2014); and
- IAS 39 (Amendment), Novation of Derivatives and Continuation of Hedge Accounting (effective from January 1, 2014).

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:

- IAS 19 (Amendment), Employee Contributions (effective from July 1, 2014). The Group will apply this standard from January 1, 2015;
- 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 Chief Executive Officer.

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 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 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 2014, a 10% increase or decrease in the EUR/CHF exchange rate would have resulted in a CHF10,540 (2013: CHF98,866) increase or decrease in net income and shareholders' equity as at December 31, 2014, a 10% increase or decrease in the GBP/CHF exchange rate would have resulted in a CHF33,193 (2013: CHF120,624) increase or decrease in net income and shareholders' equity as at December 31, 2014 and a 10% increase or decrease in the USD/CHF exchange rate would have resulted in a CHF55,777 (2012: CHF259,363) increase or decrease in net income and shareholders' equity as at December 31, 2014. 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 24) 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 20 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 judgements 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) has been deposited in an escrow account until the outcome of the pending legal proceedings, that could take up to 7 years (see note 11). Based on support provided by French tax experts and lawyers, the management assessed the chance of the claim of the French tax authorities being successful as remote and therefore no provision has been made in the consolidated financial statements. Had the management assessed the risk of a cash outflow as probable, the Group would have provided for the amount and this would have resulted in an additional charge to the statement of income of CHF1,446,259.

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 2014 would have been CHF241,528 or CHF309,247, respectively (2013: CHF140,054 or CHF193,580, respectively). This is compared to the amount recognized as an expense in 2014 of CHF275,740 (2013: CHF174,475). Additional information is disclosed in note 15.

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 21.

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, the total of loans that are not related to forfeited or expired subscription rights amount to CHF764,800 (2013: CHF764,800). At December 31, 2014 and

2013, 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, 2013 of CHF2.32 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 2014, this would have resulted in an income of between CHF0 and CHF764,800 compared to the amount recognized as an expense in 2013 of CHF764,800.

4.2 Critical judgments in applying the accounting policies

Development supplies

At December 31, 2014, 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

In 2013 and 2014, no income was received from collaborative arrangements or the sale of license rights to pharmaceutical companies. Refer to note 17 for other income and research grants received.

The geographical analysis of assets is as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Switzerland.....	2,531,046	4,356,572
<i>Current</i>	2,117,080	3,978,826
<i>Non-current</i>	413,966	377,746
Europe.....	1,468,176	1,523,079
<i>Current</i>	21,917	154,290
<i>Non-current</i>	1,446,259	1,368,789
Total assets	<u>3,999,222</u>	<u>5,879,651</u>

The geographical analysis of operating expenses is as follows:

	<u>2014</u>	<u>2013</u>
Switzerland.....	1,754,526	14,609,548
Europe.....	20,332	(8,863)
Total operating expenses (note 18)	<u>1,774,858</u>	<u>14,600,685</u>

There was no capital expenditure in 2014 and 2013.

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

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Cash at bank and on hand.....	1,979,609	2,913,396
Total cash and cash equivalents	<u>1,979,609</u>	<u>2,913,396</u>

In 2014, the effective interest rate on cash and cash equivalents was 0.0% (2013: 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	<u>December 31, 2014</u>	<u>December 31, 2013</u>
P-1 / A-1.....	1,977,922	2,910,405
Cash on hand.....	<u>1,687</u>	<u>2,991</u>
Total cash and cash equivalents.....	<u>1,979,609</u>	<u>2,913,396</u>

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

8. Other current assets

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Receivables.....	91,507	811,549
Prepayments.....	<u>67,882</u>	<u>176,063</u>
Total other current assets.....	<u>159,389</u>	<u>987,612</u>

As at December 31, 2014 and 2013, there are no loans to employees or related parties in current assets.

Movements in the provision for impairment of receivables were as follows:

	<u>2014</u>
At January 1.....	—
Provisions for receivables impairments.....	93,771
Receivables written off during the year as uncollectible.....	—
Unused amounts reversed	<u>—</u>
At December 31.....	<u>93,771</u>

9. Intangible assets

	Computer software licenses
At January 1, 2013	
Cost.....	870,184
Accumulated amortization.....	<u>(772,588)</u>
Net book value.....	<u>97,596</u>
Year ended December 31, 2013	
Opening net book amount.....	97,596
Amortization charge.....	<u>(45,012)</u>
Closing net book amount.....	<u>52,584</u>
At December 31, 2013	
Cost.....	870,184
Accumulated amortization.....	<u>(817,600)</u>
Net book value.....	<u>52,584</u>
Year ended December 31, 2014	
Opening net book amount.....	52,584
Disposals.....	<u>(752)</u>
Amortization charge.....	<u>(38,616)</u>
Closing net book amount.....	<u>13,216</u>
At December 31, 2014	
Cost.....	108,955
Accumulated amortization.....	<u>(95,739)</u>
Net book value.....	<u>13,216</u>

The Group recorded an amortization charge in 2014 of CHF33,824 (2013: CHF34,873) as part of research and development expenses and CHF4,792 (2013: CHF10,139) as part of general and administration expenses.

10. Property, plant and equipment

	Buildings	Leasehold improvements	Equipment	Furniture & fixtures	Chemical library	Total
At January 1, 2013						
Cost.....	32,698	8,101,158	10,676,481	1,296,875	1,204,427	21,311,639
Accumulated depreciation.....	(10,788)	(6,623,504)	(10,334,957)	(1,211,322)	(1,041,494)	(19,222,065)
Net book value.....	<u>21,910</u>	<u>1,477,654</u>	<u>341,524</u>	<u>85,553</u>	<u>162,933</u>	<u>2,089,574</u>
Year ended December 31, 2013						
Opening net book amount.....	21,910	1,477,654	341,524	85,553	162,933	2,089,574
Disposals.....	-	-	(251,933)	-	-	(251,933)
Impairment.....	-	(995,569)	-	-	-	(995,569)
Depreciation charge.....	(1,486)	(482,085)	(46,766)	(61,172)	(71,039)	(662,548)
Closing net book amount....	<u>20,424</u>	<u>-</u>	<u>42,825</u>	<u>24,381</u>	<u>91,894</u>	<u>179,524</u>
At December 31, 2013						
Cost.....	32,698	8,101,158	10,424,548	1,296,875	1,204,427	21,059,706
Disposal.....	-	-	(251,933)	-	-	(251,933)
Impairment.....	-	(995,569)	-	-	-	(995,569)
Accumulated depreciation.....	(12,274)	(7,105,589)	(10,381,723)	(1,272,494)	(1,112,533)	(19,884,613)
Net book value.....	<u>20,424</u>	<u>-</u>	<u>42,825</u>	<u>24,381</u>	<u>91,894</u>	<u>179,524</u>
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....	<u>-</u>	<u>-</u>	<u>1,209</u>	<u>2,086</u>	<u>41,382</u>	<u>44,677</u>
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.....	<u>-</u>	<u>-</u>	<u>1,209</u>	<u>2,086</u>	<u>41,382</u>	<u>44,677</u>

The Group recorded a depreciation charge in 2014 of CHF67,445 (2013: CHF631,963) as part of research and development expenses and CHF 4,074 (2013: CHF30,585) as part of general and administration expenses.

11. Non-current financial assets

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Security rental deposit.....	356,072	386,941
Other deposits.....	1,446,259	1,359,594
Total non-current financial assets.....	<u>1,802,331</u>	<u>1,746,535</u>

As at December 31, 2014, the Company has recorded an amount of EUR1,202,610 (CHF1,446,259) in other non-current financial assets for an escrow account related to claims from the French tax authorities that are in dispute (see note 4.1). As at December 31, 2013, this amount was EUR 1,108,967 (CHF 1,359,593).

12. Payables and accruals

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Trade payables.....	647,304	605,803
Social security and other taxes.....	11,500	30,022
Accrued expenses.....	835,791	1,717,575
Total payables and accruals.....	<u>1,494,595</u>	<u>2,353,400</u>

All payables mature within 3 months.

13. Provisions for other liabilities

	<u>Current</u>
At January 1, 2013.....	65,1913
<i>Provision linked to restructuring charges:</i>	
Amount utilized during the period.....	(56,357)
Exchange differences.....	1,005
At December 31, 2013.....	9,841
Amount utilized during the period.....	(9,841)
At December 31, 2014.....	—

Amounts utilized in 2014 and 2013 relate to the termination of lease contracts.

14. Share capital and share premium

	Number of shares		
	<u>Common shares</u>	<u>Treasury shares</u>	<u>Total</u>
Balance at January 1, 2013.....	9,002,964	(369,433)	8,633,531
Issue of shares - capital increase.....	1,170,612	—	1,170,612
Sales of treasury shares.....	—	39,104	39,104
Balance at December 31, 2013.....	10,173,576	(330,329)	9,843,247
Sale of treasury shares.....	—	141,641	141,641
Balance at December 31, 2014.....	10,173,576	(188,688)	9,984,888

At December 31, 2014, the total outstanding share capital is CHF10,173,576 (December 31, 2013: CHF10,173,576), consisting of 10,173,576 shares (December 31, 2013: 10,173,576). All shares have a nominal value of CHF1 and are fully paid.

During 2014 the Group sold 141,641 treasury shares for gross proceeds of CHF468,329.

On August 9, 2013, the Group issued 1,170,612 new shares in a private placement for CHF2.75 per share. The gross proceeds of CHF3,219,183 have been recorded in equity net of directly related share issuance costs of CHF167,104. CHF4320 of accrued share issuance costs have not been used and have therefore been released in 2014.

15. 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:

	<u>2014</u>	<u>2013</u>
Research and development.....	987	154,739
General and administration.....	274,753	19,736
Total share-based compensation.....	275,740	174,475

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

	<u>2014</u>	<u>2013</u>
Equity sharing certificate plan.....	132,758	164,309
Share purchase plan.....	16,498	9,790
Share option plans.....	126,484	386
Total share-based compensation.....	275,740	174,475

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.

On June 1, 2010, the Group granted 767 ESCs at a floor price of CHF15.00 per share and a subscription price of CHF7.50 per share. In accepting the grant of ESCs, the holders automatically forfeited all previously granted share options and consequently the ESC grant has been considered to be a replacement of the respective cancelled share options, under IFRS 2. At December 31, 2014, of the 767 ESCs granted in 2010, 259,939 subscription rights have been forfeited or expired. Of the remaining 507,061 subscription rights, 348,061 are vested and expire in 2015, 159,000 have been reprised at a floor price of CHF2.30 and a subscription price of CHF1.00 per share. At December 31, 2014, 53,000 are vested, 106,000 continue to vest over 4 years from their reprising date and expire in 2019.

On January 1, 2011 and July 1, 2011, the Group granted 6 ESCs, respectively at a floor price of CHF14.00 per share and a subscription price of CHF7.00 per share. On August 15, 2011, the Group granted 320 ESCs at a floor price of CHF15.00 per share and a subscription price of CHF7.50 per share. On November 15, 2011, the Group granted 366 ESCs at a floor price of CHF8.00 per share and a subscription price of CHF4.00 per share. Of the 366 ESCs granted on November 15, 2011, 11 were granted to holders of share options. In accepting the grant of ESCs, the option holders automatically forfeit all previously granted share options and consequently the grant of these 11 ESC have been considered to be a replacement of the respective cancelled share options, under IFRS 2. At December 31, 2014, of the 692 ESCs granted in 2011, 373,551 subscription rights have been forfeited or expired. Of the remaining 318,449 subscription rights, 210,643 are vested and 11,115 continue to vest over 4 years from their original grant date, and expire in 2016. As of June 30, 2014, 55,000 subscription rights have been reprised at a floor price of CHF2.30 and a subscription price of CHF1.00 per share and are fully vested. As of December 31, 2014, 41,691 subscription rights has been reprised at a floor price of CHF2.30 and a subscription price of CHF1.00 per shares, vesting over 4 years and expire in 2019.

On April 1, 2012, the Group granted 1 ESC at a floor price of CHF13.00 per share and a subscription price of CHF6.50 per share. On May 3, 2012, the Group granted 50 ESCs at a floor price of CHF13.00 per share and a subscription price of CHF6.50 per share. On June 29, 2012, the Group granted 90 ESCs at a floor price of CHF13.00 per share and a subscription price of CHF6.50 per share. On October 1, 2012, the Group granted 5 ESCs at a floor price of CHF13.00 per share and a subscription price of CHF6.50 per share. At December 31, 2014, of the 146 ESCs granted in 2012, 58,500 subscription rights have been forfeited or expired, 78,500 subscription rights are fully vested and expire in 2017, and 10,000 subscription rights have been reprised at a floor price of CHF2.30 and a subscription price of CHF1.00 per share with a vesting over 4 years and expire in 2019.

On January 1, 2013, the Group granted 8 ESCs at a floor price of CHF14.00 per share and a subscription price of CHF7.00 per share. The ESCs granted are subject to a 4 year quarterly vesting period, with a 1 year cliff period. On March 11, 2013, the Group granted 83 ESCs at a floor price of CHF10.00 per share and a subscription price of CHF5.00 per share. At December 31, 2014, of the 91 ESCs granted in 2013, 62,667 subscription rights have been forfeited or expired. Of the remaining 10,333 subscription rights, 5,833 are vested and 4,500 continue to vest over 4 years from their original grant date, and expire in 2018. As of December 31, 2014, 18,000 subscription rights have been reprised at a floor price of CHF2.30 and a subscription price of subscription price of CHF1.00 per share, vesting over 4 years and expire in 2019.

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

	<u>2014</u>	<u>2013</u>
At January 1.....	942,343	1,295,039
Granted.....	-	91,000
Forfeited.....	-	(418,858)
Expired.....	-	(24,838)
Exercised.....	-	-
At December 31.....	<u>942,343</u>	<u>942,343</u>

At December 31, 2014, of the outstanding 942,343 subscription rights (2013: 942,343) attached to the ESCs, 751,037 (December 31, 2013: 852,142) were exercisable.

Addex Therapeutics Annual Report 2014 | Consolidated Financial Statements | Notes

The outstanding subscription rights as at December 31, 2014 and 2013 have the following expiry dates, subscription prices and floor prices:

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	361,061	366,311
2016.....	-	154,476	-	-	2,250	67,500	224,226
2017.....	108,000	-	-	83,500	-	-	191,500
2018.....	-	-	13,000	-	2,333	-	15,333
2019.....	144,973	-	-	-	-	-	144,973
Total subscription rights.....	252,973	154,476	13,000	83,500	9,833	428,561	942,343

At December 31, 2013

Subscription prices / floor prices (CHF)

Expiry date	4.00 / 8.00	5.00 / 10.00	6.50 / 13.00	7.00 / 14.00	7.50 / 15.00	Total
2015.....	-	-	-	-	507,061	507,061
2016.....	243,449	-	-	7,500	67,500	318,449
2017.....	-	-	88,500	-	-	88,500
2018.....	-	26,000	-	2,333	-	28,333
Total subscription rights.....	243,449	26,000	88,500	9,833	574,561	942,343

The weighted average fair value of ESC subscription rights granted during 2013, determined using a customized binomial valuation model, was CHF1.80. There were no grants of ESCs during 2014. During 2014, 283,691 ESC subscription rights were reprised at a subscription price of CHF1 and floor price of CHF2.30. The weighted average fair value of the reprising of each ESC subscription right was determined using the Black-Scholes valuation model at CHF1.18.

The significant inputs to the models were:

	<u>2014</u>	<u>2013</u>
Weighted average share price / share price at the grant date.....	CHF2.40	CHF7.41
Weighted average subscription price / subscription price per share.....	CHF1.00	CHF5.00
Weighted average floor price / floor price per share.....	CHF2.30	CHF10.00
Weighted average volatility / volatility.....	50.00%	41.72%
Dividend yield.....	—	—
Weighted average annual risk free rate / annual risk-free rate.....	0.13%	0.07%

Share option plans

The Company established share option plans in 2007, 2008 and 2014 to provide incentives to directors, executives, employees and consultants of the Group. As a result of the granting of ESCs in 2011 and 2010, 2,500 and 226,000 options, respectively, were forfeited. For accounting purposes the cancellation of these share options was treated as a modification under IFRS 2 and the portion of the original fair value that was unrecognized at the date of forfeiture is being recognized over the original vesting period.

On July 1, 2014, the Group granted 400,000 options, 300,000 options at an exercise price of CHF 2 and 100,000 options at an exercise price of CHF 5. 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.

Movements in the number of options outstanding are as follows:

At January 1.....	-
Granted.....	<u>564,501</u>
At December 31.....	<u>564,501</u>

At December 31, 2014, of the outstanding 564,501 share options (2013: 0), 50,000 (December 31, 2013: 0) were exercisable.

The outstanding share options as at December 31, 2014 have the following expiry dates:

At December 31, 2014	Exercises prices (CHF)		
	2.00	5.00	Total
Expiry date			
2019.....	<u>464,501</u>	100,000	564,501
Total.....	<u>464,501</u>	100,000	<u>564,501</u>

The weighted average fair value of share options granted during 2014 determined using a Black-Scholes model was CHF0.90. The significant inputs to the model were:

	<u>2014</u>
Weighted average share price per share.....	CHF2.37
Weighted average strike price per share.....	CHF2.00
Weighted average volatility / volatility.....	50%
Dividend yield.....	—
Weighted average annual risk free rate / annual risk-free rate.....	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 2014, 41,651 shares were transferred to settle CHF112,498 of consulting fees.

16. 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. 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 income has been recognized under this agreement in 2013.

17. Income

During 2014, the Group recognized CHF726,568 of other income from Janssen Pharmaceuticals Inc., following the amendment of the license and collaboration agreement (see note 16). During 2013, the Group recognized CHF142,090 of research grants from The Michael J. Fox Foundation for Parkinson's Research (MJFF). The grant was received in instalments and recognized as other income over the period necessary to match it against the specific research costs it was intended to compensate. In 2014, CHF14,397 has been received from the MJFF and has been recorded in deferred income as it relates to activities planned for 2015

18. Operating expenses by nature

	<u>2014</u>	<u>2013</u>
Staff costs (note 19).....	355,446	5,105,762
Depreciation and amortization.....	110,135	662,549
External research and development costs.....	258,058	2,220,131
Laboratory consumables.....	85,404	91,760
Patent costs.....	373,155	1,021,650
Professional fees.....	1,111,469	1,266,672
Operating leases.....	81,004	1,362,961
Other operating expenses.....	148,433	2,869,200
Total operating expenses.....	<u>2,523,204</u>	<u>14,600,685</u>

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

19. Staff costs

	<u>2014</u>	<u>2013</u>
Wages and salaries.....	274,460	5,369,597
Social charges and insurances.....	33,204	515,479
Value of share-based services (note 15).....	2,081	171,832
Pension costs – defined benefit plans (note 21).....	52,904	(2,121,972)
Other employee costs.....	(7,203)	1,170,826
Total staff cost (note 18).....	<u>355,446</u>	<u>5,105,762</u>

20. Taxes

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Loss before tax.....	1,774,858	14,461,828
Tax calculated at a tax rate of 7.8% (2012: 7.8%).....	138,439	1,128,023
Effect of different tax rates in other countries.....	(1,573)	679
Expenses charged against equity.....	—	13,034
Expenses not deductible for tax purposes.....	(21,507)	(13,609)
Tax losses not recognized as deferred tax assets.....	(115,778)	(1,128,127)
Income tax expense.....	<u>—</u>	<u>—</u>

The Group is subject to Swiss income taxes and has a tax loss carry forward of CHF172,392,982 as of December 31, 2014 (2013: CHF206,111,236), of which CHF156,156,296 (2013: CHF164,630,581) expire within the next five years and CHF16,236,686 (2013: CHF41,480,655) will expire between five and seven years. Tax losses of CHF35,085,765 expired in 2014 (2013: CHF17,094,276).

21. 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 2014 of CHF 92,128 (2013: charge of CHF2,121,972) as part of staff costs.

Addex Therapeutics Annual Report 2014 | Consolidated Financial Statements | Notes

Pension benefits

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

	<u>2014</u>	<u>2013</u>
Defined benefit obligation.....	(2,057,079)	(1,739,890)
Fair value of plan assets.....	1,912,543	1,249,455
Funded status.....	<u>(144,536)</u>	<u>(490,435)</u>

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

	<u>2014</u>	<u>2013</u>
Current service cost.....	(134,522)	(493,481)
Interest cost.....	(44,273)	(68,534)
Interest income.....	33,572	53,417
Curtailment gain.....	—	2,332,491
Company pension income / (cost) (note 19).....	<u>(145,223)</u>	<u>1,823,893</u>

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

	<u>2014</u>	<u>2013</u>
Defined benefit obligation at beginning of year.....	(1,739,890)	(9,277,580)
Service cost.....	(134,522)	(493,481)
Interest cost.....	(44,273)	(68,534)
Change in financial assumptions		
Experience Adjustments.....	(366,589)	(170,230)
Increase in disability obligation.....	(504,983)	434,710
Curtailment.....	—	7,835,225
Defined benefit obligations at end of year.....	<u>(2,057,079)</u>	<u>(1,739,890)</u>

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

	<u>2014</u>	<u>2013</u>
Fair value of plan assets at beginning of year.....	1,249,455	6,513,751
Interest income.....	33,572	53,417
Employees' contributions.....	53,095	298,079
Company contribution.....	65,973	358,245
Plan assets gains / (losses).....	5,465	(36,593)
Disability insurance.....	504,983	(434,710)
Curtailment.....	—	(5,502,734)
Fair value of plan assets at end of year.....	<u>1,912,543</u>	<u>1,249,455</u>

The principal actuarial assumptions used were as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Discount rate.....	1.20%	2.15%
Future salary increases.....	1.00%	1.50%
Future pension increases.....	0.00%	1.00%
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:

	<u>2014</u>	<u>2013</u>
Male.....	21.39	18.93
Female.....	24.84	22.29

The estimated Group contributions to pension plans for the financial year 2015 amount to CHF18,673.

The categories of plan assets and their corresponding return are as follow:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
	Allocation in %	Allocation in %
Cash.....	1.7%	2.5%
Bonds.....	82.7%	83.5%
Shares.....	3.5%	2.4%
Real estates and mortgage.....	12.1%	11.4%
Alternative investments.....	0.0%	0.2%
Total.....	100%	100%

The following table shows the funding of the defined benefit pensions and actuarial adjustments on plan liabilities:

	<u>2014</u>	<u>2013</u>
Present value of defined benefit obligation.....	(2,057,079)	(1,739,890)
Fair value of plan assets.....	1,912,543	1,249,455
Deficit in the plan.....	(144,536)	(490'435)
Experience adjustment.....	366,589	(170,230)
Actuarial losses on plan assets.....	5,465	(36,593)

The following table shows the estimated benefit payments for the next ten years:

2015.....	40,823
2016.....	29,678
2017.....	25,335
2018.....	20,964
2019-2023.....	46,013

22. Finance income and costs

	<u>2014</u>	<u>2013</u>
Interest income.....	1,586	4,134
Unrealized foreign exchange loss.....	20,192	(7,367)
Finance result, net.....	21,778	(3,233)

23. 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.

	<u>2014</u>	<u>2013</u>
Loss attributable to equity holders of the Company...	1,774,858	14,461,828
Weighted average number of shares in issue.....	<u>9,984,888</u>	<u>9,066,087</u>
Basic and diluted loss per share.....	<u>(0.18)</u>	<u>(1.60)</u>

The Company has one category of dilutive potential shares as at December 31, 2014 and December 31, 2013: equity sharing certificates (ESCs) and share option. As of December 31, 2014 and December 31, 2013, equity sharing certificates and share options have been ignored in the calculation of the loss per share, as they would be antidilutive.

24. Commitments and contingencies

Operating lease commitments

	<u>2014</u>	<u>2013</u>
Within 1 year.....	147,447	1,157,203
Later than 1 year and no later than 5 years.....	<u>—</u>	<u>2,548,938</u>
Total operating lease commitments.....	<u>147,447</u>	<u>3,706,141</u>

Operating lease commitments consist mainly of rental contracts for laboratories, offices and related spaces at Plan-les-Ouates at December 31, 2014 and 2013, there are no commitments over 5 years.

Capital commitments

As at December 31, 2014 and 2013, the Group has no capital expenditure contracted but not yet incurred.

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:

<i>Key management compensation</i>	<u>2014</u>	<u>2013</u>
Salaries and other short-term employee benefits.....	53,146	2,496,585
Consulting fees.....	676,000	240,000
Post-employment benefits.....	-	123,310
Share-based compensation.....	<u>274,039</u>	<u>76,774</u>
	<u>1,003,185</u>	<u>2,936,669</u>

<i>Loans to related parties – Executive Management</i>	<u>2014</u>	<u>2013</u>
At January 1.....	181,474	738,660
Exits from the Executive Management.....	-	(568,204)
Loans advanced during the year.....	-	-
Loans written back / (written-off) during the year.....	(181,474)	11,018
Loans reimbursed during the year.....	<u>-</u>	<u>-</u>
At December 31.....	<u>-</u>	<u>181,474</u>

In 2014, no loans were made to its employees, in connection with the granting of equity sharing certificates, to finance the tax and social charges consequences of the grant of ESCs. The loans accrue interest at 0.2% per year and the loan principal and accrued

interest are repayable from the first capital gains realised from the exercise of the subscription rights attached to the ESCs. Should no capital gains be realized over the 5 year term of the ESCs then the loans are forgiven.

26. Events after the balance sheet date

On March 9, 2015, the Group issued 1,526,036 new shares from the authorized capital. Of the new shares, 921,667 were placed at CHF3 per share with investors and 604,369 were placed with Addex Pharma SA at CHF1, and are held as treasury shares.

On January 15, 2015, the Swiss National Bank announced its decision to abandon with immediate effect the euro cap at the exchange rate of CHF 1.20. As a result, the exchange rate dropped and since then approximates parity to the Swiss franc. Since this event occurred after the balance sheet date, it does not have any effect on the amounts reported as of December 31, 2014. Had it occurred on December 31, 2014, the Company would have recorded a foreign exchange loss of approximately CHF 33,833, which mainly relates to the bank balances and certain accounts payable denominated in euros. The abandonment of the euro cap affected also the exchange rate USD to Swiss franc by approximately 12%. This would have resulted in an additional foreign exchange loss of approximately CHF106,905. Bank balances held in euros and US dollars will predominantly be used to settle goods and services that the Company purchases in these currencies.

There has been no other material event after the balance sheet date.

27. Risk assessment disclosure required by Swiss law

The Chief Executive Officer coordinates and aligns the risk management processes, and reports to the Board and the Audit Committee (disbanded on June 27, 2014) 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 Chief Executive Officer 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.

Report of the Statutory Auditor to the General Meeting of Addex Therapeutics Ltd, Geneva

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 2014.

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 2014 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

Michael Foley
Audit expert
Auditor in charge

Adrien Benoit
Audit expert

Geneva, 30 April 2015



Statutory Financial Statements of Addex Therapeutics Ltd as at December 31, 2014

Balance Sheets as at December 31, 2014 and December 31, 2013

	<u>Notes</u>	<u>December</u> <u>31, 2014</u>	<u>December</u> <u>31, 2013</u>
Amounts in Swiss francs			
ASSETS			
Current assets			
Cash and cash equivalents.....		636,916	1,630,569
Other receivables			
Third parties.....		1,166	823
Accrued income.....		17,219	30,606
Total current assets.....		<u>655,301</u>	<u>1,661,998</u>
Non-current assets			
Investments in Group companies.....	6	2	2
Other non-current assets			
Loans to Group companies.....	7	1,470,496	2,621,543
Total non-current assets.....		<u>1,470,498</u>	<u>2,621,545</u>
Total assets.....		<u>2,125,799</u>	<u>4,283,543</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payables.....		149,430	80,338.
Other payables: Third parties.....		11,404	—
Accruals.....		215,557	226,825
Total current liabilities.....		<u>376,391</u>	<u>307,163</u>
Shareholders' equity			
Share capital.....		10,173,576	10,173,576
Share premium		186,966	10,176,933
Treasury shares reserve.....	9	250,749	437,715
Non-voting equity securities (*).....	11	p.m.	p.m.
Accumulated deficit.....		(8,861,883)	(16,811,844)
Total shareholders' equity.....	8	<u>1,749,408</u>	<u>3,976,380</u>
Total liabilities and shareholders' equity.....		<u>2,125,799</u>	<u>4,283,543</u>

(*) 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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
	Amounts in Swiss francs	
Operating expenses		
Professional fees.....	162,631	792,317
Other operating expenses.....	166,605	373,981
Provision for Group companies.....	1,770,059	15,538,190
Taxes.....	128,657	109,702
Total operating expenses.....	<u>2,227,952</u>	<u>16,814,190</u>
Interest income.....	(980)	(2,346)
Net loss before taxes.....	<u>2,226,972</u>	<u>16,811,844</u>
Income tax expense.....	—	—
Net loss for the year.....	<u>2,226,972</u>	<u>16,811,844</u>

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

Notes to the Financial Statements for the years ended December 31, 2014 and 2013 (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, 2014 and December 31, 2013, 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, 2014 and December 31, 2013, there were no assets pledged to secure own liabilities.

4. Lease commitments not recorded in the balance sheet

As of December 31, 2014 and December 31, 2013, there were no lease commitments not recorded in the balance sheet.

5. Amounts due to pension funds

As of December 31, 2014 and December 31, 2013, 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, 2014 and 2013, the Company has provided for its investments in Group companies as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Investment in Addex Pharma SA.....	3,987,492	3,987,492
Provision for investment in Addex Pharma SA.....	(3,987,491)	(3,987,491)
Investment in Addex Pharmaceuticals France SAS.....	1	1
	<u>2</u>	<u>2</u>

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

As at December 31, 2014 and 2013, the Company has provided for its loan to Addex Pharma SA as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Loan to Addex Pharma SA.....	157,710,319	157,091,308
Provision for loan to Addex Pharma SA.....	(156,239,823)	(154,469,765)
	<u>1,470,496</u>	<u>2,621,543</u>

The loan to Addex Pharma SA is subordinated to the claims of other creditors of the subsidiary up to CHF156,239,823.

8. Equity

	Share capital	General reserve, from... ...capital contribution	...retained earnings	Treasury shares reserve	Accumulated deficit	Total
January 1, 2013	9,002,964	161,607,712	(97,172,243)	489,531	(56,358,923)	17,569,041
Issue of shares, capital increase.....	1,170,612	2,048,571	—	—	—	3,219,183
Offset accumulated deficit with general reserve.....	—	—	(56,358,923)	—	56,358,923	—
Transfer from treasury shares reserve.....	—	51,816	—	(51,816)	—	—
Net loss of the year.....	—	—	—	—	(16,811,844)	(16,811,844)
December 31, 2013	10,173,576	163,708,099	(153,531,166)	437,715	(16,811,844)	3,976,380
Issue of shares, capital increase.....	—	—	—	—	—	—
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	163,895,786	(163,708,099)	250,749	(8,861,883)	1,749,408

On August 9, 2013, the Group issued 1,170,612 new shares at CHF1 from the authorized capital for use in a private placement for CHF2.75 per share. The gross proceeds of CHF3,219,183 have been recorded in share capital for CHF1,170,612 and in general reserve from capital contributions for CHF2,048,571.

At December 31, 2014, the total outstanding share capital is CHF10,173,576 (December 31, 2011: CHF10,173,576), consisting of 10,173,576 shares (December 31, 2013: 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, 2014 and 2013 are as follows:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Authorized capital.....	5,086,788	3,325,683
Conditional capital.....	4,485,921	4,485,921

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, 2013	369,433		489,531	4.10%
Purchases	(39,104)	1.33	(51,816)	
Balance at December 31, 2013 ...	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%

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:

	<u>December 31, 2014</u>		<u>December 31, 2013</u>	
	<u>Number of shares</u>	<u>Interest in capital in %</u>	<u>Number of shares</u>	<u>Interest in capital in %</u>
BVF Partners L.P.*	2,503,849	24.61%	2,755,249	27.09%
Tim Dyer(1)	594,906	5.85%	—	—
Sofinnova Capital IV FCPR	311,667	3.06%	806,648	7.93%
TVM V Life Science Ventures	—	—%	690,525	6.79%
Visium Asset Management, L.P.	—	—%	488,114	4.80%
Varuma AG	—	—%	413,243	4.06%

*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 2014.

11. Non-voting equity securities

Refer to note 15 of the consolidated financial statements.

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

As of December 31, 2014, members of the Board of Directors and Executive Management held the following shares in the Company:

	<u>Number of Shares</u>
Vincent Lawton, Chairman	500
Sonia Poli, Chief Scientific Officer	17,000
Timothy Dyer, Chief Executive Officer	86,906

As of December 31, 2013, members of the Board of Directors and Executive Management held the following shares in the Company:

	<u>Number of Shares</u>
André Mueller, Chairman	75,126
Vincent Lawton, Vice-Chairman	500
Sonia Poli, Chief Scientific Officer	17,000
Timothy Dyer, Chief Executive Officer	33,175

As of December 31, 2014, members of the Board of Directors and Executive Management held the following equity incentive units in the Company:

	<u>Number of vested equity incentive units</u>	<u>Number of unvested equity incentive units</u>	<u>Total number of equity incentive units</u>
Vincent Lawton, Chairman	0	94,000	100,000
Sonia Poli, Chief Scientific Officer	0	100,000	100,000
Tim Dyer, Chief Executive Officer	158,000	350,000	408,000

As of December 31, 2013, members of the Board of Directors and Executive Management held the following equity incentive units in the Company:

	<u>Number of vested equity incentive units</u>	<u>Number of unvested equity incentive units</u>	<u>Total number of equity incentive units</u>
André Mueller, Chairman	7,875	1,125	9,000
Vincent Lawton, Vice-Chairman	5,250	750	6,000
Sonia Poli, Chief Scientific Officer	50,675	16,175	66,850
Tim Dyer, Chief Executive Officer	108,000	0	108,000

13. Risk assessment

Refer to note 27 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, 2014, 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 CHF186,966 from the treasury shares reserve to the general reserve from capital contribution and to carry forward the net loss for the year 2014 of CHF2,226,972.

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

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 2014.

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 2014 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 SA

Michael Foley
Audit expert
Auditor in charge

Adrien Benoit
Audit expert



Geneva, 30 April 2015

Forward Looking Statements

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

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

Addex Therapeutics

14 Chemin des Aulx
1228 Plan-les-Ouates, Geneva
Switzerland

Investor & Media Relations

Tel: +41 22 884 15 55
Fax: +41 22 884 15 56
investor.relations@addextherapeutics.com
media.relations@addextherapeutics.com

Share Registry

SharecommServices AG
Tel: +41 44 809 58 58
Fax: +41 44 809 58 59

General Information

Tel: +41 22 884 15 55
Fax: +41 22 884 15 56
info@addextherapeutics.com

Addex on the Internet

www.addextherapeutics.com