Addex Therapeutics Ltd

(incorporated in Switzerland as a stock corporation/société anonyme)

Listing of 1,170,612 Registered Shares

This prospectus (the "Prospectus") relates to a listing of 1,170,612 registered shares with a nominal value of CHF 1.00 per share (the "New Shares") of Addex Therapeutics Ltd (the "Company" and, together with its subsidiaries, "Addex" or the "Group" and referred to as "we" or "our"), which are issued as of the date of this Prospectus. The New Shares are issued out of the Company's authorized capital.

The New Shares will be listed on the SIX Swiss Exchange in addition to all existing registered shares of the Company (the "Listing") with a nominal value of CHF 1.00 per share (the "Existing Shares"). The New Shares, together with the Existing Shares, are referred to herein as the "Shares", and each a "Share". The New Shares rank *pari passu* in all respects with each other and all other Shares. Any dividends, if any, paid by the Company will be subject to Swiss withholding tax (see Section 17 "Certain Swiss Tax Considerations").

As of the date of this Prospectus, the Company had 10,173,576 Shares issued of which 9,002,964 Shares are issued and listed. After the Listing, the Company will have 10,173,576 Shares issued and listed.

The Existing Shares are listed according to the main standard on the SIX Swiss Exchange Ltd. (the "SIX Swiss Exchange") under the symbol "ADXN". The Company has applied and approval has been given by the SIX Swiss Exchange, subject to certain conditions, for the New Shares to be listed and traded on or around August 9, 2013. The New Shares are to be accepted for clearance through SIX SIS Ltd. ("SIS").

Addex Therapeutics Ltd assumes responsibility for the completeness of and accuracy of this Prospectus pursuant to Section 4 of Scheme A of Annex I to the listing rules of the SIX Swiss Exchange (the "Listing Rules"). The Company declares that the information is correct to the best of its knowledge and that no material facts or circumstances have been omitted.

The information contained in this Prospectus is accurate only as of the date of this Prospectus, regardless of the time of delivery of this Prospectus.

Information on the Company's website, any website directly or indirectly linked to the Company or any other website mentioned in this Prospectus is not incorporated by reference into this Prospectus and investors should not rely on any such website in making their decision to invest in the Shares.

The Shares have not been and will not be registered under the US Securities Act. The New Shares are being sold only pursuant to an exemption from, or in a transaction not subject to, the registration requirements of US Securities Act. The Shares are not transferable except in accordance with the restrictions described under "Certain Sales Restriction".

Copies of this Prospectus are available free of charge in Switzerland at the offices of Addex Therapeutics Ltd, c/o Addex Pharma SA, Chemin des Aulx 12, CH-1228 Plan-les-Ouates, Switzerland.

The date of this Prospectus is August 9, 2013.

Investing in the Shares involves risks. See "Risk Factors".

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2. CERTAIN SALES RESTRICTIONS

United States

The New Shares listed pursuant to this Prospectus have not been, and will not be, registered under the US Securities Act or the laws of any state of the United States and may not be offered or sold within the United States unless they are registered or an exemption from the registration requirements of the US Securities Act is available.

NEITHER THE US SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES HAS APPROVED OR DISAPPROVED THE NEW SHARES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE: ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.

United Kingdom

This Prospectus is only directed at and will only be provided to persons to whom interests may lawfully be promoted pursuant to section 21 of the Financial Services and Markets Act 2000 (the "FSMA"). In particular, the Prospectus is only directed at and will only be provided to investment professionals within the meaning of article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ("FPO") ("Relevant Persons"). Any investment or investment activity to which this Prospectus relates is available only to Relevant Persons and dealings hereunder will be made only with Relevant Persons. Persons who are not investment professionals within the meaning of article 19 of the FPO should not rely on this Prospectus.

This Prospectus has not been delivered for approval to the Financial Services Authority ("FSA") in the United Kingdom or to an authorised person within the meaning of FSMA. No approved prospectus within the meaning of section 85 of FSMA or of the Prospectus Directive has been published or is intended to be published in relation to the Listing . The Prospectus does not constitute a prospectus for the purposes of FSMA or the Prospectus Directive. As used herein, "United Kingdom" means the United Kingdom of Great Britain and Northern Ireland.

Canada

This Prospectus is not a prospectus or an offering memorandum for purposes of Canadian securities laws. Furthermore, this Prospectus is not, and under no circumstances is to be construed as, an advertisement or offering of the Shares in Canada in any way and nothing in this Prospectus should be interpreted as extending the offer to a resident in Canada. Canadian residents are not permitted to purchase the Shares directly or indirectly whether pursuant to an exemption from prospectus and registration requirements or otherwise.

Japan

The Shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, as amended (the "FIEL"). Each Manager has represented and agreed that, in connection with the initial offering of the Shares, it has not, directly or indirectly, offered or sold, and shall not, directly or indirectly, offer or sell, any Shares in Japan or to, or for the account or benefit of, any resident of Japan or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan, except pursuant to an exemption available from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and governmental guidelines in Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Australia

The distribution of this Prospectus (including electronically) in Australia may be restricted by the Corporations Act 2001 (Cth) (the "Corporations Act"). Persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer in Australia to any person to whom it would not be lawful to make such an offer, including prospective investors who are not sophisticated investors or professional investors as these terms are defined in section 708 of the Corporations Act.

European Economic Area

Please note that in addition to this section, additional restrictions apply in the United Kingdom, which are set forth above.

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the

"Relevant Implementation Date") an offer to the public of any Shares which are the subject of the listing contemplated by this Prospectus may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State may be made at any time, with effect from and including the Relevant Implementation Date under the following exemptions under the Prospectus Directive, to the extent that such exemptions have been implemented in the Relevant Member State:

a) to any legal entitiy which is a qualified investor as defined in the Prospectus Directive;

b) to fewer than 100, or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) as permitted under the Prospectus Directive; or

c) in any other circumstances falling within article 3(2) of the Prospectus Directive;

provided that no such offer of Shares shall require the Issuer to publish a prospect pursuant to article 3 of the Prospectus Directive or supplement a prospectus pursuant to article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to public" in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information in the terms of the listing and the Shares to be listed so as to enable an investor to decide to purschase or subscribe the Shares, as the same may be varied in that Member State by any measure implementing the Prospsectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

General Sales Restrictions

No action has been or will be taken in any Jurisdiction other than Switzerland by the Company or the Managers that would, or is intended to, permit a public offering of the Shares, or possession or distribution of the Prospectus or any other offering material, in any country or Jurisdiction where action for that purpose is required.

3. CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus includes "forward-looking statements". All statements other than statements of historical fact are forward-looking statements for purposes of this Prospectus, including any projections of earnings, revenue, milestone payments, royalties, sales or other financial items, any statements of the plans and objectives of management for future operations (including, but not limited to, preclinical development, clinical trials and manufacturing), any statements related to our financial condition and future working capital needs, any statements concerning proposed drug candidates, any statements regarding the timing for the start or end of clinical trials or submission of regulatory approval filings, any statements regarding future economic conditions or performance, any statements regarding the success of our collaboration arrangements or future payments that may come due to us under these arrangements, any statements regarding our plans and objectives to initiate or continue clinical trials, and any statements of assumptions underlying any of the foregoing.

In some cases, forward-looking statements can be identified by the use of terminology such as "may", "will", "expects", "plans", "anticipates", "estimates", "potential" or "continue", or the negative thereof or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements contained herein are reasonable, such expectations or any of the forward-looking statements may prove to be incorrect and actual results could differ materially from those projected or assumed in the forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results of operations, financial condition, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to inherent risks and uncertainties, including, but not limited to, the risk factors set forth in Section 7 "Risk Factors" below and for the reasons described elsewhere in this Prospectus.

Important factors that could cause our actual results, performance or achievements to differ materially from those expressed in these forward-looking statements include, among others, uncertainty related to the efficacy of our drug candidates in the treatment of targeted indications; uncertainty related to results of our clinical and preclinical trials; uncertainty of regulatory approval and, if we receive approval, commercial and marketing uncertainties; availability and terms of third-party price reimbursement for our drug candidates; attraction and retention of key employees; uncertainty of the future grant and maintenance of licenses, patents, proprietary technology and other intellectual property rights; uncertainty of our success in building our sales and marketing force and managing future growth; dependence upon licensing partners, exclusive suppliers and other collaborators; absence of sales and marketing experience and limited manufacturing capabilities; future capital needs and the uncertainty of additional funding; risks of product liability; competition from other pharmaceutical and biopharmaceutical companies; risks related to intellectual property and marketing exclusivity rights; adverse changes in governmental rules and regulations; civil unrest, acts of God and acts of war; and other factors.

Prospective investors are cautioned not to place undue reliance on any forward-looking statements. All forward-looking statements and reasons why results may differ included in this Prospectus are made as of the date hereof and we do not intend to update any forward-looking statements except as required by law or applicable regulations.

4. PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

This Prospectus contains certain historical financial information derived from (i) the audited consolidated financial statements of the Company as of and for the years ended December 31, 2012, 2011 and 2010 all prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and (ii) the audited statutory financial statements of the Company as of and for the years ended December 31, 2012, 2011 and 2010 all prepared in accordance with the Swiss Code of Obligations.

These financial statements and financial information are contained elsewhere in this Prospectus and should be read in conjunction with the relevant reports of our independent auditor.

The financial statements as of and for the years ended December 31, 2012, 2011 and 2010 of Addex Therapeutics Ltd included in this Prospectus, have been audited by PricewaterhouseCoopers SA, independent accountants, as stated in their report appearing herein.

Certain numbers set out in this Prospectus have been subject to rounding adjustments. Accordingly, amounts shown as totals in tables or elsewhere may not be an arithmetic aggregation of the numbers which precede them. In addition, certain percentages presented in the tables in this Prospectus reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculation were based upon the rounded numbers.

In this Prospectus: (i) "€", "EUR" or "euro" refers to the single currency of the participating member states in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time; (ii) "$", "US dollars", "dollars" or "USD" refers to the lawful currency of the United States; and (iii) "CHF" or "Swiss francs" refers to the lawful currency of Switzerland.

Unless otherwise specified herein, the financial information included herein is prepared and presented in accordance with IFRS. Certain differences exist between IFRS and the generally accepted accounting principles in the United States ("US GAAP") which might be material to the financial information herein. Investors should consult their own professional advisors for an understanding of the differences between IFRS and US GAAP, and how those differences might affect the financial information herein.

Other Financial Measures

This Prospectus contains non-GAAP measures, including net working capital, capital expenditures, net tangible book value per share that are not required by, or presented in accordance with, IFRS. We present non-GAAP measures because we believe that they are similar measures and widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-GAAP measures may not be comparable to similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS. Non-GAAP measures, including, without limitation, net working capital, capital expenditures, net tangible book value per share are not measurements of our performance or liquidity under IFRS, US GAAP or any other generally accepted accounting principles.

Reference to Sources of Market Information and Additional Statistical Information

Information contained in this Prospectus relating to market shares, growth potential and potential revenues (not necessarily our revenues), prevalence of diseases, the anticipated sales of our or third-party drug candidates and other statistical information was either derived directly from the public domain, in particular third-party studies, or from estimates made by us based on publicly available data and are unaudited.

Unless otherwise stated, the sources of the market, statistical and other similar information include, but are not limited to, publications of Annual Reports in Medicinal Chemistry, Burrill Report, CA: A Cancer Journal for Clinicians, CIBC, the Charcot Marie Tooth Association publications, Clinical & Developmental Immunology, Current Medicinal Chemistry, Current Opinion in Drug Discovery and Development, the Datamonitor, the Dystonia Foundation for Medical Research publications, the European Journal of Pharmacology (authors include Blackshaw, Brodkin, Carlsson, Frisby, Jensen, Jerndal, Lehmann, Mattsson, Nilsson, Uvebrant, and Zhu), Evaluatepharma, Expert Opinion Drug Discovery, Expert Opinions Emerging Drugs, Expert Opinion in Therapeutics Patents, Future Medicinal Chemistry, Headache, IMS Health and Gastroenterology (authors include Blackshaw, Dent, Frisby, Jensen, Lehmann, Mattsson and Page), Journal of Medicinal Chemistry, Movement Disorders, Nature Medicine, Nature Biotechnology, Nature Reviews Drug Discovery, Neurology, Neuropharmacology, The Journal of Neuroscience, Psychopharmacology, The Michael J Fox Foundation for Parkinson's Research publications, Scientifica, The Lancet, reports and

information published by the National Center for Advancing Translational Research at the US National Institutes of Health.

We have not independently verified any facts underlying such third-party studies or publications. Furthermore, we do not assume any responsibility for the correctness of the information included in this Prospectus that is derived from third parties, in particular, the information relating to market size and the pricing of future drugs.

5. SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

The following tables present certain selected consolidated financial information of Addex Therapeutics Ltd at and for the years ended December 31, 2012, 2011, and 2010. The consolidated statement of income data for the years ended December 31, 2012, 2011, and 2010 and the consolidated balance sheet data as of December 31, 2012, 2011, and 2010 are derived from our audited consolidated financial statements and the related notes thereto, all prepared in accordance with IFRS and included elsewhere in this Prospectus. The selected financial data in this section is not intended to replace our consolidated financial statements and the accompanying notes. Our historical results are not necessarily indicative of our future results.

Consolidated Income Statement Data:

	For the years ended December 31,		
	2012	2011	2010
	(in Swiss francs, audited)		
Income			
Fees from collaborations & sale of license rights	—	2,823,447	1,975,265
Other income	121,089	919,546	2,024,911
Total income	**121,089**	**3,742,993**	**4,000,176**
Operating expenses			
Staff costs	11,044,302	14,924,426	17,658,370
Depreciation and amortization	2,104,420	2,927,636	2,941,151
External R&D costs	4,755,956	4,759,157	4,736,929
Laboratory consumables	1,269,187	3,239,007	4,418,542
Facilities	2,803,194	3,798,066	3,704,376
Professional fees	1,493,832	1,053,870	587,284
Other operating expenses (unaudited)	2,678,298	2,686,279	2,363,445
Patents	982,314	1,328,451	1,187,868
Operating loss	**27,010,414**	**30,973,899**	**33,597,789**
Finance income	22,662	72,199	97,254
Finance expenses	(31,075)	(239,368)	(144,812)
Net loss	**27,018,827**	**31,141,068**	**33,645,347**
Net loss per share			
Basic and diluted net loss per share	(3.41)	(4.19)	(5.69)
Weighted-average number of shares in issue	7,911,935	7,430,957	5,916,336

Consolidated Balance Sheet Data:

	For the years ended December 31,		
	2012	2011	2010
	(in Swiss francs, audited)		
Cash and cash equivalents	15,256,707	36,065,379	63,797,325
Other current assets	1,763,918	2,002,589	2,697,674
Total current assets	**17,020,625**	**38,067,968**	**66,494,999**
Non-current assets	4,715,065	5,548,109	7,788,981
Total assets	**21,735,690**	**43,616,077**	**74,283,980**
Current liabilities	4,656,185	8,728,038	9,277,301
Non-current liabilities	788,615	1,052,083	592,477
Shareholders' equity, net	16,290,890	33,835,956	64,414,202
Total shareholders' equity and liabilities	**21,735,690**	**43,616,077**	**74,283,980**

Consolidated Cash Flow Data:

	For the years ended December 31,		
	2012	2011	2010
	(in Swiss francs, audited)		
Net cash flows used in operating activities	29,452,938	26,550,631	31,340,904
Net cash flows used in investing activities	225,036	758,275	972,802
Net cash flows used in / (from) financing activities	(8,900,564)	183,254	(19,707,215)
Decrease in cash and cash equivalents	**20,777,410**	**27,492,160**	**12,606,491**

6. KEY TERMS OF THE LISTING

New Shares	1,170,612 ordinary registered shares of Addex Therapeutics Ltd with a nominal value of CHF 1 each were newly issued by the Company in an authorized share capital increase, under exclusion of the pre-emptive rights of the holders of Existing Shares. The New Shares are fully fungible and rank *pari passu* in all respects with each other and with all Existing Shares.
Form of New Shares	New Shares were issued in uncertificated form (*Wertrechte*) as intermediary-held securities (*Bucheffekten*), no share certificates will be issued and share certificates will not be available for individual physical delivery
Listing Size	The Company is listing 1,170,612 newly issued registered shares of the Company, with a nominal value of CHF 1 each (*i.e.*, the New Shares). The New Shares represent approximatively 13 percent of the total issued share capital of the Company divided into 9,002,964 Shares prior to their issuance and 11.5 percent of 10,173,576 Shares following their issuance, respectively.
Shares held in Treasury	On June 30, 2013, the Company held a total of 366,316 Shares, directly or indirectly (the "Treasury Shares").
Listing and Trading	Application has been made and approval has been given to have the New Shares listed under the Main Standard of the SIX Swiss Exchange and admitted to trading on the SIX Swiss Exchange. It is expected that the New Shares will be listed, and trading in the New Shares will commence, on August 9, 2013. It is expected that the New Shares will clear through SIS.
Use of Proceeds	As of June 30, 2013, we had CHF 4.5 million in cash and cash equivalents. We expect to raise approximately CHF 3.1 million in net proceeds after deduction of commissions, fees, expenses and Swiss federal stamp tax (*Emissionsabgabe)*, which we will use for general corporate purposes and implementing our plan to further reduce operating costs and seek investment, grants and partnerships. For further discussion regarding the use of proceeds, see Section 8 "Use of Proceeds".
Dividends	The New Shares shall be entitled to dividends or other distributions made to shareholders of Addex Therapeutics Ltd as of January 1, 2013, if any, and for all subsequent financial years, if any (see Section 9 "Dividends and Other Distributions"). Any dividends will be subject to Swiss withholding tax (see Section 17 "Certain Tax Considerations"). The New Shares shall entitle their holders to the divididend for the business year 2013 (if any) to be resolved at the ordinary general meeting of shareholders of Addex expected to be held in April 2014.
Voting Rights	Each Share carries one vote at a shareholders' meeting of the Company. Voting rights can only be exercised following registration of a shareholder in the Company's share register as a shareholder with voting rights, which is subject to certain qualifications (see Section 16 "Additional Information regarding the Company and our Shares").
Publication | Amendments or Changes to the Listing	The Listing notice in English is expected to be electronically published on the website of the SIX Swiss Exchange on the day of the Listing. Amendments to or changes in the terms of the Listing, if any, will be published on the same platform. Changes so notified will be deemed an amendment of this Prospectus.
Risk Factors	For a discussion of certain considerations that should be taken into account in deciding whether to invest in the Shares, see Section 7 “Risk Factors”.

Swiss Taxation	Any dividends paid on the Shares will be subject to Swiss withholding tax. See Section 17 "Certain Tax Considerations.
Issuer Representative pursuant to art. 43 of the Listing Rules	Homburger AG
Law /Jurisdiction	Swiss law | Zurich, Switzerland
SIX Swiss Exchange Ticker Symbol	ADXN
Swiss Security Number (*numéro de valeur/Valorennummer*)	2985075
ISIN Number	CH0029850754
Common Code	030039254

7. RISK FACTORS

An investment in our securities involves a high degree of risk. In addition to the other information contained in this Prospectus, you should carefully consider the specific risk factors set forth below before making a decision to invest in our securities. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of our ordinary shares could decline due to any of these risks, and investors may lose part or all of their investment. The risks described below are not the only ones applicable to us. Additional risks affecting businesses generally, risks not presently known to us and risks that we currently believe to be immaterial may also impair our business operations. This Prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, the risks we face as described below and elsewhere in this Prospectus. For additional information on forward-looking statements, see Section 3"Cautionary Note Regarding Forward-Looking Statements".

Risks Related to Our Business

Notwithstanding the issue of the New Shares, we will need significant amounts of additional new capital to fund our continued development activities.

As of June 30, 2013, we had CHF 4.5 million in cash and cash equivalents. Our monthly spending levels vary based on new and ongoing development and corporate activities. Currently, on a going concern basis, we expect to be able to finance our operations only until the end of November 2013, unless we are able to raise new funds. We expect to raise approximately CHF 3.1 million in net proceeds through the sale of the New Shares. We anticipate that these funds, together with our existing cash and cash equivalents will be sufficient to fund our planned operations through the end of 2014, but on a reduced basis. Accordingly, we intend to primarily focus our resources on pursuing a potential upside from our ADX71149 partnership with Janssen Pharmaceuticals, Inc. ("Janssen"), continuing to investigate dipraglurant, an mGluR5 negative allosteric modulator, for use in Parkinsons' disease in collaboration with The Michael J. Fox Foundation for Parkinson's Research and corporate development activities aimed at securing resources from investors, partners and grant providers to advance our clinical and preclinical programs, as well as our allosteric modulator discovery platform. For further discussion regarding the use of proceeds we intend to raise through the sale of the New Shares, see Section 8 "Use of Proceeds".

Our budgeted external costs for the development plans described above and further detailed in Section 12 "Business" are for the most part based on our initial discussions with contract research organisations and other external suppliers, and we have not entered into any agreements or other arrangements that would establish or guarantee the costs of these programmes. There is a risk that these development plans could be more costly than we anticipate, including as a result of unanticipated delays.

Although we completed a restructuring to reduce our operating costs and workforce at the end of May 2013 (see Section 12 "Business") and we believe that we will have sufficient resources to fund our intended operations on a reduced basis until the end of 2014 as described above after we will have raised the expected net amount of approximately CHF 3.1 million from the sale of the New Shares, we cannot assure you of this and our ability to finance our operations and pursue our intended development plans beyond that date which will depend on our receipt of any further milestone payments under our collaboration with Janssen in respect of the development of ADX71149 (the timing and pursuit of which are beyond our control), our ability to generate additional funding through further partnerships or grants and amounts we may raise through further financings such as additional equity offerings. If our development plans are not successful, or if Janssen does not make further progress in its development of ADX71149, we may not be able to generate additional funding through partnerships or grants, or raise further financing through equity offerings or otherwise, or we may only be able to do so on terms that are not favourable to our shareholders.

We cannot guarantee that we will have sufficient funds available in the future to develop and commercialize our current or future drug candidates.

We have limited sources of revenue and will need substantial additional capital to develop and commercialize our product candidates. We may be unable to raise additional capital when needed, or at all, which would force us to reduce or discontinue operations. We do not expect to realize meaningful revenue from product sales, milestone payments or royalties in the foreseeable future, if at all. Our revenue sources are, and will remain, extremely limited until and unless our product candidates are clinically tested, approved for commercialization and successfully marketed. To date, we have primarily financed our operations through the sale of securities, milestone payments from partners, including under our collaboration and license agreement for ADX71149 with Janssen, and grants from foundations and governmental agencies, including a US$1.0 million award, subject to repayment obligations in the event certain regulatory approvals are obtained, which we announced in March 2013 from The Michael J. Fox Foundation for

Parkinson's Research to support continuing clinical trials for dipraglurant (ADX48621) for treatment of Parkinson's disease levodopa-induced dyskinesia (PD-LID). Our ability to raise additional funds will depend on financial, economic and other factors, many of which are beyond our control. Under Swiss law, shareholders have certain preemptive rights to subscribe for newly issued securities in proportion to the nominal value of shares held. These preemptive rights may cause delays and uncertainties in any future equity offering, including in pricing, number of shares offered and dilutive effects, which discourage investment in our securities. We can provide no assurance that we can obtain access to sufficient funds when needed. If we fail to obtain additional funds at acceptable terms when needed, we may have to delay, reduce or terminate our research and development programs, limit strategic opportunities or be forced to cease operations, which may adversely affect our business, financial condition, results of operations and prospects.

There may be continued questions about our ability to contiue as a going concern which could negatively affect our share price and our ability to enter into collaborative partnership or raise additional capital.

Based on our expected operations and development plans, and the anticipated proceeds from the sale of the New Shares, we believe that we will be able to fund our operations and continue as a going concern for a period of at least 12 months, or until the end of 2014. In order to be able to continue as a going concern beyond that point, we will need to generate additional funding through grants, milestone payments, monetization of assets through collaboration and other commercial arrangements or through equity or debt financing.

When preparing our financial statements, we are required to assess whether we believe that we will be able to meet all of our obligations for a further 12 months as they fall due. If so, we are able to prepare our financial statements on a going concern basis. If not, we would need to prepare our financial statements on a liquidation basis. In addition, under Swiss law if our balance sheet is over-indebted or risks becoming over-indebted, which could occur at least several months prior to our no longer being able to fund our operations, we would be required to prepare a balance sheet on a liquidation basis. This would result in a number of our assets and liabilities being revalued at their short-term realizable value. In addition, certain assets which are not reflected on our balance sheet prepared on a going concern basis, principally related to our patent portfolio and our license agreement with Janssen, would be valued and recorded on a liquidation balance sheet at their short-term realizable value and certain additional liabilities, including closing down costs and costs of terminating employees, leases and supply agreements, would be recorded in the liquidation balance sheet at fair value. Our directors and management would also need to manage our company taking into consideration the best interest of our creditors. In such a case, our directors may be compelled to take actions in the best interest of our creditors rather than our shareholders, such as to request our shareholders to vote the liquidation of the Company by way of dissolution and/or, depending on whether our liabilities exceed our assets both on a continuation and on a liquidation basis at such time, notify thereof the competent court, which we anticipate would result in such a court opening bankruptcy proceedings against us.

Although our consolidated financial statements for the year ended December 31, 2012 were prepared on a going concern basis, we noted that the outcome of our activities to ensure that we could continue our operations is inherently uncertain and that, had we assessed differently our ability to execute on our current financial plans and meet our obligations for a further 12 months, we would have needed to present our financial statements on a liquidation basis. The report of our statutory auditor contained an emphasis of matter drawing attention to these disclosures and our need to raise additional financial resources to support our future research activity and enter into collaborations with partners in the pharmaceutical industry in order to continue our operations, and how this may cast significant doubt about our ability to continue as a going concern, although the opinion of our statutory auditor was not qualified in respect of this matter. When preparing our future semi-annual and annual consolidated financial statements, we will need to determine whether we will be able to continue as a going concern, which will depend on our financial resources and intended operations and development plans at that time.

Any doubt about our ability to continue as a going concern, whether as a result of the disclosures contained in our financial statements or due to our financial condition more generally, could have a negative impact on our ability to enter into collaborative partnerships and raise further capital, and could result in a decrease in the price of our Shares as a result of any uncertainty as to our ability to access the additional funding we will require to finance our operations.

We have a history of net losses and negative cash flow, expect to continue such losses for the foreseeable future and may never achieve or maintain profitability.

Since we began operations in 2002, we have not had product revenue and our expense has substantially exceeded our revenue, resulting in continuing operating losses and an accumulated deficit of approximately CHF 256.1 million at December 31, 2012. For the year ended December 31, 2012, we incurred a net loss of approximately CHF 27.0 million. These losses have resulted principally from costs incurred in research and development of our drug candidates and general and administrative expense.

We will continue to incur significant operating losses in the foreseeable future, primarily due to the cost of our research and

development programs, preclinical studies and clinical trials and the regulatory approval process for drug candidates. The amount of future losses is uncertain and our ability to achieve profitability, if ever, will depend on, among other things, us or partners successfully developing drug candidates, obtaining regulatory approval to market and commercialize drug candidates, manufacturing any approved products on commercially reasonable terms, establishing a sales and marketing organization or suitable third party alternatives for any approved product and raising sufficient funds to finance our activities. If we or our partners are unable to develop and commercialize one or more of our drug candidates or if sales revenue from any drug candidate that receives approval is insufficient, we will not achieve profitability, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our transition from a discovery based company to a development stage company working with novel approaches to therapeutics may not be successful.

We have devoted our resources to the discovery and development of allosteric modulators of G-protein coupled receptors (GPCRs) related to central nervous system (CNS) and other neurological diseases. Since inception, we have focused on building a drug discovery platform, including a knowledge-based library and proprietary biological screening tools. In 2012, we revised our strategy to focus on the development of allosteric modulators of four receptors, namely the metabotropic glutamate receptor 5 (mGlu5), the metabotropic glutamate receptor 2 (mGlu2), the gamma-aminobutyric acid subtype B receptor (GABAb) and the metabotropic glutamate receptor 4 (mGlu4), for the treatment of disease indications that lack effective therapies and present significant unmet medical needs, including indications classified as rare diseases that may allow for orphan drug designation by regulatory agencies in major commercial markets, such as the United States, Europe and Japan. Discovery and development of allosteric modulators involves novel approaches to human therapeutics. We are subject to the risks of failure inherent in the development of product candidates based on new technologies. There is little precedent for the successful commercialization of products based on our technologies, and there are a number of technological challenges that we must overcome to complete most of our development efforts.

We have no products on the market and we may never generate revenue from the sale or licensing of product candidates.

Our ability to achieve and sustain profitability depends on obtaining regulatory approvals for and successfully commercializing our product candidates, either alone or with third parties, such as our partner for ADX71149 Janssen Pharmaceuticals, Inc. ("Janssen"), a subsidiary of Johnson & Johnson. Currently, none of our product candidates are approved for marketing and commercialization or are in Phase 3 trials. We cannot guarantee that any of our product candidates will be successfully tested, approved by the U.S. Food and Drug Administration (FDA), the European Medicines Agency (EMEA), Swissmedic, Swiss Agency for Therapeutic Products, or any other regulatory agency or marketed and commercialized at any time in the foreseeable future or at all. If approval is obtained for a product candidate, we cannot assure that we will generate or sustain revenue from any sales due to factors such as whether the product is manufactured at a competitive cost or accepted in the market, as well as general and industry-specific local and international economic pressures such as those recently experienced worldwide. With our strategy to focus on allosteric modulator development, these risks continue to be significant and may increase to the extent the space becomes more competitive or less favored in the commercial marketplace. Our focus on rare disease indications with the potential for orphan drug designation limits the size of the patient population for even an approved product, unless approval is expanded for use beyond the rare disease. Because of the inherently small patient population for treatment of a rare disease, an approved product with orphan drug designation for which pricing is not approved or accepted in the market at an appropriate level may not generate enough revenue to offset costs of development, manufacturing, marketing and commercialization despite any benefits received from the designation, such as market exclusivity, assistance in clinical trial design, a reduction in user fees or tax credits related to development expense.

The future of our business and operations depends on the success of our collaboration with Janssen Pharmaceuticals, Inc. for ADX71149 and our allosteric modulator development programs, including for our most advanced proprietary product candidate, dipraglurant (ADX48621).

We are substantially dependent on the success of our current lead drug candidates, ADX71149, which is being developed by Janssen under a collaboration and licensing agreement with us, and dipraglurant (ADX48621), which we are developing ourselves. In March 2012, we announced the completion of a Phase 2a clinical trial in the United States and Europe with dipraglurant (ADX48621) for the treatment of PD-LID. In November 2012, our partner Janssen announced completion of a Phase 2a clinical trial in Europe with ADX71149 for the treatment of schizophrenia. Though Phase 2a clinical trials for these two drug candidates have produced positive results, further development and commercialization for the treatment of PD-LID and schizophrenia or other disease indications may not be successful or may experience significant delays and setbacks. We believe that a failure to develop our most advanced drug candidates, or to do so in a timely manner, would not only harm those programs but also industry and investor confidence in our other programs and could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our dependence on Janssen to develop and commercialize ADX71149 exposes us to significant risks.

Our collaboration with Janssen, and any future partner, may not be scientifically, clinically or commercially successful. We are dependent upon Janssen, and may be dependent upon any other partners with which we collaborate in the future, to perform and fund development activities, including clinical testing, regulatory filings and the manufacture and marketing of products. Under our collaboration and license agreement with Janssen for the discovery, development and commercialization of mGlu2 PAM compounds for the treatment of CNS and related diseases, Janssen has sole responsibility for, including the financing of, development of ADX71149 through preclinical and clinical trials, as well as registration procedures and commercialization, if any, in the United States, Japan, the United Kingdom, Germany, France, Spain and Italy. Janssen has authority over all aspects of the development of selected compounds and may develop or commercialize third-party compounds with a different mechanism of action for identical use. Our role on the joint development committee formed under the collaboration and license agreement is advisory and we do not have authority to determine or veto actions. Janssen may take independent action concerning product development, marketing strategies, manufacturing and supply issues and rights relating to intellectual property. Thus, the success of ADX71149 for the treatment of CNS and related diseases currently depends entirely upon the efforts of Janssen. Janssen has significant discretion in determining the efforts and resources it applies to the development and, if approval is obtained, commercialization and marketing of ADX71149. Janssen may not be effective in obtaining approvals in its field of use, marketing any approved products or arranging for necessary sublicense, supply, manufacturing or distribution relationships, or Janssen may change its strategic focus or pursue alternative technologies in a manner that results in reduced or delayed revenue to us. Janssen has a variety of marketed products and its own corporate objectives may not be consistent with our best interests. Changes of this nature might also occur if Janssen is acquired or experiences changes in management. In any future disagreement with us, Janssen will have significantly greater financial and managerial resources on which to draw. Any disagreement could lead to lengthy and expensive litigation or other dispute resolution proceedings as well as extensive financial and operational consequences to us and have a material adverse effect on our business, financial conditions, results of operations and prospects.

Our failure to collaborate successfully with collaborators may delay, impair or prevent the development or commercialization of our product candidates.

Our business strategy requires us to enter into various forms of collaboration arrangements with other companies, licensors or licensees to research, develop and commercialize our drug candidates. We are unlikely to be able to enter into new collaborative arrangements with respect to the product candidates we are currently developing internally until we complete at least the next stage of their respective development activities. We cannot assure you that we will be able to maintain our existing collaboration with Janssen, negotiate collaboration arrangements in the future on acceptable terms with first choice partners, if at all, or that any such collaboration arrangements will be successful. To the extent that we are not able to maintain or establish such arrangements, we would be forced to seek alternatives, including undertaking drug development and commercialization activities on our own, which would increase our capital requirements and could require us to limit the scope of some or all of our other research and development activities. Under a collaboration agreement, we are likely to have limited influence over the future development of the relevant compound or commercialization of the relevant product candidate. Such development or commercialization may depend significantly on the efforts and activities of the collaborator. Under the terms of an agreement, a collaborator may have significant discretion in determining the efforts and resources it dedicates to the collaboration, which may change over time depending on the collaborator's overall strategic priorities. For instance, as part of the merger of Merck & Co Inc. and Schering-Plough Corporation in November 2009, Merck adjusted its business strategy and elected to terminate its agreements with us for the development of mGlu4 PAM. The suspension or termination of our collaboration arrangements, the failure of our collaboration arrangements to be successful or the delay in the development or commercialization of drug candidates pursuant to collaborations could have a material adverse effect on our business, financial condition, results of operations and prospects.

If third parties on which we depend to conduct our clinical trials do not perform as contractually required, fail to satisfy regulatory or legal requirements or miss expected deadlines, our clinical development program could be delayed and otherwise adversely affected.

We rely on third party clinical investigators, contract research organizations (CROs), clinical data management organizations, medical institutions and consultants to design, conduct, supervise and monitor preclinical studies and clinical trials in relation to our product candidates. Because we rely on third parties and do not have the ability to conduct clinical trials independently, we have less control over the timing, quality and other aspects of clinical trials than we would if we conducted them on our own. These investigators, CROs and consultants are not our employees and we have limited control over the amount of time and resources that they dedicate to our programs. These third parties may have contractual relationships with other entities, some of which may be our competitors, which may draw time and resources from our programs. If we cannot contract with acceptable third parties on commercially reasonable terms, or at all, or if these third parties do not carry out their contractual duties, satisfy legal and regulatory requirements for the conduct of clinical trials or meet expected deadlines, our clinical development program could be delayed and otherwise adversely affected. In all events, we are responsible for ensuring that each of our clinical trials is conducted in accordance

with the general investigational plan and protocols for the trial. The FDA requires us to comply with good clinical practices for conducting, recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of trial participants are protected. Our reliance on third parties that we do not control does not relieve us of these responsibilities and requirements. The third parties with which we contract might not be diligent, careful or timely in conducting our clinical trials, as a result of which the clinical trials could be delayed or unsuccessful. Any such event could have a material adverse effect on our business, financial condition, results of operations and prospects.

Because we rely on third party manufacturing and supply partners, our supply of clinical development and other materials may become limited or interrupted or may not be of satisfactory quantity.

We rely on third party manufacturing and supply partners for research and development, preclinical studies and clinical trials. We currently do not have in-house facilities to manufacture our research and development, preclinical and clinical drug supplies. In the event that any of our suppliers, whether for research and development, preclinical studies or clinical trials, fail to perform their respective obligations in terms of quality, timing or otherwise, or if our supply of such components or other materials become limited or interrupted for other reasons, we would not be able to develop or market our drug candidates on a timely and cost-competitive basis, if at all, which would have a material adverse effect on our business, financial condition, results of operations and prospects. There can be no assurance that our supply of research and development, preclinical and clinical development drugs and other materials will not be limited, interrupted, restricted in certain geographic regions or of satisfactory quality. If the suppliers that currently manufacture our clinical drug supplies cannot continue to do so, we can provide no assurance that we will be able to obtain alternative components and materials from other manufacturers of acceptable quality, or on terms or in quantities acceptable to us, or that we will not require additional components and other materials to manufacture or use our drug candidates. In addition, suppliers need to meet applicable manufacturing requirements and undergo rigorous facility and process validation tests required by regulatory authorities in order to comply with applicable regulatory standards, such as current Good Manufacturing Practices (cGMP). We cannot provide assurance that our suppliers will comply with such requirements.

Our product candidates may not successfully obtain regulatory approval.

Even if Phase 3 clinical trials are completed, there can be no assurance that we will receive approval from the FDA, the EMEA, Swissmedic, Swiss Agency for Therapeutic Products, or any other relevant government agencies. Any approval, if any, may be delayed or may be obtained on restrictive terms. This may occur if a drug candidate does not show acceptable safety and efficacy in preclinical studies and clinical trials or otherwise does not meet applicable regulatory standards for approval or the drug candidate does not prove as effective as, or does not offer therapeutic or other improvements over, existing or future drugs used to treat the same or similar illness or conditions. Failure by us or a partner to obtain approval for products candidates could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our drug candidates must prove their efficacy and safety in rigorous clinical testing that is expensive, time-consuming and may be delayed, suspended or terminated at any time.

Drug approval requires extensive, time consuming and expensive clinical testing to demonstrate safety, tolerability and efficacy of a drug and meet other regulatory standards for authorization to market and commercialize. The development of innovative drugs is inherently risky and the utility and success of a drug will depend on its efficacy and side effect profile for the target patient population. Preclinical studies and clinical trials are long, expensive and uncertain processes. Successful results obtained in preclinical studies and early clinical trials may not be predictive of results in later clinical trials and do not ensure that later preclinical studies or clinical trials will be successful. Clinical trials may be delayed, suspended or terminated as a result of many factors, many of which are or may be beyond our control, such as:

- suspension or termination of clinical trials by regulators or institutional review boards;
- termination due to safety issues or lack of efficiency of the drug tested;
- a collaboration partner's termination of an arrangement with us or inadequate dedication of financial or other resources towards development under an arrangement with us;
- inability to enter into adequate collaboration arrangements to complete the development or commercialization and manufacturing of our drug candidates;
- insufficient availability of a drug product in accordance with cGMP quality; or

- slower than expected enrollment of patients or lack of compliance by patients.

We or a partner may be required to conduct clinical trials or other testing of drug candidates beyond those currently contemplated, in particular, if the currently contemplated trials fail to complete successfully or if the results of those trials or tests are negative or inconclusive. It may take us several years to complete this testing, if at all, and failure can occur at any stage of the process, which could delay, increase costs associated with or prevent approval or commercialization of a drug candidate. Even after approval, if any, a drug may be shown to be unsafe or not have its purported effect. As a result, we or a partner may be required to conduct additional trials or studies, be subject to fines, suspension or withdrawal of approval, drug recalls, product seizures, operating restrictions or criminal prosecution. In all such cases, our anticipated development or commercialization timelines may not be met, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We face competition from entities that have developed or may develop similar or different product candidates aimed at the indications on which we are focusing.

The development and commercialization of drugs is highly competitive. We compete with a variety of multinational pharmaceutical companies and specialized pharmaceutical companies, including Eli Lilly and Company, F. Hoffmann-La Roche Ltd, Lundbeck Pharmaceuticals Ltd, Merck & Co. Inc. and Novartis Pharma AG, as well as technology being developed at universities and other research institutions. Many of our competitors have significantly greater financial, technical, manufacturing, marketing, sales and supply resources or experience than we have. Our competitors have developed, are developing or will develop drug candidates and processes that will compete with our drug candidates. Competitors may enjoy a significant competitive advantage if they are able to achieve patent protection, obtain marketing authorizations and commence commercial sales of their drugs before us. Competing drugs could present superior treatment alternatives for our targeted indications, including by being more effective, safer or convenient, and even make our drug candidates or know-how obsolete before we reach the market. In addition, competitors may sell drugs below the price level at which appropriate return for our investment in drug development is possible. As a result of these factors, we may be unable to successfully develop commercially feasible drugs and our commercial opportunities may be reduced or eliminated, and we may not be able to successfully compete. This would have a material adverse effect on our business, financial condition, results of operations and prospects.

We may fail to obtain, maintain or enforce licenses, patents and proprietary technology.

Our success depends in part on our ability to obtain patent protection for our drug candidates and processes, preserve our trade secrets and other proprietary rights and to defend and enforce our rights against infringement in Europe, the United States and other countries. If we are unable to do so, our drugs, technologies and know-how may not provide us with a competitive advantage. The validity and breadth of claims in patent applications involve complex legal and factual questions and, therefore, involve uncertainty. We own six U.S. and 76 foreign patents and a number of pending patent applications that cover various aspects of our technologies. No assurance can be given that patents based on pending patent applications or any future patent applications will be issued. We may need to refine or narrow our claims. Due to their broad scope, some of our generic compound claims may not be patentable. Other of our patent applications may not be granted if third parties have earlier filed applications for inventions covered by our pending patent applications. The scope of any patent protection we are able to obtain may not provide us with sufficient protection against competing drugs or provide competitive advantages to us. Any of the patents that have been or may be issued to us may be held invalid or unenforceable if subsequently challenged by competitors or other third parties. Furthermore, there can be no assurance that others have not developed or will not develop similar drugs, duplicate any of our drugs or design around any patents that have been or may be issued to us. Any of our granted, valid and enforceable patents will provide protection for only a limited period of time. We cannot assure that we will obtain any extensions of patent protection that are sometimes offered if certain clinical development extension application deadlines are met or that we will be successful in seeking any method of use patent. If a method of use patent is granted but product patents are not granted or expire, third parties would be able to develop products using the method in indications not covered by the method of use patent.

We may be restricted in our development and any commercialization activities by third-party patents and patent applications.

Our commercial success depends on our ability to have freedom to operate without infringing third-party patents and other intellectual property or market exclusivity rights. If we are not able to do so, we may be subject to infringement actions. We may not be aware of all patents and patent applications that may impact our ability to make, use or sell our product candidates. Other parties may have filed, or may file in the future, patent applications covering compounds or drug candidates that are similar to ours. For instance, third parties have filed and published several patent applications relating to the use of mGlu5 antagonists for the treatment of, among other indications, Parkinson's disease, gastroesophageal reflux disease (GERD), pain, depression and anxiety. Although there is a significant body of prior art that may prevent patentability of a third party's broad use claims, if any of these patent applications is granted as published and without limitation to the third party's own specific compounds, they could have a blocking effect in the

specific indication and may restrict the development and commercialization of dipraglurant in the indications for which the broad use patent is granted. Any such event could have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, because patent applications can take many years to issue and are not published for a period of time ranging on the jurisditctions in which we applied for registration, there may be applications currently pending, unknown to us, which may later result in patents that our drug candidates or technology may infringe. Any conflicts arising from the patent rights of others could significantly reduce the scope of our patents and limit our ability to obtain meaningful patent protection. We may be required to obtain licenses to those patents or to develop or obtain alternative technology. We may not be able to obtain any such licenses on acceptable terms, or at all. Any failure to obtain such licenses could delay or prevent us from pursuing the development or commercialization, if any, of our product candidates.

We may fail to protect our intellectual property rights, including trade secrets and know-how.

Our success depends on our ability to obtain and enforce intellectual property rights, including trade secrets and non-patentable know-how related to our allosteric modulator platform. We seek to protect or secure this intellectual property, in part, by entering confidentiality agreements with and receiving assignments from our employees, consultants, suppliers, licensees, funding partners and other contractual partners and advisers. We may not always be able to obtain these agreements or assignments. Even if we obtain these agreements or assignments, there can be no assurance that they will effectively protect our intellectual property rights or prevent improper use or disclosure of confidential information or that they will not be breached. We may not have adequate remedies for any breach of these agreements or assignments, or our trade secrets or non-patentable know-how may otherwise become known or be independently developed by competitors. In addition, these agreements or assignments may conflict with, or be subject to, the rights of third parties with which our employees, consultants, suppliers, licensees, funding partners or other contractual partners or advisers had previous employment, consulting or other relationships. Any such event could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may have to defend against or initiate lawsuits to protect our intellectual property rights.

In the future, third parties with patent claims that overlap with our intended activities may decide to sue us for monetary damages or to prevent us from manufacturing, selling or developing our drug candidates. We could also become subject to claims that we or our employees have inadvertently or otherwise used or disclosed intellectual property, trade secrets or other proprietary information of an employee's former employer, particularly if such employer is a university or pharmaceutical company. Additionally, to protect our patent rights, we may decide to initiate lawsuits against third parties. Defending against or initiating such claims, which typically go on for years before a legal judgment or settlement is obtained, would involve significant effort and expense and could divert management's attention from the operation of our business. Any such proceedings could involve prior art and put our patents at risk of being invalidated or interpreted narrowly and our pending patent applications at risk of not being issued. In addition, there is a risk that some of our confidential information could be compromised by disclosure in such proceedings and provide competitors with access to our proprietary information. Further, the outcome of any such proceedings may be unfavorable to us. If the manufacture, use or sale of any of our drug candidates infringes the patents, or violates other proprietary rights, of third parties, a court or settlement agreement may require us to pay actual damages and, potentially, penalties, including the other party's attorney's fees, which may be substantial. We could also be required to cease the development, manufacture, use and sale of drugs that infringe the patent rights of others, to expend significant resources to redesign our technology so that it does not infringe the patent rights of others, to develop or acquire non-infringing technology, which may not be possible, or to obtain licenses to the infringed intellectual property, which may not be available to us on acceptable terms or at all. We cannot guarantee that we will have sufficient financial or other resources to protect intellectual property significant to the development of our product candidates.

Even if a product candidate receives regulatory approval, lack of market acceptance may prevent us from generating revenue from commercialization of the product.

Even if a product candidate is approved, if we or a partner are not successful in commercializing the product, we will not generate revenue from sales. Revenue generated from an approved product depends on its successful commercialization. Many factors may impede successful commercialization, many of which are or may be beyond our or a partner's control. These factors include the proprietary rights of third parties, including our competitors, the failure of a product to prove effective as, or offer therapeutic or other improvements over, existing or future drugs used to treat the same or similar conditions or the inability of a product to gain acceptance by patients, the medical community or third-party payers, such as insurance companies or government reimbursement programs, or the inability of produce a product in commercial quantities at an acceptable cost, or at all. Even if our drug development is successful and marketing authorization has been obtained, our ability, or our partners' ability, to generate significant revenue will depend on the acceptance of our drugs by physicians, patients, third-party payers and the medical community. We cannot assure you that we or our partners will achieve market acceptance of our drug candidates or generate revenue once we or our partners obtain marketing authorization. The market acceptance of any of our drug candidates depends on a number of factors, including the continued

demonstration of efficacy and safety in commercial use, cost-effectiveness, convenience and ease of administration, competition, marketing and distribution support, the scope of the approved uses and labeling requirements, prevalence and severity of any side effects, and adequate government or other third-party coverage or reimbursement for the cost of the drug. To the extent competitors are able to commercialize competing drugs before our drugs have achieved market approval and acceptance, we may have difficulty gaining market acceptance if physicians, patients, third-party payers and the medical community have grown accustomed to use of the competing drugs, whether or not such competing drugs are more effective or have other advantages over our drug.

Any commercialization efforts by us will require us to develop sales, marketing and distribution capabilities internally or through arrangements with third parties.

Sales, marketing and distribution capabilities are key elements of a successful commercialization strategy, none of which we currently have internally. If any of our product candidates are approved, we intend to market the product either directly or through other strategic alliances and distribution arrangements with third parties. To commercialize our drugs we will need to enter into new collaborations with third parties or develop our own marketing and sales force with technical expertise and supporting distribution capability. If we decide to market our products directly, we will need to commit significant financial and managerial resources to develop a marketing and sales force with technical expertise and with supporting distribution, administration and compliance capabilities. If we rely on third parties with such capabilities to market our products, we will need to establish and maintain partnership arrangements, and there can be no assurance that we will be able to enter into third-party marketing or distribution arrangements on acceptable terms or at all. To the extent that we do enter into such arrangements, we will be dependent on our marketing and distribution partners. In entering into third-party marketing or distribution arrangements, we expect to incur significant additional expense and there can be no assurance that such third parties will establish adequate sales and distribution capabilities or be successful in gaining market acceptance for our products and services. Any factors preventing or limiting the market acceptance of our drug candidates could have a material adverse effect on our business, financial condition, results of operations and prospects. There can be no assurance that we will be able to build up our own marketing and sales organization, to attract and maintain established collaboration partners for the third-party commercialization of our drug candidates, to enter into agreements on acceptable terms for sales and marketing, if at all, or that any such collaboration arrangements will be successful. As a consequence, we would be forced to seek alternatives, redirect our resources or have to limit the scope of our research and development activities in other fields and thereby delay the launch and sales of any or all of our drug candidates, or raise new funds. Accordingly, this could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may become exposed to costly and damaging liability claims and may not be able to maintain sufficient liability insurance to cover these claims.

Our business with pharmaceutical drugs entails a potential risk of substantial liability for damages, including drug liability and environmental liability, which are inherent in the development, testing and manufacturing of our drug candidates. It is always possible that a drug, even after marketing authorization, may exhibit unforeseen failures or adverse side effects. We can provide no assurance that sufficient insurance coverage will be available to us at acceptable terms, or at all, for any damages or costs in connection with any liability claims. Liability lawsuits are costly and time consuming and may divert management's attention from their normal responsibilities. If any of our drugs were to fail or produce adverse side effects, substantial uninsured losses could result, which could have a material adverse effect on our business, financial condition, results of operations and prospects. Even where drug failures or side effects are not so serious as to warrant withdrawing the drug from the market or liability in damages, they may reduce the drug's competitiveness or adversely affect our reputation, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We and our partners are subject to significant government regulation, including marketing authorization requirements, which could increase the cost of developing our drug candidates or delay, prevent or limit the commercialization of our drug candidates.

We and our partners are subject to extensive and rigorous governmental regulation and the applicable regulatory requirements are subject to change. Our and a partner's research and development, preclinical studies and clinical trials, manufacturing, safety, efficacy, record-keeping, labeling, marketing, sales and distribution of our drug candidates are regulated by the EMEA, the FDA, Swissmedic, Swiss Agency for Therapeutic Products, and other government agencies in countries where we are testing or intend to test and market our drug candidates. Before a clinical trial can begin, we and our partners must obtain approval from the competent national authority in the country where the trial is planned to be conducted. A favorable opinion from a competent ethics committee or an independent institutional review board on the clinical trial application is also needed. We cannot assure we or our partners will obtain authorization for further testing of drug candidates already in clinical trials or for human clinical trials of any or all of our other candidates currently in research or pre-clinical development. We, and our partners or regulatory authorities may suspend or terminate clinical trials at any time if it is thought that the participants are being exposed to unacceptable health risks. It may take us or our collaborators several years to complete this testing, and failure can occur at any stage of the process.

The governmental regulation of development of drug candidates extends beyond clinical trials to approvals required for their sale and monitoring after sale, including safety reporting requirements, regulatory oversight of drug promotion and marketing and cGMP. A failure by us or our partners to obtain marketing authorization or a delay in obtaining and maintaining approval could damage our reputation and adversely affect the marketing of our drugs and our ability to generate revenue, which could have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, marketing authorizations, if granted, may not include all uses for which we may seek to market a drug, thereby limiting the potential market for the drug. Moreover, even after marketing authorization is obtained, a marketed drug, its manufacturer and its manufacturing facilities are subject to continual review and periodic inspections by the relevant authorities. Consequently, any discovery of previously unknown problems with an approved drug, manufacturer or manufacturing facilities may result in restrictions on the drug or manufacturer, including a requirement to withdraw the drug from the market. In addition, regulatory requirements are evolving in a manner that cannot be predicted. Changes in existing regulations of EMEA, FDA, Swissmedic, Swiss Agency for Therapeutic Products or other regulations or the adoption of new regulations could prevent us from obtaining or maintaining, or affect the timing of, future marketing authorizations. Changes in regulatory policy during the period of development of a drug or regulatory review may result in delays or rejections of approvals of the drug candidates. Any change in the regulations governing us could have a material adverse effect on our business, financial condition, results of operations and prospects.

Current healthcare laws and regulations and future legislative or regulatory changes to the healthcare system may affect our ability to sell any drugs we may develop.

Healthcare laws are subject to change, which may affect our ability to sell any product candidates for which we receive marking and commercialization approval. In the U.S., an important potential market for our drug candidates, there have been a number of legislative and regulatory changes to the healthcare system that could affect our future results of operations. In particular, there have been and continue to be a number of initiatives at the U.S. federal and state levels that seek to reduce healthcare costs. Most recently, in March 2010, the Patient Protection and Affordable Health Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, or collectively the PPACA, was enacted, which includes measures to significantly change the way health care is financed by both governmental and private insurers. Many of the details regarding the implementation of the PPACA are yet to be determined, and at this time, the full effect that the PPACA would have on our business remains unclear. Among the provisions of the PPACA of greatest importance to the pharmaceutical and biotechnology industry are the following:

- an annual, nondeductible fee on any entity that manufactures or imports certain branded prescription drugs and biologic agents, apportioned among these entities according to their market share in certain government healthcare programs, that began in 2011;
- new requirements to report certain financial arrangements with physicians and others, including reporting any "transfer of value" made or distributed to prescribers and other healthcare providers and reporting any investment interests held by physicians and their immediate family members;
- a licensure framework for follow-on biologic products;
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research;
- creation of the Independent Payment Advisory Board which, beginning in 2014, will have authority to recommend certain changes to the Medicare program that could result in reduced payments for prescription drugs and those recommendations could have the effect of law even if Congress does not act on the recommendations; and
- establishment of a Center for Medicare Innovation at the Centers for Medicare & Medicaid Services to test innovative payment and service delivery models to lower Medicare and Medicaid spending, potentially including prescription drug spending that began on January 1, 2011.

Individual states in the United States have become increasingly aggressive in passing legislation and implementing regulations designed to control pharmaceutical and biological product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access, and marketing cost disclosure and transparency measures, and designed to encourage importation from other countries and bulk purchasing. Legally-mandated price controls on payment amounts by third-party payors or other restrictions could harm our business, results of operations, financial condition and prospects. In addition, regional healthcare authorities and individual hospitals in the United States are increasingly using bidding procedures to determine what pharmaceutical products and which suppliers will be included in their prescription drug and other healthcare programs. This could reduce ultimate

demand for our products or put pressure on our product pricing, which could negatively affect our business, results of operations, financial condition and prospects.

In addition, given recent federal and state government initiatives directed at lowering the total cost of healthcare, Congress and state legislatures will likely continue to focus on healthcare reform, the cost of prescription drugs and biologics and the reform of the Medicare and Medicaid programs. While we cannot predict the full outcome of any such legislation, it may result in decreased reimbursement for drugs and biologics, which may further exacerbate industry-wide pressure to reduce prescription drug prices. This could harm our ability to generate revenue. In addition, legislation has been introduced in Congress that, if enacted, would permit more widespread importation or re-importation of pharmaceutical products from foreign countries into the United States, including from countries where the products are sold at lower prices than we might sell our products in the United States. Such legislation, or similar regulatory changes, could put competitive pressure on our ability to profitably price our products, which, in turn, could adversely affect our business, results of operations, financial condition and prospects. It is also possible that other legislative proposals having similar effects will be adopted.

In certain European countries, particularly Germany, there has been an increasing trend towards reference pricing which is likely to increase and which is likely to severely restrict the sales potential for many new drugs unless the drug can be significantly differentiated from existing drugs.

Additional governmental and regulatory proposals and health care reforms are likely. However, we are unable to forecast what additional legislation or regulation relating to the health care industry or third-party reimbursement may be enacted in the future, or what effect such legislation or regulation would have on our business. Our business could be harmed by other health care reforms that may be erected or adopted in the future, and in particular this could have a material adverse effect on the amounts that private payers will pay for drugs. As a consequence, we may not be able to realize an appropriate return on our investment in research and development and generate revenue sufficient to attain profitability, even if our drugs are approved for marketing. This could have a material adverse effect on our business, financial condition, results of operations and prospects.

The availability and level of third-party reimbursement for our potential drugs will be uncertain, and it may be difficult to obtain or maintain expected price levels.

Our or a partner's ability successfully to commercialize our drug candidates and to attract strategic partners for our drug candidates or future drugs will depend in part on price levels and on the extent to which reimbursement for the costs of treatment with these drug candidates will be available from government health administration authorities, private health insurers and other third-party payers, as well as government health care programs. Governments and other third-party payers are increasingly attempting to contain health care costs, in part by challenging the price of medical drugs and services or by restricting the eligibility for reimbursement. Health care cost pressure could lead to pricing pressure which could adversely affect pricing of dipraglurant (ADX48621) and ADX71149 and our other potential drugs. Seeking third-party reimbursement is a time-consuming and costly process, which will require us and our partners to provide scientific and clinical support for the use of each of our drug candidates to each third-party payer separately. Significant uncertainty exists as to the payment status of newly approved medical drugs. The unavailability or inadequacy of third-party reimbursement, or legislation controlling treatments or prices, would have an adverse effect on the price level and consequently the market acceptance of our drug candidates and may have a material adverse effect on our results or operations, financial condition and prospects.

Any non-compliance by us with the environmental, health and safety laws and regulations that we are subject to could result in fines, suspension of drugs research and development or cessation of our operations or civil liability.

We are subject to a variety of health, safety and environmental laws and regulations in the jurisdictions in which we operate, particularly in our research and development activities, as well as in our pre-clinical studies. These laws and regulations govern, among other things, the use, storage, handling and discharge or disposal of hazardous materials, chemicals and compounds, including wastewater discharge, air emissions and waste management, where we operate. Our research and development programs involve the controlled use of hazardous materials, chemical and biological materials and controlled pre-clinical animal studies. Although we believe that we hold all permits required to operate our business and otherwise comply with current laws and regulations, any failure by us to comply with present or future laws and regulations could result in fines, suspension of research and development or cessation of our operations. We, like many of our competitors, have incurred, and will continue to incur, capital and operating expenditures and other costs in the ordinary course of our business in complying with such laws and regulations in most of the jurisdictions in which we operate. We do not currently anticipate any material additional capital expenditures in respect of such regulations outside of the ordinary course of our business. However, the risk of environmental liability is inherent in our business and there can be no assurance that additional material costs of complying with environmental regulations will not arise in the future. Our research and manufacturing activities involve the use of hazardous materials. Although we believe that our safety procedures for handling and disposing of

hazardous materials (including medical and biological waste) comply with relevant laws and regulations, we cannot eliminate the risk of accidental or manmade contamination, injury or damage from these materials. In the event of an accident or environmental discharge, we may be held liable for any resulting damages. We cannot assure you that the amount of our insurance coverage will be sufficient to satisfy any such damages. As a result, any such accident could have a material adverse effect on our business, financial condition, results of operation and prospects. In addition, changes to existing or future laws and regulations may result in the imposition on us of significant additional environmental, health and safety compliance costs.

Our workforce reductions may make managing our organization, personnel, operations and facilities difficult and we may not be able to rebuild our discovery efforts to support potential future partnerships.

On February 7, 2013, we announced the implementation of a restructuring plan that will reduce our headcount by up to 70 percent, representing the termination of approximately 40 full time employees. On May 31, 2013 we announced the implementation of a further restructuring plan to reduce our operating costs that will reduce our headcount by 17 of our remaining 19 employees, including all of the senior management. These employees will work through their respective notice periods, save for our former CEO Dr. Bharatt Chowrira who stepped down on May 31, 2013 with immediate effect.

Headcount reductions can be challenging to implement, involve up-front expenses in advance of future potential savings and can be disruptive to an organization. We will need to carefully manage our organization to ensure that our controls and procedures continue to operate effectively and we have sufficient resources to conduct our business in accordance with our strategy. In the future, we may need to rebuild our discovery efforts to support potential collaborations or internal discovery needs although we have maintained key intellectual property as well as critical know-how, and we may find this difficult to do. We continue to seek means of strengthening our cash position through partnerships and will endeavor to monetize both our drug discovery platform capability as well as our discovery programs through licensing and strategic transactions. We will need to manage effectively our organization, personnel, operations and facilities in order successfully to develop and commercialize our drug candidates. We will only be able to organize operations efficiently and to avoid the misallocation of resources if we continue to improve our operational, financial and management controls, reporting systems and procedures as well as attract and retain sufficient numbers of qualified employees. We may be unable to successfully implement these tasks in time and on a larger scale and, accordingly, may not achieve our research, development and commercialization goals. If we are not able to manage our operations effectively, this could have a material adverse effect on our business, financial condition, results and prospects.

We may experience difficulties in rebuilding our workforce and re-hire key employees, academic consultants and academic advisers in our research, development, marketing and management in the future.

On February 7, 2013, we announced the implementation of a restructuring plan that will reduce our headcount by up to 70 percent, representing the termination of approximately 40 full time employees. On May 31, 2013 we announced the implementation of a further restructuring plan that will reduce our headcount by 17 of our remaining 19 employees upon the expiration of their respective termination notice periods, including all of the senior managment. These employees will work through their respective notice periods, save for our former CEO Dr. Bharatt Chowrira who stepped down on May 31, 2013 with immediate effect.

Reductions of the workforce also included key employees in our research, development, marketing and management and could have a material effect on us and materially delay the development of our drug candidates. In the future, we may have to rebuild our workforce and hire personnel to support our discovery efforts and potential collaborations. However, we can provide no assurance that we will be able to retain, develop or motivate such personnel or recruit, as needed, highly skilled and experienced employees on acceptable terms or at all. There is intense competition for skilled personnel in the areas of research, development, pre-clinical evaluation and clinical trial management. Key personnel's departure or the failure to attract highly skilled and experienced employees in the future could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are exposed to currency fluctuation risks and other financial risks.

In the year ended December 31, 2012, 22 and 100 percent of our costs and revenue, respectively, were denominated in currencies other than the Swiss franc. As a result, our business is affected by fluctuations in foreign exchange rates between the Swiss franc and other currencies, particularly U.S. dollars, the Euro and the British pound. A significant amount of our costs are denominated in currencies other than Swiss francs as we source supplies, research and development, consulting and other services in several countries other than Switzerland. On the revenue side, under our agreement with Janssen, all milestone payments and royalties by Janssen to us are denominated in Euros. Since our reporting currency is the Swiss francs, we convert financial line items into Swiss francs at the applicable foreign exchange rates. As our business grows, we expect that a significant part of our revenue, including milestone payments and royalties, and of our costs, including costs for clinical trials, will be denominated in U.S. dollars, the Euro or the British pound. Unfavorable fluctuations in the value of the Swiss franc compared to these other currencies could have a material adverse

effect on our business, financial condition, results of operations and prospects.

Our current operations are concentrated in one location and any events affecting this location may have material adverse consequences.

Our current operations are located in our facilities situated in Plan-les-Ouates, Geneva, Switzerland. Any unplanned event, such as flood, fire, explosion, earthquake or other accidents that result in us being unable to fully utilize the facilities, may have a material adverse effect on our ability to operate our business, particularly on a daily basis, and have significant negative consequences on our financial and operating conditions. Loss of access to these facilities may result in increased costs, delays in the development of our product candidates or interruption of our business operations. As part of our risk management policy, we maintain insurance coverage at levels we believe are appropriate for our business. However, in the event of an accident at these facilities, we cannot assure you that the amounts of insurance will be sufficient to satisfy any damages and losses. If our facilities are unable to operate because of an accident or for any other reason, even for a short period of time, any or all of our research and development programs may be harmed. Any business interruption may have a material adverse effect on our business, financial position, results of operations and prospects.

Risks Related to Our Securities

An investment in our securities is speculative, and there can be no assurance of any return on any such investment.

An investment in our securities is highly speculative, and there is no assurance that investors will obtain any return on their investment. Investors will be subject to substantial risks involved in their investment, including the risk of losing their entire investment.

The market price for our securities may continue to be highly volatile and could decline significantly.

Our securities have a relatively small public float and may be less liquid and more volatile than securities of companies with broader public ownership. Factors affecting the market price of the securities, many of which are beyond our control, include:

- low daily trading volume of our securities on the SIX Swiss Exchange;
- announcements by us and developments that impact our financial results, business and partners;
- fluctuations in our financial position or operating results;
- changes in our business strategy and operations;
- changes in our senior management team or board of directors;
- changes in the recommendations of securities analysts regarding us or our industry;
- investor need for liquidity;
- investor assessment of the valuation of us and our competitors;
- fluctuations in interest rates;
- price and volume of the markets where our securities trade; and
- future offerings of our securities.

In addition, securities markets in general have from time to time, and in particular in recent years, experienced significant price and volume fluctuations. Such fluctuations, as well as the economic environment as a whole, can have a substantial negative effect on the market price of our securities, regardless of our operating results or our financial position. Any such broad market fluctuations may adversely affect the trading price of our securities.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or

if they adversely change their recommendations regarding our shares, our share price and trading volume could decline.

The trading market for our ordinary shares will be influenced by the research and reports that industry or securities analysts may publish about us or our business, market or competitors. If no securities or industry analysts cover or no longer cover our company, our share price and trading volume would likely be negatively impacted. If any analysts cover us and then adversely change their recommendation regarding our shares or provide more favorable relative recommendations about our competitors, our share price would likely decline. If any analysts cover us and then cease coverage or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our share price or trading volume to decline.

Certain shareholders hold a significant stake in the Company and, consequently, will continue to exert significant influence over us and may not make decisions that are in the best interests of all shareholders.

Certain shareholders holding three percent or more of our outstanding share capital, mainly institutional investors and private equity investors, together with other investors that may have purchased our New Shares, beneficially own 5,699,235 ordinary shares, or approximately 56.02 percent of the outstanding share capital on a fully-diluted basis. Some of these shareholders, acting together, may have the ability to exercise significant influence over our management and operations, including the election of members of our board of directors and other matters requiring shareholder approval. The voting power of these shareholders may discourage or prevent certain takeovers or changes in control unless the terms are approved by these shareholders. In addition, the interests of our officers, directors and principal shareholders may not always coincide with our interests or the interests of other shareholders and, accordingly, these control persons could cause us to enter into transactions or agreements that we would not otherwise consider.

The future issuance of equity or of debt securities that are convertible into equity will dilute our share capital.

We may choose to raise additional capital in the future, depending on market conditions, strategic considerations and operational requirements. To the extent that additional capital is raised through the issuance of shares or other securities convertible into shares, our shareholders will be diluted. Future issuances of our ordinary shares or other equity securities, or the perception that such sales may occur, could adversely affect the trading price of our ordinary shares and impair our ability to raise capital through future offerings of shares or equity securities. No prediction can be made as to the effect, if any, that future sales of ordinary shares or the availability of ordinary shares for future sales will have on the trading price of our ordinary shares.

The exercise of equity incentive instruments granted under our equity incentive plan could dilute our share capital.

Pursuant to our existing equity incentive plan, equity sharing certificates (ESCs) with subscription rights to purchase ordinary shares may be exercisable at prices below the market price of our ordinary shares at the time of exercise. To the extent that these instruments are exercised in the future, holders of our ordinary shares will be diluted. At June 30, 2013, there were 1,311,881 outstanding subscription rights attached to ESCs.

We have never paid dividends on our share capital, and we do not anticipate paying cash dividends in the foreseeable future.

We have never declared or paid cash dividends on our share capital. We do not anticipate paying cash dividends on our ordinary shares in the foreseeable future. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to compliance with applicable laws and covenants under current or future credit facilities, which may restrict or limit our ability to pay dividends and will depend on our financial condition, operating results, capital requirements, general business conditions and other factors that our board of directors may deem relevant. As a result, capital appreciation, if any, of our securities will be your sole source of gain for the foreseeable future.

Additional Risks applicable to U.S. Shareholders

Shareholders outside of Switzerland may not be able to exercise certain rights of our shares proscribed under Swiss law, including preemptive rights.

Under Swiss law, shareholders have certain preemptive rights to subscribe on a pro rata basis for issuances of new shares or other securities that entitle holders to acquire new shares. Due to laws and regulations in jurisdictions outside of Switzerland, including the United States, Canada and Japan, shareholders in those jurisdictions may not be able to exercise their preemptive subscription rights unless we take action to register or otherwise qualify any rights offering under the laws of that jurisdiction. For example, in the United States, U.S. holders of ordinary shares may not be able to exercise preemptive rights unless a registration statement under the Securities Act is declared effective with respect to the shares issuable upon exercise of such rights or an exemption from the

registration requirements is available. We cannot assure shareholders that we would take any such action in relation to any rights offering. If shareholders in the United States or other jurisdictions are unable to exercise their subscription rights, their ownership interest in us would be diluted and they effectively would not have the same rights as other shareholders.

Limitations on ability of shareholders located or residing in the United States to bring actions or enforce judgments against us.

The ability of a shareholder located or residing in the United States to bring an action against us may be limited. Court judgments obtained in the U.S. may not be enforceable against us or our directors or officers in Switzerland. The courts of Switzerland may not recognize or enforce judgments of U.S. courts, including judgments based on U.S. federal or state securities or other civil laws, and Swiss courts may refuse to hear actions against us or our directors or officers based on U.S. laws. Currently, the U.S. does not have a treaty with Switzerland providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. A final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, whether or not based solely on U.S. federal or state securities laws, would not automatically be enforceable in Switzerland. In addition, the duties of directors and officers of a Swiss company are owed only to the company and not to shareholders. Generally, shareholders of a Swiss company do not have a personal right of action against directors or officers and may exercise such rights of action on behalf of the company only in limited circumstances.

Swiss law differs from laws in effect in the U.S. and may afford less protection to holders of our securities.

As a Swiss company, we are governed by Swiss law, which differs in some material respects from laws applicable to U.S. corporations and shareholders, including, among others, differences relating to interested director and officer transactions and shareholder lawsuits. The rights of our shareholders may differ from the rights typically offered to shareholders of a U.S. corporation and these differences may make our ordinary shares less attractive to investors. The principal differences include the following:

- under Swiss law, each shareholder generally has preemptive rights to subscribe on a proportionate basis to any issuance of shares, compared to U.S. law, under which shareholders generally do not have preemptive rights unless specifically granted in the certificate of incorporation or otherwise;

- under Swiss law, certain matters require the approval of two thirds of the votes represented at the shareholders' meeting, which may make it more difficult for us to complete corporate transactions deemed advisable by our board of directors, compared to U.S. law., under which only majority shareholder approval is generally required to amend the certificate of incorporation or to approve other significant transactions;

- under Swiss law, shareholders may be required to disclose information regarding their equity interests upon our request, and the failure to provide the required information could result in the loss or restriction of rights attaching to the shares, including prohibitions on the transfer of the shares, as well as restrictions on voting, dividends and other payments, compared to U.S. law, which generally does not include comparable provisions; and

- under Swiss law, dividends may only be declared if if we have sufficient distributable profits from previous business years or if our reserves are sufficient to allow a distribution of dividends. If our board of directors proposes a dividend, the approval of the general meeting of shareholders is required. Dividends are usually due and payable immediately after the shareholders' meeting approving the distribution of dividends. Payment of dividends is barred by statute of limitations after five years. Dividends for which no payment has been requested within five years after the due date accrue to the issuing company and are allocated to the general reserves. Dividends, if any, are expected to be declared in Swiss francs. In addition, our statutory auditors are required to declare that the distribution of dividends proposed by our board of directors complies with Swiss law.

We could be treated as a "passive foreign investment company", which could result in adverse U.S. tax consequences to U.S. investors.

There is a risk that we, and each of our subsidiaries that is treated as a corporation for U.S. federal income tax purposes, will be classified as a passive foreign investment company (PFIC) for U.S. federal income tax purposes. The U.S. Internal Revenue Service (IRS) typically treats a non-U.S. corporation as a PFIC for any taxable year if either 75 percent or more of its gross income in that taxable year consists of passive income or 50 percent or more of the average quarterly value of its gross assets is attributable to assets that produce or are held for the production of passive income in any taxable year. The determination of our PFIC status involves extensive factual investigation. This investigation includes ascertaining the fair market value of all of our assets on a quarterly basis and the character of each item of income we earn, which cannot be completed until the close of a taxable year. Although the matter is

not free from doubt, we do not believe we were a PFIC in 2012. Because the PFIC determination is made annually and because the principles and methodology for applying the PFIC tests are not entirely clear, we cannot assure you that we or our subsidiaries were not or will not be PFICs for this or any prior or future taxable year. Accordingly, U.S. investors may be subject to adverse U.S. federal income tax consequences on a disposition, or deemed disposition, of ordinary shares and certain distributions with respect to our ordinary shares or other equity interests in our subsidiaries that are PFICs. We will not provide U.S. investors with the information that would be necessary for such persons to make qualified electing fund elections with respect to our ordinary shares. Any mark-to-market election that is made with respect to our ordinary shares will not apply to our subsidiaries that are PFICs. No assurances can be provided that U.S. investors will be able to obtain all of the information that such U.S. investors would need to satisfy any reporting obligations or compute any U.S. federal income tax liabilities with respect to their indirect interests in such lower-tier PFICs. In addition, if we are a PFIC, our distributions will not qualify for the reduced rate of U.S. federal income tax that applies to "qualified dividends" paid to non-corporate U.S. taxpayers. The PFIC rules are extremely complex, and U.S. investors should consult their own tax advisors concerning the U.S. federal income tax consequences that will apply to them as direct or indirect shareholders in PFICs and any U.S. federal income tax elections that may be available to them to mitigate such adverse consequences.

Our reported financial results are prepared in accordance with IFRS and differ from those prepared in accordance with U.S. GAAP.

Our audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). Financial statements prepared in accordance with IFRS differ from those prepared under generally accepted accounting principles in the United States (U.S. GAAP) in a number of respects, including revenue recognition, share option compensation and accounting for business combinations, acquisitions of intellectual property and capital instruments. An investor in our securities should consult their own professional advisors for an understanding of the differences between IFRS and U.S. GAAP, and how those differences might affect our financial information, before investing in our securities.

Our disclosure and corporate governance standards may differ from the disclosure and standards of similar companies in the United States.

Our corporate disclosure may differ from the disclosure made by U.S. companies with similar businesses. Publicly available information about the issuers of securities listed on the SIX Swiss Exchange differs from and, in certain respects, is less detailed than the information that is regularly published by or about companies listed on a securities exchange in the United States. In addition, regulations governing the SIX Swiss Exchange may not be as extensive in all respects as those in effect on exchanges in the U.S.

8. USE OF PROCEEDS

We will use the proceeds of the sale of the New Shares for general corporate purposes, including the financing of our operations and the development of our products. As at June 30, 2013, we had CHF 4.5 million in cash and cash equivalents. We expect to raise approximately CHF 3.1 million in net proceeds through the sale of the New Shares. We anticipate that these funds, together with our existing cash, cash equivalents will be sufficient to fund our operations until the end of 2014, but on a reduced basis. Accordingly, we will primarily focus our resources on pursuing a potential upside from our ADX 71149 partnership with Janssen Pharmaceuticals, Inc. ("Janssen"), continuing to investigate dipraglurant, an mGluR5 negative allosteric modulator, for use in Parkinsons' disease in collaboration with The Michael J. Fox Foundation for Parkinson's Research and corporate development activities aimed at securing resources from investors, through partnerships and from grant providers to advance our clinical and preclinical programs, as well as our allosteric modulator discovery platform.

Our ability to pursue and finance our operations and our intended development plans beyond 2014 will depend on our receipt of any further milestone payments under our collaboration with Janssen, our ability to generate additional funding through further partnerships or grants and amounts we may raise through further financings such as additional equity offerings.

9. DIVIDENDS AND OTHER DISTRIBUTIONS

Since its inception, the Company has paid no dividends or made other distributions and does not anticipate paying dividends or make other distributions in the foreseeable future. As a result, investors in Shares will benefit in the foreseeable future only if the Shares appreciate in value.

In order for the Company to declare and pay distributions, the distribution must be approved by shareholders holding a majority of the Shares represented at the general meeting of shareholders. The Company's board of directors may propose distributions in the form of an ordinary dividend or in the form of a distribution of cash or property that is based upon a reduction of the Company's share capital recorded in the Commercial register.

Ordinary dividends may be paid only if the Company has sufficient distributable profits from previous years or freely distributable reserves to allow the distribution of a dividend. The Company's auditor must confirm that a proposal made by the board of directors of the Company to shareholders regarding the appropriation of the Company's available earnings conforms to the requirements of the CO and the Company's Articles of Association (*Statuten*). Furthermore, in order for the Company to pay dividends to its shareholders out of reserves from capital contributions (*Reserven aus Kapitaleinlagen*), shareholders holding an absolute majority of the Shares entitled to vote and represented at a general meeting of shareholders must approve the reclassification of such reserves from capital contributions (*Reserven aus Kapitaleinlagen*) to freely distributable reserves (to the extent permissible by the CO). Dividends paid on Shares are subject to Swiss withholding tax, except if paid out of reserves from capital contributions (*Reserven aus Kapitaleinlagen*). See Section 17 ''Certain Tax Considerations'' for a summary of certain tax consequences regarding dividends paid to holders of the Shares.

A distribution of cash or property that is based upon a reduction of the Company's share capital requires a special audit report confirming that the claims of the Company's creditors remain fully covered by the Company's assets despite the reduction in the share capital recorded in the Commercial register. Upon approval by the general meeting of the shareholders of the capital reduction, the Company's board of directors must give public notice of the capital reduction in the Swiss Official Gazette of Commerce three times and notify the Company's creditors that they may request, within two months of the third publication, satisfaction of or security for their claims. Distributions of cash or property that are based upon a capital reduction are not subject to Swiss withholding tax. See Section 17 ''Certain Tax Considerations'' for a summary of certain tax consequences regarding distributions paid on the Shares that are based upon a capital reduction.

All Shares are equally entitled to dividends and other distributions paid by the Company with respect to the Shares, if any. Holders of New Shares are entitled to any declared and paid dividends for the fiscal year 2013 forward. However, the Company intends to retain future earnings, if any, for investment in R&D and financing of its business.

10. CAPITALIZATION

The following table sets forth our statutory capitalization as at June 30, 2013, (i) on an actual basis, and (ii) as adjusted to reflect the receipt of the estimated net proceeds of CHF 3.1 million from the sale of 1,170,612 New Shares, after deducting estimated expenses (including out-of-pocket expenses and legal, financial advisory and other fees) and Swiss Federal Capital Issuance Tax (droit de timbre d'émission/Emissionsabgabe) payable by us. This table should be read in conjunction with our consolidated and statutory financial statements and the related notes included elsewhere in this Prospectus.

In million of Swiss Francs	**As at June 30, 2013**	
	Actual	**As adjusted for the issuance and sale of the New Shares**
	(unaudited)	**(unaudited)**
Cash and cash equivalents	4,473,642	7,573,642
Long-term debt	-	-
Shareholders' equity		
Share capital	8,636,648	9,807,260
Additional paid in capital	257,608,557	259,657,128
Other reserves	8,639,003	8,639,003
Accumulated deficit	(271,173,303)	271,292,486
Total shareholders' equity, net	3,710,905	6,810,905
Total capitalization	3,710,905	6,810,905

N.B: The above table reflects the impact of the adoption of IAS 19Revised. Refer to note 2.1 of the 2012 consolidated financial statements on page F-10.

11. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULT OF OPERATIONS

The following discussion and analysis of the financial condition and results of operations of the Company should be read in conjunction with our consolidated financial statements and the related notes thereto and other financial information appearing elsewhere in this Prospectus. This discussion contains forward-looking statements, which are based on assumptions about our future business that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements, please see the Section 3 *"Cautionary Note regarding forward -looking statements" for a discussion of the risks, uncertainties and assumptions associated with these statements. Factors that may cause such a difference in results include, but are not limited to, those outlined in the section "Risk Factors".*

A. Operating Results

Critical Accounting Estimates and Judgments

The preparation of our financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates. It also requires us to exercise our judgment in the process of applying our accounting policies. 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.

Critical Accounting Estimates and Assumptions

The preparation of our financial statements requires our management to make estimates and assumptions concerning the future. Our management bases its estimates on historical experience and various other assumptions it believes to be reasonable under the circumstances. We review those estimates on an ongoing basis. The resulting accounting estimates may, however, 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. For a description of our accounting policies, see the notes to our financial statements included in the F-Pages.

Uncertainties and Ability to Continue Operations

As of December 31, 2012, we believed we would be able to meet all of our obligations for a further 12 months as they fall due and, hence, our consolidated financial statements for the year ended December 31, 2012 have been prepared on a going concern basis. We are currently engaged in a number of activities to ensure that we can continue our operations, including monetizing our assets, raising additional capital, pursuing strategic alternatives and executing restructuring options. Regarding restructuring, we believe we can align our cash outflows 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 we assessed differently our ability to execute on our current financial plans and our ability to meet all of our obligations for a further 12 months then we would have presented our consolidated financial statements for the year ended December 31, 2012 on a liquidation basis. We anticipate that the amount of approximately CHF 3.1 million in net proceeds we anticipate to raise through the sale of the New Shares together with our existing cash and cash equivalents will be sufficient to fund our planned operations through the end of 2014, but on a reduced basis. Accordingly, we intend to primarily focus our resources on pursuing a potential upside from our ADX 71149 partnership with Janssen Pharmaceuticals, Inc. ("Janssen") and continuing to investigate dipraglurant, an mGluR5 negative allosteric modulator, for use in Parkinsons' disease in collaboration with The Michael J. Fox Foundation for Parkinson's Research (see Section 12 "Business") and corporate development activities aimed at securing resources from investors, through partnerships and from grant providers to advance our clinical and preclinical programs, as well as our allosteric modulator discovery platform. Additional investment in our clinical, preclinical and allosteric modulator discovery platform is contingent on the outcome of the above mentioned corporate development activities.

Our ability to pursue and finance our operations and our intended development plans beyond 2014 will depend on our receipt of any further milestone payments under our collaboration with Janssen, our ability to generate additional funding through further partnerships or grants and amounts we may raise through further financings such as additional equity offerings.

Income Tax

We have significant tax losses for Swiss federal tax purposes. These tax losses represent potential value to us to the extent that we are able to create taxable profits within seven years of the end of the year in which the losses arose. We have 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 we have not yet had 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, we will record a deferred tax asset.

Commitments and Contingencies

In assessing the need for provisions for legal cases, we made estimates and judgments with support of external legal advisors and other technical experts in order to determine the probability, timing and amounts involved. We are currently in a dispute with the French tax authorities, in relation to which we have deposited EUR 1,116,467 (CHF 1,348,022) in an escrow account pending the outcome of the legal proceedings, which could take up to seven years. Based on support provided by French tax experts and lawyers, we assessed the chance of the claim of the French tax authorities being successful as remote and therefore no provision has been made in our consolidated financial statements.

Share-Based Compensation

We recognize 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 our equity incentive plan. Should the assumptions and estimates underlying the fair value of these instruments vary significantly from our estimates, then the share-based compensation expense would be materially different from the amount recognized.

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. We determine 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, we consider 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 of our audited consolidated financial statements as of and for the year ended on December 31, 2012.

Loans to Employees

In connection with the granting of equity sharing certificates (*bons de jouissance/Genussscheine*) (ESCs), we have made loans to our employees to finance the tax and social charges consequent of the grant of ESCs. The loans are only repayable if capital gains are realized from the exercise of the subscription rights attached to the ESCs. The subscription rights of ESCs are exercisable, subject to vesting, until their expiry date at their subscription price only if the underlying share price exceeds a predefined floor price. The loans are tested for impairment annually, based on the historic volatility, the closing share price and the expected forfeiture and expiry rates. Should the assumptions and estimates underlying the impairment testing of the loans vary significantly, then the carrying amounts of the loans would be materially different from the amount recognized.

Critical Judgments in Applying our Accounting Policies

Revenue Recognition

We recognized a CHF 2,598,200 milestone payment received under the Janssen agreement for the year ended December 31, 2011, when the milestone payment fell due, since there was no significant continuing involvement in the development of the product candidate. Had we been significantly involved in the continuing development of the product candidate, we would have recognized the milestone of CHF 2,598,200 over the period of continuing involvement.

Development Supplies

At December 31, 2012, 2011 and 2010, respectively, we owned 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 used in preclinical and clinical trials of specific products that have not demonstrated technical feasibility.

Impact of Recent Accounting Pronouncment

IAS 19 (revised), effective January 1, 2013, will have an impact on our financial position as well as on our financial statement 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. We have 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 we early adopted IAS 19 (revised) and applied it for the year ended December 31, 2012, then we would have recognized a total liability of CHF2,763,829 for our 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 CHF 788,715 which was fully recognized through the statement of income as at December 31, 2012, based on currently applicable standards.

The impact of this IAS 19 (revised) has been reflected in Section 10 "Capitalization".

Results of Operations

General

To date, we have not generated any net income from operations and at December 31, 2012 had an accumulated loss of CHF 256.1 million primarily as a result of expenditures for research and development and general and administrative expense. While we may in the future generate revenue from a variety of sources, including license fees, milestone payments, research and development payments in connection with strategic partnerships, our product candidates are at an early stage of development and may never be successfully developed or commercialized. Accordingly, we expect to continue to incur substantial losses from operations for the foreseeable future and there can be no assurance that we will ever generate significant revenue.

Revenue

In the three years ended December 31, 2012, we recognized CHF 7.9 million as income. To date, our revenue has consisted almost entirely of upfront fees, milestone payments and sponsored research payments from Janssen and Merck Sharp & Dohme Research Ltd ("MSD"), the sale of license rights to Merck & Co. Inc. and grants from The Michael J. Fox Foundation for Parkinson’s Research and French governmental entities.

In the three years ended December 31, 2012, we recorded CHF 2.6 million in revenue attributed to a milestone payment made by Janssen to us under our license and collaboration agreement in relation to the entry of ADX71149 into Phase 2 clinical trials and CHF 2.2 million in revenue from MSD consisting of research funding and technology access fees. We do not have approval to market or commercialize any of our product candidate and have never generated revenue from the sale of products. Prior to approval of a product candidate, we will seek to generate revenue from a combination of milestone payments in connection with collaborative or strategic relationships, royalties resulting from the licensing of our drug candidates and sponsored research and development activities.

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 we have 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.

In the three years ended December 31, 2012, we were granted a total of USD 0.9 million (CHF 0.8 million) in a non-refundable grant from The Michael J. Fox Foundation for Parkinson’s Research to support our dipraglurant Phase 2 testing in Parkinson’s disease levodopa-induced dyskinesia (PD-LID) and we recognized CHF 2.3 million of French Research Tax Credits received in respect of Addex Pharmaceuticals France research and development expenditures.

Grants are recognized at their fair value where there is reasonable assurance that the grant will be received and that we 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.

Our revenue has varied, and we expect revenue to continue to vary, substantially from quarter to quarter and year to year, depending on the structure and timing of milestone events, as well as the development and commercialization strategies of us and our

collaboration partners for our product candidates. We, therefore, believe that historical period to period comparisons are not meaningful and should not be relied upon as indicative of our future revenue and performance potential.

Operating Expense

Our operating expense consists of research and development expense and general and administrative related costs (staff costs, professional fees for legal, tax and strategic purposes, and overhead), which have varied with fluctuation in headcount and our portfolio of drug candidates. Our employee numbers decreased from over 140 at January 1, 2010, to less than 60 at December 31, 2012. On February 7, 2013, we announced the implementation of a restructuring plan that will reduce our headcount by up to 70 percent, which represents the termination of approximately 40 full time equivalents. We initiated the restructuring in February 2013 and expect its completion in August 2013. On May 31, 2013 we announced the implementation of, and initiated a further restructuring plan that will reduce our headcount by 17 of our remaining 19 employees including all of the senior management, which we expect to complete in November 2013. At 30 June 2013, we estimate future cash outflows in relation to these restructuring activities of approximately CHF 2.4 million, primarily attributable to employee redundancy costs. The restructuring supports our revised strategy to focus resources on pursuing a potential upside from our ADX 71149 partnership with Janssen Pharmaceuticals, Inc. ("Janssen"), continuing to investigate dipraglurant, an mGluR5 negative allosteric modulator, for use in Parkinsons' disease in collaboration with The Michael J. Fox Foundation for Parkinson's Research (see Section 12 "Business") and corporate development activities aimed at securing resources from investors, through partnerships and from grant providers to advance our clinical and preclinical programs, as well as our allosteric modulator discovery platform. We expect our operating expense to decrease significantly in the second half of 2013 due to the significantly reduced activities.

Our costs and expense may vary substantially from period to period based on the timing of our research and development activities, including timing of payments to clinical research organizations, to regulatory approvals and to enrollment of patients in clinical trials.

Financial Results

Net financial income consists primarily of interest income from cash and cash equivalents and foreign exchange gains and losses.

Taxation

Due to losses incurred to date, Addex Therapeutics Ltd has not paid any income taxes.

At December 31, 2012, 2011 and 2011 respectively, we had a tax loss carry-forward of CHF 212.2 million, CHF 201.5 million and CHF 185.4 million. Under Swiss tax law, the period to offset tax loss carry-forwards against taxable profits is limited to seven years. Accordingly, CHF 154.0 million of our tax loss carry-forwards will expire within the next five years and CHF 58.2 million will expire within the next five to seven years.

Tax loss carry-forwards generated gross deferred tax assets of CHF 17.8 million, CHF 17.3 million; and CHF 16.4 million, as of December 31, 2012, 2011 and 2010, respectively, using the current federal income tax rate in Switzerland of 7.8 percent. We have not capitalized a deferred tax asset relating to tax loss carry-forwards since there is a limited probability that sufficient taxable profit will be available to allow the benefit of part, or all, of the deferred tax asset to be utilized.

Currency

We operate internationally and are therefore exposed to foreign exchange risk arising from various exposures, primarily with respect to the Euro, U.S. dollar and UK pound. Our functional currency is the Swiss franc. The majority of our revenue to date has been denominated in Euros. We anticipate that a significant portion of any future revenue from milestones, royalty payments and sales of products following the successful commercialization of any of our drug candidates will be generated in currencies other than the Swiss franc, primarily the Euro and U.S. dollar. To manage foreign exchange risk we maintain foreign currency cash balances to cover anticipated future requirements. Our risk management policy is to economically hedge 50 percent to 100 percent of anticipated transactions in each major currency for the subsequent 12 months.

Consolidated Income Statement Data

The following table outlines the consolidated income statement data for the fiscal years ended December 31, 2012, 2011 and 2010.

For the years ended December 31,

	2012	2011	2010
	(in thousands of Swiss francs) (audited)		
Revenue	121	3,743	4,000
Research and development expense	(20,650)	(27,986)	(31,165)
General and administrative expense	(6,481)	(6,731)	(6,433)
Operating loss	**(27,010)**	**(30,974)**	**(33,598)**
Finance result, net	(8)	(167)	(47)
Net loss	**(27,018)**	**(31,141)**	**(33,645)**

Analysis of Results of Operations

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Revenue

The following table sets forth our revenue in 2012 and 2011.

	For the years ended December 31,	
	2012	2011
	(in thousands of Swiss francs) (audited)	
Fees from collaborations & sale of license rights	—	2,823
Other income	121	920
Total	**121**	**3,743**

Our revenue was CHF 0.1 million for the year ended December 31, 2012, compared to CHF 3.7 million for the year ended December 31, 2011, representing a decrease of 97 percent, primarily due to the absence of milestone payments under our collaboration and license agreement with Janssen in 2012. In 2011 we received a milestone payment of CHF 2.6 million from Janssen in relation to the entry of ADX71149 into Phase 2 clinical trials.

Research and Development Expense

The following table sets forth our research and development expense in 2012 and 2011.

	For the years ended December 31,	
	2012	2011
	(in thousands of Swiss francs)	
Staff costs	8,009	11,106
Depreciation and amortization	1,976	2,833
External R&D costs	4,756	4,759
Laboratory consumables	1,269	3,239
Facilities	2,485	3,437
Other operating expense	1,173	1,284
Patents	982	1,328
Total	**20,650**	**27,986**

Our research and development expense was CHF 20.7 million for the year ended December 31, 2012, compared to CHF 28.0 million for the year ended December 31, 2011, a decrease of 26 percent, primarily due to a 28 percent decrease in our research and development staff costs and a 60 percent decrease in laboratory consumables, both directly resulting from the headcount reduction. In 2012, outsourced research and development services leveled off to CHF 4.8 million and were primarily driven by the development costs of our dipraglurant immediate release and GABAb programs, which represented approximately 80 percent of 2012 research and development outsourced expense, with the completion of the Phase 2 clinical trials in dipraglurant (ADX71441) for the treatment of PD-LID and the progression of ADX71441 to IND enabling toxicology studies. The remaining 20 percent of 2012 research and development expense was attributed to investment in existing discovery programs and the continued development of our allosteric modulator discovery technology platform capabilities, with continued investment in both novel proprietary screening tools and the expansion of our allosteric modulator biased chemical library.

General and Administration Expense

The following table sets forth our general and administrative expense in 2012 and 2011.

	For the years ended December 31,	
	2012	2011
	(in thousands of Swiss francs)	
Staff costs	3,036	3,819
Depreciation and amortization	128	95
Facilities	318	361
Professional fees	1,207	788
Other operating expense	1,792	1,668
Total	**6,481**	**6,731**

Our general and administrative expense was CHF 6.5 million for the year ended December 31, 2012, compared to CHF 6.7 million for the year ended December 31, 2011, a decrease of 4 percent, primarily due to the net effect of the headcount reduction that was offset by increased consulting costs and professional fees.

Financial Result

We had a financial result of close to nil for the year ended December 31, 2012 compared to a financial loss of approximately CHF 0.2 million for the year ended December 31, 2011, primarily due to the reduction of the net foreign exchange losses which was subsequent to the stabilization of the EUR/CHF exchange rate.

Net Loss

Our net loss was CHF 27.0 million in 2012, compared to CHF 31.1 million in 2011, a decrease of 13 percent, primarily due to the decrease in our operating expense.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Revenue

The following table sets forth our revenue in 2011 and 2010:

	For the years ended December 31,	
	2011	2010
	(in thousands of Swiss francs) (audited)	
Fees from collaborations & sale of license rights	2,823	1,975
Other income	920	2,025
Total	**3,743**	**4,000**

Our revenue amounted to CHF 3.7 million for the year ended December 31, 2011, compared to CHF 4.0 million for the year ended December 31, 2010, a decrease of seven percent. Our 2011 revenue was comprised primarily of a milestone payment of CHF 2.6 million from Janssen in relation to the entry of ADX71149 into Phase 2 clinical trials and a payment of CHF 0.7 million recognized under the grant from The Michael J. Fox Foundation for Parkinson's Research to support Phase 2 clinical trials for dipraglurant in PD-LID.

Research and Development Expense

The following table sets forth our research and development expenses in 2011 and 2010:

	For the years ended December 31,	
	2011	2010
	(in thousands of Swiss francs) (audited)	
Staff costs	11,106	13,516
Depreciation and amortization	2,833	2,824
External R&D costs	4,759	4,737
Laboratory consumables	3,239	4,419
Facilities	3,437	3,341
Other operating expense	1,284	1,140
Patents	1,328	1,188

Total	**27,986**	**31,165**

Our research and development expense amounted to CHF 28.0 million for the year ended December 31, 2011, compared to CHF 31.2 million for the year ended December 31, 2010, representing a decrease of ten percent primary attributable to an 18 percent decrease in our research and development staff costs and a 27 percent decrease in laboratory consumables. Decreases in staff costs and laboratory consumables are both direct results of the headcount reduction subsequent to the restructuring implemented in June 2011.

During 2011, outsourced research and development services slightly increased to CHF 4.8 million, mainly driven by the cost of running Phase 2 clinical trials for dipraglurant. Relevant expense related to Phase 2 clinical trials represented approximately 80 percent of 2011 research and development outsourced expense.

Approximately 30 percent of total 2011 research and development expense relate to clinical and preclinical development costs, including primarily dipraglurant-IR clinical and drug substance manufacture costs, and to a lesser extent costs related to dipraglurant-ER formulation development. The remaining 70 percent of 2011 research and development expense relate to investing in existing discovery programs, including our GABABR PAM, mGluR4 PAM, TrkB PAM, TNFR1 NAM and GLP1R PAM, allosteric modulator discovery programs, and the continued development of our allosteric modulator discovery technology platform capabilities with investment in both novel proprietary screening tools and the expansion of our allosteric modulator biased chemical library.

General and Administration Expense

The following table sets forth our general and administrative expenses in 2011 and 2010:

	For the years ended December 31,	
	2011	**2010**
	(in thousands of Swiss francs)	
Staff costs	3,819	4,142
Depreciation and amortization	95	117
Facilities	361	364
Professional fees	788	471
Other operating expense	1,668	1,339
Total	**6,731**	**6,433**

Our general and administrative expense was approximately CHF 6.7 million for the year ended December 31, 2011, compared to CHF 6.4 million for the year ended December 31, 2010, an increase of five percent primarily due to the net effect of the 2011 headcount reduction offset by increased executive management cost and professional fees associated with implementation of our restructuring.

Financial Result

We had a financial loss of approximately CHF 0.2 million for the year ended December 31, 2011, compared to a financial result of close to nil an for the year ended December 31, 2010, primarily due to financial exchange differences resulting from the strengthening of the Swiss franc against other major currencies.

Net Loss

Our net loss was approximately CHF 31.1 million for the year ended December 31, 2011, compared to CHF 33.6 million for the year ended December 31, 2010, a decrease of seven percent, primarily due to the decrease in our operating expense.

B. Liquidity and Capital Resources

Since we are currently in the development stage, our liquidity requirements arise primarily from the need to fund our ongoing research and development activities and, as a result, we have incurred losses and generated negative operating cash flows since inception. We have primarily funded our cash requirements through the sale of equity and, to a lesser extent, from non-refundable upfront fees and sponsored research payments from collaborations and from the sale of license rights.

Our cumulative net losses since inception up to the year ended December 31, 2012 amounted to CHF 256.1 million. We expect to continue incurring losses over the next several years.

As of December 31, 2012, we held CHF 15.3 million as cash and cash equivalents, and as of December 31, 2011 and 2010, CHF 36.1 million and CHF 63.8 million were held as cash and cash equivalents, respectively. Our policy is to invest these funds in low risk investments including interest-bearing deposits.

We have received a statutory audit report for Addex Therapeutics Ltd for each of the years ended December 31, 2012 and 2011 from our independent auditors containing an explanatory paragraph stating that the accumulated losses exceeded one half of our share capital and legal reserves on a non-consolidated (standalone) basis.

We have not planned and have not made any commitments or entered into any binding agreements for any material investments other than for investments in the normal course of our business. The financial needs of our wholly-owned subsidiaries Addex Pharma SA and Addex Pharmaceuticals France SAS are exclusively covered by us.

Future Funding Requirements

As at June 30, 2013, we had cash and cash equivalents of approximately CHF 4.5 million. We believe our cash and cash equivalents, together with the expected amount of funds of approximately CHF 3.1 million in net proceeds we anticipate to raise through the sale of the New Shares, will be sufficient to meet our current anticipated operations, capital requirements and planned operations through the end of 2014. Accordingly, we will primarily focus our resources on pursuing a potential upside from our ADX 71149 partnership with Janssen, continuing to investigate dipraglurant, an mGluR5 negative allosteric modulator, for use in Parkinsons' disease in collaboration with The Michael J. Fox Foundation for Parkinson's Research and corporate development activities aimed at securing resources from investors, partners and from grant providers to advance our clinical and preclinical programs, as well as our allosteric modulator discovery platform.

Over the longer term, our ability to finance our operations and pursue our intended development plans will depend on our receipt of any further milestone payments under our collaboration with Janssen, our ability to generate additional funding through further partnerships or grants and amounts we may raise through further financings such as additional equity offerings.

Our present and future funding requirements may change and will depend on many factors, including, among other things:

- timing of the clinical development programs and the planned marketing authorization of the programs that are currently in clinical development;
- change in product development plans needed to address any set-backs in research and development;
- scope, prioritization and number of clinical trials and research and development activities;
- rate of progress and cost of the clinical trials, and other research and development activities;
- terms and timing of any collaborative, licensing and other arrangements that may be established;
- cost of filing, prosecuting, defending and enforcing patent claims and other intellectual property rights;
- the need or decision to acquire or license complementary compounds or complementary businesses or companies;
- regulatory approval, manufacturing or commercialization through partners;
- cost and timing of regulatory approvals;
- cost of manufacturing;
- cost of establishing or contracting for sales and marketing;
- changes in regulatory policies or laws that affect the operations; and
- competing medical treatment and market developments.

We expect our operating expense to reduce significantly in the second half of 2013 and future increases in operating expenditure will depend on our ability to secure resources from investors, partners and grant providers. As a result, we will require additional funds to further develop our projects and to reach market launch with our first drugs. In addition, we do not know whether any additional financing will be available at all or available on commercially acceptable terms when needed. For further discussion, see Section 3 "Cautionary Note Regarding Forward-Looking Statements" and Section 7, "Risk Factors".

Consolidated Cash Flow Statement Data

The following table summarizes our consolidated cash flows for the fiscal years ended December 31, 2012, 2011 and 2010:

	For the years ended December 31,		
	2012	**2011**	**2010**
	(in thousands of Swiss francs) (audited)		
Net cash flows used in operating activities	29,453	26,551	31,341
Net cash flows used in investing activities	225	758	973
Net cash flows used in / (from) financing activities	(8,901)	183	(19,707)
Decrease in cash and cash equivalents	**20,777**	**27,492**	**12,607**

Cash Flow from Operating Activities

Net cash flows used in operating activities consist of the net loss adjusted for changes in working capital, that are current assets and current liabilities, and non-cash items such as depreciation and amortization, and the value of share-based services.

Net cash used in operating activities was CHF 29.5 million in 2012, CHF 26.6 million in 2011 and CHF 31.3 million in 2010. The net cash used in each of these periods primarily reflects the net loss for these periods. We were, are and for the foreseeable future will remain unable to finance our operating cash needs through cash generated by revenue. Hence, future operating activities will be financed by the cash reserves available or through the proceeds raised in subsequent equity transactions or any other available external financing.

Cash Flow from Investing Activities

Net cash flows used in investing activities consist primarily of investment in chemical library and computer hardware and software as well as loans granted to the employees to finance the tax and social charges consequences of the grant of ESCs.

Net cash used in investing activities was CHF 0.2 million in 2012, CHF 0.8 million in 2011 and CHF 1.0 million in 2010.

Cash Flow from Financing Activities

Net cash flows used in and from financing activities consist of proceeds and related costs from the issuance of share capital.

Net cash from financing activities was CHF 8.9 million in 2012 and CHF 19.7 million in 2010. CHF 0.2 million of cash was used in financing activities in 2011.

Our cash flows for 2013 and beyond will depend on a variety of factors, including upfront, sponsored research, milestone and royalty payments, potential revenue from the commercialization of our drug candidates and the funding requirements discussed above.

Historical Cash and Funding Sources

Since 2002, we have received a total of CHF 273 million in equity financing (gross of issuance costs). The table below summarizes our equity financings since 2002, including proceeds from the issuance of shares under equity incentive plans established to provide incentives to our directors, executives and employees.

	Share capital and share premium
	(in thousands of Swiss francs) (audited)
2012	9,680
2011	—
2010	20,000

2009	318
2008	—
2007	136,875
2006	40,226
2005	25,247
2004	19,400
2003	11,000
2002	10,712
Total	**273,458**

Our sources of funding also include revenue from collaborations, license agreements and research funding. As of December 31, 2012, we have received an aggregate of CHF 50.7 million in cash payments under collaborations, license agreements and research funding.

Net Working Capital

We define net working capital as current assets less current liabilities, excluding cash and cash equivalents. The following table shows a breakdown of our net working capital as of the dates indicated.

	For the years ended December 31,		
	2012	2011	2010
	(in thousands of Swiss francs)		
Current assets (cash and cash equivalents excluded)	1,764	2,003	2,698
Current liabilities	4,656	8,728	9,277
Net working capital	**(2,892)**	**(6,725)**	**(6,579)**

We had net negative working capital at December 31, 2012, 2011 and 2010 of CHF 2.9 million, CHF 6.7 million and CHF 6.6 million, respectively. Fluctuations in working capital are primarily due to our reduced headcount and clinical development activities since 2010.

Capital Expenditures

The following table sets forth our capital expenditures during the periods indicated.

	For the years ended December 31,		
	2012	2011	2010
	(in thousands of Swiss francs)		
Investments in property, plant and equipment(1)			
Buildings	—	—	—
Leasehold improvements	27	13	47
Equipment	74	153	125
Furniture and fixtures	4	13	10
Chemical library	84	34	37
Total investments in property, plant and equipment	**189**	**213**	**219**
Investments in intangible assets			
Computer software	112	14	19
Total investments in intangible assets	**112**	**14**	**19**
Total capital expenditures	**301**	**227**	**238**

[1] These investments relate primarily to the offices and laboratories in Plan-les-Ouates, Geneva (Switzerland).

We have no plans or commitments, or entered into any binding agreements, to make any material future capital expenditures, defined as any investment in fixed assets. As of the date of this Prospectus, no future capital expenditures have been approved by our board of directors or management.

Research and Development

Research and Development Expense

Research and development expense consist primarily of costs associated with research, pre-clinical and clinical testing and related staff costs, and 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. This expense includes costs of proprietary and third-party collaborative research and development. Our research and development expense amounted to CHF 20.7 million for the year ended December 31, 2012, compared to CHF 28.0 million for the year ended December 31, 2011 and CHF 31.2 million for the year ended December 31, 2010.

Research and development costs are expensed as incurred. Costs incurred on development projects are recognized as intangible assets when they meet the recognition criteria of IAS 38 "Intangible Assets". To-date, no research and development costs have met these recognition criteria. Accordingly, all of our research and development costs to-date have been expensed as they have been incurred.

Property, plant and equipment used for research and development purposes are capitalized and depreciated on a straight line basis at rates adequate to apportion the cost over the useful life, in accordance with our property, plant and equipment policy.

Absence of Material Changes since December 31, 2012

Other than as disclosed elsewhere in this Prospectus, we are not aware of any significant trends, uncertainties, demands, commitments, changes or events since December 31, 2012, which are reasonably likely to have a material effect on our net revenue, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information not to be indicative of future operating results or financial conditions.

Off-Balance Sheet Arrangements

Since inception, we have had no relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Tabular Disclosure of Contractual Obligations

Contractual Commitments

The table below summarizes the contractual obligations, commercial commitments and principal payments we were obliged to make as of December 31, 2012 under operating leases.

	Payments Due by Period				
	Total	Less than 1 Year	Between 1 and 3 Years	Between 3 and 5 Years	More than 5 Years
			(in thousands of Swiss francs)		
Operating lease	(7,181)	(2,136)	3,111	1,934	—
Capital expenditure	—	—	—	—	—
Total contractual commitments	**(7,181)**	**(2,136)**	**3,111**	**1,934**	**(—)**

The operating leases shown in the table above primarily reflect lease payments relating to the rental of our facilities in Switzerland. As of December 31, 2012, there were no contractual obligations for more than five years or capital expenditures contracted but not yet incurred.

12. BUSINESS

History and Development of the Company

Addex Therapeutics Ltd, the holding company for the Group, is a Swiss corporation (*société anonyme/Aktiengesellschaft*) of unlimited duration, incorporated under the laws of Switzerland and registered in the commercial register of the Canton of Geneva, Switzerland, on March 19, 2007, under the register number CH-660-0659007-3. Addex Therapeutics Ltd was listed on the SIX Swiss Exchange in May 2007. Addex Pharma SA, the Group's operating company, was founded in 2002.

Addex Therapeutics Ltd was formerly known as Addex Pharmaceuticals Ltd. and changed its name to Addex Therapeutics Ltd in March 2012. We are registered under the company name Addex Therapeutics Ltd (*Addex Therapeutics SA*) and have our registered office and business office located at c/o Addex Pharma SA, Chemin des Aulx 12, CH-1228 Plan-les-Ouates, Switzerland. Our telephone number at this location is +41 22 884 1555. Our website address is http://www.addextherapeutics.com. The information contained on our website is not incorporated by reference in this Prospectus and you should not consider it a part of this Prospectus.

Business Purpose and Business Year

According to article 2 of our articles of association, our purpose is to acquire, to hold, to administer continuously, to sell and to finance participations in companies of all kinds in Switzerland and abroad, to the exclusion of real estate participation unless permitted under Swiss law. Our articles of association further provide that we may (i) open branch offices and subsidiaries and agencies in Switzerland and abroad and grant guarantees or other security in relation to liabilities of affiliated companies, (ii) engage in any other commercial, financial and other activities which may promote or relate to the purpose of the Company and (iii) acquire, manage, exploit and sell in Switzerland and abroad intellectual property rights and, where permitted under Swiss law, real estate.

Our fiscal year commences on January 1 and ends on December 31 of each calendar year.

Group Structure

As of the date of this Prospectus, we have two wholly owned subsidiaries. Addex Pharma SA, based in Plan-les-Ouates, Geneva, Switzerland, conducts our operations, including research, development, and registration activities, and holds the Group's intellectual property. Addex Pharmaceuticals SAS, based in Archamps, France, is organized under the laws of France.

Business overview

We are a biopharmaceutical company focused on the development of an emerging class of oral small molecule drugs known as allosteric modulators. Allosteric modulators target a specific receptor or protein and alter the effect of the body's own signaling molecules on that target through a novel mechanism of action. The principles underlying allosteric modulators have applicability across a wide range of biological targets and therapeutic areas. Our primary focus is the development of allosteric modulators of G-protein coupled receptors (GPCRs) related to central nervous system (CNS) and other neurological diseases, where there is a significant need for new therapeutic approaches. Our innovative drug candidates may offer several advantages over conventional orthosteric small molecule drugs and an improved therapeutic approach to existing treatments, such as selectivity – even among closely related receptor subtypes; differentiated modulation of receptor function, which more closely mimics natural physiology compared to conventional drugs; and access to target classes, such as peptide and cytokine receptors, epigenetic enzymes and receptor tyrosine kinases, previously intractable to existing oral small molecule drug discovery efforts.

Using our allosteric modulator discovery capabilities, we have developed a pipeline of proprietary clinical and preclinical stage drug candidates. In 2012, we revised our business strategy to focus our development efforts on the advancement of allosteric modulators of four receptors, namely the metabotropic glutamate receptor 5 (mGlu5), the metabotropic glutamate receptor 2 (mGlu2), the gamma-aminobutyric acid subtype B receptor (GABAb) and the metabotropic glutamate receptor 4 (mGlu4). We or our partner are developing these clinical and preclinical stage proprietary drug candidates for disease indications which lack effective therapies and present significant unmet medical needs, including Parkinson's disease levodopa-induced dyskinesia (PD-LID), dystonia, schizophrenia, major depressive disorder with anxiety co-morbidity (anxious depression), Charcot-Marie-Tooth neuropathy (CMT1A) and multiple sclerosis (MS). Some of these indications are classified as rare diseases that may allow for orphan drug designation by regulatory agencies in major commercial markets, such as the United States, Europe and Japan. Orphan drug designation may entitle the recipient to benefits in the jurisdiction granting the designation, such as market exclusivity following marketing and commercialization approval, if any, assistance in clinical trial design, a reduction in user fees or tax credits related to development expense.

We plan to continue to maintain our core expertise in allosteric modulation and to seek licensing and strategic collaborations for preclinical and discovery stage programs outside of our strategic focus. Our discovery efforts have led to multiple early stage programs covering indications in a broad range of therapeutic areas from CNS to metabolism to inflammation.

Our current business strategy includes the possibility of entering into collaborative arrangements with third parties to complete the development and commercialization of our proprietary drug candidates, such as our partnership with Janssen Pharmaceuticals, Inc. ("Janssen"), a subsidiary of Johnson & Johnson, for ADX71149 in the treatment of schizophrenia and anxious depression. We cannot forecast with any degree of certainty which proprietary products or indications, if any, will be subject to future collaborative arrangements, in whole or in part, and how such arrangements would affect our development plan or capital requirements. We also plan to apply for subsidies, grants or government or agency-sponsored studies that could reduce our development costs, such as the grants we have received from The Michael J. Fox Foundation for Parkinson's Research for the development of dipraglurant (ADX48621) in the treatment of PD-LID and from the Swiss Commission for Technology and Innovation (CTI) to develop allosteric modulator therapeutics for neurodegenerative and psychiatric diseases.

ADX48621, Parkinson's disease and dystonia. Our most advanced proprietary drug candidate, dipraglurant (ADX48621), is an orally active negative allosteric modulator (NAM) of the metabotropic glutamate receptor 5 (mGlu5). In Phase 2a clinical trials conducted in the United States and Europe in patients with PD-LID, dipraglurant demonstrated statistically significant clinical efficacy. In March 2013, we announced an award of US$1.0 million, subject to certain repayment obligations in the event certain regulatory approvals are obtained, from The Michael J. Fox Foundation for Parkinson's Research to help fund continued clinical trials for the treatment of PD-LID. Subject to securing resources from investors, partners and grant providers, we plan to begin an additional Phase 2a clinical trial with dipraglurant for the treatment of cervical and DYT1 familial generalized dystonias. PD-LID and dystonia are indications with significant commercial opportunities due to the lack of effective therapies for these indications. There is no approved drug for the treatment of PD-LID. We believe that dipraglurant may be a first-in-class oral drug candidate for PD-LID and dystonia and offers an innovative and differentiated treatment approach from existing therapies for both PD-LID and dystonia.

ADX71149, schizophrenia and anxious depression. Our partnered drug candidate ADX71149 is an orally active positive allosteric modulator (PAM) of the metabotropic glutamate receptor 2 (mGlu2). Our partner Janssen is developing ADX71149 for the treatment of schizophrenia and anxious depression. Under our collaboration and license agreement with Janssen, Janssen is responsible for, including the financing of, development and commercialization, if any, of ADX71149. Janssen has announced that results from a Phase 2a clinical trial conducted in Europe in schizophrenia patients demonstrate that ADX71149 is most effective in patients with negative symptoms of schizophrenia, such as apathy, social withdrawal, loss of emotional expression or sleep disorders. Janssen is conducting an additional Phase 2a clinical trial in anxious depression and expects to report results in the first quarter of 2014. Schizophrenia and anxious depression are indications with significant commercial opportunities due to the lack of effective therapies for these indications. Existing therapies often do not provide effective control of symptoms or have side effects that discourage adherence. We believe that ADX71149 may be a first-in-class drug candidate for these indications.

ADX71441, Charcot-Marie-Tooth neuropathy and MS spasticity. Our proprietary drug candidate ADX71441 is a PAM of the gamma-aminobutyric acid subtype B receptor (GABAb). Subject to securing resources from investors, partners and grant providers, we expect to initiate a Phase 1 clinical trial of ADX71441 for the treatment of Charcot-Marie-Tooth neuropathy (CMT1A), a rare disease indication, and plan to pursue orphan drug designation for ADX71441 in CMT1A. We are also considering the initiation of a Phase 1 clinical trial of ADX71441 for the treatment of MS spasticity. A generic GABAb agonist (baclofen) is marketed for spasticity and some spinal cord injuries, and used for overactive bladder (OAB), but its use by patients is limited due to rapid clearance, receptor sensitization and adherence-limiting side effects. We believe an oral small molecule allosteric modulator of GABAb with a once-a-day dosing and without the adherence-limiting side effects of baclofen could present a strong commercial opportunity for us.

mGlu4 PAM, multiple sclerosis. Our proprietary metabotropic glutamate receptor 4 (mGlu4) PAM program for the treatment of MS includes a number of lead series in preclinical development. Subject to securing resources from investors, partners and grant providers, we expect to complete preclinical development and advance our lead drug candidate into Phase 1 clinical trials. In preclinical studies, our lead mGlu4 PAM compound series demonstrated proof of concept in a validated rodent model for MS. We believe that mGlu4 PAM has the potential to offer a novel approach to the treatment of MS. In addition, we believe a PAM of the mGlu4 may have applications in the treatment of amyotrophic lateral sclerosis (ALS or Lou Gehrig's disease) and Huntington's disease and subject to securing resources from investors, partners and grant providers, we expect to complete our evaluation of our mGlu4 compounds in relevant animal models of ALS and HD to generate data to further support this hypothesis.

Our Strategy

We have established a leading presence in the discovery of allosteric modulation-based drug candidates. Using our allosteric modulator discovery capabilities, we have developed a pipeline of proprietary clinical and preclinical stage drug candidates and

following recent cost reduction measures, believe we are in a strong position to secure resources from investors, partners and grant providers to advance our pipeline. Subject to securing the necessary resources, we plan to focus on developing our clinical and preclinical stage pipeline for disease indications that lack effective therapies and present significant unmet medical needs rather than earlier stage discovery. In pursuing this strategy, we will advance our programs in disease indications for which we believe orphan drug designation is obtainable in major commercial markets, such as the United States, Europe and Japan. We may seek collaborative arrangements with third parties to complete the development and commercialization of our drug candidates.

In executing our strategy to focus on development of a portion of our pipeline and in an effort to reduce ongoing operating costs and improve our organizational structure, efficiency and productivity, in 2012, we wound down our research and development efforts in France and reduced our operations in Geneva, Switzerland. The 2012 reorganization included a reduction in headcount by approximately 31 percent, representing the termination of 24 full time employees.

On February 7, 2013, we announced the implementation of a restructuring plan that reduced our headcount at that time by approximately 67 percent, representing the termination of 37 full time employees. We began implementation of the reduction in workforce on February 27, 2013 and expect its completion in August 2013. On May 31, 2013, we announced that we began implementation of a further restructuring, which we expect to complete in November 2013, to reduce our operating costs and workforce to conserve cash while pursuing a potential upside from our partnership with Janssen, continuing to investigate Dipraglurant, an mGluR5 negative allosteric modulator for use in Parkinsons'disease in collaboration with the Michael J. Fox Foundation for Parkinson's Research**,** and corporate development activities aimed at securing resources from investors, partners and from grant providers to advance our clinical and preclinical programs, as well as our allosteric modulator discovery platform (see below). In line with this strategy, we will only advance our current clinical programs through partnerships and grants in an effort to extend our runway until we report top-line clinical results from the ongoing development efforts of ADX 71149, which we expect will occur in the first quarter of 2014 and will put us in a position to raise additional financing sufficient to fund the development of our clinical programs. As part of the restructuring announced on May 31, 2013, we formally terminated 17 of our remaing 19 employment agreements, including all of the senior management, and these employees will work through their notice periods to execute this strategy, save for Dr. Bharatt Chowrira, who stepped down with immediate effect from his position as CEO of the Addex Group and director of Addex Therapeutics Ltd and Addex Pharma SA. At 30 June 2013, we estimate future cash outflows related to the 2013 reductions in workforce of approximately CHF 2.4 million, including any social insurance costs and deductions and severance payments or other benefits granted at our discretion to departing employees.

Despite our reduction in workforce, we believe to have maintained the capability to rebuild our discovery efforts to support potential collaborations or internal discovery needs in the future by maintaining key intellectual property as well as critical know-how. We continue to seek means of strengthening our cash position through partnerships and will endeavor to monetize both our drug discovery platform capability as well as our discovery programs through licensing and strategic transactions.

Our Strengths

Our current strategic focus is the development of certain proprietary drug candidates in our existing portfolio. We believe that we have a number of competitive advantages that distinguish us from our competitors.

Robust clinical stage pipeline. Phase 2a clinical trials for two of our proprietary drug candidates have produced positive results. In March 2012, we announced the completion of a Phase 2a clinical trial in the United States and Europe with our lead drug candidate, dipraglurant (ADX48621), for the treatment of PD-LID. Phase 2a data demonstrated statistically significant clinical efficacy in the treatment of PD-LID. Subject to securing resources from investors, partners and grant providers, we plan to begin an additional Phase 2a clinical trial with dipraglurant for the treatment of cervical and DYT1 familial generalized dystonias. In November 2012, our partner Janssen announced completion of a Phase 2a clinical trial in Europe with ADX71149 for the treatment of schizophrenia. Phase 2a data demonstrated proof of principal in patients with negative symptoms of schizophrenia, such as apathy, social withdrawal, loss of emotional expression or sleep disorders. In 2012, Janssen initiated an additional Phase 2a clinical trial with ADX71149 for the treatment of patients with anxious depression. Janssen has announced expected completion of this Phase 2a clinical trial in the first quarter of 2014. Subject to securing resources from investors, partners and grant providers, we expect to initiate a Phase 1 clinical trial in Europe for ADX71441 for the treatment of CMT1A. The timing and outcome of clinical results is extremely difficult to predict. Drug research and development is an inherently uncertain process and there is a high risk of failure at every stage prior to commercialization and marketing approval. Clinical development success and failure can have a disproportionate positive or negative impact on our scientific and medical prospects, financial prospects, financial condition and market value.

High value partnership. In December 2004, we entered into a collaboration and license agreement with Janssen (fka Ortho-McNeil Pharmaceutical, Inc.) for the discovery, development and commercialization of novel mGlu2 PAM compounds for the treatment of CNS and related diseases. ADX71149 is one of the drug candidates discovered and selected for development by Janssen under the

agreement. Janssen has sole responsibility for, including the financing of, development of selected compounds under the agreement through preclinical and clinical trials, as well as registration procedures and commercialization, if any, in the United States, Japan, the United Kingdom, Germany, France, Spain and Italy. Through our participation in a joint development committee, we review, in an advisory capacity, any development programs designed by Janssen. Janssen has authority over all aspects of the development of selected compounds and may develop or commercialize third-party compounds with a different mechanism of action for identical use. Under the terms of the agreement, we are eligible for payments on successful achievement of pre-specified clinical and regulatory milestones and a low double-digit royalty on net sales. We received a CHF 1.5 million milestone payment in relation to the entry of ADX71149 into Phase 1 in July 2009 and a CHF 2.6 million milestone payment in relation to the entry of ADX71149 into Phase 2 in June 2011. We are eligible for a further €109 million in success-based development and regulatory milestones.

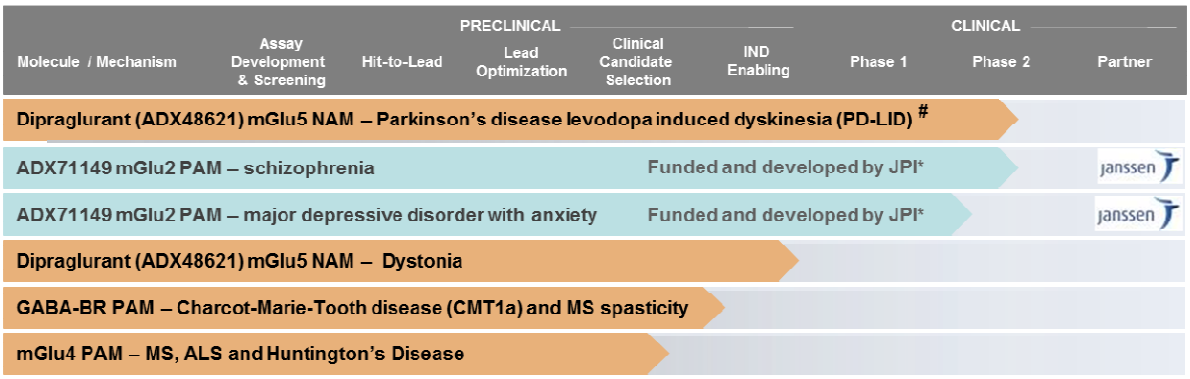
Global leadership in an emerging drug class. Allosteric modulators are an emerging class of oral small molecule therapeutics that have the potential to become first-in-class drug candidates for a number of disease indications. We believe that our expertise, unique knowledge-based library and proprietary biological screening tools make us a leader in allosteric modulation-based drug discovery and development and that we have the potential to develop patentable, novel, highly differentiated oral small molecules for clinically validated targets considered "undruggable" or beyond the reach of conventional drug discovery approaches.

Focus on rare diseases with high unmet medical needs. We plan to focus on therapeutic indications with significant unmet medical needs and commercial potential, including indications considered rare diseases for the purpose of orphan drug designation. If we are successful in an application for orphan drug designation for a drug candidate, the designation could accelerate the timeline to an approval and provide benefits such as market exclusivity, assistance in clinical trial design, reduction in user fees or tax credits related to development expense. An orphan drug approach has the potential to allow us to attain accelerated regulatory approvals, conduct less costly clinical trials with smaller patient populations and gain market exclusivity upon approval. Of the 39 drugs approved by the United Stated Food and Drug Administration in 2012, approximately half are designated orphan drugs.

Experienced Board and management team. Our management team of biopharmaceutical industry executives has extensive global experience and many of its members are recognized experts in their respective fields. We seek to leverage the complementary skill sets of our management team members in our approach to drug discovery and development. Our management and Board of Directors draw on prior experience gained at leading international pharmaceutical and biotech companies, such as Actelion Pharmaceuticals Ltd, AstraZeneca PLC, BiPar Sciences, Inc. (a subsidiary of Sanofi Aventis), F. Hoffmann-La Roche Ltd, Galapagos, NV and Merck & Co. Inc.

Our Product Pipeline

Using our allosteric modulator platform and drug discovery and development expertise, we have established a pipeline of clinical and preclinical programs. Internally, these programs include dipraglurant (ADX48621) for the treatment of PD-LID and dystonia, ADX71441 for the treatment of CMT1A and mGlu4 PAM for the treatment of MS. Our partner Janssen is developing ADX71149. The following chart summarizes our clinical and preclinical programs.



PAM = positive allosteric modulator (activator)
NAM = negative allosteric modulator (inhibitor)
[#] partially funded by a grant from the Michael J. Fox Foundation

Our primary focus is the development of allosteric modulators of GPCRs related to CNS and other neurological diseases, where there is a significant need for new therapeutic approaches. In 2012, we revised our business strategy to focus our development efforts on the advancement of allosteric modulators of four receptors, namely the metabotropic glutamate receptor 5 (mGlu5), the metabotropic glutamate receptor 2 (mGlu2), the gamma-aminobutyric acid subtype B receptor (GABAb) and the metabotropic

glutamate receptor 4 (mGlu4). Metabotropic glutamate receptors have broad distribution within the CNS and are also located outside of the CNS, for instance in the gastrointestinal tract and liver where it is believed that they modulate a variety of biological responses.

Dipraglurant (ADX48621)

Dipraglurant is a selective, orally available small molecule drug candidate which acts as a NAM of mGlu5. We discovered dipraglurant at Addex and hold composition of matter patents granted in the United States and Europe. Dipraglurant is selective for mGlu5 and does not have significant activity or binding affinity to other mGlus or other CNS receptors, such as serotonin, GABA or dopamine receptors. Clinical validation has been shown for mGlu5 inhibitors in indications of anxiety, depression, PD-LID, migraines, gastroesophageal reflux disease and Fragile X syndrome. There are a number of mGlu5 inhibiting compounds in clinical development, including mGlu5 NAMs, but there are currently no drugs of this class on the market.

We have conducted a Phase 2a proof of concept clinical trial of dipraglurant in PD-LID, in which dipraglurant illustrated safety and tolerability and statistically significant effects on clinical symptoms. We are preparing dipraglurant for a Phase 2b clinical trial in PD-LID that we expect to begin in the first half of 2014. This Phase 2b clinical trial will be on a larger scale, with longer treatment duration (12 weeks), than the Phase 2a trial, with the objective of identifying the optimum treatment regimen and the clinical outcome variables to be used in pivotal Phase 3 efficacy trials.

Subject to securing resources from investors, partners and grant providers, we plan to start a Phase 2a clinical trial with dipraglurant for the treatment of cervical and DYT1 familial generalized dystonias. Dipraglurant was shown to reduce dystonia in both the Phase 2a clinical trial of dipraglurant for the treatment of patients with PD-LID and in the preclinical 1-methyl-4-phenyl-1,2,3,6-tetrahydropyridine (MPTP) primate model of Parkinson's disease.

The physicochemical characteristics of dipraglurant may make it possible to develop formulations of dipraglurant as immediate release, extended release and modified release (combining immediate with extended release portions) capsules or tablets and even as a combination with levodopa. To date, dipraglurant has been tested in the clinic using an immediate release (IR) formulation, the kinetics of which appears to be well suited to the treatment of PD-LID. Dipraglurant IR formulation is intended to have a rapid onset and metabolism. We expect its primary utility to be in the treatment of focal dystonias, especially those that are sporadic with defined onset. Diapraglurant extended release (ER) formulation may be more suitable for indications where a more consistent plasma concentration is required, such as anxious depression or generalized dystonia. If the formulation type can be tailored to the indication being treated, comprehensive lifecycle management with different dipraglurant medicinal products may be possible.

Parkinson's disease levodopa induced dyskinesia (PD-LID)

Parkinson's disease is a progressive neurodegenerative disease that results in the loss of dopaminergic neurons in the substantia nigra (SN). One consequence of the depletion of dopamine in this disease is a series of movement disorders, including bradykinesia, akinesia, tremor, gait disorders and problems with balance. Early in the course of the disease, these motor symptoms of Parkinson's disease are effectively treated by dopamine replacement with the use of levodopa or dopamine D2 receptor agonists or monoamine oxidase B inhibitors. However, as the disease progresses, these agents become less effective in controlling motor symptoms and PD-LID often emerges.

PD-LID is involuntary movement that may affect any body area, including the face, trunk or limbs. Oral levodopa is currently the most effective treatment available for motor symptoms associated with Parkinson's disease. However, long term levodopa use is often associated with the development of dyskinesia, which may be as disabling as the symptoms of Parkinson's disease. Dyskinesias are comprised principally of two types of movement -- chorea, which is a rapid uncontrolled movement, and dystonia, which is a slow, often painful, writhing movement.

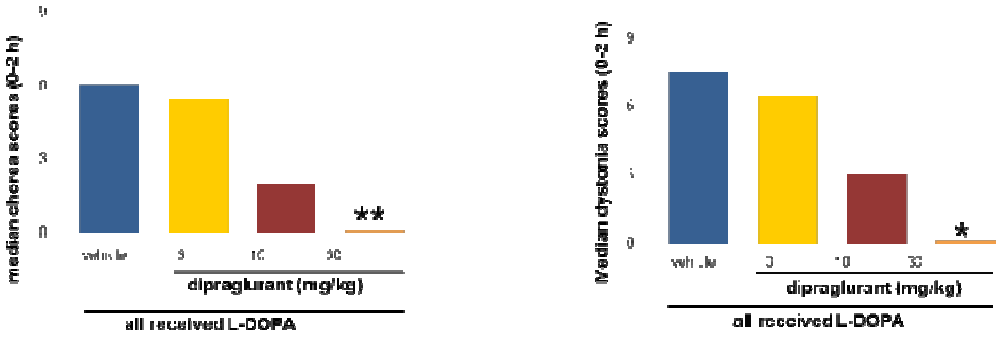
Even though levodopa provides more effective motor symptom control than other currently available therapies, physicians tend to delay use of levodopa use for as long as possible, using dopamine agonists or monoamine oxidase B inhibitors in the early stages of the disease, due to the inevitability of dyskinesia onset with levodopa use. Dopamine agonists and monoamine oxidase B inhibitors become less effective as Parkinson's disease progresses and are associated with dose limiting side effects, including, in relation to dopamine agonists, Impulse Control Disorders (ICD) such as pathological addictions to gambling, shopping, eating or sex.

The occurrence of PD-LID is linked to the neurodegenerative process of PD and is not solely related to the duration of dopamine replacement therapy. For instance, in severe advanced stage Parkinson's disease patients, dyskinesia can be provoked after a first high dose of levodopa. Chronic or high dose dopamine replacement treatments alone do not lead to dyskinesia, but may lower the threshold for dyskinesia occurrence following dosing, as neurodegeneration progresses. Efforts to reduce the use of high doses of levodopa or dopamine agonists, by using more frequent lower doses or extended release formulations, can improve dyskinesias but may be at the

expense of optimal motor function. In the later stages of Parkinson's disease, the patient and physician have to juggle good motor symptom control against the occurrence of levodopa-induced dyskinesia.

If dyskinesia could be effectively treated, or even delayed or eliminated, it is likely that doctors would use levodopa earlier in the treatment of Parkinson's disease. Currently available therapies, such as amantadine and Deep Brain Stimulation (DBS) surgery, often have limited effectiveness or tolerance in patients. The response of patients varies widely to amantadine, commonly used off label to treat dyskinesia. Typically, amantadine only works for some, if any, dyskinesias suffered by a patient. Amantadine often has side effects which may limit its use, and some patients do not tolerate it at all. Some of the more common side effects of amantadine include blurred vision, digestive issues, dizziness, drowsiness, lightheadedness and trouble sleeping. DBS surgery, a non-pharmacological treatment strategy, is used primarily for patients whose symptoms cannot be satisfactorily controlled with medications. Patients experience varied results with DBS, and even patients who experience better motor symptom control with DBS may have continued symptoms of dyskinesia. Further, many patients are unwilling to undergo DBS, since it is a costly, invasive surgical procedure that could result in complications. There is a need for new approaches to the treatment of Parkinson's disease that improve the effectiveness of the control of motor symptoms and treatment of Parkinson's disease.

Figures 1 and 2. Effect of dipraglurant on levodopa-induced chorea and dystonia in the MPTP parkinsonian macaque.



We evaluated the efficacy, safety and tolerability of dipraglurant 50 and 100 mg in a Phase 2a proof-of-concept four week, randomized, double-blind, placebo-controlled, parallel-group out-patient clinical trial in 76 patients with Parkinson's disease (dipraglurant n = 52, placebo n = 24) with moderate or severe LID. The study was conducted in 25 centers in the United States, France, Germany and Austria. The severity of LID was evaluated by both clinicians and the patients using the modified Abnormal Involuntary Movement Scale (mAIMS), patient diaries and the patient global impression of change (PGIC) and the clinician global impression of change (CGIC) for both dyskinesia and motor symptoms of Parkinson's disease. Motor symptoms of Parkinson's disease were assessed using the Unified Parkinson Disease Rating Scale (UPDRS). The Phase 2a proof of concept clinical trial of dipraglurant in PD-LID illustrated safety and tolerability and statistically significant effects on clinical symptoms. Subject to securing resources from investors, partners and grant providers, we expect to advance dipraglurant for a Phase 2b clinical trial in PD-LID. This Phase 2b clinical trial would be on a larger scale, with longer treatment duration (12 weeks), than the Phase 2a trial, with the objective of identifying the optimum treatment regimen and the clinical outcome variables to be used in pivotal Phase 3 efficacy trials.

Dipraglurant in PD motor symptoms

There is an increasing body of literature that suggests that inhibiting mGlu5 in the striatopallidal pathway may also improve the motor symptoms of PD and may also prevent excitotoxic damage to the substantia nigra. Dipraglurant was investigated in an animal model of Parkinson's disease, haloperidol induced catalepsy (HIC). Haloperidol is an antagonist of the dopamine D2 receptor and overcoming the catalepsy (immobility) induced by haloperidol administration is suggestive of antiparkinsonian activity and may also have relevance for other movement disorders, such as tardive dyskinesia and dystonia, where reduced activity of dopamine D2 receptors is implicated. In the rat HIC model, dipraglurant reduced the amount of time rats were immobile, in a dose dependent manner. The effective plasma concentration was similar to that for the treatment of dyskinesia in the MPTP macaque and that which was seen to be effective in PD-LID patients. The suggestion of antiparkinsonian activity was also supported by observations in the Phase IIA clinical trial. In Week 4 of treatment, patients reported and average "Off" time reduction of 50 minutes per day. Also both patients and clinicians showed a small tendency to report improvement in PD symptoms compared to placebo (See figures 1 and 2

above). Although none of these results were statistically significant, the observations were interesting and caught the attention of the PD experts who took part in the trials. PD motor symptom effects will be evaluated more thoroughly in the larger Phase 2b and 3 clinical trials.

Dipraglurant in PD non-motor symptoms

As well as suffering from difficulty with poor and uncontrolled movements, PD patients also suffer from a wide variety of other symptoms unrelated to movement and known as non-motor symptoms. Among these are affective disorders (anxiety, depression and anhedonia) and compulsive behavioural disorders (sex, alcohol, gambling, shopping addiction, to name but a few). The compulsions are particularly linked to treatment with dopamine agonists and more specifically to those which act on the dopamine D3 receptor as well as D2 eg pramipexole. Inhibition of mGlu5 is pre-clinically and clinically validated for the treatment of anxiety and depression, although no mGlu5 inhibitors are yet marketed for these indications. Also, inhibition of mGlu5 has been shown to have anti-addictive properties in a number of models, including cocaine self-administration in rats. These data suggest that mGlu5 inhibition may be of use in treating non-motor symptoms of PD.

Dipraglurant was tested in various rodent models of anxiety, depression and obsessive compulsion, and was found to have dose dependent effects, with efficacy being achieved at similar plasma concentrations as those for anti-dyskinetic activity and anti-parkinsonian activity. In the Phase 2a clinical trial, the effect of dipraglurant on mood was evaluated with the Hospital Anxiety Depression Scale. This is a fairly simple scale used to screen for overt affective disorder and is not as detailed as for example, the Hamilton Inventories for anxiety and depression. In the trial no effect of dipraglurant was seen on the HADS. This is not surprising as the trial was not designed to look in detail at mood and the duration of treatment (4 weeks) was likely too short to be able to show any benefit. In future trials affective disorder can be investigated more thoroughly, perhaps concentrating on the domains where it is believed that the mechanism of action might be most likely to show benefit, for example anhedonia, anxiety and compulsion.

Dystonia

Dystonia is a movement disorder that causes the muscles to contract and spasm involuntarily. The involuntary muscle contractions force the body into repetitive and often twisting movements as well as awkward, irregular, sometimes painful postures. Dystonia aetiologies and symptoms are heterogenous. There are approximately 23 forms of dystonia, and dozens of diseases and conditions include dystonia as a major symptom. Dystonia may affect a single body area (focal), multiple areas (segmental) or be generalized throughout multiple muscle groups. Further, dystonias are distinguished as either primary, with idiopathic or genetic causes, or secondary, induced by drugs or toxins. A number of types of dystonia are classified as rare, including cervical dystonia, DYT1 familial generalized dystonia or X-linked dystonia parkinsonism.

Dystonia affects people of all ages and backgrounds. Dystonia causes varying degrees of disability and pain, from mild to severe. Presently, there is no cure for dystonia. Doctors often prescribe drugs for the treatment of dystonia off-label, i.e., drugs that have not been approved for the indication being treated. Since these drugs have not been approved for the treatment of dystonia, they have not undergone rigorous clinical trials for the indication.

Current therapies include oral drugs such as anticholinergic agents, dopamine receptor agonists/antagonists and baclofen. The efficacy of these drugs is marginal and side effects further limit compliance and usage. The leading indicated treatment is botulinum toxin injections, which is only suitable for focal or segmental dystonia treatment. Deep Brain Stimulation (DBS) surgery is also used for both focal and generalized refractory dystonia. Many dystonia patients are left with inadequate efficacy. A significant unmet need exists for an oral, safe and effective treatment for dystonia.

Initial data from the testing of dipraglurant in the (MPTP) macaque model of LID and the Phase 2A clinical trial of dipraglurant in patients with PD-LID suggest that dipralurant may have a role in treating dystonia. In the MPTP macaque model of LID, dipraglurant reduced dystonia following levodopa administration to the same extent as chorea. Initial data from the testing of dipraglurant in the MPTP primate model of Parkinson’s disease and the Phase 2a clinical trial of dipraglurant in patients with PD-LID suggest that dipralurant may have a role in treating dystonia. Subject to securing resources from investors, partners and grant providers, we plan to start a Phase 2a clinical trial with dipraglurant for the treatment of cervical and DYT1 familial generalized dystonias.

ADX71149

In December 2004, we entered into a collaboration and license agreement with Janssen Pharmaceuticals, Inc. (fka Ortho-McNeil Pharmaceutical, Inc., hereinafter referred to as "Janssen") for the discovery, development and commercialization of novel mGlu2 PAM compounds for the treatment of CNS and related diseases. ADX71149 is one of the drug candidates discovered and selected for development by Janssen under the agreement. In November 2012, Janssen reported positive data related to ADX71149 in a Phase 2a

clinical trial conducted for the treatment of schizophrenia. Janssen is also conducting a Phase 2a clinical trial for ADX71149 for the treatment of anxious depression.

Under our agreement with Janssen, we have granted Janssen an exclusive license to use relevant patents and know-how in relation to the development and commercialization of product candidates selected by Janssen under the agreement and a non-exclusive worldwide license to conduct research on the collaboration compounds using relevant patents and know-how. Subject to certain conditions, the parties shall own, jointly, all intellectual property rights that they develop jointly and, individually, all intellectual property rights that they develop individually. Under certain conditions, but subject to certain consequences, Janssen may terminate the agreement for any reason, subject to a 90-day notice period.

Janssen has sole responsibility, including funding liability, for development of selected compounds under the agreement through preclinical and clinical trials, as well as registration procedures and commercialization, if any, in the United States, Japan, the United Kingdom, Germany, France, Spain and Italy. Janssen has the right to design development programs for selected compounds under the agreement. Through our participation in a joint development committee, we review, in an advisory capacity, any development programs designed by Janssen. However, Janssen has authority over all aspects of the development of selected compounds and may develop or commercialize third-party compounds with a different mechanism of action for identical use.

Under the terms of the Janssen agreement, we received an upfront fee of CHF 4.6 million and research funding of CHF 6.4 million during the research period, which ran from 2005 to 2007. In addition, we are eligible for payments on successful achievement of pre-specified clinical and regulatory milestones and a low double-digit royalty on net sales. We received a CHF 1.5 million milestone payment in relation to the entry of ADX71149 into Phase 1 in July 2009 and a CHF 2.6 million milestone payment in relation to the entry of ADX71149 into Phase 2 in June 2011. We are eligible for a further €109 million in success-based development and regulatory milestones and low double digit royalties on net sales.

ADX71441

ADX71441 is a selective positive allosteric modulator (PAM) of the gamma-aminobutyric acid subtype B receptor (GABAb) discovered and developed using our drug discovery platform. GABA is the main inhibitory neurotransmitter in the adult mammalian brain. The GABAb is a subtype of the GABA receptor, a Family C class of GPCR. GABAb are involved in the fine-tuning of inhibitory synaptic transmission by mediating slow, prolonged physiological effects of GABA.

We are targeting CMT1A and MS spasticity for ADX71441. We have completed the preclinical regulatory toxicology studies needed to support First-in-Man (FIM) studies for CMT1A, including repeated dose studies up to one month in duration in two relevant preclinical species. ADX71441 was well tolerated and no toxicologically significant findings were observed. We currently have an open regulatory authorization to conduct Phase 1 clinical testing in Europe and subject to securing resources from investors, partners and grant providers, we expect to start Phase 1 clinical testing and advance the development of ADX71441 for the treatment of CMT1A.

Charcot-Marie-Tooth Type 1A Neuropathy

Charcot-Marie-Tooth disease (CMT1A), previously classified as a subtype of muscular dystrophy, is a rare hereditary motor and sensory neuropathy (HMSN) which causes demyelination of the peripheral nerves. The disease leads to damage or destruction to the myelin sheath covering nerve fibers. The nerve fibers most severely affected are those that stimulate movement, with the nerves in the legs being affected first and most severely. Similar symptoms may appear in the arms and hands, which may include a claw-like hand.

The disease is highly invalidating with cases of accompanying neurological pain and muscular disability. A combination of lower motor neuron-type motor deficits and sensory symptoms are observed, and paresis and muscle atrophy develop with areflexia. The chronic nature of the motor neuropathy results in foot deformity, hammertoes, very high-arched feet, loss of lower leg muscle, which leads to skinny calves, numbness in the foot or leg, “slapping” gait (feet hit the floor hard when walking), foot drop (inability to hold foot horizontal) and weakness of the hips, legs or feet. Involvement of the hands may follow as the disease progresses. Signs of sensory system dysfunction are common and include loss of vibration and joint position sense followed by decreased pain and temperature sensation.

Onset of CMT1A is between age 5 and 25 years, with a prevalence of 1 in 5,000. There are no known cures for this debilitating condition. Current CMT1A therapies are primarily symptomatic, such as physiotherapy, and only focus on the manifestations of the disease.

Multiple sclerosis (MS) spasticity

Spasticity is a common symptom in MS patients, which becomes increasingly severe with disease progression. New treatments in MS increase longevity and decrease mortality, increasing the importance of symptoms management. Current pharmacological treatments have shown little improvement in the management of spasticity.

We have not tested ADX71441 in preclinical models of MS spasticity due to the lack of a validated animal model of this condition. In the absence of a reliable animal model for MS spasticity, animal models relevant to the mode of action have been chosen for investigation. ADX71441 exhibited efficacy across a series of tests that have been shown to be sensitive to GABAb activation and in animal models relevant for conditions commonly seen in MS patients with spasticity, including overactive bladder, anxiety and chronic pain.

mGlu4 PAM

The mGlu4 belongs to the Group III mGlu (Class C G-Protein Coupled Receptor) and is expressed primarily on presynaptic terminals, functioning as an autoreceptor or heteroceptor. The mGlu4 has a unique distribution in certain regions of the brain involved in CNS disorders. mGlu4 could be effective in therapeutic indications such as Parkinson's disease, anxiety, multiple sclerosis, neuropathic and inflammatory pain, schizophrenia and diabetes.

Our mGlu4 PAM program includes selective, orally available small molecule positive allosteric modulators (PAMs) of the metabotropic glutamate receptor 4 (mGlu4) that are brain penetrant and show pharmacokinetic properties for once-daily dosing. Our mGlu4 PAM tool compounds have demonstrated the potential role of mGlu4 PAM in multiple sclerosis by tests using the mouse EAE model used within the pharmaceutical industry to demonstrate the potential role and use of future drug candidates. Subject to securing resources from investors, partners and grant providers, we plan to complete lead optimization and select a clinical candidate.

Patents and Proprietary Rights

We own more than six U.S. and 76 foreign patents and a number of pending patent applications that cover various aspects of our allosteric modulator technologies and discovery platform, including several classes of compounds which are potentially useful as modulators of mGluR5, mGluR2 and mGluR4. More specifically, our patents and patent applications cover compounds, pharmaceutical compositions, uses of compounds for medical treatment and screening methods.

Our patent strategy is to file patent applications on innovations and improvements to cover a significant majority of the major pharmaceutical markets in the world. We typically file priority applications at the United Kingdom Patent Office to establish a priority date for the generic subject matter and examples which are available at the filing date of each invention. Subsequently, we file international applications under the Patent Cooperation Treaty (PCT) with extra examples to support the scope of the claims. After the International Phase, we file patent applications in selected countries representing potential major markets for our drug candidates (National/Regional Phase).

Generally, patents have a term of twenty years from the earliest priority date, assuming all maintenance fees are paid. In some instances, patent terms can be increased or decreased, depending on the laws and regulations of the country or jurisdiction that issued the patent. Wherever appropriate and legally possible, we aim at obtaining patent protection for novel molecules, composition of matter and uses for drugs and inventions originating from our research and development efforts, as well as new manufacturing and other processes and formulations. In each case, we carefully balance the value of patent protection against the advantage of keeping the know-how regarding the invention confidential. We aim to position the claims of our applications to exploit gaps in prior art.

Jointly with Janssen, we have 15 pending patent families covering compounds which are useful as mGluR2 PAMs. From these patent families, only one has not been published and all the other patent families have entered the National/Regional phase (30 months from the priority date). We have 6 patent families covering compounds which are useful as mGluR5 NAMs of which 13 patents have been granted, 7 patent applications are pending and 5 patent families have not been published. Dipraglurant is explicitly exemplified and claimed as a compound and as a pharmaceutical composition in one of the granted patent family. ADX71149 is explicitly exemplified and claimed as a compound and as a pharmaceutical composition in one of our National/Regional phase patent families. Furthermore, we have 11 pending patent families covering compounds which are potentially useful as mGluR4 PAMs. Eight are owned by Addex and three are jointly owned with Merck & Co Inc. pursuant to our collaboration agreement for the development of mGlu4 PAM in 2007. From these patent families, only one has not been published and all the other patent families have entered the National/Regional phase. We may also have joint ownership in certain patents, if any, issued pursuant to pending patent applications filed under the collaboration.

Further, we have one patent family covering compounds which are useful as GABA-B PAMs of which 4 patents have been granted and 11 patent applications are pending. ADX71441 is explicitly exemplified and claimed as a compound and as a Pharmaceutical composition in one of the granted patent families. Our granted patents have expiration dates ranging from 2025 to 2028 without extentions.

The patent positions of pharmaceutical and biotechnology companies are uncertain and involve complex legal and factual issues. There can be no assurance that patents that have issued will be held valid and enforceable in a court of law. Even for patents that are held valid and enforceable, the legal process associated with obtaining such a judgment is time consuming and costly. Additionally, issued patents can be subject to opposition or other proceedings that can result in the revocation of the patent or maintenance of the patent in amended form, and potentially in a form that renders the patent without commercially relevant or broad coverage. Further, our competitors may be able to circumvent and otherwise design around our patents. Even if a patent is issued and enforceable, because development and commercialization of pharmaceutical products can be subject to substantial delays, patents may expire early and provide only a short period of protection, if any, following the commercialization of a product covered by any of our patents. We may have to participate in interference proceedings declared by the U.S. Patent and Trademark Office, which could result in a loss of the patent or substantial cost to us.

U.S. and foreign patent rights and other proprietary rights exist that are owned by third parties and relate to pharmaceutical compositions and reagents, medical devices and equipment and methods for preparation, packaging and delivery of pharmaceutical compositions. We cannot predict with any certainty which, if any, of these rights will be considered relevant to our technology by authorities in the various jurisdictions where such rights exist, nor can we predict with certainty which, if any, of these rights will or may be asserted against us by third parties. We could incur substantial costs in defending ourselves and our partners against any such claims. Furthermore, parties making such claims may be able to obtain injunctive or other equitable relief, which could effectively block our ability to develop or commercialize some or all of our products in the U.S. and abroad and could result in the award of substantial damages. In the event of a claim of infringement, we or our partners may be required to obtain one or more licenses from third parties. There can be no assurance that we can obtain a license to any technology that we determine we need on reasonable terms, if at all, or that we could develop or otherwise obtain alternative technology. The failure to obtain licenses if needed may have a material adverse effect on our business, results of operations and financial condition.

We also rely on trade secret protection for our confidential and proprietary information. No assurance can be given that we can meaningfully protect our trade secrets. Others may independently develop substantially equivalent confidential and proprietary information or otherwise gain access to, or disclose, our trade secrets. Our success will depend in part on our ability to obtain and maintain patent protection for our drugs, preserve trade secrets, prevent third parties from infringing upon our proprietary rights and operate without infringing upon the proprietary rights of others, both in Switzerland and in other territories worldwide.

It is our policy to require our employees and consultants, outside scientific collaborators, sponsored researchers and other advisors who receive confidential information from us to execute confidentiality agreements upon the commencement of employment or consulting relationships with us. These agreements provide that all confidential information developed or made known to the individual during the course of the individual's relationship with us is to be kept confidential and not disclosed to third parties except in specific circumstances. The agreements provide that all inventions conceived by an employee shall be our property. There can be no assurance, however, that these agreements will provide meaningful protection or adequate remedies for our trade secrets in the event of unauthorized use or disclosure of such information.

Trademarks

We own trademarks for Addex Pharmaceuticals in Switzerland. We also have trademarks for AddeLite and ProxyLite in relation to our screening technologies in the United States, Switzerland and the People's Republic of China and, in the case of ProxyLite, the E.U.

Competition

Competition in the pharmaceutical and biotechnology industry is intense and characterized by aggressive research and development and rapidly-evolving science, technology and standards of medical care throughout the world. We frequently compete with pharmaceutical companies and other institutions with greater financial, research and development, marketing and sales, manufacturing and managerial capabilities. We face competition from these companies not just in product development but also in areas such as recruiting employees, acquiring technologies that might enhance our ability to commercialize products, establishing relationships with certain research and academic institutions, enrolling patients in clinical trials and seeking program partnerships and collaborations with larger pharmaceutical companies.

Science and Technology Competition

We believe that our proprietary and partnered products will compete with others in the market on the basis of one or more of the following parameters: efficacy, safety, ease of use and cost. We face intense science and technology competition from a multitude of technologies seeking to enhance the efficacy, safety and ease of use of approved drugs and new drug molecule candidates. A number of the drug candidates in our pipeline have direct and indirect competition from large pharmaceutical companies and biopharmaceutical companies. We constantly monitor scientific and medical developments in order to improve our current technologies, seek licensing opportunities where appropriate, and determine the best applications for our technology platforms.

In the field of allosteric modulators, our competitors include Eli Lilly and Company, F. Hoffmann-La Roche Ltd, Lundbeck Pharmaceuticals Ltd, Merck & Co. Inc. and Novartis Pharma AG. Several other chemical, biotechnology and pharmaceutical companies may also be developing allosteric modulators or technologies intended to deliver similar scientific and medical benefits. Some of these companies license intellectual property or materials to other companies, while others apply the technology to create their own drug candidates.

Product and Program Specific Competition

Dipraglurant (ADX48621) for the treatment of PD-LID

Amantadine and Deep Brain Stimulation (DBS) surgery are currently available therapies for the treatment of PD-LID. In addition, several drug candidates currently in clinical development could compete with dipraglurant (ADX48621) for the treatment of PD-LID. Adamas Pharmaceuticals, Inc. is developing extended release amantadine (NMDA anatagonist and anticholinergic agent), Avanir Pharmaceuticals, Inc. is developing AVP-923 (NMDA anatagonist), Neuraltus Pharmaceuticals, Inc. is developing NP002 (nicotine receptor agonist), Newron Pharmaceuticals, Inc. is developing safinamide (MAO-B inhibitor) and Novartis Pharma AG is developing mavoglurant (mGlu5NAM) and AQW051 (alpha 7 nAChR inhibitor).

Dipraglurant (ADX48621) for the treatment of dystonia

Currently available therapies include tetrabenazine (a dopamine antagonist), with a broad label for movement disorders, levodopa for levodopa responsive dystonia, botulinum toxin for focal and limb dystonia and DBS surgery. Other compounds, such as baclofen, anticholinergic drugs and benzodiazepines, are used off label or within the broad label context of treating muscle spasms. In addition, drug candidates currently in development could compete with dipraglurant (ADX48621) for the treatment of dystonias, including MT10109 clostridium botulinum toxin) currently in development by Medy-Tox for cervical dystonia and transcranial magnetic stimulation.

ADX71149 for the treatment of negative symptoms in schizophrenia

Currently available therapies for schizophrenia are anti-psychotics acting mainly on the positive symptoms of schizophrenia. Drugs include aripiprazole, (Abilify) and olanzapine (Zyprexa). Some of the key atypical antipsychotics are going to lose market exclusivity, and a number of modified release forms are in the pipeline. ADX71449 is being developed for the treatment of negative symptoms in schizophrenia. Late stage drug candidates in development which could compete with ADX714419 include RG1678 (GLYT-1 inhibitor). Alpha-7 agonist programs, EVP-6124 and TC-5619 and Lisdexamfetamine (Vyvanse) are also being evaluated for treating negative symptoms of schizophrenia.

ADX71441 for the treatment of CMT1A

Currently, there is no disease-modifying treatment available for CMT1A. Currently approved therapies for relief from certain symptoms of CMT1A, including musculoskeletal and neuropathic pain, include anti-inflammatory drugs, tricyclic antidepressants and anticonvulsants.

ADX71441 for the treatment of MS spasticity

Currently available treatments for MS spasticity include baclofen, diazepam, tizanidine and botulinum toxin. In addition, several novel derivatives of baclofen are in clinical development, including arbaclofen placarbil byXenoPort Inc.

mGlu4 PAM program for multiple sclerosis (MS)

Currently available treatments for MS include interferon beta, fingolimod and teriflunomide. In addition, several drug candidates are in registration, pre-registration or clinical development, including BG-12, Idebenone and monoclonal antibodies (Abatacept, Natalizumab, Ocrelizumab, Rituximab).

Sales and Marketing

Our current focus is on the development of our existing portfolio, the completion of clinical trials and, if and where appropriate, the registration of our drug candidates. We currently do not have marketing, sales and distribution capabilities. If we receive marketing and commercialization approval for any of our product candidates, we intend to market the product either directly or through strategic alliances and distribution agreements with third parties. The ultimate implementation of our strategy for realizing the financial value of our drug candidates is dependent on the results of clinical trials for our drug candidates, the availability of funds and the ability to negotiate acceptable commercial terms with third parties.

Manufacturing and Supply

We do not currently own or operate manufacturing facilities for the production of clinical or commercial quantities of any of our product candidates. We rely on a small number of third party manufacturers to produce our clinical drug supplies and expect to continue to do so to meet the preclinical and clinical requirements of our potential drug candidates. We do not have long term agreements with any of these third parties.

We source drug starting materials for our manufacturing activities from one or more suppliers. For the drug starting materials necessary for our proprietary drug candidate development, we have agreements for the supply of such drug components with drug manufacturers or suppliers that we believe have sufficient capacity to meet our demands. However, from time to time, we source critical raw materials and services from one or a limited number of suppliers and there is a risk that, if such supply or services were interrupted, it would materially harm our business. In addition, we typically order raw materials and services on a purchase order basis and do not enter into long-term dedicated capacity or minimum supply arrangements.

Environment

Our third party manufacturers are subject to inspections by the FDA for compliance with cGMP and other U.S. regulatory requirements, including U.S. federal, state and local regulations regarding environmental protection and hazardous and controlled substance controls, among others. Environmental laws and regulations are complex, change frequently and have tended to become more stringent over time. We have incurred, and may continue to incur, significant expenditures to ensure we are in compliance with these laws and regulations. We would be subject to significant penalties for failure to comply with these laws and regulations.

Government Regulation

We operate in a highly regulated industry. In both Europe and the United States, our drug candidates require the submission of regulatory filings prior to clinical trials and regulatory approvals prior to commercial production and distribution. The regulatory approval process is generally stringent and time consuming.

To obtain these approvals, preclinical studies and clinical trials must be conducted to demonstrate safety, efficacy and consistent quality of the drug candidates. Preclinical studies involve laboratory and animal studies and clinical trials are the means by which drug candidates are tested in humans.

Clinical trials are normally conducted in three sequential phases that may overlap or be combined.

Phase 1. Clinical trials are conducted in which the drug is initially given to healthy human subjects or patients and tested for safety, dosage tolerance, absorption, metabolism, distribution and excretion. Phase 1 clinical trials may produce early evidence on effectiveness. During Phase 1 clinical trials, sufficient information about the investigational drug's pharmacokinetics and pharmacologic effects may be obtained to permit the design of well-controlled and scientifically valid Phase 2 clinical trials.

Phase 2. Clinical trials are conducted in a limited patient population to identify possible adverse effects and safety risks, to determine the efficacy of the drug candidate for specifically targeted diseases and to determine dosage tolerance and optimal dosage amounts. We may conduct multiple Phase 2 clinical trials to obtain information prior to beginning the larger and more expensive Phase 3 clinical trials.

Phase 3. When Phase 2 clinical trials demonstrate that a dosage range for the drug candidate is effective and has an acceptable safety profile, Phase 3 clinical trials are undertaken in large patient populations to further evaluate dosage, provide additional evidence of clinical efficacy and further test for safety in expanded patient populations at multiple clinical trial sites and longer-term dosing. They are performed after preliminary evidence suggesting effectiveness of the drug has been obtained, and are intended to further evaluate dosage, effectiveness and safety, to establish the overall benefit-risk relationship of the investigational drug, and to provide an adequate basis for product approval by the FDA.

In addition, in the United States, post-marketing studies, or Phase 4 clinical trials, may be conducted after initial marketing approval. These studies may be required by the FDA as a condition of approval and are used to gain additional experience from the treatment of patients in the intended therapeutic indication. The FDA also has express statutory authority to require post-market clinical studies to address safety issues.

Regulation in the United States

In the United States, the FDA regulates drugs under the Federal Food, Drug, and Cosmetic Act, and related regulations (FDCA), and the Public Health Service Act (PHS Act). The FDCA, the PHS Act and related regulations govern the testing, manufacturing, safety, efficacy, labeling recordkeeping, and advertising and other promotional practices with respect to these drugs and products. The FDA must approve a drug candidate before marketing of that drug candidate may begin.

Marketing Approval

The process required by the FDA before drugs may be marketed in the United States generally involves the following:

- nonclinical laboratory and animal tests;
- submission of an Investigational New Drug, or IND, application which must become effective before clinical trials may begin;
- adequate and well-controlled human clinical trials to establish the safety and efficacy of the proposed drug for its intended use or uses;
- pre-approval inspection of manufacturing facilities and clinical trial sites; and
- FDA approval of an NDA which must occur before a drug can be marketed or sold.

The testing and approval process requires substantial time and financial resources, and we cannot be certain that any new approvals for our drug candidates will be granted on a timely basis if at all.

Prior to commencing the first clinical trial, an initial IND application must be submitted to the FDA. The IND application automatically becomes effective 30 days after receipt by the FDA unless the FDA within the 30-day time period raises concerns or questions about the conduct of the clinical trial. In such case, the IND application sponsor must resolve any outstanding concerns with the FDA before the clinical trial may begin. A separate submission to the existing IND application must be made for each successive clinical trial to be conducted during product development. Further, an independent IRB for each site proposing to conduct the clinical trial must review and approve the plan for any clinical trial before it commences at that site. Informed consent must also be obtained from each study subject. Regulatory authorities, an IRB, a data safety monitoring board or the sponsor, may suspend or terminate a clinical trial at any time on various grounds, including a finding that the participants are being exposed to an unacceptable health risk.

The NDA Approval Process

In order to obtain approval to market a drug in the United States, a marketing application must be submitted to the FDA that provides data establishing to the FDA's satisfaction the safety and effectiveness of the investigational drug for the proposed indication. Each NDA submission requires a substantial user fee payment unless a waiver or exemption applies. The application includes all relevant data available from pertinent nonclinical studies and clinical trials, including negative or ambiguous results as well as positive findings, together with detailed information relating to the product's chemistry, manufacturing, controls and proposed labeling, among other things. Data can come from company-sponsored clinical trials intended to test the safety and effectiveness of a use of a product, or from a number of alternative sources, including studies initiated by investigators.

The FDA will initially review the NDA for completeness before it accepts it for filing. The FDA has 60 days from its receipt of an NDA to determine whether the application will be accepted for filing based on the agency's threshold determination that the application is sufficiently complete to permit substantive review. After the NDA submission is accepted for filing, the FDA reviews the NDA to determine, among other things, whether the proposed product is safe and effective for its intended use, and whether the product is being manufactured in accordance with cGMP to assure and preserve the product's identity, strength, quality and purity. The FDA may refer applications for novel drug products or drug products that present difficult questions of safety or efficacy to an advisory committee, typically a panel that includes clinicians and other experts, for review, evaluation and a recommendation as to whether the application should be approved and, if so, under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions.

Based on pivotal Phase 3 trial results submitted in an NDA, upon the request of an applicant, the FDA may grant a priority review designation to a product, which sets the target date for FDA action on the application at six months, rather than the standard ten months. Priority review is given where preliminary estimates indicate that a product, if approved, has the potential to provide a significant improvement compared to marketed products or offers a therapy where no satisfactory alternative therapy exists. Priority review designation does not change the scientific or medical standard for approval or the quality of evidence necessary to support approval.

After the FDA completes its initial review of an NDA, it will communicate to the sponsor that the drug will either be approved, or it will issue a complete response letter to communicate that the NDA will not be approved in its current form and inform the sponsor of changes that must be made or additional clinical, nonclinical or manufacturing data that must be received before the application can be approved, with no implication regarding the ultimate approvability of the application.

Before approving an NDA, the FDA will inspect the facilities at which the product is manufactured. The FDA will not approve the product unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving an NDA, the FDA may inspect one or more clinical sites to assure compliance with GCP. If the FDA determines the application, manufacturing process or manufacturing facilities are not acceptable, it typically will outline the deficiencies and often will request additional testing or information. This may significantly delay further review of the NDA. If the FDA finds that a clinical site did not conduct the clinical trial in accordance with GCP, the FDA may determine the data generated by the clinical site should be excluded from the primary efficacy analyses provided in the NDA. Additionally, notwithstanding the submission of any requested additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval.

The testing and approval process for a drug requires substantial time, effort and financial resources and this process may take several years to complete. Data obtained from clinical activities are not always conclusive and may be susceptible to varying interpretations, which could delay, limit or prevent regulatory approval. The FDA may not grant approval on a timely basis, or at all. We may encounter difficulties or unanticipated costs in our efforts to secure necessary governmental approvals, which could delay or preclude us from marketing our products.

The FDA may require, or companies may pursue, additional clinical trials after a product is approved. These Phase 4 clinical studies may be made a condition to be satisfied for continuing drug approval. The results of Phase 4 studies can confirm the effectiveness of a drug candidate and can provide important safety information. In addition, the FDA has express statutory authority to require sponsors to conduct post-market studies to specifically address safety issues identified by the agency.

Even if a drug candidate receives regulatory approval, the approval may be limited to specific disease states, patient populations and dosages, or might contain significant limitations on use in the form of warnings, precautions or contraindications, or in the form of onerous risk management plans, restrictions on distribution, or post-marketing study requirements. Further, even after regulatory approval is obtained, later discovery of previously unknown problems with a product may result in restrictions on the product or even complete withdrawal of the product from the market. In addition, we cannot predict what adverse governmental regulations may arise from future U.S. or foreign governmental action.

FDA Post-Approval Requirements

Any products manufactured or distributed by us pursuant to FDA approvals are subject to continuing regulation by the FDA, including requirements for record-keeping and reporting of adverse experiences with the drug. Drug manufacturers are required to register their facilities with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with cGMPs, which impose certain quality processes, manufacturing controls and documentation requirements upon us and our third-party manufacturers in order to ensure that the product is safe, has the identity and strength, and meets the quality and purity characteristics that it purports to have. Certain states also impose requirements on manufacturers and

distributors to establish the pedigree of product in the chain of distribution, including some states that require manufacturers and others to adopt new technology capable of tracking and tracing product as it moves through the distribution chain.

Orphan Designation and Exclusivity

Under the Orphan Drug Act, the FDA may grant orphan designation to drugs intended to treat a rare disease or condition, which is generally a disease or condition that affects fewer than 200,000 individuals in the United States. Orphan designation must be requested before submitting an NDA.

Generally, if a drug that receives orphan designation is approved for the orphan indication, it receives orphan drug exclusivity, which for seven years prohibits the FDA approving another product with the same active chemical entity for the same indication. Orphan exclusivity will not bar approval of another product under certain circumstances, including if the new drug is shown to be clinically superior to the approved product on the basis of greater efficacy or safety, or providing a major contribution to patient care. After the FDA grants orphan designation, the identity of the applicant, as well as the name of the therapeutic agent and its designated orphan use, are disclosed publicly by the FDA.

Orphan designation does not convey any advantage in, or shorten the duration of, the regulatory review and approval process. If a product that has orphan designation is the first such product to receive FDA approval for the disease for which it has such designation, the product is entitled to orphan product exclusivity, which means that subsequent to approval the FDA may not approve any other applications to market a drug with the same active moiety for the same disease, except in limited circumstances, for seven years. During orphan exclusivity, the FDA may only permit additional companies to market a drug with the same active chemical entity for the designated condition if such companies can demonstrate substantial improvement, or if the company with the orphan drug exclusivity is not able to meet market demand. More than one product may also be approved by the FDA for the same orphan indication or disease as long as the products contain different active ingredients. As a result, even though Ravicti has received orphan exclusivity, the FDA can still approve other drugs that have a different active chemical entity for use in treating the same indication or disease covered by Ravicti, which could create a more competitive market for us.

Labeling, Marketing and Promotion

The FDA closely regulates the labeling, marketing and promotion of drugs. While doctors are free to prescribe any drug approved by the FDA for any use, a company can only make claims relating to safety and efficacy of a drug that are consistent with FDA approval, and the company is allowed to actively market a drug only for the particular use and treatment approved by the FDA. In addition, any claims we make for our products in advertising or promotion must be appropriately balanced with important safety information and otherwise be adequately substantiated. Failure to comply with these requirements can result in adverse publicity, warning letters, corrective advertising, injunctions and potential civil and criminal penalties. Government regulators recently have increased their scrutiny of the promotion and marketing of drugs.

Other U.S. Regulations

Anti-Kickback and False Claims Laws

In the United States, the research, manufacturing, distribution, sale and promotion of drug products and medical devices are potentially subject to regulations promulgated by various federal, state and local authorities in addition to the FDA. For example, sales, marketing and scientific/educational grant programs must comply with the Medicare-Medicaid Anti-Fraud and Abuse Act, as amended (the Anti-Kickback Statute) the False Claims Act, as amended, the privacy regulations promulgated under the Health Insurance Portability and Accountability Act (HIPAA) and similar state laws. Pricing and rebate programs must comply with the Medicaid Drug Rebate Program requirements of the Omnibus Budget Reconciliation Act of 1990, as amended, and the Veterans Health Care Act of 1992, as amended. If products are made available to authorized users of the Federal Supply Schedule of the General Services Administration, additional laws and requirements apply. All of these activities are also potentially subject to federal and state consumer protection and unfair competition laws.

The Anti-Kickback Statute makes it illegal for any person, including a prescription drug manufacturer (or a party acting on its behalf) to knowingly and willfully solicit, receive, offer, or pay any remuneration that is intended to induce the referral of business, including the purchase, order, or prescription of a particular drug, for which payment may be made under a federal healthcare program, such as Medicare or Medicaid. Violations of this law are punishable by up to five years in prison, criminal fines, administrative civil money penalties, and exclusion from participation in federal healthcare programs. In addition, many states have adopted laws similar to the Anti-Kickback Statute. Some of these state prohibitions apply to the referral of patients for healthcare services reimbursed by any insurer, not just federal healthcare programs such as Medicare and Medicaid. Due to the breadth of these

federal and state anti-kickback laws, the absence of guidance in the form of regulations or court decisions, and the potential for additional legal or regulatory change in this area, it is possible that our future sales and marketing practices and/or our future relationships with physicians might be challenged under anti-kickback laws, which could harm us. Because we intend to commercialize products that could be reimbursed under a federal healthcare program and other governmental healthcare programs, we plan to develop a comprehensive compliance program that establishes internal controls to facilitate adherence to the rules and program requirements to which we will or may become subject.

There are also an increasing number of state laws that require manufacturers to make reports to states on pricing and marketing information. Many of these laws contain ambiguities as to what is required to comply with the laws. In addition, as discussed below, beginning in 2013, a similar federal requirement will require manufacturers to track and report to the federal government certain payments made to physicians and teaching hospitals made in the previous calendar year. These laws may affect our sales, marketing, and other promotional activities by imposing administrative and compliance burdens on us. In addition, given the lack of clarity with respect to these laws and their implementation, our reporting actions could be subject to the penalty provisions of the pertinent state, and soon federal, authorities.

The federal False Claims Act prohibits anyone from knowingly presenting, or causing to be presented, for payment to federal programs (including Medicare and Medicaid) claims for items or services, including drugs, that are false or fraudulent, claims for items or services not provided as claimed, or claims for medically unnecessary items or services. Although we would not submit claims directly to payors, manufacturers can be held liable under these laws if they are deemed to "cause" the submission of false or fraudulent claims by, for example, providing inaccurate billing or coding information to customers or promoting a product off-label. In addition, our future activities relating to the reporting of wholesaler or estimated retail prices for our products, the reporting of prices used to calculate Medicaid rebate information and other information affecting federal, state, and third-party reimbursement for our products, and the sale and marketing of our products, are subject to scrutiny under this law. For example, pharmaceutical companies have been prosecuted under the federal False Claims Act in connection with their off-label promotion of drugs. Penalties for a False Claims Act violation include three times the actual damages sustained by the government, plus mandatory civil penalties of between $5,500 and $11,000 for each separate false claim, the potential for exclusion from participation in federal healthcare programs, and, although the federal False Claims Act is a civil statute, conduct that results in a False Claims Act violation may also implicate various federal criminal statutes. If the government were to allege that we were, or convict us of, violating these false claims laws, we could be subject to a substantial fine and may suffer a decline in our stock price. In addition, private individuals have the ability to bring actions under the federal False Claims Act and certain states have enacted laws modeled after the federal False Claims Act.

Patient Protection and Affordable Care Act

In March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively PPACA, was enacted in the United States. The PPACA includes measures that have or will significantly change the way health care is financed by both governmental and private insurers. Among the goals of PPACA are the expansion of health insurance coverage and the scope of that coverage as well as changes in the way that payments by government health programs for drugs are determined. Many of the details regarding the implementation of PPACA are yet to be determined, and at this time, it remains unclear the full effect that PPACA would have on our business.

We are also subject to numerous federal, state and local laws relating to such matters as safe working conditions, manufacturing practices, environmental protection, fire hazard control, and disposal of hazardous or potentially hazardous substances. We may incur significant costs to comply with such laws and regulations now or in the future.

Regulation in the European Union

Clinical trials, the regulatory approval process, and safety monitoring of drugs and drug manufacturers in the European Union proceed in much the same manner as they do in the United States. Therefore, many of the concepts discussed above under "Regulation in the United States" apply similarly in the context of the European Union. In addition, drugs are subject to extensive price and reimbursement regulation of the European Union member states.

Clinical trial approval

Pursuant to the Clinical Trials Directive, in member states of the European Union approval must be obtained from the competent national authority of a European Union member state in which the study is planned to be conducted. Furthermore, a clinical trial may only be started after a competent ethics committee has issued a favorable opinion on the clinical trial application which must be

supported by an investigational medicinal product dossier with supporting information prescribed by the Clinical Trials Directive and further detailed in applicable guidance documents.

Marketing authorization

Drug marketing authorization in the European Union member states generally proceeds under either one of two approval procedures, a centralized or a decentralized one, also known as the mutual recognition procedure.

Certain drugs must undergo the centralized approval procedure for marketing authorization, which, if granted, is automatically valid in all European Union member states. The EMEA administers a centralized marketing authorization process that is mandatory for biotechnological DNA and gene therapy products, products containing new active substance for the treatment of acquired immune deficiency syndrome (AIDS), cancer, neurodegenerative disorder or diabetes, orphan drugs and also for medicinal products containing a new chemical substance for the treatment of autoimmune diseases, other immune dysfunctions and viral diseases. The centralized approval procedure is optional for new medicinal products containing a new active substance and other medicinal products that are sufficiently innovative in the eyes of the EMEA (i.e., medicinal products showing a therapeutic, scientific or technical innovation). Under the centralized approval procedure, the EMEA's Committee for Medicinal Products for Human Use (CHMP) serves as the scientific committee that renders opinions about the safety, efficacy, and quality of human drug candidates on behalf of the EMEA. CHMP is composed of experts nominated by each member state's national drug authority. CHMP has 210 days, or longer if additional information is requested, to render its opinion to the EMEA as to whether a marketing authorization should be granted. This process is complex and involves extensive consultation with the regulatory authorities of member states and a number of experts.

For drug candidates for which centralized procedure is not mandatory, a company may pursue a decentralized procedure to obtain mutual recognition of a new drug by European Union member states. Under the mutual recognition procedure, the authorities of one European Union member state, chosen by the applicant (where the marketing authorization has already been granted or not), known as the reference member state (RMS), make the principal evaluation. This is done either in the form of a marketing authorization submitted for mutual recognition to the other member states chosen by the applicant, known as concerned member states (CMS), or in the form of an assessment report submitted to the CMS for mutual recognition and subsequent issuance of a corresponding marketing authorization, The CMS then have up to 90 days to decide if they accept or reject the decision of the RMS. Rejection may only be based upon grounds of a potential serious risk to public health.

After a drug has been approved and launched, it is a condition of maintaining the marketing authorization that all aspects relating to its quality, safety and efficacy must be kept under review. Sanctions may be imposed for failure to adhere to the conditions of the marketing authorization. In extreme cases, the approval may be revoked resulting in withdrawal of the product from sale.

Even when a drug has received marketing authorization through either centralized or decentralized procedure, national pricing and reimbursement rules will also apply which may delay, or effectively prevent, commercialization or make commercialization substantially less profitable than anticipated or uneconomical.

Regulatory data protection and marketing exclusivity

For all applications for marketing authorization of a drug submitted on or after November 20, 2005, a regime applies that consists of a regulatory data protection period of eight years, a marketing exclusivity of a further two years and an additional marketing exclusivity of one further year in the case of certain new therapeutic indications that are of significant clinical benefit compared to existing therapies. Under the current rules, a third-party may reference the pre-clinical and clinical data of the original sponsor beginning eight years after first European approval, but can only market a generic version after ten years have elapsed. The ten-year marketing protection period is extended to a maximum of eleven years if, during the first eight years of those ten years, the marketing authorization holder obtains an approval for one or more new therapeutic indications which, during the scientific evaluation prior to their approval, are determined to bring a significant clinical benefit in comparison with existing therapies. For drugs approved through the decentralized procedure, there is an identical regime in the individual member states.

Pricing and reimbursement

Regulators in some European countries condition their reimbursement of a pharmaceutical drug on the agreement of the seller not to sell the drug for more than a specified price or in more than specified quantities per year in their countries. In some cases, the price established in any of these countries may serve as a benchmark in the other countries. As a result, the price approved in connection with the first approval obtained in any of these European countries may serve as the maximum price that may be approved in the other European countries. Further, a price approved in one of these European countries that is lower than the price previously approved in the other European countries may require a reduction in the prices in those other European countries. In that event, the resulting prices

may be insufficient to generate an acceptable return on investment in the drug. Such parallel imports permit sales of parallel traders at reduced import prices and will have a negative impact on sales of the drug concerned.

Regulation in Other Countries

Approval of a drug by comparable regulatory authorities may be necessary in other countries prior to the commencement of marketing of the drug in those countries, whether or not approval in the United States or the European Union has been obtained. The approval procedure varies among countries and can involve requirements for additional testing. The time required may differ from that required for approval in the United States or the European Union. In general, each country has its own procedures and requirements, many of which are time consuming and expensive. Thus, there can be substantial delays in obtaining required approvals from foreign regulatory authorities after the relevant applications are filed.

For instance, the Japanese approval agency requires that tests to determine appropriate dosages for Japanese patients be conducted on Japanese subjects. Also, other parts of the clinical program may need to be repeated in Japan. This may result in a delay in introducing a drug developed outside of Japan to the Japanese market.

In Switzerland, we are subject to various regulations concerning the development of pharmaceutical products, such as, but not limited to, the (i) approval of clinical studies in the laboratory by the Ethical Commission for Clinical Tests (*commission d'éthique pour les essais cliniques/Ethikkommission für klinische Versuche*) and (ii) the authorization for animal studies by the State (*canton/Kanton*) and the marketing of pharmaceutical products, such as approval for therapeutic products by Swissmedic (Swiss Agency for Therapeutic Products).

Property, Plant and Equipment

We do not currently own any real estate.

We lease 6,113 square meters of laboratory and office space at our headquarters in Plan-les-Ouates, Switzerland, pursuant to leases that begin to expire in March 2014.

We also lease 1,257 square meters of laboratory and office space at our facilities in Archamps, France and have leased an additional 260 square meters at this facility for our planned future expansion of in vivo activities. All these leases have expired on the 30 of April 2013 following the closing of our in vivo activity in France.

Regarding the facilities that we lease in Switzerland, following our new strategy and the restructuring put in place end of February 2013, we are on the process to reduce the surface from 6,113 to approximately 1,200 square meters for labs (around 70%) and offices (around 30%) and around 350 square meter for storage room. We believe that this new repartition of our leased properties will be adequate to meet our current needs.

To achieve this, around 637 square meters will be transferred to the new tenant or to the owner in the course of May 2013. In addition, 940 square meters are subleased to another company, Salveo, a Swiss biotechnology company. Finally, we are actively looking for tenants for the remaining 2,986 square meters.

13. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Board of Directors

Our board of directors currently consists of four members as, on May 31, 2013, Dr. Bharatt Chowrira, who had been a director since 2012 and had initially been elected until the 2015 annual shareholder's meeting, stepped down with immediate effect from his position as CEO of the Addex Group and director of Addex Therapeutics Ltd and Addex Pharma SA. In the interim, Mr Timothy Dyer, Co-founder and former CFO of the Addex Group has been engaged as a consultant to lead the Addex Group and has been appointed as interim chief executive officer and chief financial officer.

The following table sets forth certain information with respect to our current directors.

Name	Age	Director Since	Term Expiration
Hoyoung Huh(1)(2)	44	2011	2014 Annual Meeting
Vincent Lawton(3)(4)	64	2009	2015 Annual Meeting
André J. Mueller(1)(2)(5)	69	2007	2015 Annual Meeting
Oleg Nodelman(3)	36	2011	2014 Annual Meeting

(1) Member of the Compensation Committee
(2) Member of the Nomination Committee
(3) Member of the Audit Committee
(4) Vice Chairman of the Board of Directors
(5) Chairman of the Board of Directors

Hoyoung Huh. Dr. Huh has served as a member of our board of directors since April 2011 and as a member of the compensation committee since April 2011 and of the nomination committee since 2012. He has served as chairman of the nomination committee since Fall 2012. Currently, Dr Huh is chairman of the board of directors of Geron Corporation (NASDAQ: GERN), CytomX Therapeutics and StemPar Sciences, Inc. He is also a member of the board of directors of AntriaBio, Inc. (ANTB: OTC BB) and EOS S.p.A., as well as of BayBio, a life science association in northern California. Dr. Huh has been involved in the formation and management of, and investment in, over 20 successful entities across the United States, Europe and Asia. From 2008 to 2010, he was the president, chief executive officer and chairman of BiPar Sciences, Inc., which was acquired by Sanofi-aventis (EURONEXT: SAN and NYSE: SNY) in 2009. From 2005 to 2008, he served as chief operating officer and a member of the board of directors of Nektar Therapeutics (NASDAQ: NKTR). He is a former chairman of the board of directors of Epizyme, Inc. and served on the board of directors of Jennerex Biotherapeutics, Inc., Calibra Medical, Inc., which was acquired by Johnson & Johnson in 2012, and Facet Biotech Corporation (NASDAQ: FACT), which was acquired by Abbott Laboratories in 2010. Dr. Huh is a former partner of McKinsey and Company in the healthcare and technology practices. Dr. Huh received his M.D. from Cornell University Medical College, a Ph.D. in genetics and cell biology from Cornell University/Sloan-Kettering Institute and a bachelor of science in biochemistry from Dartmouth College.

André J. Mueller. Mr. Mueller has served as chairman and a member of our board of directors since the inception of our Company. He has served as a member of the compensation committee since 2007 and of the nomination committee since 2011. Currently, Mr. Mueller is a member of the board of directors of Sensimed AG, a private swiss medical device company. Mr. Mueller has extensive experience in the building and running of successful biopharmaceutical companies. Mr. Mueller was a member of the board of directors of Synthes, Inc. (SIX: SYST), and chairman of its audit committee, until April 2011, when Synthes, Inc. was acquired by Johnson & Johnson. He was a member of the founding team of Actelion Ltd (SIX: ATLN), where he was chief financial officer from inception in 1998 to 2002 and vice chairman from 2003 until April 2009. Mr. Mueller started his career with CIBA Ltd and Sandoz AG (now Novartis Pharma AG (NYSE: NVS)), where he held a number of managerial positions in the pharma, plant protection and finance divisions in Basel, Switzerland and the United States. He was a founding partner and director of investments for Genevest, the first Swiss venture capital organization. He received his degree in chemical engineering from the Technical College of Geneva and his M.B.A. from INSEAD.

Oleg Nodelman. Mr. Nodelman has served as a member of our board of directors since April 2011 and a member of the audit committee since April 2011. Mr. Nodelman is the founder and managing director of EcoR1 Capital, a San Francisco based, value-oriented healthcare investment fund, which he founded in October 2012. Before founding EcoR1 Capital, Mr. Nodelman was a portfolio manager at BVF Partners L.P., one of the oldest dedicated biotechnology hedge funds, from late 2001 to the fall of 2012. At BVF, Mr. Nodelman's responsibilities included opportunity generation, deep diligence, portfolio management and trading. Prior to joining BVF, 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 received his bachelor of science in foreign service, with a concentration in science and technology, from Georgetown University.

Vincent Lawton. Professor Lawton has served as a member of our board of directors since April 2009 and as vice chairman of our board of directors since August 2011. He has served as chairman of the audit committee since 2010. Professor Lawton was a vice president at Merck Europe and a managing director of MSD UK from 1980 until he stepped down in 2006, after 26 years of service internationally for Merck & Co Inc. In 2006, he was appointed a Commander of the British Empire (CBE) by the Queen of England for services to the pharmaceutical industry. During his tenure at MSD UK, MSD UK achieved sustained commercial success, launching numerous new medicines to the market in a wide range of therapeutic areas and becoming the fastest growing company in the market over a number of years. He worked in commercial, research and senior management roles in Canada, France, Spain, the United States and throughout other parts of Europe. As president of the U.K. Industry Association (ABPI), he negotiated industry pricing and worked with the U.K. government authorities in an effort to establish the U.K. as a leading center of clinical research globally. He is the chairman of Aqix Ltd, a private U.K. biotechnology company, a member of the board of directors of the Medicines and Healthcare Products Regulatory Agency of the U.K. government (MHRA) and 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 organizations. He received his undergraduate and Ph.D. degrees in psychology from the University of London.

There are no significant business connections between members of the Board of Directors and us or any of our subsidiaries.

Senior Management

Members of our senior management are elected by and serve at the discretion of our board of directors. In accordance with our articles of association and our organizational rules, the board of directors has delegated operational management of the Company to the chief executive officer. In the interim, Mr Timothy Dyer is acting chief executive officer and chief financial officer under his consulting agreement.

On May 31, 2013 we launched a restructuring plan that will reduce our headcount by 17 of our remaining 19 employment agreements, including all of the senior management. Dr. Bharatt Chowrira stepped down with immediate effect from his position as CEO of the Addex Group and director of Addex Therapeutics Ltd and Addex Pharma SA. In the interim, the board has delegated operational management of the Addex Group to Mr Timothy Dyer, Co-founder and former CFO of the Addex Group. The remaining members of the senior management will work through their respective notice periods, which will expire at the end of November 2013.

The following table sets forth certain information with respect to our current members of senior management and employees, including scientists, upon whose work we depend.

Name	Age	Position
Graham Dixon (1)	52	Chief Scientific Officer & Head of Research and Development
Sonia Poli (2)	48	Vice President of Translational Medicine

(1) Employment agreement terminated on May 31, 2013 for October 31, 2013
(2) Employment agreement terminated on May 31, 2013 for November 30, 2013

Graham Dixon. Dr. Dixon assumed his role as our chief scientific officer in July 2012. Dr. Dixon has more than 20 years of experience in pharmaceutical research & development. Before joining us, from 2004 to April 2012, Dr. Dixon was chief scientific officer at Galapagos NV (EN Brussels: GLPG). In this role, Dr. Dixon was responsible for all research and 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 joining Galapagos, from 2003 to 2004, 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., where he worked from 2002 to 2003. Before joining F2G, Dr. Dixon held several management positions at AstraZeneca PLC (NYSE: AZN) from 1994 to 2002, starting as a 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 received his Ph.D. in biochemistry from the University of Swansea and his bachelors of science degree in applied biology from the University of Bradford.

Sonia Poli. Dr. Poli assumed her role as our vice president of translational science in April 2013. She joined Addex in August 2004, where she also held positions as Head of Preclinical Science, and vice president of Non Clinical Development. She is an accomplished drug research and development professional with over 16 years of international experience in large and small pharmaceutical companies and with extensive experience and knowledge of drug discovery and preclinical development. She has provided us with preclinical support for ongoing clinical development programs and has overseen the transition of four of our product candidates into clinical development. From 1997 to April 2004, she worked in the drug metabolism and pharmacokinetics (DMPK) area at F. Hoffmann-La Roche Ltd, 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, bipolar disorders and anxiety. Dr. Poli received her undergraduate degree and doctorate in industrial chemistry at the University of Milan and completed a post-doctoral fellowship at the Centre National de la Recherche Scientifique (National Center for Scientific Research or CNRS) in Paris in the group of Professor D. Mansuy in 1997. Dr. Poli is the co-author of 40 research publications and patents.

External Consultant

Since June 1, 2013, Tim Dyer, co-founder and chief financial officer (CFO) of Addex, has transitioned to an external consulting role and no longer serves as CFO from that date onwards. Mr Dyer, in his capacity as an external consultant, has been delegated the operational management of the Addex Group.

Timothy Dyer. Mr. Dyer co-founded Addex in 2002 and assumed his role as our chief financial officer until May 31, 2013. As mentioned above, Mr. Dyer stepped down as our CFO effective as from June 1, 2013 and serves as an external consultant instead from June 1, 2013 onwards. On 1 June 2013, Mr Dyer was appointed interim CEO and CFO of the Addex Group. Mr. Dyer has played a pivotal role in building Addex, raising CHF 273.0 million of capital, including our initial public offering in Switzerland, and negotiating agreements with pharmaceutical industry partners. Prior to joining us, he worked at PriceWaterhouse (PW) in the U.K. and PricewaterhouseCoopers (PwC) in Switzerland, as part of the audit and business advisory group. At PwC, Mr. Dyer's responsibilities included managing the service delivery to a diverse portfolio of clients, including high growth startup companies, international financial institutions and venture capital and investment companies. At PW, Mr. Dyer gained extensive experience in audit and transaction support and spent two years performing inward investment due diligence on local financial institutions in the former Soviet Union. Mr. Dyer has extensive experience in finance, corporate development, business operations and the building of startup 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 U.K. chartered accountant and earned his bachelors of science, with honors, in biochemistry and pharmacology from the University of Southampton.

The business address of our directors, senior managers and external consultant is: c/o Addex Pharma SA, Chemin des Aulx 12, CH-1228 Plan-les-Ouates, Switzerland.

B. Compensation

Board Compensation

The compensation of the members of our board of directors is set and reviewed annually by our board of directors, based on recommendations of the compensation committee in accordance with our compensation policies.

In 2012, the total monetary compensation for the non-executive members of our board of directors amounted to CHF 187,665. No equity-based awards were granted to the non-employee members of our board of directors in 2012. For information on awards previously granted to our directors, please see the discussion under the heading "Equity Incentive Plan" below in this Section, "Directors, Senior Management and Employees -- Compensation".

The following table sets forth the monetary compensation for each non-employee member of our board of directors in 2012. Andrew Galazka resigned as a member of our board of directors effective as of April 17, 2012 and Raymond Hill and Antoine Papiernik resigned as members of our board of directors effective as of March 19, 2013. On May 31, 2013, Dr. Bharatt Chowrira stepped down with immediate effect from his position as our CEO and director of Addex Therapeutics Ltd and Addex Pharma SA.

Name	Monetary Compensation (CHF)
Andrew Galazka(1)	14,332
Raymond Hill(2)	42,500
Hoyoung Huh	38,333
Vincent Lawton	40,000
André J. Mueller	52,500
Oleg Nodelman	—
Antoine Papiernik(2)	—

(1) Resigned effective as of April 17, 2012.
(2) Resigned effective as of March 19, 2013.

Senior Management Compensation

In 2012, our senior management team consisted of eight members, which included our chief executive officer, chief financial officer, chief scientific officer, chief medical officer, head of chemistry, head of biology, vice president of translational medicine and director of business development. As part of the restructurings announced in February and May 2013, our senior management team was reduced from eight to three members. Specifically, we eliminated the positions of chief medical officer, head of chemistry, head of biology, head of preclinical science, chief scientific officer and director of business development. Dr. Bharatt Chowrira stepped down with immediate effect from his position as our CEO and director of Addex Therapeutics Ltd and Addex Pharma SA. Mr Timothy Dyer was engaged as an external consultant from June 1, 2013 and appointed interim CEO and CFO.

In 2012, the total monetary compensation for the eight members of our senior management team amounted to CHF 2,997,583. In addition, in 2012, we issued 85 equity sharing certificates (ESCs) to the eight members of our senior management under our 2010 Equity Incentive Plan (ESC Plan). The fair value of these ESCs (as determined in accordance with IFRS on the date of grant was CHF 12,750.

On March 11, 2013, we implemented an employee retention incentive plan which comprised the grant of ESCs and target cash bonuses opportunities. Under this plan, 25 ESCs were granted to members of our senior management.

Equity Incentive Plan

The Company has a total conditional share capital of up to CHF 1,689,626 comprising of 1,689,626 registered shares, at a nominal value of CHF 1.00 each, to be fully paid up, reserved for the issuance of shares pursuant to the exercise of subscription rights attached to ESCs under the ESC Plan or any future equity incentive plan. In addition to such conditional capital, Addex Pharma SA holds 369,433 of our ordinary shares, which may be used by us to perform our obligations under the ESC Plan or any future equity incentive plan.

On June 1, 2010, we established the ESC Plan to provide incentives to directors and employees of the Group. The ESC Plan is administered by our board of directors or a committee appointed by our board of directors to administer the plan. Each ESC provides the holder a right to subscribe for 1,000 of our ordinary shares subject to certain vesting requirements. All rights of an ESC expire after a five-year period from date of grant to the extent the ESC has not been exercised or otherwise forfeited by the end of that period. The ESCs are subject to vesting conditions which are defined in each grant agreement. In general, the ESCs held by our senior management vest in installments over a period of three or four years, subject to the executive's continued employment through the vesting date. Certain of these ESC grants are also subject to performance-based vesting requirements. The right of the holder of the ESCs to subscribe for shares can only be exercised with respect to vested ESCs if the underlying share price reaches a "Floor Price" that is calculated as approximately 133 percent of the reference share price at the date of grant. The "Subscription Price" is defined as 50 percent of the floor price. In the event of a change in control, all ESCs automatically vest. Under our ESC Plan, upon a termination of employment being effective, any unvested ESCs will forfeit, and the holder will generally have 30 days to exercise his or her vested ESCs (or 12 months if the termination is due to death or disability). In connection with the restructuring and the termination of 17 out of our 19 employees announced on May 31, 2013, the Company waived the application of this accelerated 30-day exercise period for these employees and granted them an additional six-month vesting period following expiration of their notice period, whereas vested ESCs may be exercised within five years from their grant date, instead. If the termination is by us for cause or a breach by the holder of any material obligations under his or her agreements with us, all ESCs, whether or not vested, will forfeit. The Group has no legal or constructive obligation to repurchase or settle ESCs in cash. In accepting the grant of ESCs, award recipients that held share options at the time of the ESC grant automatically forfeited all share options previously granted by us. Consequently, for accounting purposes,

the grant of these ESCs has been considered to be a replacement of the respective cancelled share options under IFRS 2 (Share-based Payment).

Please refer to Notes 15 and °27 to the consolidated financial statements for further information regarding the grants issued and outstanding as of December 31, 2012, made to our current directors and senior management under the ESC Plan. At June 30, 2013, there were 1,311,881 outstanding subscription rights attached to ESCs.

C. Board Practices

Our articles of association provide that the board of directors shall consist of at least five but no more than eleven members, with the exact number to be fixed by our board of directors. Currently, our board of directors however consists of four members following Dr. Chowrira stepping down from his position as a director on May 31, 2013 with immediate effect.

In connection with our revised business strategy to focus our development efforts on the advancement of certain allosteric modulators and our workforce and cost reduction plans, our board of directors reduced its size from seven to five members in March 2013. At our 2013 annual meeting of stockholders, two of our directors, Raymond Hill and Antoine Papiernik, resigned as members of our board of directors effective as of March 19, 2013 and, as announced on May 31, 2013, Dr. Bharatt Chowrira stepped down from our board of directors with immediate effect. Raymond Hill served as chairman of our compensation committee and as a member of our nomination committee. Antoine Papiernik served as a member of our compensation committee. Dr. Bharatt Chowrira did not serve in any committee.

Our directors are elected for a three year term of office and hold office until their term of office expires or until such time as they are removed from office by resolution of our shareholders. The terms of office of Hoyoung Huh and Oleg Nodelman will expire at the 2014 annual meeting of our shareholders, and the terms of Vincent Lawton and André Mueller will expire at the 2015 annual meeting of our shareholders. For information regarding the period during which each director has served on our board of directors, please see "Directors and Senior Management -- Board of Directors" in this Section.

D. Board Committees

Our board of directors has established an audit committee, a compensation committee and a nomination committee. The tasks and responsibilities of these committees are set forth in our organizational rules. These committees make proposals to our board of directors in their areas of responsibility, and final approval is passed by our full board of directors.

Audit Committee

The audit committee consists of the following members: Vincent Lawton (chairman) and Oleg Nodelman. The audit committee operates under provisions set forth in our organizational rules.

The audit committee assists the board of directors in overseeing and monitoring the accounting and financial reporting processes, internal and external auditors function and risk management. It is responsible for the review and assessment of the effectiveness and independence of external auditors (including authorizing non-audit services by the auditors and their compliance with applicable rules), approval of the terms and conditions of the engagement of auditors, review of the audit scope, process and results and monitoring of the implementation of the auditors' recommendations by management. It reviews the effectiveness of the internal audit function, qualifications and resources, approves annual internal audit reports and assesses the risk assessment established by management and measures proposed to reduce risks. It also reviews the accounting principles and final control mechanism, reviews the annual and interim financial statements and makes proposals to the board of directors for approval.

In 2012, the audit committee held two meetings to review the financial statements for our 2011 fiscal year and for the first half of our 2012 fiscal year and to review legal and regulatory compliance matters.

Compensation Committee

The compensation committee consists of the following members: Hoyoung Huh and André J. Mueller. The compensation committee operates under provisions set forth in our organizational rules.

The compensation committee assists our board of directors in compensation related matters. It reviews and assesses, on a regular basis, the remuneration system of the Group (including the management incentive plans) and make proposals to the board of directors, provides our board of directors with recommendations on the compensation of the members of our board of directors and on the terms

of employment (including remuneration package) for the chief executive officer and employees reporting directly to the chief executive officer, reviews the policies for the compensation, benefits and human resources practices of our executive officers and the Group's other employees and makes recommendations to the board of directors on the grant of options or other securities under any management incentive plans.

The compensation committee meets as often as business requires. The compensation committee held one meeting in 2012 to review the 2011 achievements versus the planned corporate objectives and determination of the performance related bonus pool, to conduct the annual salary review process and recommendation of the chief executive officer and to review grants under the ESC Plan and remuneration of our board of directors. The chief executive officer was present at a portion of this meeting.

Nomination Committee

The nomination committee consists of the following members: Hoyoung Huh (chairman) and André J. Mueller. The nomination committee operates under provisions set forth in our organizational rules.

The nomination committee reviews the long-term planning of appointments to the position of chief executive officer and to the board of directors, nominates candidates to serve as members of our board of directors and chief executive officer and makes recommendations on the board composition.

The nomination committee held two meetings during the year 2012 to review the composition of our board of directors and nomination related matters, including identification, review and evaluation of candidates.

Corporate Governance

There are two sets of corporate governance rules in Switzerland: the Swiss Code of Best Practice for Corporate Governance (Swiss Code) issued by economiesuisse, the largest umbrella organization representing Swiss business establishments, and the Directive on Information Relating to Corporate Governance of October 29, 2008 (DCG) issued by the SIX Swiss Exchange. The Swiss Code is non-binding and recommends good corporate standards in line with international business practice. The DCG is binding for Swiss companies with shares listed on the SIX Swiss Exchange, as well as for foreign companies not being listed in their home country and having their primary listing on the SIX Swiss Exchange, and requires them to disclose important information on the management and control mechanism at the highest corporate level or, alternatively, to give specific reasons why this information is not disclosed.

E. Employees

As of December 31, 2012, 2011 and 2010, we had 56, 81 and 115 full-time equivalent employees, respectively. As of December 31, 2012, we had 56 employees, of whom 42 were engaged in research and development and 14 were engaged in business development, human resources, finance and administration.

On February 7, 2013, we announced the implementation of a restructuring plan that will reduce our headcount by up to 70 percent, representing the termination of approximately 40 full time equivalents. We initiated the restructuring on February 27, 2013 and expect its completion in August 2013.

On May 31, 2013, we announced, as part of a further restructuring, that Addex formally terminated 17 of its remaining 19 employment agreements, including all of the senior management, and these employees would work through their respective notice periods, save for Dr. Bharatt Chowrira who stepped down from his position as a CEO with immediate effect.

We have not experienced any work stoppage and consider our employee relations to be good.

F. Securities and Option Rights held by Directors, Senior Management and Employees

Please refer to Note°27 to the audited consolidated financial statement in annex to this Prospectus for ESCs granted to current directors and our senior management, the securities and option rights held by our directors, senior management and employees as at December 31, 2012. There have not been any material changes in such holdings since December 31, 2012. For further information regarding specifically our equity incentive plan, please see the discussion under "Directors, Senior Management and Employees — Compensation — Equity Incentive Plan." in this Section.

G. Legal Proceedings and Convictions

None of our directors or members of our senior management have been convicted for major or minor finance or business-related crimes in the last five years nor do such persons currently have proceedings that are going to be nor have been concluded with a sanction.

14. MAJOR SHAREHOLDERS

The following table sets forth as of December 31, 2012 an overview of our principal shareholders and their position reflecting issued and outstanding shares (registered shares with a nominal value of CHF 1.00, carrying identical voting rights) based on the notifications received by the Company in accordance with art. 20 SESTA, not taking into account options outstanding nor the conditional and the authorized share capital (see "Description of the Share Capital and the Shares").

Shareholder	Number of Shares held	Percentage of Voting Rights	Percentage of purchase positions held	Percentage of sales positions held	Total ownership	Total percentage
BVF Partners L.P.*[1]	2,439,184	27.09%	*27.09%*	*27.09%*	*27.09%*	*27.09%*
Sofinnova Capital IV FCPR[2]	806,648	8.96%	*8.96%*	*8.96%*	*8.96%*	*8.96%*
TVM V Life Science Ventures[3]	690,525	7.67%	*7.67%*	*7.67%*	*7.67%*	*7.67%*
Visium Asset Management, L.P.[4]	488,114	5.42%	*5.42%*	*5.42%*	*5.42%*	*5.42%*
Addex Pharma SA – Treasury shares	369,433	4.10%	*4.10%*	*4.10%*	*4.10%*	*4.10%*
Total share capital	*9,002,964*	100%		*100%*		*100%*

*Addex Therapeutics Ltd shares were held by several related entities

[1] BVF Partners LP, with its principal office at 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., and together hold 2,439,184 shares.

[2] Sofinnova Capital IV FCPR with its management company, Sofinnova Partners SA, and its principal office at 17, rue de Surène, 75008 Paris (France) holds 806,648 shares.

[3] TVM V Life Science Ventures GmbH & Co. KG with its principal office at Maximilian Strasse 35C, 80539 Munich (Germany) holds 690,525 shares.

[4] Visium Asset Management L.P. with its principal office at 888 Seventh Avenue, 22nd floor, new York, New York 10019, USA holds 488,114 shares.

The information regarding these shareholders is communicated via the shareholders themselves.

15. RELATED PARTY TRANSACTIONS

Except for Dr. Chowrira who stepped down with immediate effect on May 31, 2013 from his position as CEO of the Addex Group and director of Addex Therapeutics Ltd and Addex Pharma SA, none of the current members of our board of directors has served in the management of Addex or any of our subsidiaries since our inception in 2002.

From June 3, 2011 to August 11, 2011, Mr. Mueller, Vincent Lawton, Andrew Galazka (resigned in May 2012) and Raymond Hill (resigned in March 2013) served on the CEO transition committee of the board of directors. This *ad hoc* committee was led by Mr. Mueller, as executive chairman, and was responsible for the supervision of the senior management prior to the appointment of Dr. Chowrira as CEO in August 2011.

Following Dr. Chowrira stepping down from his position as CEO of the Addex Group with immediate effect on May 31, 2013, an operational subcommittee of the board of directors, headed by the chairman André Mueller, directly supervises the Addex Group in the interim.

We entered into an advisory agreement with Konus Advisory Group, Inc. (KAG), in January 2013, pursuant to which KAG will provide us with a range of advisory services, including assisting in the strategic planning and execution of our business. We will pay KAG service fees at an hourly rate of US$ 600, with a daily rate cap of US$ 3,000 for each advisor providing services to us, and reimburse its reasonable expenses. Hoyoung Huh, one of our directors, is managing director and has a minority ownership interest in KAG. The term of the advisory agreement is four years, unless early terminated by either us or KAG for any reason upon written notice.

In connection with the granting of ESCs, we have made loans of CHF 1,393,672, in the aggregate, to our employees from inception to April 30, 2013, of which CHF 575,270 were made to members of senior management, to finance tax and social charges related to the grant of ESCs. As of April 30, 2013, the outstanding balance on the loans was CHF 563,205. The outstanding loans accrue interest at 0.2 percent per annum and the loan principal and accrued interest are repayable upon realization of the first capital gains from the exercise of the subscription rights attached to the related ESCs. If no capital gains are realized over the five year term of the ESCs, then the loans are forgiven.

On March 11, 2013, 25 ESCs were granted to senior management as part of an employee retention incentive program, and in connection with the granting of these ESCs, an additional loan commitment of CHF 26,689 was made to members of senior management.

There are no other interests of any member of our board of directors or senior management team in transactions effected by us.

We have covered the members of our board of directors and senior management team with customary directors' and officers' liability insurance.

16. ADDITIONAL INFORMATION REGARDING THE COMPANY AND OUR SHARES

A. Share capital

Corporate History and Capital Structure

As of the date of this Prospectus, the outstanding share capital (including treasury shares) amounted to CHF 10,173,576, consisting of 10,173,576 registered shares with a nominal value of CHF 1.00 per share (each a "Share"), and 9,002,964 Shares were listed on the SIX Swiss Exchange. The outstanding share capital is fully paid up. At December 31, 2012, our outstanding share capital listed on the SIX Swiss Exchange amounted to CHF 9,002,964 compared to CHF 7,835,878 at December 31, 2011.

Each of our Shares carries one vote at our general meetings of shareholders. Voting rights may be exercised only after a shareholder has been registered upon application in our share register (*registre des actionnaires/Aktienregister*) as a shareholder or usufructuary (*usufruitier/Nutzniesser*) with voting rights. Registration with voting rights is subject to certain restrictions. See “Transfer of Shares, Restrictions” and “—"General Meeting of Shareholders’ Meetings" in this Section.

Our Shares are traded on the SIX Swiss Exchange and are accepted for clearance and settlement through SIX SIS AG. Since the Shares traded on the SIX Swiss Exchange are issued in uncertificated form (*Wertrechte/droit-valeur*) as intermediary-held securities (*Bucheffekten/titres intermédiés*), no share certificates are issued and share certificates are not available for individual physical delivery. However, any shareholder registered with our share registratrar may, at any time, request confirmation of its shareholdings in written form. Such confirmation is not a negotiable instrument.

The Shares rank *pari passu* in all respects with each other, including with respect of entitlements to dividends, to a share of the liquidation proceeds in the case of a liquidation of the Company and to preemptive rights, subject to restrictions under the laws of the domicile or residence of the shareholder.

History of Share Capital

On October 18, 2012, we completed a private placement of 918,025 Shares sold to a syndicate of institutional investors at an issuance price of CHF 10.50 per share. Jeffries & Company, Inc. acted as the sole placement agent in the transaction. An additional 238,687 Shares were issued and recorded as treasury shares.

In 2012, following the exercise by employees of 10,374 subscription rights attached to equity sharing certificates (ESCs), 10,374 registered ordinary shares with a nominal value of CHF 1.00 each, fully paid in, were issued from the conditional capital at an issuance price of CHF 4.00.

In 2011, no subscription rights attached to ESCs were exercised by employees.

On September 16, 2010, we completed a private placement to certain affiliated funds of BVF Partners L.P. (BVF Funds) for 593,567 registered ordinary shares at an issuance price of CHF 10.18 per share. In addition, zero-coupon mandatory convertible notes with a total nominal value of CHF 13,957,482.42 were issued to the BVF Funds at an aggregate purchase price of CHF 13,957,482.42. The notes had a mandatory six month conversion term and fixed conversion price of CHF 10.18 per share. On March 14, 2011, the zero-coupon mandatory convertible notes, with a total nominal value of CHF 13,957,482.42, converted at the fixed conversion price of CHF 10.18 into 1,371,069 registered ordinary shares issued out of conditional share capital with a nominal value of CHF 1.00 each, fully paid in.

In 2010, subscription rights attached to ESCs were exercised by employees.

Authorized Share Capital

As of the date of this Prospectus, we have an authorized share capital (*capital autorisé/genehmigtes Kapital*) of CHF 3,325,683 (compared to CHF 4,496,295 prior to the issuance of the New Shares), which allows our board of directors to issue up to an additional 3,325,683 Shares with a nominal value of CHF 1.00 each.

Article 3b of our articles of association authorizes our board of directors, at any time until March 19, 2015, to increase the outstanding share capital in an amount of CHF 3,325,683 through the issuance of 3,325,683 fully paid registered shares with a nominal value of CHF 1.00 each. An increase in partial amounts is permitted. Our board of directors shall determine the issue price, type of payment, date of issue of new shares, conditions for the exercise of preemptive rights and beginning date for dividend

entitlement. In this regard, our board of directors may issue new shares by means of a firm underwriting through a banking institution, a syndicate or another third party, provided that, to satisfy the preemptive rights of shareholders, the issuance is followed by a subsequent offer of shares to shareholders or the preemptive rights of shareholders in relation to the issuance are excluded. Our board of directors may permit preemptive rights that have not been exercised to expire or place preemptive rights or shares to which preemptive rights have been granted but not exercised at market conditions or use them for other purposes in the interest of the Company. For further discussion of shareholder preemptive rights, see "Additional Information — Share Capital — Preemptive Rights" in this Section.

Conditional Share Capital

As of the date of this Prospectus, we have a formally listed conditional share capital (*capital conditionnel/bedingtes Kapital*) listed on the SIX Swiss Exchange, pursuant to which our share capital may be increased (i) by a maximum amount of CHF 1,689,626 by issuing a maximum of up to 1,689,626 Shares, under an exception to the advance preemptive rights of shareholders, if directors, executive officers or employees of the Group exercise subscription rights attached to ESCs granted under our 2010 Equity Sharing Certificate Equity Incentive Plan (the ESC Plan) or any future equity incentive plan and (ii) by a maximum amount of CHF 2,796,295 by issuing a maximum of up to 2,796,295 Shares, under an exception to the advance preemptive rights of shareholders, upon the exercise of any options or other conversion rights granted in connection with an issuance of bonds, similar obligations or other financial instruments by the Company or another Group company.

We currently expect to use the conditional share capital for the purposes of raising additional funds, fulfilling our obligations under the ESC Plan and other purposes, if any, in the interest of the Company.

Equity Sharing Certificates (ESCs)

Under the ESC Plan, ESCs may be granted by us or another Group company to directors, executive officers or employees of the Company or another Group company. At June 30, 2013, there were 1,311,881 outstanding subscription rights attached to ESCs.

Under article 3a of our articles of association, 1,700 registered bons de jouissance (*profit sharing certificates/Genussscheine*) may be granted to directors or employees of the Company or any Group company according to regulations approved by our board of directors. The bons de jouissance are uncertificated and transmissible only with the prior consent of our board of directors. The bons de jouissance do not form part of the share capital and do not have a nominal value. They do not have any right to vote or to attend shareholder meetings. Each bon de jouissance grants (i) a right to subscribe for 1,000 shares and (ii) certain rights to liquidation proceeds of the Company. We maintain a register of holders of bons de jouissance listing the surname and first name (in the case of legal entities, the company name), address and nationality (in the case of legal entities, the registered office) of the holders of bons de jouissance. Our board of directors may, at any time, hold, acquire or alienate bons de jouissance for the account of the Company, and we may, at any time, cancel bons de jouissance.

Ordinary Capital Increase, Authorized and Conditional Share Capital

Under the Swiss Federal Code of Obligations , our share capital may be increased by a resolution passed at a general meeting of our shareholders (i) by a simple majority of the votes cast increased in consideration of contributions in cash and, (ii) by a majority of two-thirds of the Shares represented and the majority of the nominal value of the Shares represented at the passing of the resolution (x) in consideration of contributions in kind *(apports en nature*/*Sacheinlage*), (y) if the pre-emptive rights (*droits de scouscription préférentiels*/*Bezugsrechte*) of the existing shareholders are excluded or (z) in the event of a transformation of reserves into share capital. In addition, under the Swiss Federal Code of Obligations, the general meeting of shareholders may empower the Board of Directors to effect the increase of the share capital based on:

(a) authorized share capital to be utilized at the discretion of our board of directors within a period not exceeding two years from approval by the general meeting of shareholders; and

(b) conditional share capital to be issued upon the exercise of (1) ESCs granted at the discretion of our board of directors to employees and directors of the Company or another Group company or (2) option or conversion rights granted at the discretion of our board directors pursuant to the issue of bonds, similar obligations or other financial instruments by the Company or another Group company.

The authorized share capital and the conditional share capital may each not exceed 50 percent of the outstanding share capital.

B. Preemptive Rights

Under the Swiss Code of Obligations, holders of our Shares generally have preemptive rights and preferential rights to subscribe for newly issued securities of the Company in proportion to the nominal value of Shares held. The shareholders may, by a resolution passed by at least two thirds of the votes represented at a general meeting and the majority of the nominal value of the shares represented, withdraw or limit the preemptive rights for "important reasons", with the definition of "important reasons" interpreted by the courts in Switzerland.

If a general meeting of shareholders has approved, by amendment of the articles of association, the creation of authorized capital, it may at the same time delegate to the board of directors the decision whether to withdraw or limit the preemptive rights for important reasons, provided that the basic principles are set forth in its delegation. Our articles of association provide for this delegation with respect to our authorized share capital and conditional share capital in the circumstances described below.

Authorized Share Capital

Our board of directors is authorized to withdraw or limit the preemptive rights of the shareholders and to allot them to third parties for important reasons, including if:

- for the acquisition of enterprises, parts of an enterprise or participations, or new investments, by the Company in third parties or assets or, in case of a share placement, for the financing or refinancing of such transactions;
- 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;
- for the granting of an over-allotment option of up to 20 percent to the banks involved in connection with a placement of shares; or
- for raising capital in a fast and flexible manner, which would not be achieved without the exclusion of the statutory preemptive rights of the existing shareholders.

Courts in Switzerland have not addressed whether certain of the reasons above qualify as important reasons under Swiss law, in particular, for purposes of the participation of strategic partners.

In order to be an important reason justifying the withdrawal of the preemptive right such withdrawal must in any case:

- be in the interest of the Company and necessary for the pursuit of its lawful goals; and
- observe the principles of the equal treatment of shareholders and of the considerate exercise of rights.

Conditional Share Capital

Our share capital may be increased through the exercise of equity incentive rights, including ESCs, which are granted to directors and employees. Shareholders will not have preferential subscription rights in connection with the granting of such equity incentive rights nor will they have advance preemptive rights with respect to any registered shares issued from our conditional share capital upon the exercise of such equity incentive rights.

In addition, under article 3c of our articles of association, our board of directors is authorized to restrict or exclude the advance preemptive rights of shareholders in relation to the issuance of conditional share capital issued pursuant to (i) debt securities, warrants or other financial instruments issued with conversion rights for the purpose of the financing or refinancing of our acquisition of enterprises or parts of an enterprise, or participations or new investments made by us, or (ii) debt or other financial instruments issued in the national or international capital markets and for the purpose of a firm underwriting by a banking institution or a consortium of banks with a subsequent offering to the public. If the advance subscription rights are excluded by our board of directors, 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 ten-year period, and warrants may be exercised during a maximum seven-year period, in each case from the date of the respective issuance.

C. Transfer of Shares, Restrictions

A transfer of uncertified shares on the SIX Swiss Exchange 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 us by the bank or the depository institution. A transfer of shares further requires that a shareholder file a share registration form in order to be registered in our 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 our 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.

Our articles of association provide that a person or entity not explicitly stating 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 ordinary shares up to a maximum of five percent of the outstanding nominal share capital. 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 name, address and shareholding of any person or legal entity for whose account it is holding five percent or more of the outstanding nominal share capital. The limit of one percent 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, we will only recognize one representative of each Share. Furthermore, ordinary shares may only be pledged to 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, our board of directors may cancel such registration with retroactive effect.

D. Own Shares and Repurchase of Shares

Swiss law limits the number of ordinary shares that we may hold or repurchase. We may only repurchase ordinary shares if we have sufficient free distributable reserves in our balance sheet to pay the purchase price and if the aggregate nominal value of such ordinary shares does not exceed ten percent of our nominal share capital. Ordinary shares repurchased by us do not carry any rights to vote at general meetings of shareholders, but are generally entitled to the economic benefits applicable to the ordinary shares, such as dividend rights and preemptive rights (*droits de souscription préférentiels/Bezugsrechte*) in case of share capital increases. Furthermore, we must create a special reserve on our balance sheet in the amount of the purchase price of the acquired ordinary shares. In addition, selective share repurchases are only permitted under certain circumstances. In particular, repurchases of ordinary shares listed on the SIX Swiss Exchange are subject to certain restrictions promulgated by the Swiss Takeover Board (the regulatory body for takeover bids in Switzerland) and the Swiss Financial Markets Supervisory Authority FINMA (FINMA) under the Swiss Federal Stock Exchange and Securities Trading Act (SESTA) and the implementing ordinances enacted thereunder. Within these limitations, as is customary for Swiss companies, we may purchase and sell its own ordinary shares from time to time in order to meet imbalances of supply and demand, to provide liquidity and to even-out swings in the ordinary share market place. On May 1, 2013, revised rules on insider trading and market manipulation further restricting the repurchase of own shares entered into force.

As of the date of this Prospectus, Addex Pharma SA holds 366,316 of our ordinary shares, each with a nominal value of CHF 1.00.

E. Disclosure of Principal Shareholders

Under the applicable provisions of the SESTA, persons who acquire or dispose of shares and thereby reach, exceed or fall below a threshold of three, five, ten, 15, 20, 25, 33 1/3, 50 or 66 2/3 percent of our voting rights (whether exercisable or not) must notify us and the SIX Swiss Exchange of such transactions or disposal in writing within four trading days, regardless of whether the voting rights can be exercised. Within two trading days of the receipt of such notification, we must notify the disclosure office of the SIX Swiss Exchange and publish the information via the electronic publication platform operated by the SIX Swiss Exchange. Shares and acquisition rights or obligations on the one hand (Acquisition Positions) and disposal rights or obligations on the other hand (Disposal Positions) may not be netted. Rather the Acquisition Positions and the Disposal Positions need to be accounted for separately and may each trigger disclosure obligations if the respective positions reach one of the thresholds. In addition, actual share ownership needs to be reported separately if it reaches one of the thresholds.

Furthermore, under Swiss company law, we must disclose the identity of shareholders and shareholder groups acting in concert who hold more than five percent of our voting rights. Such disclosure must be made once a year in the notes to the financial statements as published in our annual report.

F. Obligation to Make an Offer

Pursuant to the applicable provisions of the SESTA, whosoever acquires ordinary shares, whether directly, indirectly or acting in concert with third parties, which, when added to the ordinary shares already held, exceed the threshold of 33 1/3 percent of our voting rights (whether exercisable or not), is under an obligation to make an offer to acquire all our listed ordinary shares. A waiver of the mandatory rules may be granted by the Swiss Takeover Board or FINMA under certain circumstances. If no waiver is granted, the mandatory take-over bid must be made pursuant to the procedural rules, set forth in the SESTA and the implementing ordinances enacted there under.

This obligation to make an offer does not apply if the ordinary shares have been acquired as a result of a donation, succession or partition of an estate, matrimonial property law or execution proceedings.

Swiss law allows our articles of association to include a provision eliminating the obligation of an acquirer of ordinary shares exceeding the threshold of 33 1/3 percent 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 percent of the voting rights (opting-up provision pursuant to Article 32 para. 1 SESTA). Our articles of association do not contain an opting-out or an opting-up provision.

G. Cancellation of Remaining Equity Securities

Under the SESTA, any offeror who has made a tender offer for the shares of a listed Swiss target company, and who, as a result of such offer, holds more than 98 percent of the voting rights of the target company, may petition the court to cancel the remaining equity securities. The petition must be filed against the target company within three months after the expiration of the offer period. The remaining shareholders may join in the proceedings. If the court orders cancellation of the remaining equity securities, the target company will reissue the equity securities and deliver such securities to the offeror against performance of this offer for the benefit of the holders of the cancelled equity securities.

H. Squeeze-Out Merger

The Swiss Federal Merger Act allows a squeeze-out of minority shareholders by way of a squeeze-out merger. To the extent that at least 90 percent of all shareholders of the target company consent, the target company can be merged into the surviving company and the minority shareholders of the target company may be forced to accept cash or other consideration (e.g. securities from another company) instead of receiving shares in the surviving company (squeeze-out merger). It is unclear and controversial whether the 90 percent approval relates to the total number of votes represented by all shares outstanding or to the total number of shareholders entitled to vote.

I. Notices

Notices to shareholders are validly made by publication in the Swiss Official Gazette of Commerce (*Feuille Officielle Suisse du Commerce/Schweizerisches Handelsamtsblatt*). Our board of directors may designate further means of communication for publishing notices to shareholders. Notices required under the Listing Rules of SIX will be announced via the electronic media and, if required, published in electronic form on the website of the SIX Swiss Exchange (www.six-exchange-regulation.com).

J. Articles of Association

We are a Swiss corporation (*société anonyme/Aktiengesellschaft*) of unlimited duration, incorporated under the laws of Switzerland and registered in the commercial register of the Canton of Geneva, Switzerland, on March 19, 2007, under the register number CH-660-0659007-3. We are registered under the company name Addex Therapeutics Ltd (Addex Therapeutics SA) and have our registered office and business office located at c/o Addex Pharma SA, Chemin des Aulx 12, CH-1228 Plan-les-Ouates, Switzerland. Its telephone number at this location is +41 22 884 1555. Our website address is http://www.addextherapeutics.com. The information contained on our website is not incorporated by reference in this Prospectus and you should not consider it a part of this Prospectus.

K. Business Purpose and Business Year

According to article 2 of our articles of association, the Company's purpose is to acquire, to hold, to administer continuously, to sell and to finance participations in companies of all kinds in Switzerland and abroad, to the exclusion of real estate participation, except where permitted under Swiss law. Our articles of association further provide that we may (i) open branch offices and subsidiaries and agencies in Switzerland and abroad and grant guarantees or other security in relation to liabilities of affiliated companies, (ii) engage

in any other commercial, financial and other activities which may promote or relate to the purpose of the Company, and (iii) acquire, manage, exploit and sell in Switzerland and abroad intellectual property rights and, where permitted under Swiss law, real estate.

L. General Meetings of Shareholders

Under Swiss law, a meeting of ordinary shareholders must be held annually within six months after the end of the fiscal year. General meetings of shareholders may be convened by our board of directors or, if necessary, by our statutory auditors. Our board of directors is further required to convene an extraordinary shareholders' meeting if so resolved by shareholders at a shareholders' meeting or if so requested by holders of Shares holding in aggregate at least ten percent of the nominal share capital of the Company. Shareholders holding Shares with the lower of a nominal value of at least CHF 1,000,000 and ten percent of the nominal share capital have the right to request that a specific proposal be discussed and voted upon at the next shareholders' meeting, setting forth the item and proposal. Under our articles of association, a request to put an item on the agenda has to be made at least 60 days prior to the relevant meeting. Extraordinary general meetings of shareholders may be called as often as necessary, including in all cases required by law.

A general meeting of shareholders is convened by publishing a notice in the Swiss Official Gazette of Commerce (*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.

Our articles of association do not prescribe a quorum for general meetings of shareholders. Resolutions of general meetings of shareholders generally require the approval of the simple majority (*majorité simple/einfache Mehrheit*) of the votes represented at the general meeting. Such resolutions include most amendments to our articles of association, elections of the members of our board of directors and statutory auditors, approval of the annual financial statements, setting the annual dividend, decisions to discharge the members of our board of directors and management for liability for matters disclosed to the general meeting of shareholders and the ordering of an independent investigation into specific matters proposed to the general meeting of shareholders (*contrôle special/Sonderprüfung*).

A resolution passed at a general meeting of shareholders with a qualified majority (*majorité qualifiée/qualifiziertes Mehr*) of at least two thirds of the votes represented and the absolute majority of the nominal share capital represented at such meeting is required by law for (i) changes to our 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 our share capital by way of capitalization of reserves (*augmentation de capital au moyen des fonds propres*/*Kapitalerhöhung aus Reserven*), against contribution in kind *(apport en nature*/*Sacheinlage*), for the acquisition of assets (*reprise de biens/Sachübernahme*) or involving the grant of special privileges; (vi) the restriction or elimination of preemptive 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 (*fusion/Fusion*), demerger (*scission/Spaltung*) or conversion (*transformation/Umwandlung*) of the Company. The introduction or removal of any provision in our articles of association introducing a majority greater than that required by law must be resolved in accordance with such greater majority.

Each shareholder may authorize in writing another shareholder, a company representative (*représentant de la société*/*Organvertreter*), a specially designated independent shareholder representative (*représentant independant/unabhängiger Stimmrechtsvertreter*) or a depositary representative (*représentant dépositaire/Depotvertreter*) to represent such shareholder at a general meeting of shareholders.

Shareholder's Inspection Rights

A shareholder may, upon application to us, inspect the minutes of a general meeting of shareholders. In accordance with Swiss law, we make our annual report and the auditor's report available for inspection by shareholders at our registered address at least 20 days prior to each general meeting of shareholders. Any shareholder may request a copy of these reports in advance of or after the general meeting of shareholders. In addition, at a general meeting of shareholders, a shareholder may request information from our board of directors concerning our business and operations and may request information from the auditors concerning the performance and results of their examination of the financial statements. We may refuse to provide that information to a shareholder if, in our opinion, the disclosure of the requested information would reveal confidential secrets or infringe other of our protected interests.

M. Shareholder's Rights to Bring Derivative Actions

Under the Swiss Code of Obligations, any shareholder may bring an action in the shareholder's own name, for our benefit, against our directors, officers, liquidators or auditors, which seek to allow us to recover any damages incurred due to intentional or negligent breach by such directors, officers, liquidators or auditors of their duties.

N. Net Profits and Dividends

Swiss law requires that we retain at least five percent of our annual net profits as general reserves until the reserves reach 20 percent of our nominal share capital. The allocation of the remaining net profits is decided by the general meeting of shareholders upon the proposal of our board of directors.

Under Swiss law, dividends may only be paid if we have sufficient distributable profits from previous business years or if our reserves are sufficient to allow a distribution of dividends. If our board of directors proposes a dividend, the approval of the general meeting of shareholders is required. Dividends are usually due and payable immediately after the shareholders' meeting approving the distribution of dividends. Payment of dividends is barred by statute of limitations after five years. Dividends for which no payment has been requested within five years after the due date accrue to the issuing company and are allocated to the general reserves.

Dividends, if any, are expected to be declared in Swiss francs. In addition, our statutory auditors are required to declare that the distribution of dividends proposed by our board of directors complies with Swiss law.

O. Borrowing Power

Neither Swiss law nor our articles of association restrict in any way our power to borrow and raise funds. The decision to borrow funds is passed by our board of directors or the management under the direction of our board of directors. No shareholders' resolution is required.

P. Board Practices

Please see the discussion under "Directors, Senior Management and Employees — Board Practices" in Section 13.

Q. Conflicts of Interest

Our organizational rules set forth rules for handling actual or potential conflicts of interest of directors, members of the executive management team (which comprises the chief executive officer and officers of the Group designated by and directly reporting to the chief executive officer) and their related persons. A conflict of interest means the special interest a director or member of the executive management team has, which could be opposite to the interest of the Company or the Group, with respect to a transaction or matter due to the fact such director, member or a related person has a financial or non-financial interest in, or is otherwise closely linked to, the transaction or matter. The board of directors shall decide, without the participation of the director or member of the executive management team in question, whether any conflict of interest exists. Our directors and members of the executive management team are required to disclose all board memberships each holds and any other interests or activities which could potentially lead to a point of contact with the Company or the Group on a continuing basis to the secretary of our board of directors, who shall report to the chairman of the board. Our directors and members of the executive management team are required to abstain from dealing or exercising their voting rights (if applicable) in any transaction or matter involving their personal interests or the interests of individuals or entities related to them. They may not receive any confidential information with respect to such transaction or matter and shall not participate in meetings to the extent such transaction or matter is discussed or resolved. In addition, any transaction between the Company or a Group company, on the one hand, and a director or a member of the executive management team, on the other hand, is required to be carried out "at arm's length" and approved without participation of the person concerned.

Swiss law does not have a general provision on conflicts of interest. However, under Swiss law, payments made to a shareholder or director, or any person associated with a shareholder or director, other than at arm's length must be repaid to the Company if such shareholder or director was acting in bad faith. Further, any contract entered between the Company and a third party that represented the Company in connection with such contract must be in writing. This requirement does not apply to contracts relating to daily business matters where the value of the performance by the Company does not exceed CHF 1,000.

In addition, the Swiss Code of Obligations contains a provision which requires directors and senior management to safeguard the interests of the Company and, in this connection, imposes a duty of loyalty and duty of care on its directors and officers. Among other effects, this provision is generally understood to disqualify directors and senior management from participation in decisions that directly affect them. Directors and senior management are personally liable to the Company for violation of these provisions. Under

Swiss law, the members of our board of directors and all persons engaged in management are liable to the Company, to each shareholder and to the Company's creditors for damages caused by an intentional or negligent violation of their duties.

Under the Swiss Code of Obligations, companies listed on the SIX Swiss Exchange are obliged to disclose, in the notes on the accounts, (i) the total amount of all compensation and loans granted by the Company to current and former members of our board of directors and management; and (ii) compensation and loans granted by the Company to persons affiliated with the current or former members of our board of directors or management. For any compensation or loan to a member of our board of directors, a separate disclosure including the identity of the director must be disclosed. With respect to members of management, only the highest compensation awarded in that fiscal year must be disclosed, including the recipient's identity. With respect to persons affiliated with members of our board of directors or management, a separate disclosure for any compensation or loan to such persons must be made.

R. Duration and Liquidation

Our articles of association do not limit our duration.

The Company may be dissolved at any time by a shareholders' resolution which must be passed with a qualified majority (*majorité qualifiée/qualifiziertes Mehr*) of at least two-thirds of the votes represented and the absolute majority of the nominal share capital represented at the meeting (i) in the event of the Company being dissolved by way of liquidation, and (ii) in case of a merger (in accordance with the Swiss Federal Act on Merger, Demerger, Transformation and Transfer of Assets (Swiss Merger Act)). Dissolution and liquidation by court order is possible: (i) if we become bankrupt; or (ii) for valid reasons if shareholders holding at least 10 percent of our share capital so request.

Under Swiss law, any surplus arising out of a liquidation (after the settlement of all claims of all creditors) is distributed in proportion to the paid-in nominal share capital, subject to Swiss withholding tax of 35 percent. See Section 17, "Certain Tax Considerations".

S. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business or as described in Section 12, "Business", in Section 14, "Major Shareholders and Related Party Transactions" or elsewhere in this Prospectus.

T. Exchange Controls

Persons who are neither nationals of, nor resident in, Switzerland may freely hold, vote and transfer their shares in the same manner as Swiss residents or nationals under Swiss law and under our articles of association.

Other than in connection with government sanctions imposed on, or certain persons and organizations relating to, certain persons and organizations with connections to Osama Bin Laden, Al-Qaeda or the Taliban, certain persons in connection with the assassination of Rafik Hariri, certain persons from the former Federal Republic of Yugoslavia or certain countries such as Iraq, Liberia, Myanmar (Burma), Sierra Leone, Zimbabwe, Côte d'Ivoire, Sudan, the Democratic Republic of Congo, Belarus, the Democratic Peoples' Republic of Korea (North Korea), Lebanon, the Islamic Republic of Iran, Somalia, Guinea, Eritrea and, there are currently no government laws, decrees or regulations in Switzerland that restrict the export or import of capital, including, but not limited to, Swiss foreign exchange controls on the payment of dividends, interest, liquidation proceeds or similar payments, if any, to non-resident holders of Shares.

U. Historical Price Performance of the Shares for the Years Ended 2010, 2011 and 2012 and from January 1 to June 30, 2013

The following table contains a summary of the historical price performance our Shares for the years ended 2010, 2011 and 2012 and from January 1 to June 30, 2013:

Year Ended | Time Period	High	Low	Year End | End of Time Period
2010	14.85	8.75	9.81
2011	11.95	5.00	5.55
2012	12.70	5.55	9.59
01.01.2013 – 30.06.2013	10.95	3.30	3.70

17. CERTAIN TAX CONSIDERATIONS

The following summary does not purport to address all tax consequences of the acquisition, ownership and sale or other disposition of the Shares, and does not take into account the specific circumstances of any particular investor. The summary relates only to the position of persons who are the absolute beneficial owners of the Shares and may not apply to certain other classes of persons. The summary is based on the tax laws, regulations and regulatory practices of Switzerland as in effect on the date hereof, which are subject to change (or subject to changes in interpretation), possibly with retroactive effect.

Current and prospective shareholders are advised to consult their own tax advisers in light of their particular circumstances as to the Swiss tax laws, regulations and regulatory practices that could be relevant for them in connection with the acquiring, owning and selling or other disposing of Shares and receiving dividends and similar cash or in-kind distributions on Shares (including dividends on liquidation proceeds and stock dividends) (Dividends) or other payments on Shares and the consequences thereof under the tax laws, regulations and regulatory practices of Switzerland.

A. Taxation of Rights

Swiss Federal Withholding Tax and Swiss Federal Stamp Taxes

The offering, the sale or other disposition and the exercise of rights to purchase Shares is not subject to Swiss Federal Withholding Tax (*Verrechnungssteuer*), Swiss Federal Issuance Stamp Tax (*Emissionsabgabe*) and Swiss Federal Securities Turnover Tax (*Umsatzabgabe*).

Swiss Federal, Cantonal and Communal Individual Income Tax and Corporate Income Tax

Shareholders resident outside of Switzerland and with no trade or business in Switzerland. Shareholders who are not resident in Switzerland for tax purposes, and who, during the respective taxation year, have not engaged in a trade or business carried on through a permanent establishment or fixed place of business situated in Switzerland for tax purposes to which the Shares, and, consequently, the respective Rights, are attributable, will not be subject to any Swiss federal, cantonal or communal income tax on the offering, the exercise, or any gain realized on the sale or other disposition, of rights.

Swiss Resident Shareholders Holding Shares as Private Assets

Swiss resident individuals who hold their Shares and, consequently, the respective rights, as private assets, will not be subject to any Swiss federal, cantonal or communal income tax on the offering and exercise of the respective rights. A gain or loss realized by them on the sale or other disposition of rights will be a tax-free private capital gain or a not tax-deductible capital loss, as the case may be.

Shares Held as Swiss Business Assets

Corporate and individual shareholders who are resident in Switzerland for tax purposes, and corporate and individual shareholders who are not resident in Switzerland, and who, in each case, hold their Shares and, consequently, the respective rights, as part of a trade or business carried on in Switzerland, in the case of corporate and individual shareholders not resident in Switzerland, through a permanent establishment or fixed place of business situated in Switzerland for tax purposes, are required to recognize a gain or loss realized on the sale or other disposition of rights in their income statement for the respective taxation period and are subject to Swiss federal, cantonal and communal individual or corporate income tax, as the case may be, on any net taxable earnings (including the gain or loss realized on the sale or other disposition of rights) for such taxation period. The same taxation treatment also applies to Swiss-resident private individuals who, for income tax purposes, are classified as ‘‘professional securities dealers’’ for reasons of, inter alia, frequent dealing, or leveraged investments, in shares and other securities. Corporate taxpayers may be eligible for dividend relief (*réduction pour participation/Beteiligungsabzug*) in respect of gains from rights if the Shares held by them as part of a Swiss business represent at least ten percent of the Company’s share capital.

B. Taxation of Shares

Swiss Federal Withholding Tax

Any Dividends, as well as liquidation proceeds, that we pay on Shares that are not a repayment of share capital (*remboursement de capital/Nennwertrückzahlung*) or of reserves from capital contributions (*réserves issues d'apport de capial/Reserven aus Kapitaleinlagen*) are, with their gross amount, subject to Swiss Federal Withholding Tax at a rate of 35 percent. We are required to

withhold the Swiss Federal Withholding Tax from the Dividend and remit it to the Swiss Federal Tax Administration. The Swiss Federal Withholding Tax on a Dividend will be refundable in full to a resident private shareholder and to a domestic commercial shareholder, who, in each case, inter alia, as a condition to a refund, duly reports the Dividend in his individual income tax return as income or recognizes the dividend in his income statement as earnings, as applicable.

A Non-Resident Shareholder may be entitled to a total or partial refund of the Swiss Federal Withholding Tax on a Dividend if the country of his or her residence for tax purposes has entered into a bilateral treaty for the avoidance of double taxation with Switzerland, or based on the agreement on the taxation of savings income between Switzerland and the EU, and provided that the conditions of such treaty or agreement are met. Such shareholders should be aware that the procedures for claiming treaty benefits (and the time required for obtaining a refund) might differ from country to country.

Swiss Federal, Cantonal and Communal Individual Income Tax and Corporate Income Tax

Non-Resident Shareholders

Non-resident shareholders will not be subject to any Swiss federal, cantonal and communal income tax either on Dividends (or repayments of share capital or capital contributions) paid to them on Shares or on any gain realized on the sale or other disposition of Shares, provided that such Dividends or gain realized is not attributable to a permanent establishment located in Switzerland. See ‘‘— Swiss Federal Withholding Tax’’ above for a summary on Swiss federal withholding tax on Dividend distributions on Shares and ‘‘— Final Foreign Withholding Tax’’ below for a summary on the tax treatment of individuals resident outside Switzerland who hold the Shares in Swiss accounts.

Resident Shareholders

Resident private shareholders are required to include Dividends, as well as liquidation proceeds, but not repayments of the share capital and reserves from capital contributions (*réserves issues d'apport de capital/Reserven aus Kapitaleinlagen*), in their personal income tax return for the relevant taxation period and are subject to Swiss federal, cantonal and communal income tax on any net taxable income, including the Dividends but not repayments of share capital or reserves from capital contributions (*réserves issues d'apport de capital/Reserven aus Kapitaleinlagen*), for such taxation period at the prevailing tax rates. A gain or loss realized by them on the sale or other disposition of Shares will be a tax-free private capital gain or a not tax-deductible capital loss, as the case may be. In some case, the sale of shares representing at least 20 percent of a company’s share capital may trigger tax consequences. Domestic commercial shareholders are required to recognize Dividends as well as liquidation proceeds received on Shares and capital gains or losses realized on the sale or other disposition of Shares in their income statement for the respective taxation period and are subject to Swiss federal, cantonal and communal individual or corporate income tax, as the case may be, on any net taxable earnings or income for such taxation period (to the extent that such dividends or capital gains or losses realized on the sale or other disposition of Shares are not attributable to a permanent establishment located outside Switzerland). Domestic commercial shareholders who are corporate taxpayers may be eligible for relief (*réduction pour participation/Beteiligungsabzug*) in respect of (i) Dividends (and repayments of share capital and reserves from capital contributionson the Shares) if the Shares held by them as part of a Swiss business represent at least ten percent of our share capital or have an aggregate market value of at least CHF 1.0 million, or (ii) gains from the sale of Shares if the Shares held by them as part of a Swiss business represent at least ten percent of our share capital, have been held for at least one year and to the extent that the sale price exceeds the cost of the investment (i.e., depreciation or provision on the participation are recovered).

Dividends from participations representing at least ten percent of our share capital benefit from a privileged taxation at federal level and in most cantons.

Swiss Cantonal and Communal Private Wealth Tax and Capital Tax

Non-resident shareholders are not subject to Swiss cantonal and communal wealth tax or capital tax, provided that such dividends, respectively such gain realized is not attributable to a permanent establishment located in Switzerland. Resident private shareholders and domestic commercial shareholders, who are individuals are required to report their Shares as part of private wealth, respectively as part of their Swiss business assets, as the case may be, and will be subject to Swiss cantonal and communal wealth tax on any net taxable wealth (including Shares), in the case of domestic commercial shareholders to the extent the aggregate taxable wealth is allocable to Switzerland. Domestic commercial shareholders who are corporate taxpayers are subject to Swiss cantonal and communal capital tax on taxable capital to the extent the aggregate taxable capital is allocable to Switzerland.

Residents of the United States

The Convention between the Swiss Confederation and the United States of America for the Avoidance of Double Taxation with Respect to Taxes on Income, which entered into force on December 19, 1997 (the Treaty), allows U.S. resident individuals or U.S. corporations to seek a refund of the Swiss withholding tax paid on dividends in respect of our Shares if they qualify for benefits under the Treaty. U.S. resident individuals and U.S. corporations holding less than ten percent of the voting rights in respect of our Shares are entitled to seek a refund of withholding tax to the extent the tax withheld exceeds 15 percent of the gross dividend. U.S. corporations holding ten percent or more of the voting rights of our Shares are entitled to seek a refund of withholding tax to the extent the tax withheld exceeds five percent of the gross dividend. Qualifying U.S. pension or other retirement arrangements that do not control the Company are entitled to seek a full refund of withholding tax.

Claims for refunds must be filed with the Swiss Federal Tax Administration, Eigerstrasse 65, 3003 Bern, Switzerland, no later than December 31 of the third year following the calendar year in which the dividend or similar distribution became payable. The form used for obtaining a refund is Swiss Tax Form 82 (82C for companies; 82E for other entities; 82I for individuals; 82R for regulated investment companies (RICs)). This form may be obtained from any Swiss Consulate General in the United States or from the Swiss Federal Tax Administration at the address above. The form must be filled out in triplicate with each copy duly completed and signed before a notary public in the United States. The form must be accompanied by evidence of the deduction of withholding tax withheld at the source (including tax voucher issued by the custodian bank).

Own Shares and Repurchase of Shares

In certain case, the repurchase of our Shares by us is treated as a partial liquidation and is subject to withholding tax (see the discussion under the heading "Swiss Federal Withholding Tax") as well as to income tax at the level of the Swiss resident shareholders (see the discussion under the heading "Swiss Federal, Cantonal and Communal Individual Income Tax and Corporate Income Tax"). This is the case if the repurchase is for capital redemption purposes, if the civil law restrictions are exceeded or if the ownership rights are not disposed of within the permissible holding period (generally, six years) for tax purposes. Transfer stamp tax is not due in case of repurchase for capital redemption purposes (see the discussion under the heading "Stamp Tax").

Foreign Final Withholding Taxes

On January 1, 2013, treaties on final withholding taxes entered into force between Switzerland and the United Kingdom and Switzerland and Austria. Under the treaties, from 2013, income and gains arising on investments held by individual U.K. or Austrian taxpayers, as applicable, in accounts with a Swiss paying agent (as defined in the treaties; the term includes, inter alia, Swiss banks and other Swiss financial institutions) will be subject to a foreign final withholding tax at rates specified in the treaties, inter alia, on dividends on the Shares and on gains from the disposal of rights and Shares. The withholding tax will not apply if the account holder authorizes disclosure of details of income and gains to the U.K. or Austrian tax authorities. In the case of holders of existing Shares issued in the form of individual certificates who keep such certificates physically at home, in a bank safe or in a similar way (*détenteurs de titres à domicile/Heimverwahrer*) in custody with our share register, we may be deemed the paying agent which is required formally to identify the holder for purposes of the treaties and to deduct the withholding tax on dividends on the Shares and gains from the disposal of Shares. Note that Switzerland may conclude similar treaties with other European countries, negotiations currently being conducted with Greece and Italy.

Stamp Tax

An issuance stamp tax (*droit de timbre d'émission/Emissionsabgabe*) is levied on the issuance of shares and on contributions to Swiss corporations. The tax is levied at the rate of one percent, subject to certain exceptions.

A transfer stamp tax (*droit de timbre de négociation/Umsatzabgabe*) is levied on the transfer of the ownership of securities which involve Swiss securities dealers, including banks and bank-like financial institutions, investment fund managers and companies who own taxable securities of a book value in excess of CHF 10.0 million). The rate is 1.5 per mille on securities in Swiss resident companies and 3 per mille on securities in non-resident companies. Numerous exceptions apply.

C. U.S. Tax Considerations

The following summary describes the material United States federal income tax consequences associated with the acquisition, ownership and disposition of ordinary shares as of the date hereof. The discussion set forth below is applicable only to U.S. Holders (as defined below) and does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person's decision to acquire the ordinary shares. Except where noted, this summary applies only to a U.S. Holder that holds ordinary shares as capital assets for United States federal income tax purposes. As used herein, the term "U.S. Holder" means a beneficial owner of an ordinary share that is for United States federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary does not describe all of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are a broker, a dealer or trader in securities or currencies, a bank or other financial institution, a regulated investment company, a real estate investment trust, a cooperative, an insurance company, a pension plan, a tax-exempt entity, a person holding our ordinary shares as part of a hedging, integrated or conversion transaction, a constructive sale, a wash sale or a straddle, a person liable for alternative minimum tax, a person who owns or is deemed to own ten percent or more of our voting stock, a person holding our ordinary shares in connection with a trade or business conducted outside of the United States, a person who acquired our ordinary shares pursuant to the exercise of employee stock options or otherwise as compensation, a partnership or other pass-through entity for United States federal income tax purposes, a U.S. expatriate or a person whose "functional currency" for United States federal income tax purposes is not the United States dollar. The discussion below is based upon the provisions of the United States Internal Revenue Code of 1986, as amended (the Code), and regulations (including proposed regulations), rulings and judicial decisions thereunder as of the date hereof, and such authorities may be replaced, revoked or modified, possibly with retroactive effect, so as to result in United States federal income tax consequences different from those discussed below.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds our ordinary shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partnership holding our ordinary shares or a partner of a partnership holding our ordinary shares, you should consult your tax advisors as to the particular United States federal income tax consequences of acquiring, holding and disposing of the ordinary shares.

This discussion does not contain a detailed description of all the United States federal income tax consequences to you in light of your particular circumstances and does not address the effects of any state, local or non-United States tax laws. If you are considering the purchase, ownership or disposition of our ordinary shares, you should consult your own tax advisors concerning the United States federal income tax consequences to you in light of your particular situation as well as any other consequences to you arising under U.S. federal, state and local laws and the laws of any other applicable taxing jurisdiction and your eligibility for benefits under the Treaty in light of your particular circumstances.

Taxation of Distributions

Subject to the passive foreign investment company, or PFIC, rules discussed below, the gross amount of distributions on the ordinary shares (including the amount of any foreign taxes withheld from the distribution) will generally be taxable as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Because we do not expect to keep track of earnings and profits in accordance with United States federal income tax principles, you should expect that a distribution in respect of the ordinary shares will generally be treated and reported as a dividend to you. Such dividend income will be includable in your gross income as ordinary income on the day actually received by you or on the day received by your nominee or agent that holds the shares on your behalf. Such dividends will not be eligible for the dividends received deduction allowed to corporations in respect of dividends received from other U.S. corporations under the Code.

With respect to non-corporate United States investors, certain dividends received from a qualified foreign corporation may be subject to reduced rates of taxation. A foreign corporation is treated as a qualified foreign corporation with respect to dividends paid by that corporation on shares that are readily tradable on an established securities market in the United States. We plan to apply to list our ordinary shares on The NASDAQ Capital Market. If our listing application is accepted, our ordinary shares will be readily tradable on that established securities market, subject to certain registration requirements or exemptions therefrom in the United States. However, even if the shares are readily tradable on an established securities market in the United States, we will not be treated as a qualified foreign corporation if we are a PFIC for the taxable year in which we pay a dividend or were a PFIC for the preceding taxable year. Non-corporate holders that do not meet a minimum holding period requirement during which they are not protected from a risk of loss or that elect to treat the dividend income as "investment income" pursuant to Section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of our status as a qualified foreign corporation. For this purpose, the minimum

holding period requirement will not be met if a share has been held by a holder for 60 days or less during the 121-day period beginning on the date which is 60 days before the date on which such share becomes ex-dividend with respect to such dividend, appropriately reduced by any period in which such holder is protected from risk of loss. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. You should consult your own tax advisors regarding the availability of the reduced tax rate on dividends in light of your particular circumstances.

Taxable dividends paid in Swiss or other foreign currency will be included in a U.S. Holder's gross income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date the dividend is received by the U.S. Holder, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, U.S. Holders should not be required to recognize foreign currency gain or loss in respect of the dividend income. U.S. Holders may have foreign currency gain or loss if any such Swiss or foreign currency is converted into U.S. dollars after the date of receipt. U.S. Holders should consult their own tax advisors concerning the possibility of foreign currency gain or loss if any such Swiss or other foreign currency is not converted into U.S. dollars on the date of receipt.

If you are a U.S. Holder, then dividends received by you with respect to ordinary shares will be treated as foreign source income, which may be relevant in calculating your foreign tax credit limitation. Subject to certain conditions and limitations, Swiss tax withheld on dividends may be deducted from your taxable income or credited against your U.S. federal income tax liability. However, to the extent that you would be entitled to a refund of Swiss withholding taxes pursuant to the Treaty, you may not be eligible for a U.S. foreign tax credit with respect to the amount of such withholding taxes which may be refunded, even if you fail to claim the refund. See "—Taxation of Shares—Residents of the United States". The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by us generally will constitute passive income. The rules relating to the determination of the U.S. foreign tax credit are complex, and you should consult your tax advisor to determine whether and to what extent you would be entitled to this credit.

Passive Foreign Investment Company

In general, a non-United States corporation will be treated as a PFIC for U.S. federal income tax purposes for any taxable year in which:

- at least 75 percent of its gross income is passive income (the "income" test); or
- at least 50 percent of the value (determined based on a quarterly average) of its gross assets is attributable to assets that produce, or are held for the production of, passive income (the "asset" test).

For this purpose, passive income generally includes dividends, interest, royalties and rents (other than rents and royalties derived from the active conduct of a trade or business and not derived from a related person), certain gains from commodities and securities transactions and the excess of gains over losses from the disposition of assets which produce passive income. If we own, directly or indirectly, at least 25 percent (by value) of the stock of another corporation, we will be treated, for purposes of the PFIC tests described above, as directly owning our proportionate share of the other corporation's assets and receiving our proportionate share of the other corporation's income.

Under the tests described above, whether or not we are a PFIC will be determined annually based upon the composition of our income and the composition and valuation of our assets, all of which are subject to change. Although the matter is not free from doubt, we do not believe we were a PFIC in 2012. Because the PFIC determination is made annually and because the principles and methodology for applying the PFIC tests are not entirely clear, there can be no assurance that we will not be a PFIC in 2013 or were not or will not be a PFIC in any prior or subsequent taxable year.

If we are a PFIC for any taxable year during which you hold our ordinary shares, you will be subject to special tax rules with respect to any "excess distribution" received and any gain realized from a sale or other disposition, including a pledge, of ordinary shares, unless you make a "mark-to-market" election as discussed below. Distributions you receive in a taxable year that are greater than 125 percent of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the ordinary shares will be treated as excess distributions. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for your ordinary shares;
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income; and

- the amount allocated to each other year will be subject to tax at the highest applicable tax rate in effect for corporations or individuals, as appropriate, for that taxable year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition, or "excess distribution," cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the ordinary shares cannot be treated as capital and will be subject to the "excess distribution" regime described above, even if you hold the ordinary shares as capital assets.

You will be required to file Internal Revenue Service Form 8621 annually regarding any distributions received on the ordinary shares and any gain realized on the disposition of the ordinary shares if you hold our ordinary shares in any year in which we are classified as a PFIC, and other reporting requirements may apply.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ordinary shares and any of our non-United States subsidiaries is also a PFIC, a U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. Under these circumstances, a U.S. Holder would be subject to United States federal income tax on (i) a distribution on the shares of a lower-tier PFIC and (ii) a disposition of shares of a lower-tier PFIC, both as if such U.S. Holder directly held the shares of such lower-tier PFIC. You are urged to consult your tax advisors about the application of the PFIC rules to any of our subsidiaries.

In certain circumstances, in lieu of being subject to the excess distribution rules discussed above, you may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method, provided that such stock is regularly traded in other than de minimis quantities for at least 15 days during each calendar quarter on a qualified exchange, as defined in applicable U.S. Treasury Regulations. We plan to apply to list our ordinary shares on The NASDAQ Capital Market. If our listing application is accepted, we expect that our ordinary shares will be "regularly traded" for purposes of the mark-to-market election, subject to certain registration requirements or exemptions therefrom in the United States.

If you make an effective mark-to-market election, you will include in each year that we are a PFIC as ordinary income the excess of the fair market value of your ordinary shares at the end of the year over your adjusted tax basis in the ordinary shares. You will be entitled to deduct as an ordinary loss in each such year the excess of your adjusted tax basis in the ordinary shares over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. If you make an effective mark-to-market election, any gain you recognize upon the sale or other disposition of your ordinary shares in a year in which we are a PFIC will be treated as ordinary income. Any loss will be treated as ordinary loss, but only to the extent of the net amount of previously included income as a result of the mark-to-market election.

Your adjusted tax basis in the ordinary shares will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If you make a mark-to-market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the ordinary shares are no longer regularly traded on a qualified exchange or the Internal Revenue Service consents to the revocation of the election. A mark-to-market election should be made by filing IRS Form 8621 in the first taxable year during which the U.S. Holder held the ordinary shares and in which we are a PFIC. A mark-to-market election would not be available with respect to a subsidiary PFIC of ours that a U.S. Holder is deemed to own for the purposes of the PFIC rules; accordingly, a U.S. Holder would not be able to mitigate certain of the adverse U.S. "excess distribution" federal income tax consequences of its deemed ownership of stock in our subsidiary PFICs by making a mark-to-market election. You are urged to consult your tax advisor about the availability of the mark-to-market election and whether making the election would be advisable in your particular circumstances.

Alternatively, holders of PFIC shares can sometimes avoid the rules described above by electing to treat such PFIC as a "qualified electing fund" under Section 1295 of the Code. However, this option is not available to you because we do not intend to comply with the requirements, or furnish you with the information, necessary to permit you to make this election.

You are urged to consult your tax advisors concerning the United States federal income tax consequences of holding ordinary shares if we are considered a PFIC in any taxable year.

Sale or Other Disposition of Shares

For United States federal income tax purposes, you will recognize taxable gain or loss on any sale or exchange or other taxable disposition of a Share in an amount equal to the difference between the amount realized for the Share and your tax basis in the Share, in each case as determined in United States dollars. Subject to the discussion above under "Passive Foreign Investment Company," such gain or loss will be capital gain or loss. Capital gains of non-corporate U.S. Holders derived with respect to capital assets held for

more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by you will generally be treated as United States source gain or loss for U.S. foreign tax credit purposes. You are encouraged to consult your tax advisor regarding the availability of the U.S. foreign tax credit in your particular circumstances.

If you are a U.S. Holder and you receive any foreign currency on the sale of ordinary shares, then you may recognize U.S. source ordinary income or loss as a result of currency fluctuations between the date of the sale of the ordinary shares and the date the sales proceeds are converted into U.S. dollars.

Information Reporting and Backup Withholding

In general, information reporting will apply to distributions in respect of our ordinary shares and the proceeds from the sale, exchange or redemption of our ordinary shares that are paid to you within the United States or through certain U.S.-related financial intermediaries, unless you are an exempt recipient. Backup withholding may apply to such payments if you fail to (i) provide a taxpayer identification number or (ii) certify that you are not subject to backup withholding. U.S. Holders who are required to establish their exemption from backup withholding must provide such certification on Internal Revenue Service Form W-9. U.S. Holders should consult their tax advisors regarding the application of the United States information reporting and backup withholding rules.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is timely furnished to the Internal Revenue Service.

Medicare Tax

For taxable years beginning after December 31, 2012, certain U.S. Holders that are individuals, estates or trusts will be subject to an additional 3.8 percent tax on all or a portion of their "net investment income," which may include all or a portion of their dividends and net gains from the disposition of ordinary shares. If you are a U.S. Holder that is an individual, estate or trust, you should consult your tax advisors regarding the applicability of this tax to your income and gains in respect of your investment in the ordinary shares. Neither we nor the Financial Adviser is providing any tax advice or information regarding United States federal, state or local tax considerations pertinent to an investment in the ordinary shares and nothing contained in this Prospectus should be construed to be tax advice as to such matters. None of the information contained herein is intended or written to be used, and cannot be used, for the purpose of avoiding U.S. tax related penalties. Any prospective investor that is resident in the United States for tax purposes or otherwise subject to U.S. taxation in any respect should fully consider both the present and future U.S. federal, state and local tax consequences of any investment in the ordinary shares. The U.S. tax consequences of an investment in the ordinary shares are complex and will not necessarily be the same for all investors. Accordingly, each prospective U.S. investor is urged to consult his or her own tax advisors as to the particular U.S. tax consequences to him or her of the purchase, ownership, conversion and disposition of the ordinary shares, including the applicability of any U.S. federal tax laws or any state or local tax laws, and any changes (or proposed changes) in applicable tax laws or interpretations thereof. There is no assurance that the U.S. tax consequences of investing in the ordinary shares will not be significantly modified by future legislation or administrative or court decisions.

18. SIX SWISS EXCHANGE

General Information

As the Shares are listed according to the Main Standard of the SIX, the Company is subject to the Listing Rules and further regulations enacted by the SIX. The SIX (fka SWX Swiss Exchange AG) was founded in 1993 as the successor to the local stock exchanges in Zurich, Basel and Geneva. Full electronic trading in foreign equities and derivatives began in 1995. In 1996, the SIX introduced full electronic trading in Swiss equities, derivatives and bonds. In 2008, SWX Swiss Exchange AG changed its name to SIX.

In 2012, the aggregate trading volume of the SIX, including Scoach Switzerland, for equity and debt instruments, as well as options, was CHF 892.6 billion. As of March 31, 2013, 282 issuers (of shares) were listed according to the Main Standard of the SIX (source: http://www.six-exchangeregulation.com/admission/listing/equities/issuer_list_de.html).

Trading on the SIX occurs through a fully integrated trading system covering the entire process from trade order through settlement. Trading in equity securities begins each business day at 9:00 am and continues until 5:30 pm CET. After the close of exchange trading, new orders can be entered or deleted until 10:00 pm CET. From 6:00 am CET new entries and inquires can be made until 9:00 am CET. The system is not available between 10:00 pm and 6:00 am CET. For the opening phase (starting at 9:00 am CET), the system closes the order book and starts opening procedures; it establishes the opening prices and determines orders to be executed according to the matching rules. Closing auctions are held from 5:20 to 5:30 pm CET to determine the daily closing price for all equity securities traded on the SIX. At the start of the closing auction, the status of all equity order books changes from permanent trading to auction. The auction itself consists of a pre-opening period and the actual auction according to rules that are similar to the opening procedure.

Transactions take place through the automatic matching of orders. Each valid order of at least around lot is entered and listed according to the price limit. A round lot of the shares is expected to consist of one share. In general, market orders (orders placed at a best price) are executed first, followed by limit orders (orders placed at a price limit), provided that if several orders are listed at the same price, they are executed according to the time of entry. The SIX may provide for a duty to trade on the SIX in individual market segments. This duty obliges the participant, during trading hours, to execute orders on order book only. There shall be no duty to trade on the SIX for equity securities traded in the Blue Chip Shares segment. The duty to trade on the SIX for Mid-/Small- Cap equity shares shall not apply to (i) orders with a market price of CHF 200,000 or more, (ii) collective orders, if the market price of the order is CHF 1,000,000 or more, or (iii) portfolio orders.

Members of the SIX must observe the principle of best execution for any off-exchange transaction during the trading period. Transactions in shares effected by or through members of the SIX are subject to a stock exchange levy. This levy includes the reporting fee and is payable per trade and participant. The fee is defined individually for each trading segment. Banks and broker-dealers doing business in Switzerland are required to report all transactions in listed securities traded on the SIX. Reporting occurs automatically for on order book transactions. Off order book transactions during trading hours must be reported to the SIX within 30 minutes. Transaction information is collected, processed and immediately distributed by the SIX. Transactions outside trading hours must be reported no later than the next opening.

The SIX distributes a comprehensive range of information through various publications, including in particular the Swiss Market Feed. The Swiss Market Feed supplies SIX data in real time to all subscribers as well as to other information providers such as the Investdata System of SIX Telekurs and Reuters.

A quotation may be suspended by the SIX if large price fluctuations are observed, or if important, price-sensitive information is about to be disclosed, or in other situations that might endanger fair and orderly trading. Surveillance and monitoring is the responsibility of the SIX as the organiser of the market. The aim of such self-regulation is to ensure transparency, fair trading and an orderly market.

Clearing, Payment and Settlement

Clearing and settlement of securities listed on the SIX is made through SIS. Exchange transactions are usually settled on a T+3 basis, meaning that delivery against payment of exchange transactions occurs three trading days after the trade date.

Corporate Governance Directive

The Directive on Information Relating to Corporate Governance (the ‘‘DCG’’) was revised and entered into force on 29 October 2008. The DCG applies to all annual reports of issuers of equity securities listed on the SIX. The DCG generally requires each such issuer to disclose important information on the management and control mechanisms at the highest corporate level or to give specific reasons why this information is not disclosed.

Management Transactions

The Directive on the Disclosure of Management Transactions (the ‘‘DMT’’) was revised and entered into force on 1 April 2011. The DMT applies to issuers whose equity securities are listed on the SIX and whose registered office is in Switzerland. The DMT requires each such issuer to ensure that members of its board of directors and senior management disclose transactions they have made in the securities of such issuer. Under the DMT, the relevant member must disclose any such transaction to the issuer, and the issuer must forward the information to the SIX. Such transactions are subsequently published on a no name basis on the SIX website.

Foreign Investment and Exchange Control Regulations in Switzerland

Other than in connection with government sanctions imposed on certain persons from the former Republic of Yugoslavia, the Republic of Iraq, Iran, Lebanon, Liberia, Libya, Ivory Coast, Sudan, the Democratic Republic of Congo, Somalia, Guinea, Eritrea, Syria, Myanmar (Burma), Guinea-Bissau, Zimbabwe, Belarus and the Democratic People’s Republic of Korea, persons and organizations with connections to Osama bin Laden, the ‘‘Al-Qaeda’’ group or the Taliban and certain persons in connection with the assassination of Rafik Hariri, there are currently no government laws, decrees or regulations in Switzerland that restrict the export or import of capital, including, but not limited to, Swiss foreign exchange controls on the payment of dividends, interest or liquidation proceeds, if any, to non-resident holders of the Shares.

19. GENERAL INFORMATION

Clearing Codes

The Swiss Security number (*numéro de valeur/Valorennummer*) of the Shares is 2985075. The ISIN is CH0029850754. The SIX Swiss Exchange ticker symbol will be ADXN. The Common Code is 030039254.

Documents Available for Inspection

This Prospectus and Addex's Articles are available for inspection during regular business hours c/o Addex Pharma SA, Chemin des Aulx 12, CH-1228 Plan-les-Ouates, Switzerland.

Recognized Representative

In accordance with article 43 of the listing rules of the SIX Swiss Exchange (*règlement de cotation/Kotierungsreglement*), Homburger being recognized as an expert by the Admission Board of the SIX Swiss Exchange, has filed on our behalf an application for the listing of the New Shares on the SIX Swiss Exchange.

Notices

According to our Articles, notices to shareholders are validly made by publication in the Swiss Official Gazette of Commerce (*Feuille Officielle Suisse du Commerce/Schweizerisches Handelsamtsblatt*). The Board of Directors may designate other publication organs as well. Notices required under the Listing Rules will be announced via the electronic media, and, if required, published in electronic form on the website of the SIX (www.six-exchange-regulation.com).

Independent Auditors

Duration of the mandate and term of office of the independent auditors

PricewaterhouseCoopers SA ("PwC"), has held the mandate of independent auditor of the Company since 2002 and is elected as indenpendent auditor for the fiscal year 2012, Michael Foley has been the lead auditor since the audit of 2009. The consolidated financial statements and the statutory financial statements of the Company as per December 31, 2012, 2011 and 2010, included in this Prospectus, have been audited by PwC, as stated in their reports appearing herein.

Auditing honorarium

PwC received a fee of CHF 105,454 for auditing the financial statements of the Company and the Group for the financial year 2012.

Additional honorariums

PwC received an additional fee of CHF 15,563 for consultancy and other services for the financial year 2012.

20. GLOSSARY

5-HT2	One of the 11 known 5-HT (serotonin) subtypes of G Protein Coupled Receptors.
Acetylcholine	An ester of acetic acid and choline with chemical formula CH3COOCH2CH2N+(CH3)3. It is a chemical transmitter in both the peripheral nervous system (PNS) and central nervous system (CNS). Acetylcholine is the neurotransmitter in all autonomic ganglia.
Acute	Having a sudden onset, rapid rise, and short course (e.g., an *acute* disease). Acute is a term used in contrast to chronic or lasting.
Agonist	An endogenous or exogenous agent that mimics the action of hormones and/or neurotransmitters on their receptors to induce a response. For example, dopamine agonists stimulate specific brain dopamine receptors to induce a motor response.
Alzheimer's disease	A progressive degenerative disease of the brain of unknown etiology, characterized by diffuse atrophy throughout the brain with characteristic pathological changes suggestive of degeneration, and/or necrosis. The disease is characterized by a progressive deterioration of memory, cognitive function and changes in personality. Death usually occurs within 7 to 10 years from the time of diagnosis in most patients.
Allosteric modulation	The regulation of an enzyme or protein by binding an effector molecule at an allosteric site on the protein, that is, a site other than the binding site of the protein's endogenous activator.
Antagonist	A chemical entity that counteracts or neutralizes the action of the body's endogenous chemical messenger or another foreign chemical entity, see Receptor.
Anxiety	An exaggerated response to a natural fear, or an excessive fear of a normal situation. A variety of disorders are grouped under anxiety; these include panic disorder, social phobia, obsessive-compulsive disorder, post-traumatic stress disorder and generalized anxiety disorder ("GAD"). Also anxiety commonly accompanies other psychiatric conditions such as depression, schizophrenia and addiction.
Assay	A test to determine the properties of a chemical compound by means of a biological response.
Benzodiazepines	A class of drugs with hypnotic, anxiolytic, anticonvulsant, amnestic and muscle relaxant properties, which are used for short-term relief of severe, disabling anxiety, insomnia, and for muscle relaxation for surgical procedures.
cGMP	current Good Manufacturing Practices.
CHMP	Committee for Medicinal Products for Human Use.
Clinical trial	Clinical trials are conducted to evaluate new drug candidates in patients in a strictly scientifically controlled setting. Such trials are designed to assess safety and efficacy of a potential new therapy.
CMT1A	Charcot-Marie-Toth neuropathy
CNS	Central Nervous System; the nerves and cells of the brain and the spinal cord.
Contract Research Organization (CRO)	A company involved in performing clinical or non-clinical research on a contractual basis for a pharmaceutical company, research organization, or other health organization.
Dopamine	A monoamine with the chemical formula of C8H11NO2 that functions as a neurotransmitter in the brain.
Dopamine receptors	A class of metabotropic G protein-coupled receptors with the neurotransmitter dopamine as their endogenous ligand.
Double-blinded study	A clinical trial design in which neither the participating individuals (healthy volunteers or patients) nor the study staff know which participants are receiving the experimental drug and which are receiving placebo or another active treatment. Double-blind trials are thought to produce

	objective results, since the expectations of the doctor and the participant about the experimental drug do not affect the outcome.
Drug candidate	A molecule that is selected at the end of pre-clinical studies to become the subject of the clinical phase of development.
EMA	European Medicines Agency.
Endogenous	Produced or synthesized within the organism.
Enzyme	Proteins that catalyze (i.e. accelerate) chemical reactions.
Exogenous	Produced or synthesized outside the organism.
FDA	The US Food and Drug Administration.
GABA	Gamma-Amino Butyric Acid, an amino acid which acts as an inhibitory neurotransmitter in the central and peripheral nervous systems.
GAD	Generalized Anxiety Disorder, an anxiety disorder characterized by chronic excessive anxiety that is difficult to control, impairs daily functioning, and is accompanied by three or more associated symptoms (e.g., restlessness, irritability, impaired concentration, or sleep disturbances).
Genome	The totality of genetic material carried by an organism.
GERD	Gastroesophageal Reflux Disease, a chronic condition characterized by abnormal episodes of reflux of stomach contents into the esophagus usually accompanied by heartburn and that may result in mucosal damage in the esophagus.
Glutamate	An amino acid which acts as an excitatory neurotransmitter in the central and peripheral nervous systems.
GMP	Good Manufacturing Practices.
GPCRs	G Protein-Coupled Receptors, a protein family of transmembrane receptors that transduce an extracellular signal (ligand binding) into an intracellular signal (G protein activation).
GMP	Good Manufacturing Practices.
Half-life	The time required for half the amount of a drug introduced in an organism to be metabolized or excreted; most commonly refers to drug plasma levels.
HTS	Highthroughput Screening is a method for scientific experimentation. Through a combination of modern robotics, data processing and control software, liquid handling devices, and sensitive detectors, HTS allows a researcher to effectively conduct thousands of biochemical, genetic or pharmacological tests in a short period of time. This process allows identification of active compounds, antibodies or genes, which modulate a particular biomolecular pathway. The results of these experiments provide starting points for drug design and for understanding the interaction or role of a particular biochemical process in biology.
IC50	The half maximal inhibitory concentration, represents the concentration of an inhibitor that is required for 50% inhibition of its target (i.e. an enzyme, cell, cell receptor or a microorganism). IC50 values are dependent on conditions under which they are measured.
Investigational New Drug (IND)	A request for authorization from the FDA to administer an investigational drug or biological product to humans.
In-vitro	A biological or chemical process occurring outside a living organism, i.e. conducted on cultured cells.
In-vivo	A biological or chemical process occurring inside a living organism.
Ion channels	Pore-forming proteins that help to establish and control the voltage gradient that exists across the plasma membrane of all living cells by allowing the flow of ions down their electrochemical gradient. They are present in the membranes that surround all biological cells.
IP	Intellectual Property
Kinetics	See Pharmacokinetics.
Mechanism of action	The manner by which a drug exerts its activity.
mGluR	Metabotropic glutamate receptors, a set of G protein-coupled glutamate

	receptors (GPCRs) comprising 8 members designated mGluR1-mGluR8. They are members of the family C of GPCRs. Like all glutamate receptors, mGluRs bind glutamate, an amino acid that functions as an excitatory neurotransmitter.
mGluR2	Metabotropic glutamate receptor subtype 2, a subtype of the set of G protein-coupled glutamate receptors.
mGluR5	Metabotropic glutamate receptor subtype 5, a subtype of the set of G protein-coupled glutamate receptors.
Migraine	A neurobiological disorder resulting from dysfunction of the trigeminovascular system. The disorder manifests as recurring episodes of characteristic headache, usually lasting 4-72 hours. These episodes, which can interfere with normal functioning, involve unilateral throbbing headache pain of moderate to severe intensity. They also usually involve nausea, sometimes vomiting, and sensitivity to light, sound and other sensory stimuli.
Mild Cognitive Impairment	Mild Cognitive Impairment is a general term most commonly used to describe a subtle but measurable memory disorder. According to this definition, a person with Mild Cognitive Impairment has memory problems greater than normally expected with aging, but does not show other symptoms of dementia, such as impaired judgment or reasoning.
MS	Multiple Sclerosis
Muscarinic acetylcholine receptors	The set of membrane-bound G protein-coupled acetylcholine receptors that is more sensitive to muscarine than to nicotine.
NAM	Negative Allosteric Modulator, inhibitors of the natural physiological activity of the endogenous activator.
New Drug Application (NDA)	New Drug Application with the FDA. A submission form that contains specific information on the manufacturing processes, chemistry, pharmacology, clinical pharmacology and the medical effects of a new chemical entity. If the information provided meets FDA requirements, the application is approved and a license allowing a company to market the product is granted.
Neurotransmitter	A chemical substance in the central or peripheral nervous system that transmits nerve impulses across synapses.
Novel drug/novel pharmaceutical	A drug/pharmaceutical/antibiotic that is patentable because it is pharmaceutically new in chemical structure and either acts on a target which is not exploited by any other known drug or it has properties which make it sufficiently differentiable from any other drug sharing the same target.
Novel target	A target which is not exploited by any other known drug.
Novel mechanism of action	The mechanism of action of a drug that either acts differently from any other drug on a known target or that acts on a novel target.
Novel class of drugs/novel pharmaceuticals	Drugs/pharmaceuticals/antibiotics that all employ a new or unique mechanism of action.
NRT	Nicotine Replacement Therapy.
Obsessive-compulsive	A psychiatric disorder most commonly characterized by a subject's obsessive, distressing, intrusive thoughts and related compulsive behaviors (tasks or "rituals") which attempt to neutralize the obsessions.
Off-label	The use of a drug for a medical condition other than that for which it was officially approved and marketed.
PAM	Positive Allosteric Modulator, enhancers of the natural physiological activity of the endogenous activator.

Parkinson's disease (PD)	PD is a degenerative disorder of the central nervous system that affects the control of muscles, and so may affect movement, speech and posture. Parkinson's disease belongs to a group of conditions called movement disorders. It is often characterized by muscle rigidity, tremor, a slowing of physical movement (bradykinesia), and in extreme cases, a loss of physical movement (akinesia). The primary symptoms are the results of excessive muscle contraction, normally caused by the insufficient formation and action of dopamine, which is produced in the dopaminergic neurons of the brain. Secondary symptoms may include impaired cognitive function and language problems. PD is both chronic, meaning it persists over a long period of time, and progressive.
PD-LID	Parkinson's disease levodopa – induced dyskinesia
Peptide	short molecules formed from the linking, in a defined order, of various α-amino acids.
pH	A measure of the acidity or basicity of a solution.
Pharmacokinetics	Pharmacokinetics is a branch of pharmacology dedicated to the study of the time course of substances and their relationship with an organism or system. So, in basic terms, while pharmacodynamics explores what a drug does to the body, pharmacokinetics explores what the body does to the drug. It includes the evaluation of absorption, distribution, metabolism, and excretion of drugs.
Phase I	Clinical trials in which a drug is tested for safety in healthy individuals. This is normally the first time the drug is given to humans. In one or more clinical trials, safety, tolerability, dose range pharmacodynamic and pharmacokinetic profiles are explored.
Phase II	Clinical trials in which a drug is given to a limited number of patients with a disease for which it is believed the drug may have some therapeutic effect. Positive efficacy is often referred to as clinical "proof of concept". This phase should conclude with evidence of whether the drug works, which patient population to target, and what is the optimal dose between beneficial effect and side effect.
Phase III	Clinical trials in which a drug undergoes testing of its ultimate proposed use on the market. The trials need to prove statistical significance that the drug presented at a particular dose, to a particular population and in a particular formulation has sufficient effect along with appropriately low side effects. A "pivotal Phase III trial" is one which ultimately provides statistically sound evidence of effect and safety.
Placebo	An inactive substance designed to resemble the drug being tested. It is used as a control to rule out any psychological effects testing may present.
Post traumatic stress disorder	A psychological disorder classified under anxiety disorders that occurs after the experience of a highly stressful event and that is characterized by anxiety, depression, nightmares and intrusive memories of the event,.
Pre-clinical (development)	The phase of drug discovery and development which precedes testing of the drug in humans.
Prevalence	A measure of the proportion of people in a population that are affected with a particular disease at a given time.
Proof of concept study	Proof of concept studies are initial phase IIa clinical trials, usually conducted within the target patient group to examine potential efficacy and safety in the target indication.
Protein	Relatively large organic compounds made of amino acids arranged in a linear chain and joined together by peptide bonds between the carboxyl and amino groups of adjacent amino acid residues.
R&D	Research and development.
Receptor	A specialized protein on the cell surface or inside the cell which relays information delivered by chemical messengers called transmitters.

Regulatory approval	Marketing approval granted by regulatory authorities following a positive assessment of a new drug application or marketing authorization application; or approval granted by regulatory authorities allowing the sponsor to conduct a clinical trial.
Significant	A result is significant when it is unlikely to have occurred by chance.
Spasticity	A disorder of the body's motor system in which certain muscles are continuously contracted.
SSRIs	A class of antidepressants (e.g., fluoxetine) that increase synaptic concentrations of the neurotransmitter serotonin by blocking its reuptake by presynaptic nerve terminals.
Stimulus (stimuli)	A detectable change in the internal or external environment.
Swissmedic	Swiss agency for therapeutic products.
Target	A specific biological molecule (protein, enzyme or other) that is addressed by a drug.
Tricyclic	Molecular structures which contain three rings of atoms. The term 'tricyclic antidepressant' is related to imipramine, desimipramine, amitriptyline, etc.
Triptans	A class of drugs introduced in the 1990s for the treatment of migraine that act as agonists for 5-hydroxytryptamine (5-HT) receptors.

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INDEX TO THE FINANCIAL STATEMENTS

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

(LOGO)

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 Ltd

-s- M. Foley -s- G. Debout

Michael Foley
Audit Expert
Auditor in charge

Guillaume Debout
Audit Expert

Geneva, 8 February 2013

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

	Notes	December 31, 2012	December 31, 2011
		Amounts in Swiss Francs	
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

	Notes	2012	2011
		Amounts in Swiss francs	
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)**

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

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

	Notes	2012	2011
		Amounts in Swiss francs	
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

	Notes	Share capital	Share premium	Other reserves	Equity instruments	Accumulated Deficit	Total
				(Amounts in Swiss francs)			
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

	Notes	2012	2011
		(Amounts in Swiss francs)	
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 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 CHF 381,268 would have been recognized through the statement of income and CHF 2,382,561 would have been recognized as other

comprehensive loss. This is compared with the total liability of CHF 788,615 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:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of income are translated at the average exchange rate; and

(iii) 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 taxes

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 in note 1, “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 condensed consolidated interim 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 resultthe 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**
P1 / 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)		(8,824,020)	(1,006,240)	(906,292)	(15,372,593)

		(4,627,868)				
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**

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:

At December 31, 2012	Subscription prices / floor prices (CHF)				
Expiry date	4.00 / 8.00	6.50 / 13.00	7.00 / 14.00	7.50 / 15.00	Total
2015	—	—	6,000	531,499	537,499
2016	294,290	—	2,250	320,000	616,540
2017	—	141,000	—	—	141,000

Total subscription rights	**294,290**	**141,000**	**8,250**	**851,499**	**1,295,039**

At December 31, 2011	**Subscription prices / floor prices (CHF)**			
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%

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**

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 plan (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
Asset 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 obligations 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)**
Unrec. 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	—	—
	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.

Consolidated Financial Statements of Addex Pharmaceuticals Ltd as at December 31, 2011 (Audited)

(LOGO)

Report of the statutory auditors to the General Meeting of Addex Pharmaceuticals Ltd, Plan-les-Ouates

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Addex Pharmaceuticals Ltd, which comprise the balance sheets, statements of income, statements of comprehensive income, statements of changes in equity, statements of cash flow and notes, for the year ended December 31, 2011.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2011 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.

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

-s- M. Foley
Michael Foley
Audit expert
Auditor in charge

-s- C. Benz
Claudia Benz
Audit expert

Geneva, 20 February 2012

Consolidated Balance Sheets
as at December 31, 2011 and December 31, 2010

	N	December 31, 2011	December 31, 2010
		Amounts in Swiss Francs	
ASSETS			
Current assets			
Cash and cash equivalents	7	36,065,379	63,797,325
Other current assets	8	2,002,589	2,697,674
Total current assets		**38,067,968**	**66,494,999**
Non-current assets			
Intangible assets	9	32,217	83,918
Property, plant and equipment	10	3,964,409	6,668,201
Other non-current assets	11	1,551,483	1,036,862
Total non-current assets		**5,548,109**	**7,788,981**
Total assets		**43,616,077**	**74,283,980**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Payables and accruals	12	8,513,410	8,982,264
Deferred income	13	—	295,037
Provision for other current liabilities	14	214,628	—
Total current liabilities		**8,728,038**	**9,277,301**
Non-current liabilities			
Retirement benefit obligations	22	988,271	592,477
Provision for other non-current liabilities	14	63,812	—
Total non-current liabilities		**1,052,083**	**592,477**
Shareholders' equity			
Share capital	15	7,705,132	6,334,180
Share premium	15	249,753,750	237,487,830
Other reserves		5,447,145	4,723,069
Equity instruments	15	—	13,798,126
Accumulated deficit		(229,070,071)	(197,929,003)
Total shareholders' equity		**33,835,956**	**64,414,202**
Total liabilities and shareholders' equity		**43,616,077**	**74,283,980**

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

Consolidated Statements of Income
for the years ended December 31, 2011 and 2010

	N	2011	2010
		Amounts in Swiss francs	
Income			
Fees from collaborations & sale of license rights	5	2,823,447	1,975,265
Other income	18	919,546	2,024,911
Total income		**3,742,993**	**4,000,176**
Operating expenses			
Research and development	19	27,985,645	31,164,789
General and administration	19	6,731,247	6,433,176
Total operating expenses		**34,716,892**	**37,597,965**
Operating loss		**30,973,899**	**33,597,789**
Finance income	23	72,199	97,254
Finance expense	23	(239,368)	(144,812)
Finance result, net		**(167,169)**	**(47,558)**
Net loss before tax		**31,141,068**	**33,645,347**
Income tax expense	21	—	—
Net loss for the year		**31,141,068**	**33,645,347**
Loss per share for loss attributable to the equity holders of the Company, expressed in Swiss Francs per share basic and diluted	24	**(4.19)**	**(5.69)**

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

Consolidated Statements of Comprehensive Income
for the years ended December 31, 2011 and 2010

	N	2011	2010
		Amounts in Swiss francs	
Net loss for the year		**31,141,068**	**33,645,347**
Other comprehensive loss			
Currency translation differences		48,864	312,945
Other comprehensive loss for the year, net of tax		**48,864**	**312,945**
Total comprehensive loss for the year		**31,189,932**	**33,958,292**

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

Consolidated Statements of Changes in Equity
for the years ended December 31, 2011 and 2010

	Notes	Share capital	Share premium	Other reserves	Equity instruments	Accumulated Deficit	Total
				(Amounts in Swiss francs)			
Balance at January 1, 2010		**5,741,188**	**232,191,050**	**3,932,256**	—	**(164,283,656)**	**77,580,838**
Net loss for the year		—	—	—	—	(33,645,347)	(33,645,347)
Translation differences		—	—	(312,945)	—	—	(312,945)
Other comprehensive loss for the year		—	—	(312,945)	—	—	(312,945)
Total comprehensive loss for the year		**—**	**—**	**(312,945)**	**—**	**(33,645,347)**	**(33,958,292)**
Issue of shares – capital increase	15	593,567	5,448,945	—	—	—	6,042,512
Cost of share capital issuance	15	—	(152,165)	—	—	—	(152,165)
Issue of equity instruments – MCN	15	—	—	—	13,957,482	—	13,957,482
Cost of equity instruments issuance	15	—	—	—	(159,356)	—	(159,356)
Share-based compensation	16	—	—	1,103,758	—	—	1,103,758
Purchase of treasury shares	15	(575)	—	—	—	—	(575)
Balance at December 31, 2010		**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	15	1,371,069	12,427,057	—	(13,798,126)	—	—
Cost of share capital issuance	15	—	(161,137)	—	—	—	(161,137)
Share-based compensation	16	—	—	772,940	—	—	772,940
Purchase of treasury shares	15	(117)	—	—	—	—	(117)
Balance at December 31, 2011		**7,705,132**	**249,753,750**	**5,447,145**	—	**(229,070,071)**	**33,835,956**

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

Consolidated Statements of Cash Flows
for the years ended December 31, 2011 and 2010

	N	2011	2010
		(Amounts in Swiss francs)	
Cash flows from operating activities			
Net loss for the year		(31,141,068)	(33,645,347)
Adjustments for:			
Depreciation and amortization	9/10	2,927,636	2,941,151
(Gain) / loss on disposal of fixed assets		(50,713)	83,950
Impairment of non-current assets		130,839	—
Value of share-based services	16	772,940	1,103,758
Changes in pension costs	22	395,794	509,923
Finance result, net	23	167,169	47,558
Changes in working capital:			
Other current assets		690,114	(979,927)
Deferred income, payables and accruals		(443,342)	(1,401,970)
Net cash used in operating activities		**(26,550,631)**	**(31,340,904)**
Cash flows from investing activities			
Proceeds from sale of fixed assets		21,820	—
Purchase of intangible assets	9	(15,034)	(45,038)
Purchase of property, plant and equipment	10	(189,280)	(407,980)
Loans granted to employees		(183,423)	(209,827)
Loans granted to related parties	26	(464,557)	(407,211)
Interest received	23	72,199	97,254
Net cash used in investing activities		**(758,275)**	**(972,802)**
Cash flows from financing activities			
Proceeds from issue of shares – capital increase		—	6,042,512
Costs paid on issue of shares		(183,137)	(148,701)
Proceeds from issue of equity instruments – Mandatory Convertible Notes		—	13,957,482
Costs paid on issue of equity instruments		—	(144,003)
Purchase of treasury shares		(117)	(75)
Net cash (used in) / from financing activities	15	**(183,254)**	**19,707,215**
Decrease in cash and cash equivalents		**(27,492,160)**	**(12,606,491)**
Cash and cash equivalents at beginning of the year	7	63,797,325	76,560,104
Exchange loss on cash and cash equivalents		(239,786)	(156,288)
Cash and cash equivalents at end of the year	7	**36,065,379**	**63,797,325**

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

Notes to the Consolidated Financial Statements
for the years ended December 31, 2011 and 2010 (amounts in Swiss francs)

1. General information

Addex Pharmaceuticals 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 consolidated financial statements have been prepared on a going concern basis.

These consolidated financial statements have been approved by the Board of Directors on February 15, 2012. They are subject to approval by the shareholders on May 9, 2012.

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 Pharmaceuticals 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.

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, 2010, except for the following new standards, amendments to standards and interpretations which are mandatory for financial periods beginning on or after January 1, 2011:

- IAS 24 (amendment), "Related party disclosures";
- IAS 32 (amendments), "Financial instruments: Presentation on classification of rights issues";
- IFRIC 14, "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction";
- IFRIC 19, "Extinguishing financial liabilities with equity instruments";
- Annual improvements 2010.

The adoption of these standards, amendments to standards and interpretations did not have an effect on the financial position or on the disclosure.

The following new standards, amendments to standards and interpretations have been issued but are not mandatory for the financial year beginning January 1, 2011 and have not been early adopted:

- IFRS 7 (amendments), "Disclosures – Transfers of financial assets", effective July 1, 2011;
- IFRS 9, "Financial instruments", and its amendments, effective January 1, 2015;
- IFRS 10, "Consolidated financial statements", effective January 1, 2013;
- IFRS 11, "Joint arrangements", effective January 1, 2013;

- IFRS 12, “Disclosure of interests in other entities”, effective January 1, 2013;
- IFRS 13, “Fair value measurement”, effective January 1, 2013;
- IAS 1 (amendments), “Presentation of items of other comprehensive income”, effective July 1, 2012;
- IAS 12 (amendment), “Income taxes”, effective January 1, 2012;
- IAS 19 (revised), “Employee benefits”, effective January 1, 2013;
- IAS 27 (revised), “Separate financial statements”, effective January 1, 2013;
- IAS 28 (revised), “Investments in associates and joint ventures”, effective January 1, 2013;
- IAS 32 (amendments), “Financial Instruments: Offsetting of financial assets and financial liabilities”, effective January 1, 2014.

Except for IAS 19 (revised), effective January 1, 2013, these standards, amendments to standards and interpretations are not expected to have a material impact on the Group financial position or on the disclosures.

The adoption of IAS 19 (revised), effective January 1, 2013, is expected to 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 will fully assess the impact of the adoption of the revised standard during the year ended December 31, 2012, with the preparation of comparative data for the year ended December 31, 2013 when the Group will actually adopt the revised standard.

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:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of income are translated at the average exchange rate; and

(iii) 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 have an indefinite useful life are not subject to amortization and are tested annually for impairment. 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 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 recoverable amount 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 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the statement of income.

2.10 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.

2.11 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.

2.12 Equity instruments

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

2.13 Trade payables

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

2.14 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.

2.15 Deferred income taxes

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.

2.16 Employee benefits

Retirement benefit 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 both defined benefit and defined contribution 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. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Under a defined contribution plan, the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. All plans that do not meet the strict criteria of defined contribution plans are deemed to be defined benefit plans and accounted for accordingly.

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.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid, the contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that cash refund or a reduction in the future payments is available.

Share-based compensation

The Group operates a number of equity-settled, equity incentive plans and share option plans.

Non voting share equity incentive plans: The fair value of the employee services received in exchange for the sale of non voting shares at a price below fair value 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 non voting shares sold less the price paid. At the date of sale of the non voting shares the fair value was determined by reference to the latest price paid for preference shares adjusted for differences in rights and restrictions accruing to the non voting shares. The vesting period is determined based on the period over which the Company has the right to repurchase the shares at original cost. Proceeds received net of any directly attributable transaction costs were credited to share capital when the non voting shares were sold. As part of the Initial Public Offering (“IPO”), the non voting shares as well as the preference shares have been converted at a 1:1 ratio into common shares. All converted non voting shares are still subject to their respective plans and converted non voting shares which are repurchased under the Company's repurchase right are recorded as treasury shares.

Share option and equity sharing certificates’ equity incentive plans: The fair value of the employee services received in exchange for the grant of options or 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 options or 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 options or equity sharing certificates that are expected to vest.

At each balance sheet date, the Group revises its estimates for the number of options, equity sharing certificates or converted non voting shares 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 options or ESCs are exercised.

2.17 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. Provisions for future operating losses are not recognized.

2.18 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.

2.19 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.

2.20 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.

2.21 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 and liquidity 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 2011, a 10% increase or decrease in the USD/CHF exchange rate would have resulted in a CHF301,139 increase or decrease in net income and shareholders' equity as at December 31, 2011. 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 in the medium term.

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:

Going concern

As discussed in note 1, “general information”, the consolidated financial statements have been prepared on a going concern basis after considering the Group’s cash position in light of current financial plans and financial commitments.

Income taxes

As disclosed in note 21 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. In the opinion of the management none of the Group’s forthcoming legal cases needs to be provided for or disclosed as the probability of an outflow for the Group is insignificant and remote. Amounts involved would not have a material adverse effect on the Company’s financial position.

Share-based compensation

The Group recognizes an expense for share-based compensation based on the difference between the fair value and the price paid, if any, for financial instruments granted under the Group’s equity incentive plans. 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 and 2011 were established using a customized binomial model 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 2011 would have been CHF512,187 or CHF718,811, respectively (2010: CHF545,147 or CHF768,908, respectively). This is compared to the amount recognized as an expense in 2011 of CHF605,666 (2010: 646,585).

Retirement benefit 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 (income) 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 22.

Loans to employees

In connection with the granting of ESCs in 2010 and 2011, the Group has made loans of CHF1,265,018 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. ESC 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, 2011, loans amounting to CHF28,312 relating to expired subscription rights were written off and loans amounting to CHF102,527 relating to subscription rights that are expected to expire in the first half year of 2012 have been fully provided for. The net loan amount of CHF1,134,179 was tested for impairment based on the historic volatility of the Company's share price combined with the scientific outcomes forthcoming and their respective probability of success calculated based on industry standard probabilities. The Group has assessed the probability of the share price achieving the floor price and the holder realizing a capital gain as highly probable. Therefore no further provision for impairment has been made. Had the Group assessed the current and past share price performance as objective evidence that the Group would not be able to collect the loans then a provision would have been made to reduce the carrying amount to the recoverable amount. This would have resulted in a additional charge to the statement of income of up to CHF1,134,179.

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 17) 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.

Share-based compensation

During 2011, the Group recognized share-based compensation of CHF160,344 (2010: CHF404,624) related to share options and CHF537,686 (2010: CHF646,585) related to the equity sharing certificates (ESCs) granted on June 1, 2010 under the Company's ESC plan. Since a significant proportion of the ESCs granted on June 1, 2010 replaced existing share options, the cancelled share options have been treated as a plan modification under IFRS 2, and the unrecognized portion of the original fair value of the cancelled share options continues to be recognized over their original vesting periods. The net fair value of the new ESC grants was calculated as the fair value of the ESCs less the fair value of the replaced share options at the grant date of June 1, 2010. If the issue of ESCs had not been considered as a replacement of the existing share options, the remaining unrecognized portion of the replaced share option's original fair value of CHF371,768 would have been expensed immediately in 2010 and the ESCs fair value of CHF1,764,100 for the grant made on June 1, 2010 would have been recognized over its vesting period. Therefore, the Group would have recognized a share-based compensation of CHF1,838 (2010: CHF598,034) related to share options and CHF569,453 (2010: CHF686,199) related to the ESCs granted on June 1, 2010 (see note 16).

Development supplies

At December 31, 2011, 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, 2011 and 2010 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:

	2011	2010
Milestones	2,598,200	—
Technology access fees	225,247	255,785
Research funding	—	1,719,480
Total income	**2,823,447**	**1,975,265**

Analysis of income by major customer is detailed as follows:

	2011	2010
Merck & Co., Inc (USA)	225,247	1,975,265
Janssen Pharmaceuticals Inc., (USA)	2,598,200	—
Total income	**2,823,447**	**1,975,265**

For more detail, refer to note 17, "License and collaboration agreements".

The geographical analysis of assets is as follows:

	December 31, 2011	December 31, 2010
Switzerland	43,246,120	72,588,494
Europe	369,957	1,695,486
Total assets	**43,616,077**	**74,283,980**

The geographical analysis of capital expenditure is as follows:

	2011	2010
Switzerland	223,440	177,003
Europe	3,903	61,899
Total capital expenditure	**227,343**	**238,902**

The geographical analysis of operating expenses is as follows:

	2011	2010
Switzerland	32,409,129	34,481,457
Europe	2,307,763	3,116,508
Total operating expenses (note 19)	**34,716,892**	**37,597,965**

6. Consolidated entities

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

7. Cash and cash equivalents

	December 31, 2011	December 31, 2010
Cash at bank and on hand	28,565,379	53,282,325
Short term deposits	7,500,000	10,515,000
Total cash and cash equivalents	**36,065,379**	**63,797,325**

In 2011, the effective interest rate on cash and cash equivalents was 0.15% (2010: 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, 2011	December 31, 2010
P1 / A-1	36,060,039	63,794,190
Cash on hand	5,340	3,135
Total cash and cash equivalents	**36,065,379**	**63,797,325**

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, 2011	December 31, 2010
Receivables	666,536	1,198,966
Prepayments	1,326,941	1,489,916
Accrued interest income	9,112	8,792
Total other current assets	**2,002,589**	**2,697,674**

9. Intangible assets

	Computer software licenses
At January 1, 2010	
Cost	758,701
Accumulated amortization	(577,135)
Net book value	**181,566**
Year ended December 31, 2010	
Opening net book amount	181,566
Exchange differences	(792)
Additions	19,393
Amortization charge	(116,249)
Closing net book amount	**83,918**
At December 31, 2010	
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**

The Group recorded an amortization charge in 2011 of CHF52,712 (2010: CHF95,191) as part of research and development expenses and CHF10,561 (2010: CHF21,058) as part of general and administration expenses.

10. Property, plant and equipment

	Buildings	Leasehold Improvements	Equipment	Furniture & fixtures	Chemical library	Total
At January 1, 2010						
Cost	32,698	8,873,320	12,069,350	1,382,946	1,049,575	23,407,889
Accumulated depreciation	(6,865)	(4,496,929)	(7,597,121)	(906,936)	(831,959)	(13,839,810)
Net book value	**25,833**	**4,376,391**	**4,472,229**	**476,010**	**217,616**	**9,568,079**
Year ended December 31, 2010						
Opening net book amount	25,833	4,376,391	4,472,229	476,010	217,616	9,568,079
Exchange differences	—	(147,455)	(58,007)	(5,073)	—	(210,535)
Additions	—	47,130	125,074	9,934	37,371	219,509
Disposals	—	(12)	(83,928)	(10)	—	(83,950)
Depreciation charge	(1,308)	(778,944)	(1,834,694)	(135,624)	(74,332)	(2,824,902)
Closing net book amount	**24,525**	**3,497,110**	**2,620,674**	**345,237**	**180,655**	**6,668,201**
At December 31, 2010						
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**

The Group recorded a depreciation charge in 2011 of CHF2,779,844 (2010: CHF2,728,749) as part of research and development expenses and CHF84,519 (2010: CHF96,153) as part of general and administration expenses.

11. Other non-current assets

	December 31, 2011	December 31, 2010
Security rental deposit	417,304	419,824
Loans to employees	358,912	209,827
Loans to related parties (note 26)	775,267	407,211
Total other non-current assets	**1,551,483**	**1,036,862**

12. Payables and accruals

	December 31, 2011	December 31, 2010
Trade payables	1,685,696	3,146,800
Social security and other taxes	871,649	913,869
Accrued expenses	5,956,065	4,921,595
Total payables and accruals	**8,513,410**	**8,982,264**

All payables mature within 3 months.

13. Deferred income

Deferred income as at December 31, 2010 of CHF295,037 was fully recognized during 2011 and related to technology access fees received under the agreement with Merck Sharp & Dohme Research Ltd for CHF225,247 (see note 17) and to the first installment from The Michael J. Fox Foundation for Parkinson's Research for CHF69,790 (see note 18).

14. 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**

All outstanding costs linked to the restructuring were provided as at December 31, 2011. Apart for some lease agreements for which CHF63,812 are expected to be settled in more than one year but no later than 2013, all provisions made are expected to be fully utilized during 2012. The costs of provisions made have been recognized as operating expenses in the consolidated statements of income for the year ended December 31, 2011.

15. Share capital and share premium

	Number of shares		
	Common shares	Treasury shares	Total
Balance at January 1, 2010	**5,871,242**	**(130,054)**	**5,741,188**
Issue of shares	593,567	—	593,567
Purchase of treasury shares	—	(575)	(575)
Balance at December 31, 2010	**6,464,809**	**(130,629)**	**6,334,180**
Issue of shares	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**

At December 31, 2011, the total outstanding share capital is CHF7,835,878 (December 31, 2010: CHF6,464,809), consisting of 7,835,878 shares (December 31, 2010: 6,464,809). All shares have a nominal value of CHF1 and are fully paid.

During 2011, the Group's Swiss operating subsidiary acquired 117 (2010: 575) shares from employees for CHF1 under the Company's non voting share equity incentive plan. The total amount payable to acquire the shares, net of income tax, was CHF117 (2010: CHF575) and has been deducted from share capital. The shares are held as treasury shares and the Company has the right to reissue these shares at a later date.

On March 14, 2011, zero-coupon mandatory convertible notes with a nominal value of CHF13,957,482 issued to BVF Partners on September 14, 2010 converted into 1,371,069 new shares at a fixed conversion price of CHF10.18 per share. The value of equity instruments recognized for CHF13,957,482 less direct related issuance costs of CHF159,356 at the issuance of the notes was transferred to the share capital for CHF1,371,069 and to the share premium for CHF12,427,057 less direct related share capital issuance costs of CHF161,137.

16. Share-based compensation

	2011	2010
Non-executive directors and consultants	33,905	64,660
Executives and employees (note 20)	739,035	1,039,098
Total share-based compensation	**772,940**	**(1,103,758)**

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

	2011	2010
Equity sharing certificate plan	605,666	646,585
Share option plans	160,343	404,624
Non voting share plans	6,931	52,549
Total share-based compensation	**772,940**	**1,103,758**

Equity Sharing Certificate Equity Incentive Plan

On January 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.

Of the 360 ESCs granted on November 15, 2011, 90 ESCs were conditionally granted, subject to future availability of the ESCs achieved either by ESCs reverting to the Group or ultimately by the approval of the shareholders on May9, 2012.

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

	2011	2010
At January 1	725,000	—
Granted	692,000	767,000
Forfeited	(36,312)	(42,000)
Expired	(7,188)	—
At December 31	**1,373,500**	**725,000**

At December 31, 2011, of the outstanding 1,373,500 subscription rights attached to the ESCs, 257,813 (December 31, 2010: 90,000) were exercisable and the outstanding subscription rights have the following expiry dates, subscription prices and floor prices:

At December 31, 2011	**Subscription prices / floor prices (CHF)**			
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 2011 determined using a customized binomial valuation model was CHF0.70 (2010: CHF2.30). The significant inputs to the model were:

	2011	2010
Weighted average share price / share price at the grant date	CHF7.67	CHF11.00
Weighted average subscription price / subscription price per share	CHF5.67	CHF7.50
Weighted average floor price / floor price per share	CHF11.34	CHF15.00
Weighted average volatility / volatility	49.84%	40%
Dividend yield	—	—
Weighted average annual risk free rate / annual risk-free rate	0.40%	1.00%

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:

	2011	2010
Research and development	391,839	400,808
General and administration	213,827	245,777
Total share-based compensation for ESCs	**605,666**	**646,585**

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 as at December 31, 2011, all options have forfeited or expired and no options are outstanding. Movements in the number of share options and their related weighted average exercise prices are as follows:

	2011		2010	
	Average exercise price in CHF per share	**Number of options**	**Average exercise price in CHF per share**	**Number of options**
At January 1	36.57	10,175	37.26	275,550
Granted	—	—	14.84	750
Forfeited	36.63	(2,175)	37.25	(24,743)
Forfeited due to ESC grants	35.50	(2,500)	37.22	(226,000)
Expired	37.03	(5,500)	37.21	(15,382)
At December 31	—	—	**36.57**	**10,175**

As a result of the granting of ESCs in 2011, 2,500 (2010: 226,000) options 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 of CHF1,838 (2010: CHF371,768) 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:

	2011	2010
Research and development	84,704	220,779
General and administration	75,639	183,845
Total share-based compensation for share options	**160,343**	**404,624**

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.

Movements in the number of shares sold under the non voting share equity incentive plans are as follows:

	2011	2010
	Number of shares	Number of shares
At January 1……..	552,730	553,305
Repurchased under claw back provision (note 15)……	(117)	(575)
At December 31…….	**552,613**	**552,730**

The total share-based compensation expense recognized in the statement of income for non voting shares sold at a price of CHF1 each to directors, executives, employees and consultants has been recorded under the following headings:

	2011	2010
Research and development…….	2,913	25,971
General and administration……	4,018	26,578
Total share-based compensation for non voting shares……	**6,931**	**52,549**

17. 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 2010.

Merck Sharp & Dohme Research Ltd.

During 2011 total fees of CHF225,247 (2010: CHF1,975,265) 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.

18. Other income

	2011	2010
Research grants	675,449	—
Research tax credit	244,097	2,006,568
Other income	—	18,343
Total other income	**919,546**	**2,024,911**

During 2011, the Group recognized CHF675,449 (2010: nil) of other income from The Michael J. Fox Foundation for Parkinson's Research of which CHF660,428 has been settled and CHF15,021 has been recorded as receivable as at December 31, 2011 (December 31, 2010: CHF69,790 of deferred income). The grant is being received in instalments and recognized as other income over the period necessary to match the grant against the specific research costs it is intended to compensate.

In 2011, the Group recognized CHF244,097 (2010: CHF2,006,568) of research tax credit receivable in respect of Addex Pharmaceuticals France 2011 R&D expenditures.

19. Operating expenses by nature

	2011	2010
Staff costs (note 20)	14,924,426	17,658,370
Depreciation and amortization	2,927,636	2,941,151
External research and development costs	4,759,157	4,736,929
Laboratory consumables	3,239,007	4,418,542
Operating leases	2,569,497	2,429,272
Other operating expenses	6,297,169	5,413,701
Total operating expenses	**34,716,892**	**37,597,965**

Operating lease contracts are renewable on normal business terms and provide for annual rent increases based on the Swiss consumer price index and the French index of construction cost, INSEE, respectively.

20. Staff costs

	2011	2010
Wages and salaries	11,236,404	13,272,814
Social charges and insurances	1,261,860	1,560,174
Value of share-based services (note 16)	739,035	1,039,098
Pension costs – defined contribution plans	39,490	(81,157)
Pension costs – defined benefit plan (note 22)	1,272,913	1,453,988
Other employee costs	374,724	251,139
Total staff cost (note 19)	**14,924,426**	**17,658,370**

21. Taxes

The Group's Swiss operating subsidiary was granted a tax holiday for 10 years from incorporation in Switzerland for all income and capital taxes on a cantonal and municipal level. The Group is still subject to Swiss federal income taxes.

	December 31, 2011	December 31, 2010
Loss before tax	31,141,068	33,645,347
Tax calculated at a tax rate of 7.8% (2010:7.8%)	2,429,003	2,624,337
Effect of different tax rates in other countries	(146,806)	(30,761)
Expenses charged against equity	12,568	24,410
Expenses not deductible for tax purposes	(60,289)	(86,093)
Tax losses not recognized as deferred tax assets	(2,234,476)	(2,531,893)
Income tax expense	—	—

The Group has a tax loss carry forward of CHF201,485,556 as of December 31, 2011 (2010: CHF185,398,505) of which CHF136,699,141 (2010: CHF109,061,034) expire within the next five years and CHF64,786,415 (2010: CHF76,337,471) will expire between five and seven years. Tax losses of CHF15,054,017 expired in 2011 (2010: CHF9,417,554).

22. 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 2011 of CHF1,272,913 (2010: CHF1,453,988) as part of staff costs. At December 31, 2011, the difference between the unrecognized actuarial losses of CHF1,869,645 (2010: CHF2,251,401) and the negative status of the pension funds of CHF2,857,916 (2010: CHF2,843,878) is recorded in non-current liabilities.

Pension benefits

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

	2011	2010
Present value of funded obligations	(8,892,019)	(10,011,872)
Fair value of plan assets	6,034,103	7,167,994
Funded status	(2,857,916)	(2,843,878)
Unrecognized net losses	1,869,645	2,251,401
Accrued pension costs	**(988,271)**	**(592,477)**

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

	2011	2010
Current service cost	1,973,843	2,184,868
Interest cost	275,326	303,080
Expected return on plan assets	(286,720)	(282,803)
Employees' contributions	(757,816)	(818,385)
Amortization of unrecognized losses	68,280	67,228
Total included in staff costs (note 20)	**1,272,913**	**1,453,988**

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

	2011	2010
Liability at beginning of year	(592,477)	(82,554)
Total expense charged in the statement of income	(1,272,913)	(1,453,988)
Contributions paid	877,119	944,065
Asset at end of year	**(988,271)**	**(592,477)**

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

	2011	2010
Defined benefit obligations at beginning of year	(10,011,872)	(9,325,540)
Service cost	(1,973,843)	(2,184,868)
Interest cost	(275,326)	(303,080)
Change in assumptions	(331,071)	(833,943)
Actuarial (losses) / gains	800,543	774,015
Benefit payments	2,899,550	1,861,544
Defined benefit obligations at end of year	**(8,892,019)**	**(10,011,872)**

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

	2011	2010
Fair value of plan assets at beginning of year	7,167,994	7,070,072
Expected return on plan assets	286,720	282,803
Employees' contributions	757,816	818,385
Company contribution	877,119	944,065
Plan assets actuarial losses	(155,996)	(85,787)
Benefit payments	(2,899,550)	(1,861,544)
Curtailment	—	—
Fair value of plan assets at end of year	**6,034,103**	**7,167,994**

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

	2011	2010
Unrecognized losses at beginning of year	2,251,401	2,172,914
Amortization	(68,280)	(67,228)
Change in actuarial assumptions	331,071	833,943
Actuarial losses / (gains)	(800,543)	(774,015)
Plan assets actuarial losses	155,996	85,787
Unrecognized losses at end of year	**1,869,645**	**2,251,401**

The actual return on plan assets is a gain of CHF130,724 in 2011 (2010: CHF197,016).

The principal actuarial assumptions used were as follows:

	2011	2010
Discount rate	2.50%	2.75%
Expected return on plan assets	4.00%	4.00%
Future salary increases	1.50%	1.50%
Future pension increases	1.00%	1.00%

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:

	2011	2010
Male	18.93	17.90
Female	22.29	21.85

The estimated Group contributions to pension plans for the financial year 2012 amount to CHF877,000. The plan assets relate primarily to amounts invested with, and managed by, the AXA-Winterthur Fondation LPP.

The detailed structures and assets held at December 31, 2011, are not currently available for presentation. The detailed structures and assets held at December 31, 2010, are as follows:

	December 31, 2010

	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%

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.

	2011	2010	2009	2008	2007
Present value of defined benefit obligation	(8,892,019)	(10,011,872)	(9,325,540)	(6,755,694)	(4,943,412)
Fair value of plan assets	6,034,103	7,167,994	7,070,072	5,206,129	3,906,621
Deficit in the plan	**(2,857,916)**	**(2,843,878)**	**(2,255,468)**	**(1,549,565)**	**(1,036,791)**
Unrec. actuarial (losses) / gains on plan liabilities	800,543	774,015	(89,765)	(316,716)	(358,972)
Actuarial losses on plan assets	(155,996)	(85,787)	(77,615)	(69,407)	(31,910)

23. Finance income and costs

	2011	2010
Interest income	72,199	97,254
Unrealized foreign exchange loss	(239,368)	(144,812)
Finance result, net	**(167,169)**	**(47,558)**

24. 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.

	2011	2010
Loss attributable to equity holders of the Company	31,141,068	33,645,347
Weighted average number of shares in issue	7,430,957	5,916,336
Basic and diluted loss per share	**(4.19)**	**(5.69)**

The Company has one category of dilutive potential shares as at December 31, 2011: equity sharing certificates (December 31, 2010: share options, equity sharing certificates and mandatory convertible notes). As of December 31, 2011 and December 31, 2010, share options, equity sharing certificates and mandatory convertible notes have been ignored in the calculation of the loss per share, as they would be anti-dilutive.

25. Commitments and contingencies

Operating lease commitments

	2011	2010
Within 1 year	2,382,959	1,604,269
Later than 1 year and no later than 5 years	4,306,404	4,982,645
Later than 5 years	—	994,600
	6,689,363	**7,581,514**

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, 2011, there are no commitments over 5 years and commitments related to the site of Archamps have been recognized in the statement of income for CHF237,143 (CHF177,857 within 1 year and CHF59,286 between 1 and 2 years) as provision for restructuring liability.

Capital commitments

As at December 31, 2011, the Group have no capital expenditure contracted but not yet incurred (December 31, 2010: CHF2,776).

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.

26. 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:

Purchase of services

Services are negotiated with related parties on the basis of prices available from non-related parties offering a similar service. During 2011, CHF31,909 of services were purchased from a member of the Board. During 2010, CHF4,713 of services were purchased from a person closely linked to a member of the Board.

Key management compensation

	2011	2010
Salaries and other short-term employee benefits…..	3,485,229	3,390,732
Post-employment benefits……..	297,887	284,668
Share-based compensation…..……	471,524	698,573
	4,254,640	**4,373,973**

Loans to related parties – Executive Management

	2011	2010
At January 1……...	407,211	—
Exits from the Executive Management……..	(96,501)	—
Loans advanced during the year……	464,557	407,211
At December 31…….	**775,267**	**407,211**

In 2011, in connection with the granting of equity sharing certificates, the Group has made loans of CHF647,980 (2010: CHF617,038) to its employees, of which CHF464,557 (2010: CHF407,211) 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.

27. Events after the balance sheet date

There have been no material events after the balance sheet date.

28. 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 26 (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.

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.

Loans and other payments to Non-Executive Directors

No loans were granted to current or former Non-Executive Directors during 2011 and 2010. No such loans were outstanding as of December 31, 2011 and 2010. During 2011, CHF31,909 of services were purchased from a member of the Board. In 2010, 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 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. 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

Compensation to Non-Executive Directors in 2010(1)

Name of Non-Executive Director(8)	Base cash compensation	Variable cash attendance	Equity sharing certificates (number) (3)	Equity sharing certificates (value) (3)	Total 2010
André J. Mueller(4)……	30,000	22,500	9	20,700	73,200
Andrew Galazka(7)……	25,000	15,000	6	13,800	53,800
Raymond Hill……..	22,500	15,000	6	13,800	51,300
Vincent Lawton (5)…….	25,000	15,000	6	13,800	53,800
Beat E. Lüthi(6)……...	30,000	15,000	6	13,800	58,800
Antoine Papiernik(2)……..	-	-	-	-	-
Total……..	**132,500**	**82,500**	**33**	**75,900**	**290,900**

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. 33 equity sharing certificates were granted to Non-Executive Directors during 2010, reported at fair value at date of grant of CHF2,300 per ESC.
4. Non-Executive Chairman of the Board of Directors
5. 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

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 2011, in connection with the granting of equity sharing certificates, the Group made loans of CHF 647,980 (2010: CHF617,038) to its employees, of which CHF315,412 was to Bharatt Chowrira (2010: CHF96,501 to Vincent Mutel) and CHF149,145 (2010: CHF310,710) 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 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

Compensation to Executive Management in 2010(1)

Executive Management (2)	Base cash compensation	Variable cash bonus	Equity sharing certificates (number)(3)	Equity sharing certificates (value)(3)	Total 2010
Vincent Mutel(4)……..	470,363	76,900	90	207,000	754,263
Other Executive Management	2,216,689	393,777	319	733,700	3,344,166
Total……..	**2,687,052**	**470,677**	**409**	**940,700**	**4,098,429**

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. 409 equity sharing certificates were granted to Executive Management during 2010, reported at fair value at date of grant of CHF2,300 per ESC.
4. Vice Chairman of the Board of Directors and Chief Executive Officer

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, 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	13,315
Raymond Hill……..	-	2,250	3,750	6,000
Vincent Lawton……..	-	2,250	3,750	6,500
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	85,500
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**

The total number of shares and shares' subscription rights owned by Non-Executive Directors and members of the Executive Management at December 31, 2010 is shown in the following table.

Name of Director or Executive (number of shares or subscription rights)	**2010 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……	9	75,701	8,675	84,376
Andrew Galazka……	6	7,732	5,783	13,515
Raymond Hill……..	6	750	5,250	6,000
Vincent Lawton……..	6	750	5,250	6,000
Beat E. Lüthi……...	6	1,000	5,250	6,250
Antoine Papiernik……...	-	-	-	-
Executive Management				
Vincent Mutel…..……	90	177,941	86,750	264,691
Tim Dyer…….	53	119,450	51,708	171,158
Charlotte Keywood…….	44	24,983	40,767	65,750
Sonia Poli……	42	17,983	39,017	57,000
Laurent Galibert……..	42	5,250	36,750	42,000
Jean-Philippe Rocher……..	40	47,417	38,333	85,750
Robert Lütjens……	45	28,608	41,642	70,250
Chris Maggos……..	30	3,750	26,250	30,000
Tatiana Pont Carteret……..	23	2,875	20,125	23,000
Total……...	**442**	**514,190**	**411,550**	**925,740**

29. 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.

Swiss Statutory Financial Statements of Addex Therapeutics Ltd as at December 31, 2012 (Audited)

(LOGO)

Report of the statutory auditors 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 Ltd

-s- M. Foley
Michael Foley
Audit expert
Auditor in charge

-s- G. Debout
Guillaume Debout
Audit expert

Geneva, 8 February 2013

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

	N	2012	2011
		Amounts in Swiss francs	
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.

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

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

	2012	2011
	Amounts in Swiss francs	
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)
Interest expense	—	—
Net income / (loss) before taxes	**27,483,168**	**28,875,755**
Income tax expense	—	—
Net income / (loss) for the year	**27,483,168**	**28,875,755**

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

Notes to the Statutory 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	€37,000	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
	Amounts in Swiss francs	
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, 2012 and 2011, the Company has provided for its loan to Addex Pharma SA as follows:

	December 31, 2012	December 31, 2011
	Amounts in Swiss francs	
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

		General reserve, from…				
	Share capital	…capital contribution	…retained earnings	Treasury Shares reserve	Accumulated Deficit	Total
			(Amounts in Swiss francs)			
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
	Amounts in Swiss francs	
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 Therapeutics Ltd held by Group companies. The table shows movements in the number of shares and the treasury share reserve:

	Number of registered shares	Price in CHF	Total purchase price in CHF	% of share capital
Balance at January 1, 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 CHF 238,687 from the general reserve from capital contribution to the treasury shares reserve, to carry forward the net loss for the year 2012 of CHF 27,483,168 and to offset the accumulated deficit of CHF 28,875,755 and the net loss carried forward for the year 2012 of CHF 27,483,168 with the general reserve from capital contribution for a total CHF 56,358,923.

(LOGO)

Report of the statutory auditors to the General Meeting of Addex Pharmaceuticals Ltd, Plan-les-Ouates

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Addex Pharmaceuticals Ltd, which comprise the balance sheet, income statement and notes, for the year ended December 31, 2011.

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 December 31, 2011 comply with Swiss law and the company's articles of incorporation.

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.

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).

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.

PricewaterhouseCoopers SA

-s- M. Foley	-s- C. Benz
Michael Foley	Claudia Benz
Audit expert	Audit expert
Auditor in charge	

Geneva, 20 February 2012

Balance Sheets
as at December 31, 2011 and December 31, 2010

	N	2011	2010
		Amounts in Swiss francs	
Assets			
Current assets			
Cash and cash equivalents		10,832,452	148,639,048
Other receivables			
Third parties		1,246	19,641
Accrued income		29,106	14,042
Total current assets		**10,862,804**	**14,672,731**
Non-current assets			
Investments in Group companies	6	2	2
Other non-current assets			
Loans to Group companies	7	24,851,740	49,788,299
Total non-current assets		**24,851,742**	**49,788,301**
Total assets		**35,714,546**	**64,461,032**
Liabilities and shareholders' equity			
Current liabilities			
Trade payables		331,533	51,471
Other payables : Third parties		95,103	72,330
Other payables : Group companies		—	725
Accruals		155,147	327,988
Other current liabilities : Mandatory convertible notes	8	—	13,957,482
Total current liabilities		**581,783**	**14,409,996**
Shareholders' equity			
Share capital	8	7,835,878	6,464,809
General reserve from capital contribution		88,561,948	140,507,743
- Thereof reserves from capital contributions	*8*	*153,094,039*	*140,507,743*
- Thereof reserves from retained earnings		*(64,532,091)*	—
Treasury shares reserve	9	250,844	250,727
Non-voting equity securities (*)	11	p.m.	p.m.
Accumulated deficit		(61,515,907)	(97,172,243)
Total shareholders' equity		**35,132,763**	**50,051,036**
Total liabilities and shareholders' equity		**35,714,546**	**64,461,032**

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

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

Statements of Income
for the years ended December 31, 2011 and 2010

	2011	2010
	Amounts in Swiss francs	
Operating expenses		
Professional fees	227,458	343,437
Other operating expenses	641,268	486,622
Provision for Group companies	27,847,012	31,856,015
Taxes	196,386	43,962
Total operating expenses	**28,912,124**	**32,730,036**
Interest income	(36,369)	(89,884)
Interest expense	—	—
Net income / (loss) before taxes	**28,875,755**	**32,640,152**
Income tax expense	—	—
Net income / (loss) for the year	**28,875,755**	**32,640,152**

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

Notes to the Statutory Financial Statements
for the years ended December 31, 2011 and 2010 (amounts in Swiss francs)

1. General

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, 2011 and December 31, 2010, 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, 2011 and December 31, 2010, there were no assets pledged to secure own liabilities.

4. Lease commitments not recorded in the balance sheet

As of December 31, 2011 and December 31, 2010, there were no lease commitments not recorded in the balance sheet.

5. Amounts due to pension funds

As of December 31, 2011 and December 31, 2010, there were no amounts due to pension funds.

6. Significant investments

Addex Pharmaceuticals Ltd as a holding company for the Addex Pharmaceuticals Group owns:

Company	Business	Capital	Interest in capital in %
Addex Pharma S.A., Plan-les-Ouates, Switzerland	Research & development	CHF3,987,492	100%
Addex Pharmaceuticals France S.A.S., Archamps, France	Research & development	€37,000	100%

As at December 31, 2011 and 2010, the Company has provided for its investments in Group companies as follows:

	December 31, 2011	December 31, 2010
	Amounts in Swiss francs	
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, 2011	December 31, 2010
	Amounts in Swiss francs	
Loan to Addex Pharma SA	137,910,453	135,000,000
Provision for loan to Addex Pharma SA	(113,058,713)	(85,211,701)
	24,851,740	49,788,299

The loan to Addex Pharma SA is subordinated to the claims of other creditors of the subsidiary up to CHF113,058,713.

8. Share capital and share premium

On March 14, 2011, zero-coupon mandatory convertible notes issued by the Group on September 14, 2010 to BVF Partners L.P. with a total nominal value of CHF13,957,482 converted into 1,371,069 new shares at a fixed conversion price of CHF10.18 per share. The capital increase has been recorded in share capital for CHF1,371,069 and general reserve from capital contribution for CHF12,586,413. In 2010, the Group issued 593,567 new shares to BVF Partners L.P. in a private placement for CHF10.18 per share. The proceeds of CHF6,042,512 have been recorded in share capital for CHF593,567 and general reserve from capital contribution for CHF5,448,945.

At December 31, 2011, the total outstanding share capital is CHF7,835,878 (2010: CHF6,464,809), consisting of 7,835,878 shares (2010: 6,464,809 shares). All shares have a nominal value of CHF1. The authorized capital and conditional capital as at December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
	Amounts in Swiss francs	
Authorized capital	2,931,246	2,337,679
Conditional capital	3,331,246	2,922,496

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, 2010…..…..	**130,054**		**250,152**	**2.22%**
Purchases……..……..	500	1.00	500	
Purchases……..……	75	1.00	75	
Balance at December 31, 2010…..	**130,629**		**250,727**	**2.02%**
Purchases ……..	117	1.00	117	
Balance at December 31, 2011…..	**130,746**		**250,844**	**1.67%**

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, 2011		December 31, 2010	
	Number of Shares	Interest in capital in %	Number of Shares	Interest in capital in %
BVF Partners L.P.*.....	2,350,242	29.99%	979,173	15.15%
Sofinnova Capital IV FCPR……..	806,648	10.29%	806,648	12.48%
TVM V Life Science Ventures…..	705,726	9.01%	705,726	10.92%
The Swiss Helvetia Fund……...	351,155	4.48%	488,370	7.55%
SROne Ltd…….	253,253	3.23%	253,253	3.92%
Varuma AG…….	231,425	2.95%	231,425	3.58%

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

11. Non-voting equity securities

Refer to note 16 of the consolidated financial statements.

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

Refer to note 28 of the consolidated financial statements.

13. Risk assessment

Refer to note 29 of the consolidated financial statements.

14. Proposal of the Board of Directors for appropriation of loss carried forward

The Board of Directors proposes to transfer CHF117 from general reserve from capital contribution to treasury shares reserve, to carry forward the net loss for the year 2011 of CHF28,875,755 and to offset the accumulated deficit of CHF32,640,152 with the general reserve from capital contribution.