



**Condensed Consolidated Interim Financial Statements
of Addex Pharmaceuticals Ltd as at June 30, 2011
(Unaudited)**

Addex Pharmaceuticals Ltd
Condensed Consolidated Interim Balance Sheets
as at June 30, 2011 and December 31, 2010 (unaudited)

	<u>Notes</u>	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Amounts in Swiss Francs			
ASSETS			
Current assets			
Cash and cash equivalents.....	7	50,230,480	63,797,325
Other current assets.....		2,837,719	2,697,674
Total current assets.....		53,068,199	66,494,999
Non-current assets			
Intangible assets.....	8	55,320	83,918
Property, plant and equipment.....	8	5,410,544	6,668,201
Other non-current assets.....		1,009,752	1,036,862
Total non-current assets.....		6,475,616	7,788,981
Total assets.....		59,543,815	74,283,980
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Payables and accruals.....	9	8,671,513	8,982,264
Deferred income.....	11/12	272,873	295,037
Total current liabilities.....		8,944,386	9,277,301
Non-current liabilities			
Retirement benefit obligations.....		785,358	592,477
Total non-current liabilities.....		785,358	592,477
Shareholders' equity			
Share capital.....	10	7,705,132	6,334,180
Share premium.....		249,753,750	237,487,830
Other reserves.....		5,111,269	4,723,069
Equity instruments.....	10	—	13,798,126
Accumulated deficit.....		(212,756,080)	(197,929,003)
Total shareholders' equity.....		49,814,071	64,414,202
Total liabilities and shareholders' equity.....		59,543,815	74,283,980

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

Addex Pharmaceuticals Ltd
Condensed Consolidated Interim Statements of Income
for the six-month periods ended June 30, 2011 and 2010 (unaudited)

	<u>Notes</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Amounts in Swiss Francs			
Income			
Fees from collaborations & sale of license rights.....	11	2,721,063	1,056,025
Other income.....	12	452,411	1,643,717
Total income.....		3,173,474	2,699,742
Operating expenses			
Research and development.....		14,558,018	16,686,019
General and administration.....		3,299,194	3,289,257
Total operating expenses.....	13	17,857,212	19,975,276
Operating loss.....		(14,683,738)	(17,275,534)
Finance income.....	14	41,883	48,937
Finance expense.....	14	(185,222)	(35,716)
Finance result, net.....		(143,339)	13,221
Net loss before tax.....		(14,827,077)	(17,262,313)
Income tax expense.....		—	—
Net loss for the period.....		(14,827,077)	(17,262,313)
Loss per share for loss attributable to the equity holders of the Company, expressed in Swiss francs per share basic and diluted.....			
	15	(2.07)	(3.01)

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

Addex Pharmaceuticals Ltd
Condensed Consolidated Interim Statements of Comprehensive Income
for the six-month periods ended June 30, 2011 and 2010 (unaudited)

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
	Amounts in Swiss Francs	
Net loss for the period.....	(14,827,077)	(17,262,313)
Other comprehensive loss		
Currency translation differences.....	(42,077)	(275,254)
Other comprehensive loss for the period, net of tax...	(42,077)	(275,254)
Total comprehensive loss for the period.....	(14,869,154)	(17,537,567)

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

Addex Pharmaceuticals Ltd
Condensed Consolidated Interim Statements of Changes in Equity
for the six-month periods ended June 30, 2011 and 2010 (unaudited)

	In Swiss Francs					
	Share capital	Share premium	Other reserves	Equity instruments	Accumulated deficit	Total
Balance at January 1, 2010.....	5,741,188	232,191,050	3,932,256	–	(164,283,656)	77,580,838
Net loss for the period.....	–	–	–	–	(17,262,313)	(17,262,313)
Translation differences.....	–	–	(275,254)	–	–	(275,254)
Other comprehensive loss for the period...	–	–	(275,254)	–	–	(275,254)
Total comprehensive loss for the period.....	–	–	(275,254)	–	(17,262,313)	(17,537,567)
Cost of share capital issuance.....	–	(3,740)	–	–	–	(3,740)
Share based compensation.....	–	–	400,656	–	–	400,656
Purchase of treasury shares.....	(500)	–	–	–	–	(500)
Balance at June 30, 2010.....	5,740,688	232,187,310	4,057,658	–	(181,545,969)	60,439,687
Balance at January 1, 2011.....	6,334,180	237,487,830	4,723,069	13,798,126	(197,929,003)	64,414,202
Net loss for the period.....	–	–	–	–	(14,827,077)	(14,827,077)
Translation differences.....	–	–	(42,077)	–	–	(42,077)
Other comprehensive loss for the period...	–	–	(42,077)	–	–	(42,077)
Total comprehensive loss for the period.....	–	–	(42,077)	–	(14,827,077)	(14,869,154)
MCN conversion in common shares.....	1,371,069	12,427,057	–	(13,798,126)	–	–
Cost of share capital issuance.....	–	(161,137)	–	–	–	(161,137)
Share based compensation.....	–	–	430,277	–	–	430,277
Purchase of treasury shares.....	(117)	–	–	–	–	(117)
Balance at June 30, 2011.....	7,705,132	249,753,750	5,111,269	–	(212,756,080)	49,814,071

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

Addex Pharmaceuticals Ltd
Condensed Consolidated Interim Statements of Cash Flows
for the six-month periods ended June 30, 2011 and 2010 (unaudited)

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
	Amounts in Swiss Francs	
Cash flows from operating activities		
Net loss for the period.....	(14,827,077)	(17,262,313)
Adjustments for:		
Depreciation and amortization.....	1,363,986	1,493,645
Impairment losses on non current assets.....	12,565	—
Value of share-based services.....	430,277	400,656
Changes in retirement benefit obligations.....	192,881	195,222
Finance result, net.....	143,339	(13,221)
Changes in working capital:		
Other current assets.....	(131,920)	(1,140,837)
Deferred income, payables and accruals.....	(338,146)	(3,174,848)
Net cash used in operating activities.....	<u>(13,154,095)</u>	<u>(19,501,696)</u>
Net cash used in investing activities.....	(23,166)	(222,188)
Net cash used in financing activities.....	(171,449)	(6,923)
Decrease in cash and cash equivalents.....	<u>(13,348,710)</u>	<u>(19,730,807)</u>
Cash and cash equivalents at beginning of the period.....	63,797,325	76,560,104
Exchange loss on cash and cash equivalents.....	(218,135)	(142,797)
Cash and cash equivalents at end of the period.....	<u>50,230,480</u>	<u>56,686,500</u>

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

Addex Pharmaceuticals Ltd
Selected Notes to the Condensed Consolidated Interim Financial Statements
for the first half of 2011 (amounts in Swiss Francs) (unaudited)

1. General information

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

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

These condensed consolidated interim financial statements have been approved by the Board of Directors on July 21, 2011.

2. Basis of preparation

These condensed consolidated interim financial statements for the six months ended June 30, 2011, have been prepared in accordance with IAS 34 "Interim Financial Reporting". These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2010, which have been prepared in accordance with IFRS.

The condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at fair value.

The preparation of financial statements in accordance with IAS 34 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment which are significant to the condensed consolidated interim financial statements and were not previously disclosed in the consolidated financial statements for the year ended December 31, 2010, are disclosed in note 4.

Addex Pharmaceuticals Ltd
Selected Notes to the Condensed Consolidated Interim Financial Statements
for the first half of 2011 (amounts in Swiss Francs) (unaudited)-(Continued)

3. Accounting policies

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the consolidated financial statements for the year ended December 31, 2010, except for the following new standards, amendments to standards and interpretations which are mandatory for financial periods beginning on or after January 1, 2011:

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

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

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

- IAS 1 (amendment), “Presentation of financial statements”, on other comprehensive income (OCI), effective July 1, 2012;
- IAS 12 (amendment), “Income taxes”, on deferred tax, effective January 1, 2012;
- IAS 19 (amendments), “Employee benefits”, effective January 1, 2013;
- IAS 27 (revised 2011), “Separate financial statements”, effective January 1, 2013;
- IAS 28 (revised 2011), “Associates and joint ventures”, effective January 1, 2013;
- IFRS 7 (amendments), “Financial instruments: Disclosures”, on derecognition, effective July 1, 2011;
- IFRS 9, “Financial instruments”, effective January 1, 2013;
- IFRS 10, “Consolidated financial statements”, effective January 1, 2013;
- IFRS 11, “Joint arrangements”, effective January 1, 2013;
- IFRS 12, “Disclosure of interests in other entities”, effective January 1, 2013;
- IFRS 13, “Fair value measurement”, effective January 1, 2013.

The company is currently assessing the potential impact of the above standards, amendments to standards and interpretations on the Group financial statements.

Addex Pharmaceuticals Ltd
Selected Notes to the Condensed Consolidated Interim Financial Statements
for the first half of 2011 (amounts in Swiss Francs) (unaudited)-(Continued)

4. Critical accounting estimates and judgments

4.1 Restructuring Plan

During the period under review, the Group decided on the implementation of a restructuring plan. Since the details of the restructuring plan were not known as at June 30, 2011 and the plan was not announced until July 25, 2011 to those who were affected, the restructuring plan has been considered as an event subsequent to the balance sheet date and no related costs have been recognized during the period under review. Had more details been known about the restructuring plan as at June 30, 2011 and the plan been announced during the period under review, the Group would have recognized a provision accordingly.

4.2 Loans to employees

In connection with the granting of Equity Sharing Certificates (ESCs), the Group has made loans of CHF617,038 to its employees to finance the tax and social charges consequences of the grant of ESCs. The loans are only repayable if capital gains are realized from the exercise of the subscription rights attached to the ESCs. As at June 30, 2011, 13 ESCs have an accelerated exercise period of 30 days due to the departure of their holders. Consequently, the Group has assessed that these ESCs have limited probability of realizing a capital gain by the end of the exercise period and has recognized CHF12,565 of provision for impairment.

5. Interim measurement note

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

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

6. Segment reporting

6.1 Reportable segments

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

6.2 Entity wide information

Information about products, services and major customers

External income of the Group for the first half years of 2011 and 2010 is derived from the business of developing drugs for human health. Income was earned from collaborative arrangements and the sale of license rights to pharmaceutical companies.

Information about geographical areas

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

Addex Pharmaceuticals Ltd
Selected Notes to the Condensed Consolidated Interim Financial Statements
for the first half of 2011 (amounts in Swiss Francs) (unaudited)-(Continued)

Analysis of income by nature is detailed as follows:

	<u>Six Months Ended</u>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Milestones.....	2,598,200	—
Technology access fees.....	122,863	128,350
Research funding.....	—	927,675
Total income.....	<u>2,721,063</u>	<u>1,056,025</u>

Analysis of income by major customer is detailed as follows:

	<u>Six Months Ended</u>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Merck & Co., Inc (USA).....	122,863	1,056,025
Ortho-McNeil-Janssen (USA).....	2,598,200	—
Total income.....	<u>2,721,063</u>	<u>1,056,025</u>

The geographical analysis of assets is as follows:

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
	Switzerland.....	57,744,462
Europe.....	1,799,353	1,695,486
Total assets.....	<u>59,543,815</u>	<u>74,283,980</u>

The geographical analysis of capital expenditure is as follows:

	<u>Six Months Ended</u>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Switzerland.....	90,414	90,696
Europe.....	3,882	(42,715)
Total capital expenditure.....	<u>94,296</u>	<u>47,981</u>

The geographical analysis of operating expenses is as follows:

	<u>Six Months Ended</u>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Switzerland.....	16,703,475	18,245,916
Europe.....	1,153,737	1,729,360
Total operating expenses.....	<u>17,857,212</u>	<u>19,975,276</u>

Addex Pharmaceuticals Ltd
Selected Notes to the Condensed Consolidated Interim Financial Statements
for the first half of 2011 (amounts in Swiss Francs) (unaudited)-(Continued)

7. Cash and cash equivalents

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Cash at bank and on hand.....	39,705,480	53,282,325
Short term deposits.....	10,525,000	10,515,000
Total cash and cash equivalents.....	<u>50,230,480</u>	<u>63,797,325</u>

8. Property, plant and equipment & intangible assets

	Property, plant and equipment	Intangible assets
Six months ended June 30, 2010		
Opening net book amount as at January 1, 2010...	9,568,079	181,566
Additions.....	41,324	6,657
Depreciation and amortization.....	(1,430,760)	(62,885)
Exchange differences.....	(158,035)	(646)
Closing net book amount as at June 30, 2010...	<u>8,020,608</u>	<u>124,692</u>
Six months ended June 30, 2011		
Opening net book amount as at January 1, 2011...	6,668,201	83,918
Additions.....	85,721	8,575
Depreciation and amortization.....	(1,326,951)	(37,035)
Exchange differences.....	(16,427)	(138)
Closing net book amount as at June 30, 2011...	<u>5,410,544</u>	<u>55,320</u>

During the first half of 2011, an amount of CHF85,721 (2010: CHF41,324) was invested primarily in laboratory equipment.

9. Payables and accruals

	<u>June 30, 2011</u>	<u>December 31, 2010</u>
Trade payables.....	1,852,641	3,146,800
Social security and other taxes.....	341,418	913,869
Accrued expenses.....	6,477,454	4,921,595
Total payables and accruals.....	<u>8,671,513</u>	<u>8,982,264</u>

Addex Pharmaceuticals Ltd
Selected Notes to the Condensed Consolidated Interim Financial Statements
for the first half of 2011 (amounts in Swiss Francs) (unaudited)-(Continued)

10. Equity

	Number of shares		
	Common shares	Treasury shares	Total
Balance at January 1, 2010	5,871,242	(130,054)	5,741,188
Purchase of treasury shares.....	—	(500)	(500)
Balance at June 30, 2010	5,871,242	(130,554)	5,740,688
Balance at January 1, 2011	6,464,809	(130,629)	6,334,180
MCN conversion.....	1,371,069	—	1,371,069
Purchase of treasury shares.....	—	(117)	(117)
Balance at June 30, 2011	7,835,878	(130,746)	7,705,132

Share capital

At June 30, 2011, the total outstanding share capital is CHF7,835,878 (June 30, 2010: CHF5,871,242), consisting of 7,835,878 shares (June 30, 2010: 5,871,242). All shares have a nominal value of CHF1 and are fully paid.

On March 14, 2011, the Group issued 1,371,069 new shares to BVF Partners L.P. as a result of the conversion of zero-coupon mandatory convertible notes at CHF10.18 per share. The net proceeds of CHF13,798,126, being the gross proceeds of CHF13,957,482 less the equity instruments issuance costs of CHF159,356, have been recorded in equity net of directly related share issuance costs of CHF161,137.

During the first half of 2011, the Group's Swiss operating subsidiary acquired 117 (2010: 500) shares from an employee for CHF1 under the Company's non voting share equity incentive plan. The shares are held as "treasury shares" and the company has the right to re-issue these shares at a later date.

Equity Sharing Certificate Equity Incentive Plan

During the period under review the Company granted 6 equity sharing certificates (2010: 767). No subscription rights attached to the equity sharing certificates have been exercised in the first half years of 2011 and 2010.

Share option plan

No options were granted during the period under review (2010: 750 options granted). No options have been exercised in the first half years of 2011 and 2010.

Addex Pharmaceuticals Ltd
Selected Notes to the Condensed Consolidated Interim Financial Statements
for the first half of 2011 (amounts in Swiss Francs) (unaudited)-(Continued)

11. License and collaboration agreements

Merck Sharp & Dohme Research Ltd.

On November 30, 2007, the Group executed a research collaboration and license agreement with Merck Sharp & Dohme Research Ltd, a fully owned subsidiary of Merck & Co., Inc., which included an initial research period of two years. In accordance with the agreement, Merck has acquired an exclusive worldwide license to develop mGluR4PAM compounds for the treatment of human health. Under the agreement, the Group is eligible for 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. On November 30, 2009, the agreement was amended and the initial research period of two years was extended for an additional year until November 30, 2010. Under the amendment, Merck made quarterly research payments amounting to USD1,800,000. During the six-month period ended June 30, 2011 total fees of CHF122,863 (June 30, 2010: CHF1,056,025) have been recognized as income and at June 30, 2011, CHF102,386 (June 30, 2010: CHF106,958) has been recorded as deferred income.

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

On December 31, 2004, the Group entered into a research collaboration and license agreement with Janssen Pharmaceuticals Inc. (JPI). In accordance with this agreement, JPI has acquired an exclusive worldwide license to develop mGluR2PAM compounds for the treatment of human health. The Group is eligible for future payments contingent on the products from the research achieving certain development milestones. The Group is also eligible for low double digit royalties on net sales. Under the agreement, JPI made a EUR2,000,000 (CHF2,598,200) milestone payment that has been recognized as income during the six-month period ended June 30, 2011. No income has been recognized under this agreement in the first half year of 2010.

12. Other income

	Six Months Ended	
	June 30, 2011	June 30, 2010
Research grants.....	249,085	—
Research tax credit.....	203,326	1,643,717
Total other income.....	452,411	1,643,717

During the six-month period ended June 30, 2011, the Group recognized CHF249,085 of other income from The Michael J. Fox Foundation for Parkinson's Research and as at June 30, 2011, CHF170,487 has been recorded as deferred income (December 31, 2010: CHF69,790). The grant is being received in installments and recognized as other income over the period necessary to match the grant against the specific research costs it is intended to compensate.

During the six-month period ended June 30, 2011, the Group recognized CHF203,326 of French research tax credits receivable in respect of Addex Pharmaceuticals France 2011 R&D expenditures (June 30, 2010: CHF1,643,717 for Addex Pharmaceuticals France 2009 and 2010 R&D expenditures).

Addex Pharmaceuticals Ltd
Selected Notes to the Condensed Consolidated Interim Financial Statements
for the first half of 2011 (amounts in Swiss Francs) (unaudited)-(Continued)

13. Operating expenses by nature

	<u>Six Months Ended</u>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Staff costs.....	7,869,801	8,935,108
Depreciation and amortization.....	1,363,986	1,493,645
External research and development costs.....	2,660,325	2,892,804
Laboratory consumables.....	2,019,326	2,473,938
Operating leases.....	1,192,827	1,339,662
Other operating expenses.....	2,750,947	2,840,119
Total operating expenses.....	<u>17,857,212</u>	<u>19,975,276</u>

14. Finance income and costs

	<u>Six Months Ended</u>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Interest income.....	41,883	48,937
Unrealized foreign exchange loss.....	(185,222)	(35,716)
Finance result, net.....	<u>(143,339)</u>	<u>13,221</u>

15. Loss per share

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

	<u>Six Months Ended</u>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Loss attributable to equity holders of the Company.....	(14,827,077)	(17,262,313)
Weighted average number of shares in issue.....	7,152,238	5,740,774
Basic and diluted loss per share.....	<u>(2.07)</u>	<u>(3.01)</u>

The Company has two categories of dilutive potential shares: share options and equity sharing certificates. As of June 30, 2011, share options and equity sharing certificates have been ignored in the calculation of the loss per share, as they would be anti-dilutive.

16. Events subsequent to June 30, 2011 balance sheet date

On July 7, 2011, the Group announced the implementation of a restructuring plan that will reduce the headcount by around 25% to 82 full time equivalents. The cost of the restructuring is estimated at CHF1.7 million.

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