addex therapeutics

EXPANDING THE
REALM OF POSSIBLE...

Annual Report 2012

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EXPANDING THE REALM OF POSSIBLE...

Contents

Key Facts / Addex Therapeutics

Focus:	**Pioneering oral small molecule allosteric modulation-based drug discovery and development against diseases with high unmet medical needs, especially rare diseases.**
Disease areas:	**CNS & Inflammation**
Lead programs:	**Dipraglurant (ADX48621) to treat Parkinson's disease levodopa-induced dyskinesia (PD-LID) and dystonia / ADX71149 to treat schizophrenia and anxious depression / ADX71441 to treat Charcot-Marie-Tooth disease / mGlu4 PAM to treat multiple sclerosis.**
Corporate partner:	**Janssen Pharmaceuticals Inc.**
Total employees as of Dec 31, 2012:	**56**
Stock symbol/exchange:	**ADXN (ISIN:CH0029850754) / SIX Swiss Exchange**
Shares outstanding as of February 28, 2013:	**9,002,964**
Cash as of Dec 31, 2012:	**CHF15.3 million**
Headquarters:	**Geneva, Switzerland**

Letter to Shareholders

André J. Mueller
Chairman

Bharatt Chowrira
President and Chief Executive Officer

Dear Shareholders,

2012 was an important and pivotal year for Addex as we began our transition from a predominately drug discovery company to a clinically focused development company. With regard to the clinical efforts that laid the foundation for this transition, we saw positive Phase 2a data with two of our orally active allosteric modulators and our partner Janssen Pharmaceuticals, Inc. initiated a new Phase 2 proof-of-concept (PoC). Furthermore, several preclinical and discovery programs for diseases with major unmet medical needs in the CNS, inflammatory and metabolic therapeutic areas, made significant progress toward human clinical testing.

Our 2012 achievements included:

- **Positive Phase 2a data from ADX48621 (mGlu5 NAM – dipraglurant) PD-LID study**
- **Positive Phase 2a data from ADX71149 (mGlu2 PAM – Janssen Pharmaceuticals, Inc.) schizophrenia study**
- **Initiation of Phase 2a PoC anxious depression study with ADX71149 (mGlu2 PAM – Janssen Pharmaceuticals, Inc.)**
- **Completion of preclinical development activities in support of CTA filing for Phase 1 testing of ADX71441 (GABA-BR PAM)**
- **Demonstration of preclinical PoC in multiple sclerosis (MS) pre-clinical models with mGlu4 PAM compound**
- **Screening and identification of validated PAM hits targeting A2AR GPCR target**
- **Completion of a USD10M PIPE financing**
- **Filing of 7 new patent applications and granting of key composition of matter patents, for dipraglurant and GABAB-R PAMs**
- **Publication of 8 scientific papers in peer reviewed journals authored by Addex scientists**
- **Expansion of the allosteric modulator discovery technology platform**

In the following sections, we would like to highlight these achievements and emphasize our strategy for building shareholder value.

Strategy

Over the past several years, we have established ourselves as a leading allosteric modulation-based drug discovery company and now find ourselves in a strong position to transition from a platform and discovery-based company to a development stage company. We have a strong clinical and pre-clinical pipeline and believe that focusing our resources on the advancement of that pipeline to market is critical to continuing to build shareholder value. We will focus our resources on developing our clinical stage pipeline for rare diseases. In pursuing this strategy, Addex will advance current clinical and pre-IND programs in certain diseases where orphan drug designation can be reasonably achieved in the major commercial markets – U.S., Europe and Japan. In executing this strategy and to maximize potential clinical success in at least two programs over the next 12 months, the company reduced its overall cost structure, particularly related to our early-stage discovery efforts. We have maintained the capability to rapidly re-build our discovery effort to support potential collaborations or our own internal discovery needs in the future by maintaining key intellectual property as well as critical know-how. Pending the potential future success of our clinical programs, and industry and market drivers, we would be in a position to restart our drug discovery engine. We continue to seek means of increasing our cash position through non-dilutive partnerships and will endeavour to monetize both the drug discovery platform capability as well as our discovery programs via licensing and strategic transactions. Finally, to improve the Company's liquidity and long term outlook, Addex will secure a listing on a US stock exchange.

We believe we have successfully redefined Addex and positioned ourselves as a development-focused company. We will utilize our cash runway through 2013 to achieve key value drivers in the following three programs: dipraglurant, ADX71441 targeting GABAB-Receptor and our mGlu4 PAM program. In addition, continued clinical progress with ADX71149 by our partner Janssen Pharmaceuticals, Inc., could potentially drive additional value for Addex.

Dipraglurant

Dipraglurant is a novel oral small molecule, which inhibits the metabotropic glutamate receptor 5 (mGlu5) as a negative allosteric modulator (NAM), and has the potential to be used in combination with levodopa or dopamine agonists for treatment of Parkinson's disease (PD). Our initial focus is on testing dipraglurant for the treatment of PD levodopa-induced dyskinesia (PD-LID). In addition, we plan to evaluate dipraglurant for the treatment of certain rare disease indications such as dystonias. Towards the end of March 2012, we reported positive top line data from our Phase 2a trial in PD-LID patients. In this double-blind, placebo-controlled, EU and U.S. trial in PD-LID patients, the primary objective was safety and tolerability. In addition, the trial was designed to evaluate exploratory efficacy as a secondary objective. Efficacy was measured using: the modified Abnormal Involuntary Movement Scale (mAIMS); patient diaries documenting "on" time (with/without dyskinesias), "off" time and sleep time; the Unified Parkinson's Disease Rating Scale; and the Clinician & Patient Global Impression of Change (CGIC & PGIC).

The data demonstrated that dipraglurant met the primary objective of the study by exhibiting a good safety and tolerability profile. Further, dipraglurant reduced dyskinesia severity and appeared to have an effect on both the dystonia and chorea components of dyskinesia. Dipraglurant increased the "on" time with dyskinesia in all four treatment weeks and appeared to reduce the "off" time in the final week of the treatment. In addition, clinicians rated dipraglurant as giving greater improvement in dyskinesia than placebo while maintaining the anti-parkinsonian effectiveness of levodopa.

We believe a successful treatment for PD-LID will change the way Parkinson's disease is treated by enabling physicians to use the most effective drug for Parkinson's disease – levodopa – earlier and more aggressively. PD-LID has been identified by the regulatory authorities, patient advocacy groups such as The Michael J. Fox Foundation for Parkinson's Research and key opinion leaders as a very important unmet medical need and yet there is no approved drug to treat this condition. We are also developing an extended release formulation of dipraglurant. The choice of two formulations offers the flexibility to tailor treatment to individual patients and their particular situation. It also offers the possibility of an extensive product range and comprehensive lifecycle management. For example and based on robust preclinical data, label expansions for dipraglurant could include treatment for: PD motor symptoms and/or non-motor symptoms, anxiety and depression, as well as a variety of dystonias. The potential market opportunity for dipraglurant in Parkinson's disease is well in excess of $1 billion, according to market research carried out by The Datamonitor Group for Addex. Further label expansion outside of Parkinson's disease could more than double the peak sales potential for dipraglurant.

We continue to be engaged in partnering discussions with a number of global players who we believe have the expertise and capability to fully exploit dipraglurant and are confident to have a deal completed sometime this year. We will carry out certain additional studies this year to support those discussions and continue to increase the value of this important asset to the company. While partnering discussions continue to support the advancement of dipraglurant in the treatment of PD-LID, we have decided to invest our own internal resources to advance dipraglurant into Phase 2 studies for a rare form of dystonia and expect to report data by the end of 2013.

Dystonia is a movement disorder that causes the muscles to contract and spasm involuntarily forcing the body into repetitive and often twisting movements, as well as awkward irregular postures. There are approximately 13 forms of dystonia some of which are represented by small patient populations, i.e. fewer than 200,000 in the United States. Dystonia causes varying degrees of disability and pain from mild to severe, and there is presently no cure. Although several drugs are utilized to treat dystonia, many patients are left inadequately treated. For example, botulinum toxin, which is a leading treatment focal dystonia, is not appropriate for segmental and generalized dystonia. Dipraglurant has been shown to be effective in treating dystonia in both humans and preclinical animal studies.

We plan to apply for an orphan-drug designation for dipraglurant since the designation would provide us regulatory and financial incentives to rapidly move the drug to market. Orphan-drug designation can also provide market exclusivity for a number of years. Overall, an orphan-drug approach can potentially provide Addex the opportunity to attain faster regulatory approvals; run relatively smaller and thus less costly clinical trials; gain market exclusivity upon launch; and therefore giving us an overall better chance of clinical and marketing success. It is worth noting that nearly half of the 39 drugs approved by the US FDA in 2012 had orphan-drug designations. We believe the data generated so far with dipraglurant and other mGlu5 NAMs in rare diseases such as dystonia combined with the benefit of potentially obtaining orphan-drug designation represent a compelling opportunity for Addex.

GABAB Receptor PAM

In 2012, we also made significant progress towards advancing several earlier stage programs. In our GABA-B receptor PAM program, we have selected a clinical candidate (ADX71441) and completed preclinical studies in support of a clinical trial application (CTA) filing for Phase 1 testing in Europe. This novel, first-in-class, oral, small molecule GABA-B receptor PAM, has demonstrated excellent preclinical efficacy and tolerability in several rodent models of pain, overactive bladder (OAB), anxiety, autism and Charcot-Marie-Tooth (CMT) disease. Activation of GABA-B receptor, a Family C class of GPCR, is clinically and commercially validated. Generic GABA-B receptor agonist, baclofen, is marketed for spasticity and some spinal cord injuries, and used for OAB, but its usage is limited due to rapid clearance, receptor sensitization and compliance-limiting side effects of the drug.

Earlier this year, the United States Patent and Trademark Office granted Addex a composition of matter patent covering ADX71441 and other GABA-B receptor PAMs. We are planning to file the CTA this quarter and dose first subjects in a Phase 1 clinical study in the first half of this year. The early biomarker pharmacology data from this Phase 1 study are expected to be reported by the end of 2013.

In late 2012, we announced that ADX71441 achieved positive proof of concept in a validated pre-clinical model of Charcot-Marie-Tooth 1a or CMT1a. CMT1a is a rare (1:10,000) hereditary motor and sensory demyelinating peripheral neuropathy which involves duplication of the PMP22 gene; and is characterized by severe and uniformly reduced nerve conduction velocities and primary hypertrophic myelin. CMT1a is one of the most common nerve-related disorders passed down through families. The disease is highly debilitating and accompanied by severe cases of neurological pain and muscular disability. There is no known cure for this incapacitating disease.

In keeping with our strategy to pursue rare disease indications for our internal clinical and pre-clinical pipeline, we plan to file for orphan drug designation and advance ADX71441 for CMT1a. We hope to move rapidly to a Phase 2 study in CMT1a in 2014.

mGlu4 PAM

In 2012, we also made significant progress in profiling mGlu4 PAMs. We announced positive proof of concept data for our lead mGlu4 PAM compound series in a validated rodent model for multiple sclerosis (MS). We believe mGlu4 PAM has the potential to offer a differentiated approach to treating MS. The preclinical data suggest that the mGlu4 PAM worked by promoting regulatory T-cell formation and reversing pro-inflammatory T-cell release. We believe that positive modulation of mGlu4 could potentially stop the destruction of myelin in MS in a robust and durable manner. Further, we believe this represents a major advance in the treatment of MS as our mGlu4 has the potential to not only treat symptoms, but also to slow disease progression and offer neuroprotection. In addition, we believe there may be application of this approach in the treatment of amyotrophic lateral sclerosis (ALS or Lou Gehrig disease) which would be appropriate for orphan drug designation. We expect to complete candidate selection this year and move into IND-enabling studies by early next year.

Janssen Partnership

In 2012, our partner Janssen Pharmaceuticals, Inc. (Janssen) completed a 92-patient Phase 2a study of ADX71149 for the treatment of schizophrenia. ADX71149 is an mGlu2 positive allosteric modulator (PAM), discovered and developed in collaboration with Janssen that has the potential to be the first oral non-dopaminergic drug that may address both the positive and negative symptoms of schizophrenia, in addition to other indications, such as anxiety. ADX71149 is differentiated from marketed antipsychotics in that it may show efficacy on negative symptoms and avoid compliance-limiting side effects like weight gain, hyperprolactinemia and tardive dyskinesia, which are associated with the use of dopamine antagonists.

The data from the Phase 2a study showed that ADX71149 met the primary objectives of safety and tolerability. In addition, ADX71149 also demonstrated an effect in schizophrenia patients with residual negative symptoms. Negative symptoms (typically comprising apathy, social withdrawal, loss of emotional expression and sleep disorders) are common, and occur in up to 90% of patients with schizophrenia. Currently available drugs do not always provide effective control and many patients remain with substantial disability as a result. Therefore, effective treatment of negative symptoms is a major unmet medical need in the management of schizophrenia.

Janssen has also initiated in 2012 a second Phase 2 PoC trial with ADX71149 for the treatment of patients with major depressive disorder with anxiety co-morbidity (anxious depression). Janssen has targeted completion of this phase 2a study by year end.

Janssen is a great partner and we are pleased with the progress that they are making on this program. Under the terms of this partnership, Janssen is responsible for all the costs of advancing this program through commercialization. We are eligible to receive development milestones totalling up to EUR112 million and low double-digit royalties on product sales.

Discovery Programs

Our discovery efforts have led to multiple early stage programs including: A2AR PAM, GLP-1 PAM, mGlu2 PAM/NAM, mGlu7 NAM, TNFR1 NAM, and TrkB PAM. These programs cover broad therapeutic indications from CNS to metabolism to inflammation. We expect to bring additional non-dilutive capital to the company by partnering these via licensing and strategic transactions in 2013.

Allosteric Modulation Technology Platform

Underlying the robust pipeline is our industry leading proprietary allosteric modulator discovery technology platform. Over the last 10 years, the Company has invested significant resources and time in building the infrastructure and developing the expertise for discovering and developing highly selective oral small molecule allosteric modulators. Our platform allows industrial scale high throughput screening and can be adapted for a broad range of targets, including targets considered "undruggable" using conventional approaches. Already we have succeeded in selectively targeting GPCRs, such as the glutamate receptors, GABA-B and A2A receptors with potent oral small molecules. Our platform has shown success with other receptor targets, such as receptor tyrosine kinases (RTKs), like TrkB, and other single-pass transmembrane receptors, such as the cytokine receptor TNFR1. Our technology platform can also be used effectively to target enzymes in a very selective manner, such as epigenetic and bacterial enzymes as well as kinases. These targets span a broad range of therapeutic areas, including CNS, inflammation, metabolic and oncology indications. In 2012, we continued to enhance our allosteric modulator discovery technology platform capabilities via both investment in novel proprietary screening tools and the expansion of our knowledge-based chemical library. Consistent with our new strategy, we plan to monetize the platform capability via licensing and strategic transactions.

Strong Intellectual Property Portfolio

In 2012, we continued to expand our dominant intellectual property portfolio with the filing of 7 new patent applications covering novel chemical entities and proprietary discovery technologies. In addition, new patents were issued for our lead compounds dipraglurant and GABA-BR PAMs.

Restructuring & Cash Conservation

Following a careful review of Addex operations over the past year as well as market, regulatory and partnering trends, the management and the Board of Directors decided that the Company should focus its capital and resources on clinical and pre-clinical-stage pipeline opportunities, especially in rare disease indications. To that end, we reduced the size of our operations in Geneva. Changes to organizational structure and operations will focus on advancing pipeline programs but will ensure that Addex maintains its core competencies and leadership position in oral small molecule allosteric modulator-based drug discovery. A significant reduction in discovery operations provides cash to fund our pre-clinical and clinical programs through the end of 2013. As a result, the Company is now on a much stronger footing and well positioned to achieve our near- and medium-term objectives.

2013 Catalysts and Milestones

The transformation of Addex into a development focused company is an important step in driving future success. We believe that the measures we took over the past 12-months positions Addex for long-term success and building significant shareholder value.

In 2013, we expect to initiate Phase 2 clinical testing of dipraglurant (mGlu5 NAM) in dystonia; submit an Orphan Drug Application in the U.S. and Europe for dipraglurant for the treatment of this rare disease; initiate Phase 1 testing of ADX71441 (GABAB-R PAM) and report early biomarker data by the end of the year; select a clinical candidate for an oral multiple sclerosis therapeutic (mGlu4 PAM), and establish a listing for Addex on a U.S. stock exchange, all of which we believe is achievable with our current cash. In addition, our partner Janssen expects to complete Phase 2 PoC trial with ADX71149 for the treatment of patients with anxious depression by year end.

In summary, we believe 2013 will be an important year for Addex. We have a robust pipeline with important near-term milestones, and cutting edge science. In addition, we are executing on our strategy of building a strong and successful clinical-stage company focused on development of innovative oral small molecule drugs for treatment of rare diseases and conditions. We are committed to building significant value for our shareholders and believe our ability to execute a clinical and regulatory strategy directed at rare diseases and orphan indications can drive this value. Finally, we would like to acknowledge and thank all our employees for their hard work, dedication, loyalty and perseverance through all the recent changes. We would also like to thank our shareholders for your continued support of the Company.

Financial Review 2012

Overview

The following review and discussion of our financial results for 2012 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 world-leading 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. We are pioneering oral small molecule allosteric modulation-based drug discovery and development against traditionally "undruggable" targets.

In 2012, we completed the Phase II testing in Parkinson's disease levodopa induced dyskinesia (PD-LID) of dipraglurant. This program was partially funded by an unrestricted grant of USD900,000 from the Michael J. Fox Foundation. We continued to invest in formulation development for dipraglurant and our GABABR-PAM program for which we selected ADX71441 for clinical development. We also invested in our discovery portfolio including further characterization of mGlu4 PAM compounds. We also enhanced our allosteric modulator discovery technology platform capabilities with investment in both novel proprietary screening tools and expansion of our allosteric modulator biased chemical library. In May, we implemented a restructuring of the Group to focus on our core strengths in allosteric modulator discovery and development which contributed to a year-on-year headcount reduction of 31%, corresponding to 25 full time equivalent employees (FTEs). At December 31, 2012 our headcount was 56.2 FTEs compared to 81.2 FTEs at December 31, 2011, and our average headcount excluding temporary staff decreased to 70.8 FTEs in 2012, compared to 105.8 FTEs in 2011.

On October 12, 2012, the Group issued 1,156,712 new shares at CHF1 from the authorized capital. 918,025 of these new shares were placed in a private placement at 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.

Our 2012 research and development expenditure decreased to CHF20.7 million and our general and administrative expenses were stable at CHF6.4 million. Income decreased to CHF0.1 million being recognized in the year resulting in a reduction in our net loss to CHF27.0 million. In addition our investments in property, plant and equipment remained stable at CHF0.2 million and we ended the year with a cash position of CHF15.3 million.

Results of operations

The following table presents our consolidated results of operations for the fiscal years 2012 and 2011:

Amounts in millions of Swiss francs	2012	2011
Income	**0.1**	**3.7**
Research and development expenses	(20.7)	(28.0)
General and administrative expenses	(6.4)	(6.7)
Total operating expenses	**(27.1)**	**(34.7)**
Operating loss	**(27.0)**	**(31.0)**
Finance result, net	-	(0.1)
Net loss for the year	**(27.0)**	**(31.1)**

Income

2012 income was CHF0.1 million, compared to CHF3.7 million recognized in 2011, comprising amounts recognized under the grant from the Michael J. Fox Foundation for Parkinson's Research to support the dipraglurant Phase II study in Parkinson's disease levodopa-induced dyskinesia.

Research and development expenses

As a result of the restructuring measures, R&D expenses decreased by 26% to CHF20.7 million in 2012, compared to CHF28 million in 2011, mainly due to a 26% decrease in our R&D staff costs and a 61% decrease in laboratory consumables, both directly resulting from the headcount reduction. In 2012, outsourced R&D services remained stable at CHF4.8 million, mainly driven by the cost of running the dipraglurant-IR Phase II testing, and ADX71441 IND enabling

toxicology studies which together represented approximately 80% of 2012 R&D outsourced expenses. The remaining 20% of 2012 R&D expenses relate to investing in existing discovery programs, including our mGlu4 PAM allosteric modulator discovery program, 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, though 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 CHF6.4 million in 2012, compared to CHF6.7 million in 2011, 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 CHF27.0 million for 2012, compared to CHF31.1 million for 2011, mainly due to the decrease in our operating expenses. Basic and diluted loss per share also decreased accordingly to CHF3.41 for 2012, compared to CHF4.19 for 2011.

Balance sheet & cash flows

We closed 2012 with cash and cash equivalents of CHF15.3 million, compared to CHF36.1 million at the end of 2011. This decrease of CHF20.8 million is mainly due to the cash used in operations of CHF29.5 million offset by cash inflows of CHF9.6 million net of CHF0.8 million of capital increase related costs from the issuance of new shares in October 2012. In addition CHF0.1 million was used for equity incentive plan related loans made to employees. Net cash used in operations has increased to CHF29.5 million for 2012, compared to CHF26.6 million for 2011 mainly due to reduced cash inflows from revenues and reduced trade payables.

Investments in property, plant and equipment during 2012 and 2011 were both limited to CHF0.2 million and related mainly to the acquisition of laboratory equipment. The net book value of property, plant and equipment decreased by CHF1.9 million to CHF2.1 million at December 31, 2012 compared to CHF4.0 million at December 31, 2011, primarily due to the annual depreciation charge as well as both the sale and impairment of certain assets which were affected by the restructuring.

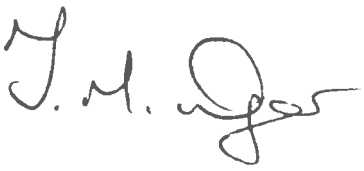
The total shareholders' funds have decreased to CHF16.3 million at December 31, 2012 compared to CHF33.8 million at December 31, 2011, mainly due to the net loss for the year.

Shares and shareholders' information

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. At December 31, 2012 the Company had 9,002,964 outstanding shares and a free float of 100%, compared to 7,835,878 and 100% at December 31, 2011. Our share price remained under pressure in 2012 and our closing share price and market capitalization increase to CHF9.59 and CHF86.3 million, compared to CHF5.55 and CHF43.5 million at December 31, 2011, respectively.

2013 outlook

On February 28, 2013 we announced the completion of a restructuring plan that reduced the headcount by 37 full time equivalents. The cost of the restructuring is estimated between CHF1.7 and CHF3.1 million. In 2013, we plan to focus our resources on our development stage pipeline with the initiation of a Phase II clinical trial of dipraglurant in dystonia and completion of Phase I testing of ADX71441. We also plan to invest in our mGlu4 PAM program and list on a U.S. stock exchange.



Tim Dyer
Chief Financial Officer

Corporate Governance 2012

General information

Addex' Articles of Association ("Articles"), Organizational Rules and Policies provide the basis for the principles of Corporate Governance.

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 12, 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.

Significant shareholders

As far as can be ascertained from the information available, the following shareholders own 3% or more of the Company's outstanding share capital as at December 31, 2012:

Shareholder	Number of shares	% of capital
BVF Partners L.P.[1]	2 439 184	27.09%
Sofinnova Capital IV FCPR[2]	806 648	8.96%
TVM V Life Science Ventures[3]	690 525	7.67%
Visium Asset Management L.P.[4]	488 114	5.42%

[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.

On December 31, 2012, the market capitalization of Addex was CHF86,338,425.

For a comprehensive list of notifications of shareholdings received during 2012 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 summarized below. The notifications made pursuant to article 20 SESTA are based on the voting rights entered into the commercial register at the date they were made.

On October 26, 2012, Vincent Mutel, 86 Grand Rue, 1180 Rolle, Switzerland, informed of reducing to below the threshold of 3% in purchase positions.

Further to the capital increase on October 12, 2012 and the consequential change in the Company's registered capital published on October 17, 2012: (1) on October 23, 2012, Visium Asset Management L.P., 888 Seventh Avenue, 22nd floor, New York, New York 10019, USA, informed of exceeding the threshold of 5% in purchase positions, holding a total of 488,114 shares, corresponding to 6.23% of the voting rights; (2) on October 23, 2012, Sofinnova Capital IV FCPR, 17 rue de Surène, 75008 Paris, France, informed of reducing to below the threshold of 10% in purchase positions, holding a total of 806,648 shares, corresponding to 8.97% of the voting rights; (3) on October 26, 2012, S.R. One Limited, One Franklin Plaza, 200 N. 16th Street, Philadelphia, PA 19102, USA, informed of reducing to below the threshold of 3% in purchase positions, holding a total of 253,253 shares, corresponding to 2.82% of the voting rights; (4) on November 9, 2012, The Swiss Helvetia Fund, Inc., 1270 Avenue of the Americas, Suite 400, New York, New York 10020, USA, informed of reducing to below the threshold of 3% in purchase positions, holding a total of 262,474 shares, corresponding to 2.92% of the voting rights and (5) on October 19, 2012 and October 23, 2012, the Company informed of exceeding the threshold of 3% in purchase positions, holding a total of 369,433 shares, corresponding to 4.71% of the voting rights and reducing to below the threshold of 20% in sale positions, with a total of 1,700,000 outstanding rights attached to equity instruments, corresponding to 18.90% of the voting rights, respectively.

On May 15, 2012, the Company informed of exceeding the threshold of 20% in sale positions, with a total of 1,700,000 outstanding rights attached to equity instruments, corresponding to 21.70% of the voting rights.

On January 10, 2012, The Swiss Helvetia Fund, Inc., 1270 Avenue of the Americas, Suite 400, New York, New York 10020, USA, informed of reducing to below the threshold of 5% in purchase positions, holding a total of 351,155 shares, corresponding to 4.48% of the voting rights.

Cross-shareholdings

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

Shareholder structure

There were 1,468 shareholders registered in the share register on December 31, 2012. The distribution of shareholdings is divided as follows:

Number of shares	Number of registered shareholders on December 31, 2012
1 to 100	370
101 to 1,000	858
1,001 to 10,000	200
10,001 to 100,000	27
100,001 to 1,000,000	13

The shareholder base on December 31, 2012 was constituted as follows:

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

Private persons	13.17%
Institutional shareholders	71.99%
Not registered	14.84%

Shareholder structure by country
(weighted by number of shares)

United States	42.63%
Switzerland	21.70%
France	9.82%
Germany	7.82%
Singapore	1.03%
Other	2.16%
Not registered	14.84%

Capital structure

As of December 31, 2012, the outstanding share capital amounted to CHF9,002,964 consisting of 9,002,964 registered shares with a nominal value of CHF1 per share. The share capital is fully paid up. As of December 31, 2012, Addex, directly or indirectly, held 369,433 shares in Addex.

Authorized share capital

According to the Articles, the Board of Directors (Board) is authorized, at any time until May 9, 2014 to increase the share capital in an amount of CHF2,761,227 through the issuance of 2,761,227 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 CHF1,700,000 through the issuance of a maximum of 1,700,000 registered shares, which shall be fully paid-in, with a par value of CHF1 per share by the exercise of option rights or subscription rights attached to bons de jouissance which the employees 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 CHF2,031,246 through the issuance of a maximum of 2,031,246 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 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.

In 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 2012 and 2011, 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 effected by a corresponding entry in the books of a bank or depository institution following an assignment in writing by the selling shareholder and notification of such assignment to 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, 2012, 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 except for Bharatt Chowrira are Non-Executive Directors, followed by a short description of each member's business experience, education and activities:

Name	First elected	Elected until	Board	CC	AC	NC
André J. Mueller	2007 (2002)[1]	2015	C	M		M
Vincent Lawton	2009	2015	V		C	
Raymond Hill	2008	2014	M	C		M
Hoyoung Huh	2011	2014	M			C
Antoine Papiernik	2007 (2002)[1]	2014	M	M		
Oleg Nodelman	2011	2014	M		M	
Bharatt Chowrira	2012	2015	M			

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

C Chairman
V Vice Chairman
M member

CC: Compensation Committee
AC: Audit Committee
NC: Nomination Committee

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 was educated at the University of London and holds undergraduate and PhD degrees in Psychology.

Raymond Hill

Dr. Hill was born in 1945 and is a UK citizen. From 2002 until he retired on April 30, 2008, Dr. Hill was Executive Director, Licensing and External Research, Europe for Merck Sharp & Dohme Research Laboratories, a subsidiary of Merck & Co., Inc. From 1997-2002 he was Executive Director, Pharmacology at the Neuroscience Research Centre engaged in drug discovery for Neuroscience indications at Merck. After joining Merck/MSD in 1990, Dr. Hill chaired a number of discovery project teams including those responsible for the marketed products Maxalt (for migraine) and Emend (for chemotherapy induced nausea and vomiting). Dr. Hill is currently Visiting Professor in Pharmacology and Honorary Business Development Advisor, Imperial College London; Visiting Industrial Professor of Pharmacology at the University of Bristol; Visiting Professor and Chairman of the External Advisory Board in the School of Biological and Health Sciences at the University of Surrey; and Visiting Professor in Physiology and Pharmacology at the University of Strathclyde. He is President Emeritus of the British Pharmacological Society and is a Member of Council, Academy of Medical Sciences. Dr Hill received BPharm and PhD degrees from the University of London. He was a lecturer in Pharmacology at the University of Bristol School of Medicine from 1974 to 1983. He is currently a Non-Executive Director of Orexo AB, Karolinska Development AB and Covagen AG.

Hoyoung Huh

Dr. Huh was born in 1969 and is a U.S. citizen. He is Chairman of the Board of Geron Corporation (NASDAQ: GERN), CytomX Therapeutics, and StemPar Sciences. He serves on the Board of Directors for AntriaBio, BayBio and EOS S.p.A.. 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 Jennerex Biotherapeutics, Calibra Medical, which was acquired by Johnson & Johnson in 2012, and 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.

Antoine Papiernik

Mr. Papiernik was born in 1966 and is a French citizen. He is a Managing Partner at Sofinnova Partners where he has been investing in life sciences since 1997. Previously he was with CDC-Innovation, the venture arm of the Caisse des Dépôts group. Since joining Sofinnova Partners, Mr. Papiernik has been an initial investor and active board member in public companies like Actelion, Addex, Orexo, NovusPharma (sold to CTI), Movetis (sold to Shire) and Stentys, which went public respectively on the Zürich stock exchange, the Stockholm stock exchange, the Milan Nuovo Mercato, the Belgium Stock Exchange, the Paris Stock Exchange, in Cotherix (initially NASDAQ listed, then sold to Actelion), CoreValve (sold to Medtronic) and Fovea (sold to Sanofi Aventis). He has also invested in and is a board member of private companies CoAxia, EOS, ReCor and Mainstay Medical. Antoine has an MBA from the Wharton School of Business.

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. At BVF, Mr. Nodelman's responsibilities included all aspects of the business including opportunity generation, deep diligence, portfolio management and trading. Prior to joining BVF in 2001, Mr. Nodelman was a consultant with Mercer Management Consulting (now Oliver Wyman), a consulting firm focused on strategy, operations, risk management, organizational transformation and leadership development. At Mercer, he worked with senior management from companies in a variety of industries to develop and implement long-term strategy and build shareholder value. Mr. Nodelman is a member of the President's Council at the Gladstone Institute. He holds a Bachelor of Science in Foreign Service with a concentration in Science and Technology from Georgetown University.

Bharatt Chowrira
President and Chief Executive Officer

Dr. Chowrira was born in 1965 and is a U.S. citizen. He has a strong track record in the biopharmaceutical industry with over 18-years of experience, combining a unique blend of research, licensing, corporate development, operations and legal expertise. Dr. Chowrira previously was the Senior Vice President and Chief Operating Officer of Nektar Therapeutics, a NASDAQ-traded U.S. biopharmaceutical company. At Nektar he led a team that established several revenue-generating strategic alliances. He also led efforts to streamline, realign and integrate operations across research, manufacturing, business development, marketing and multiple R&D sites. Before joining Nektar, Dr. Chowrira served as Executive Director, Worldwide Licensing & External Research at Merck & Co., Inc. Prior to that, he was a key member of the executive management team that restructured and re-launched Sirna Therapeutics, a development-stage biopharmaceutical firm focused on the discovery and development of RNAi-based drugs, which was acquired by Merck & Co., Inc. He has a Ph.D. in Microbiology and Molecular Genetics from the University of Vermont and a law degree (J.D.) from the College of Law at the University of Denver. Dr. Chowrira is a registered U.S. patent attorney and a licensed member of the Colorado Bar Association.

Except for Bharatt Chowrira, the President and Chief Executive Officer (CEO), none of the members of the Board have served in the management of the Company or any of its subsidiaries in 2012. There are no significant business connections between members of the Board and the Company or any of its subsidiaries.

Elections and terms of office

Addex' Articles provide for a Board consisting of between five and eleven members. We currently have seven 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 on May 9, 2012, André J. Mueller and Vincent Lawton were re-elected as Chairman and Vice-Chairman of the Board, respectively, for a term of three years, Bharatt Chowrira was elected as member of the Board for a term of three years, and Andrew Galazka resigned.

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 2012. 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.

Audit committee

The Audit Committee consists of the following members: Vincent Lawton (chairman) and Oleg Nodelman. 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 2012, the Audit Committee held two meetings to review the half year 2012 and full year 2011 financial statements and to generally review legal and regulatory compliance matters. The CEO was present at a portion of all meetings.

Compensation committee

The Compensation Committee consists of the following members: Raymond Hill (chairman), André J. Mueller and Antoine Papiernik. The Compensation Committee assists the Board in compensation related matters. It provides 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 meets as often as business requires. The Compensation Committee held two meetings in 2012 to review the 2011 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.

Nomination committee

The Nomination Committee consists of the following members: Hoyoung Huh (chairman), André J. Mueller and Raymond Hill. It recommends to the Board qualified candidates to serve as Board members and reviews candidates for Executive Management positions.

The Nomination Committee held five meetings during the year 2012 to review Board composition and nomination related matters, including identification, review and evaluation of candidates including the new CSO.

Working methods of the board of directors

In 2012, the Board held eight meetings with average duration of one half to two thirds of a day. All 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 14.

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 two times and attended two 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
Bharatt Chowrira	1965	President and Chief Executive Officer	USA
Tim Dyer	1968	Chief Financial Officer	British
Graham Dixon	1961	Chief Scientific Officer and Head of Research	British
Sonia Poli	1965	Vice President Translational Science	Italian

Bharatt Chowrira
President and Chief Executive Officer

Refer to page 14.

Tim Dyer
Chief Financial Officer

Since co-founding Addex in 2002, Mr. Dyer has played a pivotal role in building the Addex Group, raising CHF 273 million of capital, including Addex IPO, and negotiating licensing agreements with pharmaceutical industry partners. Prior to joining 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 2 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. He serves on the boards of Abionic SA, a private medical device start-up company focused on 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.

Graham Dixon
Chief Scientific Officer and Head of Research

Dr. Dixon has more than 20 years of experience in pharmaceutical research. Before joining Addex, Dr. Dixon was Chief Scientific Officer at Galapagos NV. In this role, Dr. Dixon was responsible for all research & early development within the company in multiple therapeutic areas as well as the management of more than 260 scientific personnel across three sites in the Netherlands, Belgium and France. Prior to Galapagos, Dr. Dixon was Chief Scientific Officer at Entomed SA, a developer of natural anticancer and anti-infective agents. Dr. Dixon joined Entomed from a similar role at antifungal therapeutic company, F2G Ltd. Before joining F2G, Dr. Dixon held several roles at AstraZeneca starting as a project manager in anti-infective research and culminating in the role of Global Product Director in the oncology division. He started his career as Head of Biochemistry at Dowelanco (UK) Ltd. Dr. Dixon earned his PhD in biochemistry from the University of Swansea and a BSc in applied biology from the University of Bradford.

Sonia Poli
Vice President Translational Science

Dr. Poli, who joined Addex in 2004, is an accomplished drug R&D professional with over 16 years international experience in large and small pharmaceutical companies with extensive experience and knowledge of drug discovery and preclinical development. At Addex she 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. She worked from 1997 to 2004 in the drug metabolism and pharmacokinetics (DMPK) area at Roche, where she was a key inventor and global head of a multidimensional optimization approach for drug discovery and development and played an important role in 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 30 research publications and patents.

Management contracts

There are no management contracts between Addex and third parties.

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 nine to eight members in 2012, with the departure of both the Head of Metabolic Disorders and Inflammation Projects and the Head of Human Resources during the year and the appointment of Dr. Graham Dixon as Chief Scientific Officer and Head of Research on July 3, 2012. On February 28, 2013, the Executive Management was reduced from eight to four members with the departure of the Chief Medical Officer, the Head of Chemistry, the Head of Biology and the Director of Business Development.

Compensation, shareholdings and loans

Total Compensation of the Non-Executive Directors and Executive Management slightly decreased in 2012 compared to 2011 primarily due to the reduction in the number of equity sharing certificates granted under the Group's equity incentive plan to the Executive Managers. Fixed cash compensation remained stable in 2012 for Non-Executive Directors and Executive Managers. The variable cash compensation decreased in 2012 compared to 2011 due to the reduction in the cash bonuses and the absence of interim committee of Non-Executive Directors.

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. The weighting of these criteria in determining the compensation of the Executive Management is at the discretion of the Board and reviewed annually by it.

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. In addition, the CEO and the CSO 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 18. No other fringe benefits are paid to Executive Managers. The remuneration of the CEO and other Executive Managers is approved by the Board on the recommendation of the Compensation Committee.

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 which is reviewed by the Compensation Committee 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.

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 2012. 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 12 and "Registration in the share register" 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 represented at the meeting 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 March 19, 2013 has been determined to be March 12, 2013.

Addex has not enacted any rules on the granting of exceptions in relation to these deadlines. No exceptions were granted in 2012, and the Board does not anticipate granting any exceptions related to the shareholders' meeting on March 19, 2013.

For further information on registration in the share register, please refer to section "Limitations on transferability of shares and nominee registration" on page 12.

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.

Executive Management employment contracts include a change of control provision that provides for the extension of the notice period by 1 year and the payment of 1.5 times the annual target bonus in the event of the Managers employment contract being terminated or there being a material change in job description or activities in connection with a change of control.

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 2012, PricewaterhouseCoopers SA and its affiliates charged the Group audit fees in the amount of CHF105,454.

Additional fees

In 2012, PricewaterhouseCoopers SA and its affiliates charged the Group additional fees in the amount of CHF15,563.

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 2012, the Audit Committee met with the auditors twice to discuss the scope and the results of their year-end audit for 2011 and the scope of the 2012 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 in March of the following year, and the Interim Report, usually published no later than in July, are both announced by press release. Annual Reports, Interim Reports and press releases are available on request in printed form to all registered shareholders, and are also made available on the Group's website at www.addextherapeutics.com. The Group's website, which is the Group's permanent source of information, also provides other information useful to investors and the public, including information on the Group's research and development programs as well as contact information. It is the Group's policy not to release explicit earnings projections, but it will provide general guidance to enable the investment community and the public to better evaluate the Group and its prospective business and financial performance. The Board has issued a disclosure policy to ensure that investors will be informed in compliance with the requirements of the SIX Swiss Exchange. The Group's investor relations department is available to respond to shareholders' or potential investors' queries under IR@addextherapeutics.com or via post at Addex Therapeutics Ltd., Investor Relations, Chemin des Aulx 12, CH-1228 Plan-les-Ouates, Geneva, Switzerland. Additional inquiries may also be made by phone at +41 22 884 1555.

Insider policy

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

Ethical business conduct

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

Consolidated Financial Statements of Addex Therapeutics Ltd as at December 31, 2012

Consolidated Balance Sheets as at December 31, 2012 and December 31, 2011

Amounts in Swiss francs	Notes	2012	2011
ASSETS			
Current assets			
Cash and cash equivalents	7	15,256,707	36,065,379
Other current assets	8	1,763,918	2,002,589
Total current assets		**17,020,625**	**38,067,968**
Non-current assets			
Intangible assets	9	97,596	32,217
Property, plant and equipment	10	2,089,574	3,964,409
Other non-current assets	11	2,527,895	1,551,483
Total non-current assets		**4,715,065**	**5,548,109**
Total assets		**21,735,690**	**43,616,077**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Payables and accruals	12	4,590,992	8,513,410
Provision for other current liabilities	13	65,193	214,628
Total current liabilities		**4,656,185**	**8,728,038**
Non-current liabilities			
Retirement benefit obligations	21	788,615	988,271
Provision for other non-current liabilities	13	-	63,812
Total non-current liabilities		**788,615**	**1,052,083**
Shareholders' equity			
Share capital	14	8,633,531	7,705,132
Share premium	14	257,715,600	249,753,750
Other reserves		6,030,657	5,447,145
Accumulated deficit		(256,088,898)	(229,070,071)
Total shareholders' equity		**16,290,890**	**33,835,956**
Total liabilities and shareholders' equity		**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, 2012 and 2011

Amounts in Swiss francs	Notes	2012	2011
Income			
Fees from collaborations & sale of license rights	5	-	2,823,447
Other income	17	121,089	919,546
Total income		**121,089**	**3,742,993**
Operating expenses			
Research and development	18	20,650,240	27,985,645
General and administration	18	6,481,263	6,731,247
Total operating expenses		**27,131,503**	**34,716,892**
Operating loss		**27,010,414**	**30,973,899**
Finance income	22	22,662	72,199
Finance expense	22	(31,075)	(239,368)
Finance result, net		**(8,413)**	**(167,169)**
Net loss before tax		**27,018,827**	**31,141,068**
Income tax expense	20	-	-
Net loss for the year		**27,018,827**	**31,141,068**
Loss per share for loss attributable to the equity holders of the Company, expressed in Swiss francs per share basic and diluted	23	(3.41)	(4.19)

Consolidated Statements of Comprehensive Income for the years ended December 31, 2012 and 2011

Amounts in Swiss francs	2012	2011
Net loss for the year	**27,018,827**	**31,141,068**
Other comprehensive loss		
Currency translation differences	(3,030)	48,864
Other comprehensive (gain) / loss for the year, net of tax	**(3,030)**	**48,864**
Total comprehensive loss for the year	**27,015,797**	**31,189,932**

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

Consolidated Statements of Changes in Equity for the years ended December 31, 2012 and 2011

Amounts in Swiss francs	Notes	Share capital	Share premium	Other reserves	Equity instruments	Accumulated deficit	Total
Balance at January 1, 2011		**6,334,180**	**237,487,830**	**4,723,069**	**13,798,126**	**(197,929,003)**	**64,414,202**
Net loss for the year		-	-	-	-	(31,141,068)	(31,141,068)
Translation differences		-	-	(48,864)	-	-	(48,864)
Other comprehensive loss for the year		-	-	(48,864)	-	-	(48,864)
Total comprehensive loss for the year		**-**	**-**	**(48,864)**	**-**	**(31,141,068)**	**(31,189,932)**
Issue of shares - MCN conversion	14	1,371,069	12,427,057	-	(13,798,126)	-	-
Cost of share capital issuance		-	(161,137)	-	-	-	(161,137)
Share based compensation	15	-	-	772,940	-	-	772,940
Purchase of treasury shares		(117)	-	-	-	-	(117)
Balance at December 31, 2011		**7,705,132**	**249,753,750**	**5,447,145**	**-**	**(229,070,071)**	**33,835,956**
Net loss for the year		-	-	-	-	(27,018,827)	(27,018,827)
Translation differences		-	-	3,030	-	-	3,030
Other comprehensive gain for the year		-	-	3,030	-	-	3,030
Total comprehensive loss for the year		**-**	**-**	**3,030**	**-**	**(27,018,827)**	**(27,015,797)**
Issue of shares - capital increase	14	918,025	8,721,238	-	-	-	9,639,263
Cost of share capital issuance – capital increase	14	-	(780,195)	-	-	-	(780,195)
Issue of shares - ESC exercise	14	10,374	31,122	-	-	-	41,496
Cost of share capital issuance – ESC exercise	14	-	(10,315)	-	-	-	(10,315)
Share based compensation	15	-	-	580,482	-	-	580,482
Balance at December 31, 2012		**8,633,531**	**257,715,600**	**6,030,657**	**-**	**(256,088,898)**	**16,290,890**

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

Consolidated Statements of Cash Flows for the years ended December 31, 2012 and 2011

Amounts in Swiss francs	Notes	2012	2011
Cash flows from operating activities			
Net loss for the year		(27,018,827)	(31,141,068)
Adjustments for:			
Depreciation and amortization	9/10	2,104,420	2,927,636
(Gain) / loss on disposal of fixed assets		(75,531)	(50,713)
Write off of non-current assets		85,432	-
Impairment of non-current assets		287,344	130,839
Value of share-based services	15	580,482	772,940
Changes in pension costs	21	(199,656)	395,794
Finance result, net	22	8,413	167,169
Changes in working capital:			
Other current assets		(1,113,302)	690,114
Deferred income, payables and accruals		(4,111,713)	(443,342)
Net cash used in operating activities		**(29,452,938)**	**(26,550,631)**
Cash flows from investing activities			
Proceeds from sale of fixed assets		144,452	21,820
Purchase of intangible assets	9	(111,759)	(15,034)
Purchase of property, plant and equipment	10	(219,147)	(189,280)
Loans granted to employees		(45,917)	(183,423)
Loans granted to related parties	25	(82,737)	(464,557)
Loans repayments received from employees		44,663	-
Loans repayments received from related parties	25	22,747	-
Interest received	22	22,662	72,199
Net cash used in investing activities		**(225,036)**	**(758,275)**
Cash flows from financing activities			
Proceeds from issue of shares – capital increase		9,639,263	-
Proceeds from issue of shares – ESCs exercise		41,496	-
Costs paid on issue of shares		(780,195)	(183,137)
Purchase of treasury shares		-	(117)
Net cash from / (used in) financing activities	**14**	**8,900,564**	**(183,254)**
Decrease in cash and cash equivalents		**(20,777,410)**	**(27,492,160)**
Cash and cash equivalents at beginning of the year	7	36,065,379	63,797,325
Exchange loss on cash and cash equivalents		(31,262)	(239,786)
Cash and cash equivalents at end of the year	**7**	**15,256,707**	**36,065,379**

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

Notes

Notes to the Consolidated Financial Statements for the years ended December 31, 2012 and 2011 (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 12, CH-1228 Plan-les-Ouates, Geneva, Switzerland and the parent company of Addex Pharma SA and Addex Pharmaceuticals France SAS. Its registered shares are traded at the SIX, Swiss Exchange, under the ticker symbol ADXN.

To date, the Group has financed its cash requirements primarily from share issuances and out-licensing certain of its research and development stage products. The Group is a development stage enterprise and is exposed to all the risks inherent in establishing a business. Inherent in the Group's business are various risks and uncertainties, including the substantial uncertainty that current projects will succeed. The Group's success may depend in part upon its ability to (i) establish and maintain a strong patent position and protection, (ii) enter into collaborations with partners in the pharmaceutical industry, (iii) acquire and retain key personnel, and (iv) acquire additional capital to support its operations. The Board of Directors (Board) believes the Group will be able to meet all of its obligations for a further 12 months as they fall due and, hence, the 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 January 31, 2013. They are subject to approval by the shareholders on March 19, 2013.

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, 2011.

The adoption of new standards, amendments to standards and interpretations which are mandatory for financial periods beginning on or after 1 January 2012 did not have a material impact on the Group financial position or on the disclosure.

New standards, amendments to standards and interpretations, that have been issued but are not mandatory for the financial year beginning January 1, 2012, have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

- IAS 19 (revised), effective January 1, 2013, will have an impact on the Group financial position as well as on the disclosure. Under the revised standard, the "corridor and spreading" option to account for actuarial gains and losses (now called re-measurements) will be 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 assessed the full impact of the adoption of the revised standard, with the preparation of comparative data for the year ended December 31, 2012: had the Group early adopted IAS 19 (revised) and applied it for the year ended December 31, 2012, then the Group would have recognized a total liability of CHF2,763,829 for its defined benefit plan as at December 31, 2012, out of which CHF381,268 would have been recognized through the statement of income and CHF2,382,561 would have been recognized as other comprehensive loss. This is compared with the total liability of CHF788,715, which was fully recognized through the statement of income as at December 31, 2012, based on currently applicable standards

2.2 Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. 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 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment 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 other non-current assets in the balance sheet (see note 8 and 11).

Loans and receivables are initially measured at fair value plus transaction costs that are directly attributable and subsequently measured at amortized cost. Amortized cost is the amount at which the loan or receivable is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount.

Loans and receivables are recognized on the trade-date, the date on which the Group commits to purchase or sell the asset. Loans and receivables are derecognized when settled or when the rights to receive cash flows have expired.

A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of impairment is the difference between the carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in the statement of income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment 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, in equity from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental cost (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effect, is included in equity attributable to the Company's equity holders.

2.11 Equity instruments

Equity instruments issued by the Group are recorded at the fair value of the proceeds received, net of direct issuance costs.

2.12 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.13 Grants

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

2.14 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.15 Employee benefits

Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has defined benefit plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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 together with adjustments for unrecognized actuarial gains or losses and past service costs. 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.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specific period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

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 and development costs are expensed as incurred. Costs incurred on development projects are recognized as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

In the opinion of management, due to uncertainties inherent in the development of the Group's products, the criteria for development costs to be recognized as an asset, as prescribed by IAS 38, "Intangible Assets", are not met.

Property, plant and equipment used for research and development purposes are capitalized and depreciated in accordance with the Group's property, plant and equipment policy (see note 2.5).

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and capital risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the Group's finance department (Group Finance) under the policies approved by the Board. Group Finance identifies, evaluates and in some instances economically hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, use of derivative financial instruments and non-derivative financial instruments, credit risk, and investing excess liquidity.

Market risk

The Group operates internationally and is exposed to foreign exchange risk arising from various exposures, primarily with respect to the Euro, US dollar and UK pound. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. To manage foreign exchange risk Group Finance maintains foreign currency cash balances to cover anticipated future requirements. The Group's risk management policy is to economically hedge 50% to 100% of anticipated transactions in each major currency for the subsequent 12 months. The Group has a subsidiary in France, whose net assets are exposed to foreign currency translation risk. In 2012, a 10% increase or decrease in the EUR/CHF exchange rate would have resulted in a CHF222,763 (2011: CHF181,369) increase or decrease in net income and shareholders' equity as at December 31, 2012, a 10% increase or decrease in the GBP/CHF exchange rate would have resulted in a CHF193,305 (2011: CHF161,789) increase or decrease in net income and shareholders' equity as at December 31, 2012 and a 10% increase or decrease in the USD/CHF exchange rate would have resulted in a CHF145,287 (2011: CHF301,139) increase or decrease in net income and shareholders' equity as at December 31, 2012. 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 24 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, pursuing strategic alternatives and executing restructuring options (see note 26). Regarding restructuring, the Board can align the cash outflows of the Group for 2013 to the currently available cash resources by focusing activities around products in the current clinical pipeline. 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 other non-current 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 EUR1,116,467 (CHF1,348,022) 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 CHF1,348,022.

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 and 2012 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 2012 for ESCs would have been CHF472,700 or CHF653,575, respectively (2011: CHF512,187 or CHF718,811, respectively). This is compared to the amount recognized as an expense for ESCs in 2012 of CHF554,444 (2011: 605,666). 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, 2012, the Group has made loans to its employees for CHF1,393,672 (2011: CHF1,265,018), loans amounting to CHF216,271 (2011: CHF130,839) relating to forfeited or expired subscription rights or subscription rights that are expected to forfeit or expire were written off and CHF67,410 (2011: nil) of loans were reimbursed further to the exercise of subscription rights attached to ESCs. The net loan amount as at December 31, 2012 was CHF1,109,991 (2011: CHF1,134,179), out of which CHF135,936 (2011: nil) were assessed as recoverable within 12 months and CHF974,055 (2011: CHF1,134,179) 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, 2012 of CHF9.59 and expected forfeiture and expiry rates. As a result the non-current portion of the loan was impaired by CHF227,994 (2011: nil) and the current portion of the loan by CHF59,349. Had the Group made different assumptions regarding the recoverability of the loan, then the provision would have increased or decreased accordingly. This would have resulted in an expense of between CHF0 and CHF1,109,991, compared to the amount recognized as an expense in 2012 of CHF287,343 (2011: nil).

4.2 Critical judgments in applying the accounting policies

Income recognition

In 2011, the Group recognized a CHF2,598,200 milestone payment received under the Janssen Pharmaceuticals Inc. agreement executed on December 31, 2004 (see note 16) when the milestone payment fell due, since there was no significant continuing involvement in the development of the product. Had the Group been significantly involved in the continuing development of the product, the Group would have recognized the milestone of CHF2,598,200 over the period of continuing involvement.

Development supplies

At December 31, 2012, the Group owns development supplies that have been expensed in the statement of income. These amounts have not been recognized on the balance sheet as an asset since they are to be used in pre-clinical and clinical trials of specific products that have not demonstrated technical feasibility.

5. Segment information

5.1 Reportable segments

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

5.2 Entity wide information

Information about products, services and major customers

External income of the Group for the years ended December 31, 2012 and 2011 is derived from the business of developing drugs for human health. Income was earned from collaborative arrangements and the sale of license rights to pharmaceutical companies.

Information about geographical areas

External income is recorded in the Swiss operating company as fees from collaborations and sale of license rights.

Analysis of income by nature is detailed as follows:

	2012	2011
Milestones	-	2,598,200
Technology access fees	-	225,247
Total income	**-**	**2,823,447**

Analysis of income by major customer is detailed as follows:

	2012	2011
Merck & Co., Inc (USA	-	225,247
Janssen Pharmaceuticals Inc., (USA	-	2,598,200
Total income	**-**	**2,823,447**

For more detail, refer to note 16, "License and collaboration agreements".

The geographical analysis of assets is as follows:

	December 31, 2012	December 31, 2011
Switzerland	20,161,038	43,246,120
Current	16,803,050	37,707,264
Non-current	3,357,988	5,538,856
Europe	1,574,652	369,957
Current	217,575	360,704
Non-current	1,357,077	9,253
Total assets	**21,735,690**	**43,616,077**

The geographical analysis of capital expenditure is as follows:

	2012	2011
Switzerland	300,422	223,440
Europe	-	3,903
Total capital expenditure	**300,422**	**227,343**

The geographical analysis of operating expenses is as follows:

	2012	2011
Switzerland	27,066,232	32,409,129
Europe	65,271	2,307,763
Total operating expenses (note 18)	**27,131,503**	**34,716,892**

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, 2012	December 31, 2011
Cash at bank and on hand	15,256,707	28,565,379
Short term deposits	-	7,500,000
Total cash and cash equivalents	**15,256,707**	**36,065,379**

In 2012, the effective interest rate on cash and cash equivalents was 0.10% (2011: 0.15%).

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, 2012	December 31, 2011
P-1 / A-1	15,251,066	36,060,039
Cash on hand	5,641	5,340
Total cash and cash equivalents	**15,256,707**	**36,065,379**

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, 2012	December 31, 2011
Receivables	905,880	666,536
Loans to employees	72,233	-
Loans to related parties (note 25)	4,354	-
Prepayments	781,451	1,326,941
Accrued interest income	-	9,112
Total other current assets	**1,763,918**	**2,002,589**

As at December 31, 2012, the current portions of the loans made to employees (CHF108,447) and of the loans made to related parties (CHF27,489), respectively, to finance the tax and social charges consequences of the grants of ESCs, were impaired by CHF59,349 and the related charge was recognized in other employee costs (see note 19).

9. Intangible assets

	Computer software licenses
At January 1, 2011	
Cost	771,917
Accumulated amortization	(687,999)
Net book value	**83,918**
Year ended December 31, 2011	
Opening net book amount	83,918
Exchange differences	(126)
Additions	14,083
Disposals	(2,385)
Amortization charge	(63,273)
Closing net book amount	**32,217**
At December 31, 2011	
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**

The Group recorded an amortization charge in 2012 of CHF35,933 (2011: CHF52,712) as part of research and development expenses and CHF10,447 (2011: CHF10,561) as part of general and administration expenses.

10. Property, plant and equipment

	Buildings	Leasehold improvements	Equipment	Furniture & fixtures	Chemical library	Total
At January 1, 2011						
Cost	32,698	8,124,978	11,444,694	1,351,477	1,086,947	22,040,794
Accumulated depreciation	(8,173)	(4,627,868)	(8,824,020)	(1,006,240)	(906,292)	(15,372,593)
Net book value	**24,525**	**3,497,110**	**2,620,674**	**345,237**	**180,655**	**6,668,201**
Year ended December 31, 2011						
Opening net book amount	24,525	3,497,110	2,620,674	345,237	180,655	6,668,201
Exchange differences	-	(8,604)	(3,692)	(364)	-	(12,660)
Additions	-	13,622	153,026	12,780	33,832	213,260
Disposals	-	(1,173)	(33,690)	(5,166)	-	(40,029)
Impairment charge	-	(399,848)	(11,705)	(8,940)	-	(420,493)
Depreciation charge	(1,307)	(776,546)	(1,475,966)	(128,087)	(61,964)	(2,443,870)
Closing net book amount	**23,218**	**2,324,561**	**1,248,647**	**215,460**	**152,523**	**3,964,409**
At December 31, 2011						
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**

The Group recorded a depreciation charge in 2012 of CHF1,940,554 (2011: CHF2,779,844) as part of research and development expenses and CHF117,486 (2011: CHF84,519) as part of general and administration expenses.

11. Other non-current assets

	December 31, 2012	December 31, 2011
Security rental deposit	433,812	417,304
Other deposits	1,348,022	-
Loans to employees	187,210	358,912
Loans to related parties (note 25)	558,851	775,267
Total other non-current assets	**2,527,895**	**1,551,483**

As at December 31, 2012, the Company has recorded an amount of EUR1,116,467 (CHF1,348,022) in other non-current assets for an escrow account related to claims from the French tax authorities that are in dispute.

As at December 31, 2012, the non-current portions of the loans made to employees (CHF262,885) and of the loans made to related parties (CHF711,170), respectively, to finance the tax and social charges consequences of the grants of ESCs, were impaired by CHF227,994 and the related charge was recognized in other employee costs (see note 19).

12. Payables and accruals

	December 31, 2012	December 31, 2011
Trade payables	709,643	1,685,696
Social security and other taxes	332,250	871,649
Accrued expenses	3,549,099	5,956,065
Total payables and accruals	**4,590,992**	**8,513,410**

All payables mature within 3 months.

13. Provisions for other liabilities

	Current	Non-current
At January 1, 2011	-	-
Provision linked to restructuring charges:		
Termination of employment contracts	13,075	-
Costs of fixed assets disposal	7,780	-
Termination of lease contracts	193,773	63,812
At December 31, 2011	**214,628**	**63,812**
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**	**-**

During 2012, CHF212,702 of the total amount of CHF278,440 provided for as at December 31, 2011 were used. Provisions of CHF65,193 as at December 31, 2012 pertain to the termination of lease contracts and are expected to be fully utilized within 12 months. The costs of provisions made have been recognized as operating expenses in the consolidated statements of income.

14. Share capital and share premium

Number of shares	Common shares	Treasury shares	Total
Balance at January 1, 2011	**6,464,809**	**(130,629)**	**6,334,180**
Issue of shares - capital increase	1,371,069	-	1,371,069
Purchase of treasury shares	-	(117)	(117)
Balance at December 31, 2011	**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**

At December 31, 2012, the total outstanding share capital is CHF9,002,964 (December 31, 2011: CHF7,835,878), consisting of 9,002,964 shares (December 31, 2011: 7,835,878). All shares have a nominal value of CHF1 and are fully paid.

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

	2012	2011
Non-executive directors and consultants	9,783	33,905
Executives and employees (note 19	570,699	739,035
Total share-based compensation	**580,482**	**772,940**

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

	2012	2011
Equity sharing certificate plan	554,444	605,666
Share option plans	26,038	160,343
Non voting share plans	-	6,931
Total share-based compensation	**580,482**	**772,940**

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. ECSs 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. The ESCs granted are subject to a 4 year quarterly vesting period. 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.

On January 1, 2011 and July 1, 2011, the Group granted 6 ESCs, respectively at a floor price of CHF14.00 per share and a subscription price of CHF7.00 per share. The ESCs granted are subject to a 4 year quarterly vesting period. 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. The ESCs granted are subject to the following vesting conditions: (a) 120 ESCs will vest over 4 years, with a 1 year cliff period for 30 ESCs to vest, and the remaining 90 ESCs vesting quarterly over the next 3 years; (b) 100 ESCs will vest anytime in the next 3 years upon the earlier of (i) the Company's stock reaching CHF25 per share or (ii) the market capitalization of the Company reaching CHF240M, or (iii) after the end of the 3 year service period, provided that if the Company's stock is trading at least CHF16.25 (on a 30-day trading average), then at least 50% of the 100 ESCs shall vest on an upward sliding scale depending on the stock price from CHF16.25 to CHF25; and (c) 100 ESCs will vest anytime in the next 4 years upon the earlier of (i) the Company's stock reaching CHF40 per share or (ii) the market capitalization of the Company reaching CHF360M or (iii) after the end of the 4 year service period, provided that if the Company's stock is trading at least CHF26 (on a 30-day trading average) then at least 50% of the 100 ESCs shall vest on an upward sliding scale depending on the stock price from CHF26 to CHF40. In the event of a change of control of Addex resulting from the "merger of equals" or if the market cap of Addex reaches CHF 240 Million or CHF360 Million solely due to recapitalization of the Company, then 200 ESCs shall not automatically vest upon the occurrence of such event. In such a case the capitalization targets will be adjusted by the Board of Directors to take into account such circumstances. 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. The ESCs granted are subject to the following vesting conditions: (a) 225 ESCs are subject to a 4 year quarterly vesting period; (b) 35 ESCs will vest at the earlier of (i) achieving undisclosed performance conditions by certain predefined time points in 2012 or (ii) the end a period ending December 31, 2012; (c) 40 ESCs will vest at the achievement of undisclosed performance conditions by certain predefined time points in 2012, with expiry at the end of 2012; (d) 25 ESCs will vest anytime in the next 2 years upon the Company's stock reaching CHF25 per share, with expiry at the end of 2013; and (e) 35 ESCs will vest anytime in the next 4 years upon the Company's stock reaching CHF40 per share, with expiry at the end of 2014. 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.

On April 1, 2012, the Group granted 1 ESC at a floor price of CHF13.00 per share and a subscription price of CHF6.50 per share. The ESC granted is subject to a 4 year quarterly vesting period. On May 3, 2012, the Group granted 50 ESCs at a floor price of CHF13.00 per share and a subscription price of CHF6.50 per share. The ESCs will vest after the end of a service condition ending December 31, 2012. On June 29, 2012, the Group granted 90 ESCs at a floor price of CHF13.00 per share and a subscription price of CHF6.50 per share. The ESCs granted are subject to the following vesting conditions: (a) 80 ESCs will vest over 4 years, with a 1 year cliff period; (b) 10 ESCs will vest quarterly over 4 years. On October 1, 2012, the Group granted 5 ESCs at a floor price of CHF13.00 per share and a subscription price of CHF6.50 per share. The ESCs granted are subject to a 4 year quarterly vesting period.

The Group has committed to grant a further 8 ESCs on January 1, 2013 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.

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

	2012	2011
At January 1	1,373,500	725,000
Granted	146,000	692,000
Forfeited	(169,817)	(36,312)
Expired	(44,270)	(7,188)
Exercised	(10,374)	-
At December 31	**1,295,039**	**1,373,500**

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:

	2012	2011
Research and development	407,685	391,839
General and administration	146,759	213,827
Total share-based compensation for ESCs	**554,444**	**605,666**

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, 2012 and December 31, 2011.

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:

	2012	2011
Research and development	15,032	84,704
General and administration	11,006	75,639
Total share-based compensation for share options	**26,038**	**160,343**

At December 31, 2012, of the outstanding 1,295,039 subscription rights (2011: 1,373,500) attached to the ESCs, 548,293 (December 31, 2011: 257,813) were exercisable.

The outstanding subscription rights as at December 31, 2012 and 2011 have the following expiry dates, subscription prices and floor prices:

	Subscription prices / floor prices (CHF)				
At December 31, 2012 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**

	Subscription prices / floor prices (CHF)			
At December 31, 2011 Expiry date	**4.00 / 8.00**	**7.00 / 14.00**	**7.50 / 15.00**	**Total**
2015	-	6,000	681,500	687,500
2016	360,000	6,000	320,000	686,000
Total subscription rights	**360,000**	**12,000**	**1,001,500**	**1,373,500**

The weighted average fair value of subscription rights attached to ESCs granted during 2012 determined using a customized binomial valuation model was CHF0.64 (2011: CHF0.70). The significant inputs to the model were:

	2012	2011
Weighted average share price / share price at the grant date	CHF8.69	CHF7.67
Weighted average subscription price / subscription price per share	CHF6.50	CHF5.67
Weighted average floor price / floor price per share	CHF13.00	CHF11.34
Weighted average volatility / volatility	52.36%	49.84%
Dividend yield	-	-
Weighted average annual risk free rate / annual risk-free rate	0.07%	0.40%

Non voting share equity incentive plans

Prior to December 31, 2006, the Group established two non voting share equity incentive plans to provide certain directors, executives, employees and consultants of the Group with an opportunity to subscribe or purchase shares of the Company at a preferential price. The plans established a right for the Company to repurchase a number of shares on a straight line basis during a limited period of time of 4 or 5 years depending on the terms of each plan in the event of the contractual relationship being terminated. As at December 31, 2011, this right to repurchase has been terminated for both plans, and the Company has no further right to repurchase the shares that became fully owned by their holders. The total share-based compensation expense recognized in the statement of income for non voting share equity incentive plans was CHF6,931 in 2011 (2012: nil).

16. License and collaboration agreements

Janssen Pharmaceuticals Inc. (formerly Ortho-McNeil-Janssen Pharmaceuticals Inc).

On December 31, 2004, the Group entered into a research collaboration and license agreement with Janssen Pharmaceuticals Inc. (JPI). In accordance with this agreement, JPI has acquired an exclusive worldwide license to develop mGluR2PAM compounds for the treatment of human health. The Group is eligible for future payments contingent on the products from the research achieving certain development milestones. The Group is also eligible for low double digit royalties on net sales. Under the agreement, JPI made a EUR2,000,000 (CHF2,598,200) milestone payment that has been recognized as income during 2011. No income has been recognized under this agreement in 2012.

Merck Sharp & Dohme Research Ltd.

During 2011 total fees of CHF225,247 have been recognized as income under the research collaboration and license agreement with Merck Sharp & Dohme Research Ltd that was executed on November 30, 2007. This agreement was terminated in 2011.

17. Other income

	2012	2011
Research grants	121,089	675,449
Research tax credit	-	244,097
Total other income	**121,089**	**919,546**

During 2012, the Group recognized CHF121,089 (2011: CHF675,449) of other income 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

	2012	2011
Staff costs (note 19)	11,044,302	14,924,426
Depreciation and amortization	2,104,420	2,927,636
External research and development costs	4,755,956	4,759,157
Laboratory consumables	1,269,187	3,239,007
Operating leases	1,809,281	2,569,497
Other operating expenses	6,148,357	6,297,169
Total operating expenses	**27,131,503**	**34,716,892**

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

	2012	2011
Wages and salaries	8,398,033	11,236,404
Social charges and insurances	833,073	1,261,860
Value of share-based services (note 15)	570,699	739,035
Pension costs – defined contribution plans	-	39,490
Pension costs – defined benefit plans (note 21)	492,469	1,272,913
Other employee costs	750,028	374,724
Total staff cost (note 18)	**11,044,302**	**14,924,426**

20. Taxes

	December 31, 2012	December 31, 2011
Loss before tax	27,018,827	31,141,068
Tax calculated at a tax rate of 7.8% (2011:7.8%)	2,107,469	2,429,003
Effect of different tax rates in other countries	(4,564)	(146,806)
Expenses charged against equity	61,660	12,568
Expenses not deductible for tax purposes	(45,278)	(60,289)
Tax losses not recognized as deferred tax assets	(2,119,287)	(2,234,476)
Income tax expense	**-**	**-**

The Group is subject to Swiss income taxes and has a tax loss carry forward of CHF212,194,219 as of December 31, 2012 (2011: CHF201,485,556), of which CHF154,034,324 (2011: CHF136,699,141) expire within the next five years and CHF58,159,895 (2011: CHF64,786,415) will expire between five and seven years. Tax losses of CHF16,310,164 expired in 2012 (2011: CHF15,054,017).

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, plan assets have been estimated at fair market values and liabilities have been calculated according to the "projected unit credit" method.

The Group recorded a pension benefit charge in 2012 of CHF492,469 (2011: CHF1,272,913) as part of staff costs. At December 31, 2012, the difference between the unrecognized actuarial losses of CHF1,975,214 (2011: CHF1,869,645) and the negative status of the pension funds of CHF2,763,829 (2011: CHF2,857,916) is recorded in non-current liabilities.

Pension benefits

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

	2012	2011
Present value of funded obligations	(9,277,580)	(8,892,019)
Fair value of plan assets	6,513,751	6,034,103
Funded status	(2,763,829)	(2,857,916)
Unrecognized net losses	1,975,214	1,869,645
Accrued pension costs	**(788,615)**	**(988,271)**

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

	2012	2011
Current service cost	1,340,391	1,973,843
Interest cost	172,138	275,326
Expected return on plan assets	(189,371)	(286,720)
Employees' contributions	(586,388)	(757,816)
Amortization of unrecognized losses	40,491	68,280
Curtailment gain	(284,792)	-
Total included in staff costs (note 19)	**492,469**	**1,272,913**

The movement in the liability recognized in the balance sheet is as follows:

	2012	2011
Liability at beginning of year	(988,271)	(592,477)
Total expense charged in the statement of income	(492,469)	(1,272,913)
Contributions paid	692,125	877,119
Liability at end of year	**(788,615)**	**(988,271)**

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

	2012	2011
Defined benefit obligation at beginning of year	(8,892,019)	(10,011,872)
Service cost	(1,340,391)	(1,973,843)
Interest cost	(172,138)	(275,326)
Change in assumptions	90,798	(331,071)
Actuarial (losses) / gains	(553,126)	800,543
Benefit payments	(417,200)	2,899,550
Curtailment	2,006,496	-
Defined benefit obligations at end of year	**(9,277,580)**	**(8,892,019)**

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

	2012	2011
Fair value of plan assets at beginning of year	6,034,103	7,167,994
Expected return on plan assets	189,371	286,720
Employees' contributions	586,388	757,816
Company contribution	692,125	877,119
Plan assets actuarial losses	(105,620)	(155,996)
Benefit payments	417,200	(2,899,550)
Curtailment	(1,299,816)	-
Fair value of plan assets at end of year	**6,513,751**	**6,034,103**

The movement in the unrecognized net losses at the beginning of the year is as follows:

	2012	2011
Unrecognized losses at beginning of year	1,869,645	2,251,401
Amortization	(40,491)	(68,280)
Change in actuarial assumptions	(90,798)	331,071
Actuarial losses / (gains)	553,126	(800,543)
Plan assets actuarial losses	105,620	155,996
Curtailment	(421,888)	—
Unrecognized losses at end of year	**1,975,214**	**1,869,645**

The actual return on plan assets is a gain of CHF83,751 in 2012 (2011: CHF130,724).

The principal actuarial assumptions used were as follows:

	2012	2011
Discount rate	2.15%	2.50%
Expected return on plan assets	n/a	4.00%
Future salary increases	1.50%	1.50%
Future pension increases	1.00%	1.00%
Turnover, on average	12.50%	5.00%

The expected return on plan assets is determined by considering the returns experienced by Swisscanto Asset Management over the last 15 years.

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:

	2012	2011
Male	18.93	18.93
Female	22.29	22.29

The estimated Group contributions to pension plans for the financial year 2013 amount to CHF692,000.

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

	December 31, 2012	
	Allocation in %	**Expected return**
Cash	2.1%	2.0%
Bonds	83.3%	3.0%
Shares	1.8%	6.5%
Real estates and mortgage	11.3%	4.0%
Alternative investments	1.5%	4.0%
Total	**100.0%**	**3.2%**

	December 31, 2011	
	Allocation in %	**Expected return**
Cash	2.3%	2.0%
Bonds	54.1%	3.5%
Shares	1.5%	6.8%
Real estates and mortgage	36.3%	4.5%
Alternative investments	5.8%	4.5%
Total	**100.0%**	**3.9%**

The following table shows a five year summary reflecting the funding of defined benefit pensions and the impact of historical deviations between expected and actual return on plan assets and actuarial adjustments on plan liabilities.

	2012	2011	2010	2009	2008
Present value of defined benefit obligation	(9,277,580)	(8,892,019)	(10,011,872)	(9,325,540)	(6,755,694)
Fair value of plan assets	6,513,751	6,034,103	7,167,994	7,070,072	5,206,129
Deficit in the plan	**(2,763,829)**	**(2,857,916)**	**(2,843,878)**	**(2,255,468)**	**(1,549,565)**
Unrecognized actuarial (losses) / gains on plan liabilities.	(553,126)	800,543	774,015	(89,765)	(316,716)
Actuarial losses on plan assets	(105,620)	(155,996)	(85,787)	(77,615)	(69,407)

22. Finance income and costs

	2012	2011
Interest income	22,662	72,199
Unrealized foreign exchange loss	(31,075)	(239,368)
Finance result, net	**(8,413)**	**(167,169)**

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.

	2012	2011
Loss attributable to equity holders of the Company	27,018,827	31,141,068
Weighted average number of shares in issue	7,911,935	7,430,957
Basic and diluted loss per share	**(3.41)**	**(4.19)**

The Company has one category of dilutive potential shares as at December 31, 2012 and December 31, 2011: equity sharing certificates. As of December 31, 2012 and December 31, 2011, equity sharing certificates have been ignored in the calculation of the loss per share, as they would be anti-dilutive.

24. Commitments and contingencies

Operating lease commitments

	2012	2011
Within 1 year	2,136,311	2,382,959
Later than 1 year and no later than 5 years	5,045,346	4,306,404
Later than 5 years	-	-
Total operating lease commitments	**7,181,657**	**6,689,363**

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, 2012 and 2011, there are no commitments over 5 years and commitments related to the site of Archamps are recognized in the liabilities for CHF55,252 (2011: CHF237,143) as provision for restructuring.

Capital commitments

As at December 31, 2012 and 2011, 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

	2012	2011
Salaries and other short-term employee benefits	3,189,017	3,485,229
Post-employment benefits	232,099	297,887
Share-based compensation	251,185	471,524
	3,672,301	**4,254,640**

Loans to related parties – Executive Management

	2012	2011
At January 1	775,267	407,211
Exits from the Executive Management	(80,646)	(96,501)
Loans advanced during the year	82,737	464,557
Loans written-off during the year	(15,951)	-
Loans reimbursed during the year	(22,747)	-
At December 31	**738,660**	**775,267**

In 2012, in connection with the granting of equity sharing certificates, the Group has made loans of CHF128,654 (2011: CHF647,980) to its employees, of which CHF82,737 (2011: CHF464,557) were made to Executive Managers, to finance the tax and social charges consequences of the grant of ESCs. The loans accrue interest at 0.2% per year and the loan principal and accrued interest are repayable from the first capital gains realised from the exercise of the subscription rights attached to the ESCs. Should no capital gains be realized over the 5 year term of the ESCs then the loans are forgiven. CHF175,455 of the loans made to related parties were impaired as at December 31, 2012.

26. Events after the balance sheet date

On February 7, 2013, the Group announced the implementation of a restructuring plan that will reduce the headcount by upto 70% which represents terminating approximately 40 full time equivalents. The cost of the restructuring is estimated between CHF1.7 and CHF3.1 million. The restructuring will be implemented on February 27 and will run through to August 2013. The aim of the restructuring is in line with the Company's new strategy to focus resources on its clinical pipeline.

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

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 Compensation Committee, 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. 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 2012 and 2011. No such loans were outstanding as of December 31, 2012 and 2011. During 2011, CHF31,909 of services were purchased from a member of the Board. In 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 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.

Compensation to Non-Executive Directors in 2011 [1]

Name of Non-Executive Director [8]	Base cash compensation	Variable cash attendance	Executive Management interim fees [9]	Equity sharing certificates [3]	Total 2011
André J. Mueller [4]	30,000	22,500	30,000	-	82,500
Andrew Galazka [7]	25,000	15,000	3,000	-	43,000
Raymond Hill [6]	25,833	15,000	12,000	-	52,833
Vincent Lawton [5]	25,000	15,000	70,500	-	110,500
Beat E. Lüthi	10,000	6,000	-	-	16,000
Hoyoung Huh	13,333	15,000	-	-	28,333
Antoine Papiernik [2]	-	-	-	-	-
Oleg Nodelman [2]	-	-	-	-	-
Total	**129,166**	**88,500**	**115,500**	**-**	**333,166**

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. No equity sharing certificates were granted to Non-Executive Directors during 2011.
4. Non-Executive Chairman of the Board of Directors.
5. Vice Chairman of the Board of Directors and Chairman of the Audit Committee.
6. Chairman of the Compensation Committee.
7. Chairman of the Nomination Committee.
8. All Non-Executive Directors are members of the Board of Directors.
9. In 2011, a special committee of the board was created to oversee the transition of the Chief Executive Officer position. A total amount of CHF115,500 was charged to the Company with respect to the activities of this special committee.

Executive Management Compensation

General principles

The Chief Executive Officer provides the Compensation Committee with an evaluation of the individual performance of the members of the Executive Management as well as an evaluation of their respective function. The Compensation Committee considers both the recommendation of the Chief Executive Officer and the overall performance of the Group including short and long term goals and achievements. Based on a proposal made by the Compensation Committee, the Board determines 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 2012, in connection with the granting of equity sharing certificates, the Group made loans of CHF128,654 (2011: CHF647,980) to its employees, of which CHF82,737 was to members of the Executive Management (2011: CHF315,412 to Bharatt Chowrira and CHF149,145 to other members of the Executive Management), to finance the tax and social charges consequences of the grant of ESCs. 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.

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 [4]	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).
4. President and Chief Executive Officer ; Member of the Board of Directors from 9 May 2012.

Compensation to Executive Management in 2011 [1]

Executive Management [2]	Base cash compensation	Variable cash bonus	Equity sharing certificates (number) [3]	Equity sharing certificates (value) [3]	Total 2011
Bharatt Chowrira [4]	208,052	37,500	320	60,800	306,352
Vincent Mutel [5]	480,375	-	-	-	480,375
Other Executive Management	2,011,189	390,000	147	119,120	2,520,309
Total	**2,699,616**	**427,500**	**467**	**179,920**	**3,307,036**

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. 467 equity sharing certificates were granted to Executive Management during 2011, reported at fair value at date of grant (with a weighted average faire value of CHF385 per ESC).
4. Chief Executive Officer from August 15, 2011.
5. Chief Executive Officer up to June 2, 2011 and Vice Chairman of the Board of Directors up to August, 11, 2011.

Ownership of Addex Pharmaceuticals 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, 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
Chris Maggos	-	19,856	25,000	44,856
Total	**85**	**497,279**	**560,000**	**1,057,279**

The total number of shares and shares' subscription rights owned by Non-Executive Directors and members of the Executive Management at December 31, 2011 is shown in the following table.

Name of Director or Executive (number of shares or subscription rights)	2011 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	-	78,501	5,625	84,126
Andrew Galazka	-	9,765	3,750	13,515
Raymond Hill	-	2,250	3,750	6,000
Vincent Lawton	-	2,250	3,750	6,000
Hoyoung Huh	-	-	-	-
Antoine Papiernik	-	-	-	-
Oleg Nodelman	-	-	-	-
Executive Management				
Bharatt Chowrira	320	-	320,000	320,000
Tim Dyer	55	138,033	88,125	226,158
Charlotte Keywood	20	38,250	47,500	85,750
Sonia Poli	10	30,750	36,250	67,000
Laurent Galibert	10	15,750	36,250	52,000
Jean-Philippe Rocher	15	60,750	40,000	100,750
Robert Lütjens	15	42,125	43,125	85,250
Chris Maggos	15	11,250	33,750	45,000
Tatiana Pont Carteret	7	8,625	21,375	30,000
Total	**467**	**438,299**	**683,250**	**1,121,549**

28. Risk assessment disclosure required by Swiss law

The Chief Executive Officer and Chief Financial 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 Plan-les-Ouates

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Addex Therapeutics Ltd, which comprise the balance sheet, statements of income, statements of comprehensive income, statements of changes in equity, statements of cash flows and notes, for the year ended 31 December 2012.

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 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 2012 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

pwc

Geneva, 8 February 2013

Statutory Financial Statements of Addex Therapeutics Ltd as at December 31, 2012

Balance Sheets as at December 31, 2012 and December 31, 2011

Amounts in Swiss francs	Notes	December 31, 2012	December 31, 2011
ASSETS			
Current assets			
Cash and cash equivalents		6,068,965	10,832,452
Other receivables			
Third parties		2,195	1,246
Accrued income		21,715	29,106
Total current assets		**6,092,875**	**10,862,804**
Non-current assets			
Investments in Group companies	6	2	2
Other non-current assets			
Loans to Group companies	7	11,858,100	24,851,740
Total non-current assets		**11,858,102**	**24,851,742**
Total assets		**17,950,977**	**35,714,546**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payables		45,642	331,533
Other payables: Third parties		55,640	95,103
Accruals		280,654	155,147
Total current liabilities		**381,936**	**581,783**
Shareholders' equity			
Share capital		9,002,964	7,835,878
General reserve from capital contribution		64,435,469	88,561,948
- Thereof reserves from capital contributions		*161,607,712*	*153,094,039*
- Thereof reserves from retained earnings		*(97,172,243)*	*(64,532,091)*
Treasury shares reserve	9	489,531	250,844
Non-voting equity securities*	11	p.m.	p.m.
Accumulated deficit		(56,358,923)	(61,515,907)
Total shareholders' equity	**8**	**17,569,041**	**35,132,763**
Total liabilities and shareholders' equity		**17,950,977**	**35,714,546**

*p.m. = pro memoria. Non-voting equity securities have no nominal value.

Statements of Income for the years ended December 31, 2012 and 2011

Amounts in Swiss francs	2012	2011
Operating expenses		
Professional fees	1,075,712	227,458
Other operating expenses	445,791	641,268
Provision for Group companies	25,872,861	27,847,012
Taxes	102,556	196,386
Total operating expenses	**27,496,920**	**28,912,124**
Interest income	(13,752)	(36,369)
Net loss before taxes	**27,483,168**	**28,875,755**
Income tax expense	-	-
Net loss for the year	**27,483,168**	**28,875,755**

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

Notes

Notes to the Financial Statements for the years ended December 31, 2012 and 2011 (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, 2012 and December 31, 2011, 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, 2012 and December 31, 2011, there were no assets pledged to secure own liabilities.

4. Lease commitments not recorded in the balance sheet

As of December 31, 2012 and December 31, 2011, there were no lease commitments not recorded in the balance sheet.

5. Amounts due to pension funds

As of December 31, 2012 and December 31, 2011, 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	EUR37,000	100%

As at December 31, 2012 and 2011, the Company has provided for its investments in Group companies as follows:

	December 31, 2012	December 31, 2011
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, 2011 and 2010, the Company has provided for its loan to Addex Pharma SA as follows:

	December 31, 2012	December 31, 2011
Loan to Addex Pharma SA	150,789,674	137,910,453
Provision for loan to Addex Pharma SA	(138,931,574)	(113,058,713)
	11,858,100	**24,851,740**

The loan to Addex Pharma SA is subordinated to the claims of other creditors of the subsidiary up to CHF138,931,574.

8. Equity

	Share capital	General reserve, from... ...capital contribution	...retained earnings	Treasury shares reserve	Accumulated deficit	Total
January 1, 2011	6,464,809	140,507,743	-	250,727	(97,172,243)	50,051,036
Issue of shares, capital increase	1,371,069	12,586,413	-	-	-	13,957,482
Offset accumulated deficit with general reserve	-	-	(64,532,091)	-	64,532,091	-
Transfer to treasury shares reserve	-	(117)	-	117	-	-
Net loss of the year	-	-	-	-	(28,875,755)	(28,875,755)
December 31, 2011	**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**

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, 2012, the total outstanding share capital is CHF9,002,964 (2011: CHF7,835,878), consisting of 9,002,964 shares (2011: 7,835,878 shares). All shares have a nominal value of CHF1. The authorized capital and conditional capital as at December 31, 2012 and 2011 are as follows:

	December 31, 2012	December 31, 2011
Authorized capital	2,761,227	2,931,246
Conditional capital	3,720,872	3,331,246

9. Treasury share reserve

This reserve corresponds to the purchase price of shares in Addex Pharmaceuticals Ltd held by Group companies. The table shows movements in the number of shares and the treasury share reserve:

	Number of registered shares	Price in CHF	Total purchase price in CHF	% of share capital
Balance at January 1, 2011	**130,629**		**250,727**	**2.02%**
Purchases	117	1.00	117	
Balance at December 31, 2011	**130,746**		**250,844**	**1.67%**
Purchases	238,687	1.00	238,687	
Balance at December 31, 2012	**369,433**		**489,531**	**4.10%**

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, 2012		December 31, 2011	
	Number of shares	Interest in capital in %	Number of shares	Interest in capital in %
BVF Partners L.P.*	2,439,184	27.09%	2,350,242	29.99%
Sofinnova Capital IV FCPR	806,648	8.96%	806,648	10.29%
TVM V Life Science Ventures	690,525	7.67%	705,726	9.01%
Visium Asset Management, L.P.	488,114	5.42%	-	-
The Swiss Helvetia Fund	262,474	2.92%	351,155	4.48%
SROne Ltd	253,253	2.81%	253,253	3.23%

*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, 2012, there is significant uncertainty with respect to the Group 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. Regarding restructuring, the Board can align the cash outflows of the Company for 2013 to the currently available cash resources by focusing activities around products in the current clinical pipeline. 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 consolidated 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 CHF238,687 from the general reserve from capital contribution to the treasury shares reserve, to carry forward the net loss for the year 2012 of CHF27,483,168 and to offset the accumulated deficit of CHF28,875,755 and the net loss carried forward for the year 2012 of CHF27,483,168 with the general reserve from capital contribution for a total CHF56,358,923.

Report of the statutory auditor to the General Meeting of Addex Therapeutics Ltd Plan-les-Ouates

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Addex Therapeutics Ltd, which comprise the balance sheet, income statement and notes, for the year ended 31 December 2012.

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 2012 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 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 financial statements according to the instructions of the Board of Directors.

We further confirm that the proposal of the Board of Directors to set off the accumulated deficit with the legal reserves complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Furthermore we draw to your attention that the accumulated deficit exceeds one half of the share capital and legal reserves (Article 725 paragraph 1 of the Swiss Code of Obligations).

PricewaterhouseCoopers SA

Michael Foley
Audit expert
Auditor in charge

Guillaume Debout
Audit expert

pwc

Geneva, 8 February 2013

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, 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, 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, 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, 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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