Allosteric Modulators for Human Health

2019 Condensed Consolidated Interim Financial Statements (unaudited)

Condensed Consolidated Interim Balance Sheets as at June 30, 2019 and December 31, 2018 (unaudited)

	Notes	June 30, 2019	December 31, 2018
ASSETS		Amounts in Swiss francs	
Current assets			
Cash and cash equivalents	7	36,747,903	41,670,158
Other financial assets	13	6,486	7,983
Receivables	8	286,312	273,016
Prepayments		454,814	199,410
Total current assets		**37,495,515**	**42,150,567**
Non-current assets			
Right-of-use assets	3.2/9	392,338	-
Property, plant and equipment	10	26,712	8,868
Non-current financial assets	11	54,400	54,404
Total non-current assets		**473,450**	**63,272**
Total assets		**37,968,965**	**42,213,839**
LIABILITIES AND EQUITY			
Current liabilities			
Current lease liabilities	3.2	281,375	-
Payables and accruals	12	4,123,512	2,121,084
Contract liability	16	-	212,744
Total current liabilities		**4,404,887**	**2,333,828**
Non-current liabilities			
Non-current lease liabilities	3.2	114,018	-
Retirement benefits obligations	15	1,177,074	639,351
Total non-current liabilities		**1,291,092**	**639,351**
Equity			
Share capital	13	32,848,635	28,564,031
Share premium		286,458,420	286,476,912
Reserves		6,573,245	10,266,402
Accumulated deficit		(293,607,314)	(286,066,685)
Total equity		**32,272,986**	**39,240,660**
Total liabilities and equity		**37,968,965**	**42,213,839**

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, 2019 and 2018 (unaudited)

	Notes	June 30, 2019	June 30, 2018
		Amounts in Swiss francs	
Revenue from contract with customer	16	**1,220,301**	**4,833,800**
Other income	17	**6,620**	**533,650**
Operating costs			
Research and development		(5,893,830)	(2,083,868)
General and administration		(2,820,717)	(825,665)
Total operating costs	18	**(8,714,547)**	**(2,909,533)**
Operating (loss)/income		**(7,487,626)**	**2,457,917**
Finance income		20,952	-
Finance expense		(73,955)	(103,638)
Finance result, net	20	**(53,003)**	**(103,638)**
Net (loss)/income before tax		**(7,540,629)**	**2,354,279**
Income tax expense		-	-
Net (loss)/income for the period		**(7,540,629)**	**2,354,279**
(Loss)/income per share for (loss)/income attributable to the ordinary equity holders of the Company:	21		
Basic (loss)/income per share		**(0.29)**	**0.12**
Diluted (loss)/income per share		**(0.29)**	**0.09**

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, 2019 and 2018 (unaudited)

	June 30, 2019	June 30, 2018
	Amounts in Swiss francs	
Net (loss)/income for the period……….....…………………………….	**(7,540,629)**	**2,354,279**
Other comprehensive (loss)/income		
Items that will never be reclassified to the statement of income:		
Remeasurements of retirement benefits obligations…………………...	(487,488)	7,698
Items that may be classified subsequently to the statement of income:		
Exchange difference on translation of foreign operations differences..	(48)	(32)
Other comprehensive (loss)/income for the period, net of tax..…..	**(487,536)**	**7,666**
Total comprehensive (loss)/income for the period..…………………	**(8,028,165)**	**2,361,945**

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, 2019 and 2018 (unaudited)

Amounts in Swiss francs

	Notes	Share Capital	Share Premium	Treasury Shares Reserve	Foreign Currency Translation Reserve	Other Reserves	Accumulated Deficit	Total
Balance at January 1, 2018…...		**15,384,988**	**264,852,008**	**(2,019,877)**	**(652,142)**	**8,199,437**	**(284,421,887)**	**1,342,527**
Net income for the period………………..		-	-	-	-	-	2,354,279	2,354,279
Other comprehensive income for the period………………		-	-	-	(32)	7,698	-	7,666
Total comprehensive income for the period………………		**-**	**-**	**-**	**(32)**	**7,698**	2,354,279	**2,361,945**
Issue of shares……..	13	13,179,043	24,460,237	-	-	-	-	37,639,280
Cost of share capital issuance……………		-	(2,920,612)	-	-	-	-	(2,920,612)
Value of share-based services....………...		-	-	-	-	969,981	-	969,981
Value of warrants....………..		-	-	-	-	3,309,801	-	3,309,801
Movement in treasury shares:	13							
Capital increase……		-	-	(518,468)	-	-	-	(518,468)
Settlement of supplier invoices....................		-	57,276	34,970	-	-	-	92,246
Net purchases under Liquidity agreement..		-	(2,923)	(266)	-	-	-	(3,189)
Balance at June 30, 2018……...		**28,564,031**	**286,445,986**	**(2,503,641)**	**(652,174)**	**12,486,917**	**(282,067,608)**	**42,273,511**
Balance at January 1, 2019…...		**28,564,031**	**286,476,912**	**(2,513,148)**	**(652,323)**	**13,431,873**	**(286,066,685)**	**39,240,660**
Net loss for the period………………							(7,540,629)	(7,540,629)
Other comprehensive loss for the year........					(48)	(487,488)		(487,536)
Total comprehensive loss for the period...		**-**	**-**	**-**	**(48)**	**(487,488)**	**(7,540,629)**	**(8,028,165)**
Issue of shares………	13	4,284,604	-	-	-	-	-	4,284,604
Cost of share capital issuance…………….		-	(61,242)	-	-	-	-	(61,242)
Value of share-based services....………....		-	-	-	-	999,420	-	999,420
Movement in treasury shares:	13							
Capital increase…….		-	-	(4,284,604)	-	-	-	(4,284,604)
Settlement of supplier invoices....................		-	42,972	80,837	-	-	-	123,809
Net purchases under liquidity agreement....		-	(222)	(1,274)	-	-	-	(1,496)
Balance at June 30, 2019.........................		**32,848,635**	**286,458,420**	**(6,718,189)**	**(652,371)**	**13,943,805**	**(293,607,314)**	**32,272,986**

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, 2019 and 2018 (unaudited)

	Notes	June 30, 2019	June 30, 2018
		Amounts in Swiss francs	
Net (loss)/income for the period		(7,540,629)	2,354,279
Adjustments for:			
Depreciation	9/10	156,793	746
Value of share-based services		999,420	969,981
Pension costs		50,235	7,289
Finance costs, net		72,616	103,310
Decrease in other financial assets	8	1,496	1,123
Increase in receivables	8	(13,296)	(662,617)
Increase in prepayments	8	(255,404)	(160,591)
Increase in payables and accruals	12	2,002,428	963,467
(Decrease)/increase in contract liability	16	(212,744)	352,148
(Decrease) in deferred income	16	-	(439,022)
Services paid in shares		123,767	92,525
Net cash (used in)/from operating activities		**(4,615,318)**	**3,582,638**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(22,465)	(2,059)
Purchase of treasury shares		(1,496)	(1,123)
Net cash used in investing activities		**(23,961)**	**(3,182)**
Cash flows from financing activities			
Proceeds from issue of shares – capital increase	13	-	40,428,549
Costs paid on issue of shares		-	(2,920,612)
Costs paid on issue of shares subscribed by the Group		(61,242)	-
Principal element of lease payment		(149,118)	-
Interest paid	20	(73,955)	(49,974)
Net cash (used in)/from financing activities		**(284,315)**	**37,457,963**
(Decrease)/increase in cash and cash equivalents		**(4,923,594)**	**41,037,419**
Cash and cash equivalents at beginning of the period	7	41,670,158	2,579,248
Exchange difference on cash and cash equivalents		1,339	(53,336)
Cash and cash equivalents at end of the period	7	**36,747,903**	**43,563,331**

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

1. General information

Addex Therapeutics Ltd (the "Company"), formerly Addex Pharmaceuticals Ltd, and its subsidiaries (together, the "Group") are a clinical stage pharmaceutical group applying its leading allosteric modulator drug discovery platform to discovery and development small-molecule pharmaceutical products, with an initial focus on central nervous system disorders.

The Company is a Swiss stockholding corporation domiciled c/o Addex Pharma SA, Chemin des Aulx 12, CH-1228 Plan-les-Ouates, Geneva, Switzerland and the parent company of Addex Pharma SA, Addex Pharmaceuticals France SAS and Addex Pharmaceuticals Inc., company created on May 29, 2019 registered in Delaware with its principal business location in San Francisco, California, United States. Its registered shares are traded at the SIX, Swiss Exchange, under the ticker symbol ADXN.

These condensed consolidated interim financial statements have been approved by the Board of Directors on September 27, 2019.

2. Basis of preparation

These condensed consolidated interim financial statements for the six months ended June 30, 2019, have been prepared under the historic cost convention and in accordance with IAS 34 "Interim Financial Reporting" and are presented in a format consistent with the consolidated financial statements presented in the 2018 annual report under IAS 1 "Presentation of Financial Statements". However, they do not include all of the notes that would be required in a complete set of financial statements. Thus, this interim financial report should be read in conjunction with the consolidated financial statements for the year ended December 31, 2018. The accounting policies have changed as of January 1, 2019, due to the adoption of the new IFRS standard, IFRS 16 Leases. The updated accounting policies are disclosed in Note 3.2 to these condensed consolidated interim financial statements.

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, 2018. Certain prior period figures have been corrected or re-classed to be consistent with the current period presentation.

Due to rounding, numbers presented throughout these consolidated financial statements may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amount.

3. Accounting policies

3.1 New or revised IFRS Standards and Interpretations

A number of new or amended standards and interpretations which are mandatory for financial periods beginning on or after January 1, 2019 did not have a material impact on the Group financial position or disclosures made in condensed consolidated interim financial statements.

IAS 19 (amendment), Employee Benefits (effective from January 1, 2019). This standard has been applied for the first time for the annual reporting period commencing January 1, 2019. This amendment relates accounting for plan amendments, curtailments and settlements where changes are made to pension plans. The amendments require an entity: (1) to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and (2) to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. On this basis, the Group has completed its assessment and has concluded that the adoption of this standard has no impact on its half year consolidated financial statements.

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

3.2 IFRS 16 Leases

The Group has adopted IFRS16 Leases from January 1, 2019, but has not restated comparatives for the year ended December 31, 2018 reporting period as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019.

On the adoption of IFRS16, the Group recognized lease liabilities reflecting future lease payments for lease contracts previously classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using a weighted average incremental borrowing rate of 4.70% applied to the lease liabilities on January 1, 2019. The Group has recognized right-of-use ("ROU") assets measured at an amount equal to the lease liability.

(Amounts in Swiss francs)

Since there were no prepaid/accrued lease payments relating to leases recognized in the balance sheet as at December 31, 2018, no adjustments have been made. The Group has exercised the optional exemption and recognized certain short-term leases (i.e. with a lease term of 12 months or less) and leases of low-value assets (of less than USD 5 thousand) on a straight-line basis as an expense in the statement of income.

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, management considers all facts and circumstances including extension and termination options. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the Group. During the period ended June 30, 2019, there was no revision of lease terms applicable to reflect the effect of exercising extension and termination options.

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

	Total
Operating lease commitments disclosed as at December 31, 2018……………………	272,498
Additional operating lease commitments under IFRS 16 as at December 31, 2018….	297,721
Total operating lease commitments under IFRS 16 as at December 31, 2018…...	**570,219**
Discount using the incremental borrowing rate at the date of the initial application…..	(24,015)
Gross liabilities as per January 1, 2019 under IFRS 16…..…………………………	**546,204**
Short term leases…………………………………………………………………………..	(1,694)
Lease liability recognized as at January 1, 2019………………………………………	**544,510**
Of which are:	
Current lease liabilities…………………………………………………………………	303,627
Non-current lease liabilities…………………………………………..…………..........	240,883

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

	June 30, 2019	January 1, 2019
Properties…………..……………………..……………………...	345,354	483,350
Equipment…………………………………………...………...	46,984	61,160
Total right-of-use assets…..……………………………………	**392,338**	**544,510**

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

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:

Going concern
The Group's accounts are prepared on a going concern basis. To date, the Group has financed its cash requirements primarily from share issuances and licensing certain of its research and development stage products. The Group is a development-stage enterprise and is exposed to all the risks inherent in establishing a business. The Group maintains detailed financial forecasts and monitors actual results on a regular basis so that measures can be taken to ensure the Group remains solvent.

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

Grants
Grants are recorded at their fair value when there is reasonable assurance that they will be received and recognized as income when the group has satisfied the underlying grant conditions. In certain circumstances, grant income may be recognized before explicit grantor acknowledgement that the conditions have been met.

(Amounts in Swiss francs)

Accrued research and development costs
The Group records accrued expenses for estimated costs of research and development activities conducted by third party service providers. The Group records accrued expenses for estimated costs of research and development activities based upon the estimated amount of services provided-but-not-yet-invoiced, and these costs are included in accrued expenses on the balance sheets and within research and development expenses in the statements of loss. These costs are a significant component of research and development expenses. Accrued expenses for these costs are recorded based on the estimated amount of work completed in accordance with agreements established with these third parties.

To date, the Group has not experienced significant changes in the estimates of accrued research and development expenses after a reporting period. However, due to the nature of estimates, the Group may be required to make changes to the estimates in the future as it becomes aware of additional information about the status or conduct of its research activities.

Research and development costs
The Group recognizes expenditure incurred in carrying out its research and development activities, including development supplies, until it becomes probable that future economic benefits will flow to the Group, which results in recognizing such costs as intangible assets, involving a certain degree of judgement. Currently, such development supplies are associated with pre-clinical and clinical trials of specific products that have not demonstrated technical feasibility.

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.

Warrants
The Group recognized the fair value of warrants issued in connection with the March 2018 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.

5. Interim measurement note

Seasonality of the business: The business is not subject to any seasonality, but expenses and corresponding revenue are largely determined by the phase of the respective projects, particularly with regard to external research and 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
External income of the Group for the six-month periods ended June 30, 2019 and 2018 is derived from the business of discovery development and commercialization of pharmaceutical products. Income was earned from the sale of license rights and rendering of research services to a pharmaceutical company and grants earned.

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

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

	June 30, 2019	June 30, 2018
Fees from sale of license rights………..……………………..	-	4,760,220
Collaborative research funding....……………….………………	1,220,301	73,580
Grants earned……………..………………………………...………	-	507,150
Other service income……………………………………………..	6,620	26,500
Total ……….…..……………………………………………..…..	**1,226,921**	**5,367,450**

(Amounts in Swiss francs)

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

	June 30, 2019	June 30, 2018
Indivior PLC ………………………………………………………..	1,220,301	4,833,800
The Michael J. Fox Foundation ……..…………………….……....	-	507,150
Other counterparties….……………………….…………………..	6,620	26,500
Total ………..…………………..……………………………….	**1,226,921**	**5,367,450**

For more detail, refer to note 16, “Revenue from contract with customer” and note 17 “Other income”.

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

	June 30, 2019	December 31, 2018
Switzerland………………..…………………………........	473,049	62,866
France………………..……………………..……….....	401	406
Total …………….………………..……………….....	**473,450**	**63,272**

The geographical analysis of operating costs is as follows:

	June 30, 2019	June 30, 2018
Switzerland……………….……………………………..	8,711,096	2,905,691
France…………………………………..……………......	3,451	3,842
Total operating costs (note 18) ……………………	**8,714,547**	**2,909,533**

The capital expenditure during the six-month period ended June 30, 2019 is CHF22,465 (CHF2,059 for the first half 2018)

7. Cash and cash equivalents

	June 30, 2019	December 31,2018
Cash at bank and on hand……………………………	36,747,903	41,670,158
Total cash and cash equivalents…………………....	**36,747,903**	**41,670,158**

Split by currency:

	June 30, 2019	December 31,2018
CHF………………………………………………………	72.82%	72.33%
USD………………………………………………………	26.82%	26.87%
GBP………………………………………………………	0.30%	0.29%
EUR………………………………………………………	0.06%	0.51%
Total …………………………………………………..	**100.00%**	**100.00%**

The effective interest rate on Swiss francs cash and cash equivalent was -0.45% for the six-month period ended June 2019 (-0.43% for the twelve-months period ended December 2018), as a consequence of the banks reinvoicing a part of the negative interest on Swiss francs deposits that they pay to the Swiss national bank. All cash and cash equivalents were held either at bank or on hand as at June 30, 2019 and December 31, 2018.

8. Other current assets

	June 30, 2019	December 31, 2018
Other financial assets…………………………………..	6,486	7,983
Receivables…………………………………….………	286,312	273,016
Prepayments…………………………………………....	454,814	199,410
Total other current assets……………………..…....	**747,612**	**480,409**

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (“ECL”), which uses a lifetime expected loss allowance for all trade receivables and contract assets. As of June 30, 2019, the receivables comprise of three non-governmental debtors whose combined outstanding balances are CHF175,723 (As of December 2018 the Company had two non-governmental debtors for CHF115,949). The Group has considered these customers have a low risk of default based on historic loss rates and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Based on this the ECL is immaterial. The increase in prepayments primarily relates to insurances and retirement benefits paid annually at the beginning of the year.

(Amounts in Swiss francs)

9. Right-of-use assets

	Properties	Equipment	Total
At June 30, 2019			
Opening net book amount…………………....	-	-	-
Adoption of IFRS16 as at January 1, 2019..	483,350	61,160	544,510
Depreciation charge………..………………..	(137,996)	(14,176)	(152,172)
Closing net book amount…………………	**345,354**	**46,984**	**392,338**
At June 30, 2019			
Cost……………………......……………..........	483,350	61,160	544,510
Accumulated depreciation…………………..	(137,996)	(14,176)	(152,172)
Net book value………………..…………….	**345,354**	**46,984**	**392,338**

10. Property, plant and equipment

	Equipment	Furniture & fixtures	Chemical Library	Total
Year ended December 31, 2018				
Opening net book amount…………………..	2,464	-	287	2,751
Additions………………………………………	9,054	-	-	9,054
Depreciation charge………..……………….	(2,650)	-	(287)	(2,937)
Closing net book amount…………………	**8,868**	**-**	**-**	**8,868**
At December 31, 2018				
Cost……………………......……………..........	1,594,405	7,564	1,207,165	2,809,134
Accumulated depreciation…………………..	(1,585,537)	(7,564)	(1,207,165)	(2,800,266)
Net book value………………..…………….	**8,868**	-	-	**8,868**
For the period ended June 30, 2019				
Opening net book amount…………………..	8,868	-	-	8,868
Additions……………………………………..…	22,465	-	-	22,465
Depreciation charge………..……………….	(4,621)	-	-	(4,621)
Closing net book amount……….……….	**26,712**	**-**	**-**	**26,712**
At June 30, 2019				
Cost……………………......……………..........	1,616,870	7,564	1,207,165	2,831,599
Accumulated depreciation………………….....	(1,590,158)	(7,564)	(1,207,165)	(2,804,887)
Net book value…………………………….....	**26,712**	**-**	**-**	**26,712**

11. Non-current financial assets

	June 30, 2019	December 31,2018
Security rental deposits..…………………	54,400	54,404
Total non-current financial assets…….	**54,400**	**54,404**

Security rental deposits relate to laboratory and office space. The applicable interest rate to such deposits is immaterial, and therefore, the value approximates amortized cost.

12. Payables and accruals

	June 30, 2019	December 31, 2018
Trade payables…………………………	1,893,678	1,148,801
Social security and other taxes……….	188,206	14,921
Accrued expenses………………..........	2,041,628	957,362
Total payables and accruals……….	**4,123,512**	**2,121,084**

All payables mature within 3 months. The increase in accrued expenses, is primarily related to R&D service contracts and professional fees.

(Amounts in Swiss francs)

13. Share capital

	Number of shares		
	Common shares	Treasury shares	Total
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**
Balance at January 1, 2019……………………	**28,564,031**	**(2,158,476)**	**26,405,555**
Issue of shares – capital increase………………	4,284,604	(4,284,604)	-
Net sale of treasury shares………….................	-	79,564	79,564
Balance at June 30, 2019…………………........	**32,848,635**	**(6,363,516)**	**26,485,119**

The Company maintains a liquidity contract with Kepler Capital Markets SA ("Kepler"). Under the agreement, the Group has provided Kepler with cash and shares to enable them to buy and sell the Company's shares. At June 30, 2019, 45,786 (December 31, 2018: 44,513) treasury shares are recorded in the treasury share reserve and CHF6,486 (December 31 2018: CHF7,983) is recorded in other financial assets.

At June 30, 2019, the total outstanding share capital is CHF32,848,635 (June 30, 2018: CHF28,564,031), consisting of 32,848,635 shares (June 30, 2018: 28,564,031). All shares have a nominal value of CHF1.

On May 17, 2019, the Company issued 4,284,604 new shares from the authorized capital to its 100% owned subsidiary, Addex Pharma SA at CHF1. These shares are held as treasury shares.

During the six-month period ended 30 June 2019, the Group used 80,837 treasury shares to purchase services from consultants including 50,433 shares for Roger Mills, the Group's Chief Medical Officer

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, 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 each of the warrants issued to investors is CHF0.56 and has been calculated using the Black-Scholes valuation model and recorded in equity as a cost of the capital increase, with a volatility of 37.15% and an annual risk free rate of 0.13%. The total value of the warrants granted to investors amounts to CHF3,309,801.

On March 16, 2018, the Company 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.

14. Share-based compensation

The total share-based compensation expense recognized in the statement of loss for equity incentive units granted to directors, executives, consultants and investors for the six-month period ended June 30, 2019 amounts to CHF 999,420 (Half year June 30, 2018: CHF969,981).

As of June 30, 2019, 5,372,186 options were outstanding (December 31, 2018: 5,128,680 options). During the six-month period ended June 30, 2019, 243,506 options were granted and the exercise period of 506,351 vested options have been extended for 5 years. Include in share-based compensation for the six-month period ended June 30, 2019, CHF73,912 relates to options granted in the period and CHF75,331 relates to the fair value adjustment for exercise period extensions of vested options.

As of June 30, 2019, a total of 265,600 Equity Sharing certificates (ESCs) were outstanding (December 31, 2018: 265,600 ESC). During the six-month period ended June 30, 2019, the exercise period of 90,750 vested ESCs have been extended for 5 years. Include in share-based compensation for the six-month period ended June 30, 2019, CHF13,285 relates to the fair value adjustment for exercise period extensions of vested ESCs.

(Amounts in Swiss francs)

15. Retirement benefits obligations

The amounts recognized in the income statement are as follows:

	June 30, 2019	June 30, 2018
Current service cost……………………………...……......	(143,256)	(33,425)
Interest cost………………………………………….....	(40,916)	(12,442)
Interest income………………………………………….	36,048	11,579
Company pension cost (note 19)…..……………........	**(148,124)**	**(34,288)**

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

	June 30, 2019	December 31, 2018
Defined benefit obligation.....…………………………..	(7,914,420)	(7,060,278)
Fair value of plan assets………………..……..………..	6,737,346	6,420,927
Unfunded status………………………………………	**(1,177,074)**	**(639,351)**

The principal actuarial assumptions used are as follows:

	June 30, 2019	December 31, 2018
Discount rate……………………...………………........	0.45%	0.90%
Mortality tables………………..…………………………	BVG2015 GT	BVG2015 GT

16. Revenue from contract with customer

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

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

Under the agreement the Group has committed to provide research services to discover novel GABAB PAM compounds for a minimum period of 2 years and Indivior had committed to fully cover the Group's costs related to these efforts at a minimum of USD4 million of research funding, which is due monthly in arrears, over the 2 years. The Group has allocated USD 4 million to the research services based on the estimated stand-alone sales price for this performance obligation based on the agreed research plan. The Company has concluded that the standalone selling price of the research services is effectively their cost plus the future margin to be gained by the opportunity to own one or more novel compounds with the right to exclusively develop and commercialize in the retained indications i.e. future molecules. The Group recognizes this revenue overtime based on the costs incurred and in accordance with the conceptional framework initially developed in a research plan and regularly reviewed by a Joint Research Committee.

The research activities started on May 1, 2018 and the Group has recognized CHF1,220,301 during the six-month period ended June 30, 2019 (CHF73,580 for the first half 2018) and the contract liability is nil as of June 30, 2019 (December 31, 2018: CHF212,744).

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

(Amounts in Swiss francs)

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 mGluR2 PAM compounds for the treatment of human health. The Group is eligible to receive up to EUR 109 million in development and regulatory milestone payments, as well as double-digit royalties on net sales. The Group considers these various milestones to be variable consideration as they are contingent upon achieving uncertain, future development stages and net sales. For this reason the Group considers the achievement of the various milestones as binary events that will be recognized as revenue upon occurrence. No amounts have been recognized under this agreement for the six-month periods ended June 30, 2019 and 2018.

17. Other income

During the six-month period ended June 30, 2019, the Group has recognized as other income CHF6,620 from IT consultancy agreements. There was no grant income recognized for the six-month period ended June 30, 2019 (CHF0.5 million for the first half 2018). The Grants are recognized as other income in the statement of loss over the period according to when the Group has satisfied the underlying grant conditions.

18. Operating costs

	June 30, 2019	June 30, 2018
Staff costs (note 19)…………………..	2,227,497	611,343
Depreciation (notes 9/10) …………………….………………	156,793	746
External research and development costs…………….......	4,419,295	553,258
Laboratory consumables………………….....………………..	103,466	45,762
Patent maintenance and registration costs………..….….	138,754	136,324
Professional fees…………………………………….…..……	1,052,165	987,480
Operating leases……………………….……………………	-	77,058
Short-term leases…………………………………………..	18,236	-
Other operating costs……………………………...............	598,341	497,562
Total operating costs……………………………….……	**8,714,547**	**2,909,533**

19. Staff costs

	June 30, 2019	June 30, 2018
Wages and salaries………………………………….....……	1,170,554	346,456
Social charges and insurances…..…………………….........	121,380	33,263
Value of share-based services ………………......….…..	787,439	197,336
Retirement benefit expenses (note 15)……………………	148,124	34,288
Total staff costs…………………………….…………..	**2,227,497**	**611,343**

20. Finance costs

	June 30, 2019	June 30, 2018
Interest cost………………………………………………..	(62,944)	(49,974)
Interest expense on leases……………………………...	(11,011)	-
Foreign exchange gains/(losses)…..………………………	20,952	(53,664)
Finance costs……………...……………………………..	**(53,003)**	**(103,638)**

21. (Loss)/income per share

	June 30, 2019	June 30, 2018
(Loss)/income attributable to equity holders of the Company…………….…..	(7,540,629)	2,354,279
Weighted average number of shares in issue…………..	26,378,503	19,962,969
Basic (loss)/income per share………..……………......	**(0.29)**	**0.12**

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

(Amounts in Swiss francs)

	June 30, 2019	June 30, 2018
(Loss)/income attributable to equity holders of the Company..	(7,540,629)	2,354,279
Weighted average number of shares in issue……..........	26,378,503	26,923,779
Diluted (loss)/income per share…………………..……	**(0.29)**	**0.09**

The Company has three categories of dilutive potential shares as at June 30, 2019 and 2018: equity sharing certificates (ESCs), share options and warrants. As of June 30, 2019, equity sharing certificates, share options and warrants have been ignored in the calculation of the result per share, as they would be anti-dilutive.

22. Related party transactions

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

Key management compensation	June 30, 2019	June 30, 2018
Salaries and other short-term employee benefits….....	638,232	166,206
Consulting fees…………………………………………..	156,692	304,827
Share-based compensation….………………………...	218,889	839,073
	1,013,813	**1,310,106**

Salaries and other short-term employee benefits relate to members of the Board of Directors and Executive Management who are employed by the Group. Consulting fees relate to Roger Mills, a member of the Executive Management who delivers his services to the Group under a consulting contract. The Group has a net payable to the Board of Directors and Executive Management of CHF200,367 at June 30, 2019 (December 31, 2018: CHF169,486).

23. Events after the balance sheet date

There were no material events between the balance sheet date and the date on which these financial statements were approved by the board of directors that would require adjustment to the financial statements or disclosure under this heading.