addex Therapeutics

Allosteric Modulators for Human Health

# 2018 Condensed Consolidated Interim Financial Statements (unaudited)

# Condensed Consolidated Interim Balance Sheets as at June 30, 2018 and December 31, 2017 (unaudited)

| | Notes | June 30, 2018 | December 31, 2017 |
|---|---|---|---|
| **ASSETS** | | Amounts in Swiss francs | |
| **Current assets** | | | |
| Cash and cash equivalents (excluding bank overdrafts)……………..... | 7 | 43,573,498 | 2,590,539 |
| Other current assets………………………………………………………. | 8 | 1,285,653 | 462,805 |
| **Total current assets……………………………………………………..** | | **44,859,151** | **3,053,344** |
| **Non-current assets** | | | |
| Property, plant and equipment…………………………………………….. | 10 | 4,064 | 2,751 |
| Non-current financial assets……………………………………………….. | 9 | 7,135 | 7,087 |
| **Total non-current assets…………………………………………………** | | **11,199** | **9,838** |
| **Total assets…………………………………………………...................** | | **44,870,350** | **3,063,182** |
| **LIABILITIES AND EQUITY** | | | |
| **Current liabilities** | | | |
| Payables and accruals……………………………………………………… | 11 | 2,001,236 | 1,037,769 |
| Deferred income……………………………………………………………... | 15-16 | 352,148 | 439,022 |
| **Total current liabilities……………………………………………………** | | **2,353,384** | **1,476,791** |
| **Non-current liabilities** | | | |
| Employment benefit obligations…………………………………………… | 14 | 243,455 | 243,864 |
| **Total non-current liabilities……………………….............................** | | **243,455** | **243,864** |
| **Equity** | | | |
| Share capital………………………………………………………………… | 12 | 26,371,848 | 13,420,015 |
| Share premium……………………………………………………………… | | 286,134,528 | 264,797,104 |
| Other reserves……………………………………………………………… | | 11,834,743 | 7,547,295 |
| Accumulated deficit………………………………………………………… | | (282,067,608) | (284,421,887) |
| **Total equity…………………………………………….........................** | | **42,273,511** | **1,342,527** |
| **Total liabilities and equity…………………………………...................** | | **44,870,350** | **3,063,182** |

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

# Condensed Consolidated Interim Statements of Income for the six-month periods ended June 30, 2018 and 2017 (unaudited)

| | Notes | June 30, 2018 | June 30, 2017 |
|---|---|---|---|
| | | Amounts in Swiss francs | |
| **Income** | | | |
| Fees from sale of license rights | | 4,760,220 | - |
| Grants and collaborative research payments | | 580,730 | 210,943 |
| Other income | | 26,500 | 15,821 |
| **Total income** | 15-16 | **5,367,450** | **226,764** |
| **Operating costs** | | | |
| Research and development | | (2,083,868) | (1,147,856) |
| General and administration | | (825,665) | (830,730) |
| **Total operating costs** | 17 | **(2,909,533)** | **(1,978,586)** |
| **Operating income / (loss)** | | **2,457,917** | **(1,751,822)** |
| **Finance costs** | 18 | **(103,638)** | **(35,349)** |
| **Net income / (loss) before tax** | | **2,354,279** | **(1,787,171)** |
| Income tax expense | | - | - |
| **Net income / (loss) for the period** | | **2,354,279** | **(1,787,171)** |
| Net income / (loss) per share for net income / (loss) attributable to the ordinary equity holders of the company : | 19 | | |
| **Basic net income / (loss) per share** | | **0.12** | **(0.14)** |
| **Diluted net income / (loss) per share** | | **0.10** | **(0.14)** |

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

# Condensed Consolidated Interim Statements of Comprehensive Income for the six-month periods ended June 30, 2018 and 2017 (unaudited)

| | June 30, 2018 | June 30, 2017 |
|---|---|---|
| | Amounts in Swiss francs | |
| **Net income / (loss) for the period……………………………………………………** | **2,354,279** | **(1,787,171)** |
| **Other comprehensive income / (loss)** | | |
| Items that will never be reclassified to the statement of income: | | |
| Remeasurements of post-employment benefit obligations………………………… | 7,698 | 4,365 |
| Items that may or may not be classified subsequently to the statement of income: | | |
| Exchange difference on translation of foreign operations differences………… | (32) | (254) |
| **Other comprehensive income for the period, net of tax…………………….…** | **7,666** | **4,111** |
| **Total comprehensive income / (loss) for the period……………………………** | **2,361,945** | **(1,783,060)** |

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

# Condensed Consolidated Interim Statements of Changes in Equity for the six-month periods ended June 30, 2018 and 2017 (unaudited)

| | | Amounts in Swiss francs | | | | |
|---|---|---|---|---|---|---|
| | Notes | Share Capital | Share Premium | Other reserves | Accumulated deficit | Total |
| **Balance at January 1, 2017……………………..** | | **11,563,547** | **263,038,639** | **6,757,887** | **(281,141,481)** | **218,592** |
| Net loss for the period………………………………… | | - | - | - | (1,787,171) | (1,787,171) |
| Other comprehensive income for the period………………………………... | | - | - | 4,111 | - | 4,111 |
| **Total comprehensive loss for the period……………….......................** | | **-** | **-** | **4,111** | **(1,787,171)** | **(1,783,060)** |
| Issue of shares………………….……………. | 12 | 1,930,435 | - | - | - | 1,930,435 |
| Cost of share capital issuance capital increase………….................. | | - | (23,000) | - | - | (23,000) |
| Net movement of treasury shares………....................................... | 12 | (242,749) | 1,728,515 | - | - | 1,485,766 |
| Value of share-based services……………………………… | 13 | - | - | 550,729 | - | 550,729 |
| **Balance at June 30, 2017………………………..** | | **13,251,233** | **264,744,154** | **7,312,727** | **(282,928,652)** | **2,379,462** |
| **Balance at January 1, 2018……………………..** | | **13,420,015** | **264,797,104** | **7,547,295** | **(284,421,887)** | **1,342,527** |
| Net income for the period………………………………… | | - | - | - | 2,354,279 | 2,354,279 |
| Other comprehensive income for the period………………………………. | | - | - | 7,666 | - | 7,666 |
| **Total comprehensive income for the period……......................................** | | **-** | **-** | **7,666** | **2,354,279** | **2,361,945** |
| Issue of shares………………….……………. | 12 | 13,179,043 | 27,770,039 | - | - | 40,949,082 |
| Cost of share capital issuance: | | | | | | |
| Costs paid on issue of shares……… | | - | (2,920,612) | - | - | (2,920,612) |
| Value of warrants……………………. | | - | (3,309,801) | - | - | (3,309,801) |
| Net movement in treasury shares………....................................... | 12 | (227,210) | (202,202) | - | - | (429,412) |
| Value of share-based services……………………….……….... | 13 | - | - | 969,981 | - | 969,981 |
| Value of warrants……………………………… | | - | - | 3,309,801 | - | 3,309,801 |
| **Balance at June 30, 2018………………………..** | | **26,371,848** | **286,134,528** | **11,834,743** | **(282,067,608)** | **42,273,511** |

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

# Condensed Consolidated Interim Statements of Cash Flows for the six-month periods ended June 30, 2018 and 2017 (unaudited)

| | Notes | June 30, 2018 | June 30, 2017 |
|---|---|---|---|
| | | Amounts in Swiss francs | |
| Net income/ (loss) for the period…………………………………………… | | 2,354,279 | (1,787,171) |
| Adjustments for: | | | |
| Depreciation and amortization……………………........................... | 10 | 746 | 12,676 |
| Value of share-based services..……………………………………….. | 13 | 969,981 | 550,729 |
| Pensions costs.............................................................................. | | 7,289 | 17,372 |
| Finance costs, net……………………….………………………………. | 18 | 103,638 | 35,349 |
| Net changes in working capital……………………………………………… | | 145,909 | 127,748 |
| **Net cash from / (used in) operating activities…..………………………** | | **3,581,842** | **(1,043,297)** |
| **Cash flows from investing activities** | | | |
| Payment for purchase of property, plant and equipment…….…………….. | 10 | (2,059) | - |
| **Net cash used in investing activities……………………...…………..** | | **(2,059)** | **-** |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares – capital increase………………………… | 12 | 40,428,549 | - |
| Costs paid on issue of shares……………………………………………..… | | (2,920,612) | (23,000) |
| Net loss / proceeds from sales of treasury shares……………………….. | | (1,123) | 3,259,722 |
| Interests paid………………………………………………………………. | 18 | (49,974) | - |
| **Net cash from financing activities………………...………..................** | | **37,456,840** | **3,236,722** |
| **Increase in cash and cash equivalents…………………………………** | | **41,036,623** | **2,193,425** |
| Cash and cash equivalents at beginning of the period...………………… | 7 | 2,590,539 | 1,416,364 |
| Exchange loss on cash and cash equivalents…………………………….. | 18 | (53,664) | (35,349) |
| **Cash and cash equivalents at end of the period…………......................** | 7 | **43,573,498** | **3,574.440** |

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

**1. General information**

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

To date, the Group has financed its cash requirements primarily from share issuances and out-licensing certain of its research and development stage products. The Group is a development stage enterprise and is exposed to all the risks inherent in establishing a business. Inherent in the Group's business are various risks and uncertainties, including the substantial uncertainty that current projects will succeed. The Group's success may depend in part upon its ability to (i) establish and maintain a strong patent position and protection, (ii) enter into collaborations with partners in the pharmaceutical industry, (iii) acquire and retain key personnel, and (iv) acquire additional capital to support its operations. The Board of Directors (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 condensed consolidated interim financial statements have been prepared on a going concern basis.

These condensed consolidated interim financial statements have been approved by the Board of Directors on September 27, 2018.

**2. Basis of preparation**

These condensed consolidated interim financial statements for the six months ended June 30, 2018, have been prepared in accordance with IAS 34 "Interim Financial Reporting". These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended December, 31, 2017, which have been prepared in accordance with IFRS. The accounting policies have changed as of January 1, 2018, due to the adoption of the new IFRS standard IFRS 15 Revenues from contracts with customers. The updated accounting policies are disclosed in Note 3.2 to these condensed consolidated interim financial statements.

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

The preparation of financial statements in accordance with IAS 34 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment which are significant to the condensed consolidated interim financial statements are disclosed in note 4 to the consolidated financial statements for the year ended December 31, 2017. Certain prior period figures have been corrected or re-classed to be consistent with the current period presentation.

**3. Accounting policies**

**3.1 Basis of preparation**

The accounting policies used in the preparation of the condensed consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended December 31, 2017. The adoption of new standards, amendments to standards and interpretations which are mandatory for financial periods beginning on or after January 1, 2018 did not have a material impact on the Group financial position or disclosures made in these half year consolidated financial statements :

- IFRS 2 (amendment), Share based payment (effective from January 1, 2018). This standard has been applied for the first time for the annual reporting period commencing January 1, 2018, and has no impact on the condensed consolidated interim financial statements

- IFRS 15, Revenue from contracts with customers (effective from January 1, 2018). This standard has been applied for the first time for the annual reporting period commencing January 1, 2018 and would have recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of accumulated losses; however, the Group did not deem any adjustments required in the transition to the new standard. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. We expect the impact of the adoption of the new standard to be immaterial to our net profit / loss on an ongoing basis, and as of January 1, 2018 it applies on the Indivior PLC contract signed on January 2, 2018.

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

- IFRS 9 (amendment), Financial instruments (effective from January 1, 2019). The Group will apply this standard from January 1, 2019 and does not expect material impact from this standard

- IFRS 16 (amendment), Leases (effective from January 1, 2019). The Group will apply this standard from January 1, 2019. During the six-month period ended June 30, 2018, the Group recorded operating lease expenses of CHF77,058 (see note 17) and consequently does not expect a material impact from this standard.

**3.2 IFRS 15 Revenue from contracts with customers**

Effective January 1, 2018, the Group adopted IFRS 15 Revenue from contracts with customers, with no adjustments deemed necessary in the transition to the new standard. This standard applies to all contracts with customers, except for contracts that are within the scope of other standards, such as leases, insurance, collaboration arrangements and financial instruments. Under IFRS 15, an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of IFRS 15, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Group only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of IFRS 15, the Group assesses the goods or services promised within each contract and determines those that are performance obligations, and assesses whether each promised good or service is distinct. The Group then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. Additional information is disclosed in note 15.

**4. Critical accounting estimates and judgments**

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 consolidated financial statements have been prepared on a going concern basis after considering the Group cash position in the light of current financial plans and financial commitments.

*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. Additional information is disclosed in note 13

*Warrants*
The Group recognized the fair value of warrants issued in connection with the capital increase as a cost of share capital issuance. The fair value has been calculated using the Black-Scholes valuation model. A number of assumptions are made in this model. Should the assumptions and estimates underlying the fair value of these instruments vary significantly from management's estimates, then the charge recorded in cost of share capital issuance would be materially different. Additional information is disclosed in note 12.

*Collaborative research payments*
Collaborative research payments are recorded at their fair value when there is reasonable assurance that they will be received and recognized as income in accordance with the associated performance obligations. Had collaborative research payments been recognized as a credit to the associated expenses, the revenue and expenses would have been reduced by CHF74K (2017: nil).

*Grants*
Grants are recorded at their fair value when there is reasonable assurance that they will be received and recognized as income over the period necessary to match them with the expenses that they are intended to compensate. Had grants been recognized as a credit to the associated expenses, the revenue and expenses would have been reduced by CHF507K (2017: CHF211K).

**5. Interim measurement note**

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

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

### 6. Segment reporting

#### 6.1 Reportable segments

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

#### 6.2 Entity wide information

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

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

Analysis of income by nature is detailed as follows:

| | June 30, 2018 | June 30, 2017 |
|---|---|---|
| Fees from sale of license rights……………………………………... | 4,760,220 | - |
| Collaborative research payments………………………………. | 73,580 | - |
| Grant payments……………………………………………..………. | 507,150 | 210,943 |
| Other service income……………………………………………... | 26,500 | 15,821 |
| **Total income…..…………………………………………..……** | **5,367,450** | **226,764** |

Analysis of income by major customer is detailed as follows:

| | June 30, 2018 | June 30, 2017 |
|---|---|---|
| Indivior PLC (UK)…………………………………………….. | 4,833,800 | - |
| The Michael J. Fox Foundation (USA)…………….………... | 507,150 | 210,943 |
| Multiple customers……………………….……………………….. | 26,500 | 15,821 |
| **Total income…………………..…………………………..………** | **5,367,450** | **226,764** |

For more detail, refer to note 15, “License and collaboration agreements” and note 16 “Research grants”.

The geographical analysis of assets is as follows:

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Switzerland………………..…………………………....... | 44,862,899 | 3,056,441 |
| *Current……………………………………………….…* | *44,852,117* | *3,047,024* |
| *Non-current…………………………………………...* | *10’782* | *9,417* |
| Europe………………..……………………..…………..... | 7,451 | 6,741 |
| *Current……………………………………………….…* | *7,034* | *6,320* |
| *Non-current…………………………………………...* | *417* | *421* |
| **Total assets……..……………………..……………......** | **44,870,350** | **3,063,182** |

The geographical analysis of operating costs is as follows:

| | June 30, 2018 | June 30, 2017 |
|---|---|---|
| Switzerland………….……………………………............ | 2,905,691 | 1,965,432 |
| Europe………………………………...……………........ | 3,842 | 13,154 |
| **Total operating costs (note 17) ……………………..** | **2,909,533** | **1,978,586** |

The capital expenditure during the six-month period ended June 30, 2018 is CHF2,059 (no capital expenditure for first half 2017).

### 7. Cash and cash equivalents

| | June 30, 2018 | December 31,2017 |
|---|---|---|
| Cash at bank and on hand………………………......... | 43,573,498 | 2,590,539 |
| **Total cash and cash equivalents…………………...** | **43,573,498** | **2,590,539** |

The effective interest rate on Swiss franc cash and cash equivalent was -0.47% from the capital increase performed on March 28, 2018. All cash and cash equivalents were held either at bank or on hand as at June 30, 2018 and December 31, 2017.

### 8. Other current assets

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Receivables…………………………………….……… | 966,499 | 303,882 |
| Prepayments…………………………………………... | 319,154 | 158,923 |
| **Total other current assets…………………….…...** | **1,285,653** | **462,805** |

### 9. Non-current financial assets

| | June 30, 2018 | December 31,2017 |
|---|---|---|
| Security rental deposit...……………………………...... | 7,135 | 7,087 |
| **Total non-current financial assets…………..……** | **7,135** | **7,087** |

### 10. Property, plant and equipment

| | Equipment | Furniture & fixtures | Chemical Library | Total |
|---|---|---|---|---|
| **Year ended December 31, 2017** | | | | |
| Opening net book amount………………... | 9,343 | - | 7,960 | 17,303 |
| Additions……………………………….…… | 697 | - | - | 697 |
| Depreciation charge……….……………… | (7,576) | - | (7,673) | (15,249) |
| **Closing net book amount………………** | **2,464** | **-** | **287** | **2,751** |
| **At December 31, 2017** | | | | |
| Cost………………….......………………...... | 1,585,351 | 7,564 | 1,207,165 | 2,800,080 |
| Accumulated depreciation……………….. | (1,582,887) | (7,564) | (1,206,878) | (2,797,329) |
| **Net book value…………………………..** | **2,464** | **-** | **287** | **2,751** |
| **Year ended June 30, 2018** | | | | |
| Opening net book amount……………….. | 2,464 | - | 287 | 2,751 |
| Additions………………………………… | 2,059 | - | - | 2,059 |
| Depreciation charge……….…………….. | (459) | - | (287) | (746) |
| **Closing net book amount………………** | **4,064** | **-** | **-** | **4,064** |
| | | **-** | | |
| **At June 30, 2018** | | **-** | | |
| Cost………………….......………………...... | 1,587,410 | 7,564 | 1,207,165 | 2,802,139 |
| Accumulated depreciation……………….. | (1,583,346) | (7,564) | (1,207,165) | (2,798,075) |
| **Net book value……………………………** | **4,064** | **-** | **-** | **4,064** |

### 11. Payables and accruals

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Trade payables……………………………..………….. | 1,003,305 | 383,211 |
| Social security and other taxes……………………... | 33,947 | 10,979 |
| Accrued expenses………………………………….... | 963,984 | 643,579 |
| **Total payables and accruals………………………** | **2,001,236** | **1,037,769** |

All payables mature within 3 months.

**12. Share capital**

| | Number of shares | | |
|---|---|---|---|
| | Common shares | Treasury shares | Total |
| **Balance at January 1, 2017……………………** | **13,454,553** | **(1,891,006)** | **11,563,547** |
| Issue of shares – capital increase……………… | 1,930,435 | (1,930,435) | - |
| Net sale of treasury shares…......................... | - | 1,687,686 | 1,687,686 |
| **Balance at June 30, 2017……………………..** | **15,384,988** | **(2,133,755)** | **13,251,233** |
| | | | |
| **Balance at January 1, 2018……………………** | **15,384,988** | **(1,964,973)** | **13,420,015** |
| Issue of shares – capital increase……………... | 13,179,043 | (261,914) | 12,917,129 |
| Net sale of treasury shares……….................. | - | 34,704 | 34,704 |
| **Balance at June 30, 2018…………………........** | **28,564,031** | **(2,192,183)** | **26,371,848** |

At June 30, 2018, the total outstanding share capital is CHF28,564,031 (June 30, 2017: CHF15,384,988), consisting of 28,564,031 shares (June 30, 2017: 15,384,988). All shares have a nominal value of CHF1 and fully paid on June 30, 2018, except for 133,318 shares which were in the process of being settled at June 30, 2018.

On March 28, 2018, the Company increased its share capital by issuing 13,037,577 new shares with a nominal value of CHF1 each at an issue price of CHF3.13 per share. Of these new shares, 12,917,129 were placed with investors raising CHF40,4 million of gross proceeds and the remaining 120,448 new shares were recorded as treasury shares, bringing the total outstanding issued share capital to 28,564,031. Each new share received a 7 year warrant to purchase 0.45 of a share at a price of CHF3.43. A total of 5,866,898 warrants were granted of which 5,806,882 were granted to investors. The fair value of the warrants issued to investors amounting to CHF3.3 million, has been calculated using the Black-Scholes valuation model as a cost of the capital increase in equity.

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

During the six-month period ended 30 June 2018, the Group used 34,970 treasury shares to purchase services from consultants including 12,023 shares for Roger Mills and 18,226 shares for Tim Dyer.

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

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

**13. Share-based compensation**

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

| | June 30, 2018 | June 30, 2017 |
|---|---|---|
| Research and development……………….………… | 769,329 | 377,686 |
| General and administration…………………………... | 200,652 | 173,043 |
| **Total share-based compensation..…………………** | **969,981** | **550,729** |

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

| | June 30, 2018 | June 30, 2017 |
|---|---|---|
| Equity sharing certificate plan……………..………… | 48,256 | 16,133 |
| Share purchase plan……..……………………………... | 13,586 | 18,298 |
| Share option plans…………………………………….. | 908,139 | 516,298 |
| **Total share-based compensation..…………………** | **969,981** | **550,729** |

### 14. Employee benefits

The amounts recognized in the income statements were as follows:

| | June 30, 2018 | June 30, 2017 |
|---|---|---|
| Current service costs……………………………..……...... | (33,425) | (38,374) |
| Interest cost…..………………………………………..... | (12,442) | (10,881) |
| Interest income…………………………………………. | 11,579 | 10,231 |
| **Pension income / (cost)……………………………..** | **(34,288)** | **(39,024)** |

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

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Defined benefit obligation.....…………………………. | (3,512,907) | (3,607,276) |
| Fair value of plan assets…………….……...…………. | 3,269,452 | 3,363,412 |
| **Defined benefit obligations at end of period…….** | **(243,455)** | **(243,864)** |

The principal actuarial assumptions used were as follows:

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Discount rate……………………….……………......... | 1.00% | 0.80% |
| Mortality tables………………..………………………… | BVG2015 GT | BVG2015 GT |

### 15. License and collaboration agreements

*Indivior PLC*
On January 2, 2018, the Group entered into a research collaboration and license agreement with Indivior PLC (Indivior). In accordance with this agreement, Indivior has acquired an exclusive worldwide license to develop GABAB PAM compounds, including development candidate ADX71441, for the treatment of human health with the exclusion of certain Addex retained indications. Indivior is solely responsible for the development and commercialization of licensed compounds including development candidate ADX71441. The Group received an upfront payment of USD5.0 million (CHF4.8 million) in January 2018 which has been recognized as income in the six-month period ended June 30, 2018. The Group is eligible for future payments contingent on the products from the research achieving certain development, regulatory and commercial milestones totaling USD330 million. The Group is also eligible for tiered royalties up to low double digit royalties on net sales. Under the agreement, the Group is eligible for a minimum of USD 4 million of research funding over 2 years to cover its costs of participating in a joint research effort to discover novel GABAB PAM compounds. The Joint research effort started on 1 May 2018 and the Group has recognized CHF0.1 million in the six-month period ended June 30, 2018 and recorded CHF0.2 million as deferred income. Under the agreement, the Group has the right to select new GABAB PAM compounds from the joint research effort for development and commercialization in certain retained indications, including Charcot-Marie-Tooth type 1a neuropathy. Under the agreement, the Group has certain performance obligations: 1)Transfer of existing data and know how related to the program including development candidate ADX71441, performed during the first quarter 2018 and 2) Conduct certain funded research activities under the joint research effort to discover novel GABAB PAM compounds.

*Janssen Pharmaceuticals Inc. (formerly Ortho-McNeil-Janssen Pharmaceuticals Inc).*
On December 31, 2004, the Group entered into a research collaboration and license agreement with Janssen Pharmaceuticals Inc. (JPI). In accordance with this agreement, JPI has acquired an exclusive worldwide license to develop mGluR2PAM compounds for the treatment of human health. The Group is eligible for future payments contingent on the products from the research achieving certain development milestones. The Group is also eligible for low double digit royalties on net sales. No income has been recognized under this agreement in the six-month periods ended June 30, 2018 and 2017.

### 16. Research grants

During the six-month period ended June 30, 2018, the group recognized as income CHF0.5 million from The Michael J. Fox Foundation for Parkinson’s Research and CHF0.1 million as deferred income. The grant was received in instalments and recognized as income on the period necessary to match it against the specific costs it was intended to compensate.

**17. Operating costs by nature**

| | June 30, 2018 | June 30, 2017 |
|---|---|---|
| Staff costs……………………………….................... | 611,343 | 425,690 |
| Depreciation and amortization………………………...... | 746 | 12,676 |
| External research and development costs……………...... | 553,258 | 370,904 |
| Laboratory consumables…………………...…………….. | 45,762 | 10,930 |
| Patent costs…………………………………………..…. | 136,324 | 81,494 |
| Professional fees…………………………………..…… | 987,480 | 724,459 |
| Operating leases…………………….………………… | 77,058 | 76,450 |
| Other operating costs……………………………........... | 497,562 | 275,983 |
| **Total operating costs……………………………..……** | **2,909,533** | **1,978,586** |

**18. Finance costs, net**

| | June 30, 2018 | June 30, 2017 |
|---|---|---|
| Interest paid…………………………………………….. | (49,974) | - |
| Foreign exchange (losses) / gains…………………… | (53,664) | (35,349) |
| **Finance costs, net...………...……………………….** | **(103,638)** | **(35,349)** |

**19. Loss per share**

Basic net loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of common shares in issue during the period excluding common shares purchased by the Group and held as treasury shares.

| | June 30, 2018 | June 30, 2017 |
|---|---|---|
| Net income / (loss) attributable to equity holders of the Company............................................................ | 2,354,279 | (1,787,171) |
| Weighted average number of shares in issue……… | 19,962,969 | 12,500,385 |
| **Basic net income / (loss) per share……………….** | **0.12** | **(0.14)** |

| | June 30, 2018 | June 30, 2017 |
|---|---|---|
| Net income / (loss) attributable to equity holders of the Company............................................................ | 2,354,279 | (1,787,171) |
| Weighted average number of shares in issue…….. | 23,256,996 | 12,500,385 |
| **Diluted net income / (loss) per share……………..** | **0.10** | **(0.14)** |

The Company has three categories of dilutive potential shares as at June 30, 2018 and 2017: equity sharing certificates, share options and warrants. As of June 30, 2017, equity sharing certificates, share options and warrants have been ignored in the calculation of the result per share, as they would be anti-dilutive due to the loss for the six-month period ended June 30, 2017.

**20. Related party transactions**

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

| *Key management compensation* | June 30, 2018 | June 30, 2017 |
|---|---|---|
| Salaries and other short-term employee benefits…... | 166,206 | 42,000 |
| Consulting fees…………………………………………. | 304,827 | 305,666 |
| Share-based compensation….……………………….. | 839,073 | 372,970 |
| | **1,310,106** | **720,636** |

Consulting fees relate to amounts paid to Tim Dyer and Roger Mills who deliver their services to the Group under consulting contracts. Tim Dyer services are delivered through TMD Advisory Ltd, a company owned and managed by Mr. Dyer, which has been mandated to provide CEO / CFO services to the Addex Group. The Group invoiced CHF26,500 (first half 2017 : CHF15,821) of consulting services to TMD Advisory Ltd which have been recorded in other income.