Allosteric Modulators for Human Health

Annual Report 2013

Contents

Key Facts / Addex Therapeutics

Focus:	Oral small molecule allosteric modulation-based drug discovery and development against diseases with high unmet medical needs.
Disease area:	Central Nervous System (CNS)
Lead programs:	Dipraglurant (ADX48621) to treat Parkinson's disease levodopa-induced dyskinesia (PD-LID) and dystonia / ADX71149 for undisclosed CNS disorders (licensed to Janssen Pharmaceuticals Inc.) / ADX71441 for addiction, Charcot-Marie-Tooth disease and other indications.
Total employees as of December 31, 2013:	5
Stock symbol / exchange:	ADXN (ISIN:CH0029850754) / SIX Swiss Exchange
Shares outstanding as of 28 May 2014:	10,173,576
Cash as of December 31, 2013:	CHF2.9 million
Headquarters:	Geneva, Switzerland

Letter to Shareholders

Dear Shareholders,

2013 was a challenging year for Addex. Following the decision, in February 2013, to focus on development of dipraglurant and ADX71441 in rare diseases, we restructured our organization from 56.2 FTEs to 17 FTEs. In May 2013, as a result of the failure to secure funding to pursue this strategy, we further restructured the organization from 17 FTEs to 2 FTEs to focus on securing our assets, primarily our intellectual property portfolio. In August 2013, we secured financing to see the readout from the ADX71149 anxious depression Phase II clinical trial, being conducted by our partner, Janssen Pharmaceuticals Inc., and to pursue in parallel strategic alternatives for our portfolio of drug candidates.

During 2013 we achieved the following:

- Received regulatory approval to initiate a Phase I, first-in-man, clinical study for ADX71441 (GABA-BR PAM)
- Entered a collaboration with the United States National Institute in Drug Abuse (NIDA) to evaluate ADX71441 (GABA-BR PAM) and ADX88178 (mGlu4 PAM) compounds in preclinical models of drug abuse and addiction
- Our partner, Janssen Pharmaceuticals completed enrolment of 120 patients in the ADX71149 Phase 2 anxious depression clinical trial;
- Completed additional characterization of dipraglurant in preclinical models of dystonia and receptor occupancy studies in non-human primates;
- Completed additional characterization of ADX71441 in preclinical models including Charcot-Marie-Tooth 1A disease and alcohol addiction;
- Secured a USD1 million grant from the Michael J. Fox Foundation for Parkinson's Research to further characterize dipraglurant for Parkinson's disease levodopa-induced dyskinesia;
- Completed restructuring, reducing our headcount to 5 full time equivalents and significantly reduced our facilities and operating cost base.

We have completed the reorganization of the Group and reduced our headcount to 5 full time equivalents and significantly reduced our facilities accordingly. We are focused on preserving the value of our assets, including the intellectual property surrounding our portfolio of drug candidates and our proprietary allosteric modulator technology platform, while pursuing a strategy to secure the resources necessary to advance the pipeline and maximize value for shareholders. In parallel we continue to enter collaborations with academic institutions, government organizations and patient groups to advance our portfolio of drug candidates for the benefit of patients. Finally, we would like to acknowledge and thank all our current and former employees for their hard work, dedication, loyalty and perseverance through these challenging times and recent changes. We would also like to thank our shareholders for your continued support.

André J. Mueller
Chairman of the Board

Tim Dyer
Chief Executive Officer

Financial Review 2013

Overview

The following review and discussion of the financial results for 2013 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.

In February 2013, following the decision to focus on development of dipraglurant and ADX71441 in rare diseases, we restructured our organization from 56.2 FTEs to 17 FTEs. In May 2013, as a result of the failure to secure funding to pursue this strategy, we further restructured the organization from 17 FTEs to 2 FTEs to focus on securing our assets, primarily our intellectual property portfolio. In August 2013, we secured financing to see the readout from the ADX71149 anxious depression Phase II clinical trial, being run by our partner, Janssen Pharmaceuticals Inc. During 2013, we completed the preparation of ADX71441, GABA-BR PAM program, for entry in Phase I, and completed further characterization of ADX71441 in CMT1A and alcohol addiction. We also completed a number of preclinical activities with our dipraglurant program including further characterization in PD-LID and Dystonia. In addition, we invested in further characterization of compounds from our discovery portfolio, primarily through collaborations with government organizations, patient groups and academics. At the end of 2013, the year-on-year headcount reduction was 90.7%, corresponding to 51 full time equivalent employees (FTEs). At December 31, 2013, our headcount was 5 FTEs compared to 56.2 FTEs at December 31, 2012, and our average headcount excluding temporary staff decreased to 30 FTEs in 2013, compared to 56 FTEs in 2012.

On August 9, 2013, the Company issued 1,170,612 new shares at CHF1 from the authorized capital in a private placement at CHF2.75 per share. Gross proceeds of CHF3,219,183 have been recorded in share capital (CHF1,170,612) and share premium (CHF2,048,571), net of directly related share issuance costs of CHF167,105.

Our 2013 research and development expenditure decreased to CHF9.3 million and our general and administrative expenses were slightly reduced at CHF5.3 million. Income was stable with CHF0.1 million being recognized in the year resulting in a reduction in our net loss to CHF14.5 million. We ended the year with a cash position of CHF2.9 million.

Results of operations

The following table presents our consolidated results of operations for the fiscal years 2013 and 2012:

Amounts in millions of Swiss francs	2013	2012
Income	**0.1**	**0.1**
Research and development expenses	(9.3)	(20.3)
General and administrative expenses	(5.3)	(6.4)
Total operating expenses	**(14.5)**	**(26.7)**
Operating loss	**(14.5)**	**(26.6)**
Finance result, net	-	-
Net loss for the year	**(14.5)**	**(26.6)**

Income
2013 income was CHF0.1 million, compared to CHF0.1 million recognized in 2012, comprising amounts recognized under the grant from the Michael J. Fox Foundation for Parkinson's Research to support the dipraglurant development in Parkinson' disease levodopa-induced dyskinesia.

Research and development expenses
As a result of the restructuring measures, R&D expenses decreased by 54.2% to CHF9.3 million in 2013, compared to CHF20.3 million in 2012, mainly due to a 30% decrease in our R&D staff costs and a 93% decrease in laboratory consumables, both directly resulting from headcount reductions. In 2013, outsourced R&D services decreased by 53.2% to CHF2.2 million, and are primarily attributable to the cost of preparing ADX71441 for Phase I and preparation of dipraglurant for further Phase II testing. Approximately 40% of total 2013 R&D expenses relate to clinical and preclinical development costs, including primarily, drug substance manufacture costs, and clinical and preclinical consulting services related to ADX71441 and dipraglurant development. The remaining 60% of 2013 R&D expenses relate to investing in existing drug discovery programs and the continued development of our allosteric modulator discovery technology platform.

R&D expenses consist mainly of costs associated with research, preclinical and clinical testing and related staff costs. They also include, to a lesser extent, depreciation of laboratory equipment and leasehold improvements, costs of materials used in research, costs associated with renting and operating facilities and equipment, as well as fees paid to consultants, patent costs and other outside service fees and overhead costs. These expenses include costs for proprietary and third party R&D.

General and administrative expenses
G&A expenses slightly decreased to CHF5.3 million in 2013, compared to CHF6.4 million in 2012, primarily due to the net effect of the headcount reduction that was off-set by increased business development related costs and professional fees associated with implementing the restructuring of the Group and other special projects. 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 decreased to CHF14.5 million for 2013, compared to CHF26.6 million for 2012, mainly due to the decrease in our operating expenses. Basic and diluted loss per share also decreased accordingly to CHF1.60 for 2013, compared to CHF3.36 for 2012.

Balance sheet & cash flows

We closed 2013 with cash and cash equivalents of CHF2.9 million, compared to CHF15.3 million at the end of 2012. This decrease of CHF12.4 million is mainly due to the cash used in operations of CHF15.8 million offset by cash inflows of CHF3.4 million net of CHF0.2 million of capital increase related costs from the issuance of new shares in August 2013 and to a lesser extent the proceeds from the sale of treasury shares and property, plant and equipment. Net cash used in operations has decreased to CHF15.8 million for 2013, compared to CHF29.5 million for 2012 mainly due to reduced operating cash outflows.

There was no investment in property, plant and equipment during 2013 (2012: CHF0.2 million). The net book value of property, plant and equipment decreased by CHF1.9 million to CHF0.2 million at December 31, 2013 compared to CHF2.1 million at December 31, 2012, primarily due to the annual depreciation charge as well as both the sale and impairment of certain assets which were no longer in use following the restructuring.

The total shareholders' funds have decreased to CHF3.0 million at December 31, 2013 compared to CHF14.3 million at December 31, 2012, mainly due to the net loss for the year.

Shares and shareholders' information

On August 9, 2013, the Group issued 1,170,612 new shares at CHF1 from the authorized capital in a private placement at CHF2.75 per share. Gross proceeds of CHF3,219,183 have been recorded in share capital (CHF1,170,612) and share premium (CHF2,048,571), net of directly related share issuance costs of CHF167,105. At December 31, 2013 the Company had 10,173,576 outstanding shares and a free float of 100%, compared to 9,002,964 and 100% at December 31, 2012. Our share price performance was very poor in 2013 and our closing share price and market capitalization decreased to CHF3.72 and CHF37.8 million, compared to CHF9.59 and CHF86.3 million at December 31, 2012, respectively.

2014 outlook

In 2013 we significantly reduced the operating cost base of the Group and are pursuing a strategy to secure the resources necessary to advance the pipeline and maximize value for our shareholders. In parallel the Company continues to enter collaborations with academic institutions, government organizations and patient groups to advance its portfolio of drug candidates for the benefit of patients.

On February 7, 2014, we announced top-line data from a Phase 2a clinical study of ADX71149 in anxious depression, conducted by Janssen Research & Development, LLC, on behalf of its affiliate Janssen Pharmaceuticals, Inc., our partner for this program. Although efficacy signals were evident, overall the data did not support the further development of ADX71149 in anxious depression. We continue to work with our partner, Janssen Pharmaceuticals Inc., to identify the most appropriate future development path for this program.

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

Corporate Governance Report 2013

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. Please note this Corporate Governance section reports the situation as of December 31, 2013 and hence does not take into consideration the Compensation Ordinance.

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 EUR 37,000 divided into 37,000 registered shares with a nominal value of EUR 1 each.

Listed company
Addex Therapeutics Ltd has its registered office c/o Addex Pharma SA, Chemin des Aulx 14, CH-1228 Plan-les-Ouates, Geneva, Switzerland. Its shares have been listed on the SIX Swiss Exchange since May 21, 2007 under the Swiss security number (Valorennummer) 2985075. The ISIN is CH0029850754, the common code is 030039254 and the ticker symbol is ADXN. On December 31, 2013, the market capitalization of Addex was CHF37,845,703.

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, 2013:

Shareholder	Number of shares	% of capital
BVF Partners L.P.[1]	2 755 249	27.09%
Sofinnova Capital IV FCPR[2]	806 648	7.93%
TVM V Life Science Ventures[3]	690 525	6.79%
Visium Asset Management L.P.[4]	488 114	4.80%
Varuma AG[5]	413 243	4.06%

[1] BVF 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.
[2] Sofinnova Capital IV FCPR has its principal office at 17, rue de Surène, 75008 Paris, France.
[3] TVM V Life Science Ventures GmbH & Co. KG has its principal office at Maximilian Strasse 35C, 80539 Munich, Germany.
[4] Visium Asset Management L.P., Inc. has its principal office at 888 Seventh Avenue, 22nd floor, New York, New York 10019, USA.
[5] Varuma AG, Inc. has its principal office at Aeschenvorstadt 55, 4051 Basel, Switzerland. The beneficiary of the shareholdings of Varuma AG is Mr. Rudolf Maag, c/o Varuma AG.

For a comprehensive list of notifications of shareholdings received during 2013 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). The following significant notifications of shareholdings have been reproduced below:

On December 31, 2013, Armistice Capital LLC, informed of reducing to below the threshold of 3%, holding a total of 302,770 shares, corresponding to 2.98% of the voting rights.

On October 11, 2013, Armistice Capital LLC, informed of reducing to below the threshold of 5%, holding a total of 492,866 shares, corresponding to 4.84% of the voting rights.

Further to the capital increase on August 9, 2013 and the consequential change in the Company's registered capital published on August 9, 2013: (1) on August 15, 2013, Varuma AG informed of exceeding the threshold of 3%, holding 413,243 shares, corresponding to 4.06% of the voting rights; (2) on August 16, 2013, Armistice Capital LLC, informed of exceeding the threshold of 5%, holding a total of 545,455 shares, corresponding to 5.36% of the voting rights; and (3) on August 17, 2013, Visium Asset Management L.P, informed of crossing below the threshold of 5%, holding a total of 488,114 shares, corresponding to 4.80% of the voting rights.

On August 10, 2013, Bharatt Chowrira, 125 Eucalyptus Ave, Hillsborough, CA 94010, USA, informed of reducing to below the threshold of 3%, holding 67,500 in purchase positions.

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

Shareholder structure
There were 1,758 shareholders registered in the share register on December 31, 2013. The distribution of shareholdings is divided as follows:

Number of shares	Number of registered shareholders on December 31, 2013
1 to 100	360
101 to 1,000	918
1,001 to 10,000	448
10,001 to 100,000	24
100,001 to 1,000,000	7
1,000,001 to 10,000,000	1

The shareholder base on December 31, 2013 was constituted as follows:

Shareholder structure according to category of investors
(weighted by number of shares)

Private persons	19.80%
Institutional shareholders	40.29%
Not registered	39.91%

Shareholder structure by country
(weighted by number of shares)

United States	24.19%
Switzerland	28.04%
France	0.69%
Germany	5.54%
Singapore	0.96%
Other	0.67%
Not registered	39.91%

Capital structure

As of December 31, 2013, 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, 2013, Addex, directly or indirectly, held 330,329 shares in Addex.

Authorized share capital
According to the Articles, the Board of Directors (Board) is authorized, at any time until March 19, 2015 to increase the share capital in an amount of CHF3,325,683 through the issuance of 3,325,683 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 CHF1,689,626 through the issuance of a maximum of 1,689,626 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 and/or directors 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 CHF2,796,295 through the issuance of a maximum of 2,796,295 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 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 with international institutional investors, excluding the pre-emption rights of shareholders in order to raise capital in a fast and flexible manner.

On October 12, 2012, Addex increased its share capital by CHF1,156,712 (1,156,712 registered shares with a nominal value of CHF1 per share) out of its authorized share capital in connection with a private placement with international institutional investors, excluding the pre-emption rights of shareholders in order to raise capital in a fast and flexible manner.

Further, during 2012, Addex increased its share capital by CHF10,374 (10,374 registered shares with a nominal value of CHF1 per share) out of its conditional share capital as a result of the exercise of subscription rights attached to equity sharing certificates under the Addex equity sharing certificate equity incentive plan.

For further information on changes in capital in 2013 and 2012, 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 uncertified shares is affected by a corresponding entry in the books of a bank or depository institution following an assignment in writing by the selling shareholder and notification of such assignment to Addex by the bank or the depository institution. A transfer of shares further requires that a shareholder files a share registration form in order to be registered in Addex’ share register with voting rights. Failing such registration, a shareholder may not vote at or participate in a shareholders’ meeting.

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

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, 2013, the Company has no convertible or exchangeable bonds or loans outstanding. For information on share option plans for Non-Executive Directors, Executive Management and employees, refer to note 15 and note 27 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	Audit Committee
André J. Mueller	2007 (2002)[1]	2015	Chairman	
Vincent Lawton	2009	2015	Vice Chairman	Chairman
Hoyoung Huh	2011	2014	Member	
Oleg Nodelman	2011	2014	Member	

[1] Date when joined the Board of Addex Pharma SA

André J. Mueller

Chairman

Mr. Mueller was born in 1944 and is a Swiss citizen. He has extensive experience in creating and running successful biopharmaceutical companies. Mr. Mueller was a member of the founding team of Actelion Ltd (SIX:ATLN), where he was CFO for 5 years and vice chairman until April 2009. He also was the first VP of Finance and Administration and later, CFO, at Biogen (now Biogen Idec), where he oversaw several financing rounds, including Biogen's IPO. Mr. Mueller started his career with CIBA Ltd and Sandoz (now Novartis) where he held a number of managerial positions in the Pharma, Plant Protection and Finance divisions both at headquarters in Basel and in the U.S. He was a Founding Partner and Director of Investments for Genevest, the first Swiss venture capital organization. He has a degree in Chemical Engineering from the University of Geneva and an MBA from INSEAD. He is a board member of Sensimed SA.

Vincent Lawton

Vice 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.

Hoyoung Huh

Hoyoung Huh, M.D., Ph.D. was born in 1969 and is a U.S. citizen. Dr Huh is Chairman of the Board of Geron Corporation (NASDAQ: GERN) and CytomX Therapeutics. He serves on the Board of Directors for BayBio and AntriaBio. Dr. Huh has been involved in the formation, management and investment in over 20 successful entities across U.S, Europe and Asia. He was previously President, CEO and Chairman of BiPar Sciences, Inc., which was acquired by Sanofi-aventis (EURONEXT: SAN and NYSE: SNY) in 2009. He was the former Chairman of the Board of Epizyme, Inc., and served as Chief Operating Officer and Board Director of Nektar Therapeutics (NASDAQ: NKTR) and as Board Director of Facet Biotech (NASDAQ: FACT), which was acquired by Abbott Laboratories in 2010. Dr. Huh was formerly a Partner at McKinsey and Company in the healthcare and technology practices. Dr. Huh holds an M.D. from Cornell University Medical College, a Ph.D. in Genetics/Cell Biology from Cornell University/Sloan-Kettering Institute, and a bachelor's degree in biochemistry from Dartmouth College.

Oleg Nodelman

Oleg Nodelman was born in 1977 and is a U.S. citizen. He is the Founder and Managing Director of EcoR1 Capital, a San Francisco-based, value-oriented healthcare investment fund. Before founding EcoR1, Mr. Nodelman was a portfolio manager at BVF Partners L.P., one of the oldest dedicated biotechnology hedge funds. Prior to joining BVF in 2001, Mr. Nodelman was a consultant with Mercer Management Consulting (now Oliver Wyman). Mr. Nodelman serves on the Board of Kindred Bioscience (NASDAQ: KIN). He is also a member of the President's Council at the Gladstone Institute. Mr. Nodelman holds a Bachelor of Science in Foreign Service with a concentration in Science and Technology from Georgetown University.

Elections and terms of office
Addex' Articles provide for a Board consisting of between five and eleven members. We currently have four members on the Board. Members of the Board are appointed and removed exclusively by shareholders' resolution. Their maximum term of office is three years, re-election is allowed and elections are staggered with approximately a third of the Board elected yearly. The Chairman and Vice-Chairman of the Board are designated by the Board.

Changes in the board of directors
At the shareholders meeting of March 19, 2013, Raymond Hill and Antoine Papiernik resigned from the Board. On May 31, 2013 and in connection with his departure as President and CEO, Bharatt Chowrira resigned from the Board.

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. Should the Chairman be unable to exercise his function, his function is assumed by the Vice-Chairman.

Committees of the board of directors
The Board has three standing committees, the Audit Committee, the Compensation Committee and the Nomination Committee, that were operational during the year 2013. The tasks and responsibilities of these Committees are set forth in the Organizational Rules. These Committees make proposals to the Board in their areas of responsibilities while the resolutions are passed by the full Board. On May 31, 2013, the Board standing committees, except for the Audit Committee, were disbanded and Vincent Lawton retained his role as Chairman and became sole member of the Audit Committee.

Audit committee
Since May 31, 2013, the Audit Committee consists of one member: Vincent Lawton (chairman). Prior to May 31, 2013, the Audit Committee included Oleg Nodelman (member) in addition to Vincent Lawton (chairman). The Audit Committee assists the Board in fulfilling its duties of supervision of management. It is responsible for the guidelines for risk management and the internal control system, review of the compliance system, review of the auditors' audit plans, review of annual and interim financial statements, monitoring of the performance and independence of external auditors (including authorizing non-audit services by the auditors and their compliance with applicable rules), review of the audit results and monitoring of the implementation of their findings by management.

In 2013, the Audit Committee held four meeting to review the 2013 half year financial statements and the full year 2012 financial statements and to generally review legal and regulatory compliance matters. The CEO and CFO were present at a portion of the meeting. On May 31, 2013 and following the reorganization of the Board committees, Vincent Lawton retained his role as Chairman and became sole member of the Audit Committee.

Compensation committee
Prior to May 31, 2013, the Compensation Committee consisted of the following members: Hoyoung Huh (Chairman) and André J. Mueller. The Compensation Committee assists the Board in compensation related matters. It provided the Board with recommendations on the compensation of the members of the Board and the Executive Management of the Group (the "Executive Management"), the policies for the compensation of the Executive Management and the Group's other employees and the basic principles for the establishment, amendment and implementation of incentive plans.

The Compensation Committee met as often as business required. The Compensation Committee held two meetings in 2013 to review the 2012 achievements versus the planned corporate objectives and determination of the performance related bonus pool, the annual salary review process and recommendation of the CEO, grants under the Groups equity incentive plans and remuneration of the Board. The CEO was present at a portion of all meetings. On May 31, 2013, the Compensation Committee was disbanded.

Nomination committee
Prior to May 31, 2013, the Nomination Committee consisted of the following members: Hoyoung Huh (chairman) and André J. Mueller. It recommends to the Board qualified candidates to serve as Board members and reviews candidates for Executive Management positions. The Nomination Committee held no meetings during the year 2013. On May 31, 2013, the Nomination Committee was disbanded.

Working methods of the board of directors
In 2013, the Board held nine meetings with average duration of one half to two thirds of 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, the CFO 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 three times and attended three meetings. 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. 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 over 16 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 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 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.

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

The Executive Management was decreased from eight to two members in 2013, with the departure of, both, the previous Chief Executive Officer, Bharatt Chowrira on May 31, 2013, the previous Chief Scientific Officer, Graham Dixon on August 31, 2013. As part of the restructuring that was completed on February 28, 2013, Charlotte Keywood, Robert Lutjens, Jean-Philippe Rocher and Christopher Maggos stepped down from their positions on the Executive Committee of the Company.

Compensation, shareholdings and loans

Total Compensation of the Non-Executive Directors and Executive Management significantly decreased in 2013 compared to 2012 primarily due to the reduction in the number of Non-Executive Directors and Executive Managers as well as a reduction in Non-Executive Directors compensation. Fixed cash and variable cash compensation was reduced in 2013 for Non-Executive Directors and Executive Managers.

Content and method of determining compensation and the shareholding program

The Board determines the amount of the fixed remuneration of its members, taking into account their responsibilities, experience, and the time they invest in their activity as members of the Board. The compensation of the members of the Board and the Executive Management is determined and reviewed annually by the Board, based on recommendations of the Compensation

Committee in accordance with the Group's compensation policies. The Compensation Committee makes its recommendations based on an assessment of market conditions, changes in responsibilities of individuals within the Executive Management, comparison with compensation levels within other biotech and pharmaceutical companies of a similar size conducting similar activities within Switzerland and Europe.

Non-Executive Directors receive an annual fee based on the responsibilities of each Director of which half is paid based on attendance at meetings and an annual committee fee for each of the board standing committees for which they are member. Extraordinary assignments or work which a member of the Board accomplishes outside of his activity as a Board member is remunerated separately after approval by the Board. In addition, expenses incurred by the non-executive Board members in the discharge of their duties are reimbursed. Non-Executive Directors are also eligible to participate in the Company's equity incentive plans.

Members of the Executive Management receive a base salary as well as a variable cash bonus and participate in the Company's equity incentive plans. The cash bonus basis is in the range of 15% to 35% of the base salary. Prior to their departure on May 31, 2013 and August 31, 2013, the CEO and the CSO, respectively receive certain benefits in kind associated with their living expenses. The bonus and the grant of equity incentive plan units are defined once per year based on achievement of personal targets and Group performance. Achievement of personal targets represent between 30% and 50% of the total amount of the bonus with the remaining part being based on Group performance, however, the Board retains total discretion over bonus allocation. Bonuses are not tied to specific financial targets, however, certain business development and share price performance objectives are included in both the Group performance objectives and the personal targets of certain members of the Executive Management. As part of the Group's post retirement and social security plans, Executive Managers receive post employment benefits, disability and life insurance benefits. Executive Management employment contracts provide for a termination notice period of 4 to 6 months which can be extended in the event of a change of control. Refer to the section "Changes of control and defense measures" on page 14. No other fringe benefits are paid to Executive Managers. The remuneration of the CEO and other Executive Managers is approved by the Board.

The Group has an equity sharing certificate equity incentive plan in place that provides for grants to new joiners and an annual grant to Executive Management and other staff based on a recommendation of the CEO and approved by the Board. The number of equity incentive units granted annually is at the discretion of the Board. The individual grants depend on the individual responsibilities of the members of the Executive Management and Board. In respect of structuring compensation and benefits, the Group may consult, from time to time, external advisors in the areas of human resources, tax and legal, and also use formal salary comparisons and benchmarking studies.

In connection with the granting of equity sharing certificates, Executive Management and other staff were offered loans to finance the tax and social charges consequences. These loans are repayable immediately on the realization of capital gains under the respective equity incentive plan. No loans were offered in 2013.

For further information on compensation, shareholdings and loans, refer to notes 15, 25 and 27 of the consolidated financial statements.

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 2013. 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.

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 27, 2014 has been determined to be June 20, 2014.

Addex has not enacted any rules on the granting of exceptions in relation to these deadlines. No exceptions were granted in 2013, and the Board does not anticipate granting any exceptions related to the shareholders' meeting on June 27, 2014.

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 2013, PricewaterhouseCoopers SA and its affiliates charged the Group audit fees in the amount of CHF166,005.

Additional fees
In 2013, PricewaterhouseCoopers SA and its affiliates charged the Group additional fees in the amount of CHF63,646.

Control instruments of the auditors
The Audit Committee of the Board assumes the task of supervising the auditors. The Audit Committee meets with external auditors at least once a year to discuss the scope and the results of the audit and to assess the quality of their service. The auditors prepare

a management letter addressed to the Board and the Audit Committee 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 2013, the Audit Committee met with the auditors three times to discuss the scope and the results of their year-end audit for 2012, the financial situation of the Group and half year financial statements, and the scope of the 2013 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 14, 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.

Consolidated Financial Statements of Addex Therapeutics Ltd as at December 31, 2013

Consolidated Balance Sheets
as at December 31, 2013 and December 31, 2012

	Notes	31.12.2013	31.12.2012 Restated	01.01.2012 Restated
			Amounts in Swiss francs	
ASSETS				
Current assets				
Cash and cash equivalents…………………………..	7	2,913,396	15,256,707	36,065,379
Other current assets………………………………….	8	987,612	1,763,918	2,002,589
Total current assets………………………………		**3,901,008**	**17,020,625**	**38,067,968**
Non-current assets				
Intangible assets………………………………………	9	52,584	97,596	32,217
Property, plant and equipment……………………….	10	179,524	2,089,574	3,964,409
Non-current financial assets………………………….	11	1,746,535	2,527,895	1,551,483
Total non-current assets……………………………		**1,978,643**	**4,715,065**	**5,548,109**
Total assets…………………………………………...		**5,879,651**	**21,735,690**	**43,616,077**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Payables and accruals……………………………….	12	2,353,400	4,590,992	8,513,410
Provision for other current liabilities…………………	13	9,841	65,193	214,628
Total current liabilities……………………………		**2,363,241**	**4,656,185**	**8,728,038**
Non-current liabilities				
Retirement benefit obligations……………………….	21	490,435	2,763,829	2,857,916
Provision for other non-current liabilities……………	13	—	—	63,812
Total non-current liabilities………………………...		**490,435**	**2,763,829**	**2,921,728**
Shareholders' equity				
Share capital…………………………………………..	14	9,843,247	8,633,531	7,705,132
Share premium………………………………………..	14	259,689,854	257,715,600	249,753,750
Other reserves…………………………………………		5,505,898	5,517,741	5,447,145
Accumulated deficit……………………………………		(272,013,024)	(257,551,196)	(230,939,716)
Total shareholders' equity…………………………		**3,025,975**	**14,315,676**	**31,966,311**
Total liabilities and shareholders' equity……….		**5,879,651**	**21,735,690**	**43,616,077**

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

Consolidated Statements of Income for the years ended December 31, 2013 and 2012

	Notes	2013	2012 Restated
		Amounts in Swiss francs	
Income			
Research grants…………………………………………………………..	17	142,090	121,089
Total income………………………………………………………………..		**142,090**	**121,089**
Operating expenses			
Research and development…………………………………………............	18	9,307,294	20,336,583
General and administration………………………………………………..	18	5,293,391	6,387,573
Total operating expenses……………………………………………...........		**14,600,685**	**26,724,156**
Operating loss………………………………………………………...........		**14,458,595**	**26,603,067**
Finance income………………………………………………………………	22	(4,134)	(22,662)
Finance expense.....………………………………………..........................	22	7,367	31,075
Finance result, net…………………………………….............................		(3,233)	(8,413)
Net loss before tax……………………………………………......................		**14,461,828**	**26,611,480**
Income tax expense………………………..…………………………………..	20	—	—
Net loss for the year...……………………………………………..............		**14,461,828**	**26,611,480**
Loss per share for loss attributable to the equity holders of the Company, expressed in Swiss francs per share basic and diluted…………………………………………...............................	23	**(1.60)**	**(3.36)**

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

Consolidated Statements of Comprehensive Income for the years ended December 31, 2013 and 2012

	2013	2012 Restated
	Amounts in Swiss francs	
Net loss for the year……………………………………………………...…..	**(14,461,828)**	**(26,611,480)**
Other comprehensive gains and losses		
Items that will never be reclassified to the statement of income:		
Defined benefit plan actuarial gains………………………………………	(206,823)	(512,916)
Items that may or may not be classified subsequently to the statement of income:		
Currency translation differences…………………………………………	20,505	3,030
Other comprehensive gains for the year, net of tax……………………	**(186,318)**	**(509,886)**
Total comprehensive loss for the year……………………………………	**(14,648,146)**	**(27,121,366)**

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

Consolidated Statements of Changes in Equity for the years ended December 31, 2013 and 2012

		Amounts in Swiss francs				
	Notes	Share capital	Share premium	Other reserves	Accumulated deficit	Total
Balance at December 31, 2011………………………..…		7,705,132	249,753,750	5,447,145	(229,070,071)	33,835,956
Opening balance adjustments…………………		-	-	-	(1,869,645)	(1,869,645)
Balance at January 1,2012..................		**7,705,132**	**249,753,750**	**5,447,145**	**(230,939,716)**	**31,966,311**
Net loss for the year……........................		**-**	**-**	**-**	(26,611,480)	(26,611,480)
Changes to OCI IAS 19 (revised)…...............		**-**	**-**	(512,916)	**-**	(512,916)
Translation differences…………………..		-	-	3,030	-	3,030
Other comprehensive loss for the year……………...		-	-	(509,886)	-	(509,886)
Total comprehensive loss for the year…………..		-	-	**(509,886)**	**(26,611,480)**	**(27,121,366)**
Issue of shares – capital increase…...............	14	918,025	8,721,238	-	-	9,639,263
Cost of share capital Issuance capital Increase..................		-	(780,195)	-	-	(780,195)
Issue of shares – ESC exercise……................	14	10,374	31,122	-	-	41,496
Cost of share capital issuance – ESC…..……..…	14	-	(10,315)	-	-	(10,315)
Value of share based services………….…………	15	-	-	580,482	-	580,482
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)
Changes to OCI IAS 19 (revised)…..……..…	14	-	-	(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 common shares capital increase……………..	14	1,170,612	2,048,571	-	-	3,219,183
Cost of share capital Issuance capital increase……………..	14	-	(167,105)	-	-	(167,105)
Value of share-based services………...………...		-	-	174,475	-	174,475
Net sale of treasury shares………….....................	14	39,104	92,788	-	-	131,892
Balance at December 31, 2013……….		**9,843,247**	**259,689,854**	**5,505,898**	**(272,013,024)**	**3,025,975**

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

Consolidated Statements of Cash Flows for the years ended December 31, 2013 and 2012

	Notes	2013	2012
		Amounts in Swiss francs	
Cash flows from operating activities			
Net loss for the year		(14,461,828)	(26,611,480)
Adjustments for:			
Depreciation and amortization	9/10	662,549	2,104,420
(Gain) / loss on disposal of fixed assets		45,012	(75,531)
Write off of non-current financial assets		822,648	85,432
Impairment of non-current financial assets		995,569	287,344
Value of share based services	15	174,475	580,482
Pension costs	21	(2,480,217)	(607,003)
Finance result, net	22	3,233	8,413
Changes in working capital:			
Other current assets		758,938	(1,113,302)
Deferred income, payables and accruals		(2,296,747)	(4,111,713)
Net cash used in operating activities		**(15,776,368)**	**(29,452,938)**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		251,933	144,452
Purchase of intangible assets	9	—	(111,759)
Purchase of property, plant and equipment	10	—	(219,147)
Loans granted to employees		—	(45,917)
Loans granted to related parties	25	—	(82,737)
Loans repayments received from employees		—	44,663
Loans repayments received from related parties	25	—	22,747
Interest received	22	4,134	22,662
Net cash from / (used in) investing activities		**256,067**	**(225,036)**
Cash flows from financing activities			
Proceeds from issue of shares – capital increase		3,219,183	9,639,263
Proceeds from issue of shares – ESCs exercised		—	41,496
Costs paid on issue of shares		(167,105)	(780,195)
Net proceeds from sales of treasury shares		131,892	—
Net cash from financing activities	14	**3,183,970**	**8,900,564**
Decrease in cash and cash equivalents		**(12,336,331)**	**(20,777,410)**
Cash and cash equivalents at beginning of the year	7	15,256,708	36,065,379
Exchange loss on cash and cash equivalents		(6,981)	(31,262)
Cash and cash equivalents at end of the year	7	**2,913,396**	**15,256,707**

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

Notes to the Consolidated Financial Statements for the years ended December 31, 2013 and 2012
(amounts in Swiss francs)

1. General information

Addex Therapeutics Ltd (the Company), formerly Addex Pharmaceuticals Ltd, 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 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. There is significant uncertainty with respect to the going concern assumption and consequently further analysis is disclosed in note 4.1.

These consolidated financial statements have been approved by the Board of Directors on May 28, 2014. They are subject to approval by the shareholders on June 27, 2014.

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 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, 2012, except for the following new standards, amendments to standards and interpretations which are mandatory for the financial periods beginning on or after January 1, 2013.

The following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning 1 January 2013: IFRS 10 – "Consolidated Financial Statements", IFRS 11 – "Joint Arrangements", IFRS 12 – "Disclosure of Interests in Other Entities Joint Arrangements", IFRS 13 – "Fair Value Measurement", IAS 27 (revised) – "Separate Financial Statements", IAS 28 (revised) – "Investments in Associates and Joint Ventures", IAS 1 (amendment) – "Presentation of Items of Other Comprehensive Income", IFRIC 20 – "Stripping Costs in the Production Phase of a Surface Mine", IFRS 7 (amendment) – "Disclosures – Offsetting Financial Assets and Financial Liabilities", IFRS 1 (amendment) – "Government Loans", and Annual Improvements to IFRSs 2009–2011 Cycle. These standards have no effect on the consolidated balance sheet or statement of comprehensive income, as they are either mostly disclosure related or of little significance to the Group.

- IAS 19 (revised), effective January 1, 2013. Under the revised standard, the "corridor and spreading" option to account for actuarial gains and losses (now called re-measurements) has been replaced by the requirements to present those re-measurements including other changes in defined benefit obligation and plan assets ceiling effects in other comprehensive income. The Group has adopted the IAS 19 revised standard retrospectively from 1 January 2012 with the following restatements to the consolidated financial statements of the comparative period: The interest calculated on the net pension liability for the statement of income is CHF68,534.

Restatement of consolidated balance sheet

	31.12.2012	1.1.2012
Increase in retirement benefit obligation……………………	1,975,214	1,869,645
Net increase in non-current liabilities…………………….	**1,975,214**	**1,869,645**
Decrease in other reserve…………………………..............	512,916	-
Decrease in accumulated deficit…………………………….	1,462,298	1,869,645
Net decrease in total shareholders' equity………………..	**1,975,214**	**1,869,645**
Statement of Income 2012		
Decrease in operating expenses:		
Research and Development…………………………………	313,657	
General and Administration……………………................	93,690	
Net decrease in net loss……………………………………	**407,347**	
Net decrease in loss per share……………………………..	**0.05**	
Statement of Comprehensive Income 2012		
Re-measurements on defined benefit plan……………………	512,916	
Increase in total other comprehensive income…………...	**512,916**	
Decrease in total comprehensive loss……………………..	**920,263**	

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 financial 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 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 in shareholders' equity.

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 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: The fair value of the employee services received in exchange for the grant of equity sharing certificates (ESCs) 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 ESCs granted. 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 sharing certificates that are expected to vest.

At each balance sheet date, the Group revises its estimates for the number of equity sharing certificates 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 ESCs 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 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 2013, a 10% increase or decrease in the EUR/CHF exchange rate would have resulted in a CHF98,866 (2012: CHF222,763) increase or decrease in net income and shareholders' equity as at December 31, 2013, a 10% increase or decrease in the GBP/CHF exchange rate would have resulted in a CHF120,624 (2012: CHF193,305) increase or decrease in net income and shareholders' equity as at December 31, 2013 and a 10% increase or decrease in the USD/CHF exchange rate would have resulted in a CHF259,363 (2012: CHF145,287) increase or decrease in net income and shareholders' equity as at December 31, 2013. 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 on page 7 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 EUR1,108,967 (CHF1,359,594) 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 CHF1,359,594.

Share-based compensation
The Group recognizes an expense for share-based compensation based on a customized binomial model using a number of assumptions to calculate the fair value of the financial instruments granted under the Group's equity incentive plan. 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 amount recognized. As such, the fair values of the equity sharing certificates (ESCs) granted in 2010, 2011, 2012 and 2013 were established based on a set of assumptions for each grant. Had these assumptions been modified within their feasible ranges and the Company calculated the share-based compensation based on the higher and lower values of these ranges, share-based compensation expense in 2013 for ESCs would have been CHF140,054 or CHF193,580, respectively (2012: CHF472,700 or CHF653,575, respectively). This is compared to the amount recognized as an expense for ESCs in 2013 of CHF174,475 (2012: CHF554,444). 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, 2013, the Group has made loans to its employees totaling CHF1,393,672 (2012: CHF1,393,672), of which, loans amounting to CHF561,462 (2012: CHF216,271) relating to forfeited or expired subscription rights or subscription rights that are expected to forfeit or expire have been written off and CHF67,410 (2012: CHF67,410) of loans have been reimbursed further to the exercise of subscription rights attached to ESCs. The net loan amount as at December 31, 2013 was CHF764,800 (2012: CHF1,109,991), out of which no amount (2012: CHF135,936) were assessed as recoverable within 12 months and no amount (2012: CHF974,055) were assessed as recoverable in more than 1 year. The loan was tested for impairment based on the historic volatility, the closing share price at December 31, 2013 of CHF3.72 and expected forfeiture and expiry rates. As a result the non-current portion of the loan was impaired by CHF764,800 (2012: CHF227,994). Had the Group made different assumptions regarding the recoverability of these loans, then the provision would have increased or decreased accordingly. This would have resulted in an expense of between CHF0 and CHF764,800 compared to the amount recognized as an expense in 2013 of CHF764,800 (2012: CHF287,343).

4.2 Critical judgments in applying the accounting policies

Development supplies
At December 31, 2013, 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 2012, income comprised entirely of research grants from the Michael J. Fox Foundation for Parkinson's Research (see note 17). No income was received from collaborative arrangements or the sale of license rights to pharmaceutical companies (see note 16).

The geographical analysis of assets is as follows:

	December 31, 2013	December 31, 2012
Switzerland…………….……………………........	4,356,572	20,161,038
Current……………………………………………...	*3,978,826*	*16,803,050*
Non-current…………………………………………....	*377,746*	*3,357,988*
Europe………………………………...………….....	1,523,079	1,574,652
Current……………………………………………...	*154,290*	*217,575*
Non-current…………………………………………...	*1,368,789*	*1,357,077*
Total assets……………………..…………………....	**5,879,651**	**21,735,690**

The geographical analysis of capital expenditure is as follows:

	2013	2012
Switzerland…………….……………………........	—	300,422
Europe………………………………...……….....	—	—
Total capital expenditure.……..…………………......	**—**	**300,422**

The geographical analysis of operating expenses is as follows:

	2013	2012
Switzerland…………….……………………........	14,609,548	26,658,885
Europe………………………………...……….....	(8,863)	65,271
Total operating expenses (note 18)………………	**14,600,685**	**26,724,156**

6. Consolidated entities

The consolidated financial statements include the accounts of Addex Therapeutics Ltd and its 100% owned subsidiaries, Addex Pharma SA and Addex Pharmaceuticals France SAS.

7. Cash and cash equivalents

	December 31, 2013	December 31, 2012
Cash at bank and on hand……………………...........	2,913,396	15,256,707
Total cash and cash equivalents…………………......	**2,913,396**	**15,256,707**

In 2013, the effective interest rate on cash and cash equivalents was 0.0% (2012: 0.10%).

Credit quality of cash and cash equivalents
The table below shows the cash and cash equivalents by credit rating of the major counterparties:

External credit rating of counterparty	December 31, 2013	December 31, 2012
P-1 / A-1………………………………………	2,910,405	15,251,066
Cash on hand………………………………………..	2,991	5,641
Total cash and cash equivalents…………………..	**2,913,396**	**15,256,707**

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

8. Other current assets

	December 31, 2013	December 31, 2012
Receivables…………………………………………	811,549	905,880
Loans to employees…………………………………	—	72,233
Loans to related parties (note 25)…………………..	—	4,354
Prepayments………………………………………..	176,063	781,451
Total other current assets…………………………..	**987,612**	**1,763,918**

As at December 31, 2013, there are no loans to employees or related parties in current assets. As at December 31, 2012, loans to employees of CHF108,447 and loans to related parties of CHF27,489 had been impaired by CHF59,349 and the related charge was recognized in other employee costs.

9. Intangible assets

	Computer software licenses
At January 1, 2012	
Cost…………………………………………………………………………………..	758,511
Accumulated amortization……………………………………………………………..	(726,294)
Net book value……………………………………………………………………….	32,217
Year ended December 31, 2012	
Opening net book amount………………………………………………………………	32,217
Additions………………………………………………………………………………..	111,759
Amortization charge………………………………………………………………….	(46,380)
Closing net book amount…………………………………………………………….	**97,596**
At December 31, 2012	
Cost…………………………………………………………………………………..	870,184
Accumulated amortization……………………………………………………………..	(772,588)
Net book value……………………………………………………………………….	97,596
Year ended December 31, 2013	
Opening net book amount………………………………………………………………	97,596
Amortization charge………………………………………………………………….	(45,012)
Closing net book amount…………………………………………………………….	**52,584**
At December 31, 2013	
Cost…………………………………………………………………………………..	870,184
Accumulated amortization……………………………………………………………..	(817,600)
Net book value……………………………………………………………………….	**52,584**

The Group recorded an amortization charge in 2013 of CHF34,873 (2012: CHF35,933) as part of research and development expenses and CHF10,139 (2012: CHF10,447) as part of general and administration expenses.

10. Property, plant and equipment

	Buildings	Leasehold improvements	Equipment	Furniture & fixtures	Chemical library	Total
At January 1, 2012						
Cost………………………....	32,698	8,088,902	10,880,697	1,303,233	1,120,779	21,426,309
Accumulated depreciation……	(9,480)	(5,764,341)	(9,632,050)	(1,087,773)	(968,256)	(17,461,900)
Net book value…………….......	23,218	2,324,561	1,248,647	215,460	152,523	3,964,409
Year ended December 31, 2012						
Opening net book amount.........	23,218	2,324,561	1,248,647	215,460	152,523	3,964,409
Additions……………………....	-	27,417	73,793	3,805	83,648	188,663
Disposals……………………....	-	-	(5,327)	(131)	-	(5,458)
Depreciation charge…………..	(1,308)	(874,324)	(975,589)	(133,581)	(73,238)	(2,058,040)
Closing net book amount……	**21,910**	**1,477,654**	**341,524**	**85,553**	**162,933**	**2,089,574**
At December 31, 2012						
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………………..	21,910	1,477,654	341,524	85,553	162,933	2,089,574
Year ended December 31, 2013						
Opening net book amount.........	21,910	1,477,654	341,524	85,553	162,933	2,089,574
Additions……………………....	-	-	-	-	-	-
Disposals……………………....	-	-	(251,933)	-	-	(251,933)
Depreciation charge…………..	(1,486)	(482,085)	(46,766)	(61,172)	(71,039)	(662,548)
Impairment…………………..	-	(995,569)	-	-	-	(995,569)
Closing net book amount……	**20,424**	**-**	**42,825**	**24,381**	**91,894**	**179,524**
At December 31, 2013						
Cost…………………………......	32,698	8,101,158	10,424,548	1,296,875	1,204,427	21,059,706
Accumulated depreciation .	(12,274)	(7,105,589)	(10,381,723)	(1,272,494)	(1,112,533)	(19,884,613)
Impairment …….		(995,569)				(995,569)
Net book value………………..	**20,424**	**-**	**42,825**	**24,381**	**91,894**	**179,524**

The Group recorded a depreciation charge in 2013 of CHF631,963 (2012: CHF1,940,554) as part of research and development expenses and CHF 30,585 (2012: CHF117,486) as part of general and administration expenses. Following the restructuring that was implemented during the year, the Group reduced the surface in use, and therefore the leasehold improvements are no longer in use, have no residual value and have been impaired.

11. Non-current financial assets

	December 31, 2013	December 31, 2012
Security rental deposit..…………………………….....	386,941	433,812
Other deposits……………………………………..….	1,359,594	1,348,022
Loans to employees………………………………..……	—	187,210
Loans to related parties (note 25)…………………....	—	558,851
Total non-current financial assets……………..……	**1,746,535**	**2,527,895**

As at December 31, 2013, the Company has recorded an amount of EUR1,108,967 (CHF1,359,593) in non-current financial assets for an escrow account related to claims from the French tax authorities that are in dispute. As at December 31, 2012, this amount was EUR 1,116,467 (CHF 1,348,022).

As at December 31, 2013, the non-current portions of the loans made to employees of CHF583,325 (2012: CHF371,331) and of the loans made to related parties of CHF181,475 (2012: CHF738,600), respectively, to finance the tax and social charges consequences of the grants of ESCs, were impaired by CHF764,800 and the related charge was recognized in other employee costs (see note 19). Amounts of loans to employees and related parties are fully impaired because the share price conditions for the related ESCs to be exercised are significantly above the share price at December 31, 2013, and there are significant uncertainties concerning the ability of the Group to continue operations (see note 4.1).

12. Payables and accruals

	December 31, 2013	December 31, 2012
Trade payables……………………………..…………	605,803	709,643
Social security and other taxes……………………...	30,022	332,250
Accrued expenses…………………………………...	1,717,575	3,549,099
Total payables and accruals………………………	**2,353,400**	**4,590,992**

All payables mature within 3 months.

13. Provisions for other liabilities

	Current	Non-current
At January 1, 2012……………………………………	214,628	63,812
Provision linked to restructuring charges:		
Amount utilized during the period…………………..	(212,702)	—
Amount transferred from non-current to current…..	63,812	(63,812)
Exchange differences………………………………..	(545)	—
At December 31, 2012…………………………......	**65,193**	—
Amount utilized during the period…………………...	(56,357)	—
Exchange differences………………………………..	1,005	—
At December 31, 2013…………………………......	**9,841**	—

During 2013, CHF56,357 of the total amount of CHF 65,193 provided for at December 31, 2012 were used. Provisions of CHF9,841 relating to the termination of lease contracts are expected to be fully utilized within 12 months. During 2012, CHF212,702 of the total amount of CHF278,440 provided for as at December 31, 2011 were used.

14. Share capital and share premium

	Number of shares		
	Common Shares	**Treasury shares**	**Total**
Balance at January 1, 2012……………………....	7,835,878	(130,746)	7,705,132
Issue of shares - capital increase……..................	1,156,712	(238,687)	918,025
Issue of shares - exercise of ESCs………………..	10,374	—	10,374
Balance at December 31, 2012…………………...	**9,002,964**	**(369,433)**	**8,633,531**
Issue of shares - capital increase………………….	1,170,612	—	1,170,612
Sale of treasury shares…………………..................	—	39,104	39,104
Balance at December 31, 2013…………………..	**10,173,576**	**(330,329)**	**9,843,247**

At December 31, 2013, the total outstanding share capital is CHF10,173,576 (December 31, 2012: CHF9,002,964), consisting of 10,173,576 shares (December 31, 2012: 9,002,964). All shares have a nominal value of CHF1 and are fully paid.

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.

On October 12, 2012, the Group issued 1,156,712 new shares at CHF1 from the authorized capital. 918,025 new shares were used in a private placement for CHF10.50 per share and 238,687 new shares are held as treasury shares. Gross proceeds of CHF9,639,263 have been recorded in share capital (CHF918,025) and share premium (CHF8,721,238), net of directly related share issuance costs of CHF780,195.

During 2012, 10,374 subscription rights attached to equity sharing certificates were exercised and 10,374 shares were issued from the conditional capital. CHF10,374 and CHF31,122 were recognized in share capital and share premium, respectively, net of share issuance costs accrued as at December 31, 2012 for CHF10,315.

15. Share-based compensation

	2013	2012
Non-executive directors and consultants………..………	2,663	9,783
Executives and employees (note 19)…………..……….	171,812	570,699
Total share-based compensation…………..………...	**174,475**	**580,482**

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

	2013	2012
Equity sharing certificate plan…………………………….	174,089	554,444
Share option plans…………………………………………	386	26,038
Non voting share plans……………………………………	—	—
Total share-based compensation………...………...	**174,475**	**580,482**

Equity Sharing Certificate Equity Incentive Plan
On June 1, 2010, the Company established an equity incentive plan based on equity sharing certificates (ESCs and the ESC Plan) 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 right of the holder of the ESCs to subscribe can only be exercised with respect to vested ESCs if the underlying share price reaches a floor price that is calculated as approximately 133% of the reference share price at the date of grant. The subscription price is defined as 50% of the floor price. 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 31 December 2013, of the 767 ESCs granted in 2010, 259,939 subscription rights have been forfeited or expired. Of the remaining 507,061 subscription rights that expire in 2015, 505,186 subscription rights are vested and 1,875 subscription rights continue to vest over 4 years from their original grant date.

On January 1, 2011, the Group granted 6 ESCs and on July 1, 2011, the Group granted 6 ESCs, both grants 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 360 ESCs at a floor price of CHF8.00 per share and a subscription price of CHF4.00 per share. Of the 360 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, 2013, of the 692 ESCs granted in 2011, 373,551 subscription rights have been forfeited, expired or exercised. Of the remaining 318,449 subscription rights that expire in 2016, 247,874 subscription rights are vested and 70,575 subscription rights continue to vest over 4 years from their original grant date.

On April 1, 2012, the Group granted 1 ESC, on May 3, 2012, the Group granted 50 ESCs, on June 29, 2012, the Group granted 90 ESCs and on October 1, 2012, the Group granted 5 ESCs, all grants being made at a floor price of CHF13.00 per share and a subscription price of CHF6.50 per share. At December 31, 2013, of the 146 ESCs granted in 2012, 57,500 subscription rights have been forfeited or expired. Of the remaining 88,500 subscription rights that expire in 2017, 85,375 subscription rights are vested and 3,125 subscription rights continue to vest over 4 years from their original grant date.

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, 2013, of the 91 ESCs granted in 2013, 62,667 subscription rights have been forfeited or expired. Of the remaining 28,333 subscription rights that expire in 2018, 13,708 subscription rights are vested and 14,625 subscription rights continue to vest over 4 years from their original grant date.

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

	2013	2012
At January 1……………………………………………………..	1,295,039	1,373,500
Granted…………………………………………………………..	91,000	146,000
Forfeited…………………………………………………..........	(418,858)	(169,817)
Expired…………………………………………………………..	(24,838)	(44,270)
Exercised………………………………………………………..	-	(10,374)
At December 31……………………………………………........	**942,343**	**1,295,039**

At December 31, 2013, of the outstanding 942,343 subscription rights (2012: 1,295,039) attached to the ESCs, 852,142 (December 31, 2012: 548,293) were exercisable.

The outstanding subscription rights as at December 31, 2013 and 2012 have the following expiry dates, subscription prices and floor prices:

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**

At December 31, 2012

	Subscription prices / floor prices (CHF)				
Expiry date	**4.00 / 8.00**	**6.50 / 13.00**	**7.00 / 14.00**	**7.50 / 15.00**	**Total**
2015……………………..	-	-	6,000	531,499	537,499
2016……………………..	294,290	-	2,250	320,000	616,540
2017……………………..	-	141,000	-	-	141,000
Total subscription rights	**294,290**	**141,000**	**8,250**	**851,499**	**1,295,039**

The weighted average fair value of subscription rights attached to ESCs granted during 2013 determined using a customized binomial valuation model was CHF1.80 (2012: CHF0.64). The significant inputs to the model were:

	2013	2012
Weighted average share price / share price at the grant date…………….	CHF7.41	CHF8.69
Weighted average subscription price / subscription price per share….….	CHF5.00	CHF6.50
Weighted average floor price / floor price per share……………………….	CHF10.00	CHF13.00
Weighted average volatility / volatility………………………………………..	41.72%	52.36%
Dividend yield…………………………………………………………............	—	—
Weighted average annual risk free rate / annual risk-free rate……………	0.07%	0.07%

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

	2013	2012
Research and development…………………………………......	154,739	407,685
General and administration……………………………………..	19,736	146,759
Total share-based compensation for ESCs………………...	**174,475**	**554,444**

Share option plans
The Company established share option plans in 2007 and 2008 to provide incentives to directors, executives, employees and consultants of the Group. The Company is no longer issuing share options under these equity incentive plans and there are no options outstanding as at December 31, 2013 and December 31, 2012.

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.

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

	2013	2012
Research and development…………………………………..……….	223	15,032
General and administration………………………………………………	163	11,006
Total share-based compensation for share options……………...	**386**	**26,038**

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 mGlu2PAM 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 2012 or 2013.

17. Research grants

During 2013, the Group recognized CHF142,090 (2012: CHF121,089) of research grants from The Michael J. Fox Foundation for Parkinson's Research. 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.

18. Operating expenses by nature

	2013	2012
Staff costs (note 19)…………………………………...	5,105,762	10,636,955
Depreciation and amortization………………………...	662,549	2,104,420
External research and development costs…………...	2,220,131	4,755,956
Laboratory consumables…………………..…………	91,760	1,269,187
Operating leases………………………………………..	1,362,961	1,809,281
Other operating expenses……………………………...	5,157,522	6,148,357
Total operating expenses…………………………….	**14,600,685**	**26,724,156**

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

	2013	2012
Wages and salaries…………………………………..…	5,369,597	8,398,033
Social charges and insurances….…………..………..	515,479	833,073
Value of share-based services (note 15)……….....….	171,832	570,699
Pension costs – defined contribution plans……………	—	—
Pension costs – defined benefit plans (note 21)……..	(2,121,972)	85,122
Other employee costs………………………………..……	1,170,826	750,028
Total staff cost (note 18)……………….....…….……..	**5,105,762**	**10,636,955**

Other employee costs include impairment loan to employees for CHF1,104,953 (2012 : CHF216,271).

20. Taxes

	December 31, 2013	December 31, 2012
Loss before tax……………………………………........	14,461,828	27,018,827
Tax calculated at a tax rate of 7.8% (2012: 7.8%)…..	1,128,023	2,107,469
Effect of different tax rates in other countries………..	679	(4,564)
Expenses charged against equity……………………..	13,034	61,660
Expenses not deductible for tax purposes……………	(13,609)	(45,278)
Tax losses not recognized as deferred tax assets...…	(1,128,127)	(2,119,287)
Income tax expense…………………………….……..	—	—

The Group is subject to Swiss income taxes and has a tax loss carry forward of CHF206,111,236 as of December 31, 2013 (2012: CHF212,194,219), of which CHF164,630,581 (2012: CHF154,034,324) expire within the next five years and CHF CHF41,480,655 (2012: CHF58,159,895) will expire between five and seven years. Tax losses of CHF17,094,276 expired in 2013 (2012: CHF16,310,164).

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 income in 2013 of CHF2,121,972 (2012: charge of CHF85,122) as part of staff costs.

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

	2013	2012
Defined benefit obligation………..…………..……...	(1,739,890)	(9,277,580)
Fair value of plan assets…………………….………	1,249,455	6,513,751
Funded status…………………………….………..	**(490,435)**	**(2,763,829)**

The movement in the prepaid / (accrued) pension cost recognized in the balance sheet is as follows:

	2013	2012
Accrued pension cost at beginning of year………....	(381,268)	(988,271)
Company pension income / (cost)…………….…..….	2,121,972	(85,122)
Company contributions………………………………..	358,245	692,125
Prepaid / (accrued) pension cost…....…………….	**2,098,949**	**(381,268)**

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

	2013	2012
Current service cost…………………………………	(493,481)	(1,340,391)
Interest cost……………………..………..……….	(68,534)	(177,353)
Interest income………………..…………………...	53,417	139,554
Employees' contributions……..………..……………	298,079	586,388
Curtailment gain…..……………………………….	2,332,491	706,680
Company pension income / (cost) (note 19)……	**2,121,972**	**(85,122)**

The curtailment gain resulted from a significant reduction of the workforce.

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

	2013	2012
Defined benefit obligation at beginning of year...….	(9,277,580)	(8,892,019)
Service cost……………………………………..…...….	(493,481)	(1,340,391)
Interest cost……………………………...…….….….	(68,534)	(177,353)
Change in financial assumptions………………..…..	—	90,798
Experience Adjustments……………..……….….….	(170,230)	(547,911)
Benefit payments…………………………………..….	434,710	(417,200)
Curtailment…………………………………….…….	7,835,225	2,006,496
Defined benefit obligations at end of year………..	**(1,739,890)**	**(9,277,580)**

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

	2013	2012
Fair value of plan assets at beginning of year……...	6,513,751	6,034,103
Interest income……………………………………...	53,417	139,554
Employees' contributions………………………….....	298,079	586,388
Company contribution……………………………….	358,245	692,125
Plan assets gains / (losses)…………………………..	(36,593)	(55,803)
Benefit payments…………………………………….	(434,710)	417,200
Curtailment…………………………………………..	(5,502,734)	(1,299,816)
Fair value of plan assets at end of year…………..	**1,249,455**	**6,513,751**

The principal actuarial assumptions used were as follows:

	December 31, 2013	December 31, 2012
Discount rate……………………..………….….....	2.15%	2.15%
Future salary increases……………………………...	1.5%	1.50%
Future pension increases………………...………..	1.00%	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:

	2013	2012
Male………………………………….….……	18.93	18.93
Female……………………………………………	22.29	22.29

The estimated Group contributions to pension plans for the financial year 2014 amount to CHF79'375.

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

	December 31, 2013 Allocation in %	December 31, 2012 Allocation in %
Cash……	2.5%	2.1%
Bonds……	83.5%	83.3%
Shares……	2.4%	1.8%
Real estates and mortgage……	11.4%	11.3%
Alternative investments……	0.2%	1.5%
Total……	**100%**	**100%**

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

	2013	2012
Present value of defined benefit obligation……	(1,739,890)	(9,277,580)
Fair value of plan assets……	1,249,455	6,513,751
Deficit in the plan……	**(490'435)**	**(2,763,829)**
Experience adjustment……	(170,230)	(547,911)
Actuarial losses on plan assets……	(36,593)	(55,803)

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

2014……	51,276
2015……	40,823
2016……	29,678
2017……	25,335
2018……	20,964
2019-2023……	46,013

22. Finance income and costs

	2013	2012
Interest income……	4,134	22,662
Unrealized foreign exchange loss……	(7,367)	(31,075)
Finance result, net……	**(3,233)**	**(8,413)**

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.

	2013	2012
Loss attributable to equity holders of the Company...	14,461,828	26,611,480
Weighted average number of shares in issue……	9,066,087	7,911,935
Basic and diluted loss per share……	**(1.60)**	**(3.36)**

The Company has one category of dilutive potential shares as at December 31, 2013 and December 31, 2012: equity sharing certificates (ESCs). As of December 31, 2013 and December 31, 2012, ESCs have been ignored in the calculation of the loss per share, as they would be anti-dilutive.

24. Commitments and contingencies

Operating lease commitments

	2013	2012
Within 1 year……………………………………………..	1,157,203	2,136,311
Later than 1 year and no later than 5 years……..…..	2,548,938	5,045,346
Total operating lease commitments……………….	**3,706,141**	**7,181,657**

Operating lease commitments consist mainly of rental contracts for laboratories, offices and related spaces at Plan-les-Ouates and Archamps sites. As at December 31, 2013 and 2012, there are no commitments over 5 years and no commitments related to the site of Archamps recognized in the liabilities (2012: CHF55,252) as provision for restructuring. At May 28, 2014, a number of leases had been assigned to new tenants resulting in the operating lease commitment at December 31, 2014 being reduced from CHF3,706,141 to CHF870,465 which represents rental contracts until 31 December 2016.

Capital commitments
As at December 31, 2013 and 2012, 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:

Key management compensation	2013	2012
Salaries and other short-term employee benefits…...	2,736,585	3,189,017
Post-employment benefits……………………………..	123,310	232,099
Share-based compensation….………………………..	76,774	251,185
	2,936,669	**3,672,301**

Loans to related parties – Executive Management	2013	2012
At January 1………………………………………..........	738,660	775,267
Exits from the Executive Management………………..	(568,204)	(80,646)
Loans advanced during the year………………………	-	82,737
Loans written back / (written-off) during the year……	11,018	(15,951)
Loans reimbursed during the year…………………….	-	(22,747)
At December 31………………………………………..	**181,474**	**738,660**

In 2013, 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. (2012: CHF128,654 of which CHF82,737 were made to Executive Managers). 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. CHF181,474 (2012: CHF175,455) of the loans made to related parties were impaired as at December 31, 2013.

During 2013, CHF64,030 of consulting services were purchased from a member of the Board of Directors.

26. Events after the balance sheet date

There has been no material events after the balance sheet date in addition to those disclosed in note 24 above.

27. Non-Executive Directors and Executive Management compensation disclosures in accordance with Swiss law

The Group's consolidated financial statements have been prepared in accordance with IFRS. This note has been prepared in accordance with the requirements of the Swiss law for companies, the Swiss Code of Obligations, and therefore differs in certain significant respects from compensation disclosures in note 25 (related party transactions), mainly due to different expense recognition rules being applied.

Non-Executive Director Compensation

General principles
Based on a proposal made by the Chairman, the Board of Directors determines the compensation of Non-Executive Directors. They receive an annual fee based on the responsibilities of each Director, of which half is paid based on attendance at meetings, and an annual committee fee for each of the board standing committees of which they are a member/chairman. Non-Executive Directors are also eligible to participate in the Company's equity incentive plans.

Loans and other payments to Non-Executive Directors
No loans were granted to current or former Non-Executive Directors during 2013 and 2012. No such loans were outstanding as of December 31, 2013 and 2012. During 2013, CHF64,030 of services were purchased from a member of the Board. In 2013 and 2012, no payments (or waivers of claims) other than those set out in the compensation table were made to current or former Non-Executive Directors or to "persons closely linked" to them.

Compensation to Non-Executive Directors in 2013(1)

Name of Non-Executive Director(4)	Base cash compensation	Variable cash attendance	Total 2013
André J. Mueller(2)……………………….	15,000	15,000	30,000
Vincent Lawton(3)…...…………………….	15,000	10,000	25,000
Hoyoung Huh……………………………..	10,000	10,000	20,000
Oleg Nodelman…...……………………..	10,000	10,000	20,000
Total……………………………………….	**50,000**	**45,000**	**95,000**

1. Compensation does not include reimbursement for travel and other necessary business expenses incurred in the performance of their services as these are not considered to be compensation.
2. Non-Executive Chairman of the Board of Directors
3. Vice Chairman of the Board of Directors and Chairman of the Audit Committee
4. All Non-Executive Directors are members of the Board of Directors

Compensation to Non-Executive Directors in 2012(1)

Name of Non-Executive Director(7)	Base cash compensation	Variable cash attendance	Total 2012
André J. Mueller(3)……….……………..	30,000	22,500	52,500
Andrew Galazka(6)………….……………	11,000	3,332	14,332
Raymond Hill(5)……………………..…….	27,500	15,000	42,500
Vincent Lawton (4)……………………..….	25,000	15,000	40,000
Hoyoung Huh…………………………..….	23,333	15,000	38,333
Antoine Papiernik(2)……………………...	-	-	-
Oleg Nodelman(2)………………………...	-	-	-
Total……………………………………….	**116,833**	**70,832**	**187,665**

1. Compensation does not include reimbursement for travel and other necessary business expenses incurred in the performance of their services as these are not considered to be compensation.
2. Non-Executive Directors who serve on the Board of Directors in their capacity as representatives of their respective venture capital investment firms receive no compensation for their services.
3. Non-Executive Chairman of the Board of Directors
4. Vice Chairman of the Board of Directors and Chairman of the Audit Committee
5. Chairman of the Compensation Committee
6. Chairman of the Nomination Committee and Non-Executive Director until 9 May 2012
7. All Non-Executive Directors are members of the Board of Directors

Executive Management Compensation

General principles
The Chief Executive Officer provides the Board with an evaluation of the individual performance of the members of the Executive Management as well as an evaluation of their respective function. The Board considers the recommendation of the Chief Executive Officer and the overall performance of the Group including short and long term goals and achievements in determining the compensation of the Executive Management. The members of Executive Management are eligible to participate in the Company's equity incentive plans.

Loans and other payments to Executive Management
In 2013, no loans were made to executive management, in connection with the granting of equity sharing certificates, to finance the tax and social charges consequences of the grant of ESCs (2012: CHF128,654).The loan accrues 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 (see note 25).

Compensation to Executive Management in 2013(1)

Executive Management (2).	**Base cash compensation**	**Termination indemnity cash**	**Total 2013**
Bharatt Chowrira(3)........................	196,592	173,077	369,669
Tim Dyer(4)......................................	358,915	303,662	662,577
Other Executive Management.......	996,958	455,753	1,452,711
Total……………………….............	**1,552,465**	**932,492**	**2,484,957**

1. Compensation does not include reimbursement for travel and other necessary business expenses incurred in the performance of their services as these are not considered to be compensation.
2. The Executive Management includes the Chief Executive Officer and senior members of management.
3. President and Chief Executive Officer & Member of the Board of Directors until May 31, 2013
4. Chief Executive Officer from June 1, 2013

Compensation to Executive Management in 2012(1)

Executive Management (2)	**Base cash compensation**	**Variable cash bonus**	**Equity sharing certificates** (number)(3)	**Equity sharing certificates** (value)(3)	**Total 2012**
Bharatt Chowrira...................................	475,368	61,875	-	-	537,243
Other Executive Management………..	2,220,879	226,711	85	12,750	2,460,340
Total………………………..................	**2,696,247**	**288,586**	**85**	**12,750**	**2,997,583**

1. Compensation does not include reimbursement for travel and other necessary business expenses incurred in the performance of their services as these are not considered to be compensation.
2. The Executive Management includes the Chief Executive Officer and senior members of management.
3. 85 equity sharing certificates were granted to Executive Management during 2012, reported at fair value at date of grant (with a weighted average fair value of CHF150 per ESC).

Ownership of Addex Therapeutics shares, share options and subscription rights by Non-Executive Directors and members of Executive Management

The total number of shares and shares' subscription rights owned by Non-Executive Directors and members of the Executive Management at December 31, 2013 is shown in the following table.

Name of Director or Executive (number of shares or subscription rights)	**2013 equity sharing certificates granted**	**Vested shares and ESCs' subscription rights**	**Unvested shares and ESCs' subscription rights**	**Total shares and ESCs' subscription rights owned**
Non-Executive Director				
André J. Mueller………………………….	-	83,001	1,125	84,126
Vincent Lawton…………………………..	-	5,750	750	6,500
Hoyoung Huh…………………………….	-	-	-	-
Oleg Nodelman……………………….....	-	-	-	-
Executive Management				
Tim Dyer………………………………….	-	119,675	27,500	147,175
Sonia Poli………………………………….	-	50,675	16,175	66,850
Total……………………………….……..		**259,101**	**45,550**	**304,651**

The total number of shares and shares' subscription rights owned by Non-Executive Directors and members of the Executive Management at December 31, 2012 is shown in the following table.

Name of Director or Executive (number of shares or subscription rights)	2012 equity sharing certificates granted	Vested shares and ESCs' subscription rights	Unvested shares and ESCs' subscription rights	Total shares and ESCs' subscription rights owned
Non-Executive Director				
André J. Mueller…………………………..	-	80,751	3,375	84,126
Raymond Hill………………………………	-	3,750	2,250	6,000
Vincent Lawton……………………………	-	4,250	2,250	6,500
Hoyoung Huh……………………………....	-	-	-	-
Antoine Papiernik……………………......	-	-	-	-
Oleg Nodelman…………………………......	-	-	-	-
Executive Management				
Bharatt Chowrira…………………………. -		37,500	282,500	320,000
Tim Dyer…………………………………....	-	127,481	69,875	197,356
Charlotte Keywood………………………..	-	57,394	16,500	73,894
Graham Dixon…………………………..….	80	-	80,000	80,000
Sonia Poli………………………….………	5	42,975	23,875	66,850
Jean-Philippe Rocher………...………..	-	68,974	26,250	95,224
Robert Lütjens…………………….………	-	54,348	28,125	82,473
Christopher Maggos…………….………..	-	19,856	25,000	44,856
Total…………………………………..……...	**85**	**497,279**	**560,000**	**1,057,279**

28. Risk assessment disclosure required by Swiss law

The Chief Executive Officer coordinate and align the risk management processes, and report to the Board and the Audit Committee on a regular basis on risk assessment and risk management. The organization and the corporate processes have been designed and implemented to identify and mitigate risks at an early stage. Organizationally, the responsibility for risk assessment and management is allocated to the 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, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes, for the year ended 31 December 2013.

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 2013 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.

Emphasis of Matter
We draw attention to note 4.1 to the consolidated financial statements, paragraph "Uncertainties and ability to continue operations", where disclosures by management are made regarding the fact that the Group's ability to continue operations depends among others on its ability to raise additional financial resources to support future research activity and enter into collaborations with partners in the pharmaceutical industry. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

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	Guillaume Debout Audit expert

Geneva, 30 May 2014

Statutory Financial Statements of Addex Therapeutics Ltd as at December 31, 2013

Balance Sheets as at December 31, 2013 and December 31, 2012

	Notes	December 31, 2013	December 31, 2012
		Amounts in Swiss francs	
ASSETS			
Current assets			
Cash and cash equivalents		1,630,569	6,068,965
Other receivables			
Third parties		823	2,195
Accrued income		30,606	21,715
Total current assets		**1,661,998**	**6,092,875**
Non-current assets			
Investments in Group companies	6	2	2
Other non-current assets			
Loans to Group companies	7	2,621,543	11,858,100
Total non-current assets		**2,621,545**	**11,858,102**
Total assets		**4,283,543**	**17,950,977**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payables		80,338.	45,642
Other payables: Third parties		—	55,640
Accruals		226,825	280,654
Total current liabilities		**307,163**	**381,936**
Shareholders' equity			
Share capital		10,173,576	9,002,964
Share premium		10,176,933	64,435,469
Treasury shares reserve	9	437,715	489,531
Non-voting equity securities (*)	11	p.m.	p.m.
Accumulated deficit		(16,811,844)	(56,358,923)
Total shareholders' equity	8	**3,976,380**	**17,569,041**
Total liabilities and shareholders' equity		**4,283,543**	**17,950,977**

(*) 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, 2013 and 2012

	2013	2012
	Amounts in Swiss francs	
Operating expenses		
Professional fees	792,317	1,075,712
Other operating expenses	373,981	445,791
Provision for Group companies	15,538,190	25,872,861
Taxes	109,702	102,556
Total operating expenses	**16,814,190**	**27,496,920**
Interest income	(2,346)	(13,752)
Net loss before taxes	**16,811,844**	**27,483,168**
Income tax expense	—	—
Net loss for the year	**16,811,844**	**27,483,168**

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

Notes to the Financial Statements for the years ended December 31, 2013 and 2012
(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, 2013 and December 31, 2012, 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, 2013 and December 31, 2012, there were no assets pledged to secure own liabilities.

4. Lease commitments not recorded in the balance sheet
As of December 31, 2013 and December 31, 2012, there were no lease commitments not recorded in the balance sheet.

5. Amounts due to pension funds
As of December 31, 2013 and December 31, 2012, 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, 2013 and 2012, the Company has provided for its investments in Group companies as follows:

	December 31, 2013	December 31, 2012
Investment in Addex Pharma SA………………………..	3,987,492	3,987,492
Provision for investment in Addex Pharma SA…………	(3,987,491)	(3,987,491)
Investment in Addex Pharmaceuticals France SAS……..	1	1
	2	2

7. Other non-current assets – Loans to Group companies
As at December 31, 2013 and 2012, the Company has provided for its loan to Addex Pharma SA as follows:

	December 31, 2013	December 31, 2012
Loan to Addex Pharma SA………………………………	157,091,308	150,789,674
Provision for loan to Addex Pharma SA………………...	(154,469,765)	(138,931,574)
	2,621,543	11,858,100

The loan to Addex Pharma SA is subordinated to the claims of other creditors of the subsidiary up to CHF154,469,765.

8. Equity

	Share capital	General reserve, from… …capital contribution	…retained earnings	Treasury shares reserve	Accumulated deficit	Total
January 1, 2012…………….	7,835,878	153,094,039	(64,532,091)	250,844	(61,515,907)	35,132,763
Issue of shares, capital increase…………………….	1,156,712	8,721,238	—	—	—	9,877,950
Issue of shares, ESCs exercise…………………….	10,374	31,122	—	—	—	41,496
Offset accumulated deficit with general reserve……….	—	—	(32,640,152)	—	32,640,152	—
Transfer to treasury shares reserve……………………..	—	(238,687)	—	238,687	—	—
Net loss of the year…………………………	—	—	—	—	(27,483,168)	(27,483,168)
December 31, 2012…………	**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	—
Net sale of treasury shares……………………...	—	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**

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.

On October 12, 2012, the Group issued 1,156,712 new shares at CHF1 from the authorized capital. 918,025 new shares were used in a private placement for CHF10.50 per share and 238,687 new shares were recognized held as treasury shares. Gross proceeds of CHF9,639,263 from the private placement have been recorded in share capital for CHF918,025 and in general reserve from capital contributions for CHF8,721,238.

During 2012, 10,374 subscription rights attached to equity sharing certificates were exercised and 10,374 shares were issued from the conditional capital. CHF10,374 and CHF31,122 were recognized in share capital and general reserve from capital contributions, respectively.

At December 31, 2013, the total outstanding share capital is CHF10,173,576 (December 31, 2012: CHF9,002,964), consisting of 10,173,576 shares (December 31, 2012: 9,002,964). All shares have a nominal value of CHF1 and are fully paid. The authorized capital and conditional capital as at December 31, 2013 and 2012 are as follows:

	December 31, 2013	December 31, 2012
Authorized capital……………………………………….	3,325,683	2,761,227
Conditional capital……………………………………….	4,485,921	3,720,872

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, 2012…….	130,746		250,844	1.67%
Purchases ………………………..	238,687	1.00	238,687	
Balance at December 31, 2012…	**369,433**		**489,531**	**4.10%**
Net sales	(39,104)	1.33	(51,816)	
Balance at December 31, 2013…	**330,329**		**437,715**	**4.30%**

10. Significant shareholders
According to the information available to the Board of Directors the following shareholders held shares entitling them to more than 3% of the total voting rights:

	December 31, 2013		December 31, 2012	
	Number of shares	Interest in capital in %	Number of shares	Interest in capital in %
BVF Partners L.P.*……………....	2,755,249	27.09%	2,439,184	27.09%
Sofinnova Capital IV FCPR……..	806,648	7.93%	806,648	8.96%
TVM V Life Science Ventures…..	690,525	6.79%	690.525	7.67%
Visium Asset Management, L.P....	488,114	4.80%	488,114	5.42%
Varuma AG	413,243	4.06%	_	_

*Addex Therapeutics Ltd shares were held by several related entities.

11. Non-voting equity securities
Refer to note 15 of the consolidated financial statements.

12. Non-Executive Directors and Executive Management compensation disclosures in accordance with Swiss law
Refer to note 27 of the consolidated financial statements.

13. Risk assessment
Refer to note 28 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, 2013, 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 CHF51'816 from the treasury shares reserve to the general reserve from capital contribution and to carry forward the net loss for the year 2013 of CHF16,811,844 and to offset CHF10,176,933 of the accumulated deficit with the general reserve from capital contribution.

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 sheet, income statement and notes, for the year ended 31 December 2013.

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 2013 comply with Swiss law and the company's articles of incorporation.

Emphasis of Matter
We draw attention to note 14 to the financial statements, paragraph "Uncertainties and ability to continue operations", where disclosures by management are made regarding the fact that the Group's ability to continue operations depends among others on its ability to raise additional financial resources to support future research activity and enter into collaborations with partners in the pharmaceutical industry. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

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

Guillaume Debout
Audit expert

pwc

Geneva, 30 May 2014

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.

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