

**Consolidated Financial Statements of
Addex Pharmaceuticals Ltd
as at December 31, 2008**

Consolidated Balance Sheets
as at December 31, 2008 and December 31, 2007

	<u>Notes</u>	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Amounts in Swiss francs			
ASSETS			
Current assets			
Cash and cash equivalents.....	7	119,470,604	140,044,686
Other current assets.....	8	3,125,876	3,638,460
Total current assets.....		122,596,480	143,683,146
Non-current assets			
Intangible assets.....	9	224,053	184,741
Property, plant and equipment.....	10	8,993,922	4,949,795
Other non-current assets.....	11	513,361	556,869
Total non-current assets.....		9,731,336	5,691,405
Total assets.....		132,327,816	149,374,551
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Payables and accruals.....	13	11,469,124	5,945,450
Deferred income.....	14	1,867,319	3,320,961
Total current liabilities.....		13,336,443	9,266,411
Shareholders' equity			
Share capital.....	15	5,735,554	5,737,911
Share premium.....	15	231,884,708	231,946,444
Other reserves.....		2,962,643	1,949,040
Accumulated deficit.....		(121,591,532)	(99,525,255)
Total shareholders' equity.....		118,991,373	140,108,140
Total liabilities and shareholders' equity.....		132,327,816	149,374,551

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

Consolidated Statements of Income
for the years ended December 31, 2008 and 2007

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
Amounts in Swiss francs			
Income			
Fees from collaborations & sale of license rights.....	17	26,806,842	486,927
Other income.....	18	67,331	156,031
		26,874,173	642,958
Operating expenses			
Research and development.....	19	44,191,671	27,496,537
General and administration.....	19	7,554,239	10,767,980
		51,745,910	38,264,517
Operating loss.....		24,871,737	37,621,559
Finance income.....	23	(3,307,338)	(2,559,475)
Finance expense.....	23	501,878	23,681
		(2,805,460)	(2,535,794)
Net loss before tax.....		22,066,277	35,085,765
Income tax expense.....		—	—
Net loss for the year.....		22,066,277	35,085,765
		Swiss francs per share	Swiss francs per share
Loss per share for loss attributable to the equity holders of the Company, expressed in Swiss francs per share basic and diluted.....	24	(3.85)	(6.99)

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

**Consolidated Statements of Changes in Equity
for the years ended December 31, 2008 and 2007**

In Swiss francs						
	<u>Notes</u>	<u>Share capital</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Accumulated deficit</u>	<u>Total</u>
Balance at January 1, 2007.....		3,867,623	101,529,379	1,320,011	(64,439,490)	42,277,523
Translation differences.....		-	-	29,361	-	29,361
Net income recognized directly in equity.....		-	-	29,361	-	29,361
Net loss for the year.....		-	-	-	(35,085,765)	(35,085,765)
Total recognized income and expense for 2007.....		-	-	29,361	(35,085,765)	(35,056,404)
Issue of shares – IPO.....	15	1,875,000	135,000,000	-	-	136,875,000
Costs of share issue – IPO.....	15	-	(4,524,573)	-	-	(4,524,573)
Share-based compensation.....	16	-	-	599,668	-	599,668
Purchase of treasury shares.....	15	(4,712)	(58,362)	-	-	(63,074)
Balance at December 31, 2007...		5,737,911	231,946,444	1,949,040	(99,525,255)	140,108,140
Translation differences.....		-	-	(165,050)	-	(165,050)
Net income recognized directly in equity.....		-	-	(165,050)	-	(165,050)
Net loss for the year.....		-	-	-	(22,066,277)	(22,066,277)
Total recognized income and expense for 2008.....		-	-	(165,050)	(22,066,277)	(22,231,327)
Share-based compensation.....	16	-	-	1,178,653	-	1,178,653
Purchase of treasury shares.....	15	(2,357)	(61,736)	-	-	(64,093)
Balance at December 31, 2008....		5,735,554	231,884,708	2,962,643	(121,591,532)	118,991,373

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

**Consolidated Statements of Cash Flows
for the years ended December 31, 2008 and 2007**

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
Amounts in Swiss francs			
Cash flows from operating activities			
Net loss for the year.....		(22,066,277)	(35,085,765)
Adjustments for:			
Depreciation and amortization.....	9/10	2,016,429	1,802,088
Value of share-based services.....	16	1,178,653	599,668
Changes in prepaid pension costs.....	22	171,568	(32,547)
Net finance income.....	23	(2,805,460)	(2,535,794)
Changes in working capital:			
Other current assets.....		229,830	(2,590,473)
Deferred income, payables and accruals.....		3,483,598	4,837,927
Net cash used in operating activities.....		(17,791,659)	(33,004,896)
Purchase of intangible assets.....	9	(123,808)	(166,855)
Purchase of property, plant and equipment.....	10	(5,486,084)	(2,562,664)
Loans granted to related parties.....	26	—	(35,773)
Loans granted to staff.....		—	(26,898)
Loan repayments received from related parties.....	26	112,773	71,000
Loan repayments received from staff.....		17,000	94,804
Repayment of finance leases.....	12	—	(126,572)
Finance income.....	23	3,307,338	2,559,475
Net cash used in investing activities.....		(2,172,781)	(193,483)
Proceeds from issue of shares.....	15	—	136,875,000
Costs paid on issue of shares.....	15	(32,149)	(4,492,424)
Purchase of treasury shares.....	15	(64,093)	(63,074)
Finance costs.....	23	(6,049)	(8,542)
Net cash (used in) / from financing activities.....		(102,291)	132,310,960
(Decrease) / increase in cash and cash equivalents.....		(20,066,731)	99,112,581
Cash and cash equivalents at beginning of the year.....	7	140,044,686	40,946,682
Exchange loss on cash and cash equivalents.....		(507,351)	(14,577)
Cash and cash equivalents at end of the year.....	7	119,470,604	140,044,686

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

**Notes to the Consolidated Financial Statements
for the years ended December 31, 2008 and 2007 (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 disease. 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. 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 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 24, 2009, and are subject to approval by the shareholders on April 16, 2009.

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.

A. Basis of preparation

The Company was incorporated on February 19, 2007 as a holding company for the Addex Pharmaceuticals Group. Addex Pharma SA’s shareholders created Addex Pharmaceuticals Ltd by contributing to it all of their shares of Addex Pharma SA (formerly Addex Pharmaceuticals SA) in exchange for an identical shareholding in the new company, Addex Pharmaceuticals Ltd. The Company then acquired from Addex Pharma SA 100% of the share capital of Addex Pharmaceuticals France SAS for CHF 1. As the fiscal restructuring of the Group comprised transactions under common control, under International Financial Reporting Standards (“IFRS”) the Company inherits the financial history of the Group including the equity structure of the previous holding company. These consolidated financial statements have therefore been prepared on the basis that the Company was the parent company of the Group for the periods presented.

The consolidated financial statements of Addex Pharmaceuticals Ltd have been prepared in accordance with IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at fair value through the statement of income.

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.

A number of minor reclassifications have been made during the year and the 2007 comparative figures have been adjusted accordingly.

Based on Management's assessment the following IFRS standards, amendments and interpretations to existing standards, that are not yet effective, are the only ones of significance to the Group, have not yet been adopted, will be adopted by January 1, 2009: IAS 1 (revised) "Presentation of Financial Statements", IFRS 8 "Operating Segments", IFRS2 (amendment) "Share-based payment", IAS 19 (amendment) "Employee benefits", IAS 36 (amendment) "Impairment of Assets", and IAS 38 (amendment) "Intangible assets". The Group does not expect that they will have a significant impact on the Group's consolidated financial statements. There are a number of minor amendments to IFRS 7 "Financial instruments: Disclosures", IAS 8 "Accounting policies, changes in accounting estimates and errors", IAS 10 "Events after the reporting period", IAS 18 "Revenue", IAS 20 "Accounting for government grants and disclosure of government assistance" and IAS 34 "Interim financial reporting", which are part of the IASB's annual improvements project published in May 2008. These amendments are unlikely to have an impact on the Group's consolidated financial statements and have therefore not been analyzed in detail.

B. 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. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

C. 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.

D. 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 income or expense'. All other foreign exchange gains and losses are presented in the statement of income within 'operating expenses'.

Group companies

The results and financial position of the Group's subsidiary that has a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of income are translated at average exchange rates; and
- all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are taken to shareholders' equity.

E. Property, plant and equipment

Property, plant and equipment is 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 G). Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are included in the statement of income.

F. Intangible assets

Computer software

Acquired computer 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). Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred.

G. Impairment of 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).

H. 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 trade and other receivables in the balance sheet (see note 8).

I. 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.

J. 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.

K. Share capital

Common, preferred and non voting 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.

L. Trade payables

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

M. Government grants

Grants from the government 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. Government grants relating to costs are deferred and recognized in the statement of income over the period necessary to match them with the costs that they are intended to compensate.

N. 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 substantially 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.

O. 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 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.

The liability or asset recognized in the balance sheet in respect of defined benefit pension plans is the present value of 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 independent actuaries using the projected unit credit method. The present value of the defined benefit 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 and 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 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 plan: The fair value of the employee services received in exchange for the grant of options 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 granted. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

At each balance sheet date, the entity revises its estimates for the number of options 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.

P. 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 has been reliably estimated. Where the Company 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.

Q. Revenue recognition

Revenue, 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. Revenue 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. Revenue 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. Revenue 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 license fees and performance milestone payments are recognized as revenue by reference to the completion of the performance obligation and the economic substance of the agreement.

R. Finance income and expense

Interest received and interest paid is classified in the statement of cash flows as finance income under investing activities and finance costs under financing activities, respectively.

S. 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.

T. 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 E).

3. Financial risk management

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 programs 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 of Directors. 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, credit risk, use of derivative financial instruments and non-derivative financial instruments, 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. 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 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. 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. The Group's policy is to invest these funds in low risk investments including interest bearing deposits. 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.

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:

Income taxes

As disclosed in note 21 the Group has significant tax losses for Swiss tax purposes. 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.

Share-based compensation

The Group recognizes an expense for share-based compensation based on the difference between the fair value and the price paid for non voting shares issued under the Company's non voting share equity incentive plans. Should the assumptions and estimates underlying the fair value of the Company's non voting shares vary significantly from management's estimates then the share-based compensation expense would be materially different from the amount recognized. The fair value of the Company's non voting shares was established based on a number of valuation models which gave a range of values from CHF3.0 to CHF7.7. Had the Company calculated the share-based compensation based on these values, the value of share-based compensation recorded as an expense in 2008 would have been CHF124,948 or CHF314,023, respectively (2007: CHF259,736 or CHF670,848, respectively). This is compared to the amount recognized as an expense in 2008 of CHF219,433 (2007: CHF465,161).

Share options granted under the Company's share option plan are valued using the binomial valuation model. The 12,000 options granted on April 1, 2007, prior to the IPO, have a strike price of CHF39.5 per share. The fair value of the shares at this date was established at CHF55 per share based on a number of valuation models which gave a range of values from CHF50 to CHF60 per share. Had the Company calculated the share-based compensation based on the higher and lower values of this range, the value of share-based compensation recorded as an expense in 2008 would have been CHF55,106 or CHF74,641, respectively (2007: CHF79,605 or CHF107,824, respectively). This is compared to the amount recognized as an expense in 2008 of CHF64,877 (2007: CHF93,719).

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 (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.

4.2 Critical judgments in applying the entity's accounting policies

Revenue recognition

In 2008, the Group recognized CHF1,859,550 (2007: CHF156,639) of up front fees received, under the Merck Sharp & Dohme Research Ltd research collaboration and license agreement executed on November 30, 2007 (see note 17), since it was concluded that there was continuing involvement. Had the Group considered the up front fee as consideration for the purchase of a license, the Group would have recognized the entire up front fee of CHF3,477,600 in 2007.

In 2008, the Group recognized CHF24,794,000 of up front fees, received under the Merck & Co. Inc. license agreement executed on January 2, 2008 (see note 17), since it was concluded that the up front fee was consideration for the purchase of a license and there was no significant continuing involvement in the development of the product. Had the agreement provided for the Group's continuing involvement in the development of the product, the Group would have recognized the up front fee of CHF24,794,000 over the period of continuing involvement.

Development supplies

At December 31, 2008, 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. Segmental information

Primary reporting format

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

Secondary reporting format

The geographical analysis of assets is as follows:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Switzerland.....	130,293,300	146,956,924
Europe.....	2,034,516	2,417,627
Total assets.....	<u>132,327,816</u>	<u>149,374,551</u>

The geographical analysis of capital expenditure is as follows:

	<u>2008</u>	<u>2007</u>
Switzerland.....	5,751,819	2,314,090
Europe.....	522,734	839,160
Total capital expenditure.....	<u>6,274,553</u>	<u>3,153,250</u>

The geographical analysis of operating expenses is as follows:

	<u>2008</u>	<u>2007</u>
Switzerland.....	47,883,769	35,669,887
Europe.....	3,862,141	2,594,630
Total operating expenses (note 19).....	<u>51,745,910</u>	<u>38,264,517</u>

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

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Cash at bank and in hand.....	37,170,604	17,227,186
Short term deposits.....	82,300,000	122,817,500
Total cash and cash equivalents.....	<u>119,470,604</u>	<u>140,044,686</u>

The effective interest rate on cash and cash equivalents was 2.35% (2007: 2.94%)

Credit quality of cash and cash equivalents

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

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
External credit rating of counterparty		
P1 / A-1.....	119,467,473	140,042,239
Cash on hand.....	3,131	2,447
Total cash and cash equivalents.....	<u>119,470,604</u>	<u>140,044,686</u>

External credit ratings of counterparties were obtained from Moody's (P1) or Standard and Poors (A1), respectively.

8. Other current assets

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Receivables.....	1,890,315	1,515,835
Prepayments.....	885,462	1,971,369
Accrued interest income.....	350,099	36,012
Loans to related parties (note 26).....	-	115,244
Total other current assets.....	<u>3,125,876</u>	<u>3,638,460</u>

9. Intangible assets

	<u>Computer software licenses</u>
At January 1, 2007	
Cost.....	426,205
Accumulated amortization.....	(344,786)
Net book value.....	<u>81,419</u>
Year ended December 31, 2007	
Opening net book amount.....	81,419
Exchange differences.....	252
Additions.....	167,693
Amortization charge.....	(64,623)
Closing net book amount.....	<u>184,741</u>
At December 31, 2007	
Cost.....	594,704
Accumulated amortization.....	(409,963)
Net book value.....	<u>184,741</u>
Year ended December 31, 2008	
Opening net book amount.....	184,741
Exchange differences.....	(564)
Additions.....	141,496
Amortization charge.....	(101,620)
Closing net book amount.....	<u>224,053</u>
At December 31, 2008	
Cost.....	732,655
Accumulated amortization.....	(508,602)
Net book value.....	<u>224,053</u>

The Group recorded an amortization charge in 2008 of CHF76,754 (2007: CHF52,260) as part of research and development expenses and CHF24,866 (2007: CHF12,363) as part of general and administration expenses.

10. Property, plant and equipment

	Buildings	Leasehold improvements	Equipment	Furniture & fixtures	Chemical library	Total
At January 1, 2007						
Cost.....	32,698	4,695,526	5,090,389	773,988	792,361	11,384,962
Accumulated depreciation.....	(2,943)	(2,875,449)	(3,910,349)	(476,958)	(465,887)	(7,731,586)
Net book value.....	<u>29,755</u>	<u>1,820,077</u>	<u>1,180,040</u>	<u>297,030</u>	<u>326,474</u>	<u>3,653,376</u>
Year ended December 31, 2007						
Opening net book amount.....	29,755	1,820,077	1,180,040	297,030	326,474	3,653,376
Exchange differences.....	-	36,216	10,853	1,258	-	48,327
Additions.....	-	1,279,684	1,444,589	230,300	30,984	2,985,557
Depreciation charge.....	(1,308)	(507,853)	(914,579)	(153,053)	(160,672)	(1,737,465)
Closing net book amount.....	<u>28,447</u>	<u>2,628,124</u>	<u>1,720,903</u>	<u>375,535</u>	<u>196,786</u>	<u>4,949,795</u>
At December 31, 2007						
Cost.....	32,698	6,028,242	6,571,439	1,007,243	823,346	14,462,968
Accumulated depreciation.....	(4,251)	(3,400,118)	(4,850,536)	(631,708)	(626,560)	(9,513,173)
Net book value.....	<u>28,447</u>	<u>2,628,124</u>	<u>1,720,903</u>	<u>375,535</u>	<u>196,786</u>	<u>4,949,795</u>
Year ended December 31, 2008						
Opening net book amount.....	28,447	2,628,124	1,720,903	375,535	196,786	4,949,795
Exchange differences.....	-	(100,490)	(71,233)	(2,398)	-	(174,121)
Additions.....	-	1,360,042	4,329,910	248,703	194,402	6,133,057
Depreciation charge.....	(1,307)	(493,776)	(1,193,887)	(120,363)	(105,476)	(1,914,809)
Closing net book amount.....	<u>27,140</u>	<u>3,393,900</u>	<u>4,785,693</u>	<u>501,477</u>	<u>285,712</u>	<u>8,993,922</u>
At December 31, 2008						
Cost.....	32,698	7,201,371	10,690,458	1,244,509	1,017,748	20,186,784
Accumulated depreciation.....	(5,558)	(3,807,471)	(5,904,765)	(743,032)	(732,036)	(11,192,862)
Net book value.....	<u>27,140</u>	<u>3,393,900</u>	<u>4,785,693</u>	<u>501,477</u>	<u>285,712</u>	<u>8,993,922</u>

The Group recorded a depreciation charge in 2008 of CHF1,853,170 (2007: CHF1,687,832) as part of research and development expenses and CHF61,639 (2007: CHF49,633) as part of general and administration expenses.

11. Other non-current assets

	December 31, 2008	December 31, 2007
Prepaid pension costs (note 22).....	116,955	288,523
Security rental deposit.....	<u>396,406</u>	<u>268,346</u>
Total other non-current assets.....	<u>513,361</u>	<u>556,869</u>

12. Finance leases

At December 31, 2008 and 2007, the Group had no finance leases. During 2007 finance lease payments amounted to CHF126,572. The weighted average effective interest rate for 2007 was 5%.

13. Payables and accruals

	December 31, 2008	December 31, 2007
Trade payables.....	4,144,978	2,571,100
Social security and other taxes.....	461,577	436,213
Accrued expenses.....	<u>6,862,569</u>	<u>2,938,137</u>
Total payables and accruals.....	<u>11,469,124</u>	<u>5,945,450</u>

14. Deferred income

Deferred income of CHF1,867,319 (2007: CHF3,320,961) relates to up front fees, a research milestone and technology fees received under the agreement with Merck Sharp & Dohme Research Ltd that was entered into on November 30, 2007 (see note 17).

15. Share capital and share premium

	Number of shares				Total
	Common shares	Preferred shares	Non voting shares	Treasury Shares	
Balance at January 1, 2007.....	212,000	3,105,492	670,000	(119,869)	3,867,623
Conversion of preferred shares.....	3,105,492	(3,105,492)	-	-	-
Conversion of non voting shares.....	670,000	-	(670,000)	-	-
Issue of shares – IPO.....	1,875,000	-	-	-	1,875,000
Purchase of treasury shares.....	-	-	-	(4,712)	(4,712)
Balance at December 31, 2007....	5,862,492	-	-	(124,581)	5,737,911
Purchase of treasury shares.....	-	-	-	(2,357)	(2,357)
Balance at December 31, 2008....	5,862,492	-	-	(126,938)	5,735,554

At December 31, 2008, the total outstanding share capital is CHF5,862,492 (December 31, 2007: CHF5,862,492), consisting of 5,862,492 shares (December 31, 2007: 5,862,492). All shares have a nominal value of CHF1 and are fully paid.

During 2008, the Group's Swiss operating subsidiary acquired 1,499 (2007: 1,610) of the Company's shares from employees at the market price and 858 (2007: 3,102) at CHF1 under the Company's non voting share equity incentive plans. The total amount paid to acquire the shares, net of income tax, was CHF64,093 (2007: CHF63,074) and has been deducted from share capital, CHF2,357 (2007: CHF4,712) and from share premium CHF61,736 (2007: CHF58,362). The shares are held as "treasury shares" and the Company has the right to reissue these shares at a later date.

On May 3, 2007, as part of the IPO at the SWX Swiss Exchange, the Company converted all preferred shares and all non voting shares one for one into common shares, contingent to completion of the IPO. This resulted in a share capital of CHF3,987,492 divided in 3,987,492 fully paid-in common shares, each with a nominal value of CHF1. On the same day, the Company authorized the issuance of up to 2,900,000 common shares for its IPO excluding the pre-emptive right of shareholders. Upon completion of its IPO on May 21, 2007, the Company issued 1,875,000 shares with a first day of trading on May 22, 2007. Furthermore, the extraordinary general meeting of shareholders of May 3, 2007 approved the creation of authorized capital of CHF1,993,746 and a conditional capital of CHF1,993,746 of which CHF300,000 is designated with the treasury share balance for the issuance of shares under the Company's share option plans.

The gross proceeds from the IPO amounted to CHF136,875,000. The expenses of CHF4,524,573, which relate directly to the issue of new shares, have been charged to equity and the other expenses of CHF5,670,017 have been included in other operating expenses.

16. Share-based compensation

	<u>2008</u>	<u>2007</u>
Non-executive directors and consultants.....	137,730	116,721
Executives and employees (note 20).....	1,040,923	482,947
Total share-based compensation.....	<u>1,178,653</u>	<u>599,668</u>

Share option plans

The Company has established share option plans to provide incentives to directors, executives, employees and consultants of the Group.

Plan A was effective from January 1, 2007 until July 1, 2008, and provides for four grants per year on the first day of the quarter. The exercise price for options granted on April 1, 2007 (prior to the IPO) is CHF39.5. The exercise price of options granted on July 1, 2007, October 1, 2007, April 1, 2008 and July 1, 2008 is equal to the average closing share price for the quarter preceding the grant date. An options grant shall vest over 5 years in the following manner: (i) the participant may not exercise any options of such options grant during the first year starting from the grant date; (ii) the participant may exercise 20% of such options grant after the first anniversary of the grant date, and (iii) the participant may exercise another 20% of such options grant after each further anniversary of the grant date until exhaustion of such options grant. The option term (exercise period) shall be the fifth anniversary of the vesting date of such option.

Plan B became effective on July 1, 2008, replacing plan A and provides for four grants per year on the first day of the quarter. The exercise price of options granted on July 1, 2008 and October 1, 2008 is equal to the closing share price on the business day preceding the date of the grant plus 7.5%. An options grant shall vest over 4 years in the following manner: (i) the participant may not exercise any options of such options grant during the first year starting from the grant date; (ii) the participant may exercise 25% of such options grant after the first anniversary of the grant date, and (iii) the participant may exercise another 25% of such options grant after each further anniversary of the grant date until exhaustion of such options grant. The option term (exercise period) shall be the fifth anniversary of the grant date of such option.

The Group has no legal or constructive obligation to repurchase or settle options in cash.

During 2008 the Company granted 283,000 options (2007: 29,800 options) to directors, executives, employees and consultants of the Group.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	<u>2008</u>		<u>2007</u>	
	Average exercise price in CHF per share	Number of options	Average exercise price in CHF per share	Number of options
At January 1.....	52.66	29,800	-	-
Granted.....	35.92	283,000	52.66	29,800
Forfeited.....	61.46	(4,000)	-	-
At December 31.....	<u>37.20</u>	<u>308,800</u>	<u>52.66</u>	<u>29,800</u>

Out of the 308,800 outstanding options (2007: 29,800 options), 5,960 options (2007: nil) were exercisable. No option has been exercised in 2008.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

<u>Expiry date</u>	<u>2008</u>		<u>2007</u>	
	<u>Range of exercise price in CHF per share</u>	<u>Number of options</u>	<u>Range of exercise price in CHF per share</u>	<u>Number of options</u>
2009.....	61.46	1,000	-	-
2013.....	35.50 – 65.27	251,210	39.50 – 65.27	5,960
2014.....	33.28 – 65.27	12,310	39.50 – 65.27	5,960
2015.....	33.28 – 65.27	12,310	39.50 – 65.27	5,960
2016.....	33.28 – 65.27	12,310	39.50 – 65.27	5,960
2017.....	33.28 – 65.27	12,310	39.50 – 65.27	5,960
2018.....	33.28 – 37.03	7,350	-	-
Total outstanding options.....		308,800		29,800

The weighted average fair value of options granted during 2008 determined using the binomial valuation model was CHF8.06 per option (2007: CHF15.08). The significant inputs into the model were:

	<u>2008</u>	<u>2007</u>
Weighted average share price at the grant date.....	33.31	53.35
Range of exercise price per share.....	33.28 – 50.50	39.50 – 65.27
Volatility.....	40%	39.52%
Dividend yield.....	-	-
Annual risk-free interest rate.....	2.86%	2.64%

Since the Company has a short track record as a public company, volatility has been estimated based on the historical trend of an appropriate sample of companies operating in the biotech and pharmaceutical industry.

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:

	<u>2008</u>	<u>2007</u>
Research and development.....	420,615	14,465
General and administration.....	538,605	120,054
Total share-based compensation.....	959,220	134,519

Non voting share equity incentive plans

Prior to December 31, 2006, the Group established non voting share equity incentive plans effective on July 1, 2004 (the “Equity Incentive Plan 2004”) and on September 1, 2006 (the “Equity Incentive Plan 2006”). These equity incentive plans provided certain directors, executives, employees and consultants of the Group with an opportunity to subscribe or purchase non voting shares of the Company at a price of CHF1 each. By resolution of the shareholders’ meeting dated May 3, 2007, all non voting shares have been converted at a one to one ratio into common shares. The Company is no longer issuing non voting shares under these equity incentive plans and all converted non voting shares continue to be subjected to their respective plans. The converted non voting shares are subject to a claw back provision that provides the Company with a right to repurchase the shares in the event of the contractual relationship being terminated. The right to repurchase shall reduce to zero on a straight-line basis over a 4 year period for Equity Incentive Plan 2004 and a 5 year period for Equity Incentive Plan 2006, subject to a period of 1 year from the subscription or purchase date when the right to repurchase shall be 100% of the non voting shares. In the event of a change in control, the Company automatically renounces its’ repurchase right.

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

	<u>2008</u>	<u>2007</u>
	<u>Number of shares</u>	<u>Number of shares</u>
At January 1.....	557,279	560,381
Sold.....	-	-
Repurchased under claw back provision (note 15).	(858)	(3,102)
At December 31.....	<u>556,421</u>	<u>557,279</u>

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:

	<u>2008</u>	<u>2007</u>
Research and development.....	102,060	187,215
General and administration.....	117,373	277,934
Total share-based compensation.....	<u>219,433</u>	<u>465,149</u>

17. License and collaboration agreements

Merck & Co., Inc.

On January 2, 2008, the Group executed a license agreement with Merck & Co., Inc. (“Merck”). In accordance with the agreement, Merck has acquired an exclusive worldwide license to develop ADX63365 and other mGluR5 PAM compounds for the treatment of human health. Under this agreement, Merck made a USD22,000,000 up front payment and will make future payments contingent on the products from the research achieving certain research, development and sales milestones. The Group is also eligible for undisclosed royalties on net sales. At December 31, 2008, the up front fee of CHF24,794,000 has been recognized as income.

Merck Sharp & Dohme Research Ltd.

On November 30, 2007, the Group executed a research collaboration and license agreement with Merck Sharp & Dohme Research Ltd (“MSD”). In accordance with the agreement, Merck has acquired an exclusive worldwide license to develop mGluR4 PAM compounds for the treatment of human health. Under the agreement, MSD made a USD3,000,000 up front payment and will make future payments contingent on the products from the research achieving certain research and development milestones. The Group is also eligible for undisclosed royalties on net sales. During 2008, a research milestone and a technology fee of USD250,000 each were received, and are being recognized over the remaining term of the agreement. At December 31, 2008, up front fees, technology fees and research milestone of CHF1,867,319 (2007: CHF3,320,961) have been recorded as deferred income (see note 14). During 2008, income of CHF2,012,842 (2007: CHF156,639) has been recognized.

Ortho-McNeil Pharmaceutical Inc.

On December 31, 2004, the Group executed a research collaboration and license agreement with Ortho-McNeil Pharmaceutical Inc. (“OMP”). In accordance with the agreement, OMP has acquired an exclusive worldwide license to develop mGluR2 PAM compounds for the treatment of human health. Under the agreement, OMP made a EUR3,000,000 up front payment and will make future payments contingent on the products from the research achieving certain development milestones. The Group is eligible for undisclosed royalties on net sales. The initial two year research period which ended on December 31, 2006 was extended for 2007 during which research funding of EUR204,830 (2006: EUR1,600,000) was recognized as income. In 2008, no income has been recognized under this agreement.

18. Other income

	<u>2008</u>	<u>2007</u>
Research grants.....	67,331	156,031
Total other income.....	<u>67,331</u>	<u>156,031</u>

In 2008, the Group, as part of a consortium, obtained a grant of EUR7,585 (2007: EUR269,765) from the European Community of which CHF67,331 was recognized in 2008 (2007: CHF156,031).

19. Operating expenses by nature

	<u>2008</u>	<u>2007</u>
Staff costs (note 20).....	15,915,125	9,952,589
Depreciation and amortization.....	2,016,429	1,802,088
External research and development costs.....	21,532,604	12,209,023
Laboratory consumables.....	4,687,996	2,505,775
Operating leases.....	1,812,894	1,341,465
Other operating expenses.....	5,780,862	10,453,577
Total operating expenses.....	<u>51,745,910</u>	<u>38,264,517</u>

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. In 2007, other operating expenses include costs related to the Company's IPO (see note 15).

20. Staff costs

	<u>2008</u>	<u>2007</u>
Wages and salaries.....	11,917,915	7,781,022
Social charges and insurances.....	1,543,376	975,752
Value of share-based services (note 16).....	1,040,923	482,947
Pension costs – defined contribution plans.....	90,348	36,344
Pension costs – defined benefit plan (note 22).....	946,483	521,938
Other employee costs.....	376,080	154,586
Total staff cost (note 19).....	<u>15,915,125</u>	<u>9,952,589</u>

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.

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Loss before tax.....	22,066,277	35,085,765
Tax calculated at a tax rate of 7.8% (2007:7.8%)..	1,721,170	2,736,690
Effect of different tax rates in other countries.....	331,666	539,696
Expenses charged against equity.....	-	352,917
Expenses not deductible for tax purposes.....	(91,935)	(46,783)
Tax losses not recognized as deferred tax assets...	(1,960,901)	(3,582,520)
Income tax charge.....	<u>-</u>	<u>-</u>

The Group has a tax loss carry forward of CHF121,591,532 as of December 31, 2008 (2007: CHF99,525,255) of which CHF64,439,490 (2007: CHF43,894,679) expire within the next five years and CHF57,152,042 (2007: CHF55,630,576) will expire between five and seven years.

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 plan provides death and long-term disability benefits to its employees. Liabilities and assets are revised every year by an independent actuary. According to 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 2008 of CHF946,483 (2007: CHF521,938) as part of staff costs. At December 31, 2008, the excess of unrecognized actuarial losses of CHF1,666,520 (2007: CHF1,325,314) over the negative status of the pension fund of CHF1,549,565 (2007: CHF1,036,791) is recorded in other non-current assets.

Pension benefits

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

	<u>2008</u>	<u>2007</u>
Present value of funded obligations.....	6,755,694	4,943,412
Fair value of plan assets.....	(5,206,129)	(3,906,621)
Funded status.....	1,549,565	1,036,791
Unrecognized net losses.....	(1,666,520)	(1,325,314)
Deferred pension costs (note 11).....	(116,955)	(288,523)

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

	<u>2008</u>	<u>2007</u>
Current service cost.....	1,539,951	950,931
Interest cost.....	204,734	119,334
Expected return on plan assets.....	(182,255)	(117,161)
Employees' contributions.....	(660,864)	(479,822)
Amortization of unrecognized losses.....	44,917	48,656
Total included in staff costs (note 20).....	946,483	521,938

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

	<u>2008</u>	<u>2007</u>
Asset at beginning of year.....	288,523	255,976
Total expense charged in the statement of income.	(946,483)	(521,938)
Contributions paid.....	774,915	554,485
Asset at end of year.....	116,955	288,523

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

	<u>2008</u>	<u>2007</u>
Defined benefit obligation at beginning of year.....	4,943,412	3,977,785
Service cost.....	1,539,951	950,931
Interest cost.....	204,734	119,334
Change in assumptions.....	-	(321,646)
Actuarial losses.....	316,716	358,972
Benefit payments.....	(249,119)	(141,964)
Defined benefit obligations at end of year.....	<u>6,755,694</u>	<u>4,943,412</u>

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

	<u>2008</u>	<u>2007</u>
Fair value of plan assets at beginning of year.....	3,906,621	2,929,027
Expected return on plan assets.....	182,255	117,161
Employees' contributions.....	660,864	479,822
Company contribution.....	774,915	554,485
Plan assets actuarial losses.....	(69,407)	(31,910)
Benefit payments.....	(249,119)	(141,964)
Fair value of plan assets at end of year.....	<u>5,206,129</u>	<u>3,906,621</u>

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

	<u>2008</u>	<u>2007</u>
Unrecognized losses at beginning of year.....	(1,325,314)	(1,304,734)
Amortization.....	44,917	48,656
Change in assumptions.....	-	321,646
Actuarial losses.....	(316,716)	(358,972)
Plan assets actuarial losses.....	(69,407)	(31,910)
Unrecognized losses at end of year.....	<u>(1,666,520)</u>	<u>(1,325,314)</u>

The actual return on plan assets is a gain of CHF112,848 in 2008 (2007: gain of CHF85,251).

The principal actuarial assumptions used were as follows:

	<u>2008</u>	<u>2007</u>
Discount rate.....	3.50%	3.50%
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:

	<u>2008</u>	<u>2007</u>
Male.....	17.90	17.90
Female.....	21.80	21.80

The estimated Group contributions to pension plans for the financial year 2009 amounts to CHF1,041,100. 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, 2008, are not currently available for presentation. The detailed structures and assets held at December 31, 2007, are as follows:

	<u>December 31, 2007</u>	
	Allocation in %	Expected return
Cash.....	2.1%	1.5%
Bonds.....	60.0%	3.0%
Shares.....	6.3%	8.5%
Real estates and mortgage.....	27.8%	5.0%
Alternative investments.....	3.8%	4.0%

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.

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Present value of defined benefit obligation.	6,755,694	4,943,412	3,977,785	3,170,004	1,730,258
Fair value of plan assets.....	<u>(5,206,129)</u>	<u>(3,906,621)</u>	<u>(2,929,027)</u>	<u>(2,243,836)</u>	<u>(1,471,216)</u>
Deficit in the plan.....	1,549,565	1,036,791	1,048,758	926,168	259,042
Experience adjustments on plan liabilities.....	(316,716)	(358,972)	(138,531)	(749,360)	(336,120)
Experience adjustments on plan assets.....	(69,407)	(31,910)	(36,881)	(23,602)	(5,449)

23. Finance income and costs

	<u>2008</u>	<u>2007</u>
Interest income.....	3,306,814	2,551,688
Other financial income.....	524	7,787
Interest expense.....	(6,049)	(8,542)
Foreign exchange gain/(loss), net.....	<u>(495,829)</u>	<u>(15,139)</u>
Net financial income.....	<u>2,805,460</u>	<u>2,535,794</u>

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.

	<u>2008</u>	<u>2007</u>
Loss attributable to equity holders of the Company.....	22,066,277	35,085,765
Weighted average number of shares in issue.....	5,736,196	5,016,891
Basic and diluted loss per share.....	(3.85)	(6.99)

The Company has one category of dilutive potential common shares: share options. As of December 31, 2008 and December 31, 2007, share options have been ignored in the calculation of the loss per share, as they would be anti-dilutive.

25. Commitments and contingencies

Operating lease commitments

	<u>2008</u>	<u>2007</u>
Within 1 year.....	2,218,907	1,728,096
Later than 1 year and no later than 5 years.....	5,719,884	4,578,133
Later than 5 years.....	2,820,370	3,675,948
	<u>10,759,161</u>	<u>9,982,177</u>

During 2008 and 2007, the Group entered into several rental contracts for additional laboratory, office and related space at its Plan-les-Ouates site. The rental period of these contracts is approximately 10 years unless they are terminated earlier or extended.

Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	<u>2008</u>	<u>2007</u>
Property, plant and equipment.....	737,552	766,936
Intangible assets.....	18,737	9,941
	<u>756,289</u>	<u>776,877</u>

Contingencies

As part of the ordinary course of business, the Group is subject to contingent liabilities in respect of certain litigations. In the opinion of management, none of the outstanding litigations 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 2008 no services were purchases from related parties. During 2007, CHF10,531 of services were purchased from persons closely related to members of the Executive Management.

Key management compensation

	<u>2008</u>	<u>2007</u>
Salaries and other short-term employee benefits...	2,641,548	1,773,365
Other long-term benefits.....	216,240	138,593
Share-based compensation.....	731,418	393,794
	<u>3,589,206</u>	<u>2,305,752</u>

Loans to related parties – Executive Management

	<u>2008</u>	<u>2007</u>
Beginning of the year.....	115,244	148,756
Loans advanced during year.....	-	35,773
Interest charged.....	266	2,357
Loans repayments received.....	(112,773)	(71,000)
Interest payments received.....	(2,737)	(642)
End of the year (note 8).....	<u>-</u>	<u>115,244</u>

The loans advanced to Executive Management during 2007 are for one year at a 2% interest rate. No provision has been required for the loans made in 2007.

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 Obligation (SCO), 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 for which they are member. Non-Executive Directors are also eligible to participate in the Company's share option plan.

Loans and other payments to Non-Executive Directors

No loans were granted to current or former Non-Executive Directors during 2008 and 2007. No such loans were outstanding as of December 31, 2008 and 2007. During 2008 and 2007, 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 2008(1)

Name of Non-Executive Director(8)	Base cash compensation	Variable cash (attendance)	Share options granted in year (number) (3)	Share options (value) (3)	2008 Total
André J. Mueller(4).....	32,500	22,500	5,000	39,700	94,700
Andrew Galazka(7).....	30,000	15,000	3,000	23,820	68,820
Deborah Harland(2).....	-	-	-	-	-
Werner Henrich.....	20,000	12,000	3,000	23,820	55,820
Raymond Hill.....	20,000	15,000	3,000	23,820	58,820
Beat E. Lüthi(6).....	25,000	15,000	3,000	23,820	63,820
Antoine Papiernik(2).....	-	-	-	-	-
Jacques Theurillat (5).....	25,000	12,000	3,000	23,820	60,820
Total.....	152,500	91,500	20,000	158,800	402,800

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. Options granted under the Company’s share option plan have a 4 year vesting period and have an exercise price of CHF35.5. The values of share options granted are reported at fair value on the date of grant as determined using the binomial valuation model. (see note 16)
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 2007(1)

Name of Non-Executive Director(7)	Base cash compensation	Variable cash (attendance)	Share options granted in year (number) (3)	Share options (value) (3)	2007 Total
André J. Mueller(4).....	22,500	22,500	-	-	45,000
Francesco De Rubertis(2).	-	-	-	-	-
Andrew Galazka.....	15,000	15,000	-	-	30,000
Alexandra Goll(2).....	-	-	-	-	-
Deborah Harland(2).....	-	-	-	-	-
Werner Henrich.....	15,000	15,000	-	-	30,000
Beat E. Lüthi(6).....	12,000	12,000	4,000	75,338	99,338
Antoine Papiernik(2).....	-	-	-	-	-
Jacques Theurillat (5).....	20,000	20,000	4,000	75,338	115,338
Total.....	84,500	84,500	8,000	150,676	319,676

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. Options granted under the Company’s share option plan have a 5 year vesting period and have an exercise price of CHF39.5. The values of share options granted are reported at fair value on the date of grant as determined using the binomial valuation model. (see note 16)
4. Non-Executive Chairman of the Board of Directors
5. Chairman of the Audit Committee
6. Chairman of the Compensation Committee
7. 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 share option plan.

Loans and other payments to Executive Management

No loans were granted to current or former Executive Management during 2008 and 2007. No such loans were outstanding as of December 31, 2008. At December 31, 2007 loans outstanding to Executive Management amounted to CHF115,244. Included in this amount is CHF95,278 granted to Vincent Mutel which has been repaid in full at January 31, 2008. During 2008 and 2007, no payments (or waivers of claims) other than those set out in the compensation table were made to current or former members of Executive Management or to "persons closely linked" to them.

Compensation to Executive Management in 2008(1)

Executive Management (2)	Base cash compensation	Variable cash (bonus)	Share options (Number)(3)	Share options(4)	Total 2008
Vincent Mutel(5).....	454,220	188,400	30,000	238,200	880,820
Other Executive Management	1,547,818	428,350	120,000	963,300	2,939,468
Total.....	2,002,038	616,750	150,000	1,201,500	3,820,288

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. 95'000 options granted under the Company's share option plan have a 4 year vesting period and an exercised price of CHF35.5. 25'000 of the 120'000 options granted to other Executive Management have a 5 year vesting period and an exercise price of CHF37.03.
4. The value of share options granted are reported at fair value on the date of grant as determined using the binomial valuation model. (see note 16).
5. Vice Chairman of the Board of Directors and Chief Executive Officer

Compensation to Executive Management in 2007(1)

Executive Management(2)	Base cash compensation	Variable cash bonus	Share options (Number)(3)	Share options(4)	Total 2007
Vincent Mutel(5).....	343,556	155,000	4,000	75,338	573,894
Other Executive Management	874,402	370,000	-	-	1,244,402
Total.....	1,217,958	525,000	4,000	75,338	1,818,296

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. Options granted under the Company's share option plan to Vincent Mutel have a 5 year vesting period and an exercise price of CHF39.5.
4. The values of share options granted are reported at fair value on the date of grant as determined using the binomial valuation model. (see note 16).
5. Vice Chairman of the Board of Directors and Chief Executive Officer

Ownership of Addex Pharmaceuticals shares and share options by Non-Executive Directors and members of Executive Management

The total number of shares and share options owned by Non-Executive Directors and members of the Executive Management at December 31, 2008 are shown in the following table.

Name of Director or Executive (number of shares or options)	2008 options granted	Vested shares & options	Unvested shares & options	Total shares and options owned
Non-Executive Director				
André J. Mueller.....	5,000	72,176	8,200	80,376
Andrew Galazka.....	3,000	5,382	5,133	10,515
Deborah Harland.....	-	-	-	-
Werner Henrich.....	3,000	4,867	5,133	10,000
Raymond Hill.....	3,000	-	3,000	3,000
Beat E. Lüthi.....	3,000	1,050	6,200	7,250
Antoine Papiernik.....	-	-	-	-
Jacques Theurillat.....	3,000	800	6,200	7,000
Executive Management				
Vincent Mutel.....	30,000	173,950	65,200	239,150
Tim Dyer.....	20,000	108,167	41,333	149,500
Charlotte Keywood.....	15,000	17,683	24,067	41,750
Sonia Poli.....	15,000	9,433	24,067	33,500
Emmanuel Le Poul.....	15,000	26,167	28,333	54,500
Laurent Massuyeau.....	40,000	-	40,000	40,000
Laurent Galibert.....	15,000	-	15,000	15,000
Total.....	170,000	419,675	271,866	691,541

The total number of shares and share options owned by Non-Executive Directors and members of the Executive Management at December 31, 2007 are shown in the following table.

Name of Director or Executive (number of shares or options)	2007 options granted	Vested shares	Unvested shares & options	Total shares and options owned
Non-Executive Director				
André J. Mueller.....	-	39,176	4,900	44,076
Francesco De Rubertis.....	-	-	-	-
Andrew Galazka.....	-	4,332	3,183	7,515
Alexandra Goll.....	-	-	-	-
Deborah Harland.....	-	-	-	-
Werner Henrich.....	-	3,692	3,308	7,000
Beat E. Lüthi.....	4,000	250	4,000	4,250
Antoine Papiernik.....	-	-	-	-
Jacques Theurillat.....	4,000	-	4,000	4,000
Executive Management				
Vincent Mutel.....	4,000	149,400	59,750	209,150
Tim Dyer.....	-	93,542	35,958	129,500
Mark Epping-Jordan.....	-	80,875	5,125	86,000
Charlotte Keywood.....	-	13,096	13,654	26,750
Sonia Poli.....	-	8,908	13,092	22,000
Total.....	12,000	393,271	146,970	540,241

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 Pharmaceuticals Ltd
as at December 31, 2008**

Balance Sheets
as at December 31, 2008 and December 31, 2007

	<u>Notes</u>	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Amounts in Swiss francs			
ASSETS			
Current assets			
Cash and cash equivalents.....		109,402,418	127,921,777
Other receivables			
Third parties.....		733,544	674,521
Group company.....		20,054,770	84,543
Accrued income.....		350,099	34,572
Total current assets.....		<u>130,540,831</u>	<u>128,715,413</u>
Non-current assets			
Investments in Group companies.....	6	3,987,493	3,987,493
Total non-current assets.....		<u>3,987,493</u>	<u>3,987,493</u>
Total assets.....		<u>134,528,324</u>	<u>132,702,906</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payables.....		10,179	307,870
Other payables.....		49,839	77,468
Accruals.....		265,166	65,760
Total current liabilities.....		<u>325,184</u>	<u>451,098</u>
Shareholders' equity			
Share capital.....	7	5,862,492	5,862,492
Legal reserves			
Share premium.....		134,752,963	134,817,056
Treasury shares reserve.....	8	247,036	182,943
Accumulated deficit.....		(6,659,351)	(8,610,683)
Total shareholders' equity.....		<u>134,203,140</u>	<u>132,251,808</u>
Total liabilities and shareholders' equity.....		<u>134,528,324</u>	<u>132,702,906</u>

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

Statements of Income
for the years ended December 31, 2008 and 2007

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Amounts in Swiss francs		
Operating expenses		
Professional fees.....	189,793	8,953,168
Other operating expenses.....	463,329	260,397
Taxes.....	140,763	1,355,129
	<u>793,885</u>	<u>10,568,694</u>
Interest income.....	(2,745,268)	(1,961,775)
Interest expenses.....	51	3,764
Net (income)/loss before taxes	<u>(1,951,332)</u>	<u>8,610,683</u>
Income tax expense.....	—	—
Net (income)/loss for the year.....	<u><u>(1,951,332)</u></u>	<u><u>8,610,683</u></u>

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

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, 2008 and December 31, 2007, 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, 2008 and December 31, 2007, there were no assets pledged to secure own liabilities.

4. Lease commitments not recorded in the balance sheet

As of December 31, 2008 and December 31, 2007, there were no lease commitments not recorded in the balance sheet.

5. Amounts due to pension funds

As of December 31, 2008 and December 31, 2007, there were no amounts due to pension funds.

6. Significant investments

Addex Pharmaceuticals Ltd as a holding company for the Addex Pharmaceuticals Group owns:

<u>Company</u>	<u>Business</u>	<u>Capital</u>	<u>Interest in capital in %</u>
Addex Pharma SA, Plan-les-Ouates, Switzerland	Research & development	CHF3,987,492	100%
Addex Pharmaceuticals France SAS, Archamps, France	Research & development	€37,000	100%

7. Capital increases

At December 31, 2008, the total outstanding share capital is CHF5,862,492 (2007: CHF5'862'492), consisting of 5,862,492 shares. All shares have a nominal value of CHF1.

Addex Pharmaceuticals Ltd was founded on February 19, 2007 and registered in the commercial register of the Canton of Geneva on March 19, 2007 as a holding company for the Addex Pharmaceuticals Group with an original share capital of CHF3,987,492 divided into 212,000 common shares, 620,000 series A preferred shares, 1,472,838 series B preferred shares, 1,012,654 series C preferred shares and 670,000 non voting shares. All shares and non voting shares had a nominal value of CHF1 and were fully paid in. Addex Pharma SA shareholders contributed their shares in Addex Pharma SA as consideration in kind for the subscription of Addex Pharmaceuticals Ltd shares.

Pursuant to the shareholders' resolution passed by an extraordinary shareholders' meeting on May 3, 2007, all preferred shares and all non voting shares were converted into common shares, resulting in a share capital of CHF3,987,492 divided in 3,987,492 fully paid in common shares, each with a nominal value of CHF1. Furthermore, the creation of authorized capital of CHF1,993,746 and a conditional capital of CHF1,993,746 was approved.

Upon completion of the Initial Public Offering on May 21, 2007 the Company issued 1,875,000 new shares at the offer price of CHF73.

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Authorized capital.....	1,993,746	1,993,746
Conditional capital.....	1,993,746	1,993,746

8. Treasury shares 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 shares reserve:

	Number of registered shares	Price in CHF	Total purchase price in CHF	% of share capital
Balance at January 1, 2007.....	119,869		119,869	3.01%
Purchases.....	3,102	1.00	3,102	
Purchases.....	1,610	37.25	59,972	
Balance at December 31, 2007.....	124,581		182,943	2.13%
Purchases.....	1,405	43.00	60,415	
Purchases.....	858	1.00	858	
Purchases.....	94	30.00	2,820	
Balance at December 31, 2008.....	126,938		247,036	2.17%

9. 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, 2008		December 31, 2007	
	Number of Shares	Interest in capital in %	Number of Shares	Interest in capital in %
Sofinnova Capital IV FCPR.....	806,648	13.76%	792,648	13.52%
Index Ventures II*.....	765,788	13.06%	765,788	13.06%
TVM V Life Science Ventures.....	705,726	12.04%	705,726	12.04%
The Swiss Helvetia Fund.....	314,860	5.37%	not available	
SROne Ltd.....	293,125	5.00%	not available	
Varuma AG.....	231,425	3.95%	not available	
Mutel Vincent.....	205,150	3.50%	205,150	3.50%

*Addex Pharmaceuticals Ltd shares are held by several related entities.

10. Proposal of the Board of Directors for appropriation of loss carried forward

The Board of Directors proposes to transfer CHF64,093 from share premium to treasury shares reserve and to carry forward the net income for the year 2008 of CHF1,951,332.

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

Refer to note 28 on page 26 of the consolidated financial statements.

12. Risk assessment

Refer to note 29 on page 30 of the consolidated financial statements.