

FINAL TRANSCRIPT

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ADXN.S - Interim 2007 ADDEX PHARMACEUTICALS SA Earnings Conference Call

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PRESENTATION

Operator

Good morning, and good afternoon. This is the [Callsco] conference operator. Welcome to the Addex Pharmaceuticals first half 2007 financial results conference call.

(OPERATOR INSTRUCTIONS)

At this time, I would like to turn the conference over to Chris Maggos, Head of IR and Communications of Addex Pharmaceuticals, accompanied by Vincent Mutel, Chief Executive Officer; Tim Dyer, Chief Financial Officer; and Charlotte Keyword, Chief Medical Officer of Addex Pharmaceuticals. Please go ahead.

Chris Maggos - Addex Pharmaceuticals SA - Head of IR and Communications

Thanks, Stephanie. Hello, everyone. We're glad you are interested to join us today. My name is Chris Maggos. And I'm going to outline for you the program for this conference call. Vincent Mutel will give an overview of Addex's progress this year and then hand the microphone over to Tim Dyer, who will report our financial results for the first half and offer you some financial guidance. Then Vincent will report the status of our pipeline. After that, we'll open up the call to you for questions.

And before I hand off to Vincent, I'd like to encourage anyone who is not familiar with the risks and uncertainties in our offering circular to review them. You can download this document from the Investor Relations section of our website or simply request a copy.

As a reminder, the slides and other supporting documents that we'll be referring to today will be available for download on our website. And both a transcript and a replay of the webcast will be made available to you through the website as well.

My pleasure to introduce to you Vincent Mutel.

Vincent Mutel - *Addex Pharmaceuticals SA - CEO*

Thank you, Chris. Hello, everyone. And thank you for joining us. So first, I would like to give you a brief introduction on the most significant milestones of this first half year. And then I will spend some time to go over the allosteric modulation concept and its advantage over the most classical competitive approach. After Tim will have walked you through the financial part, I will come back then to the pipeline to give you an update of its status and more precision regarding the associated timelines.

So let me start with reminding you that during the first half of the year our lead product ADX10059, a negative allosteric modulator of the metabotropic glutamate receptor 5, demonstrates efficacy in humans in both GERD and migraine, two very large indications. For these two indications, our Phase IIa results, represent the first clinical validation of the metabotropic glutamate receptor 5 as a therapeutic target. It was the first. And as you can see, we have positive results for both of these indications.

In May on the back of the ADX10059 clinical results and with the good market condition we had, we completed the largest biotech IPO Europe has seen in the last three years, which was a very significant achievement for the company. Addex management, as you can believe, is focused on execution of the ongoing clinical development, making sure that our three clinical products are advancing according to our plans. We will come back to that.

However, as you will see later, we are also successfully advancing our pre-clinical pipeline as well. And this is largely derisking our development, having the potential to provide wide range of first in class novel therapies for very large indication by systematically exploiting our allosteric modulator technology.

So as you understand, allosteric modulation is the core of the ability of Addex to create value for investors. And let me now spend some time to review some of the key advantages of this new pharmacological approach. We'll turn to the allosteric modulator. Allosteric literally translated from its Greek root means other site.

That's a very important distinction. And small molecule allosteric modulators, as we developed in Addex, are binding on the therapeutic target at a binding site, which is different from the binding site of endogenous activators, the one made by the body, and also different to the competitive orthosteric agonist or antagonist drugs, which have been developed so far by the pharmaceutical industry.

In addition and on the opposite of the competitive orthosteric molecule, allosteric modulators do not directly activate or inhibit the function of the receptor but increase for positive or decrease for negative the activation of the receptor by the endogenous activator.

And that's a very critical difference to the two systems or the two principles. For these two reasons, we believe allosteric modulation may offer differentiated ways to normalize the biological signal perturbed by disease, compared to the effect of classical agonist or antagonist drugs, which are competing with the endogenous activator.

And more specifically, let me tell you what are the four key advantages that allosteric modulators are offering compared to the classical approach. First, because they bind to a distinct site, allosteric modulators do not compete with endogenous ligands, as you understand, and therefore can exert their influence even in the presence of endogenous ligands bound to the orthosteric site on the same target and at the same time.

This is a very important distinction. This means that lower doses of allosteric modulators could have greater effect than orthosteric molecules with similar affinity as they do not have to compete with anything on the target on the allosteric binding site.

In addition, allosteric modulators, as they do not bind to the very conserved orthosteric site, might be more selective for the target. And this is in general what we observed so far with our compounds. Second, small molecules orally active allosteric

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modulators can be made for targets where only protein or peptide therapeutics have been generated to date and with all their well-known drawbacks, peptides and proteins in particular.

This is possible because allosteric modulators interact with their binding sites in a more direct and simple way than what you would need to do if you want to mimic the interaction of a large peptide or protein with the orthosteric binding site.

And for example, Addex has made allosteric modulators against some clinically validated targets that the pharma industry has been unable to address using classical competitive approach specifically. And as you see for the first time, we have been able to make allosteric modulators for the GLP-1 receptor, which is a very important target and recognized target for diabetes type II. And it's a clinically validated target and also for the FSH receptor, which is a receptor for glycoprotein hormones.

For both receptors, only peptides or glycoprotein, which have to be injected intravenously, are available to date. And we believe that our molecules are going to bring a very differentiated way to address the therapy of these two very important diseases. The same concept is generally applicable for all receptors activated by non- drug like molecules, like peptides. But it might work also, for instance, for lipid receptors as well. And very clearly, it's opening a lot of possibilities for our future development.

The third key differentiation between the orthosteric approach, the competitive approach classical, is that Addex can make new chemical entities that modulate well-validated GPCR targets for which there are marketed product, but for which there is no longer enough differentiation in efficacy or side effects with the new molecule the orthosteric approach can bring.

And the bottom line of that is that we could revive well-known targets for which we can provide improved molecules with differentiated profiles and we are very much involved in the discovery on these types of targets.

The fourth key aspect of the technology we have, and because the molecules we have bind on a distinct site, are possibilities to combine allosteric modulators with orthosteric drugs. That's something we would like to explore. For example, a positive allosteric modulator could be used to potentiate and then to decrease the quantity injected of a given orthosteric drug. This is opening a lot of possibilities for our future development as well.

So as a summary today, we believe that Addex is the only company that has shown to be able to systematically discover and develop allosteric modulators against membrane bound GCPRs for very large indications.

We have demonstrated that now on a recurrent basis with the pipeline we have put in place. It also appears quite clearly through our ongoing collaboration with Ortho-McNeil, but also through our business development discussion that there is a widespread interest in the potential of allosteric modulation in many of the major pharma companies today. I think this is a very interesting twist that we are looking at. And we are, as you can believe, following this with a lot of attention.

So by investing in our IPO, we believe that the investment community has provided Addex an opportunity to improve its competitive advantage and we are very certainly determined to maximize the potential return in this highly-exciting field. On this note, I will give now to Tim the floor. and he will report to you our financial results for the first half of 2007. Tim?

Tim Dyer - Addex Pharmaceuticals SA - CFO

Thanks, Vincent. Good afternoon or good morning to those in the U.S. So starting with the balance sheet, in the first half of 2007, our cash and cash equivalents position increased by CHF118.2 million to CHF159.1 million. This is primarily due to net proceeds from the IPO offset cash used in operating activities.

The IPO raised gross proceeds of CHF137 million and cost CHF10.1 million of which CHF5.6 million has been recognized in the income statement. And CHF4.5 million have been recognized directly against equity. Other current assets have increased by 53% to CHF2 million, mainly due to timing differences in the payment of pension costs and the receipt of recoverable taxes.

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Moving on to other property, plant, and equipment, this position has decreased by 20% to CHF2.9 million in line with our depreciation policy. Investment in property, plant, and equipment during the first half of 2007 was CHF200,000. We are expecting this figure to increase substantially in the second half of 2007 to between CHF3 million to CHF4million for the full year 2007.

This is primarily driven by expansion of our research facilities at our Plan-les-Ouates site in line with our growth strategy. In addition to the approximately 2,500 meters squared of preexisting laboratory and office space in Plan-les-Ouates, we will begin moving into another 2,500 meters squared of adjoining laboratory and office space which became available on the same site when our former neighbor Serono moved to its new offices in downtown Geneva.

Moving onto current liabilities, these have increased significantly to CHF9.1 million. This is primarily due to IPO related costs that had not been settled at June 30. Now moving onto the next slide, the income statement, revenues for the first half of 2007 amounted to CHF400,000. This represents a significant decrease compared to the CHF2.4 million reported in each of the first and second halves of 2006.

The primary reason for this sharp decrease is due to the end of the research Phase of the Ortho-McNeil collaboration at the end of 2006. The collaboration is progressing as planned. And consequently, our research effort has been substantively reduced in line with the needs of the program. Our future involvement in the collaboration will be limited to participation in the joint development committee. And I'd also like to add and reiterate here that we will be eligible for undisclosed milestones and royalties going forward.

R&D expenses -- these increased by 19% to CHF12.6 million for the first half of 2007. This is primarily due to continued growth in our investments in clinical development activities and increased patenting costs associated with the progress made in the discovery as well as increases in staff costs due to new hires and internal promotions.

In the first half of 2007, general and administration expenses are dominated by the IPO related costs amounting to CHF5.6 million. As mentioned before, an additional CHF4.5 million of IPO related costs have been charged directly to equity. If we look at G&A expenses excluding IPO related costs, the increase is 63% to CHF2.3 million. This increase is due primarily to staff costs associated with new hires, internal promotions, and external business development and market research related services.

The operating loss for the first half of 2007 has doubled compared to the first half of 2006. To exclude again the IPO related costs, the corresponding loss has increased by 51%. And this is mainly driven by increased clinical and late preclinical development activity in line with the pipeline progression as well as a 17% growth in our average headcount, 70 full-time equivalents, in H1 2007. At June 30, 2007, our headcount had reached 75 full-time equivalents.

Now moving on to the next slide, cash flow, the purpose of this slide is to reconcile cash and cash equivalents over the period and to clearly separate cash flows related to operations from those related to IPO. In the first half of 2007, operating cash [burn] excluding IPO related cash flows amounted to CHF12.5 million.

It is important to note that the cash flows from operating activities of CHF17.1 million, as presented in the IFRS interim financial statements, include certain IPO related cash flow. Going forward, we expect operating cash burn to increase in the second half year of 2007 in line with the progression of our clinical and late preclinical pipeline. In addition, we are actively recruiting in all areas of the organization, therefore expect the headcount to grow with corresponding staff cost increases.

Our guidance for full year operating cash burn and IPO related cash flows in total is therefore in the range of CHF35 million to CHF40 million. As mentioned before, we also expect in addition to have capital expenditure of between CHF3 million to CHF4 million for the full year 2007.

And moving onto the last slide on share information, following the IPO, the issued share capital increased from 3,987,492 shares to just over 5.8 million shares with the issue of 1,875,000 new shares in the IPO. All shares have a nominal value of CHF1. At June

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30, 2007, the company has a conditional capital of 1,993,746 shares and a free float of 32%. The market capitalization at the close of market yesterday was CHF406 million.

Now, I'd like to hand back to Vincent for a pipeline review.

Vincent Mutel - Addex Pharmaceuticals SA - CEO

Thanks, Tim. As you can see, our financial results for the first half of 2007 are very well reflecting the progression of our development, both on clinical and preclinical side.

If the slides can come on the screen, I would be very happy to give you an update on the status of our pipeline

We have already discussed the positive Phase IIa results for the GERD and migraine with many of you and you can find a summary of these results on the today press release. So we won't go through the detail with that and Charlotte Keywood, our Chief Medical Officer, will be together with us during the Q&A session so she will be able to give you more details on the clinical operation.

Here we are.

So I will start with ADX10059. In particular I'll give you some information on the prospective Phase IIb. You know that the Phase IIa studies for ADX10059 have been done using the pure API in capsule. The compound in fact did not need any galenic formulation work. We have been very happy to be able to do that.

This allowed us to reach clinical proof of concept very quickly and cheaply, in fact without having to give up a suitable or an extended formulation. Now we need a more suitable type of galenic formulation for processing the compound further for the Phase IIb clinical testing and even for the Phase III. And this work is currently in progress, we've started the activity and the company's guarantee and development for this galenic formulation.

In addition, as you can believe, we are planning all the necessary activities to be able to seek regulatory authorization to run those Phase IIb programs. This is going to be done towards the middle of the first half of 2008. And to be a little more precise, we will be able to start treating the first patients around the middle of 2008 in both indications. So we are following our plan and the necessary activity are now in line and fully operational.

For ADX10059 Phase IIa in anxiety (third arrow on the slide), the enrollment is ongoing in the placebo control Phase IIa trial to treat with ADX10059 acute anxiety. This will be done in about 50 dental patients. The primary endpoint is the comparison of the VAS-anxiety score 60 minutes post dose, immediately before a dental procedure. Addex will announce the data for the double blind study around the end of this year, so in line with our predicted plans.

As you can believe also, we have planned the further possible testing in Phase IIb in anxiety for the product. We will give the go for this activity only on the back of positive Phase IIa results. So we have the plan. But we have to wait for the positive Phase IIa results to give the go to this activity.

Now regarding ADX10061, our D1 antagonist for smoking cessation, I'm very pleased to announce today that the enrollment is complete for the Phase IIa trial in smoking cessation. 148 patients have been enrolled now in the placebo control U.S. trial. The primary endpoint is four weeks continuous abstinence from the start of treatment week four. And in agreement with our plans, Addex will announce the data from the double blind study around the end of the third quarter, so perfectly in line with our plan so far.

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Now if I go to the last molecule we have in clinical development, ADX48621, this compound is our second mGluR5 negative allosteric modulator in clinical development. And in the first half, we completed the initial Phase I trial of this compound, where we showed in a single ascending dose study that given orally, the compound was very well tolerated in man.

Like for ADX10059, we have used here a pure API in capsule. The compound has very good solubility characteristics, so we were able to do that for the same reason in terms of cost control. However, now we have decided to perform the additional Phase I study of ADX48621 once a more suitable type of galenic formulation has been developed and this work is currently in progress. We have started the activity, consequently, the final data from the Phase I program are expected in 2008.

Now despite the academic research suggesting that inhibiting metabotropic glutamate receptor 5 activity could be a valuable approach for the treatment of inflammatory pain, unfortunately, Addex found, and we have performed now two tests in animals, that the compound and this is true for our molecule, but potentially for others, that mGluR5 negative allosteric modulators are not efficacious in inflammatory pain in two separate studies, of preclinical inflammatory pain models, the formalin-induced pain and post-operative pain in the paw incisional model.

We have negative outcome here and as a consequence, we decided, and I think it's legitimate, to terminate the development of the compound for acute pain that we had planned initially. But this said, I would like to remind you that we did not want to embark into development in chronic long-term indication without a partner for this compound. and Addex will continue the Phase I development of ADX48621 as I indicated before as the potential for the treatment of several indications, including depression and anxiety, is intact for this molecule. So we are moving on to maximize the value of the product as we have decided before.

It is also possible to see ADX48621 as a backup compound for ADX10059 in GERD and migraine. We believe that the compound due to its mechanism of action and its very good profile in Phase I could be as well a suitable molecule for these two indications.

If I come to ADX63365, which is a positive allosteric modulator of mGluR5, this compound demonstrates very interesting potential in several in vivo preclinical models of schizophrenia and cognitive impairment, which is the first time this mechanism of action has been shown in animals to do some of these activities.

The compound went successfully through the in vitro safety assessment and recently entered in late preclinical testing, which is the early stage toxicological assessment, which is going to lead to four weeks toxicological studies in rats and dogs that we foresee to take place beginning of next year in line with our development plan. ADX 63365 is very well on track to enter in man in the second half of 2008.

Now if I go down to the preclinical pipeline, I will skip on the mGluR2 program. But I can now give you some more information about the ADX1 program. In fact, I'm very happy to announce that we have selected a clinical candidate in this program., and I'm even more happy to be able now to disclose the nature of this clinically validated target, which is the GABA b receptor.

Our compound, which is a positive allosteric modulator of the GABA_B receptor, ADX71441, is a potent and selective positive allosteric modulator of this receptor and will now enter in full in vitro safety assessment, which is the normal procedure in the development. We plan to start Phase I testing of ADX71441 at the end of 2008, let's say, slash beginning of 2009 according to the development plan we have.

This product has the potential to be used in several indications, including spasticity, urinary incontinence, gastroesophageal reflux disease, and anxiety. I think it's a very exciting target. It's a very exciting development. Baclofen, which is a competitive orthosteric agonist of the GABA b receptor, is currently the gold standard treatment in spasticity in spite of its very poor bioavailability and side effects.

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However, its use in other indications has been very limited including GERD due in particular to its marked sedative activity. And we believe that our compound will be highly differentiated compared to baclofen. So this is a breakthrough. I'm very happy and proud to say that we have been achieving another clinical candidate qualification in our programs.

Now we have several other very exciting programs at various stages in the discovery or early development. But I won't take the time to go through that and to talk about that at least today. We are planning an R&D day in the fourth quarter, and I hope most of you or several of you will be able to attend.

In the meantime, I'll just remind you that at our current capacity, we are completing four screening a year to identify allosteric modulators against clinically validated targets, which is very important, in particular for more straightforward indications, like metabolic diseases and inflammation. And I hope that we have shared with you today the information which gives you a sense of where we think the company and its investors can go for the long-term future.

Now before going to the Q&A session, I would say some words about the strategy that we have in terms of business development in particular. As we have said and we have announced that several time, our strategy is to partner earlier rather than later compounds for which the target is not clinically validated and for which the clinical development path is rather difficult or expensive and then the risk for Addex would be very high in terms of the cost and also the risk of the development. This is the case for depression, schizophrenia, and very clearly Parkinson's disease. And that's why we are considering partnering molecules which have activity on non-clinically validated targets in these various indications. Even at the earlier stage and we have a program for Parkinson's disease at very early stage.

However, for clinically validated targets with very straightforward development paths, we will develop the molecule in our preclinical pipeline to the highest possible stage of development. We have done that for ADX10059 for example and the positive allosteric modulator of GLP-1 receptor, which you have seen on our pipeline for type II diabetes, can be also be developed very quickly and effectively through to the end of Phase IIb by our company and we see here a way to maximize the results.

This is because, in fact, early diabetes trials are short-term and outcomes are objective, measured objectively and cheaply using standard noninvasive diagnostic testing on blood samples in particular. This is true also for certain indications, like migraine, or indications, like GERD, where you do an objective measurement in a very straightforward manner.

So I will conclude here on the pipeline and the perspective of development that we have. I thank you very much for your time. I look forward to our ongoing discussion later. And will stay open to take any questions in and even after this teleconference in the oncoming weeks and months. And with that, I would like to pass the conference call back over to Chris.

Chris Maggos - *Addex Pharmaceuticals SA - Head of IR and Communications*

Thanks, Vincent. That concludes our prepared remarks for today. As a reminder, we have Charlotte Keywood, our Chief Medical Officer. And she'll join Vincent, Tim, and myself for the Q&A session. Stephanie, we're ready to take questions now.

QUESTIONS AND ANSWERS

Operator

Thank you.

(OPERATOR INSTRUCTIONS)

The first question from Peter Welford, Lehman Brothers. Please go ahead, sir.

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Peter Welford - *Lehman Brothers - Analyst*

Hi. I've got a couple of questions. To ask them one by one is probably simpler. Firstly, on the Phase IIa 59 anxiety trial, can you possibly give us an update on how many of the 50 patients you've enrolled? I know you said that the 61 trial is now fully enrolled. Can you give us some sort of guide as to how many of the 50 patients have been enrolled in the Phase IIa trial.

Chris Maggos - *Addex Pharmaceuticals SA - Head of IR and Communications*

Sure, Peter. Charlotte, do you want to take that?

Charlotte Keywood - *Addex Pharmaceuticals SA - Chief Medical Officer*

Sure. Yes. Hello, Peter. It's Charlotte here, Charlotte Keywood.

Peter Welford - *Lehman Brothers - Analyst*

Hi.

Charlotte Keywood - *Addex Pharmaceuticals SA - Chief Medical Officer*

Hi. Yes, it's making good progress. We're approximately half way through enrollment now. So we're anticipating to have a complete enrollment and report out the study as planned at the end of the year.

Peter Welford - *Lehman Brothers - Analyst*

Great. Okay. And on 48621, I understood your comments that the surgical pain indication and pain as a whole now, you don't think you've got the rationale to proceed with development. I guess my question would be what do you view now as the -- or what do you see as the main indication for that compound given that you think that your not--you don't feel as though the main indications are the same as the 59. So I guess, what do you think is the main indication you're really going to Phase IIa with at this stage?

Vincent Mutel - *Addex Pharmaceuticals SA - CEO*

Well, I think we're looking for a fast and cheap and very objective measure of the activity of the compound. But you should understand that we are profiling the compound for depression and anxiety still. So for us, it was more a matter of controlling the cost and controlling the effectiveness of the trial than really the matter of being linked to one or the other indication. This compound is being developed for anxiety and depression.

We may consider to do some anxiety activity, for example, panic attack. We have not yet decided. I think we have to take the results as they are. I mean, we are very objective regarding the results in animals and I don't think we can foresee to do further development in this direction of inflammatory pain and mGluR5 has been not yet, I think, very clearly validated for other types of pain, like neuropathic pain. So I think it would not be very meaningful to go into this direction. Our migraine study show that there is some effect in pain., although we don't know exactly the origin of that. But for me, I think we can still explore some development in anxiety as soon as, as I said also, we have been able to get a partner for the development of this product.

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Now we are embarking into the development to maximize the value. We will do all the necessary activities around the compound. As you can believe, there is still a lot of things to do on the regulatory side. And that is the major concentration of our activity for the time being.

Peter Welford - *Lehman Brothers - Analyst*

Okay. Just two more, I promise--you mentioned for that compound you'll go into further trials once the galenic formulation is developed. Is the plan to take this into a trial therefore basically as fully-formed tablets rather than the 59 method of development, where you did Phase IIa trials with essentially just capsules?

Vincent Mutel - *Addex Pharmaceuticals SA - CEO*

Yes. I think the answer is yes.

Peter Welford - *Lehman Brothers - Analyst*

That's great. Okay. And the final question, you mentioned on your last slide partnership deals. I guess, what sort of confidence do you have that by the end of this year you will have an initial--a partnership yet? I won't ask you which compound or what. But do you feel by the end of this year it may be possible to have another partnership deal for your pipeline?

Vincent Mutel - *Addex Pharmaceuticals SA - CEO*

Peter, you know how it is. These type of things, you know where you start, you never know where you end. So I think it's very difficult for me to give really a clear flavor of that. This is as usual. As I said, there is a large interest for what we do. There is a large interest for our programs. We are very clearly having ongoing discussions. That's the only thing I can tell you.

Peter Welford - *Lehman Brothers - Analyst*

Okay. You can't blame me for trying. Thank you.

Chris Maggos - *Addex Pharmaceuticals SA - Head of IR and Communications*

Thanks, Peter. Next question.

Operator

The next question -- sorry. The next question is from Mr. Andrew Weiss, Bank Vontobel. Please go ahead, sir.

Andrew Weiss - *Bank Vontobel - Analyst*

Yes. Hello, gentlemen. Thank you for taking my question. Actually, Peter already dusted off most of them. I do have one though. The 48621, you indicated that depression would not be something that you want to follow. Is it possible to actually only out-license the depression indication and keep the rest of it in house? And number two, what state would that be now that you would want to think about giving that onto someone with more marketing clout and more research?

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Vincent Mutel - *Addex Pharmaceuticals SA - CEO*

Well, I think this has been always our communication regarding 48621. In fact, we didn't want to embark into any clinical development considering depression or generalized anxiety disorder, which are very large indications, for which, we believe that what we can do apart from the Phase I is going to be more complicated and more difficult.

As I said before, we may consider development in anxiety. I don't say depression, but anxiety. I think depression's more challenging. Potentially there are ways to go fast with anxiety. Our interest is to find an indication in which our clinical trials set where we can find very rapidly or demonstrate the efficacy of the compound.

For us, the objective is to license out the product, has always been to license out the product, because we are needing somebody with big muscle to move this forward. And I cannot say else than, yes, we are proactively looking for a partner for this compound. So for me, there's no ambiguity about what we are doing with 48621. We are going to move it forward. We have still a lot of work to complete. There is regulatory -- I mean, for the filing, we need to do a lot of activity. And certainly, we will complete that to increase the value of the product.

Andrew Weiss - *Bank Vontobel - Analyst*

Thank you.

Chris Maggos - *Addex Pharmaceuticals SA - Head of IR and Communications*

Next question, please.

Operator

(OPERATOR INSTRUCTIONS)

The next question is from [Mr. Tracy West] Jeffries. Please go ahead, sir.

Tracy West - *Jefferies - Analyst*

Hi there. Thanks very much for taking my call. I just had a question for a bit more detail on your guidance and was wondering if you could give us a bit more in detail on your R&D spend for 2007 and also a bit more insight into the -- you mentioned the headcount now, I think, was 75. And you aim to increase that by the year end. And I was wondering if you could tell us a bit more about what levels you expect that to increase to.

Tim Dyer - *Addex Pharmaceuticals SA - CFO*

Yes. Thanks, Tracy. So basically the operating cash burn that I reported is CHF12.5 million for the first half of the year. And if you add on the CHF10 million of IPO expenses on top of that, that comes to CHF22 million. We're giving guidance of CHF35 million to CHF40 million. And therefore, the difference potentially between the CHF23 million and between CHF35 million or CHF40 million is what expect to plan to spend in the second half of the year.

Now additional spend is coming from additional spend on mainly the clinical and the late preclinical pipeline as it evolves and also from increasing the headcount. We are actively recruiting people. I wouldn't like to give any estimations on the success of that recruitment effort. But we are having maybe a more concerted effort now than we've had in the last couple of years. I can't give you any more guidance than that.

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Tracy West - *Jefferies - Analyst*

Okay. And just -- and apologies if this was asked already -- but 48621, I think that was one that you were hoping that you could do a licensing deal on perhaps sooner than the others. And I was just wondering whether with the pain indication sort of falling off, has interest in that product sort of fallen off a bit? Is it likely now that you'll do a bit more work on that product before you license it out?

Vincent Mutel - *Addex Pharmaceuticals SA - CEO*

Yes. I think it's a very good question, the point being that we had pursued the pain indication just because it was an indication which was very tractable for Addex. We were able to conduct the trial easily, very cost effectively. And the outcomes of the trials would have been extremely simple and clear. That is the reason why we have been pursuing this indication.

Now you know, there are many other indications for mGluR5 negative allosteric modulators possible. You have addiction. You have Fragile X. You have Parkinson's disease, which are not what we could qualify as easy and fast type of clinical development.

So for us, it's a matter now of going back to what is the original value we've seen into the product. The original value is with depression and anxiety. And that is the substance of our discussion with potential partners. It has never been on the pain indication. But it was a nice way for us to move forward the program and the project and then increase its value during the time we are embarking into the negotiations with third parties.

It doesn't change our plans for the development because essentially the compound is moving along its development plan. We have to complete a number of studies. We have to do this galenic formulation of the compound. I think it's a value creation for the molecule. It's an added value to the molecule. There are other aspects of the development that we are going to complete, which are also adding value to the molecule. And this is an ongoing activity, which is parallel to our prospective out-licensing of the molecule.

So you know we are not going to stop the development because we are discussing with somebody or with many or multiple potential partners. It is very important for us that we continue to develop the molecule at the same pace. The IP is the (inaudible-highly accented language). We have to move the product as soon as that is possible in order to keep the competitive advantage and the time that we have for the commercialization.

So it's really opportunistic. We were thinking that the pain indication would have been--and this is according to the literature--what would be something which would make sense. But we are not going to dispute the results. There is clearly not something suggestive enough for potential here. And Addex is able to take the results as they stand. And we have to now to change our mind regarding it. It's as simple as that.

Tracy West - *Jefferies - Analyst*

Okay. That's great. Thank you.

Chris Maggos - *Addex Pharmaceuticals SA - Head of IR and Communications*

Next question, please.

Operator

The next question is a follow-up question of Mr. Peter Welford, Lehman Brothers. Please go ahead, sir.

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Peter Welford - *Lehman Brothers - Analyst*

Hi. Sorry, this is actually a completely administrative question. But can I just ask will you report third quarter? Or will you report semi-annually for next results will be sometime during, I guess, early 2008?

Tim Dyer - *Addex Pharmaceuticals SA - CFO*

We're reporting half yearly.

Peter Welford - *Lehman Brothers - Analyst*

That's great. Thank you very much.

Chris Maggos - *Addex Pharmaceuticals SA - Head of IR and Communications*

Thanks, Peter. Are there any more question.

Operator

(OPERATOR INSTRUCTIONS)

Gentlemen, there are no more questions at this time.

Vincent Mutel - *Addex Pharmaceuticals SA - CEO*

Okay. Should we wait a little bit? Or do we agree now that everyone has been able to ask what was interesting for them? In this regard then, I would close this information session, thank everyone to have been attending to this webcast, and thank you for all who have asked questions as well. And we will maintain the information flow as it should be. And as I said before, we are available for further questions in the coming weeks or the coming months. Thanks very much. And thanks also for our speakers today. Goodbye.

Chris Maggos - *Addex Pharmaceuticals SA - Head of IR and Communications*

Bye, Bye.

Tim Dyer - *Addex Pharmaceuticals SA - CFO*

Thanks. Bye, bye.

Operator

Ladies and gentlemen, the conference is now concluded. And you may disconnect your telephone. Thank you very much for joining. And have a pleasant afternoon. Goodbye.

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