Half Year Condensed Consolidated Interim Financial Statements of Addex Therapeutics Ltd as at June 30, 2017 (unaudited)

Condensed Consolidated Interim Balance Sheets as at June 30, 2017 and December 31, 2016 (unaudited)

	Notes	June 30, 2017	December 31, 2016
ASSETS		**Amounts in Swiss francs**	
Current assets			
Cash and cash equivalents (excluding bank overdrafts)…………….....	7	3,574,440	1,416,634
Other current assets……………………………………………………….		261,202	242,158
Total current assets………………………………………………………..		**3,835,642**	**1,658,522**
Non-current assets			
Property, plant and equipment……………………………………………..	9	4,627	17,303
Non-current financial assets………………………………………………..	8	7,111	7,102
Total non-current assets…………………………………………………		**11,738**	**24,405**
Total assets……………………………………………..............................		**3,847,380**	**1,682,927**
LIABILITIES AND EQUITY			
Current liabilities			
Payables and accruals………………………………………………………	10	965,476	1,249,900
Deferred income……………………………………………………………..	14	275,000	-
Total current liabilities……………………………………………………		**1,240,476**	**1,249,900**
Non-current liabilities			
Employment benefit obligations……………………………………………	12	227,442	214,435
Total non-current liabilities……………………….................................		**227,442**	**214,435**
Equity			
Share capital…………………………………………………………………	11	13,251,233	11,563,547
Share premium………………………………………………………………		264,744,154	263,038,639
Other reserves……………………………………………………………….		7,312,727	6,757,887
Accumulated deficit………………………………………………………….		(282,928,652)	(281,141,481)
Total equity…………………………………………………........................		**2,379,462**	**218,592**
Total liabilities and equity…………………………………….....................		**3,847,380**	**1,682,927**

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

Condensed Consolidated Interim Statements of Income for the six-month periods ended June 30, 2017 and 2016 (unaudited)

	Notes	June 30, 2017	June 30, 2016
		Amounts in Swiss francs	
Income			
Research grants…………	14	210,943	178,091
Other income…………		15,821	105,401
Total income…………	6	**226,764**	**283,492**
Operating costs			
Research and development…………		(1,147,856)	(1,060,522)
General and administration…………		(830,730)	(705,402)
Total operating costs…………	15	**(1,978,586)**	**(1,765,924)**
Operating loss…………		**(1,751,822)**	**(1,482,432)**
Finance income…………		-	27
Finance costs…………		(35,349)	(2,512)
Finance costs, net…………	16	**(35,349)**	**(2,485)**
Net loss before tax…………		**(1,787,171)**	**(1,484,917)**
Income tax expense…………		-	-
Net loss for the period…………		**(1,787,171)**	**(1,484,917)**
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company, expressed in Swiss francs …………		**(0.14)**	**(0.13)**

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

Condensed Consolidated Interim Statements of Comprehensive Income for the six-month periods ended June 30, 2017 and 2016 (unaudited)

	June 30, 2017	June 30, 2016
	Amounts in Swiss francs	
Net loss for the period……………………………………………………..……………	**(1,787,171)**	**(1,484,917)**
Other comprehensive loss		
Items that will never be reclassified to the statement of income:		
Remeasurements of post-employment benefit obligations…..…………….……	4,365	(176,215)
Items that may or may not be classified subsequently to the statement of income:		
Exchange difference on translation of foreign operations differences…………	(254)	(312)
Other comprehensive loss for the period, net of tax…………………………..	**4,111**	**(176,527)**
Total comprehensive loss for the period…………………………………………	**(1,783,060)**	**(1,661,444)**

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

Condensed Consolidated Interim Statements of Changes in Equity for the six-month periods ended June 30, 2017 and 2016 (unaudited)

Amounts in Swiss francs

	Notes	Share capital	Share premium	Other reserves	Accumulated deficit	Total
Balance at January 1, 2016……………		**11,025,489**	**262,078,103**	**6,552,733**	**(277,992,095)**	**1,664,230**
Net loss for the period………………………..		-	-	-	(1,484,917)	(1,484,917)
Other comprehensive loss for the period………….		-	-	(176,527)	-	(176,527)
Total comprehensive loss for the period………..		-	-	**(176,527)**	**(1,484,917)**	**(1,661,444)**
Issue of shares…………………….….	11	1,754,941	**-**	-	-	1,754,941
Cost of share capital Issuance capital increase…………….....		-	(17,289)	-	-	(17,289)
Net movement of treasury shares……….......................	11	(1,409,791)	737,950	-	-	(671,841)
Value of share-based services....…………………..		-	-	111,818	-	111,818
Balance at June 30, 2016………………		**11,370,639**	**262,798,764**	**6,488,024**	**(279,477,012)**	**1,180,415**
Balance at January 1, 2017……………		**11,563,547**	**263,038,639**	**6,757,887**	**(281,141,481)**	**218,592**
Net loss for the period………………………..		-	-	-	(1,787,171)	(1,787,171)
Other comprehensive income for the period………		-	-	4,111	-	4,111
Total comprehensive loss for the period…….…..		**-**	**-**	**4,111**	**(1,787,171)**	**(1,783,060)**
Issue of shares…………………….….	11	1,930,435	-	-	-	1,930,435
Cost of share capital Issuance capital increase……………..		-	(23,000)	-	-	(23,000)
Net movement in treasury shares……….......................	11	(242,749)	1,728,515	-	-	1,485,766
Value of share-based services....…………………..		-	-	550,729	-	550,729
Balance at June 30, 2017………..		**13,251,233**	**264,744,154**	**7,312,727**	**(282,928,652)**	**2,379,462**

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

Condensed Consolidated Interim Statements of Cash Flows for the six-month periods ended June 30, 2017 and 2016 (unaudited)

	Notes	June 30, 2017	June 30, 2016
		Amounts in Swiss francs	
Net loss for the period		(1,787,171)	(1,484,917)
Adjustments for:			
Depreciation and amortization	9	12,676	12,530
(Gain) / loss on disposal of fixed assets		-	(9,681)
Value of share-based services		550,729	111,818
Changes in retirement benefit obligations		17,372	12,496
Finance costs, net		35,349	2,485
Net changes in working capital		127,748	(85,249)
Net cash used in operating activities		**(1,043,297)**	**(1,440,518)**
Net cash (used in)/from investing activities		**-**	**(1,512)**
Net cash from financing activities		**3,236,722**	**1,065,811**
Increase/(decrease) in cash and cash equivalents		**2,193,425**	**(376,219)**
Cash and cash equivalents at beginning of the period	7	1,416,364	2,633,601
Exchange loss on cash and cash equivalents		(35,349)	(2,628)
Cash and cash equivalents at end of the period	7	**3,574,440**	**2,254,754**

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

1. General information

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

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

These condensed consolidated interim financial statements have been approved by the Board of Directors on September 25, 2017.

2. Basis of preparation

These half year condensed consolidated financial statements for the six months ended June 30, 2017, have been prepared in accordance with IAS 34 "Interim Financial Reporting". These half year condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS.

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

The preparation of financial statements in accordance with IAS 34 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment which are significant to the half year condensed consolidated financial statements are disclosed in note 4 to the consolidated financial statements for the year ended December 31, 2016. Certain prior period figures have been corrected or re-classed to be consistent with the current period presentation.

3. Accounting policies

The accounting policies used in the preparation of the half year consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended December 31, 2016.

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:
The adoption of new standards, amendments to standards and interpretations which are mandatory for financial periods beginning on or after January 1, 2017 did not have a material impact on the Group financial position or disclosures made in these half year consolidated financial statements:

- IAS 7, statement of cash flow. This standard has been applied for the first time for the annual reporting period commencing 1 January 2017, and has no impact on the condensed consolidated interim financial statements.

New standards, amendments to standards and interpretations, that have been issued but are not mandatory for the financial year beginning January 1, 2017, have not been early adopted by the Group and are not expected to have any impact on the condensed consolidated interim financial statements:

- IFRS 15, Revenue from contracts with customers (effective from January 1, 2018). The Group will apply this standard from January 1, 2018;
- IFRS 16, Leases (effective for annual periods beginning on or after January 1, 2019). The Group will apply this standard from January 1, 2019; and
- IFRS 9, Financial instruments (effective from January 1, 2018). The Group will apply this standard from January 1, 2018.

4. Critical accounting estimates and judgments

Uncertainties and ability to continue operations
As discussed in note 1 under "general information", The Board of Directors (Board) believes the Group will be able to meet all of its obligations for a further 12 months as they fall due and, hence, the half year consolidated financial statements have been prepared on a going concern basis. The Group is currently engaged in a number of activities to ensure that it can continue its operations, including monetizing its assets, raising additional capital and pursuing strategic alternatives. The outcome of these activities is inherently uncertain and had the Board assessed differently the ability of the Group to execute on its current financial plans and the ability of the Group to meet all of its obligations for a further 12 months then the Group would have presented the half year consolidated financial statements on a liquidation basis. Had the half year consolidated 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.

5. Interim measurement note

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

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

6. Segment reporting

6.1 Reportable segments

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

6.2 Entity wide information

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

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

Analysis of income by nature is detailed as follows:

	June 30, 2017	June 30, 2016
Research & development grants……………………...……….	210,943	178,091
Research services and other collaborative arrangements…….	-	75,265
Sales of fixed assets and stocks of consumables.......……….	-	9,681
Other service income…………………………………………...	15,821	20,455
Total income…...……………………………………………..…..	**226,764**	**283,492**

Analysis of income by major customer is detailed as follows:

	June 30, 2017	June 30, 2016
The Michael J. Fox Foundation (USA)……………….………...	210,943	178,091
Pierre Fabre Pharmaceuticals (France)……………….........	-	75,265
Multiple customers……………………….……………………..	15,821	30,136
Total income………………..…………………………..………	**226,764**	**283,492**

For more detail, refer to note 14, "Other Income".

The geographical analysis of assets is as follows:

	June 30, 2017	December 31, 2016
Switzerland	3,839,234	1,675,171
Current	*3,827,889*	*1,651,152*
Non-current	*11,345*	*24,019*
Europe	8,146	7,756
Current	*7,752*	*7,370*
Non-current	*394*	*386*
Total assets	**3,847,380**	**1,682,927**

The geographical analysis of operating costs is as follows:

	June 30, 2017	June 30, 2016
Switzerland	1,965,432	1,766,867
Europe	13,154	(943)
Total operating costs (note 15)	**1,978,586**	**1,765,924**

There was no capital expenditure during the six-month period ended June 30, 2017 (first half 2016: CHF11,221).

7. Cash and cash equivalents

	June 30, 2017	December 31,2016
Cash at bank and on hand	3,574,440	1,416,364
Total cash and cash equivalents	**3,574,440**	**1,416,364**

All cash and cash equivalents were held either at bank or on hand as at June 30, 2017 and December 31, 2016.

8. Non-current financial assets

	June 30, 2017	December 31,2016
Security rental deposit	7,111	7,102
Total non-current financial assets	**7,111**	**7,102**

9. Property, plant and equipment

	Property, plant and equipment
Six months ended June 30, 2016	
Opening net book amount as at January 1, 2016…	31,843
Additions	11,221
Depreciation charge	(12,530)
Closing net book amount as at June 30, 2016…	**30,534**
Six months ended June 30, 2017	
Opening net book amount as at January 1, 2017…	17,303
Depreciation charge	(12,676)
Closing net book amount as at June 30, 2017…	**4,627**

10. Payables and accruals

	June 30, 2017	December 31, 2016
Trade payables…………………………..…………..	262,228	669,678
Social security and other taxes……………………...	43,760	7,240
Accrued expenses…………………………………....	659,488	572,982
Total payables and accruals……………………….	**965,476**	**1,249,900**

11. Share capital

	Number of shares		
	Common shares	Treasury shares	Total
Balance at January 1, 2016……………………	**11,699,612**	**(674,123)**	**11,025,489**
Issue of shares – capital increase………………	1,754,941	(1,754,941)	-
Net sale of treasury shares….........................	-	345,150	345,150
Balance at June 30, 2016……………………..	**13,454,553**	**2,083,914**	**11,370,639**
Balance at January 1, 2017……………………	**13,454,553**	**(1,891,006)**	**11,563,547**
Issue of shares – capital increase……………...	1,930,435	(1,930,435)	-
Net sale of treasury shares………..................	-	1,687,686	1,687,686
Balance at June 30, 2017…………….........	**15,384,988**	**2,133,755**	**13,251,233**

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

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

During the six month period ended 30 June 2017, the Group sold 1,613,271 treasury shares for net proceeds of CHF3,259,721 and used 74,415 treasury shares to purchase services from consultants including 43,960 shares for Roger Mills, 23,187 shares for Tim Dyer.

On May 27, 2016, the Group issued 1,754,941 new shares from authorized capital to its 100% owned subsidiary, Addex Pharma SA at CHF1. These shares are held as treasury shares.

12. Employee benefits

The amounts recognized in the income statements were as follows:

	June 30, 2017	June 30, 2016
Service costs……………………………..…….....	(38,374)	(30,120)
Interest cost….…………………………………....	(10,881)	(9,028)
Interest income………………………………………….	10,231	8,223
Employees' contributions…….……………………......	21,652	16,034
Pension income / (cost)………………………………	**(17,372)**	**(14,891)**

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

	June 30, 2017	December 31, 2016
Defined benefit obligation	(2,146,281)	(2,152,878)
Fair value of plan assets	1,918,839	1,938,443
Defined benefit obligations at end of year	**(227,442)**	**(214,435)**

The discount rate was 0.8% at June 30, 2017 and December 31, 2016.

13. 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. No income has been recognized under this agreement in the six-month periods ended June 30, 2017 and 2016.

14. Research grants

During the six-month period ended June 30, 2017, the Group received CHF 485,943 of grants from The Michael J. Fox Foundation for Parkinson's Research. Of this amount, CHF210,943 has been recognized as income and CHF275,000 has been recorded in deferred income.

15. Operating costs by nature

	June 30, 2017	June 30, 2016
Staff costs	425,690	316,337
Depreciation and amortization	12,676	12,530
External research and development costs	370,904	354,482
Laboratory consumables	10,930	5,602
Patent costs	81,494	310,419
Professional fees	724,459	445,496
Operating leases	55,909	16,257
Other operating costs	296,524	304,801
Total operating costs	**1,978,586**	**1,765,924**

16. Finance costs, net

	June 30, 2017	June 30, 2016
Finance income	-	27
Unrealized foreign exchange (losses) / gains	(35,349)	(2,512)
Finance costs, net	**(35,349)**	**(2,485)**

17. Loss per share

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

	June 30, 2017	June 30, 2016
Loss attributable to equity holders of the Company...	(1,787,171)	(1,484,917)
Weighted average number of shares in issue……….	12,500,385	11,082,971
Basic and diluted loss per share……………………	**(0.14)**	**(0.13)**

The Company has two categories of dilutive potential shares as at June 30, 2017 and 2016: equity sharing certificates and share options. As of June 30, 2017 and 2016, equity sharing certificates and share options have been ignored in the calculation of the loss per share, as they would be anti-dilutive.

18. Related party transactions

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

Key management compensation	June 30, 2017	June 30, 2016
Salaries and other short-term employee benefits…..	42,000	41,374
Consulting fees…………………………………………….	305,666	370,932
Share-based compensation…………………………..	372,970	89,287
	720,636	**501,593**

Consulting fees relate to amounts paid to Sonia Poli, Tim Dyer and Roger Mills who deliver their services to the Group under consulting contracts. During the period, the Group invoiced CHF15,821 (first half 2016: CHF20,455) of consulting services to TMD Advisory Ltd, a company owned and managed by Tim Dyer.