Addex Pharmaceuticals Ltd

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

Offering of 1,875,000 Registered Shares (and an Over-Allotment Option of up to 281,250 Registered Shares) of nominal value CHF 1.00 each

Offer Price: CHF 73 per Offered Share

Addex Pharmaceuticals Ltd (the "Company" and, together with its subsidiaries, "Addex" or the "Group" and referred to as "we" or "our") is offering (the "Offering") 1,875,000 registered shares with a nominal value of CHF 1.00 per share (together with any additional shares issued upon exercise of the over-allotment option referred to below, the "Offered Shares", and, together with all other issued and outstanding shares of the Company, the "Shares"). In addition, we have granted Lehman Brothers International (Europe) (together with any of its affiliates or agents, the "Global Co-ordinator" or "Lehman Brothers") on behalf of the managers (the Global Co-ordinator and the other managers, collectively, the "Managers") an option (the "Over-Allotment Option") to subscribe for up to an additional 281,250 Shares to be offered at the Offer Price (as defined herein), exercisable within 30 calendar days after the first day of trading of the Shares on the SWX Swiss Exchange. See "Plan of Distribution".

The Offering consists of (i) a public offering in Switzerland, (ii) private placements outside the United States of America (the "United States" or "US") in reliance on Regulation S ("Regulation S") under the US Securities Act of 1933, as amended (the "US Securities Act"), and (iii) private placements in the United States to qualified institutional buyers ("QIBs") pursuant to and in reliance on Rule 144A ("Rule 144A") under the US Securities Act.

The Offered Shares represent 32% of our total issued share capital as outstanding after the Offering (35% if the Over-Allotment Option is exercised in full).

The offer price (the "Offer Price") is CHF 73 per Offered Share.

Prior to the Offering there has been no public market for the Shares. The Shares, together with 1,993,746 registered shares that are part of the conditional share capital of the Company, have been approved for listing on the main segment of the SWX Swiss Exchange. It is expected that the Shares will be listed, and that trading in the Shares will commence, on or around May 22, 2007 under the symbol ADXN.

The Offered Shares are offered subject to receipt and acceptance by the Managers of, and their right to reject, any order in whole or in part. Application has been made for the Offered Shares to be accepted for clearance through SIS SegaInterSettle AG ("SIS"). It is expected that payment for, and delivery of, the Offered Shares will take place on or around May 25, 2007 (the "Closing Date"). No share certificates will be issued, and share certificates will not be available for individual physical delivery.

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

The Shares have not been and will not be registered under the US Securities Act and are being offered and sold only pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, including within the United States only to QIBs in reliance on Rule 144A and outside the United States in offshore transactions in reliance on Regulation S. See "Offering Restrictions". Prospective investors are hereby notified that sellers of the Shares may be relying on the exemption from registration under Section 5 of the US Securities Act provided by Rule 144A. The Shares are not transferable except in accordance with the restrictions described under "Transfer Restrictions".

Global Co-ordinator, Bookrunner and Lead Manager

Lehman Brothers

Co-Lead Managers

Piper Jaffray Limited **Bank Vontobel AG** **Bank am Bellevue**

The date of this Offering Circular is May 21, 2007.

The Company, which is incorporated as a stock corporation in Switzerland with its registered office in Plan-les-Ouates/Geneva, assumes responsibility for the completeness and accuracy of this listing and offering circular ("Offering Circular") pursuant to section 4 of Scheme A of Annex I to the listing rules of the SWX Swiss Exchange (the "Listing Rules"). The Company confirms that, to the best of its knowledge and belief, the information given in this Offering Circular is in all respects in accordance with the facts and does not omit anything likely to affect the importance of such information in any material respect. The information contained in this Offering Circular is accurate only as of the date of this Offering Circular, and any delivery of this Offering Circular or any sale of Shares at any time subsequent to the date hereof does not imply that the information in this Offering Circular is correct at such subsequent time. In making investment decisions, investors must rely upon their own examination of the Company and the terms of the Offering being made hereby, including its merits and risks.

Copies of this Offering Circular are available free of charge at the offices of **Lehman Brothers International (Europe)**, London, Zurich Branch, Talstrasse 82, CH-8021, Zurich, Switzerland (tel.: +41 44 287 89 29, fax: +41 44 287 89 20, e-mail: CM_Switzerland@lehman.com.

Each prospective purchaser of the Offered Shares offered outside Switzerland ("Offeree"), by accepting delivery of this Offering Circular, will be deemed to have acknowledged, represented to and agreed with the Company and the Managers as follows:

(i) Such Offeree acknowledges that this Offering Circular is personal to such Offeree and does not constitute an offer to any other person, or to the public generally, to subscribe for or otherwise acquire the Offered Shares outside of Switzerland. Distribution of this Offering Circular or disclosure of any of its contents to any person other than such Offeree and those persons, if any, retained to advise such Offeree with respect thereto is unauthorized, and any disclosure of any of its contents, without the prior written consent of the Company, is prohibited.

(ii) Such Offeree agrees not to make any photocopies of this Offering Circular or any documents referred to herein.

No person is authorized to give any information or make any representation not contained in this Offering Circular in connection with the Offering and, if given or made, such information or representation must not be relied on as having been authorized by the Company or by the Managers. The delivery of this Offering Circular at any time does not imply that information in this Offering Circular is, or shall be relied upon as, a promise or representation, whether as to the past or the future.

No representation or warranty, express or implied, is made by the Managers as to the accuracy or completeness of the information set forth herein, and nothing contained in this Offering Circular is, or shall be relied upon, as a representation, warranty or promise, whether as to the past, the present or the future.

Neither the Company nor the Managers nor any of their respective representatives is making any representation to any Offeree or investor in the securities offered hereby regarding the legality of an investment by such Offeree or investor under appropriate legal investment, securities or similar laws. Investors should consult their own advisors as to the legal, tax, business, financial and related aspects of any purchase of the securities.

Information on the Company's website, any website directly or indirectly linked to the Company's website or any website mentioned in this Offering Circular does not constitute in any way part of this Offering Circular and is not incorporated by reference into this Offering Circular, and investors should not rely on it in making their decision to invest in the Offered Shares.

The distribution of this Offering Circular and the offering or sale of the Offered Shares are, in certain jurisdictions, restricted by law. The Company and the Managers require persons into whose possession this Offering Circular comes to inform themselves of and observe all such restrictions. Neither the Company nor the Managers accept any legal responsibility for any violation by any person, whether or not a prospective purchaser of the Offered Shares, of any such restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction. This Offering Circular must not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorized or is unlawful or to any person to whom it is unlawful to make such offer or solicitation. This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy any Shares in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction. See also "Offering Restrictions".

Except in connection with offers and sales of Shares in Switzerland, no action has been or will be taken in any jurisdiction by the Managers or the Company that would permit a public offering of Shares or possession or distribution of this Offering Circular or any other publicity materials relating to the Offering in any country or jurisdiction where governmental or regulatory approval or authorization for such purpose is required.

Certain terms in this Offering Circular are defined in the section "Glossary".

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NOTICE TO INVESTORS

Notice to Prospective Investors in the United States

The Offered Shares offered pursuant to this Offering Circular have not been, and will not be, registered under the US Securities Act or the laws of any state of the United States and may not be offered or sold within the United States unless they are registered or an exemption from the registration requirements of the US Securities Act is available. The Offered Shares are being offered and sold (i) within the United States, only to QIBs in reliance on the exemption from registration provided by Rule 144A, and (ii) outside the United States, to investors in offshore transactions in reliance on Regulation S. Prospective investors are hereby notified that the sellers of the Offered Shares may be relying on the exemption from the provisions of Section 5 of the US Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the Offered Shares and the distribution of this Offering Circular. See "Plan of Distribution", "Offering Restrictions" and "Transfer Restrictions".

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

Each purchaser of the Offered Shares will be deemed to have represented and agreed as follows (terms used herein that are defined in Rule 144A or Regulation S are used herein as defined there):

(1) You (A) (i) are a QIB, (ii) are aware that the sale of the Offered Shares to you is being made in reliance on Rule 144A and (iii) are acquiring such shares for your own account or for the account of a QIB, as the case may be, or (B) are purchasing the Offered Shares in an offshore transaction as such term is defined by Rule 902 under the US Securities Act, in accordance with Regulation S.

(2) You understand that the Shares have not been and will not be registered under the US Securities Act and may not be reoffered, resold, pledged or otherwise transferred except (A) (i) to a person who you reasonably believe is a QIB in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or (iii) pursuant to an exemption from registration under the US Securities Act provided by Rule 144 thereunder (if available) and (B) in accordance with all applicable securities laws of the states of the United States of America.

Notice to Prospective Investors in the United Kingdom

This Offering Circular is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) in connection with the issue or sale of any Offered Shares may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This Offering Circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment to which this document relates is available only to relevant persons and any investment activity will be engaged in only with relevant persons.

Notice to Prospective Investors in the European Economic Area

To the extent that the offer of the Offered Shares is made in any member state of the European Economic Area (the "EEA") that has implemented Directive 2003/71/EC (together with any applicable implementing measures in any member state, the "Prospectus Directive") before the date of publication of a prospectus in relation to the Offered Shares which has been approved by the competent authority in that member state in accordance with the Prospectus Directive (or, where appropriate, published in accordance with the Prospectus Directive), the offer (including any offer pursuant to this Offering Circular) is only addressed to qualified investors in that member state within the meaning of the Prospectus Directive or has been or will be made otherwise in circumstances that do not require the Company to publish a prospectus pursuant to the Prospectus Directive.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B ("RSA 421-B") OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

UNITED STATES RELATED MATTERS

Available Information

We are currently not required to provide reports under Section 13 or 15(d) of the US Securities Exchange Act of 1934, as amended (the "US Exchange Act"). For as long as any of the Offered Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act, if, at any time, the Company is neither subject to Section 13 or 15(d) of the US Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, the Company will furnish, upon request, to any owner of the Offered Shares, or any prospective purchaser designated by any such owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the US Securities Act.

Internal Revenue Service Circular 230 Notice

TO ENSURE COMPLIANCE WITH US INTERNAL REVENUE SERVICE CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS OFFERING CIRCULAR IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY PROSPECTIVE INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE US FEDERAL TAX LAWS; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Passive Foreign Investment Company Considerations

The Company expects that it and each of its subsidiaries that are treated as corporations for US federal income tax purposes will be classified as passive foreign investment companies for such purposes but does not expect to provide to US holders of Shares the information that would be necessary in order for such persons to make qualified electing fund elections with respect to the Shares or any Company subsidiary. See further "Risk Factors" and "Taxation—US Federal Income Tax Considerations—Passive Foreign Investment Company Considerations".

Enforcement of Civil Liabilities

The Company is incorporated in Switzerland. A majority of our directors and executive officers are not residents of the United States. A substantial portion of our assets and the assets of the Group and the assets of such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon us or such persons or enforce judgments obtained against us or such persons in courts in the United States in any action, including actions predicated upon the civil liability provisions of the securities laws of the United States or of any state or territory within the United States. In addition, there is doubt as to the enforceability, in original actions brought in courts located outside the United States, of liabilities predicated upon securities laws of the United States or of any state within the United States. Awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in Switzerland.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains certain forward-looking statements, including, without limitation, statements containing the words "believes", "anticipates", "expects", "intends", "estimates", "assumes", "may", "will", "shall", "could" and words of similar import. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results of operations, financial condition, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Important factors that could cause the Company's actual results, performance or achievements to differ materially from those expressed in these forward-looking statements include, among others:

- uncertainty related to the efficacy in the targeted indications and otherwise related to the development of ADX10059, ADX10061 and ADX48621 into marketable drugs;
- uncertainties related to results of our clinical trials;
- uncertainty of regulatory approval and commercial uncertainties;
- availability and terms of third-party reimbursement for our potential drugs;
- attraction and retention of key employees;
- uncertainty of the future grant and maintenance of licenses, patents, proprietary technology and other IP rights;
- uncertainty of our success in building up our sales and marketing force and managing future growth;
- dependence upon licensing partners, exclusive suppliers and other collaborators;
- absence of sales and marketing experience and limited manufacturing capabilities;
- future capital needs and the uncertainty of additional funding;
- risks of product liability;
- competition from other pharmaceutical and biopharmaceutical companies; and
- adverse changes in governmental rules and regulations.

Additional factors that could cause actual performance results or achievements to differ materially include, but are not limited to, those discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Risk Factors", "Business" and elsewhere in this Offering Circular.

Given these uncertainties, prospective investors are cautioned not to place undue reliance on any such forward-looking statements. These forward-looking statements and any other information herein speak only as of the date of this Offering Circular. We disclaim any obligation to update any forward-looking statements to reflect future events or developments, except as required by law.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

As a result of the Reorganization (See "Description of the Share Capital and the Shares—Corporate History—Reorganization in View of the Offering"), the previous shareholders of Addex Pharma SA (formerly Addex Pharmaceuticals SA) became the shareholders of the Company. In addition, Addex Pharma SA sold its shares in Addex Pharmaceuticals France SAS to the Company. Consequently, the Company became the sole shareholder of Addex Pharma SA and of Addex Pharmaceuticals France SAS. From a statutory accounting (on a non-consolidated basis) and tax standpoint, the Reorganization is retroactive from January 1, 2007.

This Offering Circular contains certain historical and financial information derived from (i) the audited consolidated financial statements of Addex Pharma SA as of and for the years ended December 31, 2006, 2005 and 2004 and (ii) the unaudited interim consolidated financial statements as of and for the three-month periods ended March 31, 2007 and 2006 of the Company and Addex Pharma SA respectively, all prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

This Offering Circular also contains audited statutory financial statements of Addex Pharma SA as of and for the years ended December 31, 2006, 2005 and 2004 prepared in accordance with the Swiss Federal Code of Obligations.

Finally, this Offering Circular also contains the pro forma balance sheet of the Company as of the date of its incorporation, as adjusted to reflect the net proceeds of the Offering. The unaudited pro forma balance sheet has been prepared in accordance with the Swiss Listing Rules. It should be noted that the unaudited pro forma balance sheet was not prepared in connection with an offering registered with the U.S. Securities and Exchange Commission ("SEC") under the U.S. Securities Act and consequently is not compliant with the SEC's rules on the presentation of a pro forma balance sheet. The work performed by our independent accountants has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

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

The financial statements as of and for the years ended December 31, 2006, 2005 and 2004 of Addex Pharma SA included in this Offering Circular, have been audited by PricewaterhouseCoopers SA, independent accountants, as stated in their report appearing herein. The pro forma balance sheet of the Company has been reviewed by PricewaterhouseCoopers SA.

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

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

Certain of the financial information included herein is prepared and presented in accordance with IFRS. Certain differences exist between IFRS and the generally accepted accounting principles in the United States ("US GAAP") which might be material to the financial information herein. In making an investment decision, investors must rely upon their own examination of the Company, the terms of the offering and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between IFRS and US GAAP, and how those differences might affect the financial information herein.

Reference to Sources of Market Information and Additional Statistical Information

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

Unless otherwise stated, the sources of the market, statistical and other similar information include, but are not limited to, publications of *CA: A Cancer Journal for Clinicians, CIBC, the Datamonitor, the European Journal of Pharmacology* (authors include Blackshaw, Brodkin, Carlsson, Frisby, Jensen, Jerndal, Lehmann, Mattsson, Nilsson, Uvebrant, and Zhu), *Evaluatepharma, Headache, IMS Health* and *Gastroenterology* (authors include Blackshaw, Dent, Frisby, Jensen, Lehmann, Mattsson and Page).

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

EXCHANGE RATE INFORMATION

The following table sets forth for the periods indicated certain information regarding the noon buying rate for the Swiss francs (CHF), as reported by the Federal Reserve Bank of New York expressed as US dollars (USD) per CHF 1.00. This rate may differ from the actual rates used in the preparation of the financial statements and other financial information appearing in this Offering Circular. We make no representation that the CHF or USD amounts referred to in this Offering Circular have been, could have been or could, in the future, be converted into USD or CHF, as the case may be, at any particular rate, if at all. On May 18, 2007, the noon buying rate for cable transfers between the CHF and the USD was CHF 1.227 = USD 1.00.

	CHF per USD			
Year	Period End	Average[1]	High	Low
2002	1.383	1.550	1.719	1.383
2003	1.238	1.337	1.418	1.238
2004	1.141	1.239	1.320	1.134
2005	1.315	1.251	1.326	1.147
2006	1.220	1.246	1.320	1.191

	CHF per USD			
Month	Period End	Average[1]	High	Low
January 2007	1.247	1.243	1.253	1.213
February 2007	1.219	1.239	1.253	1.219
March 2007	1.213	1.218	1.233	1.208
April 2007	1.206	1.212	1.225	1.203
May 2007 (through May 18)	1.227	1.217	1.227	1.210

1 With respect to each year, the average of the noon buying rates on the last day of each month during such year. With respect to each month, the average of the daily noon buying rates for each business day during the relevant month. With respect to the period from May 1 through May 18, 2007, the average of the daily noon buying rates for each business day during such period.

The following table sets forth for the periods indicated certain information regarding the reference rates for the euro and Swiss francs, as reported by the website of the European Central Bank expressed as Swiss francs per EUR 1.00. This rate may differ from the actual rates used in the preparation of the financial statements and other financial information appearing in this Offering Circular. We make no representation that the euro or Swiss franc amounts referred to in this Offering Circular have been, could have been or could, in the future, be converted into Swiss francs or euro, as the case may be, at any particular rate, if at all. On May 18, 2007, the reference rate between the CHF and the EUR was CHF 1.654 = EUR 1.00.

	CHF per EUR			
Year	Period End	Average[1]	High	Low
2002	1.452	1.466	1.486	1.449
2003	1.558	1.524	1.573	1.453
2004	1.543	1.544	1.584	1.509
2005	1.555	1.548	1.564	1.531
2006	1.607	1.577	1.607	1.543

	CHF per EUR			
Month	Period End	Average[1]	High	Low
January 2007	1.621	1.615	1.624	1.608
February 2007	1.614	1.621	1.628	1.610
March 2007	1.625	1.612	1.625	1.600
April 2007	1.646	1.637	1.646	1.623
May 2007 (through May 18)	1.654	1.648	1.656	1.644

1 With respect to each year, the average of the reference rate on the last day of each month during such year. With respect to each month, the average of the daily reference rate for each business day during the relevant month. With respect to the period from May 1 through May 18, 2007, the average of the daily reference rate for each business day during such period.

STABILIZATION

In connection with the Offering, the Global Co-ordinator or any of its affiliates may engage in transactions which stabilize, maintain or otherwise affect the market price of the Offered Shares. These transactions may include that the Global Co-ordinator sells Shares in excess of the Offered Shares, creating an uncovered short position, or that it close out any long position, including any long position accumulated in connection with any stabilization transactions, by selling the Shares in the open market and/or applying the Shares towards any short position created by over-allotment. To the extent that the Global Co-ordinator elects to close out a long position by selling Shares in the open market, it may later exercise the Over-Allotment Option to cover any short position created by over-allotment. However, there is no assurance that the Global Co-ordinator will undertake any such activities. Such transactions, if commenced, may be discontinued at any time without prior notice and will in any event be discontinued 30 days following the commencement of trading in the Offered Shares on the SWX Swiss Exchange. Any stabilization actions will be undertaken in accordance with applicable laws and regulations. See "Plan of Distribution".

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SUMMARY

The following executive summary should be read in conjunction with the more detailed information and the financial statements (including corresponding notes) that appear elsewhere in this Offering Circular. Please see "Risk Factors" with regard to certain considerations that are relevant to the subscription or purchase of Shares.

Overview

We are a Swiss biopharmaceutical company focused on building a sustainable and profitable pharmaceutical business around our world-leading expertise in the discovery and development of allosteric modulators of G-protein coupled receptors ("GPCRs"). Allosteric modulators are a new class of drug that alters the effect of endogenous activators on their specific biological targets, particularly GPCRs, through a novel mechanism of action. These innovative small molecule drug candidates offer several advantages over conventional non-allosteric molecules and may offer an improved therapeutic approach to existing drug treatments. To-date, our research and development ("R&D") efforts have been primarily focused on building a clinical pipeline of proprietary, first-in-class drug candidates based on our allosteric modulator development capability. The allosteric modulator principle has broad applicability across a wide range of biological targets and therapeutic areas, but our primary focus has been on GPCR targets implicated in central nervous system ("CNS") related diseases, where we believe there is a high medical need for new therapeutic approaches.

We have a fully integrated discovery and development capability built around our world-leading allosteric modulator and drug development expertise. Since our inception in 2002, we have established a pipeline of five clinical and eight pre-clinical programs.

- Our most advanced drug candidate, ADX10059, is an orally active negative allosteric modulator ("NAM") of the metabotropic glutamate receptor 5 ("mGluR5"). We have successfully completed two Phase IIA clinical trials in Europe in which ADX10059 demonstrated statistically significant clinical efficacy in both gastroesophageal reflux disease ("GERD") and migraine. We are also currently conducting an additional Phase IIA clinical trial with ADX10059 in acute anxiety and expect to report results in the second half of 2007. GERD and migraine both represent major indications with significant unmet medical need and commercial opportunity. We believe that ADX10059 is a first-in-class drug candidate and offers an innovative and highly differentiated treatment approach from existing therapies for both GERD and migraine.
- We are also conducting a Phase I clinical trial in Europe with ADX48621, an orally active mGluR5 NAM from a different chemical class than ADX10059. The therapeutic indications targeted for this drug candidate are depression, anxiety and inflammatory pain.
- In addition to ADX10059 and ADX48621, we are developing ADX10061, an orally active and highly selective dopamine D1 receptor competitive antagonist which is currently in a Phase IIA clinical trial in the United States for smoking cessation and we expect to report results in the second half of 2007. We believe that ADX10061 acts to reduce the craving induced by cues associated with smoking and could represent a novel method for the treatment of nicotine addiction. We also believe that this compound may offer some benefits in the treatment of sleep disturbances.

Allosteric modulators have broad applicability for many clinically validated GPCR targets which are implicated in multiple therapeutic indications. We intend to continue to leverage our proven scientific expertise in allosteric modulation and unique chemical library to discover novel drug candidates for the treatment of various diseases. To-date, we have established thirteen ongoing development programs targeting several GPCR families which have potential in a number of therapeutic indications including CNS diseases, reproductive health and diabetes.

In 2004, we entered into an exclusive worldwide collaboration and licensing agreement with Ortho-McNeil Pharmaceutical, Inc. ("OMP"), a member of the Johnson & Johnson group (the "OMP Agreement") for the discovery and development of novel allosteric modulators for a specific GPCR target.

Key Competitive Strengths

We believe that we are well positioned to achieve our primary objective of building a cash generative, profitable and sustainable pharmaceutical business, based on our core strengths, which we believe to be as follows:

- *Global leadership in highly novel GPCR allosteric modulator pharmacology.* We believe that our R&D efforts place us among the world leaders in GPCR allosteric modulator pharmacology, a novel drug discovery approach enabling the generation of innovative and first-in-class drug candidates. We have

recruited some of the world's leading experts in the field from both the pharmaceutical industry and academia. We believe that by harnessing our extensive expertise in this field, we can develop novel, highly differentiated and patentable small molecules for clinically validated targets where conventional drug discovery approaches used by the pharmaceutical industry have been unsuccessful. In doing so, we can develop orally active small molecules for clinically validated or novel targets considered beyond the reach of conventional drug discovery approaches. Since commencing operations in 2002, we have built an allosteric modulator pipeline of four clinical programs and eight pre-clinical programs, which we believe to be the largest clinical and pre-clinical portfolio of proprietary allosteric modulator compounds. Furthermore, we believe that our most advanced drug candidate, ADX10059, represents one of the most clinically advanced allosteric modulator compounds targeting GPCRs, further demonstrating our leadership position in this field.

- *Positive Phase IIA data for lead drug candidate ADX10059 in GERD and migraine.* We have successfully completed two Phase IIA clinical trials in Europe with ADX10059, demonstrating statistically significant clinical efficacy in the treatment of both GERD and migraine. ADX10059 is a first-in-class orally-available small molecule mGluR5 NAM. We believe ADX10059 offers an innovative and highly differentiated treatment approach compared to existing therapies for both GERD and migraine, which are major indications with significant unmet medical need and commercial opportunity. An additional Phase IIA clinical trial in acute anxiety is currently underway; an indication for which there exists clinical validation for the role of a mGluR5 NAM.

- *Broad pipeline and proven drug discovery capability.* Since our inception in 2002, we have established a pipeline of five clinical programs, including ADX10061 in Phase II and ADX48621 in Phase I, in addition to three programs for ADX10059. We have a further eight pre-clinical programs in various stages of lead development. Our allosteric modulators represent a novel discovery approach against clinically validated targets and, therefore, may allow us to reduce the risk of clinical failure and maximize the productivity of our discovery engine. As a result of the productivity and broad applicability of our allosteric modulator discovery capability, we have been able to establish rapidly a diverse portfolio of ongoing development programs in a number of therapeutic indications, including CNS diseases, reproductive health and diabetes.

- *Focus on therapeutic markets with significant unmet medical need and high commercial potential.* We are developing innovative therapies to address large markets where there is significant unmet medical need. Our drug candidates are novel, orally available treatments for chronic indications where the limitations of existing therapies result in significant commercial opportunity. Following the positive Phase IIA data in GERD and migraine, we plan to develop our most advanced drug candidate, ADX10059, as a novel treatment for GERD patients who are resistant to currently available treatments, and for the prevention of migraine. These are two important clinical indications where a large number of patients are not effectively treated. Our second drug candidate, ADX10061, is currently in a Phase IIA clinical trial for smoking cessation, a major market opportunity that has a significant unmet medical need, as patients on currently available treatments still experience a high rate of relapse from smoking cessation.

- *Significant and validating partnership with Johnson & Johnson.* In 2004, we entered into an exclusive worldwide collaboration and licensing agreement with OMP, a member of the Johnson & Johnson group, to discover and develop novel mGluR2 positive allosteric modulators ("PAM") for the treatment of anxiety and schizophrenia. We believe that this partnership provides independent validation of our R&D capabilities and our competitive advantage in the field of GPCR allosteric modulator pharmacology. The terms of the deal enable us to participate in the ongoing development, as well as in the future potential financial upside from the successful development of any drug candidates.

- *Strong management team.* We have an internationally experienced management team of biopharmaceutical industry executives and recognized experts in their fields, with diverse backgrounds and complementary skill-sets in R&D, drug approval and finance. Our management and board of directors draw on prior experience gained at leading international pharmaceutical and biotech companies such as Roche, GlaxoSmithKline, Serono (now Merck Serono) and Actelion. Our management team has access to insight from our scientific advisory board of global opinion leaders, as well as from leading life science venture capitalists. Since our inception in 2002 and in less than five years, we have been able to advance two drug candidates into a total of four separate Phase II clinical trials, another drug candidate into Phase I clinical trials, and have formed a significant discovery collaboration with OMP, a member of the Johnson & Johnson group, a global leader in the pharmaceutical industry.

Business Strategy

Our primary goal is to build a cash-generative, profitable and sustainable pharmaceutical business around our core competencies in drug discovery and development and allosteric modulator pharmacology. To achieve this goal we intend to focus on the following key strategic objectives:

- *Progress the clinical development of our most advanced drug candidate from our allosteric modulator platform, in GERD, migraine and anxiety.* ADX10059 is a first-in-class mGluR5 NAM for which we have full commercial rights. ADX10059 has demonstrated statistically significant clinical efficacy in Phase IIA clinical trials for both GERD and migraine, and we plan to progress the drug candidate further into Phase IIB trials. We are also testing ADX10059 in a Phase IIA clinical trial for the treatment of acute anxiety with results currently expected in the second half of 2007. We are evaluating the optimal development path of this drug candidate and will consider a development or commercialization partnership at a later stage of development when we believe that we can maximize commercial benefit of the drug candidate.
- *Complete the Phase IIA clinical trial of our second most advanced drug candidate, ADX10061.* At the end of 2006, based on the existing clinical information package and additional pre-clinical profiling performed by us, we started a Phase IIA clinical trial of ADX10061 in the United States for smoking cessation which is expected to report in the second half of 2007. Upon successful completion of this Phase IIA clinical trial, we intend to seek one or more development partners for ADX10061 in order to maximise its commercial value.
- *Complete the Phase I clinical trials with ADX48621.* This potential novel treatment for depression, anxiety and inflammatory pain entered Phase I clinical trials at the beginning of 2007. ADX48621 demonstrated strong anxiolytic and antidepressant activity in several pre-clinical models. We plan to conduct a Phase IIA clinical trial for ADX48621 in acute inflammatory pain, as this indication allows for fast and robust proof of concept. We are considering partnering ADX48621 at any clinical stage in order to maximize the commercial benefit of this drug candidate.
- *Advance our pre-clinical research programs towards clinical development.* We intend to rapidly advance promising drug candidates from our in-house pre-clinical programs, such as ADX63365 for schizophrenia and cognitive impairment, in order to maintain a broad development pipeline and support our long-term growth.
- *Leverage our allosteric modulator expertise to discover novel treatments for a wide range of therapeutic indications.* Our leading allosteric modulator drug discovery platform has broad applicability across multiple disease areas. To-date, we have focused on the development of drug candidates for diseases for which the market opportunities are extensive, including GERD, migraine, anxiety, depression, inflammatory pain, schizophrenia and cognitive impairment. We intend to maximize the commercial value of our allosteric modulator platform by applying it to a wide range of GPCR targets. We currently have a number of programs in lead optimization, including for non-steroidal contraception and type 2 diabetes.
- *Develop sales and marketing capabilities.* Our current focus is on the development of our existing portfolio, but one of our longer-term goals is to complement our integrated R&D with sales and marketing capabilities. We currently own full commercialization rights to all of our clinical and pre-clinical programs other than those that relate to the collaboration with OMP. In future collaborations and out-licensing activities we will consider retaining certain commercialization rights and establish our own marketing and sales operations.

OFFERING TERMS

Offering	The Offering consists of (i) a public offering in Switzerland and (ii) private placements outside the United States in reliance on Regulation S and (iii) private placements in the United States to QIBs pursuant to and in reliance on Rule 144A. See "Plan of Distribution".
Shares	The Shares are in registered form with a nominal value of CHF 1.00 each.
Outstanding Shares before the Offering	3,987,492 Shares.
Offered Shares	1,875,000 Shares and up to an additional 281,250 Shares pursuant to the Over-Allotment Option described below, issued by us.
Over-Allotment Option	We have granted the Global Co-ordinator on behalf of the Managers an option to subscribe for up to an additional 281,250 Shares at the Offer Price, exercisable within 30 calendar days after the closing of the Offering. See "Plan of Distribution".
Outstanding Shares after the Offering	5,862,492 Shares (or 6,143,742 Shares, if the Over-Allotment Option is exercised in full).
Percentage of Total Issued Share Capital Being Offered in the Offering	32% (or 35%, if the Over-Allotment Option is exercised in full) of the total share capital after the Offering.
Offer Price	The price for the Offered Shares is CHF 73 per Offered Share.
Global Co-ordinator	Lehman Brothers International (Europe).
Co-Lead Managers	Piper Jaffray Limited, Bank Vontobel AG and Bank am Bellevue.
Closing Date	Expected to be on May 25, 2007 or on such other day as we and the Global Co-ordinator may determine.
Preferential Allocation	3,979 Offered Shares have been set aside for preferential allocation and offered at the Offer Price to the members of the Board of Directors, our employees and our consultants.
Lock-up Agreements	We and each other person holding Shares immediately prior to the Offering have each, severally but not jointly, agreed with the Global Co-ordinator that until 360 and 180 days, respectively, after the first day of trading of the Shares on the SWX Swiss Exchange, they will neither (i) offer, sell, contract to sell, sell or exercise any option, warrant or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, pledge, or otherwise dispose of (or publicly announce any such offer, sales or disposal), directly or indirectly, any Shares, or any securities convertible into or exercisable or exchangeable for any Shares, nor (ii) enter into any swap, hedge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares or (iii) announce their intention to do any of the foregoing without the prior written consent of the Global Co-ordinator. The lock-up shall not apply to (i) Offered Shares acquired in the Offering, (ii) Shares or other securities acquired in public trading of the Shares on or after the first day of trading of the Shares on the SWX, and (iii) the grant of stock options or issuance or transfer of Shares under employee share ownership plans.

	In addition, certain persons holding Shares immediately prior to the Offering (except for us and the members of our current and former staff, but including the members of our Executive Management and, in particular, all shareholders holding individually 3% or more of the total Shares and voting rights in the Company after the Offering) have entered into a second lock-up agreement for another period of 180 days from the expiration of the first lock-up.
Dividends and Dividend Policy	We have paid no dividends on our Shares since inception and do not anticipate paying dividends in the foreseeable future. All Offered Shares will rank *pari passu* with all the other Shares. See "Dividend Policy".
Voting Rights	Each Share carries one vote. See "Description of the Share Capital and the Shares—The Shares".
Treasury Shares	As of the date of this Offering Circular our wholly-owned subsidiary Addex Pharma SA owns 120,869 Shares.
Listing and Trading	Prior to the Offering, there has been no public market for the Shares. Application has been made to list the Shares, together with 1,993,746 registered Shares that may be issued from our conditional share capital, on the main segment of the SWX Swiss Exchange. It is expected that the Shares will be listed, and trading will commence, on or about May 22, 2007.
Risk Factors	For a discussion of certain considerations that should be taken into account in deciding whether to purchase Offered Shares in the Offering, see "Risk Factors".
Clearance and Settlement	We have applied for the Shares to be accepted for clearance and settlement through SIS. It is expected that delivery of the Shares will be made against payment therefore on or about May 25, 2007.
Form of the Shares	No share certificates will be issued, and share certificates will not be available for individual physical delivery. Delivery of the Offered Shares will be made in book-entry form through the facilities of SIS (*actions dématérialisées/aufgehobener Titeldruck*).
Use of Proceeds	We intend to use the net proceeds from the Offering for general corporate purposes, including to support ongoing and new clinical development and research programs, establish a sales and marketing organization, license or acquire new compounds, technologies and companies. See "Use of Proceeds".
Transfer Restrictions	The Offered Shares will be subject to certain restrictions on transfer as described in "Transfer Restrictions".
Swiss Taxation	Any dividends paid on the Shares will be subject to Swiss withholding tax. See "Taxation—Swiss Tax Considerations".
Paying Agent	Credit Suisse
Law / Jurisdiction	Swiss law / Zurich, Switzerland
SWX Swiss Exchange Ticker Symbol . .	ADXN
Swiss Security Number (*numéro de valeur/Valorennummer*)	2985075
ISIN Number	CH0029850754
Common Code	030039254

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

The following tables present certain summarized consolidated financial information of Addex Pharma SA (formerly Addex Pharmaceuticals SA) as at and for the years ended December 31, 2006, 2005 and 2004 and of the Company and Addex Pharma SA, respectively, as of and for the three-month periods ended March 31, 2007 and 2006. This information has been derived from and should be read in conjunction with the audited consolidated and statutory financial statements of Addex Pharma SA as of and for each of the years ended December 31, 2006, 2005 and 2004 and the unaudited consolidated financial statements of the Company and Addex Pharma SA, respectively, as of and for the three-month periods ended March 31, 2007 and 2006, all prepared in accordance with IFRS and included elsewhere in this Offering Circular, and with "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Consolidated Income Statement Data:

	For the three-month periods ended March 31,		For the years ended December 31,		
	2007	2006	2006	2005	2004
	(in Swiss francs, unaudited)		(in Swiss francs, audited)		
Income					
Fees from collaborations	164,858	1,198,040	4,738,969	6,016,680	200,000
Other income	78,027	9,744	45,405	134,131	—
Total income	**242,885**	**1,207,784**	**4,784,374**	**6,150,811**	**200,000**
Operating expenses					
Staff costs	2,328,193	1,890,545	7,953,389	7,084,075	5,557,723
Depreciation and amortization	588,589	621,117	2,522,151	2,413,444	2,132,772
External R&D costs	2,620,832	2,297,313	9,771,353	8,261,094	3,816,771
Laboratory consumables	472,528	608,058	2,327,634	2,072,090	1,359,592
Facilities	340,079	284,655	1,301,255	1,125,696	842,516
Professional fees	706,380	99,535	407,208	456,603	479,159
Other operating expenses	276,766	265,315	1,074,162	1,017,053	750,479
Patents	428,095	50,517	327,503	233,245	261,315
Operating loss	**7,518,577**	**4,909,271**	**20,900,281**	**16,512,489**	**15,000,327**
Finance income	(178,508)	(45,141)	(385,915)	(258,381)	(29,736)
Finance costs	1,189	7,471	30,445	56,056	83,426
Net loss	**7,341,258**	**4,871,601**	**20,544,811**	**16,310,164**	**15,054,017**
Net loss per share					
Unaudited net loss per share					
Basic and diluted net loss per share	(1.90)	(1.85)	(7.19)	(6.82)	(11.36)
Weighted-average of Shares used in the net loss per share	3,867,623	2,630,085	2,859,174	2,391,429	1,324,645

Consolidated Balance Sheet Data:

	As of March 31,	As of December 31,		
	2007	2006	2005	2004
	(in Swiss francs, unaudited)	(in Swiss francs, audited)		
Cash and cash equivalents	34,224,108	40,946,682	21,670,245	9,180,033
Trade and other receivables	2,483,285	1,309,780	668,926	6,248,827
Total current assets	**36,707,393**	**42,256,462**	**22,339,171**	**15,428,860**
Non-current assets	3,586,707	4,095,139	6,859,201	8,161,114
Total assets	**40,294,100**	**46,351,601**	**29,198,372**	**23,589,974**
Current liabilities	5,429,172	4,074,078	6,254,935	9,247,405
Non-current liabilities	—	—	164,315	699,817
Shareholders' equity, net	34,864,928	42,277,523	22,779,122	13,642,752
Total shareholders' equity and liabilities	**40,294,100**	**46,351,601**	**29,198,372**	**23,589,974**

Cash Flow Data:

	For the three-month periods ended March 31,		For the years ended December 31,		
	2007	2006	2006	2005	2004
	(in Swiss francs, unaudited)		(in Swiss francs, audited)		
Net cash flows used in operating activities	(6,628,130)	(5,847,389)	(19,559,510)	(10,934,610)	(11,261,880)
Net cash flows from/(used in) investing activities	165,434	(96,330)	(323,884)	(1,003,300)	(4,092,444)
Net cash flows from/(used in) financing activities	(268,760)	(163,937)	39,037,199	24,314,023	18,373,781
Change in cash and cash equivalents	**(6,731,456)**	**(6,107,656)**	**19,153,805**	**12,376,113**	**3,019,457**

RISK FACTORS

An investment in the Shares involves a high degree of risk. In addition to the other information contained in this Offering Circular, you should carefully consider the specific risk factors set forth below before making a decision to invest in the Shares. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks, and investors may lose part or all of their investment.

The risks described below are not the only ones applicable to us. Additional risks affecting businesses generally, risks not presently known to us, and risks that we currently believe to be immaterial may also impair our business operations.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to the risks we face as described below and elsewhere in this Offering Circular. For additional information on forward-looking statements, see "Forward-Looking Statements".

Risks Related to Our Business and Industry

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

We began operations in 2002 and have not yet generated any revenues from the sale of approved drugs. Accordingly, we have experienced operating losses since inception, including net losses of CHF 15.0 million for the year ended December 31, 2004, CHF 16.3 million for the year ended December 31, 2005 and CHF 20.5 million for the year ended December 31, 2006. As of December 31, 2006, we have accumulated net losses of CHF 64.4 million. These losses have resulted principally from costs incurred in research and development ("R&D") of our drug candidates and general and administrative ("G&A") expenses. To-date we have financed our operations through the sale of equity securities and through revenues from our agreement with Ortho-McNeil Pharmaceutical Inc., a member of the Johnson & Johnson group. See "Business—Material Agreements".

We will continue to incur significant operating losses in the foreseeable future, primarily due to the costs of our R&D programs, including pre-clinical studies and clinical trials as well as for the regulatory approval of drug candidates, manufacturing and the establishment of a sales and marketing organization. The amount of future losses and when, if ever, we will achieve profitability, are uncertain. Our ability to achieve profitability will depend on, among other things, successfully completing the development of our drug candidates, obtaining marketing authorization, securing manufacturing of our drugs, and establishing a sales and marketing organization or suitable commercial arrangements with third parties and raising sufficient funds to finance our activities. If we are unable to develop and commercialize one or more of our drug candidates or if sales revenue from any drug candidate that receives marketing authorization is insufficient, we will not achieve profitability, which could have a material adverse effect on our business, financial condition, results of operations and prospects and may cause the trading price of your Shares to fall.

We are a development stage company and have no drugs on the market. We may never be able to generate any revenues from the sale or licensing of any of our drug candidates, including our current lead drug candidate ADX10059.

We have not received marketing authorization from the EMEA, the FDA or any other regulatory agency for any of our drug candidates. We have not yet commenced any Phase III trials for any of our drug candidates. We can provide no assurance that our drug development efforts will be successful, that required marketing authorizations will be obtained, that any of our drug candidates will be manufactured at a competitive cost and will be of acceptable quality, or that we will be able to generate any revenue from the sale of any of our drug candidates or that revenues, if achieved can be sustained.

We are substantially dependent on the success of our current lead drug candidate, ADX10059, which is currently in Phase II clinical trials in GERD, migraine and anxiety. Our second most advance drug is ADX10061, which is in Phase II clinical trials for smoking cessation. Our third most advance drug candidate, ADX48621, will require several clinical trials to prove efficacy in a larger patient population. We may not be successful in the further development and commercialization of any of these drug candidates or there may be a significant delay in doing so. We believe that a failure to develop our most advanced drug candidate, ADX10059, or a failure to do so in a timely manner would not only harm that program but also industry and investor confidence in our other programs. Therefore, if we fail to develop ADX10059 for GERD, migraine or anxiety or not in a timely manner, this could have a material adverse effect on our business, financial condition, results of operations and prospects. Furthermore,

even if we are able to obtain marketing authorization for ADX10059, there can be no assurance that it will generate any substantial revenues.

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

Before we may obtain marketing authorization for any of our drug candidates, we must undertake extensive, time consuming and expensive clinical testing in humans to demonstrate the safety, tolerability and efficacy of the drug and meet other regulatory standards for authorization. The development of new innovative drugs is inherently risky and the utility and success of a drug will depend on its efficacy and side effect profile for the target patient population. Pre-clinical studies and clinical trials are long, expensive and uncertain processes. Successful results obtained in pre-clinical studies and early clinical trials, including those on animals and/or humans, may not be predictive of results in later clinical trials and do not ensure that later pre-clinical studies or clinical trials will be successful.

Current and planned clinical trials may be delayed, suspended or terminated as a result of many factors, many of which are or may be beyond our control, such as:

- suspension or termination of clinical trials by regulators or institutional review boards;
- termination due to safety issues or lack of efficiency of the drug tested;
- termination of arrangements(s) by our collaboration partners or inadequate devotion of financial or other resources to ensure successful development as contemplated by any arrangement(s) with them;
- inability to enter into adequate collaboration arrangements to complete the development or commercialization and manufacturing of our drug candidates;
- insufficient availability of the drug product under current Good Manufacturing Practice (cGMP) quality; or
- slower than expected enrollment of patients or lack of compliance by patients.

We may also be required to conduct additional clinical trials or other testing of drug candidates beyond those currently contemplated, in particular if the currently contemplated trials fail to complete successfully or if the results of these trials or tests are negative or inconclusive. It may take us several years to complete this testing, if at all, and failure can occur at any stage of the process which could delay, increase the costs, or prevent us from receiving marketing authorization and/or commercialization of our drug candidates. Even after marketing authorization, a drug may later be shown to be unsafe or not have its purported effect. As a result, we may be required to conduct additional trials or studies, be subject to fines, suspension or withdrawal of marketing authorizations, drug recalls, seizure of drug, operating restrictions or criminal prosecution.

In all such cases, our anticipated development or commercialization timelines may not be met, which could have a material adverse effect on our business, financial condition, results of operations and prospects and may cause the trading price of your Shares to fall.

Our drug candidates may not successfully obtain marketing authorization.

Even when clinical trials have been completed, there can be no assurance that we will receive marketing authorization from Swissmedic, Swiss Agency for Therapeutic Products, the EMEA, the FDA and any other relevant government agencies or such marketing authorization may be delayed or may be obtained on restrictive terms, for example if:

- the drug candidate does not show acceptable safety and efficacy in pre-clinical studies and clinical trials or otherwise does not meet applicable regulatory standards for approval; or
- the drug candidate does not prove as effective as, or does not offer therapeutic or other improvements over, existing or future drugs used to treat the same or similar illness or conditions.

If we are unable to obtain marketing authorization for our drug candidates, this may have a material adverse effect on our business, financial condition, results of operations and prospects and may cause the trading price of your Shares to fall.

We may not successfully commercialize our drug candidates.

Even if a drug candidate has received marketing authorization, our ability to generate drug revenue in the future is dependent on the successful commercialization of the drug concerned. Successful commercialization may be prevented by many factors, many of which are or may be beyond our control, such as, in particular:

- the proprietary rights of third parties, including of our competitors, which may materially affect commercialization;
- the failure of the drug candidate to prove effective as, or offer therapeutic or other improvements over, existing or future drugs used to treat the same or similar conditions and/or the inability of the drug candidate to gain acceptance by patients, the medical community or third-party payers such as insurance companies; or
- the incapability of producing the drug candidate in commercial quantities at an acceptable cost, or at all.

If we are not successful in commercializing our drug candidates which have received the necessary marketing authorization, we will not generate drug revenues which would result in a material adverse effect on our business, financial condition, results of operations and prospects and may cause the trading price of your Shares to fall.

Our drug candidates may not achieve the expected market acceptance.

Even if our drug development is successful and marketing authorization has been obtained, our ability to generate significant revenue will depend on the acceptance of our drugs by physicians, patients, third-party payers and the medical community. We cannot assure you that we will achieve market acceptance of our drug candidates or generate revenue once we obtain marketing authorization. The market acceptance of any of our drug candidates depends on a number of factors, including:

- the continued demonstration of efficacy and safety in commercial use;
- cost-effectiveness, convenience and ease of administration;
- competition, marketing and distribution support;
- the scope of the approved uses and labeling requirements;
- prevalence and severity of any side effects; and
- adequate government or other third-party coverage or reimbursement for the cost of the drug.

Moreover, to the extent competitors are able to commercialize competing drugs before our drugs have achieved market authorization, it may be difficult for us to gain market acceptance for our drugs because physicians, patients, third-party payers and the medical community may have grown accustomed to using the competing drugs, whether or not such competing drugs are more effective or have other advantages over our drug.

Any factors preventing or limiting the market acceptance of our drug candidates could have a material adverse effect on our business, financial condition, results of operations and prospects and may cause the trading price of your Shares to fall.

We face competition from other companies that have developed or will develop similar or different drug candidates aiming at the same indications.

The development and commercialization of drugs is highly competitive. We will, therefore, compete with a variety of multinational pharmaceutical companies, specialized pharmaceutical companies, universities and other research institutions, some of which have significantly greater financial, technical, human, manufacturing, marketing, sales and drug resources or experience than we have. Our competitors have developed, are developing, or will develop, drug candidates and processes that will compete with our potential drug candidates. Competitors may enjoy a significant competitive advantage if they are able to achieve patent protection, obtain marketing authorizations and commence commercial sales of their drugs before us. Competing drugs could also present superior treatment alternatives, including those which are more effective, safer or more convenient, for our targeted indications and thus make our potential drug candidate or know-how obsolete, even before it reaches the market. In addition, competitors may offer drugs below the price level at which appropriate return for our investment in drug development is possible. As a result of these factors, we may be unable to successfully develop commercially feasible drugs and our commercial opportunity may be reduced or eliminated, and may not be able to successfully compete. This would have a material adverse effect on our business, financial condition, results of operations and prospects and may cause the trading price of your Shares to fall. See “Business—Competition”.

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

Our success depends in part on our ability to obtain patent protection for our drug candidates and processes, preserve our trade secrets and other proprietary rights, and to defend and enforce our rights against infringement in Switzerland, the European Union, the United States and other countries. If we are unable to do so, our drugs, technologies and know-how may not provide us with the expected competitive advantage.

The validity and breadth of claims in patent applications in the biopharmaceutical field involve complex legal and factual questions and, therefore, involve uncertainty. Most of our patent applications have not been granted yet and no assurance can be given that patents based on pending patent applications or our future patent applications will be issued. We may need to refine or narrow our claims. We are aware that the very broad scope of some of our generic compound claims may incorporate the risk of not being patentable. We cannot exclude that others have not first filed applications for inventions covered by our pending patent applications which could prevent them from being issued.

The scope of any patent protection we are able to obtain may not exclude competitors or provide us with sufficient protection against competing drugs or provide competitive advantages to us. Any of the patents that have been or may be issued to us may be held invalid or unenforceable if subsequently challenged by competitors or other third parties. Furthermore, there can be no assurance that others have not developed or will not develop similar drugs, duplicate any of our drugs, or design around any patents that have been or may be issued to us.

Any of our granted, valid and enforceable patents will provide protection for only a limited period of time. Generally, it may be possible to obtain an extension of protection provided that certain clinical development extension application deadlines are met. It may also be possible to seek a method of use patent. If a method of use patent is granted but no product patents are granted or they have expired third parties would be allowed to develop drugs for use in different indications if they were willing and able to conduct all development activities necessary to receive marketing authorization.

The basic composition of matter patents for ADX10061 expire in the United States in 2008 and in most other countries in 2009, which is before the earliest possible date by which we could anticipate to receive marketing authorization for this drug candidate. In this regard, we are in the process of evaluating and implementing a series of patenting strategies to secure further patent protection for ADX10061, although we might be unsuccessful in any such strategy. See "Business—Intellectual Property—Patents granted and applications in relation to ADX10061—dopamine D1 antagonist".

As we rely on the efforts and expertise of our employees, consultants, and other contractual partners or advisers, we seek to ensure that we retain or obtain, as the case may be, ownership rights in all inventions, know-how or other similar work developed by our employees, consultants, and other contractual partners or advisers. Even if we obtain the envisaged contractual agreements and/or assignments, there can be no assurance that these agreements and assignments represent effective protection of our intellectual property rights.

We can therefore not be certain to successfully achieve and enforce desired protection of proprietary rights for our drug candidates and technologies and know-how and failure in this respect could have a material adverse effect on our business, financial condition, results of operations and prospects and may cause the trading price of your Shares to fall.

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

Our commercial success depends also on our ability to have freedom to operate without infringing third-party patents and other intellectual property or market exclusivity rights. If we are not able to do so, we may be subject to infringement actions.

We may not be aware of all patents and patent applications that may impact our ability to make, use or sell our potential drugs. Other parties may have filed, or may file in the future, patent applications covering compounds or drug candidates that are similar to ours. Because patent applications can take many years to issue and are not published for 18 months, there may be applications currently pending, unknown to us, which may later result in patents that our drug candidates or technology may infringe.

Any conflicts arising from the patent rights of others could significantly reduce the coverage of our patents and limit our ability to obtain meaningful patent protection. We may be required to obtain licenses to those patents or to develop or obtain alternative technology. We may not be able to obtain any such licenses on acceptable terms, or at all. Any failure to obtain such licenses could delay or prevent us from pursuing the development or commercialization of our potential drugs.

In particular, we are aware of a broad generic use claim granted in United States Patent 6 262 049 to Schering Corporation that could potentially stay in force until at least 2018 and would generically cover the use of a dopamine D1 antagonist of any type for reducing cravings to nicotine or tobacco. If this patent remains in force, and if we need and are unable to obtain a license from Schering Corporation we or any potential partner may be limited in or prevented from marketing ADX10061 as a treatment for reducing cravings to nicotine or tobacco in the United States until at least 2018. See "Business—Intellectual Property—Patents granted and applications in relation to ADX10061—dopamine D1 antagonist".

We are also aware that there have been several patent applications filed and published by third parties in the recent past relating to the use of mGluR5 antagonists in GERD, pain, depression and anxiety. Although there is a significant body of prior art that may prevent patentability of third party's broad use claims (see "Business section—Intellectual Property—Patent applications in relation to mGluR5 NAMs (ADX10059 and ADX48621)"), if any of these patent applications were to be granted as published and without limitation to the third party's own specific compounds, they could have a blocking effect in the specific indication and may restrict the development and commercialization of ADX10059 or ADX48621 in the indications for which a broad use patent is granted.

Any such event could have a material adverse effect on our business, financial condition, results of operations and prospects and may cause the trading price of your Shares to fall.

If third parties on whom we depend to conduct our clinical trials do not perform as contractually required or terminate the respective contracts, we may not be able to obtain marketing authorization for our drug candidates.

We do not have the ability to conduct clinical trials independently. We rely and will continue to depend on independent clinical investigators, third-party contract research organizations ("CROs") and consultants to perform some or all of the functions necessary to conduct pre-clinical studies and clinical trials in relation to our drug candidates. These investigators, CROs and consultants are not our employees and we cannot control the amount of time and resources that they devote to our programs. These third parties might not be diligent, careful or timely in conducting these trials, as a result of which the clinical trials could be delayed or unsuccessful. If we cannot locate acceptable contractors or enter into agreements on acceptable terms with them, or if these third parties do not successfully carry out their contractual duties, satisfy legal and regulatory requirements for the conduct of clinical trials or meet expected deadlines, our clinical development program could be delayed and otherwise adversely affected.

We rely on third-party manufacturing and supply partners.

We rely on third-party supply partners, whether for manufacturing or pre-clinical studies and clinical R&D.

We currently do not have in-house facilities to manufacture our clinical drug supplies. We must outsource the manufacturing of our clinical drug supplies to third-party manufacturers or develop commercial-scale manufacturing capabilities in-house. For instance, we entered into a supply agreement with Almac Ltd in the United Kingdom, which accounts for 100% of our compound supply in 2006. We also rely on third parties for pre-clinical supplies and certain research activities.

There can be no assurance that our supply of our clinical development drugs, our commercial drug candidates and other materials will not become limited, be interrupted, become restricted in certain geographic regions or be of satisfactory quality. We can provide no assurance that we will be able to obtain alternative components and materials from other manufacturers of acceptable quality, or on terms or in quantities acceptable to us or that we will not require additional components and other materials to manufacture or use our drug candidates. In addition, suppliers need to meet applicable manufacturing requirements and undergo rigorous facility and process validation tests required by regulatory authorities in order to comply with applicable regulatory standards, such as current good manufacturing practices ("cGMP").

In the event that any of our key suppliers (whether for pre-clinical studies and clinical R&D or for commercial-scale manufacturing) fail to perform their respective obligations in terms of quality or timing or otherwise or if our supply of such components or other materials become limited or interrupted for other reasons, we would not be able to develop or market our drug candidates on a timely and cost-competitive basis, if at all, which would have a material adverse effect on our business, financial condition, results of operations and prospects and may cause the trading price of your Shares to fall.

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

Our business strategy requires us to enter into various forms of collaboration arrangements with other companies, licensors or licensees and other third parties to research, develop and commercialize our drug candidates. We have for instance entered into a collaboration agreement with OMP under which both parties undertake studies on each other's behalf (see further "Business—Material Agreements"). Having entered into a collaboration agreement, whether with OMP or other collaborators, we will only have limited influence over the future development of the relevant compound or commercialization of the relevant drug. Such development or commercialization may depend significantly on the efforts and activities of the collaborator, who may have significant discretion in determining the efforts and resources it devotes to the collaboration depending on the collaborator's overall strategic priorities. We cannot assure you that we will be able to maintain existing collaboration agreements, negotiate collaboration arrangements in the future on acceptable terms with first choice partners, if at all, or that any such collaboration arrangements will be successful. The suspension or termination of our collaboration arrangements, the failure of our collaboration arrangements to be successful or the delay in the development or commercialization of drug candidates pursuant to collaborations could have a material adverse effect on our business, financial condition, results of operations and prospects and may cause the trading price of your Shares to fall.

To the extent that we are not able to maintain or establish such arrangements, we would be forced to seek alternatives, including to undertake drug development and commercialization activities on our own, which would increase our capital requirements and could require us to limit the scope of our R&D activities in other fields.

Our failure to develop a sales and marketing force or enter into collaborations with third parties to market and sell our drug candidates may impair our ability to generate significant drug revenue.

We currently have no marketing and sales capability. In order to be in a position to commercialize our drugs we will need to enter into new collaborations with third parties or develop our own marketing and sales force with technical expertise and supporting distribution capability. We have not yet proven our ability to commercialize drugs. There can be no assurance that we will be able to build up our own marketing and sales organization, to attract and maintain established collaboration partners for the third-party commercialization of our drug candidates, to enter into agreements on acceptable terms for sales and marketing, if at all, or that any such collaboration arrangements will be successful. As a consequence, we would be forced to seek alternatives, redirect our resources or have to limit the scope of our R&D activities in other fields and thereby delay the launch and sales of any or all of our drug candidates, or raise new funds. Accordingly, this could have a material adverse effect on our business, financial condition, results of operations and prospects and may cause the trading price of your Shares to fall.

We rely on the expertise of key employees, academic consultants and academic advisers in our research, development, marketing and management.

Our success, to a significant extent, depends on the efforts and expertise of our top management and the services of other key personnel, senior management and scientists with expertise in drug development and allosteric modulator pharmacology. We are a small company with many key functions being carried out by one/or only a few persons. There are not many people who have focused experience and know-how in allosteric modulation and in the drug candidates developed by us. The loss of any of our key personnel could have a material effect on us and materially delay the development of our drug candidates.

We have endeavored to ensure that key personnel receive suitable incentives by establishing, among other things, an employee incentive plan. However, to implement our strategy, we will need to hire numerous other qualified personnel in the areas of research, development, clinical trial management and pre-clinical evaluation and there is intense competition for skilled personnel in these areas. We can provide no assurance that we will be able to retain, develop or motivate such personnel or recruit new highly skilled and experienced employees on acceptable terms, or at all. The loss of such key personnel or the failure to attract new highly skilled and experienced employees could have a material adverse effect on our business, financial condition, results of operations and prospects and may cause the trading price of your Shares to fall.

We may fail to protect our trade secrets and know-how.

We also rely on trade secrets and non-patentable know-how, namely related to our allosteric modulator platform, which we seek to protect or secure, in part, by confidentiality agreements with and assignments from our employees, consultants, suppliers, licensees, funding partners and other contractual partners or advisers. However, we may not always be able to obtain these agreements and/or assignments. Even if we obtain these agreements

and/or assignments, there can be no assurance that they represent effective protection of our intellectual property rights or against improper use or disclosure of confidential information or that they will not be breached, that we would have adequate remedies for any breach, or that our trade secrets or non-patentable know-how will not otherwise become known or be independently developed by competitors. In addition, these agreements and/or assignments may conflict with, or be subject to, the rights of third parties with whom our employees, consultants, suppliers, licensees, funding partners or other contractual partners or advisers have previous employment, consulting or other relationships. In addition, as we substantially rely on the know-how of few employees, our know-how and expertise will be materially adversely affected if such employees should leave us.

Any such event could have a material adverse effect on our business, financial condition, results of operations and prospects and may cause the trading price of your Shares to fall.

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

In the future, third parties may have patent claims that overlap with our intended activities and such claims may lead them to sue us for money damages or in order to prevent us from manufacturing, selling or developing our drug candidates. Defending against such claims would involve significant effort and expense and could divert management's attention from our business. Further, the outcomes of such proceedings may also be unfavorable to us. In the event that the manufacture, use or sale of any of our drug candidates infringes the patents or violates other proprietary rights of third parties, we may be required to:

- pay actual damages, and if a court were to conclude that there was willful infringement, increased damages up to triple the actual damages and the other party's attorney's fees, which may be substantial;
- cease the development, manufacture, use and sale of drugs that infringe the patent rights of others through an injunction;
- expend significant resources to redesign our technology so that it does not infringe others' patent rights, or to develop or acquire non-infringing technology, which may not be possible; and/or
- obtain licenses to the infringed intellectual property, which may not be available to us on acceptable terms, or at all.

Many of our employees were previously employed at universities or pharmaceutical companies, including our competitors and potential competitors. We may become subject to claims that we or these employees have inadvertently or otherwise used or disclosed intellectual property, trade secrets or other proprietary information of former employers. Litigation may be necessary to defend these claims and, even if we are successful in defending ourselves, it could result in substantial costs or be distracting to management. If we fail to defend such claims or are unsuccessful in defending ourselves, in addition to paying monetary damages, we may lose valuable intellectual property rights.

In order to protect our own patent rights, we may ourselves have to initiate lawsuits against third parties, which could be costly, time-consuming, divert management and clinical personnel from their business responsibilities or otherwise materially harm our business. Moreover, we cannot guarantee that we will have sufficient financial or other resources to conduct such enforcement actions, which typically go on for years before a legal judgment or settlement is obtained. Although we are not aware of any invalidating prior art, such prior art may exist and in any litigation or other proceeding could put one or more of our patents at risk of being invalidating or interpreted narrowly and could put our pending patent applications at risk of not being issued. In addition, there is a risk that some of our confidential information could be compromised by disclosure in such judicial proceeding since they require a substantial amount of discovery. Such disclosure could provide competitors with access to our proprietary information and may harm our competitive position.

Any such event could have a material adverse effect on our business, financial condition, results of operations and prospects and may cause the trading price of your Shares to fall.

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

The process from target identification to the commercialization of pharmaceutical drugs is capital-intensive and requires significant financial resources. The net proceeds from the Offering, together with the cash flow, if any, from our operations, may not be sufficient to fund our anticipated capital expenditures and working capital requirements for the foreseeable future. Delays in clinical trials or marketing of ADX10059 or ADX10061 or of other drug candidates may require us to raise additional funds from external sources. We can provide no assurance that we can obtain access to sufficient funds when needed. Our ability to raise additional funds will depend on

financial, economic and other factors, many of which are beyond our control. If we fail to obtain additional funds at acceptable terms when needed, we may have to delay, reduce or terminate our R&D programs or the production and commercialization of drug candidates or limit strategic opportunities, which may adversely affect our business, financial condition, results of operations and prospects and may cause the trading price of your Shares to fall.

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

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

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

We are subject to extensive and rigorous governmental regulation and the applicable regulatory requirements are subject to change. Our R&D, pre-clinical studies and clinical trials, manufacturing, safety, efficacy, record-keeping, labeling, marketing, sales and distribution of our drug candidates are regulated by Swissmedic, the EMEA, the FDA and other government agencies in countries where we are testing or intend to test and market our drug candidates. See "Regulatory Environment".

Before a clinical trial can begin, we must obtain approval from the competent national authority in the country where the trial is planned to be conducted. A favorable opinion from a competent ethics committee or an independent institutional review board on the clinical trial application is also needed. We cannot assure we will obtain authorization for further testing of drug candidates already in clinical trials or for human clinical trials of any or all of our other candidates currently in research or pre-clinical development. We or regulatory authorities may suspend or terminate clinical trials at any time if it is thought that the participants are being exposed to unacceptable health risks. It may take us or our collaborators several years to complete this testing, and failure can occur at any stage of the process.

The governmental regulation of our development of drug candidates extends beyond clinical trials to approvals required for their sale and monitoring after sale, including safety reporting requirements, regulatory oversight of drug promotion and marketing and GMP. A failure to obtain marketing authorization or a delay in obtaining and maintaining approval could damage our reputation and adversely affect the marketing of our drugs and our ability to generate revenue, which could have a material adverse effect on our business, financial condition, results of operations and prospects and may cause the trading price of your Shares to fall.

In addition, marketing authorizations, if granted, may not include all uses for which we may seek to market a drug, thereby limiting the potential market for the drug. Moreover, even after marketing authorization is obtained, a marketed drug, its manufacturer and its manufacturing facilities are subject to continual review and periodic inspections by the relevant authorities. Consequently, any discovery of previously unknown problems with an approved drug, manufacturer or manufacturing facilities may result in restrictions on the drug or manufacturer, including a requirement to withdraw the drug from the market.

In addition, regulatory requirements are evolving in a manner that cannot be predicted. Changes in existing Swiss, EMEA, FDA or other regulations or the adoption of new regulations could prevent us from obtaining or maintaining, or affect the timing of, future marketing authorizations. Changes in regulatory policy during the period of development of a drug or regulatory review may result in delays or rejections of approvals of the drug candidates. Any change in the regulations governing us could have a material adverse effect on our business, financial condition, results of operations and prospects and may cause the trading price of your Shares to fall. See "Regulatory Environment".

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

Healthcare laws are subject to changes. Such changes may affect our ability to sell any drugs we may develop.

For instance, in the United States, an important potential market for our drug candidates, there have been a number of legislative and regulatory proposals, at both the federal and state government levels, to change the health care system in ways that could have a material adverse effect on our ability to sell our drugs profitably, if approved. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 ("MMA") among other things, established a new Part D prescription drug benefit that began on January 1, 2006 and changes coverage and reimbursement for drugs and devices under existing benefits. It remains difficult to predict the full impact that the MMA will have on us.

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

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

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

Our ability to successfully commercialize our drug candidates and to attract strategic partners for our drug candidates or future drugs will depend in part on price levels and on the extent to which reimbursement for the costs of treatment with these drug candidates will be available from government health administration authorities, private health insurers and other third-party payers, as well as government health care programs.

Governments and other third-party payers are increasingly attempting to contain health care costs, in part by challenging the price of medical drugs and services and/or by restricting the eligibility for reimbursement. Health care cost pressure could lead to pricing pressure which could adversely affect pricing of ADX10059, ADX10061 and our other potential drugs.

Seeking third-party reimbursement is a time-consuming and costly process, which will require us to provide scientific and clinical support for the use of each of our drug candidates to each third-party payer separately. Significant uncertainty exists as to the payment status of newly approved medical drugs. The unavailability or inadequacy of third-party reimbursement, or legislation controlling treatments or prices, would have an adverse effect on the price level and consequently the market acceptance of our drug candidates and may cause the trading price of your Shares to fall.

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

We are subject to a variety of health, safety and environmental laws and regulations in the jurisdictions in which we operate, particularly in our R&D activities, as well as in our pre-clinical studies. These laws and regulations govern, among other things, the use, storage, handling and discharge or disposal of hazardous materials, chemicals and compounds, including wastewater discharge, air emissions and waste management, where we operate. Our R&D programs involve the controlled use of hazardous materials, chemical and biological materials and controlled pre-clinical animal studies. Although we believe that we hold all permits required to operate our business and otherwise comply with current laws and regulations, any failure by us to comply with present or future laws and regulations could result in fines, suspension of R&D or cessation of our operations. We, like many of our competitors, have incurred, and will continue to incur, capital and operating expenditures and other costs in the ordinary course of our business in complying with such laws and regulations in most of the jurisdictions in which we operate. We do not currently anticipate any material capital expenditures in respect of such regulations outside of the ordinary course of our business. However, the risk of environmental liability is inherent in our business and there

can be no assurance that material environmental costs inside or outside of the ordinary course of business will not arise in the future.

Our research and manufacturing activities involve the use of hazardous materials. Although we believe that our safety procedures for handling and disposing of hazardous materials (including medical and biological waste) comply with relevant laws and regulations, we cannot eliminate the risk of accidental or man made contamination, injury or damage from these materials. In the event of an accident or environmental discharge, we may be held liable for any resulting damages. We cannot assure you that the amount of our insurance coverage will be sufficient to satisfy any such damages. As a result, any such accident could have a material adverse effect on our business, financial condition, results of operation and prospects and may cause the trading price of your Shares to fall.

In addition, changes to existing or future laws and regulations may result in the imposition on us of significant additional environmental, health and safety compliance costs.

We may encounter difficulties in managing future growth.

We will need to expand significantly and manage effectively our organization, personnel, operations and facilities in order successfully to develop and commercialize our drug candidates. We will only be able to organize operations efficiently and to avoid the misallocation of resources if we continue to improve our operational, financial and management controls, reporting systems and procedures as well as attract and retain sufficient numbers of qualified employees, in particular in order to establish a sales force. We may be unable to successfully implement these tasks in time and on a larger scale and, accordingly, may not achieve our research, development and commercialization goals. If we are not able to manage growth effectively, this could have a material adverse effect on our business, financial condition, results and prospects and may cause the trading price of your Shares to fall.

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

A significant amount of our costs are denominated in currencies other than Swiss francs as we source supplies, R&D, consulting and other services in several countries other than Switzerland. In the year ended December 31, 2006, 49.8% and 100%, respectively, of our costs and revenue were denominated in currencies other than the Swiss franc. As a result, our business is affected by fluctuations in foreign exchange rates between the Swiss franc and other currencies, especially US dollars, the euro, and the British pound. For instance, under the OMP Agreement, all milestone and royalty payments by OMP, if any, are made in euro. Our reporting currency is the Swiss franc, and as a result financial line items are converted into Swiss francs at the applicable foreign exchange rates. As our business grows, we expect that a significant part of our revenues, including milestone payments and royalties and significant part of our costs, including costs for clinical trials will be denominated in US dollars, the euro, and/or the British pound. Therefore, unfavorable developments of the value of the Swiss franc compared to the US dollar, the euro, and/or the British pound could have a material adverse effect on our business, financial condition, results of operations and prospects and may cause the trading price of your Shares to fall.

Our current operations are concentrated in two locations and any events affecting these locations may have adverse consequences.

Our current operations are located in the facilities situated in Plan-les-Ouates/Geneva, Switzerland and in Archamps, France. Due to this concentration, any unplanned event, such as flood, fire, explosion, earthquake or accidents that result in us being unable to fully utilize the facilities, may have a material adverse effect on our ability to operate our business, particularly on a daily basis, with significant detrimental consequences for our financial and operational conditions. Loss of access to these facilities may result in increased costs, significant delays in the development of our drugs or significant interruption of our business operations. As part of our risk management, we maintain insurance cover at levels we believe are appropriate for our business. However, in the event of an accident at these facilities, we cannot assure you that the amounts of insurance will be sufficient to satisfy any damages and losses. If our facilities are unable to operate because of an accident or for any other reason, even for a short period in time, any or all of our R&D programs may be delayed. Any such business interruption may have a material adverse effect on our business, financial position, results of operations and prospects and may cause the trading price of your Shares to fall.

Risks Related to Our Shares

Prior to the Offering, there has been no public market for the Shares. The market price for the Shares must be expected to be highly volatile and could decline significantly.

Prior to the Offering there has been no public market for any of the Shares. As a consequence, there can be no assurance that an active trading market will develop after the Offering or that the Share price will not decline below the Offer Price. The Offer Price will be determined by us and the Global Co-ordinator on behalf of the Managers and may not be indicative of the market price for the Shares after listing. The trading price of the Shares could also be subject to significant fluctuations in response to variations in our or our competitors' financial and business performance, general market conditions, and other factors. In addition, the results of clinical trials may have a significant impact on the market price of the Shares. Furthermore, securities markets and in particular shares of biopharmaceutical and pharmaceutical companies whose drug candidates have not yet been commercialized have experienced significant price and volume fluctuations in recent years. Such fluctuations in the future could adversely affect the market price of our shares without regard to our results of operations or financial condition.

There is only a limited free float of the Shares; this may have a negative impact on the liquidity of and market price for the Shares.

After completion of the Offering, 1,875,000 Shares or 32% of our outstanding share capital (2,156,250 Shares or 35% of the outstanding share capital if the Over-Allotment Option is exercised in full) will be freely tradeable. The remaining 3,987,492 Shares, or 68% (65% if the Over-Allotment Option is exercised in full), are held by existing shareholders, including certain members of the management and members of our Board of Directors, who have entered into lock-up undertakings. This may have a negative impact on the liquidity of the Shares and result in a low trading volume of Shares, which could adversely affect their then prevailing market prices and their marketability.

If you purchase our Shares in the Offering, you will experience immediate and substantial dilution in the book value of your Shares.

The Offer Price is substantially higher than the book value per share of the Shares. Investors purchasing Offered Shares in the Offering will pay a price per Share that substantially exceeds the book value of our tangible assets after subtracting our liabilities. Our net tangible book value at March 31, 2007, was CHF 34.86 million, or CHF 8.74 per share, and would remain at this amount after giving effect to the automatic conversion of all outstanding voting and non-voting shares into Shares as if such event occurred on March 31, 2007. Based upon the offer of 1,875,000 Offered Shares and the Offer Price of CHF 73 per Offered Share (which corresponds to gross proceeds of CHF 136.9 million), our pro forma as adjusted net tangible book value per share after the Offering would have been CHF 27.70 as of March 31, 2007. This represents an immediate increase in pro forma net tangible book value of CHF 18.96 per Share to existing shareholders and an immediate dilution of CHF 45.30 per Share to new investors purchasing Offered Shares in the Offering at the Offer Price.

As a result of this dilution, investors purchasing Shares in the offering will experience immediate and substantial dilution in the book value of your Shares. See "Dilution".

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

We have never declared or paid cash dividends on our share capital. We do not anticipate paying any cash dividends on the Shares in the foreseeable future. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. As a result, capital appreciation, if any, of the Shares will be your sole source of gain for the foreseeable future.

Upon completion of the Offering, some of our existing shareholders will continue to exert significant influence over us and may not make decisions that are in the best interests of all shareholders.

Upon completion of the Offering, our existing shareholders, mainly private equity investors, will beneficially own 3,991,471 Shares or approximately 68% of the share capital (approximately 65% of the outstanding share capital, if the Over-Allotment Option is exercised in full). Some of these shareholders, acting together, may have the ability to exert significant influence over our management and operations, including the election of our Board of Directors and other matters requiring shareholders' approval. The voting power of these shareholders may discourage or prevent certain takeovers or changes in control over the Company unless the terms are approved by these shareholders. In addition, the interests of our officers, directors and principal shareholders may not always

coincide with our interests or the interests of other shareholders and, accordingly, these control persons could cause us to enter into transactions or agreements that we would not otherwise consider.

Sales of a substantial number of Shares following the Offering could adversely affect the market price of our Shares and our ability to raise capital in the future.

Upon completion of the Offering, we will have a total of 5,862,492 Shares outstanding (6,143,742 Shares, if the Over-Allotment Option is exercised in full), of which 1,875,000 Shares (or 2,156,250 Shares, if the Over-Allotment Option is exercised in full) offered hereby will be freely tradable. The remaining 3,987,492 Shares outstanding are subject to lock-up agreements, whereby we have agreed on a lock-up until 360 days from the date of the first day of trading on the SWX Swiss Exchange and the members of our Board of Directors, our management and certain of our shareholders have agreed on a lock-up until 180 days from such first day of trading. See "Plan of Distribution—Lock-up".

The market price of the Shares could decline as a result of sales by existing shareholders after the Offering, or the perception that these sales could occur. These sales might also make it more difficult for us to sell equity securities at a time and price that we deem appropriate. In addition, the lock-up agreements entered into by the holders of currently outstanding Shares provide that they may sell such Shares in certain circumstances during the above-described lock-up periods. After the expiration of these lock-up periods, the sale of these Shares could have a material adverse effect on the price of the Shares.

Shareholders outside of Switzerland may not be able to exercise pre-emptive rights in future issuances of equity or other securities that are convertible into equity.

Under Swiss law, shareholders have certain pre-emptive rights to subscribe on a pro rata basis for issuances of equity or other securities that are convertible into equity. Due to laws and regulations in their respective jurisdictions, however, our non-Swiss shareholders may not be able to exercise their pre-emptive subscription rights. There can be no assurance that we would take any action to register or otherwise qualify the offering of subscription rights or shares under the law of any jurisdiction where the offering of such rights was restricted. If shareholders in such jurisdictions were unable to exercise their subscription rights, their ownership interest in us would be diluted.

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

We may choose to raise additional capital depending on market conditions or strategic considerations. To the extent that additional capital is raised through the issuance of equity or other securities that are convertible into equity, the issuance of these securities could further dilute your proportional holding of the Shares.

The exercise of stock options granted under our stock option plans could dilute our share capital.

Pursuant to our existing stock option plan, options to purchase Shares will be exercisable at certain times after the Offering at prices below the Offer Price and the market price that may prevail after the listing of the Shares on the SWX Swiss Exchange. To the extent that these stock options are exercised in the future, investors in the Offering will be diluted.

Pursuant to our articles of association, the Board of Directors has the power to grant up to 300,000 stock options that, if granted by us and thereafter exercised by the grantees, would cause investors in the Offering to be diluted. For further information regarding these stock options, see "Directors, Managers and Employees—Stock Options Plan".

Management may invest or spend the proceeds of the Offering in ways that you may not agree with or that may not yield a return.

Management will retain broad discretion over the use of proceeds from the Offering. Shareholders may not deem these uses desirable, and our use of the proceeds may not yield a significant return or any return at all. Management intends to use a majority of the proceeds from the Offering for clinical testing for our lead drug candidates, additional development opportunities, and for working capital and other general corporate purposes. Because of the number and variability of factors that may determine our use of the net proceeds from the Offering, we cannot assure you that actual uses will not vary substantially from our currently planned uses.

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

We and each of our subsidiaries that are treated as corporations for US federal income tax purposes will be classified as passive foreign investment companies ("PFICs") for such purposes. Accordingly, US investors may be subject to adverse US federal income tax consequences on a disposition of Shares or a deemed disposition of and certain distributions with respect to the Shares or other equity interests in our subsidiaries that are PFICs. We will not provide US investors with the information that would be necessary in order for such persons to make qualified electing fund elections with respect to the Shares or any of our subsidiary. Any mark-to-market election that is made with respect to the Shares will not apply to our subsidiaries that are PFICs. No assurances can be provided that US investors will be able to obtain all of the information that such US investors would need to satisfy any reporting obligations or compute any US federal income tax liabilities with respect to their indirect interests in such lower-tier PFICs. In addition, because we will be a PFIC, our distributions will not qualify for the reduced rate of US federal income tax that applies to qualified dividends paid to non-corporate US taxpayers. The PFIC rules are extremely complex, and US investors should consult their own tax advisors concerning the US federal income tax consequences that will apply to them as direct or indirect shareholders in PFICs and any US federal income tax elections that may be available to them to mitigate such adverse consequences. See "Taxation—US Federal Income Tax Considerations—Passive Foreign Investment Company Considerations".

USE OF PROCEEDS

We expect to receive net proceeds from the sale of the Offered Shares of approximately CHF 126.9 million (CHF 146.2 million, if the Over-Allotment Option is exercised in full), after deducting estimated underwriting commissions and expenses and other offering expenses (including out-of-pocket expenses and legal, financial advisory and other fees).

We intend to use the net proceeds from the Offering for general corporate purposes. General corporate purposes include, but are not limited to (i) supporting ongoing and new clinical development and research programs, (ii) establishing a sales and marketing organization, (iii) licensing and/or acquiring new compounds and technologies, either in the form of a licensing deal or a company acquisition, should the opportunity arise.

The amounts and timing of actual expenditures for each purpose may vary significantly depending on numerous factors, including the status of product development, competition, sales and marketing activities and market acceptance of our products. The actual use of the proceeds from the Offering will be subject to the sole discretion of the Board of Directors.

DIVIDENDS AND DIVIDEND POLICY

We have paid no dividends since inception and do not anticipate paying dividends in the foreseeable future. As a result, investors in the Offering will benefit in the foreseeable future only if the Shares appreciate in value.

All Offered Shares will have the same dividend rights as all of the other outstanding Shares. Dividends, if declared, are expected to be declared in Swiss francs.

A dividend must be proposed by our Board of Directors and approved by a shareholders' meeting. In addition, our statutory auditors must confirm that the dividend proposal of the Board of Directors conforms to statutory law and to our articles of association.

The Offered Shares entitle holders to any declared and paid dividends as from the year 2007 onwards. However, we intend to retain future earnings, if any, for investment in R&D and expansion of our business. For further information, see "Description of the Share Capital and Shares—Net Profits and Dividends".

See "Taxation" for a summary of certain tax consequences regarding dividends or distributions to holders of our Shares.

CAPITALIZATION

The following table sets forth our consolidated capitalization as of March 31, 2007, (i) on an actual basis, as adjusted for the conversion of all outstanding voting and non-voting shares into Shares, and (ii) as adjusted to reflect the receipt of the estimated net proceeds of CHF 126.9 million from the sale of 1,875,000 Offered Shares (without the exercise of the Over-Allotment Option), after deducting estimated underwriting commissions and expenses, other offering expenses (including out-of-pocket expenses and legal, financial advisory and other fees) and Swiss Federal Capital Issuance Tax (droit de timbre d'émission/Emissionsabgabe) payable by us and (iii) as adjusted for the items set forth under (ii) above but assuming that the Over-Allotment Option is fully exercised. This table should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this Offering Circular.

	As of March 31, 2007		
	Actuals	**As adjusted for the sale of the Offered Shares**	**As adjusted as if Over-Allotment Option is fully exercised**
	(unaudited) in Swiss francs	**(unaudited) in Swiss francs**	**(unaudited) in Swiss francs**
Cash and cash equivalents	34,224,108	161,121,160	180,422,568
Long-term debt	—	—	—
Shareholders' equity			
Share capital[2]	3,867,623	5,742,623	6,023,873
Additional paid in capital	102,910,216	234,938,166	254,445,849
Other reserves	(132,163)	(132,163)	(132,163)
Accumulated deficit	(71,780,748)	(78,130,371)	(78,617,896)
Total shareholders' equity, net	34,864,928	162,418,255	181,719,663
Total capitalization	34,864,928	162,418,255	181,719,663

1 Without accounting for the 119,869 shares owned by Addex Pharma SA as of March 31, 2007.

DILUTION

Our pro forma consolidated net tangible book value on March 31, 2007, after giving effect to the conversion of all outstanding voting and non-voting shares into Shares as if such event occurred on March 31, 2007 was CHF 34,864,928, or CHF 8.74 per Share outstanding at such time. Net tangible book value per share represents the amount of our total tangible assets less total liabilities divided by the number of Shares outstanding.

Dilution in net tangible book value per share represents the difference between the amount per Offered Share paid by purchasers in the Offering and the net tangible book value per Share immediately after completion of the Offering.

After giving effect to the Company's issuance of 1,875,000 Offered Shares (without the exercise of the Over-Allotment Option) at an Offer Price of CHF 73 per Offered Share, and after deducting estimated underwriting commissions and expenses, other offering expenses (including out-of-pocket expenses and legal, financial advisory and other fees) and Swiss Federal Capital Issuance Tax (*droit de timbre d'émission/Emissionsabgabe*) payable by us, our net tangible book value at March 31, 2007, would have been approximately CHF 162.4 million or CHF 27.70 per Share. This represents an immediate increase in adjusted net tangible book value of CHF 18.96 per Share to our shareholders existing prior to the Offering and an immediate and substantial dilution in adjusted net tangible book value of CHF 45.30 per Share to new investors purchasing Offered Shares in the Offering.

We may choose to raise additional capital depending on market conditions or strategic considerations. To the extent that additional capital is raised through the issuance of equity or debt securities that are convertible into equity, the issuance of these securities could further dilute your proportional holding of the Shares.

Additional dilution is likely to occur upon the exercise of outstanding stock options granted by us. See "Directors, Managers and Employees—Stock Option Plan".

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables present certain selected consolidated financial information of Addex Pharma SA (formerly Addex Pharmaceuticals SA) as at and for the years ended December 31, 2006, 2005 and 2004 and of the Company and Addex Pharma SA respectively for the three-month periods ended March 31, 2007 and 2006. This information has been derived from and should be read in conjunction with the audited consolidated financial statements of Addex Pharma SA as of and for each of the years ended December 31, 2006, 2005 and 2004 and of the Company and Addex Pharma SA for the three-month periods ended March 31, 2007 and 2006, all prepared in accordance with IFRS and included elsewhere in this Offering Circular, and with "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Consolidated Income Statement Data:

	For the three-month periods ended March 31,		For the years ended December 31,		
	2007	2006	2006	2005	2004
	(in Swiss francs, unaudited)		(in Swiss francs, audited)		
Income					
Fees from collaborations	164,858	1,198,040	4,738,969	6,016,680	200,000
Other income	78,027	9,744	45,405	134,131	—
Total income	**242,885**	**1,207,784**	**4,784,374**	**6,150,811**	**200,000**
Operating expenses					
Staff costs	2,328,193	1,890,545	7,953,389	7,084,075	5,557,723
Depreciation and amortization	588,589	621,117	2,522,151	2,413,444	2,132,772
External R&D costs	2,620,832	2,297,313	9,771,353	8,261,094	3,816,771
Laboratory consumables	472,528	608,058	2,327,634	2,072,090	1,359,592
Facilities	340,079	284,655	1,301,255	1,125,696	842,516
Professional fees	706,380	99,535	407,208	456,603	479,159
Other operating expenses	276,766	265,315	1,074,162	1,017,053	750,479
Patents	428,095	50,517	327,503	233,245	261,315
Operating loss	**7,518,577**	**4,909,271**	**20,900,281**	**16,512,489**	**15,000,327**
Finance income	(178,508)	(45,141)	(385,915)	(258,381)	(29,736)
Finance costs	1,189	7,471	30,445	56,056	83,426
Net loss	**7,341,258**	**4,871,601**	**20,544,811**	**16,310,164**	**15,054,017**
Unaudited net loss per share					
Basic and diluted net loss per share	(1.90)	(1.85)	(7.19)	(6.82)	(11.36)
Weighted-average of Shares used in the net loss per share	3,867,623	2,630,085	2,859,174	2,391,429	1,324,645

Consolidated Balance Sheet Data:

	As of March 31,	As of December 31,		
	2007	2006	2005	2004
	(in Swiss francs, unaudited)	(in Swiss francs, audited)		
Cash and cash equivalents	34,224,108	40,946,682	21,670,245	9,180,033
Trade and other receivables	2,483,285	1,309,780	668,926	6,248,827
Total current assets	**36,707,393**	**42,256,462**	**22,339,171**	**15,428,860**
Non-current assets	3,586,707	4,095,139	6,859,201	8,161,114
Total assets	**40,294,100**	**46,351,601**	**29,198,372**	**23,589,974**
Current liabilities	5,429,172	4,074,078	6,254,935	9,247,405
Non-current liabilities	—	—	164,315	699,817
Shareholder's equity, net	34,864,928	42,277,523	22,779,122	13,642,752
Total shareholder's equity and liabilities	**40,294,100**	**46,351,601**	**29,198,372**	**23,589,974**

Consolidated Cash Flow Data:

	For the three-month periods ended March 31,		For the years ended December 31,		
	2007	2006	2006	2005	2004
	(in Swiss francs, unaudited)		(in Swiss francs, audited)		
Net cash flows used in operating activities	(6,628,130)	(5,847,389)	(19,559,510)	(10,934,610)	(11,261,880)
Net cash flows from/(used in) investing activities	165,434	(96,330)	(323,884)	(1,003,300)	(4,092,444)
Net cash flows from/(used in) financing activities	(268,760)	(163,937)	39,037,199	24,314,023	18,373,781
Change in cash and cash equivalents	**(6,731,456)**	**(6,107,656)**	**19,153,805**	**12,376,113**	**3,019,457**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of the financial condition and results of operations of the Company and Addex Pharma SA, respectively, should be read in conjunction with the audited consolidated financial statements of Addex Pharma SA as of and for each of the years ended December 31, 2006, 2005 and 2004 and of the Company and Addex Pharma SA for the three-month periods ended March 31, 2007 and 2006, all prepared in accordance with IFRS and which are included elsewhere in this Offering Circular. This discussion contains forward-looking statements, which are based on assumptions about our future business that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements. Factors that may cause such a difference include, but are not limited to, those outlined in the section "Risk Factors".

Overview

We are a Swiss biopharmaceutical company focused on building a cash-generative, sustainable and profitable pharmaceutical business around our world-leading expertise in the discovery and development of allosteric modulators of G-protein coupled receptors ("GPCRs"). Since our inception in 2002, we have incurred significant expenses associated with R&D programs. Our Group consists of the Company, its 100%-owned Swiss subsidiary Addex Pharma SA and its 100%-owned French subsidiary Addex Pharmaceuticals France SAS.

Since our inception in 2002 up to March 31, 2007, we have obtained a total of CHF 107 million in equity financing (gross of issuance costs), generated cumulative operating revenues of CHF 11.4 million, incurred cumulative operating expenses of CHF 83.3 million and incurred accumulated losses of CHF 71.8 million.

Our revenues primarily consist of amounts received under collaboration arrangements, including upfront fees, milestone and sponsored research payments. Our revenues since inception up to March 31, 2007 include CHF 10.9 million which was generated under the OMP Agreement.

R&D expenses consist primarily of costs associated with research, pre-clinical and clinical testing and related staff costs, and to a lesser extent, depreciation of laboratory equipment and leasehold improvements, costs of materials used in research, costs associated with renting and operating facilities and equipment, as well as fees paid to consultants, patent costs and other outside service fees and overhead costs. General and administrative ("G&A") expenses primarily consist of staff costs, professional fees for legal, tax and strategic purposes, costs associated with renting and operating facilities, and overheads.

In connection with our R&D activities, we incurred operating expenses of CHF 63.5 million for the three years ending December 31, 2006, of which 87% related to R&D expenses and 13% related to G&A expenses. In the three-month period ended March 31, 2007, we incurred operating expenses of CHF 7.8 million, of which 80% related to R&D expenses and 20% related to G&A expenses.

Results of Operations

Revenues

In the three years ended December 31, 2006 and the three months ended March 31, 2007 we recognized CHF 11.1 million and CHF 0.2 million as income, respectively. To-date, our revenues have consisted almost entirely of upfront fees and sponsored research payments from OMP and grants from French governmental entities.

We have recorded CHF 10.9 million in revenues from OMP, consisting of an upfront fee of CHF 4.6 million recognized in 2006 and 2005 and sponsored research funding of CHF 6.3 million recognized in 2007, 2006 and 2005 in connection with collaborative research activities. As we currently do not have any commercial drugs for sale, we have not generated any revenue from the sale of any drugs. In the future, we will seek to generate additional revenues from a combination of sales of our own drugs, milestone payments in connection with collaborative or strategic relationships, royalties resulting from the licensing of our drug candidates, and sponsored R&D activities.

Our revenue comprises the fair value of non-refundable license fees, milestone and research payment, net of value-added tax, rebates and discounts related to our collaborative arrangements. 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 are 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. Under the terms of collaboration arrangements, non-refundable license fees and performance milestone payments are recognized as revenue with reference to the completion of the performance obligation and the economic substance of the agreement.

We have been granted a total of CHF 0.1 million in non-refundable grants from the French governmental entities which we have recognized in 2006 and 2005.

Government grants are recognized at fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs they are intended to compensate.

Our revenues have varied, and we expect them to continue to vary, substantially from quarter to quarter and year to year, depending on the structure and timing of milestone events, as well as the development and commercialization strategies for our drug candidates, of us and our collaboration partners. We, therefore, believe that historical period to period comparisons are not meaningful and should not be relied upon as indicative of our future revenues and performance.

Operating Expenses

Our operating expenses consist of R&D expenses and G&A related costs which have increased in line with growth in our staff numbers and portfolio of drug candidates. Our staff numbers have increased from 30 as of January 1, 2004 to 66 as of March 31, 2007. We intend to further increase our staff numbers although we do not intend to conduct any clinical trials by ourselves but continue to use external clinical research organizations.

The costs for clinical trials, drug substance and patenting costs have a significant impact on our overall costs. We expect our operating expenses to increase over the next several years as we expand and grow our R&D and commercialization activities and advance our drug candidates.

Our costs and expenses may vary substantially from period to period based on the timing of our R&D activities, including timing of payments to clinical research organizations, to regulatory approvals and to enrolment of patients in clinical trials.

Research and Development Expenses

R&D expenses consist primarily of costs associated with research, pre-clinical and clinical testing and related staff costs, and to a lesser extent, depreciation of laboratory equipment and leasehold improvements, costs of materials used in research, costs associated with renting and operating facilities and equipment, as well as fees paid to consultants, patent costs and other outside service fees and overhead costs. These expenses include costs for proprietary and third-party collaborative R&D.

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

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

General and Administrative Expenses

G&A expenses consist primarily of staff costs, professional fees for legal, tax and strategic purposes, and overheads.

Financial Results

Net financial income consists primarily of interest income from cash and cash equivalents, interest expense from finance leases, gains and losses on foreign currencies.

Taxation

Due to the losses incurred to-date, Addex Pharma SA has not paid any income taxes.

We had a tax loss carry-forward of CHF 64.4 million as of December 31, 2006 (2005: CHF 43.9 million; 2004: CHF 27.6 million) and CHF 71.8 million as of March 31, 2007. Pursuant to currently applicable Swiss tax law, the period to offset tax loss carry-forwards against taxable profits is limited to seven years. Accordingly CHF 27.6 million of our tax loss carry-forwards will expire within the next five years and CHF 36.9 million will expire between five and seven years. Tax loss carry-forwards generate gross deferred tax assets of CHF 6.0 million as of December 31, 2006 (2005: CHF 4.0 million; 2004: CHF 2.4 million) and CHF 0.7 million as of March 31, 2007, using the current federal income tax rate in Switzerland of 7.8%. We have not capitalized a deferred tax asset

relating to tax loss carry-forwards since there is a limited probability that sufficient taxable profit will be available to allow the benefit of part, or all, of the deferred tax asset to be utilized.

Analysis of Results of Operations

Three-Month Period ended March 31, 2007 Compared to Three-Month Period ended March 31, 2006 (unaudited)

Revenues

The following table outlines the consolidated income statement data for the three-month periods ended March 31, 2007 and 2006 and the fiscal years ended December 31, 2006, 2005 and 2004:

Consolidated Income Statement Data:

	For the three-month periods ended March 31,		For the years ended December 31,		
	2007	2006	2006	2005	2004
	(unaudited)		(in thousands of Swiss francs) (audited)		
Revenues	243	1,208	4,784	6,151	200
Research and development expenses	(6,230)	(5,331)	(22,558)	(20,168)	(12,546)
General and administrative expenses	(1,531)	(786)	(3,126)	(2,495)	(2,654)
Operating loss	**(7,518)**	**(4,909)**	**(20,900)**	**(16,512)**	**(15,000)**
Net financial income (loss)	177	38	355	202	(54)
Net Loss	**(7,341)**	**(4,871)**	**(20,545)**	**(16,310)**	**(15,054)**

The following table sets forth our revenues for the three-month periods ended March 31, 2007 and 2006:

	For the three-month periods ended March 31,	
	2007	2006
	(in thousands of Swiss francs) (unaudited)	
Fee from collaborations	165	1,198
Other income	78	10
Total	**243**	**1,208**

Our revenues amounted to CHF 0.2 million for the three-month period ended March 31, 2007, compared to CHF 1.2 million for the three-month period ended March 31, 2006, a decrease of 80%. The decrease resulted primarily from a reduction in sponsored research payments and the absence of upfront fees under the OMP agreement that had been fully recognized through 2006 and 2005.

Research and Development Expenses

The following table sets forth our R&D expenses for the three-month periods ended March 31, 2007 and 2006:

	For the three-month periods ended March 31,	
	2007	2006
	(in thousands of Swiss francs) (unaudited)	
Staff costs	1,657	1,369
Depreciation and amortization	569	597
External R&D costs	2,621	2,297
Laboratory consumables	473	608
Facilities	300	249
Other operating expenses	182	160
Patents	428	51
Total	**6,230**	**5,331**

Our R&D expenses amounted to CHF 6.2 million for the three-month period ended March 31, 2007, compared to CHF 5.3 million for the three-month period ended March 31, 2006, an increase of 17%, primarily due to an increase in patenting costs and external R&D costs associated with the development of ADX10059, as well as an increase in staff costs due to new hires and internal promotions.

General and Administration Expenses

The following table sets forth our G&A expenses for the three-month period ended March 31, 2007 and 2006:

	For the three-month periods ended March 31,	
	2007	2006
	(in thousands of Swiss francs) (unaudited)	
Staff costs	671	522
Depreciation and amortization	20	24
Facilities	40	35
Professional fees	694	78
Other operating expenses	106	127
Total	**1,531**	**786**

Our G&A expenses amounted to CHF 1.5 million for the three-month period ended March 31, 2007, compared to CHF 0.8 million for the three-month period ended March 31, 2006, an increase of 95%, primarily due to IPO preparation related expenses and an increase in staff costs associated with new hires and internal promotions.

Financial Result

We had a financial income of CHF 0.2 million for the three-month period ended March 31, 2007, compared to CHF 0.05 million for the three-month period ended March 31, 2006, an increase of 295% primarily due to higher interest earnings on a larger average cash balance.

Net Loss

Net loss was CHF 7.3 million for the three-month period ended March 31, 2007, compared to CHF 4.9 million for the three-month period ended March 31, 2006, an increase of 51% primarily due to a combination of reduced research funding under the OMP Agreement and increased external R&D costs associated with advancing our clinical and pre-clinical programs, in particular expenditure associated with the transition of ADX10059 and ADX10061 into Phase IIA clinical trials.

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005 (audited)

Revenues

The following table sets forth our revenues in 2006 and 2005:

	For the years ended December 31,	
	2006	2005
	(in thousands of Swiss francs) (audited)	
Fee from collaborations	4,739	6,017
Other income	45	134
Total	**4,784**	**6,151**

Our revenues amounted to CHF 4.8 million in 2006, compared to CHF 6.2 million in 2005, a decrease of 22%, primarily due to lower research funding recognized under the OMP Agreement (2006: CHF 2.4 million; 2005: CHF 3.7 million). The OMP Agreement provided for the funding of twelve full time employees ("FTE") in 2005 and eight in 2006.

Research and Development Expenses

The following table sets forth our R&D expenses in 2006 and 2005:

	For the years ended December 31,	
	2006	2005
	(in thousands of Swiss francs) (audited)	
Staff costs	5,839	5,448
Depreciation and amortization	2,430	2,317
External R&D costs	9,771	8,261
Laboratory consumables	2,328	2,072
Facilities	1,145	973
Other operating expenses	717	864
Patents	328	233
Total	**22,558**	**20,168**

Our R&D expenses amounted to CHF 22.6 million in 2006, compared to CHF 20.2 million in 2005, an increase of 12%, primarily due to an increase in external R&D costs as a result of higher pre-clinical and clinical trial activities combined with an increase in the use of outsourced chemistry services, as well as increased staff costs associated with new hires and internal promotions and laboratory consumables. In the first half of 2006, we completed three Phase I clinical trials with ADX10059. In the second half of 2006, we completed non-clinical safety testing of ADX48621, commenced two Phase IIA clinical trials in GERD and migraine with ADX10059 and commenced a third Phase IIA clinical trial in smoking cessation with ADX10061. As a result, we funded the transition of two clinical programs into Phase II clinical development and twelve contract chemists in 2006 compared to two ongoing late pre-clinical studies, the start of three Phase I clinical trials and six contract chemists in 2005. We also increased the number of ongoing discovery programs from six in 2005 to eight in 2006. The increase in laboratory consumables is mainly due to an increase in the average number of laboratory staff in 2006 compared to 2005.

General and Administration Expenses

The following table sets forth our G&A expenses in 2006 and 2005:

	For the years ended December 31,	
	2006	2005
	(in thousands of Swiss francs) (audited)	
Staff costs	2,114	1,636
Depreciation and amortization	92	96
Facilities	156	153
Professional fees	343	255
Other operating expenses	421	355
Total	**3,126**	**2,495**

Our G&A expenses amounted to CHF 3.1 million in 2006, compared to CHF 2.5 million in 2005, an increase of 24%, primarily due to additional hires, internal promotions and performance bonuses which were higher in 2006 compared to 2005.

Financial Result

We had a financial income of CHF 0.4 million in 2006, compared to CHF 0.3 million in 2005, a 33% increase primarily due to higher interest earnings on a larger average cash balance and higher unrealized foreign exchange gains in 2006 than in 2005.

Net Loss

Net loss was CHF 20.5 million in 2006, compared to CHF 16.3 million in 2005, an increase of 26%, primarily due to a combination of reduced sponsored research funding under the OMP Agreement and increased external R&D costs associated with advancing our clinical and pre-clinical programs, in particular expenditure associated with the transition of ADX10059 and ADX10061 into Phase IIA clinical trials.

Year Ended December 31, 2005 Compared to Year Ended December 31, 2004 (audited)

Revenues

The following table sets forth our revenues in 2005 and 2004:

	For the year ended December 31,	
	2005	2004
	(in thousands of Swiss francs) (audited)	
Fee from collaborations	6,017	200
Other income	134	—
Total	**6,151**	**200**

Our revenues amounted to CHF 6.2 million in 2005, compared to CHF 0.2 million in 2004. The significant increase is due primarily to the execution of the OMP Agreement in December 2004 and the recognition thereunder of an upfront fee of CHF 2.3 million and sponsored research funding of CHF 3.7 million. No revenue was recognized in 2004 under the OMP Agreement as the upfront fee was deferred over the initial two-year period of the research collaboration.

Research and Development Expenses

The following table sets forth our R&D expenses in 2005 and 2004:

	For the year ended December 31,	
	2005	2004
	(in thousands of Swiss francs) (audited)	
Staff costs	5,448	3,732
Depreciation and amortization	2,317	2,047
External R&D costs	8,261	3,817
Laboratory consumables	2,072	1,360
Facilities	973	712
Other operating expenses	864	617
Patents	233	261
Total	**20,168**	**12,546**

Our R&D expenses amounted to CHF 20.2 million in 2005, compared to CHF 12.5 million in 2004, an increase of 62%. The increase resulted primarily from an increase in external R&D costs as well as from an increase in staff costs associated with additional hires (2005: 50 FTE; 2004: 41 FTE) and in laboratory consumables. In the second half of 2005, we completed non-clinical safety testing of ADX10059 and commenced Phase I clinical development. During 2005, we also performed additional pre-clinical studies with ADX10061 in preparation for entry into a Phase IIA clinical trial in smoking cessation as well as advancing a new molecule, ADX48621 from discovery into late pre-clinical development. We also added additional chemistry resources under an outsourced chemistry service agreement. As a result, we funded two ongoing late pre-clinical studies, the start of three Phase I clinical trials and six contract chemists in 2005 compared to 2004 when we funded only two ongoing late pre-clinical programs and no contract chemists. We also increased the number of ongoing discovery programs from four in 2004 to six in 2005. The increase in laboratory consumables is mainly due to an increase in the average number of laboratory staff in 2005 compared to 2004.

General and Administration Expenses

The following table sets forth our G&A expenses in 2005 and 2004:

	For the year ended December 31,	
	2005	2004
	(in thousands of Swiss francs) (audited)	
Staff costs	1,636	1,826
Depreciation and amortization	96	85
Facilities	153	131
Professional fees	255	342
Other operating expenses	355	271
Total	**2,495**	**2,655**

Our G&A expenses amounted to CHF 2.5 million in 2005, compared to CHF 2.7 million in 2004, a decrease of 6%, primarily due to a decrease in staff costs associated with lower performance bonuses in 2005 compared to 2004.

Financial Result

We had a financial income of CHF 0.3 million in 2005, compared to CHF 0.03 million in 2004, a significant increase, primarily due to higher interest earnings on a larger average cash balance and higher unrealized foreign exchange gains in 2005 than in 2004.

Net Loss

Our net loss was CHF 16.3 million in 2005, compared to CHF 15.1 million in 2004, an increased loss of 8%, primarily due to an increase in R&D services associated with advancing our clinical and pre-clinical programs and

staff costs associated with additional hires, internal promotions and performance bonuses largely offset by a significant increase in revenues under the OMP Agreement.

Liquidity and Capital Resources

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

Our cumulative net losses since inception up to the year ended December 31, 2006 and up to the period ended March 31, 2007 amounted to CHF 64.4 million and CHF 71.8 million, respectively. We expect to continue incurring losses over the next several years.

As of December 31, 2006, we held CHF 41.0 million as cash and cash equivalents and as of March 31, 2007 CHF 34.2 million. As of December 31, 2005 and December 31, 2004, CHF 21.7 million and CHF 9.2 million were held as cash and cash equivalents. Our policy is to invest these funds in low risk investments including interest-bearing deposits.

We have received a statutory audit report for Addex Pharma SA for the year ended December 31, 2006 from our independent auditors containing an explanatory paragraph stating that the accumulated losses exceeded one half of the Company's share capital and legal reserves.

We have not planned and have not made any commitments or entered into any binding agreements for any material investments other than for investments in the normal course of our business. The financial needs of our wholly-owned subsidiary Addex Pharmaceuticals France SAS are exclusively covered by us. Addex Pharmaceuticals France SAS has no third-party debt outstanding as of December 31, 2006 or March 31, 2007.

Future Funding Requirements

We believe the net proceeds of the Offering, together with our cash and cash equivalents, will be sufficient to meet our current anticipated operations and capital requirements for the next three years. However, our present and future funding requirements may change and will depend on many factors, including, among other things:

- Timing of the clinical development programs and the planned marketing authorization of the programs that are currently in clinical development;
- Change in product development plans needed to address any set-backs in R&D;
- Scope, prioritization and number of clinical trials and R&D activities;
- Rate of progress and cost of the clinical trials, and other R&D activities;
- Terms and timing of any collaborative, licensing and other arrangements that may be established;
- Cost of filing, prosecuting, defending and enforcing patent claims and other intellectual property rights;
- The need or decision to acquire or license complementary compounds or complementary businesses or companies;
- Regulatory approval, manufacturing or commercialization through partners;
- Cost and timing of regulatory approvals;
- Cost of manufacturing;
- Cost of establishing or contracting for sales and marketing;
- Changes in regulatory policies or laws that affect the operations; and
- Competing medical treatment and market developments.

We expect our operating expenses to increase over the next several years as we expand and grow our R&D activities and commercialization activities. As a result, due to delays in market launch or other R&D projects, we may require additional funds to further develop our projects and to reach market launch with our first drugs. In addition, we do not know whether any additional financing will be available at all or available on commercially acceptable terms when needed. See "Risk Factors" and "Forward-Looking Statements".

Consolidated Cash Flow Statement Data

The following table summarizes our consolidated cash flows for the three-month periods ended March 31, 2007 and 2006 and the fiscal years ended December 31, 2006, 2005 and 2004:

	For the three-month period ended March 31,		For the year ended December 31,		
	2007	2006	2006	2005	2004
	(unaudited)		(in thousands of Swiss francs) (audited)		
Net cash flows used in operating activities	(6,628)	(5,847)	(19,560)	(10,935)	(11,262)
Net cash flows from/(used in) investing activities	165	(96)	(324)	(1,003)	(4,093)
Net cash flows from/(used in) financing activities	(268)	(164)	39,037	24,314	18,374
Change in cash and cash equivalents	**(6,731)**	**(6,107)**	**19,153**	**12,376**	**3,019**

Cash Flow from Operating Activities

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

Net cash used in operating activities was CHF 6.6 million and CHF 5.8 million in the three-month periods ended March 31, 2007 and March 31, 2006, and CHF 19.6 million in 2006, CHF 10.9 million in 2005 and CHF 11.3 million in 2004. The net cash used in each of these periods primarily reflects the net loss for these periods, except for 2005 and 2006 where the upfront fee of CHF 4.6 million received in 2005 under the OMP Agreement was recognized in two equal amounts of CHF 2.3 million each in 2005 and 2006. We were, are and for the foreseeable future will remain unable to finance our operating cash needs through cash generated by revenues. Hence, future operating activities will be financed by the cash reserves available and/or through the proceeds raised in subsequent equity transactions or any other available external financing.

Cash Flow from Investing Activities

Net cash flows used in investing activities consists primarily of investment in leasehold improvements, purchases of R&D equipment, furniture and fixtures as well as investment in our chemical library and computer hardware and software.

Net cash provided by investing activities was CHF 0.2 million in the three-month period ended March 31, 2007 compared to net cash used of CHF 0.1 million in the three-month period ended March 31, 2006. In the years 2006, 2005 and 2004, net cash used in investing activities was CHF 0.3 million, CHF 1.0 million and CHF 4.1 million, respectively. The considerably higher level of investments in 2004 was due to the construction of laboratories at our site in Archamps, France and to the extension of our facilities at Plan-les-Ouates, Geneva.

Cash Flow from Financing Activities

Net cash used in financing activities was CHF 0.3 million and CHF 0.2 million in the three-month periods ended March 31, 2007 and March 31, 2006. In 2006, 2005 and 2004, net cash provided by financing activities was CHF 39.0 million, CHF 24.3 million and CHF 18.4 million. Financing activities consisted exclusively of proceeds from the issuance of share capital net of interest expense.

Our cash flows for the remainder of 2007 and beyond will depend on a variety of factors, including upfront, sponsored research, milestone and royalty payments, potential revenue from the commercialization of our drug candidates and the funding requirements discussed above, as well as the timing of the completion of the Offering and our use of the proceeds from the Offering as described under "Use of Proceeds" elsewhere in this Offering Circular.

Historical Cash and Funding Sources

Since 2002, we have received a total of CHF 107 million in equity financing (gross of issuance costs). The table below summarizes our equity financings since 2002, including proceeds from the issuance of shares and of non-voting shares subscribed by our employees.

	Equity Capital
	(in thousands of Swiss francs) (audited)
2006	40,226
2005	25,247
2004	19,400
2003	11,000
2002	10,712
Total	**106,585**

See "Description of the Share Capital and the Shares—Corporate History and Capital Structure."

Our sources of funding also include revenues from OMP under the OMP Agreement. As of March 31, 2007, we have received an aggregate of CHF 10.7 million in cash payments under this collaboration agreement.

Net Working Capital

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

	For the three-month periods ended March 31,		For the years ended December 31,		
	2007	2006	2006	2005	2004
	(in thousands of Swiss francs) (unaudited)		(in thousands of Swiss francs) (audited)		
Current assets (cash and cash equivalents excluded)	2,483	2,121	1,310	669	6,249
Current liabilities	5,429	5,842	4,074	6,255	9,247
Net Working capital	**(2,946)**	**(3,721)**	**(2,764)**	**(5,586)**	**(2,998)**

We had net negative working capital at December 31, 2006, 2005 and 2004 of CHF 2.8 million, CHF 5.6 million and CHF 3.0 million, respectively and CHF 2.9 million and CHF 3.7 million as of March 31, 2007 and March 31, 2006. Fluctuations in working capital are primarily due to CHF 5.6 million of deferred income received from OMP under the OMP Agreement, recorded in 2004 and recognized in 2005 and 2006.

Capital Expenditures

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

	For the three-month period ended March 31,		For the year ended December 31,		
	2007	2006	2006	2005	2004
	(in thousands of Swiss francs) (unaudited)		(in thousands of Swiss francs) (audited)		
Investments in property, plant and equipment[1]					
Buildings	—	—	—	—	33
Leasehold improvements	2	11	37	166	2,281
Equipment	46	75	184	533	1197
Furniture and fixtures	4	4	35	101	238
Chemical library	2	30	52	195	4
Total investments in property, plant and equipment	**54**	**120**	**308**	**995**	**3,753**
Investments in intangible assets					
Computer software	7	8	40	57	105
Total investments in intangible assets	**7**	**8**	**40**	**57**	**105**
Total capital expenditures	**61**	**128**	**348**	**1,052**	**3,858**

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

We have not planned and have not made any commitments or entered into any binding agreements to make any material future capital expenditures, defined as any investment in fixed assets. As of the date of this Offering Circular, no future capital expenditures have been approved by our Board of Directors or our management.

Contractual Commitments

The table below summarizes the contractual obligations, commercial commitments and principal payments we were obliged to make as of March 31, 2007 under finance leases, operating leases and other agreements:

	Payments Due by Period			
	Total	Less than 1 Year	Between 1 and 5 Years	More than 5 Years
	(in thousands of Swiss francs)			
Finance leases	(95)	(95)	—	—
Operating lease	(9,455)	(1,338)	(4,031)	(4,066)
Capital expenditure	(35)	(35)	—	—
Total contractual commitments	**(9,585)**	**(1,488)**	**(4,031)**	**(4,066)**

The operating leases shown in the table above reflect lease payments relating to the rental of our facilities in Switzerland and France.

Quantitative and Qualitative Disclosures about Financial Risks

We operate primarily in Switzerland, Europe and in the US and are therefore exposed to a variety of financial risks such as market risk, credit risk, liquidity risk and cash flow interest-rate risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Risk management is carried out by our finance department under the policies approved by our Board of Directors. Our finance department identifies, evaluates and economically hedges financial risks in close co-operation with our operating units. Our Board of Directors 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

We operate internationally and are exposed to foreign exchange risk arising from various exposures, primarily with respect to the euro, US dollar and UK pound. Our functional currency is the Swiss franc. The majority of our revenues to-date have been denominated in euro. We anticipate that a significant portion of any future revenues from milestones, royalty payments and sales of products following the successful commercialization of any of our drug candidates will be generated in currencies other than the Swiss franc, primarily the euro and US dollars. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. At period end all of the assets and liabilities on the balance sheet of our French subsidiary are translated into Swiss francs using the exchange rate in effect on the balance date. During the period, our transactions in foreign currencies are recorded in Swiss francs at the applicable exchange rate on the date of the relevant transaction. Our income and cash flow statements, on the other hand, are translated at the average exchange rates during the reporting period. To manage foreign exchange risk we maintain foreign currency cash balances to cover anticipated future requirements. Our risk management policy is to economically hedge 50% to 100% of anticipated transactions in each major currency for the subsequent 12 months.

As we have a subsidiary located in France, the value of the assets and liabilities of this subsidiary are translated into Swiss francs for purposes of our consolidated financial statements. Consequently, the values of these assets and liabilities are subject to foreign currency fluctuations. However, due to the limited relative value of the assets and liabilities involved in the French subsidiary, the exposure to foreign currency risk is not deemed to be significant for us.

We are not exposed to equity price risk or commodity price risk as we do not invest in these classes of financial investments.

Credit Risk

We have one collaboration partner, OMP, and consequently have a significant concentration of credit risk. We have 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.

Liquidity Risk

Our principal source of liquidity is our cash reserves which have been obtained through the sale of new shares. Our policy is to invest these funds in low risk investments including interest-bearing deposits. Our ability to maintain adequate cash reserves to sustain our activities in the medium term is highly dependent on our ability to raise further funds from the sale of new shares.

Cash Flow and Fair Value Interest Rate Risk

As we currently have no significant interest-bearing assets, our income and operating cash flows are substantially independent of changes in market interest rates. We do not have significant borrowings at fixed interest rates. Therefore we have no significant interest rate risk exposure. To the extent that the expected net proceeds from the Offering will not be used in the activities described under "Use of Proceeds" immediately, we plan to invest such proceeds in certain capital preservation investments in accordance with the investment policy adopted by our board of directors. To reduce risk, we expect to maintain our portfolio of cash and cash equivalents in a variety of interest-bearing instruments, including term deposits, certificates of deposit, commercial paper, money market funds and securities issued by the U.S., UK, German or Swiss governments. As a consequence of these investments, interest rate risk will extend to our investment portfolio. Fixed rate securities may have their fair market value adversely impacted due to fluctuations in interest rates, while floating rate securities may produce less income than expected if interest rates fall. To minimize the exposure due to adverse shifts in interest rates, we expect to maintain investments at an average maturity of less than three years. We do not expect to use derivative financial instruments in our investment portfolio.

Critical Accounting Estimates and Judgments

The preparation of our financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires us to exercise our judgment in the process of applying our accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Accounting Estimates and Assumptions

The preparation of our financial statements requires our management to make estimates and assumptions concerning the future. Our management bases its estimates on historical experience and various other assumptions it believes to be reasonable under the circumstances. We review those estimates on an ongoing basis. The resulting accounting estimates may, however, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities or may have had a significant impact on the reported results are disclosed below. For a description of our accounting policies, see the notes to our financial statements included in the F-Pages.

Income Tax

We have significant tax losses for Swiss federal tax purposes. These tax losses represent potential value to us to the extent that we are able to create taxable profits within 7 years of the balance sheet date. We have not recorded any deferred tax assets in relation to these tax losses. The key factors which have influenced management in arriving at this evaluation are the fact that we have not yet had a history of making profits and product development remains at an early stage. Should management's assessment of the likelihood of future taxable profits change, we will record a deferred tax asset.

Share-Based Compensation

We recognize an expense for share-based compensation based on the difference between the fair value and the price paid for non voting shares issued under our Equity Incentive Plans. Should the assumptions and estimates underlying the fair value of the non voting shares vary significantly from management's estimates then the share-based compensation expense would be materially different from the amount recognized.

Pension Obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

We determine the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, we consider the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 20 of the audited consolidated financial statements of Addex Pharma SA as of and for the year ended on December 31, 2006.

Critical Judgements in Applying our Accounting Policies

Revenue Recognition

In 2006, we recognized CHF 2.3 million (2005: CHF 2.3 million) of upfront fees due under the OMP Agreement executed on December 31, 2004 that had been previously deferred. See "Business—Material Agreements." Had we considered the upfront fee as consideration for the purchase of a license, we would have recognized the entire upfront fee of CHF 4.6 million in 2004.

Development Supplies

At December 31, 2006, 2005 and 2004 and March 31, 2007, we owned development supplies that have been expensed in the statement of income under "R&D outsourced services". These amounts have not been recognized on the balance sheet as an asset since they are used in pre-clinical and clinical trials of specific products that have not demonstrated technical feasibility.

Off-Balance Sheet Arrangements

Since inception we have not had any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Recent Developments

Except as otherwise disclosed in this Offering Circular, there has been no material change in our business or our financial situation since March 31, 2007.

BUSINESS

Overview

We are a Swiss biopharmaceutical company focused on building a sustainable and profitable pharmaceutical business around our world-leading expertise in the discovery and development of allosteric modulators of G-protein coupled receptors ("GPCRs"). Allosteric modulators are a new class of drug that alters the effect of endogenous activators on their specific biological targets, particularly GPCRs, through a novel mechanism of action. These innovative small molecule drug candidates offer several advantages over conventional non-allosteric molecules and may offer an improved therapeutic approach to existing drug treatments. To-date, our R&D efforts have been primarily focused on building a clinical pipeline of proprietary, first-in-class drug candidates based on our allosteric modulator development capability. The allosteric modulator principle has broad applicability across a wide range of biological targets and therapeutic areas, but our primary focus has been on GPCR targets implicated in central nervous system ("CNS") related diseases, where we believe there is a high medical need for new therapeutic approaches.

We have a fully integrated discovery and development capability built around our world-leading allosteric modulator and drug development expertise. Since our inception in 2002, we have established a pipeline of five clinical and eight pre-clinical programs.

- Our most advanced drug candidate, ADX10059, is an orally active negative allosteric modulator ("NAM") of the metabotropic glutamate receptor 5 ("mGluR5"). We have successfully completed two Phase IIA clinical trials in Europe in which ADX10059 demonstrated statistically significant clinical efficacy in both gastroesophageal reflux disease ("GERD") and migraine. We are also currently conducting an additional Phase IIA clinical trial with ADX10059 in acute anxiety and expect to report results in the second half of 2007. Both GERD and migraine represent major indications with significant unmet medical need and commercial opportunity. We believe that ADX10059 is a first-in-class drug candidate and offers an innovative and highly differentiated treatment approach from existing therapies for both GERD and migraine.
- We are also conducting a Phase I clinical trial in Europe with ADX48621, an orally active mGluR5 NAM from a different chemical class than ADX10059. The therapeutic indications targeted for this drug candidate are depression, anxiety and inflammatory pain.
- In addition to ADX10059 and ADX48621, we are developing ADX10061, an orally active and highly selective dopamine D1 receptor competitive antagonist which is currently in a Phase IIA clinical trial in the United States for smoking cessation and we expect to report results in the second half of 2007. We believe that ADX10061 acts to reduce the craving induced by cues associated with smoking and could represent a novel method for the treatment of nicotine addiction. We also believe that this compound may offer some benefits in the treatment of sleep disturbances.

Allosteric modulators have broad applicability for many clinically validated GPCR targets which are implicated in multiple therapeutic indications. We intend to continue to leverage our proven scientific expertise in allosteric modulation and unique chemical library to discover novel drug candidates for the treatment of various diseases. To-date, we have established thirteen ongoing development programs targeting several GPCR families which have potential in a number of therapeutic indications including CNS diseases, reproductive health and diabetes.

In 2004, we entered into an exclusive worldwide collaboration and licensing agreement with Ortho-McNeil Pharmaceutical, Inc. ("OMP"), a member of the Johnson & Johnson group (the "OMP Agreement") for the discovery and development of novel allosteric modulators for a specific GPCR target.

Introduction to Allosteric Modulation

Disease and the Role of Proteins

Proteins are complex biological molecules that have many structural and functional roles in the body. They are critical components in the lines of communication between the cells of the body known as signaling pathways. It is now recognized that signaling pathways are altered in many disease states through changes in the function of essential proteins underlying the series of cellular events required for normal biological activity. Most drug treatments are focused on modifying these biological signaling pathways by altering the activity profile of selected proteins suspected to play a key role in the manifestation of a particular disease. The major proteins targeted in drug discovery include membrane-bound receptors, such as GPCRs or ionotropic (ion channels) receptors and enzymes.

GPCRs as Drug Targets

GPCRs are the largest family of integral membrane receptors, accounting for approximately 3-4% of the human genome. GPCRs have evolved to recognize a range of endogenous stimuli and act to transmit messages encoded in stimuli from the exterior to the interior of the cell. The ubiquitous cell surface distribution of GPCRs and their involvement in virtually all biological processes have made GPCRs extremely attractive targets for drug development by the pharmaceutical industry. In fact, the majority of currently marketed drugs act on GPCRs, emphasizing their importance for drug development.

Conventional Approaches to GPCR Drug Discovery

The drug discovery process involves the design of molecules that interact with a target with high specificity and efficacy. Traditional approaches to drug discovery focus on mimicking or inhibiting the actions of the endogenous activator for a target receptor. Conventionally, this has been done by the design and chemical synthesis of small molecule agonists (activators) or antagonists (inhibitors) that act in a competitive manner through interaction with the same binding site as the endogenous activator.

Competitive agonists and antagonists must have a sufficiently high affinity for the target receptor to displace the endogenous activator and must be maintained at a sufficiently high concentration in the region of the receptor in order to exert an effect. Under these conditions, agonists will induce an activated state and antagonists will induce an inactivated state and in both states receptors will not be responsive to natural fluctuations in the levels of endogenous activator, thereby interfering with normal physiological signaling.

Although this approach has historically yielded a number of blockbuster drugs, significant challenges remain with respect to the continued development of therapeutically useful GPCR competitive agonists or antagonists due either to lack of receptor selectivity or undesirable side effects.

Allosteric Modulators as GPCR Drugs

In contrast to competitive compounds, allosteric modulators of GPCRs interact with binding sites that are topographically distinct from the binding site of the endogenous activator. Furthermore, allosteric modulators do not activate or inhibit receptors on their own. Only in the presence of the endogenous activator do allosteric modulators enhance (positively modulate) or inhibit (negatively modulate) the natural physiological activity of the receptor. Consequently, allosteric modulators preserve normal physiological receptor function.

We believe that by applying a non-competitive modulator approach, we may be able to produce efficacious drug candidates that are potentially safer than conventional competitive agonists or antagonists.

We believe that allosteric modulators have several beneficial properties as drug candidates:

- *Novel drug class:* Allosteric modulators are a novel class of orally available small molecule drug candidates with a chemical structure unrelated to that of competitive agonist or antagonist drugs and, as such, represent first-in-class drug candidates with a high potential for composition of matter patent protection.
- *Superior receptor sub-type selectivity:* The binding site for an endogenous activator is in general, highly conserved within a GPCR family and achieving receptor subtype selectivity within a family has not always been possible for competitive agonists. The best examples of this are the muscarinic acetylcholine and the metabotropic glutamate receptor families, for which developing competitive, sub-type selective agonists has not been successful thus far. In contrast, allosteric modulator binding sites, being independent of endogenous stimuli, have evolved with a much higher structural diversity than endogenous activator binding sites and consequently offer the potential for the synthesis of drug candidates with much greater sub-type selectivity.
- *Ability to discover small molecule drugs for a greater number of GPCR targets:* Several GPCR targets are currently thought to be beyond the reach of conventional competitive drug discovery approaches due to the complexity of the interaction of the endogenous activator with the receptor; including, for example certain peptides, high molecular weight hormones and lipids. For these targets, the allosteric modulator approach is potentially the only way to develop orally active activator or inhibitor small molecules.
- *Ability to re-address well characterized and clinically validated GPCR targets where the pharmaceutical industry has exhausted competitive compound drug discovery approaches.* Allosteric modulator drug candidates offer a promising way to revisit these targets, providing novel small molecules while capitalizing on the existing knowledge on well-validated GPCR targets.

- *Improved safety:* Allosteric modulators preserve natural physiological signaling activity due to their lack of effect in the absence of the endogenous activator. Together with their superior selectivity (see above) these allosteric modulator compounds have the potential for improved safety compared to their competitive analogs.

- *Self-limiting activity:* It is recognized that there is a limited "ceiling" level of the effects of allosteric modulators beyond which further increments in modulator dose will not produce additional target-based effects. Consequently, low-affinity modulators could be given in larger doses while maintaining a favorable overall profile.

- *Clinical use in combination:* Given that allosteric modulators target different binding sites to conventional agonists or antagonists, allosteric modulator drugs may find clinical utility in combination therapies for certain clinical indications.

Our Competitive Positioning in Allosteric Modulation

We believe that we have a unique and globally recognized expertise in allosteric modulator R&D. Since our inception in 2002, we have recruited some of the leading experts in the field of allosteric modulation who have years of experience in both industry and academia.

Our lead allosteric modulator compound, ADX10059, a negative allosteric modulator of mGluR5, has successfully completed two separate Phase IIA clinical trials, for both GERD and migraine demonstrating statistically significant benefit in both indications. An additional Phase IIA clinical trial in acute anxiety is expected to complete in the second half of 2007. We believe that ADX10059 represents the most advanced mGluR5 allosteric modulator compound in any clinical trial worldwide, further demonstrating our expertise and leadership position in allosteric modulation.

We have established a unique chemical library of over 50,000 allosteric modulator compounds, in addition to highly specialized biological systems that are required for the identification and screening of high affinity, orally active small molecule allosteric modulators. Combined with our allosteric modulator library, these high-throughput detection systems have enabled us to build, in only five years of operation, what we believe to be the largest clinical and pre-clinical portfolio of proprietary allosteric modulator compounds. Our pre-clinical and discovery portfolio includes multiple proprietary compounds targeted for the treatment of schizophrenia, cognitive impairment, anxiety, pain, GERD, urinary incontinence, spasticity, Parkinson's disease, type 2 diabetes and depression, and also as a contraceptive agent, emphasizing the broad therapeutic potential of our allosteric modulator technology.

Key Competitive Strengths

We believe that we are well positioned to achieve our primary objective of building a cash generative, profitable and sustainable pharmaceutical business, based on our core strengths, which we believe to be as follows:

- *Global leadership in highly novel GPCR allosteric modulator pharmacology.* We believe that our R&D efforts place us among the world leaders in GPCR allosteric modulator pharmacology, a novel drug discovery approach enabling the generation of innovative and first-in-class drug candidates. We have recruited some of the world's leading experts in the field from both the pharmaceutical industry and academia. We believe that by harnessing our extensive expertise in this field, we can develop novel, highly differentiated and patentable small molecules for clinically validated targets where conventional drug discovery approaches used by the pharmaceutical industry have been unsuccessful. In doing so, we can develop orally active small molecules for clinically validated or novel targets considered beyond the reach of conventional drug discovery approaches. Since commencing operations in 2002, we have built an allosteric modulator pipeline of four clinical programs and eight pre-clinical programs, which we believe to be the largest clinical and pre-clinical portfolio of proprietary allosteric modulator compounds. Furthermore, we believe that our most advanced drug candidate, ADX10059, represents one of the most clinically advanced allosteric modulator compounds targeting GPCRs, further demonstrating our leadership position in this field.

- *Positive Phase IIA data for lead drug candidate ADX10059 in GERD and migraine.* We have successfully completed two Phase IIA clinical trials in Europe with ADX10059, demonstrating statistically significant clinical efficacy in the treatment of both GERD and migraine. ADX10059 is a first-in-class orally-available small molecule mGluR5 NAM. We believe ADX10059 offers an innovative and highly differentiated treatment approach compared to existing therapies for both GERD and migraine, which are major indications with significant unmet medical need and commercial opportunity. An additional

Phase IIA clinical trial in acute anxiety is currently underway; an indication for which there exists clinical validation for the role of a mGluR5 NAM.

- *Broad pipeline and proven drug discovery capability.* Since our inception in 2002, we have established a pipeline of five clinical programs, including ADX10061 in Phase II and ADX48621 in Phase I, in addition to three programs for ADX10059. We have a further eight pre-clinical programs in various stages of lead development. Our allosteric modulators represent a novel discovery approach against clinically validated targets and, therefore, may allow us to reduce the risk of clinical failure and maximize the productivity of our discovery engine. As a result of the productivity and broad applicability of our allosteric modulator discovery capability, we have been able to establish rapidly a diverse portfolio of ongoing development programs in a number of therapeutic indications, including CNS diseases, reproductive health and diabetes.

- *Focus on therapeutic markets with significant unmet medical need and high commercial potential.* We are developing innovative therapies to address large markets where there is significant unmet medical need. Our drug candidates are novel, orally available treatments for chronic indications where the limitations of existing therapies result in significant commercial opportunity. Following the positive Phase IIA data in GERD and migraine, we plan to develop our most advanced drug candidate, ADX10059, as a novel treatment for GERD patients who are resistant to currently available treatments, and for the prevention of migraine. These are two important clinical indications where a large number of patients are not effectively treated. Our second drug candidate, ADX10061, is currently in a Phase IIA clinical trial for smoking cessation, a major market opportunity that has a significant unmet medical need, as patients on currently available treatments still experience a high rate of relapse from smoking cessation.

- *Significant and validating partnership with Johnson & Johnson.* In 2004, we entered into an exclusive worldwide collaboration and licensing agreement with OMP, a member of the Johnson & Johnson group, to discover and develop novel mGluR2 positive allosteric modulators ("PAM") for the treatment of anxiety and schizophrenia. We believe that this partnership provides independent validation of our R&D capabilities and our competitive advantage in the field of GPCR allosteric modulator pharmacology. The terms of the deal enable us to participate in the ongoing development, as well as in the future potential financial upside from the successful development of any drug candidates.

- *Strong management team.* We have an internationally experienced management team of biopharmaceutical industry executives and recognized experts in their fields, with diverse backgrounds and complementary skill-sets in R&D, drug approval and finance. Our management and board of directors draw on prior experience gained at leading international pharmaceutical and biotech companies such as Roche, GlaxoSmithKline, Serono (now Merck Serono) and Actelion. Our management team has access to insight from our scientific advisory board of global opinion leaders, as well as from leading life science venture capitalists. Since our inception in 2002 and in less than five years, we have been able to advance two drug candidates into a total of four separate Phase II clinical trials, another drug candidate into Phase I clinical trials, and have formed a significant discovery collaboration with OMP, a member of the Johnson & Johnson group, a global leader in the pharmaceutical industry.

Business Strategy

Our primary goal is to build a cash-generative, profitable and sustainable pharmaceutical business around our core competencies in drug discovery and development and allosteric modulator pharmacology. To achieve this goal we intend to focus on the following key strategic objectives:

- *Progress the clinical development of our most advanced drug candidate from our allosteric modulator platform, in GERD, migraine and anxiety.* ADX10059 is a first-in-class mGluR5 NAM for which we have full commercial rights. ADX10059 has demonstrated statistically significant clinical efficacy in Phase IIA clinical trials for both GERD and migraine, and we plan to progress the drug candidate further into Phase IIB trials. We are also testing ADX10059 in a Phase IIA clinical trial for the treatment of acute anxiety with results currently expected in the second half of 2007. We are evaluating the optimal development path of this drug candidate and will consider a development or commercialization partnership at a later stage of development when we believe that we can maximize commercial benefit of the drug candidate.

- *Complete the Phase IIA clinical trial of our second most advanced drug candidate, ADX10061.* At the end of 2006, based on the existing clinical information package and additional pre-clinical profiling performed by us, we started a Phase IIA clinical trial of ADX10061 in the United States for smoking cessation which is expected to report in the second half of 2007. Upon successful completion of this

Phase IIA clinical trial, we intend to seek one or more development partners for ADX10061 in order to maximise its commercial value.

- *Complete the Phase I clinical trials with ADX48621.* This potential novel treatment for depression, anxiety and inflammatory pain entered Phase I clinical trials at the beginning of 2007. ADX48621 demonstrated strong anxiolytic and antidepressant activity in several pre-clinical models. We plan to conduct a Phase IIA clinical trial for ADX48621 in acute inflammatory pain, as this indication allows for fast and robust proof of concept. We are considering partnering ADX48621 at any clinical stage in order to maximize the commercial benefit of this drug candidate.

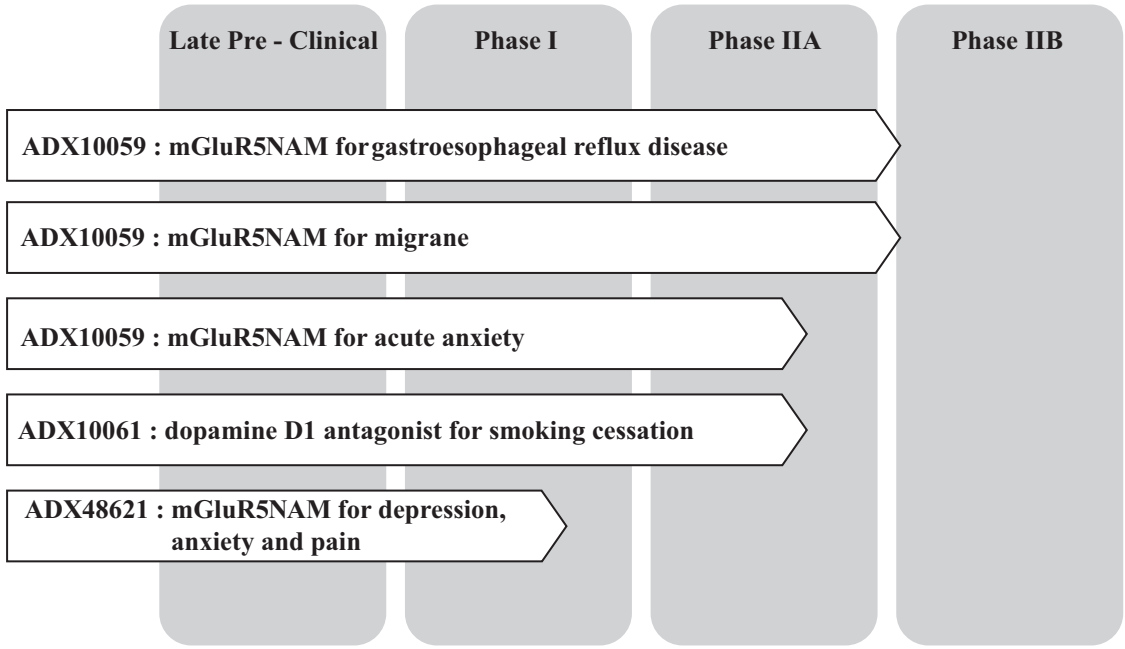
- *Advance our pre-clinical research programs towards clinical development.* We intend to rapidly advance promising drug candidates from our in-house pre-clinical programs, such as ADX63365 for schizophrenia and cognitive impairment, in order to maintain a broad development pipeline and support our long-term growth.

- *Leverage our allosteric modulator expertise to discover novel treatments for a wide range of therapeutic indications.* Our leading allosteric modulator drug discovery platform has broad applicability across multiple disease areas. To-date, we have focused on the development of drug candidates for diseases for which the market opportunities are extensive, including GERD, migraine, anxiety, depression, inflammatory pain, schizophrenia and cognitive impairment. We intend to maximize the commercial value of our allosteric modulator platform by applying it to a wide range of GPCR targets. We currently have a number of programs in lead optimization, including for non-steroidal contraception and type 2 diabetes.

- *Develop sales and marketing capabilities.* Our current focus is on the development of our existing portfolio, but one of our longer-term goals is to complement our integrated R&D with sales and marketing capabilities. We currently own full commercialization rights to all of our clinical and pre-clinical programs other than those that relate to the collaboration with OMP. In future collaborations and out-licensing activities we will consider retaining certain commercialization rights and establish our own marketing and sales operations.

Our Product Pipeline

Using our allosteric modulator platform and drug discovery and development expertise, we have established a pipeline of five clinical programs and eight pre-clinical programs. The following chart summarizes our clinical programs.



ADX10059

Overview

ADX10059 is the most advanced allosteric modulator discovered and developed from our drug discovery platform. ADX10059 is a highly selective negative allosteric modulator ("NAM") of mGluR5 with an IC50 value of 18nM at the human mGluR5.

The mGluR5 is a subtype of the metabotropic glutamate receptor. Glutamate is the major excitatory neurotransmitter in the mammalian CNS and activates both ion channel receptors and metabotropic glutamate receptors. Metabotropic receptors represent more attractive drug targets than ionotropic receptors due to their modulatory action. Eight subtypes of mGluRs have been discovered to-date and are designated mGluR1-mGluR8.

ADX10059 does not have significant activity or binding affinity to other mGluRs or other CNS receptors, in particular, serotonin, GABA and dopamine receptors.

We have conducted three Phase I clinical trials in a total of 118 healthy male and female subjects, in whom ADX10059 was well tolerated and no serious adverse events ("SAEs") were reported.

We have conducted two separate Phase IIA clinical trials of ADX10059 in GERD and migraine and in both indications ADX10059 showed statistically significant clinical benefit.

Finally, we are currently conducting an additional Phase IIA clinical trial with ADX10059 in patients suffering from acute anxiety and we expect to report results in the second half of 2007.

Gastroesophageal reflux disease (GERD)

GERD is characterized by episodes of reflux of stomach contents into the esophagus, and results in distressing symptoms of chest and throat pain, acid brash in the mouth and cough. Reflux occurs, particularly following meals and at night, when the patient is recumbent, leading to frequent sleep disturbance and impaired quality of life. Continuing or untreated reflux may result in erosion of the lining of the esophagus leading to bleeding, scarring, strictures and occasionally cancerous changes.

The major mechanism by which reflux occurs is a reduction in lower esophageal sphincter tone and an increase in the number of transient lower esophageal sphincter relaxation episodes ("TLESRs"). Obesity, pregnancy, diabetes and smoking are risk factors for developing GERD, whereas over-production of gastric acid is a less common cause of GERD.

Prevalence and market opportunity

GERD is a very common condition which is becoming more frequent, in part due to the increasing prevalence of obesity in the western world. Estimates of prevalence vary between countries, partly as a result of differences in physician awareness, but, for example, in the United States, the current prevalence is estimated at approximately 15% of the adult population and in European countries the prevalence varies between 10% and 25%. The incidence of nocturnal GERD in the overall population is reported currently to be as high as 10%.

In 2005, the market size for anti-acids and anti-ulcerants of which GERD accounts for a major part, was estimated at 19.9 billion US dollars. Proton Pump Inhibitors ("PPI") and histamine H2 antagonists are the main treatments and were estimated to represent 91% of all anti-acid and anti-ulcerant drug sales. Antacids account for the major part of other drug treatments for GERD.

Limitations of existing treatments and medical need

The current drug treatments for GERD, which include PPIs such as omeprazole, lansoprazole and pantoprazole, and H2 antagonists such as ranitidine and cimetidine, are oriented towards reducing acid production in the stomach. However, these compounds do not affect TLESRs, the primary mechanism of reflux, and often poorly control nocturnal symptoms. PPIs are the first line of treatment for gastro-intestinal disorders followed by H2 antagonists. The latter are less effective than PPIs over the long term, due to tachyphylaxis, a build up of resistance to the effects of the treatment. Approximately 20% of patients do not experience adequate relief of GERD with acid suppressing treatments, including a substantial number of patients whose symptoms arise from reflux of non-acidic stomach contents.

Prokinetic agents, such as metoclopramide, domperidone and cisapride, increase motility of the upper gastro-intestinal tract, improve gastric emptying and can improve lower esophageal sphincter ("LES") tone. However, prokinetic agents are used less commonly for the treatment of GERD due to the occurrence of significant side

effects and a narrow therapeutic margin. For example, Cisapride has been withdrawn from major markets due to cardiac side-effects.

Other treatment strategies involve lifestyle changes such as losing weight and giving up smoking, but these are only partially effective. Also available are surgical procedures which are used only for patients with severe hiatus hernia.

A treatment which acts specifically to reduce TLESRs and acts on the fundamental mechanism causing reflux would offer a logical and physiological solution to the problem of reflux control, and thereby fulfil an important unmet medical need.

ADX10059 in GERD

Literature reports have shown that mGluR5 is expressed in terminals of the vagus nerve along the vagal/GI pathway, in particular in the gastroesophageal sphincter circuit and is involved in the vagus nerve control of LES function. Data from pre-clinical pharmacology studies support a role for the use of mGluR5 antagonists in this condition. In one study[1], the mGluR5 antagonist, MPEP inhibited TLESRs, reduced the number of reflux episodes and the time to first TLESR was increased. In another study[2], MPEP decreased TLESRs, reduced reflux episodes and also increased LES tone. In the same study, the more potent and selective mGluR5 antagonist MTEP produced more potent effects on inhibition of TLESRs.

Based upon supportive data in the literature, we conducted what we believe to be the first clinical trial in patients to evaluate the effect of an mGluR5 NAM on GERD.

Because ADX10059 is expected to directly reduce reflux by decreasing TLESRs, it may be prescribed in combination with existing acid suppressing treatments.

Phase IIA clinical trial of ADX10059 in patients with GERD

The clinical trial was a single-blind, placebo-controlled, single center trial to evaluate the effect of two different doses of ADX10059 on GERD.

Two groups of twelve GERD patients received placebo three times daily on day one of the trial and either a 50mg dose (Group 1) or a 250mg dose (Group 2) of ADX10059 three times daily on day two of the trial. On both days of the trial acid reflux was measured objectively with pH monitoring of the lower esophagus and the patients' clinical symptoms were recorded.

Use of the 250mg dose of ADX10059 normalised esophageal pH in the 24-hour period, such that for $\geq$ 96% of the time, the oesophageal pH was $>$ 4. Figure 1 shows the mean pH for the 250mg dose group over the 24-hour period. The effect of preventing acid reflux into the esophagus was particularly marked in the nocturnal period between 8:30 p.m. and 3 a.m.

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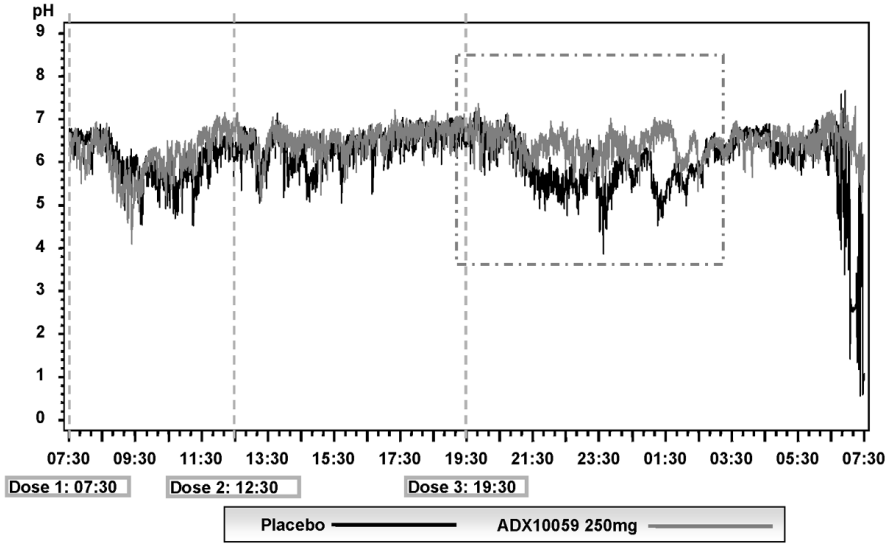
[1] Jensen J, Lehmann A, Uvebrant A, Carlsson A, Jerndal G, Nilsson K, Frisby C, Blackshaw LA, Mattsson JP. Transient lower esophageal sphincter relaxations in dogs are inhibited by a metabotropic glutamate receptor 5 antagonist. Eur J Pharmacol. 2005 Sep 5;519(1-2):154-7.

[2] Frisby CL, Mattsson JP, Jensen JM, Lehmann A, Dent J, Blackshaw LA. Inhibition of transient lower esophageal sphincter relaxation and gastroesophageal reflux by metabotropic glutamate receptor ligands. Gastroenterology. 2005 Sep;129(3):995-1004.

Figure 1: Mean 24 hour pH Group 2 (N = 11): ADX10059 t.i.d. and placebo



The primary endpoint for the study (% time esophageal pH > 4) was statistically significant, (p=0.014). The 250mg dose of ADX10059 also showed a statistically significant reduction in the total duration of reflux both through the 24-hour period and in the nocturnal period. The effects on pH monitoring were reflected in a statistically significant reduction in the number and duration of symptomatic reflux episodes (Table 1).

Table 1: Summary of Efficacy ADX10059 t.i.d.

Efficacy variable	ADX10059 t.i.d. N = 11	Placebo t.i.d. N = 11	P value
% time pH>4 in 24h	96.5	92.8	0.014
% time pH>4 nocturnal	96.3	90.3	0.0028
Median pH 24h	6.6	6.4	0.0015
Total duration reflux pH<4 24h (min)	40	86	0.0132
Total duration reflux pH<4 nocturnal (min)	16.2	48.6	0.0021
Number of symptomatic episodes	1.9	7.0	0.031
Duration symptomatic episodes (min)	5.2	13.9	0.031

Some patients in the 50mg dose group also appeared to derive some benefit from treatment, but the results were not statistically significant. Both doses were well tolerated.

Further development

We believe that the Phase IIA trial we conducted was the first trial of an mGluR5 NAM drug in patients with GERD. The results are clinically meaningful and strongly support further development of ADX10059 in this indication. ADX10059 has the potential to be the first of an entirely novel class of drugs targeting the underlying causes of GERD.

Following this first Phase IIA clinical trial, we are planning to conduct formal dose range finding studies to define the lowest effective dose and the patients who are most likely to benefit from treatment. The benefits of ADX10059 on clinical symptoms and prevention or healing of esophageal damage, either in conjunction with acid suppressing therapy or as an alternative to acid suppressing therapy, will be evaluated in Phase II and III clinical trials in the appropriate patient population, to define the drug profile for regulatory submission and market authorization application.

Competition

If approved, ADX10059 would compete, amongst others, with currently marketed PPIs, including but not limited to omeprazole (Prilosec), lansoprazole (Prevacid), rabeprazole (Aciphex), pantoprazole (Protonix) and esomeprazole (Nexium), as well as histamine H2 antagonists, including but not limited to cimetidine (Tagamet) and ranitidine (Zantac).

In addition, ADX10059 could potentially compete with several drugs for GERD currently in pre-clinical or clinical development. These include the following PPIs: TAK-390MR (dexlansoprazole) currently in Phase III by TAP Pharmaceutical Products, Abbott Laboratories and Takeda; Zegerid IR (omeprazole) currently in Phase III by Schering-Plough; pro-omeprazole currently in Phase II by Allergan; micropump lansoprazole currently in Phase II by Flamel Technologies; and TU199 (tenatoprazole) currently in Phase II by Mitsubishi Pharma. Moreover, ADX10059 could potentially compete with several drugs for GERD other than PPIs, such as, among others, BY359 (soraprazan), an acid pump antagonist, currently in Phase II by Nycomed, AZD3355, a reflux inhibitor, currently in Phase II by AstraZeneca and XP19986, a reflux inhibitor, currently in Phase II by XenoPort.

Migraine

Migraine is a condition characterized by recurrent episodes of headache accompanied by a variety of other symptoms such as nausea, light and sound sensitivity, and fatigue. Attacks may be preceded by aura (usually visual phenomena such as flashing lights, zigzag lines and loss of visual fields) in a significant number of patients. A migraine attack has 3 distinct phases, the pro-drome, the headache phase and the post-drome phase. An average migraine patient suffers 12 attacks a year with an attack duration of between 4 and 72 hours. While there is no formal diagnostic test for migraine, the condition is generally diagnosed clinically according to criteria set out by the International Headache Society.

Prevalence and market opportunity

The prevalence of migraine is estimated at 12% and in the United States approximately 30 million people suffer from migraine. Three times as many women as men suffer from migraine and a significant proportion of female patients have a strong link between their menstrual cycle and the occurrence of their migraine attacks.

The disabling nature of migraine often results in a significant deterioration in quality of life for the sufferers and has a significant impact upon their work and family life. In the United States migraine is currently estimated to cost employers 24 billion US dollars annually in direct and indirect costs. Migraine is also associated with other medical disorders, notably depression, anxiety, panic and bipolar disorder and furthermore, migraine patients consume more health care resources than non-migraineurs. The total worldwide market for prescription migraine drugs was estimated at 2.4 billion US dollars in 2005 with the United States being the major market. The market is projected to increase to 2.7 billion US dollars by 2008.

Limitations of existing therapies and medical need

The mainstay of the prescription drug market for acute treatment of migraine in the last 10 years has been the triptan class of drugs (serotonin agonists). Triptans are acute symptomatic treatments and have not been developed for use as migraine prevention agents. They act primarily via constriction of meningeal arteries and therefore they do not act on the fundamental neural mechanism underlying the migraine attack. Triptans are effective and generally well tolerated, however, some concerns remain over the potential for cerebral and peripheral vasoconstriction, and they are contra-indicated for patients with significant cardiovascular disease, hence there is still a need for an efficacious migraine treatment without cardiovascular liability.

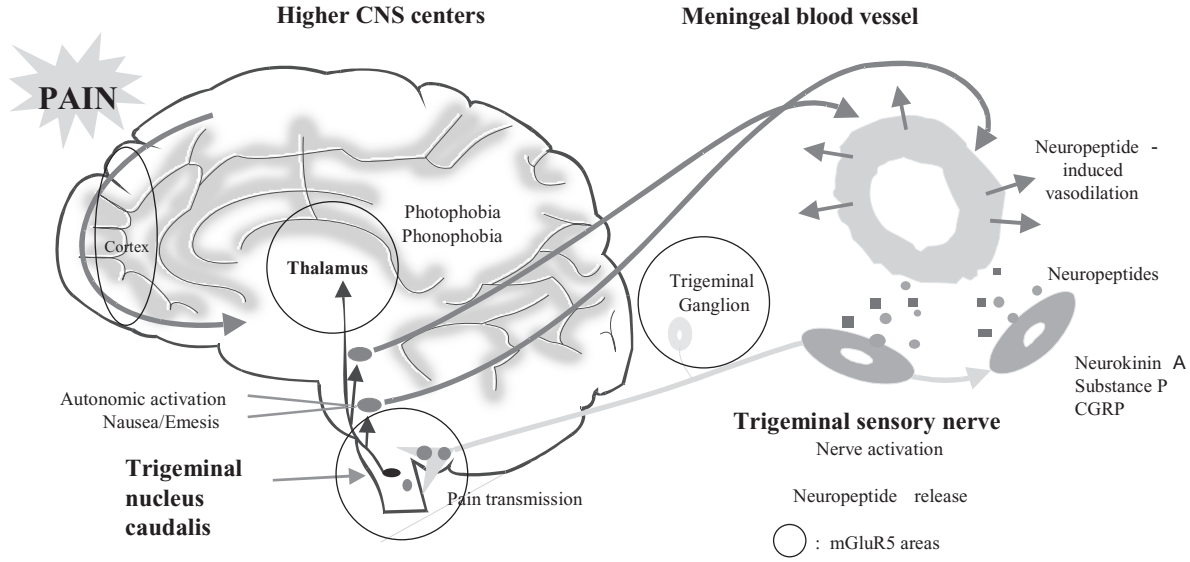
There is also a significant unmet medical need for specific migraine prevention agents. In clinical practice an assortment of drug classes are used which include beta-blockers (propanolol), calcium channel blockers (verapamil), ergot type compounds, (methysergide, pizotifen), tricyclic antidepressants and anti-epileptic medications (sodium valproate and topiramate). Not all of these drugs have regulatory approval for use in migraine prevention and their efficacy is moderate. They have significant dose limiting side effects, particularly the ergot type compounds and anti-epileptic drugs. Recently approved for migraine prevention, the anti-epileptic drug topiramate (Topamax) demonstrated a 40% reduction in migraine attack frequency but its use is associated with a variety of dose limiting side effects including numbness and tingling, dizziness, nausea, loss of appetite, depression and memory impairment. Therefore, an efficacious and well-tolerated medication with a neuronal rather than a vascular mechanism of action is currently considered by key opinion leaders to be the optimum drug profile for the prevention of migraine.

ADX10059 in migraine

The precise pathophysiology of migraine remains to be fully elucidated but the mechanism involves activation of relays between various parts of the brain including the cerebral cortex, the trigeminal ganglion, trigeminal nucleus caudalis and efferents of the trigeminal nerve to the meningeal blood vessels, which leads to vasodilatation and neurogenic inflammation, resulting in migraine pain. The relays in the brain are mediated by glutamatergic transmission and mGluR5 is situated at strategic points in the migraine pathway; for example in the trigeminal

nucleus caudalis and the trigeminal ganglion (see Figure 2 below). In addition, mGluR5 is involved in pain neurotransmission and central sensitization processes.

Figure 2:



Negative allosteric modulators of mGluR5 regulate glutamatergic transmission and thus may have the ability to block the migraine pathway to prevent initiation or terminate the migraine attack. ADX10059 may therefore have the potential to provide a neuronal-based mode of action for the acute treatment and prevention of migraine, and would be the first of an entirely new class of drug for the management of migraine.

We decided to initially investigate the potential utility of ADX10059 in the management of migraine through an acute treatment trial. As patients tend to treat migraine headache when it has become fully established, we believed that demonstrating efficacy of ADX10059 in acute treatment would provide robust evidence for the role of mGluR5 in the pathogenesis of migraine headache. In addition, acute treatment studies are quicker and require fewer patients to demonstrate the proof of concept than migraine prevention studies.

Phase IIA clinical trial of ADX10059 in patients with acute migraine

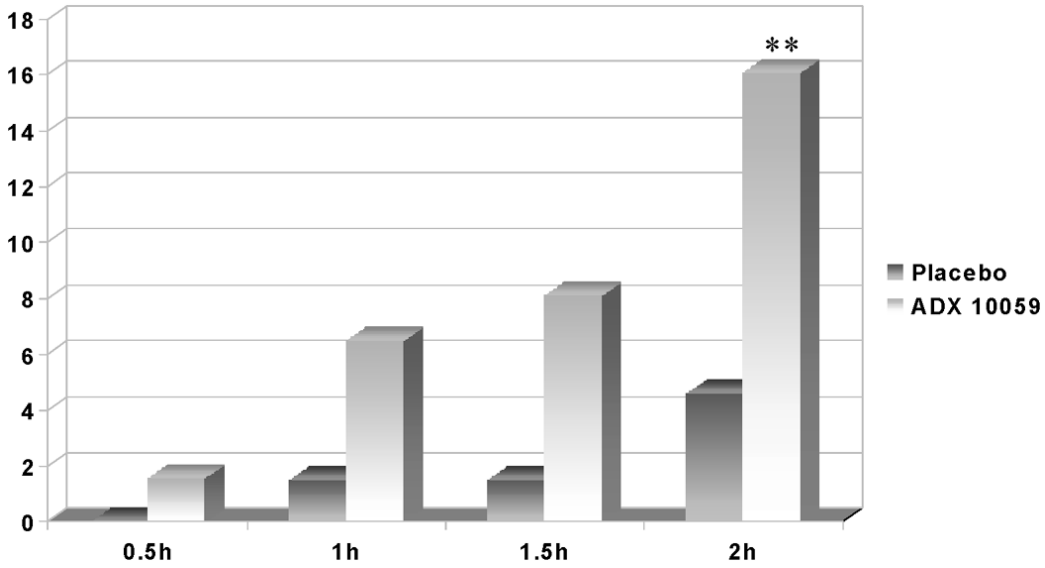
The clinical trial was a randomized, double-blind, placebo-controlled, parallel group, multi-center study in the United Kingdom and Germany. A single dose of ADX10059 or placebo was used to treat a single moderate or severe migraine headache in an outpatient setting. The clinical trial used the basic design by which all recently approved acute treatments for migraine have been tested.

A total of 129 male and female patients took ADX10059 or placebo to treat a migraine attack.

The first patient to enter the trial was given the originally planned dose of 500mg. She experienced symptoms of weakness, feeling faint, vertigo, lucid dreaming and loss of concentration as well as continuing migraine headache for which she sought treatment at a hospital. Although none of the symptoms were life-threatening, because of her hospital admission the event qualifies as an SAE. After a few hours she made full recovery and was discharged. Following this SAE, the dose was reduced to 375mg for all other patients in the trial.

ADX10059 met the primary endpoint showing a statistically significant higher number of patients pain free 2 hours after dosing compared to placebo. At 2 hours post dose 16.1% of patients taking ADX10059 were pain free compared to 4.5% taking placebo ($p = 0.039$). A benefit of ADX10059 on migraine pain could be seen from 1 hour after dosing with the compound being numerically superior to placebo at 1.0 and 1.5 hours post dose. In addition, there were trends to superiority for ADX10059 over placebo for migraine pain improvement (mild or no pain) at all time points up to two hours post dosing. For other secondary efficacy endpoints there were no statistically significant differences between the two dose groups.

Figure 3: Percentage of patients pain free 0.5 to 2 hours post dose



** p = 0.0397

At the dose of 375mg, ADX10059 was safe but less well tolerated than the same dose in healthy subjects, with dizziness and nausea, in particular, being more marked.

This is the first ever clinical trial of an mGluR5 NAM in migraine and the results with ADX10059 support the concept that this mechanism of action is relevant in the management of migraine.

Further development

Having established that mGluR5 NAM plays a clear role in the management of migraine, we plan to conduct future clinical trials to evaluate the efficacy and tolerability of ADX10059 in migraine prevention, with the intention of pursuing the indication of chronic use for migraine prophylaxis.

Competition

If approved for the treatment of migraine, ADX10059 would compete, amongst others, with currently marketed triptans, including but not limited to sumatriptan, rizatriptan, zolmitriptan, eletriptan, almotriptan, frovatriptan and naratriptan. For the prevention of migraine, ADX10059 would potentially compete with migraine prevention agents, such as beta-blockers (propanolol), calcium channel blockers (verapamil), ergot type compounds (methysergide, pizotifen) and tricyclic antidepressants and anti-epileptic medications, e.g. sodium valproate and topiramate.

In addition, ADX10059 could potentially compete with several drugs for migraine currently registered, preregistered or in clinical development. A number of these products are currently in development for the treatment of acute migraine, but may in the future be developed as potential treatments for migraine prevention. Drug candidates in development for the treatment of acute migraine include MT-100 (metoclopramide and naproxen) registered by Pozen, Trexima (sumatriptan and naproxen sodium) preregistered by Pozen and GlaxoSmithKline, sumatriptan currently in Phase III development by Zogenix and NovaDel Pharma, diclofenac (PRO-513) currently in Phase III development by ProEthic and an mGluR3 antagonist in Phase II development by Eli Lilly. Drug candidates currently in development for migraine prophylaxis include GW274150 currently in Phase II development by GlaxoSmithKline, AST-726 in Phase II development by Ariston Pharmaceuticals, Botox (Botulinum toxin type-A) currently in Phase III development by Allergan, Dysport (Botulinum toxin type-A) currently in Phase III development by Ipsen, dexamethasone currently in Phase III development by Albert Einstein College of Medicine, and 17-beta-estradiol currently in Phase III development by University Hospital, Linköping.

Anxiety

Anxiety is defined as an exaggerated response to a natural fear, or an excessive fear of a normal situation. A variety of disorders are grouped under anxiety, including panic disorder, social phobia, obsessive-compulsive disorder, post-traumatic stress disorder and generalized anxiety disorder ("GAD"). Anxiety also commonly accompanies other psychiatric conditions such as depression, schizophrenia and addiction.

Prevalence and market opportunity

Anxiety in all its various forms is a very common disorder. The prevalence is currently estimated as approximately 20% for men and 30% for women world-wide. Anxiety is an important co-morbid condition of other psychiatric disorders and, in the case of depression, anxiety may form an integral part of the condition.

The estimated market size for treating anxiety alone is approximately 4.5 billion US dollars in 2006. The size of the antidepressant market in 2006 was estimated to be 15 billion US dollars.

Limitations of existing therapies and medical need

Selective serotonin reuptake inhibitors ("SSRIs") are the first line treatment of anxiety disorders, particularly in patients with co-morbid depression. The SSRIs, for example, fluoxetine, paroxetine, sertraline, citalopram and escitalopram are indicated for a variety of anxiety disorders. They are effective anxiolytics but the principle disadvantage of SSRI therapy is the slow onset of action as they can take up to 6 weeks to become fully effective. Furthermore, patients may experience a paradoxical worsening of anxiety in the first few weeks of treatment and therefore other treatments may be prescribed during this period. The SSRIs are also associated with significant anticholinergic side effects (dry mouth and urinary retention) and sexual dysfunction (erectile dysfunction and delayed ejaculation) due to their serotonin enhancing effects. In addition, SSRIs have an FDA mandated black box warning for increased risk of suicide in children and adolescents. Consequently, the adverse effects and slow onset of action limit the use of SSRI's in many patients with anxiety.

Tricyclic antidepressants such as clomipramine, imipramine and desipramine, have demonstrated efficacy for anxiety alone as well as with co-morbid depression. However, these treatments have similar side effects to SSRIs and also more significant cardiac side effects, hence they are less commonly prescribed for anxiety than the SSRIs.

In addition, serotonin noradrenaline reuptake inhibitors (SNRIs), of which venlafaxine (Effexor) is indicated for the treatment of anxiety disorders, have a similar profile with respect to efficacy and undesirable effects as the SSRIs.

Other drugs used for the treatment of anxiety disorders are benzodiazepines, such as alprazolam, clonazepam and lorazepam. They are effective and have a rapid onset of action (within hours or days), but due to their side effects they are no longer agents of first-line use. The side effects which limit use of benzodiazepines include sedation, addiction, tolerance and withdrawal symptoms when medication is stopped.

Current anti-anxiety therapies have significant drawbacks and are not effective in all patients. Hence there exists a substantial medical need for an effective anxiolytic agent which has a rapid onset of action like the benzodiazepines but which is not sedative, does not have abuse potential or cause tolerance, dependency or withdrawal symptoms and lacks the anticholinergic side effects and sexual dysfunction associated with the use of SSRIs.

ADX10059 in anxiety

mGluR5 is expressed in areas of the mammalian brain involved in emotional processes such as the limbic brain structures (prefrontal cortex, amygdala, basal ganglia and hippocampal regions), suggesting a role for these receptors in affective disorders such as anxiety and depression.

Data from a wide variety of experimental models of anxiety suggest that mGluR5 antagonists, including ADX10059, may be efficacious anxiolytics with a rapid onset of action with no sedation, adverse cardiovascular effects or anticholinergic effects.

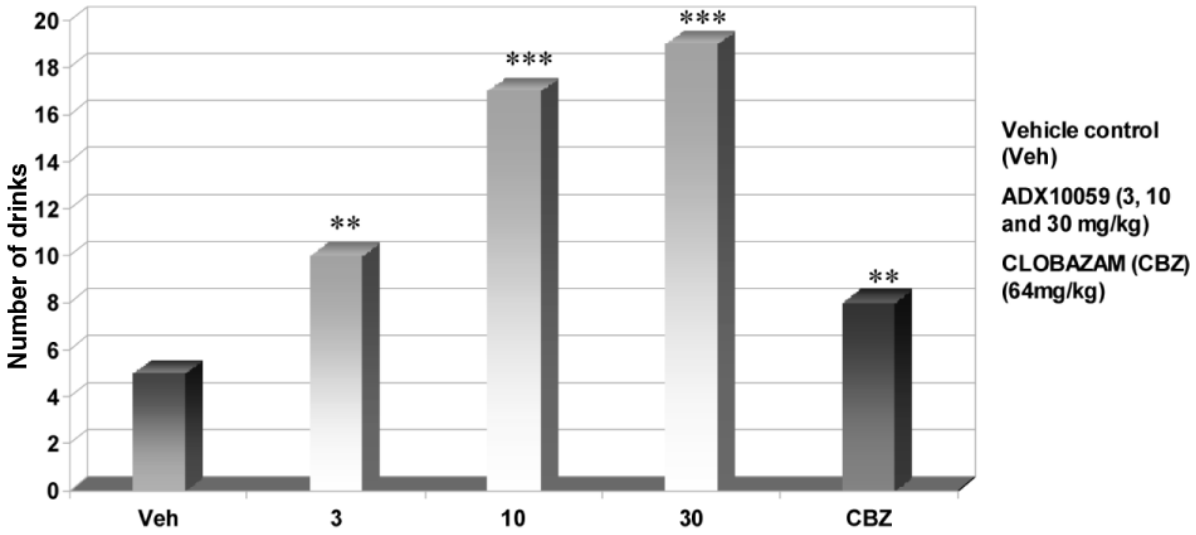
Negative allosteric modulation of mGluR5 is a clinically validated mechanism for the treatment of anxiety disorders. Fenobam (Ortho-McNeil Pharmaceutical Inc), which is a potent, non-competitive antagonist with inverse agonist activity on mGluR5, has been shown to be effective in a double-blind placebo-controlled clinical trial of anxiety in 1982. Fenobam showed a highly variable exposure in man, a low tolerability and its development was terminated. At the time, the mechanism of action of this drug was unknown and thus it was impossible to develop an improved drug with more suitable characteristics. The patent for the drug candidate has now expired, leaving ADX10059 as a potential first in class drug candidate.

Pre-clinical trials with ADX10059 in anxiety. In pre-clinical pharmacology studies ADX10059 has been shown to be an effective anxiolytic in a variety of models of both innate and learned anxiety.

In the Vogel test of anxiolytic potential, ADX10059 demonstrated improved efficacy compared to the reference benzodiazepine, clobazam (Figure 4). ADX10059 had a rapid onset of action with significant anxiolytic

effects being observed following a single dose, one hour after oral administration. There was no evidence of sedation at the dose required for anxiolytic activity or at the higher doses used in pre-clinical safety testing.

Figure 4: Effect of ADX10059 in the Vogel conflict-drinking test (oral administration)



Vogel model in rats. ADX10059 given p.o. 2 hours before testing

Clobazam administered p.o. 1 hour before the test

Mean ± s.e.m. (n = 0 or 15); Student's t test (unpaired); Compared with vehicle control: ** = $p < 0.01$; *** = $p < 0.001$

Clinical development. We are currently conducting a Phase IIA clinical trial with ADX10059 in patients with dental anxiety. This paradigm is considered to be a relevant model for acute anxiety. The clinical trial is a randomized double-blind, placebo-controlled, multi-center trial, taking place in academic dental clinics in the United Kingdom. A total of 50 patients with moderate or severe dental anxiety will receive a single dose of either ADX10059 or placebo, one hour before a scheduled dental procedure. Efficacy measures include assessment of anxiety on a visual analog scale ("VAS") at fixed time points after dosing, overall perception of study medication effectiveness, physiological measures of anxiety with skin conductance and effect on sedation using a VAS sedation scale. Safety and tolerability data will also be collected. The primary efficacy variable is the VAS anxiety score at 60 minutes post dose, immediately prior to the dental procedure.

Competition

If approved for the treatment of anxiety, ADX10059 would compete, amongst others, with SSRIs, including but not limited to sertaline, venlafaxine, paroxetine, fluoxetine and fluvoxamine, as well as with benzodiazepines (e.g., alprazolam, citalopram, clonazepam, escitalopram and lorazepam) and buspirone.

In addition, ADX10059 could potentially compete with several drugs currently registered, pre-registered or in clinical development, including ethinyl estradiol, pregabalin, tiagabine, duloxetine, quetiapine sustained release and risperdol.

ADX10061

Overview

ADX10061 is a potent and selective dopamine D1 receptor antagonist. It has a high affinity (Ki= 5.8nM) for the dopamine D1 receptor and no significant affinity at the dopamine D2 receptor. It has no significant activity for other dopamine receptor subtypes and no significant activity on other CNS receptors such as for serotonin or norepinephrine, apart from a moderate affinity for 5-HT2 receptors.

ADX10061 has been tested in a total of seven Phase I and Phase IIA clinical trials in a total of 115 healthy subjects and 14 patients with schizophrenia, respectively. ADX10061 was well tolerated and with regard to efficacy, some beneficial effects of ADX10061 were seen on both positive and negative symptoms in schizophrenics. In addition, ADX10061 had effects on sleep architecture in two trials studying sleep in healthy subjects. In these trials ADX10061 provided a dose dependent enhancement of non REM sleep at the beginning of the night, without

affecting the quantity of REM sleep, which suggests a potential beneficial effect of this compound on sleep quality. We believe that ADX10061 may have the potential to stabilize disturbed sleep patterns in people with insomnia.

Drug history

ADX10061 was originally developed by Novo Nordisk as a novel anti-psychotic agent. Novo Nordisk performed the majority of the clinical safety testing which included five Phase I clinical trials and one Phase IIA clinical trial in patients with schizophrenia. Following the first Phase I clinical trial by Novo Nordisk on sleep architecture which demonstrated effect on sleep pattern, Novo Nordisk entered a co-development agreement with CeNeS for further testing in the sleep indication. CeNeS conducted one additional Phase I clinical trial on sleep which again demonstrated some effects on sleep architecture. The full rights on the compound series were then transferred to CeNeS from Novo Nordisk. Subsequently, a US IND was opened to study the treatment of alcohol addiction. We acquired ADX10061 from CeNeS in 2002 recognizing the importance of the role of dopamine D1 receptor activation in cue-induced craving and hence the potential for use in smoking cessation. We conducted additional non-clinical work to re-orient the original US IND from a short-term use investigator IND to a formal full sponsor IND for long-term clinical use.

Smoking cessation

Nicotine addiction in the form of tobacco smoking is one of the leading preventable causes of death and disease. Tobacco accounts for 16% of all cancer cases and is a major cause of cardiovascular disease. It is estimated that almost half of all smokers aged 35 to 69 years die prematurely and smokers can anticipate losing about 20 to 25 years of life compared to non-smokers. In addition, smoking and attempts to quit smoking impact quality of life as they are associated with sleep disturbances or insomnia. Tobacco smoking is a chronic, relapsing problem and smokers attempt to quit several times before they are successful. Relapse is typical within the first week; however, many smokers relapse after weeks or months of abstinence. Psychological cues play a large part in the drive to smoke, for example the habit of always having a cigarette after a meal or when socializing with friends. The continuing presence of exogenous smoking cues play a large part in the failure of quit attempts.

Prevalence and market opportunity

The American Cancer Society and the World Health Organization estimate that 500 million people alive today will die of a smoking related disease. Smoking is currently responsible for the death of one in ten adults worldwide (about 5 million deaths each year) and this is anticipated to rise to 10 million deaths per year by 2020. Hence smoking is a major worldwide healthcare issue and there are major healthcare initiatives in westernized countries to get smokers to quit and to prevent people from taking up the habit. There are currently an estimated 1.25 billion smokers worldwide including approximately 425 million smokers in the developed world of which about 70% of smokers in the US and in the UK would like to quit and approximately 20% of smokers in North America are planning to quit within the next month. Since the introduction of smoking cessation drugs, it is estimated that 37% of all successful quits in the United States have been associated with medication use. In 2005, the smoking cessation market generated around 1 billion US dollars of sales. With the introduction of new medications such as varenicline (Champix/Chantix) this is anticipated to rise to around 1.4 billion US dollars in 2007. There are no current medications that specifically target the cue-induced craving of smoking addiction. An innovative therapy that targets this cue induced craving has the potential to claim a substantial part of an expanding smoking cessation market.

Limitations of existing therapies and medical need

There are a variety of approaches to smoking cessation consisting of behavioral therapies, specific smoking cessation counseling and pharmacological interventions. Currently marketed treatments for smoking cessation consist of various OTC nicotine replacement therapies ("NRT"), the prescription medication bupropion (Zyban) and the recently launched nicotinic acetylcholine receptor partial agonist, varenicline (Champix/Chantix).

Quit rates using NRT are around 25% and each type is approximately equally effective in aiding cessation. However, there are side effects and difficulties of use associated with the various forms of NRT. The fact that smoking must be stopped completely prior to initiation of NRT may pose a significant barrier for many smokers. It should be noted that people who use NRT drugs remain dependent on nicotine and can experience withdrawal or craving when NRT are discontinued.

Currently available non-NRT pharmacotherapies for smoking cessation are bupropion and varenicline. Bupropion is a dopamine and norepinephrine uptake inhibitor, which also blocks some nicotinic receptors in the brain. Bupropion was developed originally and is marketed as an antidepressant (Wellbutrin). Quit rates using

bupropion are about 30% in clinical trials. A serious side effect observed with the use of bupropion is an increased risk of seizures. Thus, bupropion is contra-indicated for people with a history of seizures or for heavy drinkers. Quit rates for varenicline during 12 weeks of treatment in clinical trials ranged from 40 to 51% compared to 8 to 18% for placebo and 30% for bupropion. The most common side effect is mild or moderate nausea which occurred in 30% of patients in clinical trials. In some patients nausea may be dose-limiting or prevent the use of varenicline for smoking cessation. In addition to such side effects, patients treated with bupropion but also varenicline have consistently reported a decrease of their quality of sleep or increased insomnia compared to patients receiving placebo.

One year abstinence rates with all these treatments are modest. In the clinical trials of varenicline 22% of patients remained abstinent by week 52 compared to 16% for bupropion and 8% for placebo. Hence there is a significant proportion of smokers who try and are unable to quit long term using currently available treatments. Thus, there is a significant unmet medical need for highly effective smoking cessation medicines and in particular for one with a non-nicotinic mechanism of action.

Dopamine D1 antagonist receptors in smoking cessation

A large literature exists on the contributions of dopamine D1 receptors to the reinforcing, conditioned reinforcing and rewarding effects of most drugs of abuse and specifically of nicotine.

Excess dopamine is associated with enhanced reward and increased salience of environmental cues associated with drug abuse. Data from numerous studies suggest that dopamine D1 receptors contribute to the ability of environmental cues to activate reward circuitry in the brain, leading to drug seeking behaviors.

In pre-clinical models of drug craving and relapse, selective blockade of dopamine D1 receptors leads to significant reductions in drug seeking and drug taking behavior. External cues are important in maintaining smoking behavior and therefore, blockade of dopamine D1 receptors may reduce the ability of external cues to induce craving and relapse to smoking.

Finally, in one clinical trial, ecopipam (SCH39166), a selective dopamine D1 antagonist from Schering Corporation induced a reduction of cigarette consumption in a cocaine-dependent patient population. All doses were active although the largest effect was observed with the lowest dose of 10mg ecopipam.

Clinical development of ADX10061 in smoking cessation

We are currently performing a Phase IIA proof of concept clinical trial of ADX10061 in smoking cessation which is expected to report in the second half of 2007. The design is a randomized, double-blind, placebo-controlled parallel group study in an outpatient setting. The clinical trial is being conducted at specialist smoking cessation centers in the United States and will enroll approximately 150 patients (75 per treatment group). The basic design and efficacy variables are similar to those used in the registration studies for bupropion and varenicline. The duration of treatment is seven weeks and the primary efficacy endpoint is the proportion of patients continuously abstinent for four weeks, starting from the beginning of the fourth week of study medication use. Secondary endpoints include total number of weeks continuous abstinence, measures of craving and withdrawal, mood scores and effect on bodyweight. Safety and adverse events will also be monitored.

Competition

If approved for the treatment of smoking cessation, ADX10061 would compete, amongst others, with bupropion and varenicline.

In addition, ADX10061 could potentially compete with several drugs or vaccine candidates for smoking cessation currently in clinical development. Two of the vaccine candidates are currently in Phase II development (NicVAX by Nabi Pharmaceuticals and CYT002-NiQb (Nicotine-Qbeta) by Cytos Biotechnology) and a third has completed a Phase I clinical trial (TA-NIC by Xenova Group). In addition to the three different vaccines in clinical development to treat nicotine addiction, the most advanced small molecule is Rimonabant (Sanofi Aventis), an antagonist of cannabinoid CB1 receptors, which has completed Phase III clinical trials in the United States and Europe.

ADX10061 in sleep disorders

Insomnia is a neurological disorder that can occur in people of all ages, and comprises difficulty falling or staying asleep, waking up at early hours or unrefreshing sleep, in combination with daytime dysfunction or distress. Insomnia is one of the most common CNS disorders, affecting one third of the general population, with a prevalence range of 10-48% in industrialized nations (Ohayon & Lemoine, 2002). According to the Sleep in America poll

(2005), 54% of adults experience one or more symptoms of insomnia at least a few nights a week, with one-third experiencing at least one symptom of insomnia every night or almost every night (www.sleepfoundation.com). In 2006, the sleep disorder drug market generated approximately 6.1 billion US dollars in worldwide sales, according to IMS.

In previous Phase I clinical trials conducted by both Novo Nordisk and CeNes, ADX10061 demonstrated noticeable effects on both sleep architecture and sleep pattern. Furthermore, we have been granted method of use patents relating to ADX10061 in sleep disorders in major territories such as Europe and the United States, and have applications pending in a number of other territories (See "Intellectual Property"). We consider insomnia to be an important potential additional indication for ADX10061, and are currently exploring the potential therapeutic use of ADX10061 in this indication.

The effect of ADX10061 on sleep architecture is also of considerable interest for the development of the compound in smoking cessation, as it is well known that insomnia is more prevalent among smokers. This is believed to be due to the stimulant effects of nicotine, nightly withdrawal, an increased prevalence of sleep disordered breathing relative to non-smokers, and/or an association with psychological disturbance. Furthermore, insomnia is also common symptom of nicotine withdrawal, especially during the first few weeks of smoking cessation, and insomnia has been associated with a variety of smoking cessation medications, including varenicline, bupropion and NRT. We believe that the potential effects of ADX10061 on sleep architecture could offer an additional competitive advantage over existing drug treatments for smoking cessation.

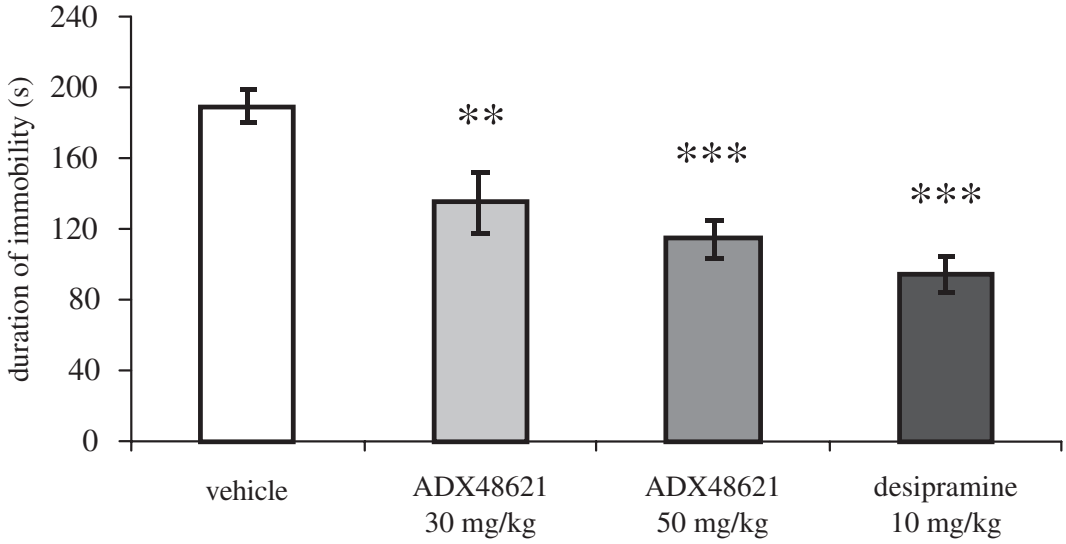
ADX48621

Overview

ADX48621 is a highly selective mGluR5 NAM with an IC50 value of 45nM at the human mGluR5. The molecule is of a different chemical class to that of ADX10059, and pre-clinical studies indicate a different pharmacokinetic profile with a slightly longer onset of action and a longer elimination half-life.

Pre-clinical studies showed that ADX48621 was orally active in a variety of models of depression and anxiety. Onset of effect was seen within an hour after a single dose and the effects persisted for at least six hours after dosing. In particular, ADX48621 demonstrated significant antidepressant activity, after a single administration, comparable to that of the tricyclic antidepressant desipramine (see Figure 5).

Figure 5: Porsolt Swim Test: Oral administration of ADX48621



p‹0.01;*p‹0.001 vs. vehicle

In addition, ADX48621 demonstrated efficacy with a rapid onset of action in various pre-clinical models of innate and learned anxiety.

The pharmacokinetic and pharmacodynamic properties observed in pre-clinical testing have oriented the clinical development towards depression with or without co-morbid anxiety. The rapid onset of antidepressant action of ADX48621 has the potential to represent a major advantage over the SSRIs. ADX48621 has the possibility

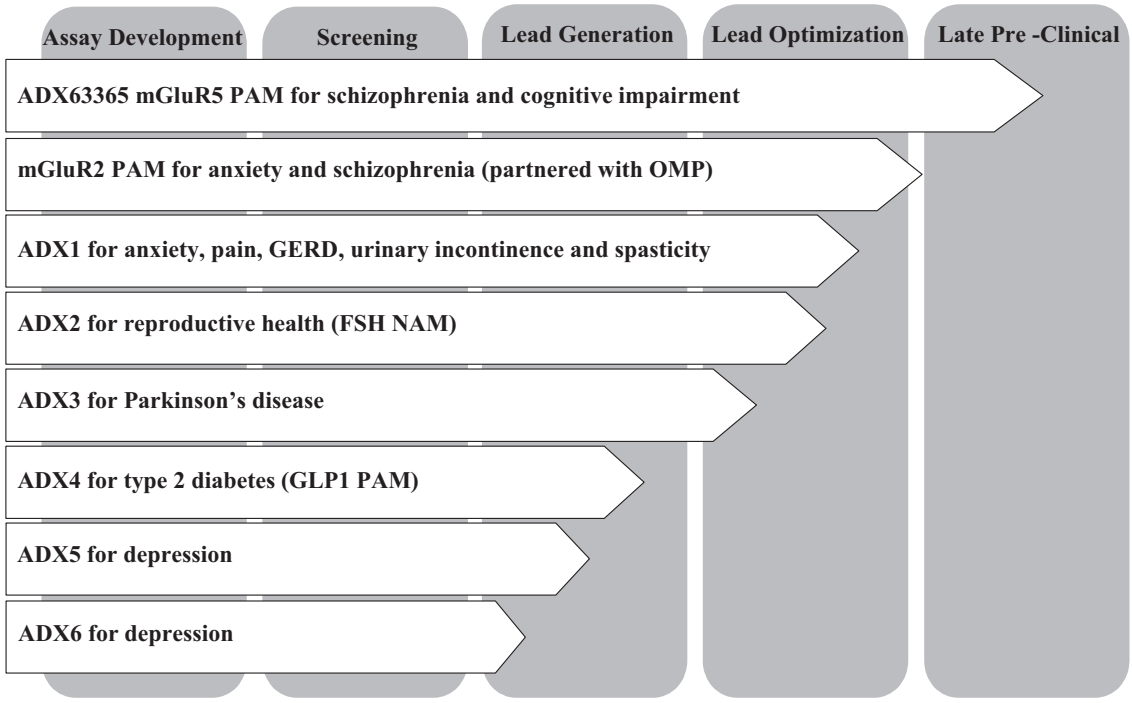
to be first in an entirely new class of drugs for the treatment of depression where there remains a large unmet need for drugs that are effective, well tolerated and have a rapid onset of action.

mGluR5 antagonists have shown robust effects in pre-clinical models of inflammatory pain. In contrast to depression, acute inflammatory pain is an indication suitable for fast and meaningful proof of concept testing in man. This development strategy will allow us to maximize our economic return on this drug candidate while keeping all possible developmental options open, including developing ADX48621 up to registration in post-surgical pain, using it as a back-up for ADX10059, or partnering it for a large indication such as depression.

ADX48621 is currently in Phase I clinical development which will evaluate the pharmacokinetics, safety and tolerability of ADX48621 in healthy subjects. A blinded data review has shown encouraging safety, tolerability and pharmacokinetics.

Research Programs

The chart below summarizes our proprietary programs in pre-clinical development. In addition to these programs, we are pursuing a number of earlier-stage projects, as potential treatments for a broad range of therapeutic indications.



ADX63365: This compound is an mGluR5 positive allosteric modulator being developed for the treatment of schizophrenia and cognitive impairment. It entered non-clinical safety testing at the beginning of 2007. This mechanism of action is innovative and could lead to a novel treatment in schizophrenia and in various indications where a cognitive decline has been observed. mGluR5 positive allosteric modulators have demonstrated a beneficial effect in natural or artificially-induced cognitive impairment in various pre-clinical experiments.

mGluR2 PAM: This program consists of positive allosteric modulator small molecules of mGluR2 in co-development with OMP. This GPCR target has been clinically validated in acute anxiety. Compounds are in advanced lead optimization and have potential for the treatment of anxiety and schizophrenia.

ADX1: This program consists of allosteric modulator small molecules of an undisclosed, clinically validated GPCR target. Several compounds with differentiated pharmacological profiles are in the final stages of lead optimization with potential for the treatment of anxiety, pain, GERD, urinary incontinence and spasticity.

ADX2: This program consists of orally active, small molecules, negative allosteric modulators of the follicle stimulating hormone (FSH) receptor in advanced lead optimization with potential in non-steroidal contraception. After *in vivo* proof-of-concept testing, our intention is to out-license this program.

ADX3: This program consists of allosteric modulator small molecules of an undisclosed GPCR target in early lead optimization with potential in the treatment of Parkinson's disease. Activation of the target led to a robust anti-cataleptic effect in pre-clinical models of Parkinson's disease.

ADX4: This program consists of orally active, small molecules, positive allosteric modulators of the Glucagon-like peptide 1 (GLP1) receptor in late lead generation with potential for the treatment of type 2 diabetes.

ADX5: This program consists of allosteric modulator small molecules of an undisclosed GPCR target in early lead generation with potential for the treatment of depression.

ADX6: This program consists of an undisclosed, clinically validated GPCR target for depression which recently completed screening.

We have several additional programs in assay development on clinically validated targets for CNS and metabolic diseases.

Research and Development

Our drug discovery programs are designed to yield effective and safe drug candidates in a short timeframe. We believe that we are able to control the drug development timeline while maintaining the quality of drug candidates, by performing benchmarking safety and efficacy tests early in the drug development process. In addition, we aim to achieve a high level of productivity through the close integration of R&D staff. Our research effort starts with the selection of the target based on a number of criteria, including the level of validation in a disease area and the commercial potential. In a manner similar to large pharmaceutical companies, we are setting a target drug profile, integrating the differentiated characteristics required to translate into an economically valuable final drug candidate. The selected target is engineered to allow functional measurement of an allosteric modulator response in a high-throughput screening ("HTS") mode. To identify active compounds, the target is screened against our compound library which is biased towards compounds with allosteric modulator and drug-like properties. Compounds are tested and optimized in an iterative process designed to produce highly specific drug candidates suitable for clinical development in the previously selected indication.

The key research expertise required to discover new allosteric modulator drug candidates is available in-house. Additional special investigations and services are contracted out and managed by our experienced employees. We also use a network of collaborations to pursue opportunities in specific indications and allosteric modulator research, in order to exploit fully the assets available in this field.

The main components of our drug design process are detailed as follows:

Drug development approach

Our multidisciplinary drug discovery and development teams, combined with our unique allosteric modulator approach, enable us to build drug development programs focused on multiple targets and clinical indications. The efficiency and productivity of our discovery and development has recently been demonstrated by the completion of two Phase IIA clinical trials of ADX10059 after less than 5 years of activity. To accomplish this we have:

- created a dynamic, multidisciplinary environment in which experts in neuroscience, molecular biology, medicinal chemistry and pharmacology work closely together to screen, identify and optimize drug candidates;
- built an allosteric modulator biased library of compounds with both the properties of drugs and physico-chemical characteristics of allosteric modulators;
- developed unique screening tools which allow the identification of GPCR positive and negative allosteric modulators in a systematic manner; and
- implemented multidimensional optimization techniques to rapidly produce valuable drug candidates from the original hits, for entry into clinical development.

Target selection

We are in a privileged position with regard to target selection due to the fact that we are developing drugs that are differentiated by a novel pharmacological mechanism of action. Consequently, we have available to us a large number of clinically validated targets in diseases for which there is a significant unmet medical need and commercial opportunity. We select targets based on the strength of scientific and clinical evidence linking the target to the disease, and the commercial potential that a novel treatment could achieve in the disease area.

Assay development and screening tools

One of our key competitive advantages is our know-how in assay development for the identification of allosteric modulators of GPCRs using HTS technologies. We use our unique screening assays to screen our compound library which is biased towards allosteric modulators of GPCRs, and it is this combination that has enabled us to systematically discover the starting compounds for our medicinal chemistry efforts.

Allosteric modulator chemistry

Using our knowledge of allosteric modulation, we have created a unique biased compound library of more than 50,000 molecules by integrating classical features of drug development, such as tractability, and allosteric modulator properties, to the selection filters.

Using computational chemistry approaches, we have identified unique allosteric modulator physico-chemical vectors that have been used to refine our selection filters. Our success in finding tractable hits throughout our screening campaigns demonstrates our expertise in the knowledge-based, compound profiling approach for allosteric modulators.

Our medicinal chemists are among the leading experts in designing molecules with the characteristics of allosteric modulators.

Lead optimization and candidate selection

Optimization of our lead compounds and selection of drug candidates are performed by dedicated project teams. We also supplement our internal medicinal chemistry resources with external partners. We apply the concept of multidimensional optimization, meaning the parallel optimization of target-specific activity, safety, "drug-like" pharmacology and drug properties. A single non-clinical development team assures effective transition to clinical development.

Pre-clinical safety and pharmacology

Our potential drug candidates are put through a rigorous set of in-vitro and in-vivo safety tests to study their interaction with the intended target, as well as the rest of the body, to determine their potential side effects. Our experts measure the disposition of the drug candidate in parallel to its efficacy, to predict the effective dose range to be studied in clinical trials and its potential safety margin.

Clinical development

Our clinical development team is highly experienced in clinical trial and clinical project management both in Europe and the United States. We outsource the running of clinical trials to carefully selected CROs, but manage the process of clinical trial conduct and the work of CROs, in-house. All clinical development strategy and trial design is performed by us, using expert resources where needed, to optimize the design and running of our trials.

The objective of our early clinical development is to achieve robust, scientifically rigorous, proof of concept in a time and resource expedient manner. We conduct all of our trials to the highest standards of ethics, Good Clinical Practice and in accordance with International Committee on Harmonization guidelines. Our clinical development programs are prospectively designed and integrate the ultimate target market and regulatory strategy for the indication. We work closely with key opinion leaders in the relevant medical fields and look to establish long-term relationships with them to facilitate the overall development of our drug candidates.

We believe that our model of an in-house core group of clinical development and regulatory experts who manage outsourcing to appropriate CROs provides a flexible, reliable and cost effective way to manage the development of our pipeline.

Competition

The biopharmaceutical industry is rapidly evolving and highly competitive. Companies can expect to face significant competition from biotechnology and pharmaceutical companies, in particular when first in class drugs are introduced and new markets are opened. After the innovator company has successfully developed an underserved market by creating awareness of a new therapeutic agent, other companies are quick to introduce competitive drugs once the commercial potential is realized. Competition generally comes from new and existing therapies developed and marketed by pharmaceutical and biotechnology companies. It is the nature of the competitive landscape that a marketer of a drug has difficulty in predicting the future basis upon which it will compete with new drugs marketed by others.

However, to our knowledge no other biopharmaceutical company has so far systematically invested on a large scale in GPCR allosteric modulator development as we have. Large pharmaceutical companies have started to invest in the area of allosteric modulation and Merck & Co, Eli Lilly, Schering Corporation and Novartis have published discoveries of various allosteric modulators of specific GPCRs for different indications. To our knowledge, none of these compounds have reached an advanced stage of clinical development so far.

Finally, the only known allosteric modulator of a GPCR which is on the market is cinacalcet which is a positive allosteric modulator of the calcium sensor for the treatment of osteoporosis. This compound has been developed by NPS Pharmaceuticals and licensed to Amgen.

Manufacturing

We do not currently own or operate manufacturing facilities for the production of clinical or commercial quantities of ADX10059, ADX10061 or ADX48621. We currently rely on a small number of third-party GMP manufacturers to produce our clinical drug supplies and expect to continue to do so to meet the pre-clinical and clinical requirements of our potential drug candidates. We do not have long-term agreements with any of these third parties.

Material Agreements

Management considers the following agreements as material for the Group:

Ortho-McNeil Pharmaceutical, Inc. agreement

In December 2004, we entered into a R&D collaboration and licence agreement with Ortho-McNeil Pharmaceutical, Inc. ("OMP"), a member of the Johnson & Johnson group (the "OMP Agreement"). The OMP Agreement provides for the discovery, development and commercialization of novel compounds that modulate mGluR2 for the treatment of human and animal disease with a focus on CNS and related diseases. Several proprietary allosteric modulators have been discovered and are currently in advanced lead optimization for the treatment of anxiety and schizophrenia. The initial two-year research phase was recently extended until December 31, 2007. Under certain conditions but subject to certain consequences, OMP may terminate the agreement for any reason, subject to a 90-day notice period after the research period ends.

The discovery research is conducted jointly by us and Johnson & Johnson Pharmaceutical Research and Development, a division of Janssen Pharmaceutica N.V., on behalf of OMP, and is coordinated and managed by a Joint Research Committee consisting of equal representation from each party to the agreement. OMP has the exclusive right to select, according to specific criteria set forth in the agreement, compounds which are suitable for drug development ("Selected Compound"). OMP bears the sole responsibility for developing the Selected Compounds into a drug through pre-clinical and clinical trials and registration procedures in the United States and/or in the European Union and/or Japan. OMP has the right to design the development program which is then discussed with us through the Joint Development Committee. However, OMP has the final say on all aspects of the development of the Selected Compounds and may develop or commercialize third-party compounds for identical use. OMP is responsible for funding the development of the Selected Compound unless we have elected to take part in the early stage development of a Selected Compound following OMP's failure to designate a Selected Compound or to achieve a specific development milestone.

OMP is responsible for the commercialization of the drug containing the Selected Compounds which have been developed in the following countries: United States, Japan, United Kingdom, Germany, France, Spain and Italy.

Pursuant to the OMP Agreement, we have granted OMP an exclusive license to use certain of our patents and know-how in relation to the development and commercialization of the drugs and a non-exclusive worldwide license to conduct research on the collaboration compounds under certain of our patents and know-how. Subject to certain conditions, the parties shall own jointly all intellectual property rights ("IPR") that the parties develop jointly and individually all IPR that they develop individually.

Under the terms of the OMP Agreement, we received an upfront fee of CHF 4.6 million and research funding of CHF 3.7 million in 2005 and CHF 2.4 million in 2006. In addition, we are eligible for payments on successful achievement of pre-specified scientific, clinical and regulatory milestones, and royalties on any drug sales.

Axovan screening agreement

In October 2002, we entered into a screening agreement with Axovan AG ("Axovan") pursuant to which Axovan used our mGluR5 biological screening tools to screen their GPCR biased compound library with their screening platform. We own all rights and interests to any inventions, discoveries or know-how whether patentable or not made or discovered under the agreement in relation to a compound resulting from the screening. Under the terms of the agreement, Axovan received a fee for conducting the screening procedure. In the event of us commercializing, for our own account, a drug derived from compounds resulting from the screening ("Drug Product") then Axovan is eligible for a registration milestone and a low single-digit royalty on net sales. In the event of us out-licensing a Drug Product then Axovan is eligible for a low percentage of all fees, milestones and royalty payments received by us related to the out-licensing. Axovan is prevented to perform any R&D work on mGluR5 during three years after we have identified the first compound which binds to mGluR5. Axovan remains, however, free to use, alone or in collaboration with third parties, the compound for uses other than in relation to mGluR5. Axovan was acquired by Actelion in June 2003.

Neither, ADX10059, ADX10061 nor ADX48621 resulted from the screening of Axovan's library.

CeNeS agreement

In December 2002, we entered into a patent assignment and license agreement with CeNeS Ltd ("CeNeS"), a company incorporated in England. Pursuant to this agreement, CeNeS exclusively assigned to us with full title guarantee a certain number of patents, applications, and improvements in relation to ADX10061, several of which were acquired by CeNeS from Novo Nordisk. Moreover, CeNeS supplied to us certain information in relation to the assigned patents (including but not limited to pre-clinical, clinical and other development data). Furthermore, CeNeS granted us an exclusive, royalty-free, irrevocable licence, with the right to grant sublicenses to, for example, research, use, manufacture and sell certain compounds under additional patents owned by CeNeS, which were acquired from Novo Nordisk.

Under the terms of the agreement, we made an upfront payment of CHF 0.45 million to CeNeS. In addition, CeNeS is eligible for payments on successful achievement of pre-specified scientific, clinical and regulatory milestones and royalties on any future drug sales.

Intellectual Property

Introduction

Our success will depend in part on our ability to obtain and maintain patent protection for our drugs, preserve trade secrets, prevent third parties from infringing upon our proprietary rights and operate without infringing upon the proprietary rights of others, both in Switzerland and in other territories worldwide. Wherever appropriate and legally possible, we aim at obtaining patent protection for novel molecules, composition of matter and uses for drugs and inventions originating from our R&D efforts, as well as new manufacturing and other processes and formulations. In each case, we carefully balance the value of patent protection against the advantage of keeping the know-how regarding the invention confidential. We aim to position the claims of our applications to exploit gaps in prior art. See "Risk Factors—Risks Related to our Business and Industry" for risks relevant to our intellectual property position.

We typically file priority applications at the United Kingdom Patent Office to establish a priority date for the generic subject matter of each invention and subsequently file international application under the Patent Cooperation Treaty (PCT). After the International Phase, we file patent applications in selected countries representing potential major markets for our drug candidates ("National/Regional Phase").

We have pending patent applications on our inventions covering several related classes of compounds which are potentially useful as modulators of a number of receptors including several of the glutamate receptors (e.g. mGluR5 and mGluR2). We also have acquired numerous granted patents (and several pending patent applications) on inventions originating from Novo Nordisk covering several dopamine D1 antagonist classes of compounds and their uses.

Patents granted and applications in relation to ADX10061—dopamine D1 antagonist

We have acquired numerous granted patents (and several pending patent applications) on inventions originating from Novo Nordisk covering several dopamine D1 antagonist classes of compounds and their uses. The patent portfolio comprises three patent families relating to compounds as such and their uses in general as

dopamine D1 antagonist pharmaceutical composition. All of the patents relating to the compounds as such have been granted, and none have been opposed or challenged.

We have wide territorial granted patent protection for our clinical candidate compound ADX10061 (for example by virtue of European Patent 347 672 and US Patent 5 010 074). The current patents for ADX10061 will expire in 2009 in most territories and in 2008 in the United States, which is before the earliest possible date by which we could anticipate to receive marketing authorization for this drug candidate. This does not prevent us benefiting from marketing exclusivity which currently could be 5 years in the US and 8 years for data exclusivity and 10 years for marketing exclusivity in the EU from the date of any regulatory approval.

We are in the process of evaluating or implementing a series of patenting strategies to secure further patent protection for ADX10061:

1. A new convergent synthesis for production of ADX10061 and several key intermediates. The synthesis described in the patent applications for ADX10061 is cumbersome, has large numbers of steps with low recovery and is not easily suitable for scale-up. We are currently developing a new convergent simpler and scalable synthesis and hope not only to significantly reduce the costs of goods associated with ADX10061 production but also to be able to get patent protection for critical novel synthetic steps. In addition, we intend to separately seek patents for several of the novel key intermediates invented by us during this development.

2. The drug candidate is currently being given four times daily due to the lack of an extended release formulation. Exploratory work performed by us suggests that it may be possible to devise a formulation which will give an optimized time profile of exposure. In particular, we believe that a specific profile of exposure is highly desirable to minimize patient relapse in this indication. A specific combination of ADX10061 and a tailored release formulation with a precise exposure profile should be patentable.

3. ADX10061 is a maleate salt. Other salts than the maleate may provide some processing or clinical benefit over the maleate, and may provide basis for a selection invention to such salt.

4. ADX10061, or other salts than the maleate, may form various polymorphs (crystalline forms) pseudopolymorphs and/or hydration states, certain of which may be desirable or undesirable from a processing and/or pharmaceutical point of view. If we are able to demonstrate an unexpected advantage of one of these polymorphs or hydration states we may have the basis of a patent.

5. Combinations of ADX10061 with other drugs, especially if such combinations can be shown to provide synergistic properties, may be patentable. This might be the case for combination with existing anti-smoking drug products.

If and when we have marketing authorization for ADX10061, a Supplementary Protection Certificate extending further our protection could possibly be based on any new patent having granted claims to a new active substance or combination of active substances.

We are aware of a broad generic use claim granted in US Patent 6 262 049 to Schering Corporation. This patent could potentially stay in force in the US only until at least 2018 and would generically cover the use of a dopamine D1 antagonist of any type for reducing cravings to nicotine or tobacco. We have been advised that conducting a clinical trial in the United States would not constitute an act of patent infringement provided the trial was reasonably related to the development and submission of information to the FDA. This exemption from patent infringement is set forth in 35 U.S.C. 271(e)(1).

Upon successful completion of the currently ongoing Phase IIA clinical trial, we intend to seek one or more development partners for ADX10061 in order to maximise its commercial value. If the Schering patent remains in force and if required, we could seek to obtain a sole or exclusive licence to it which would help to secure the commercialization rights for this drug candidate in the US.

Finally, we have acquired a fourth family of patents for ADX10061 specifically limited to the use of this compound in sleep disorders. The patents relating to the sleep disorders have been granted in major territories such as United States and Europe in which we would benefit from patent protection until 2018. The applications are still pending in a number of territories outside of the United States and Europe. None of the applications or patents have been opposed or challenged.

We have not carried out a comprehensive search for other third-party rights to uses of dopamine D1 antagonists. See “Risk Factors—Risks Related to our Business and Industry”.

Patent applications in relation to mGluR5 NAMs (ADX10059 and ADX48621)

We have pending patent applications covering several related classes of compounds which are potentially useful as mGluR5 receptor NAMs. Of the four patent families, two are already in the National/Regional phase and two are priority applications. We have moderate territorial scope (including Europe and United States) for the National/Regional phases applications.

ADX10059 is explicitly exemplified and claimed as a compound and as a pharmaceutical composition in one of our National/Regional phase patent families (published as WO 2004/078728). As well as containing general claims relating to methods of treating conditions requiring the neuromodulatory effect of mGluR5 NAMs, this application also includes specific method of use claims relating to uses including, but not limited to, treatment of migraine and anxiety.

The United States application 11/225490 which covers ADX10059 has been examined and has been granted as US-Patent 7 205 411. The granted claims are generic compound claims and also claim the compound ADX10059 as such. Claims specifically to a pharmaceutical composition, together with relevant method of treatment claims, have been deleted from this application. We have pursued these claims in a United States continuation application.

ADX48621 is explicitly exemplified and claimed as a compound and as pharmaceutical composition in one of our National/Regional phase patent families (published WO 2005/123703). As well as containing general claims relating to methods of treating conditions requiring the neuromodulatory effect of mGluR5 antagonists, this application also includes specific method of use claims relating to uses including, but not limited to, treatment of depression and anxiety.

We are not aware of any broad use claims in any granted patent in Europe or the United States which cover our current intended uses of mGluR5 antagonists. We are aware that there have been several patent applications filed and published by third parties in the recent past relating to the use of mGluR5 antagonists in GERD, pain, depression and anxiety. Accordingly, if any of these patent applications were to be granted as published and without limitation to the third party's own specific compounds, they could possibly have a blocking effect in the specific indication and may restrict the development and commercialization of ADX10059 or ADX48621 in any indication for which a broad use patent is granted. However, a large number of previously proposed uses of mGluR5 antagonists as a general concept for treatment of many diseases have been published and this constitutes a body of "prior art" against the patentability of broad use claims. We have been advised that because of the prior art it is unlikely that broad use claims could now be obtained, by third parties, which would block the use of our specific novel compounds, developed by us for any particular indication.

Patent applications in relation to mGluR5 PAMs (ADX63365)

We have pending patent applications covering several related classes of compounds which are potentially useful as mGluR5 PAMs. Of the ten patent families one is already in the National/Regional Phase and six are in the PCT stage, and three are priority applications. We have moderate territorial scope (including Europe and United States) for the National/Regional phases of the application which has already entered the National/Regional Phase. We currently have a number of drug candidate compounds which are protected by these patent application families both as specific compounds, by generic formula claims, by claims to pharmaceutical compositions and also by claims to multiple medical indications. ADX63365 (mGluR5 PAM for schizophrenia and cognitive impairment) is explicitly exemplified and claimed in WO 2006/123257.

Patent applications in relation to mGluR2 PAMs (OMP Agreement)

Jointly with OMP, we have two pending patent families covering classes of compounds which are potentially useful as mGluR2 PAMs. Both of the two joint PCT applications have entered the National/Regional phases (30 months from the priority date) on March 17, 2007.

Patent applications for early stage compounds

In late 2006 we filed two new patent applications on one class of positive allosteric modulator agonists and one class of negative allosteric modulator antagonists of two further receptor types. These United Kingdom priority applications are still pending as unpublished priority applications. They could proceed to PCT filing at their anniversary or could be re-filed to establish a new priority date.

Trademarks

We intend to build up a trademark portfolio for our drugs as potential commercialization approaches.

Sales and Marketing

Our current focus is on the development of our existing portfolio, the completion of clinical trials and, if and where appropriate, the registration of our drug candidates. However, our strategic aim is to build a fully integrated pharmaceutical company covering research, development, and marketing that builds on our existing assets and core competencies.

If capital is available and we are free to market, we plan long-term to market our drugs where they can be promoted with a targeted and cost-effective sales and marketing infrastructure through our own specialized sales force or through third-party contract sales organizations, selecting the option which we believe will maximize commercial benefit. We may pursue strategic collaborations with larger pharmaceutical companies to commercialize or co-promote our drugs for large indications targeted at primary care physicians. The ultimate implementation of our strategy for realizing the financial value of our drug candidates is dependent on the results of the clinical trials of our drug candidates, the availability of funds, and the ability to negotiate acceptable commercial terms with a partner. See "Risk Factors—Risks Related to our Business".

We currently do not have marketing, sales and distribution capabilities. We believe that there are several ways in which we can create value from the commercialization of our development drug candidates, for example the out-licensing, the co-development, the co-marketing or the development and marketing of drug candidates alone. In order to commercialize any of our potential drugs, we must develop these capabilities internally or through collaborations with third parties.

Employees

As of December 31, 2004, 2005 and 2006 and March 31, 2007, we had 48, 60, 60 and 70 full-time equivalent employees, respectively. As of December 31, 2006, we had 60 employees, of whom 48 are engaged in R&D and 12 were engaged in business development, finance and administration. Four of our employees who are employed by our subsidiary Addex Pharmaceuticals France SAS are covered by a collective bargaining agreement. We have not experienced any work stoppage and consider our employee relations to be good.

Litigation

We are currently not a party to any legal, administrative or arbitral proceedings the outcome of which, if adverse to us, may be material to our business, financial condition and results of operation taken as a whole, and we are not aware that any governmental or third parties currently contemplate initiating any such proceeding.

Facilities

We currently lease facilities of approximately 1585 m^2 of laboratory and office space at our headquarters in Plan-les-Ouates, Switzerland and 985 m^2 of laboratory and office space at our facilities in Archamps, France. Approximately 2000m^2 are used for R&D activities and 570m^2 are used for general administrative purposes. An additional 3000m^2 of laboratory and office space have been leased at our headquarters in Plan-les-Ouates for our future expansion. These additional facilities will become operational in the first half of 2007. The majority of our facilities in Switzerland are leased for between five and ten year terms with either a six-month or one year resignation notice period. Our facilities in France have been leased on a nine-year term from 2004 with a right to resign every three years with a six-month notice period. We have the right to renew leases for between one and five years from the expiry date.

All of the properties used in our business are leased. We do not currently own any real estate.

Interruptions in Business

During the past three years the Company has not experienced any material business interruption.

REGULATORY ENVIRONMENT

Our business is subject to extensive government regulation. Regulation by governmental authorities in the European Union, in the United States and other countries is a significant factor in the development, manufacture and marketing of drugs and in ongoing R&D activities. All of our drug candidates will require regulatory approval by governmental agencies prior to commercialization. In particular, pharmaceuticals are subject to rigorous pre-clinical testing and clinical trials and other pre-marketing authorizations requirements by the Food and Drug Administration ("FDA") and competent regulatory authorities in the European Union and its member states and in other countries. For more information on risks associated with the regulatory framework in which we operate. See "Risk Factors—Risks Related to Our Industry".

Regulation in the United States

The testing, manufacturing, labeling, advertising, promotion, distribution, export and marketing of drug candidates are subject to extensive regulation by governmental authorities in the United States and other countries. The FDA, under the Federal Food, Drug and Cosmetic Act, regulates pharmaceutical drugs in the United States. The steps required before a drug may be approved for marketing in the United States generally include:

- pre-clinical laboratory models and tests;
- the submission to the FDA of an Investigational New Drug Application ("IND") for human clinical testing, which must become effective before human clinical trials commence;
- adequate and well controlled human clinical trials to establish the safety and efficacy of the drug;
- the submission to the FDA of a new drug application ("NDA");
- satisfactory completion of an FDA inspection of the manufacturing facilities at which the drug is made to assess compliance with current cGMP. In addition, the FDA may audit clinical trials sites that generated the data in support of the NDA.

FDA review and approval of the NDA

The testing and approval process requires substantial time, effort and financial resources, and the receipt and timing of any approval is uncertain. Pre-clinical studies include laboratory evaluations of the drug candidate, as well as model studies to assess the potential safety and efficacy of the drug candidate. The results of the pre-clinical studies, together with manufacturing information and analytical data, are submitted to the FDA as part of the IND, which must become effective before clinical trials may be commenced.

Clinical trial approval

Clinical trials involve the administration of the drug candidates to healthy volunteers or patients under the supervision of a qualified principal investigator. Further, each clinical trial must be reviewed and approved by an independent institutional review board ("IRB"), at or servicing each institution at which the clinical trial will be conducted. The IRB will consider, among other things, ethical factors, the safety of human subjects, informed consent by human volunteers, and the possible liability of the institution.

Clinical trials typically are conducted in three sequential phases prior to approval, but the phases may overlap. These phases, generally, include the following:

- *Phase I:* Phase I clinical trials involve the initial introduction of the drug into human subjects, frequently healthy volunteers. These studies are designed to determine the metabolism and pharmacologic actions of the drug in humans, the adverse effects associated with increasing doses and, if possible, to gain early evidence of effectiveness. In Phase I, the drug is usually tested for safety, including adverse effects, dosage tolerance, absorption, distribution, metabolism, excretion and pharmacodynamics.
- *Phase II:* Phase II clinical trials usually involve studies in a limited patient population to (1) evaluate the efficacy of the drug for specific, targeted indications; (2) determine dosage tolerance and optimal dosage; and (3) identify possible adverse effects and safety risks. Although there are no statutory or regulatory definitions for Phase IIA and Phase IIB, Phase IIA is commonly used to describe a Phase II clinical trial evaluating efficacy, adverse effects and safety risks and Phase IIB is commonly used to describe a subsequent Phase II clinical trial that also evaluates dosage tolerance and optimal dosage.
- *Phase III:* If a compound is found to be potentially effective and to have an acceptable safety profile in Phase II studies, the clinical trial program will be expanded to further demonstrate clinical efficacy, optimal

dosage and safety within an expanded patient population at geographically dispersed clinical trial sites. Phase III studies usually include several hundred to several thousand patients.

- *Phase IV:* Phase IV clinical trials are studies required of or agreed to by a sponsor that are usually conducted after the FDA has approved a drug for marketing. These studies are used to gain additional experience from the treatment of patients in the intended therapeutic indication and to document a clinical benefit in the case of drugs approved under accelerated approval regulations. If the FDA approves a drug while a company has ongoing clinical trials that were not necessary for approval, a company may be able to use the data from these clinical trials to meet all or part of any Phase IV clinical trial requirement. These clinical trials are often referred to as Phase III/IV post approval clinical trials. Failure to promptly conduct Phase IV clinical trials could result in withdrawal of approval for drugs approved under accelerated approval regulations.

We, the FDA or an IRB may suspend clinical trials at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk.

Marketing authorization

The results of pre-clinical studies and clinical trials, together with detailed information on the manufacture and composition of the drug, are submitted to the FDA in the form of an NDA requesting approval to market the drug. In its review of NDA submissions, the FDA has wide discretion to require an applicant to generate additional pre-clinical and clinical data related to the drug candidate's safety and efficacy. Before approving an NDA, the FDA will inspect the applicant's or the third-party's facilities at which the drug is manufactured and will not approve the drug unless the manufacturing facility complies with current GMP.

Once the NDA submission has been accepted for filing, the FDA is required to review the application within one year and respond to the applicant. The running of the time is stopped as soon as the FDA requests additional information or clarification. Therefore, the actual process is often significantly longer than one year. The FDA may delay approval of an NDA if applicable regulatory criteria are not satisfied, require additional testing or information and/or require postmarketing testing and surveillance to monitor safety or efficacy of a drug. Also, if regulatory approval of a drug is granted, such approval may entail limitations on the indicated uses for which such drug may be marketed.

Once approved, the FDA may withdraw the drug approval if compliance with pre-marketing or post-marketing regulatory requirements and conditions of approvals is not maintained or if problems occur after the drug reaches the marketplace. In addition, the FDA may require post-marketing studies, referred to as Phase IV studies, to monitor the effect of approved drugs and may limit further marketing of the drug based on the results of these post-marketing studies.

If we obtain a regulatory approval for a drug, this clearance will thus be limited to those diseases and conditions for which the drug is safe and effective, as demonstrated through clinical trials. Even if this regulatory approval is obtained, a marketed drug, its manufacturer and its manufacturing facilities are subject to continual review and periodic inspections by the FDA for compliance with current GMP and other regulatory requirements. Discovery of previously unknown problems with a medicine, device, manufacturer or facility may result in restrictions on the marketing or manufacturing of an approved drug, including costly recalls or withdrawal of the drug from the market. Further, the FDA closely regulates the post-approval marketing and promotion of drugs, including standards and regulations for direct-to-consumer advertising, a prohibition on the promotion of indications not expressly approved by FDA (so called "off-label promotion"), industry-sponsored scientific and educational activities and promotional activities involving the internet. Upon approval, a drug may only be marketed for the approved indications in the approved dosage forms and at the approved doses. Failure to comply with these requirements can result in adverse publicity, warning letters, corrective advertising and potential civil and criminal penalties. In addition, if there are any modifications to the drug, including changes in indication, labeling, or manufacturing processes or facilities, we may be required to submit and obtain the FDA approval of a new or supplemental NDA. The FDA has broad post-market regulatory and enforcement powers, including the ability to suspend or delay issuance of approvals, seize or recall drugs, withdraw approvals, enjoin violations and institute criminal prosecution.

Pharmaceutical pricing and reimbursement

Our ability to commercialize successfully and attract strategic partners for our drug candidates depends in significant part on the availability of adequate coverage and reimbursement from third-party payers, including, in the United States, governmental payers such as the Medicare and Medicaid programs, managed care organizations,

and private health insurers. Third-party payers are increasingly challenging prices charged for drugs and services and examining their cost effectiveness, in addition to their safety and efficacy. We may need to conduct expensive pharmacoeconomic studies in order to demonstrate the cost effectiveness of any future drugs. Even with studies, our drug candidates may be considered less safe, less effective or less cost effective than existing drugs, and third-party payers, therefore, may not provide coverage and reimbursement for our drug candidates, in whole or in part.

Political, economic and regulatory influences are subjecting the healthcare industry in the United States to fundamental changes. There have been and we expect there will continue to be a number of legislative and regulatory proposals to change the healthcare system in ways that could significantly affect our business. For example, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 ("MMA"), among other things, established a new Part D prescription drug benefit that began on January 1, 2006 and changed coverage and reimbursement for drugs and devices under existing benefits. We anticipate that Congress, state legislatures, federal and state agencies and the private sector will continue to consider and may adopt healthcare policies intended to curb rising healthcare costs. These cost-containment measures include:

- controls on government-funded reimbursement for medical drugs and services;
- controls on healthcare providers;
- challenges to the pricing of medical drugs and services or limits or prohibitions on reimbursement for specific drugs and therapies through other means;
- reform of drug importation laws; and
- expansion of use of managed care systems in which healthcare providers contract to provide comprehensive healthcare for a fixed cost per person.

We are unable to predict what additional legislation, regulations or policies, if any, relating to the healthcare industry or third-party coverage and reimbursement may be enacted in the future or what effect such legislation, regulations or policies would have on our business. Any cost-containment measures, including those listed above, or other healthcare system reforms that are adopted could have a material adverse effect on our ability to operate profitably.

Regulation in the European Union

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

Clinical trial approval

Pursuant to the Clinical Trials Directive, a new system for the approval of clinical trials in the European Union has been implemented through national legislation of the member states. Under this system, approval must be obtained from the competent national authority of a European Union member state in which the study is planned to be conducted. Furthermore, a clinical trial may only be started after a competent ethics committee has issued a favorable opinion on the clinical trial application which must be supported by an investigational medicinal product dossier with supporting information prescribed by the Clinical Trials Directive and further detailed in applicable guidance documents.

Marketing authorization

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

Certain drugs must undergo the centralized approval procedure for marketing authorization, which, if granted, is automatically valid in all European Union member states. The EMEA in London and the European Commission in Brussels administer the centralized marketing authorization process. From November 20, 2005 this procedure is mandatory for biotechnological DNA and gene therapy products, products containing new active substance for the treatment of acquired immune deficiency syndrome (AIDS), cancer, neurodegenerative disorder or diabetes, orphan drugs and, starting May 20, 2008, also for medicinal products containing a new chemical substance for the treatment of autoimmune diseases, other immune dysfunctions and viral diseases. The centralized approval procedure is optional for new medicinal products containing a new active substance and other medicinal products that are

sufficiently innovative in the eyes of the EMEA (i.e. medicinal products showing a therapeutic, scientific or technical innovation).

Under the centralized approval procedure, the EMEA's Committee for medicinal products for Human Use ("CHMP") serves as the scientific committee that renders opinions about the safety, efficacy, and quality of human drug candidates on behalf of the EMEA. CHMP is composed of experts nominated by each member state's national drug authority. CHMP has 210 days, or longer if additional information is requested, to render its opinion to the EMEA as to whether a marketing authorization should be granted. This process is complex and involves extensive consultation with the regulatory authorities of member states and a number of experts.

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

Issues still exist regarding the right of member states to refuse to recognize the marketing authorization granted in other European Union member states due to poorly defined public health concerns. Should one member state consider that the medicinal product concerned may present a risk to public health, the disagreement shall be referred to a coordination group (composed of the European Union member states) which shall use its best endeavors to reach an agreement on the action to be taken. Should the member states fail to reach an agreement, the applicant may refer to the CHMP. Once the process has been referred for final decision to the CHMP, it shall decide to grant or to revoke the marketing authorization for all member states, unless all applications and existing marketing authorizations for the drug are withdrawn.

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

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

Regulatory data protection and marketing exclusivity

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

For drugs approved through the decentralized procedure, there is an identical regime in the individual member states.

Pricing and reimbursement

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

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

Regulation in Other Countries

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

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

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

DIRECTORS, MANAGERS AND EMPLOYEES

Board of Directors

Our articles of association (*statuts/Statuten*) (the "Articles") provide that our board of directors (*Conseil d'administration/Verwaltungsrat*) (the "Board of Directors") may consist of a minimum of five members and a maximum of eleven members. We currently have ten members on the Board of Directors. Members of the Board of Directors are appointed and removed exclusively by shareholders' resolution. Their maximum term of office is three years, re-election is allowed. According to the Articles, elections are staggered with a third of the Board of Directors elected yearly. The chairman of the Board of Directors is designated by the Board of Directors.

The Board of Directors is entrusted with the ultimate direction of the Company and the supervision of management. The Board of Directors' non-transferable and irrevocable duties include managing the corporation and issuing the necessary directives, determining the organization, organizing the accounting system, the financial controls as well as the financial planning and appointing, recalling and ultimately supervising the persons entrusted with the management and representation of our Company. Furthermore, these duties include the responsibility for the preparation of the annual report and the shareholders' meeting, the carrying out of shareholders' resolutions and the notification of the judge in case of over indebtedness of our Company.

According to our current organizational rules (*Règlement d'organisation/Organisationsreglement*) enacted by the Board of Directors, resolutions of the Board of Directors are passed by way of simple majority vote. To validly pass a resolution, more than half of the members of the Board of Directors have to attend the meeting. No quorum is required for confirmation resolutions and adaptations of the Articles in connection with capital increases pursuant to articles 634a, 651a, 652g and 653g of the Swiss Federal Code of Obligations.

In accordance with our Articles and our organizational regulations, the Board of Directors has delegated the Company's operational management to the chief executive officer (the "CEO").

In addition, the Board of Directors has established an audit committee and a compensation committee.

The following table sets forth the name, year of birth, year joined the Board of Directors, position and directorship term, as well as committee memberships, of each member of the Board of Directors, all of whom except for Vincent Mutel are non-executive directors, followed by a short description of each member's business experience, education and activities:

Name	Year of Birth	Joined the Board in	Position	Elected until
André J. Mueller[2]	1944	2007 (2002)[3]	Chairman	2009
Vincent Mutel	1958	2007 (2003)[3]	Vice Chairman & CEO	2010
Werner Henrich	1943	2007 (2002)[3]	Board member	2009
Andrew Galazka[2]	1955	2007 (2004)[3]	Board member	2010
Antoine Papiernik[2]	1966	2007 (2002)[3]	Board member	2008
Francesco De Rubertis[1]	1970	2007 (2006)[3]	Board member	2008
Alexandra Goll[1]	1956	2007 (2004)[3]	Board member	2008
Deborah Harland	1960	2007 (2006)[3]	Board member	2008
Jacques Theurillat[1]	1959	2007	Board member	2010
Beat E. Lüthi	1962	2007	Board member	2010

1 Member of the audit committee

2 Member of the compensation committee

3 Date when joined the board of directors of Addex Pharma SA

Two of the following members of the Board of Directors, that is Antoine Papiernik, Francesco De Rubertis, Alexandra Goll and Deborah Harland, are not expected to stand for re-election at the expiration of their mandate.

André J. Mueller, Chairman of the Company

Mr. Mueller has been the chairman of the Board of Directors since our incorporation and, prior to the Reorganization, the chairman of the board of directors of Addex Pharma SA since its inception in 2002. With two degrees in Chemical Engineering and Business Administration (University of Geneva) and an MBA (INSEAD), André Mueller started his career with CIBA Ltd and Sandoz (now Novartis) where he held a number of managerial positions in the Pharma, Plant Protection and Finance divisions both at the headquarters and in the US. After seven

years with Sandoz, he moved to Biogen, as the company's first vice president of finance and administration and then CFO. In this capacity he was responsible for several financing rounds including Biogen's IPO. He then became a founding partner and director of investments for Genevest, the first Swiss venture capital organization. He was closely involved in the setting up of Actelion, where he was CFO for 5 years and is now vice-chairman of the board of directors. He has extensive experience in the creation and running of successful biopharmaceutical companies. Mr Mueller serves on the board of directors of the listed companies Actelion and Synthes Inc. and is chairman of Cerenis Therapeutics (private). He is a Swiss citizen.

Vincent Mutel, Vice-Chairman of the Board of Directors and Chief Executive Officer

Dr. Mutel is a co-founder of Addex and has been a member of the Board of Directors since our incorporation and, prior to the Reorganization, of the board of directors of Addex Pharma SA since 2003 and chairman of the board of directors of Addex Pharma SA since 2007. Dr Mutel was Head of the Pharmacology Group in the Central Nervous System diseases department at F.Hoffman-La Roche Ltd, Basel (now Roche) until 2001. He coordinated the activity of several research laboratories involved in drug discovery and development. As Head of the Pharmacology Group he was a member of the Board of Research Area Heads and contributed to strategy setting for the F.Hoffmann-La Roche CNS Research Department. He has a broad experience in drug development, from screening through to entry into human. He is a coauthor of more than 60 research publications and co-inventor on 20 patents for CNS drugs. Dr. Mutel is also a non-executive board member Lectus Therapeutics Ltd. He is a French citizen.

Werner Henrich, member of the Board of Directors

Mr. Henrich has been a member of the Board of Directors since our incorporation and, prior to the Reorganization, of the board of directors of Addex Pharma SA since its inception in 2002. Mr. Henrich was educated as a chemist and as a European patent attorney. He worked for Roche in Basel for more than 30 years. Mr. Henrich held various positions at Roche including Head of Global Intellectual Property and Pharmaceutical Licensing for more than 12 years. He was also a member of the F.Hoffman-La-Roche Pharmaceutical Division Executive Board. In this function Mr. Henrich was responsible for the intellectual property activities of all Roche divisions and for major pharmaceutical transactions including research collaborations, patent settlements, licensing-in and -out as well as drug acquisitions. He retired from Roche in November 2003. He was involved in the creation of Basilea in Basel, where he is chairman of the board of directors. He is also the chief executive officer and chairman of the board of TLT Medical and the chief executive officer of PIVALOR and a board member of Actelion and TET Systems. Mr. Henrich has a wide experience in the pharmaceutical industry both with start-ups and large pharmaceutical companies. He is a French citizen.

Antoine Papiernik, member of the Board of Directors

Mr. Papiernik has been a member of the Board of Directors since our incorporation and, prior to the Reorganization, of the board of directors of Addex Pharma SA since its inception in 2002. Mr. Papiernik is managing partner at Sofinnova Partners which he joined in 1997. Mr. Papiernik has an MBA from the Wharton School (University of Pennsylvania). He started his career in private equity in the Caisse des Dépôts group, first with CDC-Participations, then in its newly formed venture capital arm CDC-Innovation where he invested exclusively in life sciences. Since joining Sofinnova Partners, Mr. Papiernik has been an initial investor in and member of the board of directors of Actelion as well as NovusPharma (a company listed on the Milan stock exchange that merged with Cell Therapeutics, which is quoted on Nasdaq). He is also an investor in, and a board member of Biolipox, Diatos, Fovea, Lectus, Movetis, Carevalue, EOS, Pro-Med, Spinevision and Stentys and an advisor in NeoMed Innovation IV L.P. He is a French citizen.

Andrew Galazka, member of the Board of Directors

Dr. Galazka has been a member of the Board of Directors since our incorporation and, prior to the Reorganization, of the board of directors of Addex Pharma SA since 2004. In January 2007, Dr. Galazka was appointed Senior Vice President of Scientific Affairs and Head of Autoimmune and Emerging Therapies at Merck Serono. He received his medical degree (with distinction) from Cambridge University in 1978 following a degree in pathology and pharmacology. He joined the biotech industry over 23 years ago and has held a variety of senior management positions. He has been Director of Clinical Research at Biogen (Europe) and then at Glaxo, heading up clinical development of biologics at both companies in the 1980s. In 1990 he joined Serono (now Merck Serono) where he directed the worldwide pre-clinical and clinical development of the company's leading biotechnology drugs including: Gonal-F, Rebif and Saizen. In 2000, he played a key role in listing Serono's shares on the New York Stock Exchange. In 2004 he was appointed Head of New Therapies, directing Serono's business strategy in new

areas such as oncology. He currently lectures as part of the Executive MBA course of the EPFL (Swiss Federal Institute in Lausanne) which he has done since 2002. He is a UK citizen.

Alexandra Goll, member of the Board of Directors

Dr. Goll has been a member of the Board of Directors since our incorporation and, prior to the Reorganization, of the board of directors of Addex Pharma SA since 2004. Dr. Goll is a general partner at TVM Capital. She has been responsible for investments including Actelion and Idenix Pharmaceuticals, Inc. (Cambridge, Massachusetts). She served on the board of directors of Arrow Therapeutics up to the most recent trade sale in 2007 and is member of the board of directors of Cerenis Therapeutics SA, Biovertis AG, Pharmasset Inc and the publicly listed companies Newron Pharmaceuticals SpA and Wilex AG. Prior to her affiliation with TVM Capital, Dr. Goll was the Global Business Leader for HIV and CMV, and was responsible for strategic marketing and business development for Virology at Roche in Basel. She had been involved in clinical development and managing commercialization strategies of several drugs. She holds a degree in pharmacy from the Free University of Berlin, and wrote her doctoral dissertation in natural sciences at Philipps University of Marburg. She is a German citizen.

Francesco De Rubertis, member of the Board of Directors

Dr. De Rubertis has been a member of the Board of Directors since our incorporation and, prior to the Reorganization, of the board of directors of Addex Pharma SA since 2006. Dr. De Rubertis is a General Partner at Index Ventures and he is responsible for the firm's life sciences. He serves on the Board of Directors in his capacity as a representative of Index Venture. His areas of expertise include biotechnology and biopharmaceuticals. He joined Index Ventures in 1998 and serves on the board of directors of the following companies: 7TM Pharma, Egalet, Hamilton, CellZome, Glycovaxin and Pangenetics (Chairman). He also served on the board of directors of Genmab, BioXell and Parallele Bioscience (sold to Affymetrix). Prior to joining Index Ventures, Dr. De Rubertis was involved in post-doctoral research in genetics at the Whitehead Institute, Massachusetts Institute of Technology (MIT). He is also the author of several publications in international scientific journals. Dr. De Rubertis has a BA in Genetics and Microbiology from the University of Pavia and a PhD in Molecular Biology from the University of Geneva. He is also a CFA charterholder. He is an Italian citizen.

Deborah Harland, member of the Board of Directors

Dr. Harland has been a member of the Board of Directors since our incorporation and, prior to the Reorganization, of the board of directors of Addex Pharma SA since 2006. Dr. Harland joined SR One in September 2005, is based in the UK and leads SR One's activities in Europe. In addition to her responsibilities for Addex, Dr. Harland is a member of the Board of Directors of PharmaKodex Ltd, represents SR One's interests as an observer on the board of directors of Ablynx NV and is also an observer on the Board of Resistentia Pharmaceuticals AB. Prior to joining SR One, Dr. Harland was part of GSK's Worldwide Business Development team where she was responsible for sourcing and evaluating in-licensing opportunities in the Psychiatry, Neurology and Gastrointestinal therapeutic areas. During her time with Business Development, Dr. Harland led due diligence teams associated with successful in-licensing of pre-clinical and marketed drugs as well as a multiple-asset R&D collaboration. Prior to that, Dr. Harland held positions within SmithKline Beecham's development organization covering clinical development, medical affairs, medical communications, medical marketing and business development support. She holds a B.Sc. (Hons.) in Pharmacology from the University of Bath, a Ph.D. in Pharmacology from the University of London, and an M.B.A. from Henley Management College. She is a UK citizen.

Jacques Theurillat, member of the Board of Directors

Mr. Theurillat has been a member of the Board of Directors since 2007. He was the Deputy-CEO, President of Marketing & Sales Europe and International and member of the board of directors of Serono (now Merck Serono) from 2002 to 2006. In 2006, he was appointed Senior Vice President Corporate Strategic Development while maintaining his responsibilities as Deputy-CEO. He was a member of the board of directors of Serono SA since 2000 and served as Serono's CFO from 1996 to 2002. He began his career with Serono in 1987 and was a managing director of Serono operations in Italy. Mr Theurillat is currently CEO and chairman of Albea Pharmaceuticals, a board member of CNN New Holland (chairman of Audit Committee) and Oriach S.A. and chairman of EOS Spa. Mr Theurillat has law degrees from Madrid University, holds a Swiss Federal Diploma (Tax Expert) and an MBA from Madrid School of Finance. He is a Swiss citizen.

Beat E. Lüthi, member of the Board of Directors

Mr. Lüthi has been a member of the Board of Directors since 2007. Since 2003 he is a member of the group management committee of Mettler Toledo (NYSE listed), as head of its largest division, Laboratory Balances and Analytical Instruments. He was CEO and member of the board of directors of the Feintool Group (SWX listed) from 1998 to 2002 and held a variety of management positions at Mettler Toledo from 1990 to 1998. Mr. Lüthi studied electrical engineering at the Swiss Federal Institute of Technology (ETH) in Zurich and earned a PhD from the ETH department for Business Administration (BWI). He attended the Senior Management Program at INSEAD, France and is a member of the board of directors of Bossard Group (SWX listed), Zug, Switzerland. He is a Swiss citizen.

Except for Dr. Mutel, our CEO, none of the members of the Board of Directors has served in the management of our Company or any of its subsidiaries since the Group's inception in 2002. There are no significant business connections between members of the Board of Directors and us or any of our subsidiaries.

Board Committees

The Board of Directors has established the following committees to further strengthen our corporate governance structure:

Audit committee

The Audit Committee currently consists of the following members: Jacques Theurillat (chairman), Francesco De Rubertis and Alexandra Goll.

The Audit Committee assists the Board of Directors in fulfilling its duties of supervision of management. It is responsible for the guidelines for our risk management and internal control system, the review of the compliance, the review of the auditors' audit plans, the review of annual and interim financial statements, the monitoring of the performance and independence of external auditors (including the authorizing of non-audit services by the auditors and their compliance with applicable rules), the review of the audit results and the monitoring of the implementation of the findings by management.

Compensation committee

The Compensation Committee currently consists of the following members: Antoine Papiernik (chairman), André Mueller and Andrew Galazka.

The Compensation Committee assists the Board of Directors in compensation related matters. It provides the Board of Directors with recommendations on the compensation of the members of the Board of Directors and the executive management of the Group (the "Executive Management"), the policies for the compensation of the Executive Management and the Group's other employees and the basic principles for the establishment, amendment and implementation of incentive plans.

Board Compensation

The compensation of the members of the Board of Directors is set and reviewed annually by the Board of Directors, based on recommendations of the Compensation Committee in accordance with our compensation policies.

In 2006, the total monetary compensation for the non-executive members of the board of directors of Addex Pharma SA amounted to CHF 70,000. In addition, 14,000 non-voting shares were granted to the non-executive members of the Board of Directors under the Equity Incentive Plan 2006 and 8,000 options were granted to the non-executive members of the Board of Directors under the Share Option Plan.

The following table sets forth the monetary compensation for each member of the Board of Directors in 2006.

Name	Monetary Compensation (in Swiss francs)
André J. Mueller	30,000
Vincent Mutel	— [1]
Werner Henrich	20,000
Andrew Galazka	20,000
Antoine Papiernik	—
Alexandra Goll	—
Francesco De Rubertis	—
Deborah Harland	—
Jacques Theurillat[2]	—
Beat E. Lüthi[2]	—

1 Dr. Vincent Mutel's compensation for being on the Board of Directors is included in his compensation as Chief Executive Officer.

2 Was not a member of the board of directors of Addex Pharma SA in 2006.

Executive Management

In accordance with our Articles and our organizational rules, the Board of Directors has delegated the operational management to the CEO.

The CEO together with the Executive Management and under the control of the Board of Directors, conducts the operational management of our Company pursuant to our organizational rules and reports to the Board of Directors on a regular basis.

The following table sets forth the name, year of birth and principal position of those individuals who currently are part of the Executive Management followed by a short description of each member's business experience, education and activities:

Name	Year of Birth	Position
Vincent Mutel	1958	Chief Executive Officer
Timothy Dyer	1968	Chief Financial Officer
Mark Epping-Jordan	1964	Chief Scientific Officer
Charlotte Keywood	1962	Chief Medical Officer
Jean Philippe Rocher	1959	Head of Chemistry
Robert Lütjens	1968	Head of Molecular Biology
Emmanuel Le Poul	1969	Head of Biochemistry
Sonia Poli	1965	Head of Pre-clinical Sciences
Olivier Loget	1961	Head of Non-Clinical Safety

Vincent Mutel, Vice-Chairman of the Board of Directors and CEO

Dr. Mutel is a co-founder of Addex and has been a member of the Board of Directors since our incorporation and, prior to the Reorganization, of the board of directors of Addex Pharma SA since 2003 and chairman of the board of directors of Addex Pharma SA since 2007. Dr Mutel was Head of the Pharmacology Group in the Central Nervous System diseases department at F.Hoffman-La Roche Ltd, Basel (now Roche) until 2001. He coordinated the activity of several research laboratories involved in drug discovery and development. As Head of the Pharmacology Group he was a member of the Board of Research Area Heads and contributed to strategy setting for the F.Hoffmann-La Roche CNS Research Department. He has a broad experience in drug development, from screening through to entry into human. He is a coauthor of more than 60 research publications and co-inventor on 20 patents for CNS drugs. Dr. Mutel is also a non-executive board member Lectus Therapeutics Ltd. He is a French citizen.

Timothy Dyer, Chief Financial Officer

Mr. Dyer is a co-founder of Addex and has been our Chief Financial Officer since 2002 and a member of the board of directors of Addex Pharma SA since 2007. Mr Dyer has more than 10 years experience with

PricewaterhouseCoopers (PwC) in the UK, Eastern Europe and Switzerland where he gained a broad experience in finance, tax and corporate finance. He was a member of PwC's start-up/private equity business development group where he contributed to PwC's service delivery to a number of start-up companies. He was also a member of PwC's International Financial Reporting Standards (IFRS) technical group and was involved in a number of client related IFRS implementation projects. Mr. Dyer is a UK Chartered Accountant and has a University Degree in Biochemistry and Pharmacology.

Mark Epping-Jordan, Chief Scientific Officer

Dr. Epping-Jordan is a co-founder of Addex and has been our Chief Scientific Officer since 2002. Previously, Dr. Epping-Jordan was a scientist in the GlaxoSmithKline Experimental Pathology Group in Lausanne, where he was Head of Behavioral Investigations. He worked in collaboration with the GSK Psychiatry Center for Excellence in Drug Discovery on novel targets for psychiatric diseases and nicotine addiction. He has extensive experience with various pre-clinical models of psychiatric diseases, including drug self-administration and drug withdrawal, depression, anxiety and learning. Dr. Epping-Jordan completed a post doctoral fellowship in the Department of Neuropharmacology at The Scripps Research Institute in La Jolla, California, USA, where he worked on pre-clinical models of psychiatric disorders, brain reward systems and drug abuse. He received his PhD in Experimental Psychology from the University of Vermont, USA.

Charlotte Keywood, Chief Medical Officer

Dr. Keywood has been our Chief Medical Officer since 2004. Dr. Keywood has 15 years experience of drug development, registration and medical marketing in the US and Europe, across a broad range of therapeutic areas. Prior to joining Addex, she was a freelance consultant to the pharmaceutical industry which included being Medical Director for Axovan, a Swiss based biotech. Until June 2001 she was a medical director to Vernalis plc a UK biopharmaceutical company, specializing principally in CNS drug research and development. Prior to this she was Medical Director of the European subsidiary of US biotechnology company Gensia. In these roles she has been responsible for all stages of clinical development, pre- and post-registration and pharmacovigilance activities. Dr Keywood is a cardiologist and completed her post graduate training at St Thomas' Hospital, London.

Jean-Philippe Rocher, Head of Chemistry

Dr. Rocher has been our Head of Chemistry since 2002. Dr. Rocher is a medicinal chemist who has discovered several pre-clinical and clinical candidates for the treatment of CNS, inflammatory and cancer disorders. He holds a Doctorate in Pharmacy followed by additional courses taken at the School of Chemistry (CPE Lyon). He obtained his PhD at the Faculty of Pharmacy of Lyon, France in 1987 and started his career as a research scientist in the dermatology research centre of Galderma at Sophia-Antipolis (France). He then joined the contract research Company Battelle in Geneva (Switzerland) where he initiated chemistry research programs in neuropharmacology followed by a position as guest scientist by Mitsubishi Pharma to pursue a project at their research centre in Yokohama (Japan) in 1995. After 2 years, Dr. Rocher was appointed as a senior research scientist for GlaxoSmithKline KK at Tsukuba (Japan). He played a key role in the implementation of a modern drug discovery process and in improving communication with the UK and US sites. He returned to Europe in 2001 as director of chemistry at Devgen NV (Belgium).

Robert Lütjens, Head of Molecular Biology

Dr. Lütjens has been our Head of Molecular Biology since 2002. After completing his studies in Biology at the University of Geneva, Switzerland, Dr Lütjens obtained his diploma in Biology at the Swiss Institute for Experimental Cancer Research and went on to do his Ph.D. in Biology at the Glaxo Institute for Molecular Biology in Geneva, and then at the Institute for Cellular Biology and Morphology in Lausanne. In 1999, he moved to La Jolla, CA for a postdoctoral fellowship in the Department of Neuropharmacology at the Scripps Research Institute. His research focused on the unravelling of cellular and molecular mechanisms of memory, and more particularly in those involved in addiction to drugs of abuse. Dr. Lütjens is co-author of more than 10 research publications and co-inventor on several patents in the field of central nervous system.

Emmanuel Le Poul, Head of Biochemistry

Dr. Le Poul has been our Head of Biochemistry since 2003. He has 10 years experience of cellular and molecular pharmacology and screening sciences serving drug discovery and development processes. Prior to joining Addex Pharma SA, he was involved in discovery projects at Johnson & Johnson Belgium and more recently was group leader for Assay Development and Screening at Euroscreen (Belgium) before being appointed Head of

the Drug Discovery and Pharmacology group in charge of the setting up of programs for small molecules acting on proprietary targets in the fields of immunology and CNS. His activities were extended to the management of HTS platforms serving internal programs and customers. Dr. Le Poul completed a Ph.D. in Neuropharmacology and a Pharm.D (main Pharma Industry) from University of Paris. He is a co-author of more than 30 publications and patents and from 2000 he is Lecturer at Brussels University teaching the impact of new technologies in modern drug discovery.

Sonia Poli, Head of Non-clinical Development

Dr. Poli has been our Head of Non-clinical Development since 2004. Dr. Poli worked in the DMPK area at F.Hoffmann-La Roche (Basel) (now Roche) from 1997 to 2004 and has broad expertise in drug development from lead generation through to entry in man. At Roche Dr. Poli was a key contributor to the implementation of the multidimensional optimization approach for drug discovery and development, latterly being appointed as global head for the initiative. Additionally Dr. Poli provided critical contributions in the selection of clinical candidates for the treatment of CNS indications including Alzheimer's disease, Parkinson's disease, bipolar disorder and anxiety. Dr. Poli obtained her degree and doctorate in Industrial Chemistry at the University of Milan in Italy (1993) and completed a post doctoral fellowship at the CNRS, in Paris, in the group of Prof. D. Mansuy (1994-1997). Dr. Poli is co-author of more than 25 research publications and patents.

Olivier Loget, Head of Non-Clinical Safety

Dr. Loget has been our Head of Non-Clinical Safety since 2006. Dr. Loget worked as a toxicologist from 1988 to 1999 at Sanofi Synthelabo, Hazleton and Centre International de Toxicologie and from 1999 to 2006 at DSM and F.Hoffmann-La Roche (Basel) (now Roche). He is a Eurotox Registered Toxicologist with broad expertise in drug development from clinical candidate selection through to entry into human and beyond. At Roche Dr. Loget was Head of Animal Experimentation and Toxicology Project Leader. He was involved in several projects and due diligence opportunities up to phase III. Dr. Loget obtained his degree and doctorate in Veterinary Medicine at the University of Nantes in France (1990). Dr. Loget is the author or co-author of more than 20 publications. He is co-founder of the European Society of Laboratory Animal Veterinarians, member of the board of directors of the International Society of Ocular Toxicology and founder and scientific director of the toxicology course for Study Directors at the University of Strasbourg. He is a lecturer at several institutions (INSERM, INRA), universities and veterinary schools teaching the role of toxicology in drug development.

Management Compensation

In 2006, the total monetary compensation for the Executive Management amounted to CHF 2,198,000. In addition, 215,000 non-voting shares were granted to the Executive Management under the Employee Incentive Plan 2006 and 4,000 options were granted to the Executive Management under the Share Option Plan.

Shareholdings of the Members of the Board of Directors and Executive Management

Immediately after the Offering, the members of the Board of Directors (excluding our CEO Vincent Mutel) are expected to own 58,641 Shares, representing 1.00% of our voting rights (0.95% if the Over-Allotment Option is exercised).

Immediately after the Offering, the members of the Executive Management are expected to own 599,802 Shares, representing 10.23% of our voting rights (9.76% if the Over-Allotment Option is exercised).

All members of the Board of Directors and of the Executive Management other than Vincent Mutel will hold individually less than 3% of the Shares upon completion of the Offering. 12,000 options on our Shares were held or controlled by members of the Board of Directors and members of the Executive Management at the date of this Offering Circular.

Transactions with Members of the Board of Directors and Executive Management

As of the date of this Offering Circular, there are no loans outstanding or guarantee commitments granted to members of the Board of Directors and the Executive Management, except for a loan advanced by Addex Pharma SA to several of the members of the Board of Directors and Executive Management in the total amount of CHF 159,000 for a one-year term expiring at September 1, 2007 at a 2% interest rate. See "Related Party Transactions." Except as disclosed herein, there are no interests of any member of the Board of Directors or Executive Management in transactions effected by us.

We have covered the members of the Board of Directors and the Executive Management with customary directors' and officers' liability insurance.

Equity Incentive Plans

We have established equity incentive plans ("Equity Incentive Plans") effective on July 1, 2004 (the "Equity Incentive Plan 2004") and on September 1, 2006 (the "Equity Incentive Plan 2006") as amended and restated. The Equity Incentive Plans provide certain employees and directors of the Group with an opportunity to subscribe or purchase non-voting shares of the Company at a price of CHF 1.00 each.

In specific circumstances, in particular upon termination of the Holder's employment by us for cause or upon breach of specific obligations by the Holder, we are entitled to repurchase immediately, without limitations and at our own discretion, all or a portion of the Holder's non-voting shares. Upon termination of the employment by the Holder or us for any other reason, we are entitled to repurchase from the Holder all or a portion of her/his non-voting shares provided, however, that the right to repurchase shall reduce to zero on a straight-line basis over a 4 year period (Equity Incentive Plan 2004) and a 5 year period (Equity Incentive Plan 2006) respectively, subject to a period of 1 year from the subscription or purchase date when the right to repurchase shall be on 100% of the non-voting shares. Our repurchase right is automatically lifted in the event of a change of control over the Company following the Offering.

By resolution of our shareholders' meeting dated May 3, 2007, the non-voting shares have been converted on a 1:1 ratio into Shares, subject to completion of the Offering. The Company is no longer issuing non-voting shares under the Equity Incentive Plans; however all converted non-voting shares are still subject to the respective plan.

Share Option Plan

As of the date of this Offering Circular, the shareholders have approved a total conditional share capital of up to CHF 300,000 comprising of 300,000 registered shares at a par value of CHF 1.00 each to be fully paid up, reserved for the issuance of Shares under share option plans. See "Description of the Share Capital and the Shares — Corporate History and Capital Structure — Conditional Share Capital". In addition to such conditional capital, Addex Pharma SA holds 120,869 Shares which may also be used in connection with share option plans.

In view of the Offering, we have established a share option plan (the "Share Option Plan"). The Share Option Plan provides certain employees and directors of the Group with an opportunity to subscribe or purchase Shares by exercising share options.

Scientific Advisory Board

The Scientific Advisory Board consists of six outstanding scientists:

Prof. George F. Koob, Ph.D., Chairman

Dr. Koob is Professor and Chairman of the Committee on the Neurobiology of Addictive Disorders at The Scripps Research Institute, La Jolla, California. He is also an adjunct Professor in the Departments of Psychology, Psychiatry and the Skaggs School of Pharmacy at the University of California San Diego. Dr. Koob is an expert in the neurobiology of drug dependence and psychiatric disorders. He has over 30 years experience in the development of pre-clinical models of drug reinforcement, drug craving and withdrawal for substances including alcohol, nicotine and numerous illicit drugs. Dr. Koob is also recognized as an expert in the neuropharmacology of stress and anxiety disorders. He has trained more than 60 post doctoral fellows and graduate students and is an author of over 600 scientific publications.

Prof. Bernhard Bettler, Ph.D.

Dr. Bettler received a Ph.D. from the University of Zurich in 1986. He then worked in the Biotechnology Department of Ciba in Basel and at the Salk Institute in San Diego, California. In 1994, he returned to Ciba (now Novartis), where he was program team head of drug discovery projects in the Nervous System Department. Since 2001 he has been full professor and Head of the Institute of Physiology, Medical Faculty of the University of Basel. He serves as a co-director of the Neurosciences Focus Area at the Department of Clinical-Biological Sciences, a joint Department of the Medical Faculty, the University Hospital Basel and the Children's Hospital States of Basel-Stadt and Basel-Land. Dr. Bettler has extensive expertise in mental health disorders, neurotransmitter receptors and drug discovery, including the identification and development of allosteric modulators of GPCRs for central nervous system diseases.

Prof. Arthur Christopoulos, Ph.D.

Dr. Christopoulos is a leader in the fields of allosteric regulation of G protein-coupled receptors (GPCRs) and analytical pharmacology. He has published extensively on approaches for detecting and quantifying the effects of allosteric modulators on GPCRs, as well as more general methods for quantifying drug-receptor interactions. He obtained his PhD from the Victorian College of Pharmacy, Australia, prior to postdoctoral work at the University of Minnesota and subsequent appointment as a Research Fellow at the University of Melbourne, Australia. He is currently Professor of Pharmacology and co-Director of the Drug Discovery Biology Laboratory, Monash University, and a Senior Research Fellow of the National Health and Medical Research Council of Australia.

Prof. Jeffrey Conn, Ph.D.

Dr. Conn is Professor of Pharmacology, and Director of the VICB Program in Drug Discovery at Vanderbilt Medical Center. He is a world leader in the study of neurotransmitter receptors and in development of allosteric modulators addressing novel targets for the treatment of psychiatric and neurological disorders. Prior to Vanderbilt, Dr. Conn was Head of Neuroscience at Merck, West Point, PA. He is Editor in Chief of *Molecular Pharmacology* and serves on the editorial boards of seven other international journals. Dr. Conn serves on the Scientific Advisory Boards of multiple companies and foundations and is the Chair Elect of the Neuropharmacology Division of the American Society for Pharmacology and Experimental Therapeutics. He has received numerous awards and honors, including the Pharmacia-ASPET Award for Experimental Therapeutics and the Astellas Award for Translational Pharmacology. Dr. Conn's current research is focused on development of novel treatment strategies for schizophrenia, Parkinson's disease, and other brain disorders.

Prof. Mark A. Geyer, Ph.D.

Dr. Geyer is a Professor of Psychiatry and Neurosciences and Vice Chair for Scientific Affairs in the Department of Psychiatry, University of California, San Diego. He is the Director of the Neuropsychopharmacology Unit of the Veteran's Administration VISN 22 MIRECC and a major contributor to both the MATRICS and TURNS programs funded by NIMH to advance treatments for cognition in schizophrenia. Dr. Geyer is a specialist in the neurobiology and psychopharmacology of psychiatric disorders, including schizophrenia and drug dependence. He is one of the foremost authorities on pre-clinical models of psychiatric disorders, especially schizophrenia. Dr. Geyer is a scientific advisor to several major pharmaceutical companies and is an author of more than 350 scientific publications.

Prof. Barbara J. Mason, Ph.D.

Dr. Mason is a Professor and Director of the Laboratory of Clinical Psychopharmacology in the Committee on the Neurobiology of Addictive Disorders and Co-Director of The Pearson Center for Alcoholism and Addiction Research at The Scripps Research Institute and is an expert in clinical development of medications for alcohol dependence. She served as overall principal investigator for the first US study of acamprosate as a novel treatment of alcohol dependence, which was conducted in 21 centers across the United States. Dr. Mason's work in medication development to prevent relapse in alcohol dependence has been recognized with a MERIT award from the National Institutes of Health. She is currently pursuing a program of NIAAA- and NIDA-funded research that includes human laboratory studies to rapidly screen potential relapse prevention medications and clinical trials to evaluate the safety and efficacy of novel medications to prevent relapse in individuals with alcohol and/or cannabis dependence.

MAJOR SHAREHOLDERS

The following table sets forth as of the date of this Offering Circular an overview of our shareholder structure reflecting issued shares (registered shares with a nominal value of CHF 1.00, carrying identical voting rights) each before and after the Offering, not taking into account options outstanding nor the conditional and the authorized share capital (see "Description of the Share Capital and the Shares").

Shareholder	Number of Shares held prior to Offering	Percentage of Share capital prior to Offering	Number of Shares held after the Offering excluding the exercise of the Over-Allotment Option	Percentage of total Share capital after the Offering excluding exercise of the Over-Allotment Option	Number of Shares held after the Offering including full exercise of the Over-Allotment Option	Percentage of total Share capital after the Offering with full exercise of the Over-Allotment Option
Sofinnova Capital IV FCPR[1]	792,648	19.88%	792,648	13.52%	792,648	12.90%
Index Ventures II[2]	765,788	19.20%	765,788	13.06%	765,788	12.46%
TVM V Life Science Ventures[3]	705,726	17.70%	705,726	12.04%	705,726	11.49%
Polytechnos Venture Fund[4]	242,474	6.08%	242,474	4.14%	242,474	3.95%
Vincent Mutel[5]	203,500	5.10%	203,750	3.48%	203,750	3.32%
Varuma AG[6]	166,425	4.17%	166,425	2.84%	166,425	2.71%
SROne[7]	151,898	3.81%	151,898	2.59%	151,898	2.47%
Bio One Capital[8]	92,646	2.32%	92,646	1.58%	92,646	1.51%
Roche[9]	75,949	1.90%	75,949	1.30%	75,949	1.24%
Renaissance[10]	64,009	1.61%	64,009	1.09%	64,009	1.04%
Addex Pharma SA	120,869	3.03%	120,869	2.06%	120,869	1.97%
Beneficiaries of Employee Incentive Plans[11]	556,039	13.94%	559,768	9.55%	559,768	9.11%
Other shareholders	49,521	1.24%	49,521	0.84%	49,521	0.81%
Public	0	0%	1,871,021	31.92%	2,152,271	35.03%
Total share capital	3,987,492	100%	5,862,492	100%	6,143,742	100%

1 **Sofinnova Capital IV FCPR** with its management company, Sofinnova Partners SA, and its principal office at 17, rue de Surène, 75008 Paris (France) holds 792,648 Shares.

2 **Index Ventures II (Jersey) L.P.**, with its principal office at P.O.Box 641, No. 1 Seaton Place, St. Helier Jersey JE4 8YJ Channel Islands, holds 233,955 Shares; **Index Ventures II (Delaware) L.P.**, with its principal office at 1209 Orange Street, Wilmington, Country of New Castle, Delaware (USA), holds 430,148 Shares, **Index Ventures II GmbH & Co. KG**, with its principal office at Max-Joseph-Strasse 7, 80333 Munich (Germany), holds 68,775 Shares; **Index Ventures II Parallel Entrepreneur Fund (Jersey-A) L.P.**, with its principal office at P.O.Box 641, No. 1 Seaton Place, St.Helier Jersey JE4 8YJ Channel Islands, holds 7,851 Shares; **Index Ventures II Parallel Entrepreneur Fund (Jersey-B) L.P.**, with its principal office at P.O.Box 641, No. 1 Seaton Place, St. Helier Jersey JE4 8YJ Channel Islands, holds 12,307 Shares; and **Yucca Partners L.P. (Jersey Branch)** on behalf of Index Co-Investment Scheme, with its principal office at Whitelay Chambers, Don Street, St Helier, Jersey JE4 9WG, Channel Islands, holds 12,752 Shares.

3 **TVM V Life Science Ventures GmbH & Co. KG** with its principal office at Maximilian Strasse 35C, 80539 Munich (Germany) holds 705,726 Shares.

4 **Polytechnos Venture Fund II L.P.**, with its principal office at Alexander House, 13-15 Victoria Road, St. Peter Port, Guernsey GY1 3ZD, Channel Islands, holds 192,177 Shares; **Polytechnos Venture Fund II GmbH & Co. KG** with its registered office at Huyssenallee 44, 45128 Essen (Germany) holds 47,871 Shares; **Polytechnos Partners & Team GmbH** with its principal office at Huyssenallee 44, 45128 Essen (Germany) holds 2,426 Shares.

5 **Vincent Mutel**, Coppet/Switzerland, holds 203,500 Shares assuming conversion of all non-voting shares into Shares.

6 **Varuma AG** with its principal office at Aeschenvorstadt 55, 4051 Basel, Switzerland holds 166,425 Shares. The beneficiary of the shareholdings of Varuma AG is Mr. Rudolf Maag, at Neuhofweg 11, 4102 Binningen, Switzerland.

7 **SROne Limited**, a Pennsylvania Business Trust, with its principal office at One Franklin Plaza, 200N. 16th Street, Philadelphia, PA 19102, (USA) holds 151,898 Shares.

8 **Biomedical Sciences Investment Fund Pte Ltd. (Bio One Capital)** with its principal office at 20 Biopolis Way, # 09-01 Centros, Singapore 138668 (Singapore) holds 92,646 Shares.

9 **Roche Finance Ltd** has its principal office at Grenzacherstrasse 122, 4058 Basel (Switzerland) holds 75,949 Shares. The beneficiary of the shareholdings of Roche Finance Ltd is **Roche Holding Ltd** with its principal office at Grenzacherstrasse 124, 4058 Basel (Switzerland).

10 **Renaissance Technology II** a Swiss venture capital fund with its principal office at 47, avenue d'Ouchy, 1000 Lausanne 13 (Switzerland), represented by its management company Vinci Capital SA, registered at Baarerstrasse 21, 6304 Zug (Switzerland), holds 64,009 Shares.

11 None of these shareholders hold more than 3% of our Shares individually at the time of completion of this Offering.

Shareholder Group as per Article 15 of the Ordinance of the Federal Banking Commission on the Stock Exchange of June 25, 1997

We and each other person holding Shares immediately prior to the Offering will enter into an individual lock-up agreement with the Global Co-ordinator, on behalf of the Managers ("Plan of Distribution—Lock-up Agreements"), for a term of 360 and 180 days, respectively, from the first day of trading of the Shares on the SWX Swiss Exchange. In addition, certain persons holding Shares immediately prior to the Offering (except for us and the members of our current and former staff, but including the members of our Executive Management and, in particular, all shareholders holding individually 3% or more of the total Shares and voting rights in the Company after the Offering) have entered into a second lock-up agreement for another period of 180 days from the expiration of the first lock-up.

By virtue of the relevant agreements entered into, the aforementioned shareholders will constitute an organized group within the meaning of article 15 of the Ordinance of the Federal Banking Commission on the Stock Exchange of June 25, 1997. The contact person for this group of shareholders is the Company. Immediately after the Offering, the group under the first lock-up will hold 3,987,492 Shares representing 68% (65% if the Over-Allotment Option is exercised in full) of the total Shares and voting rights in the Company and comprise in the aggregate 100 persons. The group under the second lock-up will hold 3,595,562 Shares representing 61% (59% if the Over-Allotment Option is exercised in full) of the total Shares and voting rights in the Company and to comprise in the aggregate 31 persons.

RELATED PARTY TRANSACTIONS

Fulcrum Agreement

On August 13, 2003 we entered into a master services agreement with Fulcrum Pharma Developments Ltd ("Fulcrum"), a company incorporated in England. As part of the agreement Fulcrum was required to participate in the second financing round which took place on April 29, 2004. Under the terms of the agreement, Fulcrum is responsible for the provision of expert drug development resource to support us in the development of our R&D portfolio. While the agreement creates certain obligations between the parties if we agree to request Fulcrum's assistance, the agreement does not create an obligation for us to engage Fulcrum to provide services. The business relationship between Fulcrum and us is overseen by a steering committee and we are entitled to a discount of up to 20% of Fulcrum standard fees depending on the amount of gross annual Fulcrum fees. Following an initial three-year period which has expired, the agreement was extended on a one year rolling basis. We or Fulcrum may terminate the agreement upon six months prior written notice.

Loans Granted to Members of the Board of Directors and Executive Management

As of the date of this Offering Circular, Addex Pharma SA has granted loans to several of the members of the Board of Directors and the Executive Management (namely, Vincent Mutel, Timothy Dyer, Charlotte Keywood, Robert Lütjens and Emmanuel Le Poul) in the total amount of CHF 159,000 for a one-year term expiring on September 1, 2007 at a 2% interest rate.

DESCRIPTION OF THE SHARE CAPITAL AND THE SHARES

Set out below is certain information concerning our share capital and brief summaries of certain significant provisions of our Articles and of the Swiss Federal Code of Obligations (Code Suisse des obligations/ Schweizerisches Obligationenrecht) relating to the Shares. This description does not purport to be complete and is qualified in its entirety by reference to statutory law and the Articles as in effect on the date of this Offering Circular.

Corporate History and Capital Structure

Changes in our Share Capital prior to the Offering

First Financing Round

Addex Pharma SA was founded on May 16, 2002 and registered in the commercial register of the Canton of Geneva on May 27, 2002, with a share capital of CHF 383,742 divided into 171,742 preferred A type registered voting shares of a nominal value of CHF 1.00 each fully paid in ("Series A Preferred Shares") and 212,000 common registered voting shares of a nominal value of CHF 1.00 each, fully paid in ("Common Shares"). Francois Conquet, Mark Epping-Jordan, Vincent Mutel, Timothy Dyer, the founders of Addex Pharma SA, Andre Mueller, Jean-Philippe Rocher and Robert Lütjens, the non-founding common shareholders of Addex Pharma SA, subscribed only Common Shares. Sofinnova Capital IV FCPR, Index Ventures II (Jersey) L.P., Index Ventures II (Delaware) L.P., Index Ventures II GmbH & CO KG, Index Ventures II Parallel Entrepreneur Fund (Jersey-A) L.P., Index Ventures II Parallel Entrepreneur Fund (Jersey-B) L.P. and Index Venture Management SA subscribed both Common and Series A Preferred Shares. Initiative Capital SA and Mr. Martin Velasco only subscribed Series A Preferred Shares.

On May 29, 2002, an additional 48,258 Series A Preferred Shares were issued.

The second tranche of the first financing round was completed on December 19, 2002 through the issuance of 200,000 Series A Preferred Shares, each fully paid in.

The third tranche of the first financing round was completed on June 2, 2003 through the issuance of 200,000 preferred registered shares having the same par value, rights, privileges and restrictions as the Series A Preferred Shares, each fully paid in.

Second Financing Round

In 2004, Addex Pharma SA completed a second financing round. On April 29, 2004, the share capital was increased in a first tranche through the issuance of 601,221 preferred B type registered voting shares of a nominal value of CHF 1.00 each fully paid in ("Series B Preferred Shares") at an issuance price of CHF 34.33.

On May 11, 2004, an additional 136,333 Series B Preferred Shares were issued, each fully paid in at an issuance price of CHF 34.33.

In 2004, we purchased 10,250 Common Shares with a nominal value of CHF 1.00 from an employee.

The second tranche of the second financing round was completed on April 29, 2005 through the issuance of 735,284 Series B Preferred Shares, each fully paid in at an issuance price of CHF 34.33.

On the same day, the share capital was increased by the issuance of 460,000 fully paid in non voting Shares with a nominal value of CHF 1.00 under the Equity Incentive Plan 2004.

Third Financing Round

Addex Pharma SA completed a third financing round in 2006. On August 29, 2006, the share capital was increased in a first tranche by the issuance of 630,925 preferred C type registered voting shares of a nominal value of CHF 1.00 each fully paid in ("Series C Preferred Shares") at an issuance price of CHF 39.50.

The second tranche of the third financing round was completed on December 21, 2006 through the issuance of 381,729 Series C Preferred Shares, each fully paid in at an issuance price of CHF 39.50. On the same day 210,000 fully paid non-voting shares with a nominal value of CHF 1.00 were issued under the Equity Incentive Plan 2006.

At December 31, 2006, the total issued and outstanding share capital of Addex Pharma SA was of CHF 3,987,492 consisting of 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 had a nominal value of CHF 1.00.

Reorganization in View of the Offering

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 Group with an original share capital of CHF 3,987,492 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 CHF 1.00 and were fully paid in. Addex Pharma SA's shareholders contributed their shares in Addex Pharma SA as consideration in kind for the subscription of Addex Pharmaceuticals Ltd's shares.

On May 3, 2007, Addex Pharma SA sold its shares in Addex Pharmaceuticals France SAS to Addex Pharmaceuticals Ltd at book value (altogether, the "Reorganization").

Changes of our Share Capital for the Offering

On March 31, 2007, the total issued and outstanding share capital amounted to CHF 3,987,492 consisting of 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 these shares had a nominal value of CHF 1.00 and were fully paid in. Pursuant to the shareholders' resolution passed by an extraordinary shareholders' meeting on May 3, 2007, we converted all Preferred Shares and all non-voting shares into Shares, resulting in a share capital of CHF 3,987,492 divided in 3,987,492 fully paid-in Shares, each with a nominal value of CHF 1.00.

These resolutions are conditional upon the registration of the share capital increase referred below with the commercial register of the canton of Geneva.

For the purposes of the Offering, a shareholders' resolution approving a share capital increase by up to CHF 2,900,000 (by issuance of up to 2,900,000 Shares) was passed at a shareholders' meeting on May 3, 2007, excluding, to the extent not waived, the pre-emptive rights (*droits de souscription préférentiels/Bezugsrechte*) of the existing shareholders. On May 21, 2007, our Board of Directors certified a capital increase of CHF 1,875,000 through the issuance of 1,875,000 Shares. Upon the exercise of the Over-Allotment Option, if at all, our share capital shall be increased by up to CHF 281,250 (by issuance of up to 281,250 Shares) based on our authorized share capital excluding the pre-emptive rights (*droits de souscription préférentiels/Bezugsrechte*) of the existing shareholders. See "Description of the Share Capital and the Shares—Ordinary Capital Increase, Authorized and Conditional Share Capital". The Shares issued in the Offering have been subscribed for and paid at their nominal value by the Global Co-ordinator on behalf of the Managers in anticipation of their sale in the Offering, at the Offer Price pursuant to a Subscription and Underwriting Agreement; see "Plan of Distribution—Underwriting".

Shares and Share Capital upon Offering

As a result of the Offering, our outstanding share capital will be CHF 5,862,492, consisting of 5,862,492 Shares, (CHF 6,143,742 consisting of 6,143,742 Shares, assuming full exercise of the Over-Allotment Option).

The Shares are registered shares with a nominal value of CHF 1.00 each. The Shares are fully paid-in.

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

We have applied for the Shares to be accepted for clearance and settlement through SIS. Delivery of the Shares will be made in book-entry form through the facilities of SIS (*actions dématérialisées/aufgehobener Titeldruck*). No share certificates will be issued and share certificates will not be available for individual physical delivery. However, any registered shareholder may, at any time, request us to confirm its shareholdings in written form. Such confirmation is not a negotiable instrument.

The Shares rank pari passu in all respects with each other, including with respect of entitlements to dividends, to a share of the liquidation proceeds in the case of a liquidation of the Company, and to pre-emptive rights.

Options, Warrants and Convertible Bonds

We have adopted the Share Option Plan under which options may be granted by us or another Group company to employees or directors of the Company or a Group company (see "Directors, Managers and Employees—Stock Option Plan"). To-date, 12,000 options have been granted under the Share Option Plan.

There are no outstanding bonds or loans that are convertible into Shares issued by or on behalf of us.

Authorized Share Capital

As of the date of this Offering Circular, we have an authorized share capital of CHF 1,993,746 authorizing the Board of Directors to issue up to 1,993,746 Shares. The Shares to be newly issued upon the exercise of the Over-Allotment Option, if any, will come from the authorized share capital.

The respective article 3a of the Articles reads as follows:

Authorized Share Capital

The Board of Directors shall be authorized, at any time until May 3, 2009, to increase the share capital in an amount not to exceed CHF 1,993,746 through the issuance of up to 1,993,746 fully paid registered shares with a nominal value of CHF 1 each. An increase in partial amounts shall be permitted. The Board of Directors shall determine the issue price, the type of payment, the date of issue of new shares, the conditions for the exercise of pre-emptive rights and the beginning date for dividend entitlement. In this regard, the Board of Directors may issue new shares by means of a firm underwriting through a banking institution, a syndicate or another third-party with a subsequent offer of these shares to the current shareholders (unless the pre-emptive rights of current shareholders are excluded). The Board of Directors may permit pre-emptive rights that have not been exercised to expire or it may place these rights and/or shares as to which pre-emptive rights have been granted but not exercised, at market conditions or use them for other purposes in the interest of the Company.

The subscription and acquisition of the new shares, as well as each subsequent transfer of the shares, shall be subject to the restrictions of Article 5 of the Articles of Association.

The Board of Directors is authorized to restrict or exclude the pre-emptive rights of shareholders and allocate such rights to third parties if the shares are to be used (1) for the acquisition of enterprises, parts of an enterprise or participations, or for new investments, or, in case of a share placement, for the financing or refinancing of such transactions; or (2) for the purpose of the participation of strategic partners (including in the event of a public tender offer) or for the purpose of an expansion of the shareholder constituency in certain investor markets; (3) for the granting of an over-allotment option (Greenshoe) of up to 20 percent to the banks involved in connection with a placement of shares; or (4) for raising capital in a fast and flexible manner, which would not be achieved without the exclusion of the statutory pre-emptive rights of the existing shareholders.

Conditional Share Capital

As of the date of this Offering Circular, we have a conditional share capital, pursuant to which our share capital may be increased (i) by a maximum amount of CHF 300,000 by issuing a maximum of up to 300,000 Shares, under the exclusion of shareholders' pre-emptive rights, if directors or employees of the Group exercise option rights granted to them under our stock option plans (see "Directors, Managers and Employees—Stock Option Plan"), and (ii) by a maximum amount of CHF 1,693,746 by issuing a maximum of up to 1,693,746 Shares, through the exercise of warrants and/or notes granted in connection with bonds or similar debt instruments or options granted by the Company.

The respective article 3b of the Articles reads as follows:

Conditional Share Capital

The share capital of the Company may be increased by a maximum aggregate amount of CHF 300,000 through the issuance of a maximum of 300,000 registered shares, which shall be fully paid-in, with a par value of CHF 1 per share by the exercise of option rights which the employees or directors of the Company or a group company are granted according to respective regulations of the Board of Directors. The pre-emptive rights of the shareholders are excluded. The acquisition of registered shares through the exercise of option rights and the subsequent transfer of the registered shares shall be subject to the transfer restrictions provided in Article 5 of the Articles of Association.

The share capital of the Company may be increased by a maximum aggregate amount of CHF 1,693,746 through the issuance of a maximum of 1,693,746 registered shares, which shall be fully paid-in, with a par value of CHF 1 per share by the exercise of option and/or conversion rights which are granted in connection with the issue of bonds, similar obligations or other financial instruments by the Company or another group company. In the case of the issue of bonds, similar obligations or other financial instruments linked with option and/or conversion rights, the pre-emptive right of shareholders is excluded. The holders of option and/or

conversion rights are entitled to receive the new shares. The Board of Directors shall determine the terms of the option and/or conversion rights. The acquisition of registered shares through the exercise of option or conversion rights and the subsequent transfer of the registered shares shall be subject to the transfer restrictions provided in Article 5 of the Articles of Association.

The Board of Directors shall be authorized to restrict or exclude the pre-emptive rights of shareholders (1) if the debt or other financial instruments issued with conversion rights or warrants are for the purpose of financing or refinancing of the acquisition of enterprises, parts of an enterprise, or participations or new investments or (2) if such debt or other financial instruments are issued on the national or international capital markets and for the purpose of a firm underwriting by a banking institution or a consortium of banks with subsequent offering to the public. If the advance subscription rights are excluded by the Board of Directors, the following shall apply: the issuance of convertible bonds or warrants or other financial market instruments shall be made at the prevailing market conditions (including dilution protection provisions in accordance with market practice) and the new shares shall be issued pursuant to the relevant conversion or exercise rights in connection with bond or warrant issue conditions. Conversion rights may be exercised during a maximum 10-year period, and warrants may be exercised during a maximum 7-year period, in each case from the date of the respective issuance.

We currently expect to use the conditional share capital for the purposes of the Share Option Plan and other stock option plans, and, if at all, other purposes in the interest of the Company.

Participation Certificates and Profit Sharing Certificates

Subject to the Offering being completed, we have not issued any non voting equity security, such as participation certificates (*bons de participation/Partizipationsscheine*) or profit sharing certificates (*bons de jouissance/Genussscheine*).

Ordinary Capital Increase, Authorized and Conditional Share Capital

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

(a) Authorized share capital (*capital autorisé/genehmigtes Kapital*) to be utilized at the discretion of the Board of Directors within a period not exceeding two years from approval by the general meeting of shareholders; and

(b) Conditional share capital (*capital conditionnel/bedingtes Kapital*) for the purpose of issuing shares, inter alia to grant rights to employees and directors of the Company to subscribe to new shares and other option and conversion rights

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

Transfer of Shares, Restrictions

A transfer of uncertified Shares is effected by a corresponding entry in the books of a bank or depository institution following an assignment in writing by the selling shareholder and notification of such assignment to us by the bank or the depository institution. A transfer of Shares further requires that a shareholder file a share registration form in order to be registered in our share register with voting rights. Failing such registration, a shareholder may not vote at or participate in a shareholder's meeting.

A purchaser of Shares will be recorded in our share register as a shareholder with voting rights if the purchaser discloses its name, citizenship or registered office and address and gives a declaration that it has acquired the Shares in its own name and for its own account.

Our Articles provide that a person or entity not explicitly stating in its registration request that it will hold the Shares for its own account ("Nominee") may be entered as a shareholder in the share register with voting rights for Shares up to a maximum of 5% of the outstanding nominal share capital. Shares held by a Nominee that exceed this limit are only registered in the share register with voting rights if such Nominee declares in writing to disclose name,

address and shareholding of any person or legal entity for whose account it is holding 5% or more of the outstanding nominal share capital. The limit of 1% shall apply correspondingly to Nominees who are related to one another through capital ownership or voting rights or have a common management or are otherwise interrelated. A Share being indivisible, we will only recognize one representative of each Share. Furthermore, Shares may only be pledged to the bank that administers the bank entries of such Shares for the account of the pledging shareholders.

If the registration of shareholdings with voting rights was effected based on false information, the Board of Directors may cancel such registration with retroactive effect.

Shareholders' Meetings

Under Swiss law, an annual ordinary shareholders' meeting must be held within six months after the end of the Company's financial year. Shareholders' meetings may be convened by the Board of Directors or, if necessary, by the Company's statutory auditors. The Board of Directors is further required to convene an extraordinary shareholders' meeting if so resolved by a shareholders' meeting or if so requested by holders of Shares holding in aggregate at least 10% of the nominal share capital of the Company. Shareholders holding Shares with a nominal value of at least CHF 1 million or 10% of the nominal share capital have the right to request that a specific proposal be discussed and voted upon at the next shareholders' meeting, setting forth the item and proposal. A request to put an item on the agenda has to be made at least 60 days prior to the meeting. Extraordinary shareholders' meetings may be called as often as necessary, in particular in all cases required by law.

A shareholders' meeting is convened by publishing a notice in the Swiss Official Gazette of Commerce (*Feuille Officielle Suisse du Commerce/Schweizerisches Handelsamtsblatt*) at least 20 days prior to such meeting. In addition, holders of Shares may be informed by a letter sent to the address indicated in the share register.

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

A resolution passed at a shareholders' meeting with a qualified majority (*majorité qualifiée/qualifiziertes Mehr*) of at least two-thirds of the votes represented and the absolute majority of the nominal share capital represented at such meeting is required by law for: (i) changes to our business purpose; (ii) the creation of shares with privileged voting rights; (iii) restrictions on the transferability of registered shares; (iv) an increase of the authorized or conditional share capital; (v) an increase in our share capital by way of capitalization of reserves (*augmentation de capital au moyen des fonds propres/Kapitalerhöhung aus Reserven*), against contribution in kind *(apport en nature/Sacheinlage*), for the acquisition of assets (*reprise de biens/Sachübernahme*) or involving the grant of special privileges; (vi) the restriction or elimination of pre-emptive rights of shareholders; (vii) a relocation of the registered office. Special quorum rules apply by law to a merger (*fusion/Fusion*), demerger (*scission/ Spaltung*), or conversion (*transformation/Umwandlung*) of the Company. The introduction or abolition of any provision in our Articles introducing a majority greater than that required by law must be resolved in accordance with such greater majority.

Each shareholder may authorize in writing another shareholder, a company representative (*représentant organique/Organvertreter*), a specially designated independent shareholder representative (*représentant independant/unabhängiger Stimmrechtsvertreter*) or a depositary representative (*représentant dépositaire/ Depotvertreter*) to represent him or her at the shareholders' meeting.

Net Profits and Dividends

Swiss law requires that at least 5% of our annual net profits must be retained by us as general reserves until these reserves have reached 20% of our nominal share capital. Any net profits remaining are at the disposal of the shareholders' meeting.

Under Swiss law, dividends may only be paid out if we have sufficient distributable profits from previous business years, or if our reserves are sufficient to allow a distribution of a dividend. If a dividend is proposed by the Board of Directors, an approval of our shareholders at a shareholders' meeting is required. Dividends, if any, are expected to be declared in Swiss francs. In addition, our statutory auditors are required to declare that the dividend proposal of the Board of Directors is in accordance with Swiss law.

Dividends are usually due and payable immediately after the shareholders' resolution relating to the allocation of profits has been passed. The statute of limitations in respect of dividend payments is five years. Dividends for which no payment has been requested within five years after the due date accrue to the issuing company and are allocated to the general reserves. For information about deduction of withholding taxes, see "Taxation".

Pre-emptive Rights

Under Swiss law and our Articles, any Share issue, whether for cash or non-cash consideration, is subject to the prior approval or authorization of the shareholders' meeting. Our Shareholders have certain pre-emptive rights to subscribe for new issues of Shares, option bonds, convertible bonds and options in proportion to the nominal value of shares held. A resolution adopted at a shareholders' meeting with a qualified majority may, however, limit or suspend pre-emptive rights in certain circumstances or delegate the right to limit or suspend the pre-emptive rights to the Board of Directors. Shareholders' pre-emptive rights in respect of the Offered Shares have been waived or excluded. In addition, the Board of Directors has been authorized to limit or suspend the pre-emptive rights in certain cases based on the authorized and conditional share capital. See "Description of the Share Capital and the Shares—Ordinary Capital Increase, Authorized and Conditional Share Capital".

Borrowing Power

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

Conflicts of Interest

Swiss law does not have a general provision on conflicts of interest. However, the Swiss Federal Code of Obligations requires directors and members of senior management to safeguard the interests of the Company and, in this regard, imposes a duty of care and a duty of loyalty on directors and officers.

This rule is generally understood to disqualify directors and senior officers from participation in decisions that directly affect them. The breach of these provisions entails personal liability of the directors and officers, in particular towards the Company. In addition, Swiss law contains provisions under which the members of the Board of Directors and all persons engaged in the management are liable to the Company, to each shareholder and to the Company's creditors for damages caused by an intentional or a negligent violation of their duties. In addition, Swiss law contains a provision under which payments made to a shareholder or director or any person associated therewith, other than at arm's length, must be repaid to the company if the recipient thereof was acting in bad faith.

Own Shares and Repurchase of Shares

Swiss law limits the number of Shares which we may hold or repurchase. We may only repurchase Shares if we have sufficient free distributable reserves in our balance sheet to pay the purchase price and if the aggregate nominal value of such Shares does not exceed 10% of our nominal share capital. Shares repurchased by us do not carry any rights to vote at shareholders' meetings, but are generally entitled to the economic benefits applicable to the Shares, such as dividend rights and pre-emptive rights (*droits de souscription préférentiels/Bezugsrechte*) in case of share capital increases. Furthermore, we must create a special reserve on our balance sheet in the amount of the purchase price of the acquired Shares. In addition, selective share repurchases are only permitted under certain circumstances; in particular, repurchases of listed Shares are subject to certain restrictions promulgated by the Swiss Takeover Board (the regulatory body for takeover bids in Switzerland) under the Swiss Federal Stock Exchange Act ("SESTA") and the implementing ordinances enacted there under. As of the date of this Offering Circular, Addex Pharma SA holds 120,869 Shares.

Notices

Notices to shareholders are validly made by publication in the Swiss Official Gazette of Commerce (*Feuille Officielle Suisse du Commerce/Schweizerisches Handelsamtsblatt*). The Board of Directors may designate further means of communication for publishing notices to shareholders.

Duration and Liquidation

Our Articles do not limit our duration.

The Company may be dissolved at any time by a shareholders' resolution which must be passed by (i) a simple majority of the Shares represented at the meeting in the event of the Company being dissolved by way of liquidation,

and (ii) a qualified majority (*majorité qualifiée/qualifiziertes Mehr*) of the Shares represented at the meeting in case of a merger (in accordance with the Federal Act on Merger, Demerger, Transformation and Transfer of Assets ("Swiss Federal Merger Act")). Dissolution and liquidation by court order is possible: (i) if we become bankrupt; or (ii) for valid reasons if shareholders holding at least 10% of our share capital so request.

Under Swiss law, any surplus arising out of a liquidation (after the settlement of all claims of all creditors) is distributed in proportion to the paid-up nominal value of Shares held, but this surplus is subject to Swiss withholding tax of 35%. See "Taxation".

Disclosure of Principal Shareholders

Under the applicable provisions of the SESTA, persons who acquire or dispose of Shares and thereby reach, exceed or fall below a threshold of 5, 10, 20, 33⅓, 50 or 66⅔% of our voting rights (whether exercisable or not) must notify us and the SWX Swiss Exchange of such transactions or disposal in writing within four trading days, regardless of whether the voting rights can be exercised. Within two trading days of the receipt of such notification, we must inform the public.

Furthermore, under Swiss company law we must disclose the identity of shareholders and shareholder groups acting in concert who hold more than 5% of our voting rights. Such disclosure must be made once a year in the notes to the financial statements as published in our annual report.

Obligation to Make an Offer

Pursuant to the applicable provisions of the SESTA, whosoever acquires Shares, whether directly, indirectly or acting in concert with third parties, which, when added to the Shares already held, exceed the threshold of 33⅓% of our voting rights (whether exercisable or not), is under an obligation to make an offer to acquire all our listed Shares. A waiver of the mandatory rules may be granted by the Swiss Takeover Board or the Swiss Federal Banking Commission under certain circumstances. If no waiver is granted, the mandatory take-over bid must be made pursuant to the procedural rules, set forth in the SESTA and the implementing Ordinances enacted there under.

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

Swiss law provides for the possibility to have the Articles contain a provision which would eliminate the obligation of an acquirer of Shares exceeding the threshold of 33⅓% of the voting rights to proceed with a public purchase offer (opting-out provision pursuant to Article 22 para. 2 SESTA) or which would increase such threshold to 49% of the voting rights (opting-up provision pursuant to Article 32 para. 1 SESTA). Our Articles do not contain an opting-out or an opting-up provision.

Cancellation of Remaining Equity Securities

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

Squeeze-Out Merger

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

PLAN OF DISTRIBUTION

Offering

The Offering consists of (i) a public offering in Switzerland and (ii) private placements outside the United States in reliance on Regulations under the US Securities Act and (iii) private placements in the United States to QIBs pursuant to and in reliance on Rule 144A under the US Securities Act.

The Offered Shares have not been and will not be registered under the US Securities Act, or under the securities laws of any state of the United States and, accordingly, they may not be offered, sold, resold, granted, delivered, allotted, taken up, or transferred in the United States (as defined in Regulation S), except pursuant to an exemption from the registration requirements of the US Securities Act. The Offered Shares may be offered and sold in the United States only to persons reasonably believed to be QIBs. See "Offering Restrictions".

Underwriting

Under the terms and subject to the conditions contained in a subscription and underwriting agreement, dated May 8, 2007 (the "Underwriting Agreement"), among us, the Global Co-ordinator and the other managers, for whom the Global Co-ordinator is acting as representative (collectively the "Managers"), we have agreed to issue to the Managers and the Managers have severally but not jointly agreed to subscribe for and purchase from us 1,875,000 Offered Shares.

Manager	Percentage of the Offering	Maximum Number of Offered Shares (excluding Over-Allotment Shares)
Lehman Brothers International (Europe)	65	1,218,750
Piper Jaffray Limited	15	281,250
Bank Vontobel AG	10	187,500
Bank am Bellevue	10	187,500
Total	100	1,875,000

Under the terms of the Underwriting Agreement, we have granted the Managers an option (the Over-Allotment Option) entitling them to purchase up to an additional 281,250 Shares at the Offer Price, exercisable by the Global Co-ordinator on behalf of the Managers on one occasion within 30 days after the first day of trading in the Shares on the SWX Swiss Exchange, solely to cover over-allotments made, or short positions incurred, in connection with the Offering. The Over-Allotment Option is exercisable in full or in part by the Global Co-ordinator until 30 days after the first day of trading of the Offered Shares on the SWX Swiss Exchange.

The Managers propose to resell the Offered Shares initially at the Offer Price in Switzerland by way of a public offering and by way of private placements in other jurisdictions, including a private placement in the United States to QIBs in reliance on Rule 144A under the US Securities Act. All offers and sales outside the United States will be made in reliance on Regulation S under the US Securities Act. See "Offering Restrictions". The placement of Offered Shares in the United States will be made by affiliates of the Managers who are broker-dealers registered under the US Exchange Act.

The Underwriting Agreement provides that the obligations of the Managers are subject to certain conditions precedent, including the absence of any material adverse change in our business. The Global Co-ordinator acting on behalf of the Managers also has the right to terminate the Underwriting Agreement upon the occurrence of certain events at any time prior to Closing. If the right to terminate the Underwriting Agreement is exercised, the Offering will lapse and any previously purported allocation and purchase of Offered Shares will be deemed to not have been made.

We have agreed to indemnify the Managers against certain liabilities in connection with the Offering, including certain liabilities under applicable securities laws. In addition, we have made customary representations, warranties and undertakings to the Managers.

Each of the Managers has represented and agreed that it has not taken, and will not take, any action that would, or is intended to (a) permit or require a public offer of the Offered Shares in any country or jurisdiction where any such action for that purpose is required; or (b) require the registration of this Offering Circular or make any filing or notice, save for Switzerland.

Preferential Allocation

The Managers have agreed to observe the directives governing the allocation of equity related securities offered by way of a public offering in Switzerland issued by the Swiss Bankers Association on March 29, 2004, which entered into force on January 1, 2005.

3,979 Offered Shares have been set aside for preferential allocation and offered at the Offer Price to the members of the Board of Directors, our employees and our consultants.

The number of Offered Shares available for sale to the other investors will be reduced by the number of Offered Shares purchased under this preferential allocation.

Lock-up

We and each other person holding Shares immediately prior to the Offering have each, severally but not jointly, agreed with the Global Co-ordinator that until 360 and 180 days, respectively, after the first day of trading of the Shares on the SWX Swiss Exchange, we will neither (i) offer, sell, contract to sell, sell or exercise any option, warrant or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, pledge, or otherwise dispose of (or publicly announce any such offer, sales or disposal), directly or indirectly, any Shares, or any securities convertible into or exercisable or exchangeable for any Shares, nor (ii) enter into any swap, hedge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares or (iii) announce their intention to do any of the foregoing without the prior written consent of the Global Co-ordinator.

The lock-up shall not apply to (i) Offered Shares acquired in the Offering, (ii) Shares or other securities acquired in public trading of the Shares on or after the first day of trading of the Shares on the SWX, and (iii) the grant of stock options or issuance or transfer of Shares under employee share ownership plans.

In addition, certain persons holding Shares immediately prior to the Offering (except for us and the members of our current and former staff, but including the members of our Executive Management and, in particular, all shareholders holding individually 3% or more of the total Shares and voting rights in the Company after the Offering) have entered into a second lock-up agreement for another period of 180 days from the expiration of the first lock-up.

Stabilization

In connection with the Offering, the Global Co-ordinator may engage in transactions which stabilize, maintain or otherwise affect the market price of the Offered Shares. These transactions may include that the Global Co-ordinator sell Shares in excess of the Offered Shares, creating an uncovered short position, or that it close out any long position, including any long position accumulated in connection with any stabilization transactions, by selling the Shares in the open market and/or applying the Shares towards any short position created by over-allotment. To the extent that the Global Co-ordinator elects to close out a long position by selling Shares in the open market, it may later exercise the Over-Allotment Option to cover any short position created by over-allotment. However, there is no assurance that the Global Co-ordinator will undertake any such activities. Such transactions, if commenced, may be discontinued at any time without prior notice and will in any event be discontinued 30 days following the commencement of trading in the Offered Shares on the SWX Swiss Exchange. Any stabilization actions will be undertaken in accordance with applicable laws and regulations.

Market Making

We contemplate that we may in the future engage an investment bank as a market maker on an ongoing basis in order to help improving liquidity and reducing the potential spread between prices offered for the purchase and prices offered for the sale of Shares. However, there is no assurance that we will engage such market maker nor that such engagement would have such effects.

Transfer and Offering Restrictions

Prospective investors in the Offered Shares must familiarize themselves and comply with all applicable laws and regulations relating to the offer, sale, and transfer of the Offered Shares. See “Offering Restrictions” and “Transfer Restrictions”.

Bookbuilding Period

From May 9, 2007 to May 21, 2007.

Offer Price

The Offer Price is CHF 73 per Offered Share.

Our Share Capital after the Offering

After subscription by the Managers and registration of the Offered Shares in the commercial register of the Canton of Geneva, which took place on May 21, 2007, our issued and outstanding share capital is CHF 5,862,492 (or CHF 6,143,742 if the Over-Allotment Option is exercised in full) consisting of 5,862,492 outstanding Shares (or 6,143,742 Shares, if the Over-Allotment Option is exercised in full).

The Offered Shares will represent 32% (or 35% if the Over-Allotment Option is exercised in full) of our total issued and outstanding share capital immediately after the completion of the Offering.

Listing and Trading

Prior to the Offering, there has been no public market for the Shares. Application has been made to list the Shares, together with 1,993,746 registered shares that are part of our conditional share capital on the main segment of the SWX Swiss Exchange. It is expected that the Shares will be listed, and trading will commence, on or about May, 22, 2007.

Closing

It is expected that delivery of the Offered Shares will be made against payment therefore on or about May 25, 2006, or such other day as we and the Global Co-ordinator may determine.

Form of the Shares

Pursuant to our Articles, shareholders do not have the right to ask for printing or delivery of share certificates. We may at any time print and deliver share certificates for registered shares. The Shares will not be issued in certificated form but will be delivered in book-entry form only (*actions dématérialisées/aufgehobener Titeldruck*) into collective custody at SIS.

Voting Rights

Each Share carries one vote. Regarding transfers of Shares and restrictions, see "Description of the Share Capital and the Shares—Transfer of Shares" and "Transfer Restrictions".

Amendments or Changes

Any notices containing or announcing amendments or changes to the terms of the Offering or to this Offering Circular will be announced through the electronic media and, if required, published in German and French in the Neue Zürcher Zeitung and in Le Temps, respectively.

Dividends

The Shares carry full dividend rights from and including the fiscal year beginning on January 1, 2007 and ending on December 31, 2007. However, we do not intend to pay dividends for 2007. See "Dividends and Dividend Policy" and "Taxation."

Other Information

No action has been or will be taken in any jurisdiction other than Switzerland that would permit a public offering of the Offered Shares or the possession, circulation or distribution of this Offering Circular or any material relating to us or the Offered Shares in any jurisdiction where action for that purpose is required. Accordingly, the Offered Shares may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Offered Shares may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

TAXATION

Swiss Tax Considerations

The following summary does not purport to address all tax consequences of the acquisition, ownership and disposition of the Company's Shares and does not take into account the specific circumstances of any particular shareholder. This summary is based on the tax laws, regulations and regulatory practices of Switzerland as in effect on the date hereof, which are subject to change (or subject to changes in interpretation), possibly with retroactive effect. Current and prospective shareholders are advised to consult their own tax advisors in light of their particular circumstances as to the Swiss tax laws, tax regulations and regulatory practices of the tax administrations that could be relevant for them in connection with the acquisition, ownership and disposition of the Shares.

Swiss Federal Withholding Tax

Dividend payments and similar cash or in-kind distributions (including liquidation proceeds exceeding the nominal value of the Shares and stock dividends) that the Company makes to holders of Shares are subject to a Swiss federal withholding tax at a rate of 35%. Basically the Company is required to withhold the Swiss federal withholding tax from the gross distribution and pay it to the Swiss federal tax administration. The refund application must be filed no later than December 31 of the third year following the calendar year in which the dividend became due. A refund will be denied in any case of tax avoidance.

The Swiss federal withholding tax is usually either fully reduced at source or refundable in full to a Swiss resident, as defined in the Swiss federal withholding tax act, who receives a distribution if such Swiss resident is the beneficial owner of the distribution at the time of the distribution and duly reports the gross distribution received in his individual income tax return or, as the case may be, recognizes the distribution for tax purposes as earnings in his income statements.

A beneficial owner who is not a Swiss resident for tax purposes and does not hold the Shares in connection with a trade or business in Switzerland through a permanent establishment or a fixed place of business and that receives a distribution from the Company with respect to the Shares may be entitled to a full or partial relief of the Swiss withholding tax if the country in which he resides has entered into a bilateral treaty for the avoidance of double taxation with Switzerland and the prerequisites of the treaty are met.

Shareholders not resident in Switzerland should be aware that the procedures for claiming treaty benefits (and the time required for obtaining a refund) might differ from country to country. Shareholders not resident in Switzerland should consult their own legal, financial or tax advisors regarding the procedures for claiming a refund of the withholding tax.

Swiss Federal Withholding Tax: US Holders

A US Holder who is an individual or a legal entity not resident in Switzerland for tax purposes may be entitled to a partial refund of the withholding tax incurred on a taxable distribution from the Company if the conditions of the bilateral tax treaty between the United States and Switzerland are met.

A US Holder who is a resident of the United States for purposes of the bilateral tax treaty between the United States and Switzerland is eligible for a reduced rate of Swiss federal withholding tax on distributions made by the Company equal to 15% of the dividend, provided that such holder (i) is the beneficial owner of the Shares at the time the dividend is due, and (ii) is entitled to benefits under this treaty, and (iii) holds, directly or indirectly, less than 10% of the Company's voting stock, and (iv) does not conduct business through a permanent establishment or fixed base in Switzerland to which the Shares are attributable. Such an eligible US Holder may apply for a refund of the amount of the withholding tax in excess of the 15% treaty rate. A reduced rate of 5% might be eligible in case the US Holder is a corporation and if bilateral tax treaty between the United States and Switzerland and the respective criteria are met (the US Holder must—inter alia—hold more than 10% of the Company's voting stock).

The application for refund must be filed on Swiss Tax Form 82 (82C for corporations; 82I for individuals; 82E for other entities), which may be obtained from any Swiss consulate general in the United States or from the Swiss Federal Tax Administration at the address below, together with an instruction form. Four copies of the form must be duly completed, signed before a notary public of the United States, and sent to the Swiss Federal Tax Administration, Eigerstrasse 65, CH 3003, Berne, Switzerland. The form must be accompanied by suitable evidence of deduction of Swiss tax withheld at source, such as certificates of deduction, signed bank vouchers or credit slips. The form must be filed no later than December 31 of the third year following the calendar year in which the dividend became due.

Swiss Federal Stamp Taxes

According to the present Swiss law and practice of the Swiss federal tax administration, the Company is subject to Swiss federal capital issuance tax (*droit de timbre d'émission/Emissionsabgabe*) payable by us on the issue of equity securities at a rate of 1% on the cash consideration received for the issuance of the newly issued Offered Shares net of certain costs incurred in connection with the Offering.

The transfer of newly issued Offered Shares to the initial purchasers in the manner contemplated in this prospectus is not subject to Swiss federal transfer stamp tax (*droit de timbre de négociation/Umsatzabgabe*) on the transfer of securities even if a Swiss bank or a Swiss securities dealer (as defined in the Swiss federal tax act) acts as an intermediary or a party to the transaction. To the extent over-allotted Shares are existing Shares, the Swiss federal transfer stamp tax will be due and will be borne by us. Subsequent dealings in Shares where a bank or a securities dealer in Switzerland (as defined in the Swiss federal stamp tax act) acts on its own account or acts as an intermediary may be subject to the Swiss federal transfer stamp tax on the transfer of securities, currently at a rate of up to 0.15% of the price paid for the Shares. The sale of Shares by or through a member of the SWX Swiss Exchange may also be subject to a stock exchange levy of up to 0.01% of the proceeds.

Swiss Federal, Cantonal and Communal Income and Wealth Taxation

Individuals resident in Switzerland for tax purposes and holding Shares in their private property are required to include dividend payments and similar cash or in-kind distributions (including liquidation proceeds exceeding the nominal value of the Shares and stock dividends) that the Company makes to them in their personal income tax return and will be subject to Swiss federal, cantonal and communal income tax thereon. A capital gain resulting from the disposition of privately held Shares by such persons is basically not subject to Swiss federal, cantonal and communal income tax and a capital loss is not tax-deductible. Individuals resident in Switzerland for tax purposes who hold Shares are required to report their Shares as part of their taxable wealth and will be subject to cantonal and communal wealth tax, provided that their net taxable wealth exceeds applicable allowances.

Swiss-resident corporate taxpayers, individuals resident in Switzerland for tax purposes who hold Shares as business assets as well as corporate and individual taxpayers resident abroad who hold Shares as part of Swiss business assets are required to recognize dividend payments and similar cash or in-kind distributions (including liquidation proceeds exceeding the nominal value of the Shares and stock dividends) that the Company makes to them and any capital gains realized on Shares sold in their income statement for the respective tax period and are subject to Swiss federal, cantonal and communal individual or corporate income tax, as the case may be, on any net taxable earnings (including the payments of dividends on the Shares and a capital gain realized on the sale of Shares) for such period; capital losses are tax deductible. The same tax treatment applies to individuals resident in Switzerland for tax purposes who, for income tax purposes, are classified as "professional securities dealers" (négociant professionnel de titres/gewerbsmässige Wertschriftenhändler) for reasons of, inter alia, frequent dealing and debt-financing purchase. Corporate taxpayers may qualify for so called participation exemption on distributions and capital gains if the respective criteria are met.

Under current Swiss law, a person not resident in Switzerland who, during the current taxation year, has not engaged in a trade or business through a permanent establishment within Switzerland and who is not subject to taxation in Switzerland for any other reason, will not be subject to Swiss federal, cantonal and communal income tax on dividend payments and similar cash or in-kind distributions on Shares or gains realized on the disposition of Shares. Such a person will also not be subject to any Swiss cantonal or communal wealth or capital taxes on holding Shares.

US Federal Income Tax Considerations

The following discussion is a general summary based on current law of certain US federal income tax considerations relevant to the purchase, ownership and disposition of the Shares. The discussion is not a complete description of all tax considerations that may be relevant to investors and does not consider an investor's particular circumstances. It applies to persons that purchase Shares in the Offer, hold the Shares as capital assets and, in the case of US Holders (as defined below), use the US dollar as their functional currency. The discussion is a general summary. It is not a substitute for tax advice. The discussion does not cover all aspects of US federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on the acquisition, ownership or disposition of Shares by particular investors, and does not address state, local, foreign or other tax laws. In particular, this summary does not consider the circumstances of particular investors, some of which (such as financial institutions, insurance companies, investors that own (directly, indirectly or constructively) 10 per cent. or more of the voting stock of the Company, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, securities traders and dealers or persons holding the Shares as

part of a hedge, straddle, conversion, integrated or constructive sale transaction, or certain former citizens or former long-term residents of the United States) are subject to special tax regimes. The discussion does not address persons that hold Shares as part of the business property of a permanent establishment located outside the United States or as part of a fixed base of an individual outside of the United States and used for the performance of independent personal services.

THE STATEMENTS ABOUT US FEDERAL TAX ISSUES HEREIN ARE MADE IN CONNECTION WITH MARKETING OF THE SHARES IN THE OFFERING. NO TAXPAYER MAY RELY ON THEM TO AVOID US FEDERAL TAX PENALTIES. EACH PROSPECTIVE PURCHASER OF SHARES SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF INVESTING IN SHARES UNDER THE LAWS OF SWITZERLAND, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTION WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

As used herein, the term "holder" means a beneficial owner of the Shares, as applicable. A "US Holder" is a holder that for US federal income tax purposes is (i) a citizen or individual resident of the United States, (ii) a corporation or other business entity treated as a corporation organised in or under the laws of the United States or its political subdivisions, (iii) an estate the income of which is subject to US federal income tax without regard to its source or (iv) a trust subject to the control of a US person and the primary supervision of a US court as well as certain trusts electing to be taxed as US trusts. A "Non-US Holder" is any holder other than a US Holder or a partnership.

If a partnership (or an entity treated as a partnership for US federal income tax purposes) holds Shares, the treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. Partners in a partnership that holds Shares are urged to consult their own tax advisors regarding the specific consequences applicable to them.

The Company expects that it and each of its subsidiaries that are treated as corporations for US federal income tax purposes will be classified as passive foreign investment companies ("PFICs"). The Company's status as a PFIC, and the possible PFIC status of its subsidiaries, generally will subject US Holders to certain adverse US federal income tax consequences.

US Holders should note that the discussion under the heading "—Swiss Taxation" above also is relevant to them. Because the Issuer is a tax resident of Switzerland, Swiss withholding tax will be deducted from dividends paid and other distributions made by the Issuer.

Dividends

Subject to the PFIC rules discussed below, a US Holder generally must treat distributions received with respect to the Shares (including Swiss tax withheld) as foreign source dividend income when actually or constructively received. Dividends will not be eligible for the dividends received deduction allowable to US corporations or for the preferential capital gain tax rate applicable to qualified dividend income of individuals and certain other non-corporate taxpayers.

Dividends paid in Swiss francs will be included in the gross income of a US Holder in an amount equal to the US dollar value of the Swiss francs received on the date of receipt, regardless of whether the Swiss francs are converted into US dollars at that time. If dividends received in Swiss francs are converted into US dollars on the day they are received, a US Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income.

A US Holder that is eligible for the benefits of the US-Swiss Treaty may apply for a refund of Swiss withholding tax withheld in excess of the 15 per cent. Treaty rate. See the discussion of the reclaim procedure for Swiss withholding tax withheld in excess of the 15 per cent. Treaty rate under the heading "Swiss Tax Considerations-Swiss Federal Withholding Tax: US Holders" above. Subject to generally applicable limitations, a US Holder may claim a deduction or a foreign tax credit for Swiss tax withheld at the appropriate rate. To the extent a refund of the Swiss tax withheld is available to a US Holder under the laws of Switzerland or under the Treaty, the amount of Swiss tax withheld that is refundable will not be eligible for credit against the US Holder's US federal income tax liability, whether or not the refund is actually obtained. Special rules govern the manner in which accrual basis taxpayers are required (or may elect) to determine the US dollar amount of taxes withheld in a foreign currency that is eligible for a foreign tax credit. For foreign tax credit purposes, dividends paid by the Issuer generally will "passive category income," or, in the case of certain US Holders, "general category income."

US Holders should consult their own tax advisors about eligibility for benefits under the US-Swiss Treaty including a reduced rate of Swiss withholding tax, the reclaim procedures for obtaining a refund of excess Swiss withholding tax and for applicable limitations on claiming a deduction or foreign tax credit for any Swiss tax withheld.

Non-US Holders. Subject to the discussion under "—Information Reporting and Backup Withholding" below, a Non-US Holder generally will not be subject to US federal income tax or withholding tax on dividends received unless such dividends are effectively connected with the conduct by such Non-US Holder of a trade or business within the United States (and, if an applicable income tax treaty so requires, are attributable to a permanent establishment maintained in the United States by such Non-US Holder) in which case such Non-US Holder generally will be subject to tax in respect of such dividends in the same manner as a US Holder. Any such effectively connected dividends received by a Non-US Holder that is, or is taxable as, a corporation for US federal income tax purposes may also, under certain circumstances, be subject to an additional branch profits tax at a 30 per cent. rate or such lower rate as may be specified by an applicable income tax treaty.

Sale or Other Disposition

Subject to the PFIC rules discussed below, a US Holder generally will recognise gain or loss on a sale or other disposition of Shares in an amount equal to the difference, if any, between the amount realised on the sale or other disposition and the US Holder's adjusted tax basis in the Shares. A US Holder's tax basis in a Share will generally be its US dollar cost. The US dollar cost of a Share purchased with foreign currency will generally be the US dollar value of the purchase price determined at the spot exchange rate on the date of purchase (or, in the case of cash basis and electing accrual basis taxpayers, the settlement date). The amount realised on a sale or other disposition of Shares for an amount in foreign currency will be the US dollar value of this amount determined at the spot exchange rate on the date of sale or disposition (or, in the case of cash basis and electing accrual basis taxpayers, the settlement date). Any gain will be taxed under the PFIC rules described below. Unless a mark-to-market election is made as described below, any loss will be a capital loss, and will be a long-term capital loss if the Shares have been held for more than one year. Any gain or loss will generally be US source gain or loss. Deductions for capital losses are subject to limitations.

Foreign Currency. Foreign currency received on the sale or other disposition of a Share will have a tax basis equal to its US dollar value on the settlement date. Accrual basis US Holders that do not elect to determine the amount realised using the spot exchange rate on the settlement date will recognise US source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the US dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. Any gain or loss recognised on a sale or other disposition of foreign currency after the settlement date will be US source ordinary income or loss.

Non-US Holders. Subject to the discussion under "—Information Reporting and Backup Withholding" below, a Non-US Holder generally will not be subject to US federal income tax or withholding tax on any gain realised on the sale or other disposal of Shares unless (i) such gain is effectively connected with the conduct by such Non-US Holder of a trade or business within the United States (and, if an applicable income tax treaty so requires, is attributable to a permanent establishment maintained in the United States by such Non-US Holder) or (ii) in the case of a Non-US Holder who is an individual, such Non-US Holder is present in the United States for 183 or more days in the taxable year of the sale or other disposition and certain other conditions apply. Effectively connected gains realised by a Non-US Holder that is, or is taxable as, a corporation for US federal income tax purposes may also, under certain circumstances, be subject to an additional branch profits tax at a 30 per cent. rate or such lower rate as may be specified by an applicable income tax treaty.

Passive Foreign Investment Company Considerations

In general, a non-US corporation will be considered a PFIC for any taxable year in which (i) 75 per cent. or more of its gross income consists of passive income (such as dividends, interest, rents and royalties and gains from the sale of assets that produce such income or which do not produce any income) or (ii) 50 per cent. or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. In applying these tests, a non-US corporation that directly or indirectly owns at least 25 per cent. by value of the stock of another corporation is treated as if it held its proportionate share of the assets of such other corporation and received directly its proportionate share of the income of such other corporation.

The Company expects that it and each of its subsidiaries that is treated as a corporation for US federal income tax purposes will be classified as a PFIC for such purposes for the current taxable year and for the foreseeable future. Accordingly, US investors generally will be subject to adverse US federal income tax consequences on a disposition

of Shares and, because a US person that is a shareholder in a PFIC is deemed to own its proportionate share of interests in any lower-tier PFICs, a deemed disposition of shares of the Company's subsidiaries that are PFICs and on certain distributions made by the Company, and its subsidiaries that are PFICs.

Assuming the Company will be a PFIC, as expected, a US Holder will be subject to additional tax on excess distributions received on the Shares or gains realised on the disposition of the Shares. A US Holder will receive an excess distribution if distributions received on the Shares during any tax year exceed 125 per cent. of the average amount received during each of the three preceding tax years (or, if shorter, the US Holder's holding period). A US Holder may realise gain for this purpose not only through a sale or other disposition, but also by pledging the Shares as security for a loan or entering into certain constructive disposition transactions. To compute the tax on an excess distribution or any gain (i) the excess distribution or gain is allocated ratably over the US Holder's holding period, (ii) the amount allocated to the current tax year is taxed as ordinary income and (iii) the amount allocated to each previous tax year is taxed as ordinary income at the highest applicable marginal rate for that year and an interest charge is imposed to recover the deemed benefit from the deferred payment of the tax. These rules effectively prevent a US Holder from treating gain on the Shares as capital gain. Under proposed regulations, Swiss tax withheld at the appropriate rate from excess distributions would similarly be allocated over the US Holder's holding period for purposes of claiming a foreign tax credit.

In addition, a US Holder will be considered to own corporate equity held by the Company based on the value of the Shares such US Holder owns relative to the value of all outstanding Shares of the Company. Accordingly, a US Holder will be subject to similar rules with respect to distributions to the Company by its subsidiaries and dispositions by the Company of their stock. Under proposed regulations, a US Holder would be taxable on all distributions with respect to equity of a PFIC deemed held and distributions on such lower-tier PFIC equity could also result in a deemed excess distribution to a US Holder. Additionally, the issuance of additional Shares by the Company may be viewed as resulting in the deemed disposition of a US Holder's proportionate share of any lower-tier PFIC as a result of the dilution of such US Holder's indirect ownership. Any loss from a deemed disposition of equity in a lower-tier PFIC does not appear to result in a current reduction in income. As a result, the taxable income recognised from holding Shares may differ substantially from the amount of actual distributions on the Shares within any taxable period. To the extent that income is recognised from a deemed disposition of the equity in a lower-tier PFIC, it should increase a US Holder's tax basis in the Shares, resulting in less gain or greater loss on any ultimate disposition of the Shares. Therefore, a US Holder could experience a mismatch in both the timing and character of income or loss. No assurances can be provided that US Holders will be able to obtain directly from us all of the information that such US Holders will need to satisfy any reporting obligations or compute any US federal income tax liabilities with respect to such US Holders' indirect interests in any such lower-tier PFICs.

If a US Holder owns stock in a foreign corporation that is a PFIC, that stock will continue to be treated as PFIC stock even if the foreign corporation ceases to be a PFIC. An election may be made to purge the PFIC taint from such stock under which a US Holder would recognize gain (but not loss) as if the shares were sold at fair market value. Such gain generally will be taxable as an excess distribution as described above. US Holders should contact their tax advisors about procedures for making the purging election.

US Holders can avoid some of the adverse tax consequences described above by making a mark-to-market election with respect to the Shares, provided that the Shares are regularly traded on a qualified exchange. The main segment (segment principal/Hauptsegment) of the SWX Swiss Exchange should be a qualified exchange if, among other things, it maintains trading volumes, financial disclosures and other requirements designed to prevent fraud and protect investors. The Shares will be considered regularly traded during any calendar year during which they are traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. There can be no assurance that trading volumes will be sufficient to permit a mark-to-market election. In addition, because a mark-to-market election with respect to the Company does not apply to any equity interests in lower-tier PFICs the Company owns, a US Holder generally will continue to be subject to the PFIC rules with respect to its indirect interest in any investments held by the Company (including the Company's interests in its subsidiaries) that are treated as equity interests in a PFIC for US federal income tax purposes. US Holders should consult their tax advisors regarding the availability and desirability of a mark-to-market election.

A US Holder that makes a mark-to-market election must include in ordinary income for each year an amount equal to the excess, if any, of the fair market value of the Shares at the close of the taxable year over the US Holder's adjusted basis in the Shares. An electing holder may also claim an ordinary loss deduction for the excess, if any, of the US Holder's adjusted basis in the Shares over the fair market value of the Shares at the close of the taxable year, but only to the extent of any net mark-to-market gains for prior years. Gains from an actual sale or other disposition of the Shares will be treated as ordinary income, and any losses incurred on a sale or other disposition of the Shares will be treated as an ordinary loss to the extent of any net mark-to-market gains for prior years. Once made, the

election cannot be revoked without the consent of the US Internal Revenue Service ("IRS") unless the Shares cease to be marketable. If the Company is a PFIC for any year in which the US Holder owns Shares but before a mark-to-market election is made, the interest charge rules described above will apply to any mark-to-market gain recognised in the year the election is made.

In some cases, a shareholder of a PFIC can avoid the interest charge and the other adverse PFIC consequences described above by making a qualified electing fund ("QEF") election to be taxed currently on its share of the PFIC's undistributed income. The Company does not, however, intend to provide to US Holders the information that would be necessary in order for a US Holder to make a QEF election with respect to its Shares or any Company subsidiary.

Transfer and Annual Reporting Requirements

A US Holder who purchases Shares will generally be required to report, with its tax return for the tax year that includes the Offer, certain information relating to the purchase of Shares on IRS Form 926 if the purchase, when aggregated with all transfers of cash or other property made by the US Holder (or any related person) to the Company within the preceding 12 month period, exceeds US$100 000 (or its equivalent). **A US Holder who fails to file any such required form could be required to pay a penalty equal to 10 per cent. of the gross amount paid for the Shares, not to exceed US$100 000 (except in cases of intentional disregard).** A US Holder also must file an annual information return on IRS Form 8621, reporting distributions received and gains realised with respect to each PFIC in which it holds a direct or indirect interest. US Holders should consult their tax advisors about these and all other specific reporting requirements that may apply.

Information Reporting and Backup Withholding

Payments of dividends and other proceeds with respect to Shares that are made within the United States or by certain US-related financial intermediaries to a holder may be reported to the IRS unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding may apply to reportable payments if the holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its US federal income tax returns. The holder may credit amounts withheld against its US federal income tax liability, if any, and claim a refund for amounts in excess of its tax liability if the required information is timely provided to the IRS. Prospective investors should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

SWX SWISS EXCHANGE

General Information

As our shares are expected to be listed on the main segment (*segment principal/Hauptsegment*) of the SWX Swiss Exchange, we are subject to the regulations and listing rules of the SWX Swiss Exchange.

The SWX Swiss Exchange was founded in 1995 as the successor to the local stock exchanges of Zurich, Basel and Geneva. In 1996, the SWX Swiss Exchange introduced full electronic trading in Swiss equities, derivatives and bonds. A listing on the SWX Swiss Exchange—Main Segment requires that (i) the operating and financial track record of the issuer extends over a period of at least three years, (ii) the issuer's capital resources amount to at least CHF 25 million, (iii) the total market value of the issuer's initial public offering amounts to a minimum of CHF 25 million, and (iv) 25% of the issuer's outstanding share capital be placed in public hands. As of December 31, 2006, more than 260 equity issuers were listed on the SWX Swiss Exchange Main Segment.

Trading System

Trading at the SWX Swiss Exchange occurs through a fully integrated trading system covering the entire process from trade order to settlement. Trading of equities begins each business day at 9:00 (CET) and continues until 17:30 (CET).

After the close of exchange trading, new orders can be entered or deleted until 22:00 (CET). From 6:00 (CET) (the system is not available between 22:00 (CET) and 6:00 (CET)), new orders can be entered until 9:00 (CET). For the opening phase (starting at 9:00 (CET)), the system closes the order book and starts opening procedures. It then establishes the opening prices and determines orders to be executed according to the matching rules. Closing auctions are held to determine the daily closing price for all equity securities traded on the SWX. At the start of the closing auction (shortly before close of trading), the status of all equity order books changes from permanent trading to auction. The auction itself consists of a pre-opening period and the actual auction, according to rules that are similar to those for the opening procedures.

Transactions take place through the automatic matching of orders. Each valid order of at least a round lot is entered and listed according to its price. A round lot of shares is currently only one share. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a price limit) prioritized on the basis of price. If several orders are listed at the same price, they are executed according to the time of receipt. During the trading period, members of the SWX are in principle required to enter all orders in their order books, executing them by means of the automatic matching system. While the principle of best execution is observed, off-exchange transactions are permitted, as an exception, if the market value of an individual order for equity securities exceeds CHF 200,000. Transactions in shares effected by or through members of the SWX Swiss Exchange are subject to a stock exchange levy (including a supplementary Swiss Federal Banking Commission surcharge) of up to 0.01%, calculated on the settlement price.

Banks and broker-dealers doing business in Switzerland are required to report all transactions in listed securities traded at the SWX Swiss Exchange. Transaction information is collected, processed and immediately distributed by the SWX Swiss Exchange. The SWX Swiss Exchange distributes a comprehensive range of information through various publications, including, in particular, the Swiss Market Feed. The Swiss Market Feed supplies SWX Swiss Exchange data in real time to all subscribers, as well as to other information providers, such as Telekurs and Reuters.

The SWX Swiss Exchange may suspend the trading of securities, in particular, if large price fluctuations are observed, if important, price-sensitive information is about to be disclosed, or in other situations that might endanger fair and orderly trading. In a predetermined number of circumstances, such as seriously questionable solvency of the issuer or continuous lack of required liquidity for efficient exchange trading, the SWX Swiss Exchange may cancel the listing of securities (delisting). As the organizer of the market, the SWX Swiss Exchange is generally responsible for market surveillance and monitoring. The SWX Swiss Exchange aims to ensure transparency and fair trading for investors, and to guarantee market efficiency.

Clearing, Payment and Settlement

Clearing and settlement of securities listed on the SWX Swiss Exchange is made through SIS SegaInterSettle AG.

Exchange transactions are usually settled on a T+3 basis, meaning that delivery against payment of exchange transactions occurs three working days after the trade date.

Corporate Governance Directive

The Directive on Information Relating to Corporate Governance of April 17, 2002 of the SWX Swiss Exchange (the "CGD") entered into force on July 1, 2002. In order to be in line with new Swiss rules providing transparency regarding compensation paid to members of the board of directors and the senior management, the CGD was amended on March 29, 2006. The amended version of the CGD applies to all annual reports for financial years beginning on January 1, 2007 or thereafter. The CGD requires issuers to disclose important information on the management and control mechanism at the highest corporate level (or to give specific reasons why this information is not disclosed).

Management Transactions

Pursuant to the SWX Swiss Exchange Directive on the Disclosure of Management Transactions, effective as of July 1, 2005, members of the board of directors and of the management of a company listed on the SWX Swiss Exchange are required to report transactions they carried out directly or indirectly in shares, call and put options and conversion and similar rights with respect to shares of the issuer within two stock exchange trading days. Transactions must also be reported if they are carried out by or on the account of a third-party, but the decision was made by or significantly influenced by a member of the board of directors or management. Depending on the volume of such transactions, the issuer is required to inform the SWX Swiss Exchange of such transaction within two stock exchange trading days or at the end of each calendar month. The SWX Swiss Exchange will publish such transactions, indicating the position of the reporting persons (but not their names).

Foreign Investment and Exchange Control Regulations in Switzerland

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

OFFERING RESTRICTIONS

General

No action has been or will be taken in any jurisdiction other than Switzerland that would permit a public offering of the Offered Shares or the possession, circulation or distribution of this Offering Circular or any other material relating to the Company or the Offered Shares in any jurisdiction where action for that purpose is required. Accordingly, the Offered Shares may not be sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisement in connection with the Offered Shares may be distributed or published in any form or in any country or jurisdiction except under circumstances that will result in compliance with any applicable laws, rules and regulations of any such country or jurisdiction.

The Managers have agreed to comply with all applicable laws and regulations in each jurisdiction in which they acquire, offer, sell or deliver the Shares or have in their possession or distribute this Offering Circular or any other material relating to the Company and the Shares. The Company has agreed to comply with the securities laws of Switzerland and all other applicable laws and regulations. The Managers are not authorized to make any representation or use any information in connection with the issue and sale of Shares other than as contained in this Offering Circular or any amendment or supplement to it.

United States

Each Manager has acknowledged and agreed that the Shares have not been, and will not be, registered under the US Securities Act or under the securities laws of any state of the United States and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state securities laws. Accordingly, each Manager has acknowledged and agreed that it will not offer or sell the Offered Shares in the Offering within the United States, except to persons it reasonably believes to be qualified institutional buyers as defined in Rule 144A under the US Securities Act.

United Kingdom

Each Manager has represented, warranted and agreed that: (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the Offered Shares or any investments representing the Offered Shares (including, without limitation, this Offering Circular) to persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Promotion Order, as amended, or otherwise in circumstances in which section 21(1) of the FSMA, does not apply to the Company and (ii) it has complied and will comply with all the applicable provisions of the FSMA with respect to anything done by it in relation to the Offered Shares in, from or otherwise involving the United Kingdom.

In connection with the Offering, the Managers are not acting for anyone other than the Company and will not be responsible to anyone other than the Company for providing the protections afforded to their clients nor for providing advice in relation to the Offering.

European Economic Area

This Offering Circular has been prepared on the basis that all offers of Offered Shares Offered Shares will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the "EEA", from the requirement to produce a prospectus for offers of securities. Accordingly any person making or intending to make any offer within the EEA of Offered Shares which are the subject of the placement contemplated in this Offering Circular should only do so in circumstances in which no obligation arises for the Company or any of the Managers to produce a prospectus for such offer. Neither the Company nor the Managers have authorized, nor do they authorize, the making of any offer of Offered Shares through any financial intermediary, other than offers made by Managers which constitute the final placement of Offered Shares contemplated in this Offering Circular.

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a "Relevant member state"), an offer to the public of any Offered Shares may not be made in that Relevant member state except that an offer to the public in that Relevant member state of any Offered Shares may be made at any time

under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant member state:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) by the Managers to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Global Co-ordinator for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Offered Shares shall result in a requirement for the publication by the Company or any Manager of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this section, the expression an "offer to the public" in relation to any Offered Shares in any Relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and any Offered Shares to be offered so as to enable an investor to decide to purchase any Offered Shares, as the same may be varied in that Relevant member state by any measure implementing the Prospectus Directive in that Relevant member state, and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant member state.

Germany

No public offering of the Offered Shares is being conducted in Germany. Therefore, no prospectus (*Prospekt*) under the German Securities Prospectus Act (*Wertpapierprospektgesetz—WpPG*) with respect to the Offered Shares has been or will be published or circulated in the Federal Republic of Germany or submitted for approval to the German Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht—BaFin*) or to any other competent authority of any other member state of the European Economic Area which has implemented the Prospectus Directive. Any offer of the Offered Shares in Germany may only be made in compliance with the German Securities Prospectus Act, i.e. the offer is only addressed to qualified investors as defined in Sec. 2 no. 6 of the German Securities Prospectus Act or has been or will be made otherwise in circumstances that do not require the Company to publish a prospectus pursuant to the German Securities Prospectus Act.

Canada

This Offering Circular is not, and under no circumstances is to be construed as, an advertisement or a public offering of the Offered Shares in Canada or any province or territory thereof. Any offer or sale of Offered Shares in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable provincial securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made.

Japan

The Offered Shares have not been and will not be registered under the Securities and Exchange Law of Japan and will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit or account of, any Japanese person (including any person resident in Japan and any corporation or other entity organized under the laws of Japan), except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time.

TRANSFER RESTRICTIONS

The Offered Shares have not been and will not be registered under the US Securities Act and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state securities laws. The Company shall not recognize any offer, sale, pledge or other transfer of the Offered Shares made other than in compliance with the below-stated restrictions.

Rule 144A

Each purchaser of Offered Shares offered and sold in reliance on Rule 144A will be deemed to have acknowledged, represented and agreed with the Company and the Managers that it has received such information as it deems necessary to make an informed investment decision and as follows (terms defined in Rule 144A or Regulation S shall have the same meaning when used in this section):

(i) The purchaser (a) is a "qualified institutional buyer" within the meaning of Rule 144A under the US Securities Act, (b) is aware that the sale to it is being made in reliance on Rule 144A and (c) is acquiring such Offered Shares for its own account or for the account of a "qualified institutional buyer", as the case may be;

(ii) The Offered Shares are being offered in a transaction not involving a public offering in the United States within the meaning of the US Securities Act; and the Offered Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or territory of the United States and may not be reoffered, resold, pledged or otherwise transferred except (a) to a person who the purchaser and any person acting on the purchaser's behalf reasonably believes is a "qualified institutional buyer" in a transaction meeting the requirements of Rule 144A (b) in an offshore transaction in accordance with Regulation S, or (c) pursuant to an exemption from registration under the US Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any state of the United States and any other jurisdiction;

(iii) The Offered Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resale of any Shares; and

(iv) It will not deposit or cause to be deposited such Offered Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Offered Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act.

Regulation S

Each purchaser of Offered Shares offered in reliance on Regulation S will be deemed to have acknowledged, represented and agreed with the Company and the Managers that it has received such information as it deems necessary to make an informed investment decision and as follows (terms defined in Rule 144A or Regulation S shall have the same meaning when used in this section):

(i) The Offered Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or territory of the United States and are subject to significant restrictions on transfer;

(ii) The purchaser (and the person, if any, for whose account or benefit it is acquiring the Offered Shares) is outside the United States and is acquiring the Offered Shares in an "offshore transaction" meeting the requirements of Regulation S;

(iii) The purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate; and it is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Offered Shares from the Company or an affiliate thereof in the initial distribution of the Offered Shares;

(iv) The purchaser is aware of and will act in conformity with the restrictions on the offer and sale of the Offered Shares pursuant to Regulation S described in this Offering Circular; and

(v) The Offered Shares have not been offered to it by means of any "directed selling efforts" within the meaning of Regulation S under the US Securities Act.

GENERAL INFORMATION

Incorporation, Duration, Registered Office, Corporate Name, Address, and Legislation

The Company is a Swiss stock corporation (*société anonyme/Aktiengesellschaft*) of unlimited duration, incorporated with limited liability under the laws of Switzerland and registered in the commercial register of the canton of Geneva, Switzerland, on March 19, 2007, under the register number CH-660-0659007-3. The Company is registered under the company name Addex Pharmaceuticals Ltd and has its registered office and business office located at c/o Addex Pharma SA, Chemin des Aulx 12, CH-1228 Plan-les-Ouates, Switzerland. Its telephone number at this location is +41 22 884 1555. Our website is located at www.addexpharma.com. We do not intend for the information contained on our website to be part of this prospectus.

Business Purpose and Business Year

According to article 3 of our Articles, our purpose is to acquire, to hold, to administer continuously, to sell and to finance participations in companies of all kinds in Switzerland and abroad with the exclusion of real estate participation. The Company may open branch offices and subsidiaries and agencies in Switzerland and abroad. It may grant guarantees or other security in relation to liabilities of affiliated companies or of shareholders. In addition, the Company may engage in any other commercial, financial and other activities which may promote or relate to the purpose of the Company. The Company may acquire, manage, exploit and sell real estate and intellectual property rights in Switzerland and abroad.

Our fiscal year is the calendar year.

Group Structure

As of the date of this Offering Circular, we have two wholly owned subsidiaries: Addex Pharma SA, with its registered office in Plan-les-Ouates/Geneva, Switzerland, and Addex Pharmaceuticals France SAS, with its registered office in Archamps, France.

We do not hold any other equity interest.

Clearing Codes

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

Paying Agent

Credit Suisse serves as principal paying agent (*domicile de paiement (principal)/Hauptzahlstelle*).

Independent Accountants

Our group auditor and our statutory auditor are PricewaterhouseCoopers SA, Avenue Giuseppe-Motta 50, 1211 Geneva, Switzerland. The financial statements as of and for the years ended December 31, 2006, 2005 and 2004 of Addex Pharma SA included in this Offering Circular, have been audited by PricewaterhouseCoopers, independent accountants, as stated in their report appearing herein. The pro forma balance sheet of the Company has been reviewed by PricewaterhouseCoopers.

Listing Agent

In accordance with article 50 of the listing rules of the SWX Swiss Exchange (*règlement de cotation/ Kotierungsreglement*), Niederer Kraft & Frey being recognized as an expert by the Admission Board of the SWX Swiss Exchange, has filed on our behalf an application for the listing of the Shares on the SWX Swiss Exchange.

Notices

According to our Articles, notices to shareholders are validly made by publication in the Swiss Official Gazette of Commerce (*Feuille Officielle Suisse du Commerce/Schweizerisches Handelsamtsblatt*). The Board of Directors may designate other publication organs as well.

Any notices containing or announcing amendments or changes to the terms of the Offering or to this Offering Circular will also be announced through the electronic media. Notices will also be published in Swiss newspapers to the extent required by the listing rules of the SWX Swiss Exchange.

GLOSSARY

5-HT2	One of the 11 known 5-HT (serotonin) subtypes of G Protein Coupled Receptors.
Acetylcholine	An ester of acetic acid and choline with chemical formula CH3COOCH2CH2N+(CH3)3. It is a chemical transmitter in both the peripheral nervous system (PNS) and central nervous system (CNS). Acetylcholine is the neurotransmitter in all autonomic ganglia.
Acute	Having a sudden onset, rapid rise, and short course (e.g., an *acute* disease). Acute is a term used in contrast to chronic or lasting.
Agonist	An endogenous or exogenous agent that mimics the action of hormones and/or neurotransmitters on their receptors to induce a response. For example, dopamine agonists stimulate specific brain dopamine receptors to induce a motor response.
Alzheimer's disease	A progressive degenerative disease of the brain of unknown etiology, characterized by diffuse atrophy throughout the brain with characteristic pathological changes suggestive of degeneration, and/or necrosis. The disease is characterized by a progressive deterioration of memory, cognitive function and changes in personality. Death usually occurs within 7 to 10 years from the time of diagnosis in most patients.
Allosteric modulation	The regulation of an enzyme or protein by binding an effector molecule at an allosteric site on the protein, that is, a site other than the binding site of the protein's endogenous activator.
Antagonist	A chemical entity that counteracts or neutralizes the action of the body's endogenous chemical messenger or another foreign chemical entity, see Receptor.
Anxiety	An exaggerated response to a natural fear, or an excessive fear of a normal situation. A variety of disorders are grouped under anxiety; these include panic disorder, social phobia, obsessive-compulsive disorder, post-traumatic stress disorder and generalized anxiety disorder ("GAD"). Also anxiety commonly accompanies other psychiatric conditions such as depression, schizophrenia and addiction.
Assay	A test to determine the properties of a chemical compound by means of a biological response.
Benzodiazepines	A class of drugs with hypnotic, anxiolytic, anticonvulsant, amnestic and muscle relaxant properties, which are used for short-term relief of severe, disabling anxiety, insomnia, and for muscle relaxation for surgical procedures.
cGMP	current Good Manufacturing Practices.
CHMP	Committee for Medicinal Products for Human Use.
Clinical trial	Clinical trials are conducted to evaluate new drug candidates in patients in a strictly scientifically controlled setting. Such trials are designed to assess safety and efficacy of a potential new therapy.
CNS	Central Nervous System; the nerves and cells of the brain and the spinal cord.

Contract Research Organization (CRO)	A company involved in performing clinical or non-clinical research on a contractual basis for a pharmaceutical company, research organization, or other health organization.
Dopamine	A monoamine with the chemical formula of C8H11NO2 that functions as a neurotransmitter in the brain.
Dopamine receptors	A class of metabotropic G protein-coupled receptors with the neurotransmitter dopamine as their endogenous ligand.
Double-blinded study	A clinical trial design in which neither the participating individuals (healthy volunteers or patients) nor the study staff know which participants are receiving the experimental drug and which are receiving placebo or another active treatment. Double-blind trials are thought to produce objective results, since the expectations of the doctor and the participant about the experimental drug do not affect the outcome.
Drug candidate	A molecule that is selected at the end of pre-clinical studies to become the subject of the clinical phase of development.
EMEA	European Medicines Agency.
Endogenous	Produced or synthesized within the organism.
Enzyme	Proteins that catalyze (i.e. accelerate) chemical reactions.
Exogenous	Produced or synthesized outside the organism.
FDA	The US Food and Drug Administration.
GABA	Gamma-Amino Butyric Acid, an amino acid which acts as an inhibitory neurotransmitter in the central and peripheral nervous systems.
GAD	Generalized Anxiety Disorder, an anxiety disorder characterized by chronic excessive anxiety that is difficult to control, impairs daily functioning, and is accompanied by three or more associated symptoms (e.g., restlessness, irritability, impaired concentration, or sleep disturbances).
Genome	The totality of genetic material carried by an organism.
GERD	Gastroesophageal Reflux Disease, a chronic condition characterized by abnormal episodes of reflux of stomach contents into the esophagus usually accompanied by heartburn and that may result in mucosal damage in the esophagus.
Glutamate	An amino acid which acts as an excitatory neurotransmitter in the central and peripheral nervous systems.
GMP	Good Manufacturing Practices.
GPCRs	G Protein-Coupled Receptors, a protein family of transmembrane receptors that transduce an extracellular signal (ligand binding) into an intracellular signal (G protein activation).
GMP	Good Manufacturing Practices.
Half-life	The time required for half the amount of a drug introduced in an organism to be metabolized or excreted; most commonly refers to drug plasma levels.

HTS	Highthroughput Screening is a method for scientific experimentation. Through a combination of modern robotics, data processing and control software, liquid handling devices, and sensitive detectors, HTS allows a researcher to effectively conduct thousands of biochemical, genetic or pharmacological tests in a short period of time. This process allows identification of active compounds, antibodies or genes, which modulate a particular biomolecular pathway. The results of these experiments provide starting points for drug design and for understanding the interaction or role of a particular biochemical process in biology.
IC50	The half maximal inhibitory concentration, represents the concentration of an inhibitor that is required for 50% inhibition of its target (i.e. an enzyme, cell, cell receptor or a microorganism). IC50 values are dependent on conditions under which they are measured.
Investigational New Drug (IND)	A request for authorization from the FDA to administer an investigational drug or biological product to humans.
In-vitro	A biological or chemical process occurring outside a living organism, i.e. conducted on cultured cells.
In-vivo	A biological or chemical process occurring inside a living organism.
Ion channels	Pore-forming proteins that help to establish and control the voltage gradient that exists across the plasma membrane of all living cells by allowing the flow of ions down their electrochemical gradient. They are present in the membranes that surround all biological cells.
IP	Intellectual Property
Kinetics	See Pharmacokinetics.
Mechanism of action	The manner by which a drug exerts its activity.
mGluR	Metabotropic glutamate receptors, a set of G protein-coupled glutamate receptors (GPCRs) comprising 8 members designated mGluR1-mGluR8. They are members of the family C of GPCRs. Like all glutamate receptors, mGluRs bind glutamate, an amino acid that functions as an excitatory neurotransmitter.
mGluR2	Metabotropic glutamate receptor subtype 2, a subtype of the set of G protein-coupled glutamate receptors.
mGluR5	Metabotropic glutamate receptor subtype 5, a subtype of the set of G protein-coupled glutamate receptors.
Migraine	A neurobiological disorder resulting from dysfunction of the trigeminovascular system. The disorder manifests as recurring episodes of characteristic headache, usually lasting 4-72 hours. These episodes, which can interfere with normal functioning, involve unilateral throbbing headache pain of moderate to severe intensity. They also usually involve nausea, sometimes vomiting, and sensitivity to light, sound and other sensory stimuli.

Mild Cognitive Impairment	Mild Cognitive Impairment is a general term most commonly used to describe a subtle but measurable memory disorder. According to this definition, a person with Mild Cognitive Impairment has memory problems greater than normally expected with aging, but does not show other symptoms of dementia, such as impaired judgment or reasoning.
Muscarinic acetylcholine receptors	The set of membrane-bound G protein-coupled acetylcholine receptors that is more sensitive to muscarine than to nicotine.
NAM	Negative Allosteric Modulator, inhibitors of the natural physiological activity of the endogenous activator.
New Drug Application (NDA)	New Drug Application with the FDA. A submission form that contains specific information on the manufacturing processes, chemistry, pharmacology, clinical pharmacology and the medical effects of a new chemical entity. If the information provided meets FDA requirements, the application is approved and a license allowing a company to market the product is granted.
Neurotransmitter	A chemical substance in the central or peripheral nervous system that transmits nerve impulses across synapses.
Novel drug/novel pharmaceutical	A drug/pharmaceutical/antibiotic that is patentable because it is pharmaceutically new in chemical structure and either acts on a target which is not exploited by any other known drug or it has properties which make it sufficiently differentiable from any other drug sharing the same target.
Novel target	A target which is not exploited by any other known drug.
Novel mechanism of action	The mechanism of action of a drug that either acts differently from any other drug on a known target or that acts on a novel target.
Novel class of drugs/ novel pharmaceuticals	Drugs/pharmaceuticals/antibiotics that all employ a new or unique mechanism of action.
NRT	Nicotine Replacement Therapy.
Obsessive-compulsive	A psychiatric disorder most commonly characterized by a subject's obsessive, distressing, intrusive thoughts and related compulsive behaviors (tasks or "rituals") which attempt to neutralize the obsessions.
Off-label	The use of a drug for a medical condition other than that for which it was officially approved and marketed.
PAM	Positive Allosteric Modulator, enhancers of the natural physiological activity of the endogenous activator.

Parkinson's disease (PD) . . . . . PD is a degenerative disorder of the central nervous system that affects the control of muscles, and so may affect movement, speech and posture. Parkinson's disease belongs to a group of conditions called movement disorders. It is often characterized by muscle rigidity, tremor, a slowing of physical movement (bradykinesia), and in extreme cases, a loss of physical movement (akinesia). The primary symptoms are the results of excessive muscle contraction, normally caused by the insufficient formation and action of dopamine, which is produced in the dopaminergic neurons of the brain. Secondary symptoms may include impaired cognitive function and language problems. PD is both chronic, meaning it persists over a long period of time, and progressive.

Peptide . . . . . short molecules formed from the linking, in a defined order, of various α-amino acids.

pH . . . . . A measure of the acidity or basicity of a solution.

Pharmacokinetics . . . . . Pharmacokinetics is a branch of pharmacology dedicated to the study of the time course of substances and their relationship with an organism or system. So, in basic terms, while pharmacodynamics explores what a drug does to the body, pharmacokinetics explores what the body does to the drug. It includes the evaluation of absorption, distribution, metabolism, and excretion of drugs.

Phase I . . . . . Clinical trials in which a drug is tested for safety in healthy individuals. This is normally the first time the drug is given to humans. In one or more clinical trials, safety, tolerability, dose range pharmacodynamic and pharmacokinetic profiles are explored.

Phase II . . . . . Clinical trials in which a drug is given to a limited number of patients with a disease for which it is believed the drug may have some therapeutic effect. Positive efficacy is often referred to as clinical "proof of concept". This phase should conclude with evidence of whether the drug works, which patient population to target, and what is the optimal dose between beneficial effect and side effect.

Phase III . . . . . Clinical trials in which a drug undergoes testing of its ultimate proposed use on the market. The trials need to prove statistical significance that the drug presented at a particular dose, to a particular population and in a particular formulation has sufficient effect along with appropriately low side effects. A "pivotal Phase III trial" is one which ultimately provides statistically sound evidence of effect and safety.

Placebo . . . . . An inactive substance designed to resemble the drug being tested. It is used as a control to rule out any psychological effects testing may present.

Post traumatic stress disorder . . . . . A psychological disorder classified under anxiety disorders that occurs after the experience of a highly stressful event and that is characterized by anxiety, depression, nightmares and intrusive memories of the event,.

Pre-clinical (development) . . . . . The phase of drug discovery and development which precedes testing of the drug in humans.

Prevalence	A measure of the proportion of people in a population that are affected with a particular disease at a given time.
Proof of concept study	Proof of concept studies are initial phase IIa clinical trials, usually conducted within the target patient group to examine potential efficacy and safety in the target indication.
Protein	Relatively large organic compounds made of amino acids arranged in a linear chain and joined together by peptide bonds between the carboxyl and amino groups of adjacent amino acid residues.
R&D	Research and development.
Receptor	A specialized protein on the cell surface or inside the cell which relays information delivered by chemical messengers called transmitters.
Regulatory approval	Marketing approval granted by regulatory authorities following a positive assessment of a new drug application or marketing authorization application; or approval granted by regulatory authorities allowing the sponsor to conduct a clinical trial.
Significant	A result is significant when it is unlikely to have occurred by chance.
Spasticity	A disorder of the body's motor system in which certain muscles are continuously contracted.
SSRIs	A class of antidepressants (e.g., fluoxetine) that increase synaptic concentrations of the neurotransmitter serotonin by blocking its reuptake by presynaptic nerve terminals.
Stimulus (stimuli)	A detectable change in the internal or external environment.
Swissmedic	Swiss agency for therapeutic products.
Target	A specific biological molecule (protein, enzyme or other) that is addressed by a drug.
Tricyclic	Molecular structures which contain three rings of atoms. The term 'tricyclic antidepressant' is related to imipramine, desimipramine, amitriptyline, etc.
Triptans	A class of drugs introduced in the 1990s for the treatment of migraine that act as agonists for 5-hydroxytryptamine (5-HT) receptors.

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Condensed Consolidated Interim Financial Statements of Addex Pharmaceuticals Ltd as at March 31, 2007 and Addex Pharma SA as at December 31, 2006 (Unaudited)

Condensed Consolidated Interim Balance Sheets
as at March 31, 2007 and December 31, 2006 (unaudited)

	Notes	March 31, 2007	December 31, 2006
		Amounts in Swiss Francs	
ASSETS			
Current assets			
Cash and cash equivalents	6	34,224,108	40,946,682
Trade and other receivables		2,483,285	1,309,780
Total current assets		**36,707,393**	**42,256,462**
Non-current assets			
Intangible assets		72,865	81,419
Property, plant and equipment	7	3,149,469	3,653,376
Other non-current assets		364,373	360,344
Total non-current assets		**3,586,707**	**4,095,139**
Total assets		**40,294,100**	**46,351,601**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Finance leases		94,667	126,572
Payables and accruals	8	5,169,074	3,947,506
Deferred income		165,431	—
Total current liabilities		**5,429,172**	**4,074,078**
Shareholders' equity			
Share capital	9	3,867,623	3,867,623
Share premium		102,910,216	102,995,237
Other reserves		(132,163)	(145,847)
Accumulated deficit		(71,780,748)	(64,439,490)
Total shareholders' equity		**34,864,928**	**42,277,523**
Total liabilities and shareholders' equity		**40,294,100**	**46,351,601**

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

Condensed Consolidated Interim Statements of Income
for the three-month periods ended March 31, 2007 and 2006 (unaudited)

	Notes	March 31, 2007	March 31, 2006
		Amounts in Swiss francs	
Income			
Fees from collaborations		164,858	1,198,040
Other income		78,027	9,744
		242,885	1,207,784
Operating expenses			
Research and development	10	6,230,447	5,330,670
General and administration	10	1,531,015	786,385
		7,761,462	6,117,055
Operating loss		**7,518,577**	**4,909,271**
Finance income		(178,508)	(45,141)
Finance expenses		1,189	7,471
		(177,319)	(37,670)
Net loss before tax		**7,341,258**	**4,871,601**
Income tax expense		—	—
Net loss for the period		**7,341,258**	**4,871,601**
		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		**(1.90)**	**(1.85)**

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

Condensed Consolidated Interim Statements of Changes in Equity for the three-month periods ended March 31, 2007 and 2006 (unaudited)

	Number of shares					In Swiss Francs				
	Common shares	Preferred shares	Non voting shares	Treasury shares	Total	Share capital	Share premium	Other reserves	Accumulated deficit	Total
Balance at January 1, 2006	212,000	2,092,838	460,000	(135,547)	2,629,291	2,629,291	64,062,587	(18,077)	(43,894,679)	22,779,122
Translation differences	—	—	—	—	—	—	—	29,857	—	29,857
Share based compensation	—	—	—	—	—	—	77,074	—	—	77,074
Net loss for the period	—	—	—	—	—	—	—	—	(4,871,601)	(4,871,601)
Balance at March 31, 2006	212,000	2,092,838	460,000	(135,547)	2,629,291	2,629,291	64,139,661	11,780	(48,766,280)	18,014,452
Balance at January 1, 2007	212,000	3,105,492	670,000	(119,869)	3,867,623	3,867,623	102,995,237	(145,847)	(64,439,490)	42,277,523
Costs of share issue	—	—	—	—	—	—	(235,666)	—	—	(235,666)
Translation differences	—	—	—	—	—	—	—	13,684	—	13,684
Share based compensation	—	—	—	—	—	—	150,645	—	—	150,645
Net loss for the period	—	—	—	—	—	—	—	—	(7,341,258)	(7,341,258)
Balance at March 31, 2007	212,000	3,105,492	670,000	(119,869)	3,867,623	3,867,623	102,910,216	(132,163)	(71,780,748)	34,864,928

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

Condensed Consolidated Interim Statements of Cash Flows
for the three-month periods ended March 31, 2007 and 2006 (unaudited)

	Notes	March 31, 2007	March 31, 2006
		(Amounts in Swiss Francs)	
Cash flows from operating activities			
Net loss for the period		(7,341,258)	(4,871,601)
Adjustments for:			
Depreciation and amortization		588,589	621,117
Value of share-based services		150,645	77,074
Changes in prepaid pension costs		(4,029)	(1,621)
Finance result, net		(177,319)	(37,670)
Changes in working capital:			
Trade and other receivables		(1,223,737)	(1,299,153)
Payables, accruals and deferred income		1,378,979	(335,535)
Net cash used in operating activities		**(6,628,130)**	**(5,847,389)**
Net cash from/(used in) investing activities		**165,434**	**(96,330)**
Net cash used in financing activities		**(268,760)**	**(163,937)**
Decrease in cash and cash equivalents		**(6,731,456)**	**(6,107,656)**
Cash and cash equivalents at beginning of the period		40,946,682	21,670,245
Exchange gain on cash and cash equivalents		8,882	929
Cash and cash equivalents at end of the period		**34,224,108**	**15,563,518**

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

Selected Notes to the Condensed Consolidated Interim Financial Statements
for the three-month periods ended March 31, 2007 and 2006 (amounts in Swiss francs) (unaudited)

1. General information

Addex Pharmaceuticals Ltd. ("the Company") and its subsidiaries (together, "the Group") research, develop, manufacture and market therapeutics for the treatment of human disorders. The Company is a limited liability company incorporated and domiciled c/o Addex Pharma SA, Chemin des Aulx 12, CH-1228 Plan-les-Ouates, Geneva, Switzerland.

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 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 April 13, 2007.

2. Basis of preparation

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

These condensed interim financial statements for the three months ended March 31, 2007, 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, 2006.

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 through the statement of income.

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.

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, 2006, except for the following new standard and interpretations which are mandatory for financial periods beginning on or after January 1, 2007:

New standard effective in 2007 but only relevant for full annual financial statements

- IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of

Selected Notes to the Condensed Consolidated Interim Financial Statements (amounts in Swiss francs) (unaudited)—(Continued)

Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1.

Interpretations effective in 2007 but not relevant

- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective from March 1, 2006);
- IFRIC8, Scope of IFRS 2;
- IFRIC 9, Reassessment of Embedded Derivatives;
- IFRIC 10, Interim Financial Reporting and Impairment.

4. 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.

5. Segment reporting

Primary reporting format: The Group operates in one segment, which is the business of developing drugs for the treatment of human disorders.

6. Cash and cash equivalents

	March 31, 2007	December 31, 2006
Cash at bank in hand	3,859,308	20,214,802
Short term deposits	30,364,800	20,731,880
Total cash and cash equivalents	**34,224,108**	**40,946,682**

7. Property plant and equipment

During the first quarter 2007, an amount of CHF54,489 was invested into property, plant and equipment.

8. Payables and accruals

	March 31, 2007	December 31, 2006
Trade payables	1,697,757	1,837,256
Social security and other taxes	199,182	170,254
Accrued expenses	3,272,135	1,939,996
Total payables and accruals	**5,169,074**	**3,947,506**

9. Equity

Share capital / share premium

As at March 31, 2007, the total authorized share capital is CHF3,987,492 consisting of 212,000 common shares, 620,000 preferred A shares, 1,472,838 preferred B shares, 1,012,654 preferred C shares and 670,000 non voting shares. All shares have a nominal value of CHF1.

Preferred A, preferred B and preferred C shares are entitled to dividends at the same rate as common shares based on the number of common shares they can be converted into. Common shares and non voting shares cannot receive a dividend without a like dividend being paid on preferred shares. Conversion of preferred shares into

Selected Notes to the Condensed Consolidated Interim Financial Statements (amounts in Swiss francs) (unaudited)—(Continued)

common shares (initial conversion rate of 1 to 1) is at the discretion of the holder unless there is a successful initial public offering (IPO) whereby there would be automatic conversion at the applicable IPO conversion rate. In the event of liquidation, dissolution, winding up or bankruptcy of the Company or any comparable event, after fulfilling creditor rights, the preferred C shareholders are entitled to their investment and 5% simple interest per year before reimbursement of the investment made by preferred B and preferred A shareholders followed by the common and non voting shareholders. Any remaining net assets are equally distributed between preferred C, preferred B, preferred A, common and non voting shares.

10. Operating expenses by nature

	Three Months Ended	
	March 31, 2007	**March 31, 2006**
Staff costs	2,328,193	1,890,545
Depreciation and amortization	588,589	621,117
External research and development costs	2,620,832	2,297,313
Laboratory consumables	472,528	608,058
Other operating expenses	1,751,320	700,022
Total operating expenses	**7,761,462**	**6,117,055**

11. Events subsequent to March 31, 2007 balance sheet date

There have been no material events after the balance sheet date. At the time of publication of this condensed consolidated interim financial information, the Company is in the process of preparing for an IPO on the SWX Swiss Stock Exchange.

12. Commitments and contingencies

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

Consolidated Financial Statements 2006/05 (Audited)
regarding Addex Pharmaceuticals SA (today Addex Pharma SA)

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Report of the group auditors
to the general meeting of
Addex Pharmaceuticals SA
Plan-les-Ouates

As auditors of the group, we have audited the consolidated financial statements (balance sheet, statement of income, statement of changes in shareholders' equity, statement of cash flows and notes) of Addex Pharmaceuticals SA for the year ended 31 December 2006.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

D. Mason
Auditor in charge

S. Harvey

Geneva, 12 February 2007

Enclosure:
— Consolidated financial statements (balance sheet, statement of income, statement of changes in shareholders' equity, statement of cash flows and notes)

Consolidated Balance Sheets
as at December 31, 2006 and 2005

	Notes	2006	2005
		(Amounts in Swiss francs)	
Assets			
Current assets			
Cash and cash equivalents	6	40,946,682	21,670,245
Trade and other receivables	7	1,309,780	668,926
Total current assets		42,256,462	22,339,171
Non-current assets			
Property, plant and equipment	8	3,653,376	5,723,819
Intangible assets	9	81,419	118,717
Restricted cash	10	104,368	767,172
Prepaid pension costs	20	255,976	249,493
Total non-current assets		4,095,139	6,859,201
Total assets		46,351,601	29,198,372
Liabilities and shareholders' equity			
Current liabilities			
Finance leases	13	126,572	538,817
Payables and accruals	11	3,947,506	2,764,867
Deferred income	12	—	2,951,251
Total current liabilities		4,074,078	6,254,935
Non-current liabilities			
Finance leases	13	—	164,315
Total non-current liabilities		—	164,315
Shareholders' equity			
Share capital	14	3,867,623	2,629,291
Share premium	14	102,995,237	64,062,587
Other reserves		(145,847)	(18,077)
Accumulated deficit		(64,439,490)	(43,894,679)
Total shareholders' equity		42,277,523	22,779,122
Total liabilities and shareholders' equity		46,351,601	29,198,372

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

Consolidated Statements of Income
for the years ended December 31, 2006 and 2005

	Notes	2006	2005
		(Amounts in Swiss francs)	
Income			
Fees from collaborations	15	4,738,969	6,016,680
Other income	16	45,405	134,131
		4,784,374	6,150,811
Operating expenses	17		
Staff costs	18	7,953,389	7,084,075
Depreciation and amortisation	8, 9	2,522,151	2,413,444
External R&D costs		9,771,353	8,261,094
Laboratory consumables		2,327,634	2,072,090
Facilities		1,301,255	1,125,696
Professional fees		407,208	456,603
Other operating expenses		1,074,162	1,017,053
Patents		327,503	233,245
		25,684,655	22,663,300
Operating loss		20,900,281	16,512,489
Finance income		(385,915)	(258,381)
Finance costs		30,445	56,056
Net loss for the year		20,544,811	16,310,164

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

Consolidated Statements of Changes in Shareholder's Equity
for the years ended December 31, 2006 and 2005

	Notes	Share capital	Share premium	Other reserves	Accumulated Deficit	Total
		(Amounts in Swiss francs)				
Balance at January 1, 2005		1,889,441	39,340,586	(2,760)	(27,584,515)	13,642,752
Issue of preferred B shares		735,284	24,507,016	—	—	25,242,300
Cost of share capital issuance		—	(275,462)	—	—	(275,462)
Issue of non voting shares		7,800	—	—	—	7,800
Value of share-based services	18	—	490,447	—	—	490,447
Currency translation differences		—	—	(15,317)	—	(15,317)
Purchase of treasury shares		(3,234)	—	—	—	(3,234)
Net loss for the year		—	—	—	(16,310,164)	(16,310,164)
Balance at December 31, 2005		2,629,291	64,062,587	(18,077)	(43,894,679)	22,779,122
Issue of preferred C shares		1,012,654	38,987,179	—	—	39,999,833
Cost of share capital issuance		—	(581,307)	—	—	(581,307)
Issue of non voting shares		232,900	—	—	—	232,900
Value of share-based services	18	—	526,778	—	—	526,778
Currency translation differences		—	—	(127,770)	—	(127,770)
Purchase of treasury shares		(7,222)	—	—	—	(7,222)
Net loss for the year		—	—	—	(20,544,811)	(20,544,811)
Balance at December 31, 2006	14	3,867,623	102,995,237	(145,847)	(64,439,490)	42,277,523

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

Consolidated Statements of Cash Flows
for the years ended December 31, 2006 and 2005

	Notes	2006	2005
		(Amounts in Swiss francs)	
Cash flows from operating activities			
Net loss for the year		(20,544,811)	(16,310,164)
Depreciation and amortisation	8, 9	2,522,151	2,413,444
Value of share-based services	18	526,778	490,447
Changes in prepaid pension costs	20	(6,483)	(92,696)
Finance result, net		(355,470)	(202,325)
Changes in working capital:			
Trade and other receivables		255,907	5,379,429
Payables, accruals and deferred income		(1,957,582)	(2,612,745)
Net cash used in operating activities		(19,559,510)	(10,934,610)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(304,502)	(1,349,439)
Purchase of intangible assets	9	(52,906)	(45,020)
Loans granted to related parties	22	(114,000)	—
Loans granted to staff	7	(120,915)	(21,228)
Loan repayments received from related parties		—	133,000
Loan repayments received from staff		4,715	134,940
Finance income		263,724	144,447
Net cash used in investing activities		(323,884)	(1,003,300)
Cash flows from financing activities			
Proceeds from issue of shares	14	39,999,833	25,242,300
Costs paid on issue of shares		(581,307)	(275,462)
Proceeds from issue of non voting shares	14	232,900	7,800
Purchase of treasury shares	14	(7,222)	(3,234)
Repayment of finance leases	13	(576,560)	(601,325)
Finance costs		(30,445)	(56,056)
Net cash from financing activities		39,037,199	24,314,023
Increase in cash and cash equivalents		19,153,805	12,376,113
Cash and cash equivalents at beginning of the year		21,670,245	9,180,033
Exchange gain on cash		122,632	114,099
Cash and cash equivalents at end of the year		**40,946,682**	**21,670,245**
Consisting of:			
Cash and cash equivalents	6	40,946,682	21,670,245

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

1 General

Addex Pharmaceuticals SA (the Company) and its subsidiary (together the Group) research, develop, manufacture and market therapeutics for human disorders. The Company is a limited liability company incorporated and domiciled at Chemin des Aulx 12, 1228 Plan-les-Ouates, Geneva, Switzerland.

Inherent in the Group's business are various risks and uncertainties, including risks associated with commercialisation of its products. The Group meets its day-to-day working capital requirement through use of its cash reserves and income from collaborations. 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.

The consolidated financial statements were authorised for issue by the Board of Directors on February 12, 2007.

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 consolidated financial statements of Addex Pharmaceuticals SA have been prepared in accordance with the International Financial Reporting Standards (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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Amendments to published standards effective in 2006

IAS 19 (Amendment), Employee Benefits, is mandatory for the Group's accounting periods beginning on or after January 1, 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment only impacts the format and extent of disclosures presented in the accounts.

Early adoption of standards

No new standards were early adopted in 2006 or 2005.

Standards, amendments and interpretations effective in 2006 but not relevant

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after January 1, 2006, but are not relevant to the Group's operations:

- IAS 21 (Amendment), Net Investment in a Foreign Operation;
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- IAS 39 (Amendment), The Fair Value Option;
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts;
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration and Evaluation of Mineral Resources;
- IFRS 6, Exploration for and Evaluation of Mineral Resources;

- IFRIC 4, Determining whether an Arrangement contains a Lease; and
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds;
- IFRIC 6, Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment;

Standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after May 1, 2006 or later periods but that the Group has not early adopted:

- *IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements—Capital Disclosures (effective from January 1, 2007).* IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning January 1, 2007.
- *IFRS 8, Operating segments (effective from January 1, 2009).* IFRS 8 replaces IAS 14, Segment Reporting, aligning requirements with SFAS 131, Disclosures About Segments of an Enterprise and Related Information. IFRS 8 introduces the management approach to segment reporting and emphasises the disclosures of the measures used to manage the business. IFRS 8 applies to entities with listed equity or debt securities.
- *IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after May 1, 2006).* IFRIC 8 requires consideration of transactions involving the issuance of equity instruments—where the identifiable consideration received is less than the fair value of the equity instruments issued—to establish whether or not they fall within the scope of IFRS 2. The Group will apply IFRIC 8 from January 1, 2007, but is not expected to have any impact on the Group's accounts; and
- *IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after November 1, 2006).* IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC 10 from January 1, 2007, but it is not expected to have any impact on the Group's accounts.

Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after May 1, 2006 or later periods but are not relevant for the Group's operations:

- *IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective from March 1, 2006).* IFRIC 7 provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of the hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the Group entities have a currency of a hyperinflationary economy as its functional currency, IFRIC 7 is not relevant to the Group's operations; and
- *IFRIC 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after June 1, 2006).* IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly

modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As none of the group entities have changed the terms of their contracts, IFRIC 9 is not relevant to the Group's operations.

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. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

C Foreign currency transaction

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. 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 recognised in the statement of income.

Group companies

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

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

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

(iii) all resulting exchange differences are recognised 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.

D 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 recognised 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 (note F). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of income.

E Intangible assets

Computer software

Acquired computer licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (2 to 5 years). Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

F Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 cashflows (cash generating units).

G 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. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (note 7).

H Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised 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 recognised in the statement of income.

I Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

J 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.

K Government grants

Grants from the government are recognised at their fair value where there is a 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 recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

L Deferred income tax

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 realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. 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.

M 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 recognised 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 unrecognised 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 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 recognised 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 amortised 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 recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that cash refund or a reduction in the future payments is available.

Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the sale of non voting shares at a price below fair value is recognised 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 is determined by reference to the latest price paid for preference shares adjusted for differences in rights and restriction 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 are credited to share capital when the non voting shares are sold. Non voting shares which are repurchased under the Company's repurchase right or have been created and are available for sale are recorded as treasury shares until they are sold or cancelled.

N Provisions

Provisions are recognised 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 recognised as a separate asset, but only when the reimbursement is virtually certain.

O Revenue recognition

Revenue comprises the fair value for the sale of products and services, net of value-added tax, rebates and discounts related to its collaborative arrangements. Revenue from the sale of products is recognised 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 recognised 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 recognised as revenue by reference to the completion of the performance obligation and the economic substance of the agreement.

P 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.

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Q Research and development

Research and development costs are expensed as incurred. Costs incurred on development projects are recognised as intangible assets when the following criteria are fulfilled:

a) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

b) management intends to complete the intangible asset and use or sell it;

c) there is an ability to use or sell the intangible asset;

d) it can be demonstrated how the intangible asset will generate probable future economic benefits;

e) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

f) 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 recognised as an asset, as prescribed by IAS 38 "Intangible Assets" are not met. Property, plant and equipment used for research and development purposes are capitalised and depreciated in accordance with the Group's property, plant and equipment policy (note D).

3 Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise 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 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, recognised 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.

Credit risk

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.

Liquidity risk

The Group's principal source of liquidity is its cash reserves which are obtained through the sale of new shares. 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 sale of new shares. Consequently, the Group is exposed to significant liquidity risk in the medium term (greater than 12 months).

Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cashflows are substantially independent of changes in market interest rates. The Group's principal borrowings are related to finance leases which are at fixed interest rates. Therefore the Group has no significant interest rate risk exposure.

Derivative financial instrument and hedging activities

The Group has entered into certain contractual arrangements where payments or receipts are in currencies other than the functional currency of either the Group or the counterparty. Consequently, these contracts are considered to contain embedded derivatives in the form of forward foreign currency contracts. These derivatives have been separated from their host contracts and fair valued through the statement of income (note 7,15). The Group does not apply hedge accounting to such transactions.

Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate 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 judgements

Estimates and judgements 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 19 the Group has significant tax losses for Swiss federal tax purposes. These tax losses represent potential value to the Company to the extent that the Company is able to create taxable profits within 7 years of the balance sheet date. The Company 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 Company 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 recognises 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 equity incentive plan. 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 recognised. 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 CHF 3.7 to CHF 7.7 (2005: CHF 3 to CHF 7). Had the Company calculated the share-based compensation based on these values, then the value of share-based compensation recorded as an expense in 2006 would have been CHF331,780 or CHF838,504, respectively (2005: CHF245,223 or CHF735,670, respectively). This is compared to the amount recognised as an expense in 2006 of CHF526,778 (2005: CHF490,447).

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 20.

4.2 Critical judgements in applying the entity's accounting policies

Revenue recognition

In 2006, the Group recognised CHF 2,316,000 (2005: CHF 2,316,000) of up front fees due under a research collaboration and license agreement executed on December 31, 2004 (note 15) that had been previously deferred. Had the Group considered the up front fee as consideration for the purchase of a license, the Group would have recognised the entire up front fee of CHF 4,632,000 in 2004.

Development supplies

At December 31, 2006, the Group owns development supplies that have been expensed in the statement of income under "R&D outsourced services". These amounts have not been recognised on the balance sheet as an asset

Notes to the Consolidated Financial Statements (amounts in Swiss francs) — (Continued)

since they are used in pre-clinical and clinical trials of specific products that have not demonstrated technical feasibility.

5 Consolidated entities

The consolidated financial statements include the accounts of Addex Pharmaceuticals S.A. and its 100% owned subsidiary, Addex Pharmaceuticals S.A.S., France.

6 Cash and cash equivalents

	2006	2005
Cash at bank and in hand	20,214,802	5,341,645
Short term deposits	20,731,880	16,328,600
	40,946,682	21,670,245

The effective interest rate on short term deposits was 1.10% (2005: 0.70%).

7 Trade and other receivables

	2006	2005
Other receivables	600,553	376,480
Prepayments	595,227	254,471
Derivative financial instruments (note 16)	—	37,975
Loans to related parties (note 22)	114,000	—
Trade and other receivables	1,309,780	668,926

At December 31, 2006, other receivables include CHF 123,500 (2005: CHF 7,300) of loans to employees. All balances approximate their fair value and are due within one year and therefore considered as current.

Notes to the Consolidated Financial Statements (amounts in Swiss francs) — (Continued)

8 Property, plant and equipment

	Buildings	Leasehold improvements	Equipment	Furniture & fixtures	Chemical library	Total
At January 1, 2005						
Cost	32,98	4,422,224	4,325,858	634,991	545,470	9,961,241
Accumulated depreciation	(327)	(1,141,437)	(1,443,262)	(183,683)	(173,413)	(2,942,122)
Net book value	32,371	3,280,787	2,882,596	451,308	372,057	7,019,119
Year ended December 31, 2005						
Opening net book amount	32,371	3,280,787	2,882,596	451,308	372,057	7,019,119
Exchange differences	—	8,478	3,998	420	—	12,896
Additions	—	165,889	533,288	100,607	194,771	994,555
Depreciation charge	(1,308)	(834,476)	(1,189,279)	(140,635)	(137,053)	(2,302,751)
Closing net book amount	31,063	2,620,678	2,230,603	411,700	429,775	5,723,819
At December 31, 2005						
Cost	32,698	4,598,298	4,865,588	736,188	740,241	10,973,013
Accumulated depreciation	(1,635)	(1,977,620)	(2,634,985)	(324,488)	(310,466)	(5,249,194)
Net book value	31,063	2,620,678	2,230,603	411,700	429,775	5,723,819
Year ended December 31, 2006						
Opening net book amount	31,063	2,620,678	2,230,603	411,700	429,775	5,723,819
Exchange differences	—	44,983	18,430	1,858	—	65,271
Additions	—	37,397	184,447	34,458	52,120	308,422
Depreciation charge	(1,308)	(882,981)	(1,253,440)	(150,986)	(155,421)	(2,444,136)
Closing net book amount	29,755	1,820,077	1,180,040	297,030	326,474	3,653,376
At December 31, 2006						
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	29,755	1,820,077	1,180,040	297,030	326,474	3,653,376

	2006	2005
Cost of capitalised finance leases	650,000	2,529,141
Accumulated depreciation	(558,004)	(1,721,600)
Net book value	91,996	807,541

During 2006 the company exercised its option to acquire outright a number of assets which had been acquired under finance leases.

Notes to the Consolidated Financial Statements (amounts in Swiss francs) — (Continued)

9 Intangible assets

	Computer software
At January 1, 2005	
Cost	328,292
Accumulated amortisation	(155,602)
Net book value	172,690
Year ended December 31, 2005	
Opening net book amount	172,690
Exchange differences	26
Additions	56,694
Amortisation charge	(110,693)
Closing net book amount	118,717
At December 31, 2005	
Cost	385,047
Accumulated amortisation	(266,330)
Net book amount	118,717
Year ended December 31, 2006	
Opening net book amount	118,717
Exchange differences	465
Additions	40,252
Amortisation charge	(78,015)
Closing net book amount	81,419
At December 31, 2006 Cost	426,205
Accumulated amortisation	(344,786)
Net book amount	81,419

10 Restricted cash

	2006	2005
Cash pledges to finance lease lenders	—	642,851
Other cash pledges	104,368	124,321
Total restricted cash	104,368	767,172

11 Payables and accruals

	2006	2005
Trade payables	1,837,256	1,342,330
Social security and other taxes	170,254	203,558
Accrued expenses	1,939,996	1,218,979
Total payables and accruals	3,947,506	2,764,867

12 Deferred income

	2006	2005
Deferred income	—	2,951,251

13 Finance leases

	2006	2005
Current		
Finance leases	126,572	538,817
Non-current		
Finance leases	—	164,315
Total non-current	—	164,315
Total finance leases	126,572	703,132

	Long term			Short-term	
	within 2 to 3 years	within 4 to 5 years	Total	within 1 year	Total
At December 31, 2005					
Finance leases	164,315	—	164,315	538,817	703,132
	164,315	—	164,315	538,817	703,132
At December 31, 2006					
Finance leases	—	—	—	126,572	126,572
	—	—	—	126,572	126,572

The weighted average effective interest rates at the balance sheet date ware as follows:

	2006	2005
Finance leases	5.00%	4.96%

The carrying value of the finance lease obligations approximates their fair values. These fair values are based on cash flows discounted at borrowing rates which the Board of Directors believe would be available to the Company at the balance sheet date. Finance leases are denominated in Swiss francs.

Finance leases—minimum lease payments

	2006	2005
Not later than one year	129,200	557,524
Between 1 and 5 years	—	166,474
	129,200	723,998
Future finance charges	(2,628)	(20,866)

14 Share capital and share premium

	Preferred shares	Common shares	Non voting shares	Treasury shares	Total	Share premium
At January 1, 2005	1,357,554	212,000	330,137	(10,250)	1,889,441	39,340,586
Capital increase[i]	735,284	—	129,863	—	865,147	24,231,554
Share-based services	—	—	—	—	—	490,447
Treasury shares purchased	—	—	—	(125,297)	(125,297)	—
At December 31, 2005	2,092,838	212,000	460,000	(135,547)	2,629,291	64,062,587
Capital increase[ii]	630,925	—	—	—	630,925	23,923,307
Capital increase[iii]	381,729	—	210,000	—	591,729	14,482,565
Share-based services	—	—	—	—	—	526,778
Treasury shares issued	—	—	—	15,678	15,678	—
At December 31, 2006	3,105,492	212,000	670,000	(119,869)	3,867,623	102,995,237

Notes to the Consolidated Financial Statements (amounts in Swiss francs) — (Continued)

At December 31, 2006, the total authorised share capital is CHF 3,987,492 consisting of 212,000 common shares, 620,000 preferred A shares, 1,472,838 preferred B shares, 1,012,654 preferred C shares and 670,000 non voting shares. All shares have a nominal value of CHF 1.

i On April 29, 2005, share capital was increased by the issue of 735,234 fully paid preferred B shares at CHF 34.33 and 129,863 fully paid non voting shares at CHF 1. On the same day these new non-voting shares were recorded as treasury shares awaiting sale under the company's equity incentive plan.

ii On August 29, 2006, share capital was increased by the issue of 630,925 fully paid preferred C shares at CHF 39.50.

iii On December 21, 2006, share capital was increased by the issue of 381,729 fully paid preferred C shares at CHF 39.50 and 210,000 fully paid non voting shares at CHF 1. On the same day these new non-voting shares were recorded as treasury shares awaiting sale under the company's equity incentive plan. During 2006, 232,900 (2005: 7,800) non voting shares have been sold and 7,222 (2005: 3,234) non voting shares were purchased at CHF 1 each under the company's equity incentive plan.

Preferred A, preferred B and preferred C shares are entitled to dividends at the same rate as common shares based on the number of common shares they can be converted into. Common shares and non voting shares cannot receive a dividend without a like dividend being paid on preferred shares. Conversion of preferred shares into common shares (initial conversion rate of 1 to 1) is at the discretion of the holder unless there is a successful initial public offering (IPO) whereby there would be automatic conversion at the applicable IPO conversion rate. In the event of liquidation, dissolution, winding up or bankruptcy of the Company or any comparable event, after fulfilling creditor rights, the preferred C shareholders are entitled to their investment and 5% simple interest per year before reimbursement of the investment made by preferred B and preferred A shareholders followed by the common and non voting shareholders. Any remaining net assets are equally distributed between preferred C, preferred B, preferred A, common and non voting shares.

15 Collaboration agreement

Ortho-McNeil Pharmaceutical Inc.

On December 31, 2004, the Company entered into 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 compounds active on an undisclosed target for the treatment of human disorders. Under the OMP agreement, OMP made a €3,000,000 upfront payment and will make future payments contingent on the products from the research achieving certain development milestones. The agreement provided for OMP to pay the Company research funding of €2,400,000 in 2005 and €1,600,000 in 2006. During 2006, up front fees of €1,500,000 (2005: €1,500,000) and research funding of €1,600,000 (2005: €2,400,000) were recognised as income.

16 Other income

	2006	2005
Recruitment grants	6,549	61,257
Contribution to EU application for a research grant	—	32,499
Gain on embedded derivative	38,856	37,975
Gain on disposal of fixed assets	—	2,400
Total other income	45,405	134,131

In 2005 the Group obtained government grants of €50,000 to assist with recruitment costs and €21,000 as a contribution to the cost of making an application to the European Union for a research grant.

The Group recognised CHF 38,956 of gains at the maturity of embedded forward foreign exchange contracts that have been separated from the OMP license and collaboration agreement (note 15).

17 Operating expenses

Operating expenses directly attributable to research and development activities amount to CHF 22,558,348 (2005: CHF 20,168,467).

Notes to the Consolidated Financial Statements (amounts in Swiss francs) — (Continued)

18 Staff costs

	2006	2005
Wages and salaries	6,203,475	5,469,698
Social charges and insurances	699,492	706,784
Value of share-based services	500,974	472,825
Pension costs—defined contribution plans	21,139	29,198
Pension costs—defined benefit plans	456,711	305,705
Other employee costs	71,598	99,865
Total staff cost	7,953,389	7,084,075

The Company has 60 full time employees at December 31, 2006 (60 at December 31, 2005).

Share-based services

The Group operates an equity incentive plan for its employees and board members which provides for the sale of non voting shares in the Company. The shares are subject to a clawback provision that provides the Company with a right to repurchase the shares in the event of the employment relationship or board membership being terminated. The number of shares that are subject to the repurchase right reduces on a straight-line basis over a 4 or 5 year period from the date of sale.

During 2006, 232,900 (2005: 7,800) non voting shares were sold at a price of CHF 1 each with a fair value of CHF 5.7 (2005: CHF 5) per share. The expense arising from share-based payment transactions was CHF 526,778 (2005: CHF 490,447).

19 Taxes

The Company expects to be granted a tax holiday for 10 years from incorporation in Switzerland for all income and capital taxes on a state and municipal level. The Company is still subject to Swiss federal income taxes.

	2006	2005
Loss before tax	20,544,811	16,310,164
Tax calculated at a tax rate of 7.8% (2005: 7.8%)	1,602,495	1,272,193
Effect of different tax rates in other countries	418,745	390,087
Expenses charged against equity	45,342	21,486
Expenses not deductible for tax purposes	(41,089)	(38,255)
Tax losses not recognised as deferred tax assets	(2,025,493)	(1,645,511)
Income tax charge	—	—

The Group has a tax loss carryforward of CHF 64,439,490 as of December 31, 2006 (2005: CHF 43,894,679) of which CHF 27,584,515 expire within the next five years and CHF 36,854,975 will expire between five and seven years.

20 Retirement benefit obligations

Apart from the social security plans fixed by the law, the Company 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 periodically by an independent actuary. In accordance with IAS 19, plan assets have been valued at fair market values and liabilities have been calculated according to the "projected unit credit" method.

Notes to the Consolidated Financial Statements (amounts in Swiss francs) — (Continued)

Balance sheet assets for:	2006	2005
Pension benefits	255,976	249,493
Statement of income charge for:		
Pension benefits	456,711	305,705

Pension benefits

The amount recognised in the balance sheet are determined as follows:

	2006	2005
Present value of funded obligations	3,977,785	3,170,004
Fair value of plan assets	(2,929,027)	(2,243,836)
Funded status	1,048,758	926,168
Unrecognised net losses	(1,304,734)	(1,175,661)
Prepaid pension costs	(255,976)	(249,493)

	2006	2005
Current service cost	807,493	639,403
Interest cost	95,100	60,559
Expected return on plan assets	(89,753)	(58,849)
Employees contributions	(402,468)	(348,547)
Amortisation of unrecognised losses	46,339	13,139
Total included in staff costs (note 18)	456,711	305,705

The movement in the liability or asset recognised in the balance sheet is as follows:

	2006	2005
Asset at beginning of the year	249,493	156,797
Total expense charged in the statement of income	(456,711)	(305,705)
Contributions paid	463,194	398,401
Asset at end of the year	255,976	249,493

The movement in the defined benefit obligations over the year is as follows:

	2006	2005
Defined benefit obligations at beginning of the year	3,170,004	1,730,258
Service cost	807,493	639,403
Interest cost	95,100	60,559
Actuarial losses	138,531	749,360
Benefit payments	(233,343)	(9,576)
Defined benefit obligations at end of the year	3,977,785	3,170,004

The movement in the fair value of plan assets of the year is as follows:

	2006	2005
Fair value of plan assets at beginning of the year	2,243,836	1,471,216
Expected return on plan assets	89,753	58,849
Employees contributions	402,468	348,547
Company contribution	463,194	398,401
Plan assets actuarial losses	(36,881)	(23,602)
Benefit payments	(233,343)	(9,576)
Fair value of plan assets at end of the year	2,929,027	2,243,836

Notes to the Consolidated Financial Statements (amounts in Swiss francs) — (Continued)

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

	2006	2005
Unrecognised losses at beginning of the year	(1,175,661)	(415,839)
Amortization	46,339	13,139
Actuarial losses	(138,531)	(749,360)
Plan assets actuarial losses	(36,881)	(23,602)
Unrecognised losses at end of the year	(1,304,734)	(1,175,661)

The actual return on plan assets was CHF 52,872 (2005: gain of CHF 35,247).

The principal actuarial assumptions used were as follows:

	2006	2005
Discount rate	3.00%	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%

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 on the balance sheet date is as follows:

	2006	2005
Male	17.6	17.6
Female	20.4	20.4

The estimated company contribution to the pension plans for the financial year 2007 amounts to CHF 541,400. The plan assets relate primarily to amounts invested with, and managed by, the Winterthur-Columna Fondation LPP. The detailed structures and assets held are not currently available for presentation.

21 Commitments and contingencies

Operating lease commitments

	2006	2005
Within 1 year	667,255	671,640
Later than 1 year and not more than 5 years	720,075	597,047
	1,387,330	1,268,687

Capital commitments

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

	2006	2005
Property, plant and equipment	6,234	47,221

Contingencies

As part of the ordinary course of business, the Group is subject to contingent liabilities in respect of certain litigation. In the opinion of management, none of the outstanding litigation will have a significant adverse effect on the Group's financial position.

Notes to the Consolidated Financial Statements (amounts in Swiss francs) — (Continued)

22 Related party transactions

The Company is owned by a group of venture capital investment funds and private individuals. No single investor has a controlling interest. Related parties include members of the Board of Directors and the Founders of the Company.

The following transaction were carried out with related parties:

Purchase of services

	2006	2005
Member of Board of Directors	6,000	—
Close family members of key management personnel	3,400	9,325
	9,400	9,325

Services are usually negotiated with related parties on the basis of prices available from non-related parties offering a similar service.

Key management compensation

	2006	2005
Salaries and other short-term employee benefits	988,000	809,500
Other long-term benefits	92,467	85,909
Share-based payments	292,351	289,606
	1,372,818	1,185,015

Loans to related parties

	2006	2005
Loans to directors:		
Beginning of the year	—	133,380
Loans advanced during year	114,000	—
Loans repayments received	—	(133,000)
Interest charged	756	1,392
Interest received	—	(1,772)
End of the year	114,756	—

The loans advanced to directors during 2006 are for a one-year term at 2% interest rate. No provision has been required in 2006 for the loans made to directors.

23 Segmental information

Following the Group's decision to consider a listing of its shares on the Zurich Stock Exchange, management have considered the requirements of IAS 14. At the current stage of development the Group is involved solely in the research and development of pharmaceutical products, and its activities are based exclusively in the Geneva and surrounding area. Consequently, the Group is considered to have both a single business and single geographical segment and therefore no segmental information can be provided. As discussed in Note 2A the application of IFRS 8 Operating Segments is not expected to have an effect on the consolidated financial statements.

24 Comparatives

A number of minor reclassifications have been made during the year and the 2005 comparative figures have been adjusted accordingly.

Consolidated Financial Statements 2005/04 (Audited)
regarding Addex Pharmaceuticals SA (today Addex Pharma SA)

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Report of the Group Auditors
to the General Meeting of
Addex Pharmaceuticals SA
Plan-les-Ouates

As auditors of the group, we have audited the consolidated financial statements (balance sheet, statement of income, statement of cash flows, statement of changes in equity and notes) of Addex Pharmaceuticals SA for the year ended 31 December 2005.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

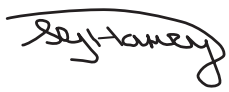
Our audit was conducted in accordance with International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

D. Mason



S. Harvey

Geneva, 22 February 2006

Enclosure:
— Consolidated financial statements (balance sheet, statement of income, statement of cash flows, statement of changes in equity and notes).

Consolidated Balance Sheets
as at December 31, 2005 and 2004

	Notes	2005	2004
		Amounts in Swiss francs	
Assets			
Current assets			
Cash and cash equivalents	6	21,670,245	9,180,033
Trade and other receivables	7	668,926	6,248,827
Total current assets		22,339,171	15,428,860
Non-current assets			
Property, plant and equipment	8	5,723,819	7,019,119
Intangible assets	9	118,717	172,690
Restricted cash	10	767,172	812,508
Prepaid pension costs	19	249,493	156,797
Total non-current assets		6,859,201	8,161,114
Total assets		29,198,372	23,589,974
Liabilities and shareholders' equity			
Current liabilities			
Finance leases	12	538,817	604,640
Payables	11	1,545,888	1,506,386
Accruals and deferred income	11	4,170,230	7,136,379
Total current liabilities		6,254,935	9,247,405
Non-current liabilities			
Finance leases	12	164,315	699,817
Total non-current liabilities		164,315	699,817
Shareholders' equity			
Share capital	13	2,629,291	1,889,441
Share premium	13	64,062,587	39,340,586
Other reserves		(18,077)	(2,760)
Accumulated deficit		(43,894,679)	(27,584,515)
Total shareholders' equity		22,779,122	13,642,752
Total liabilities and shareholders' equity		29,198,372	23,589,974

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

Consolidated Statements of Income
for the years ended December 31, 2005 and 2004

	Notes	2005	2004
		Amounts in Swiss francs	
Income			
Fees from collaborations	14	6,016,680	200,000
Other income	15	134,131	—
		6,150,811	200,000
Operating expenses	16		
Staff costs	17	7,084,075	5,557,723
Depreciation and amortisation	8, 9	2,413,444	2,132,772
External R&D costs		8,261,094	3,816,771
Laboratory consumables		2,072,090	1,359,592
Facilities		1,125,696	842,516
Professional fees		456,603	479,159
Other operating expenses		903,119	750,479
Patents		233,245	261,315
		22,549,366	15,200,327
Operating loss		16,398,555	15,000,327
Interest income		(144,447)	(29,736)
Interest expense		56,056	83,426
Net loss for the year		16,310,164	15,054,017

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

Consolidated Statements of Changes in Shareholders' Equity
for the years ended December 31, 2005 and 2004

	Notes	Share capital	Share premium	Other reserves	Accumulated deficit	Total
		Amounts in Swiss francs				
Balance at January 1, 2004		832,000	14,726,563	—	(12,530,498)	3,028,065
Issue of preferred B shares		737,554	24,582,675	—	—	25,320,229
Cost of share capital issuance		—	(417,285)	—	—	(417,285)
Issue of non voting shares		330,137	—	—	—	330,137
Value of share-based services	17	—	448,633	—	—	448,633
Currency translation differences		—	—	(2,760)	—	(2,760)
Purchase of treasury shares		(10,250)	—	—	—	(10,250)
Net loss for the year		—	—	—	(15,054,017)	(15,054,017)
Balance at December 31, 2004		1,889,441	39,340,586	(2,760)	(27,584,515)	13,642,752
Issue of preferred B shares		735,284	24,507,016	—	—	25,242,300
Cost of share capital issuance		—	(275,462)	—	—	(275,462)
Issue of non voting shares		7,800	—	—	—	7,800
Value of share-based services	17	—	490,447	—	—	490,447
Currency translation differences		—	—	(15,317)	—	(15,317)
Purchase of treasury shares		(3,234)	—	—	—	(3,234)
Net loss for the year		—	—	—	(16,310,164)	(16,310,164)
Balance at December 31, 2005	13	2,629,291	64,062,587	(18,077)	(43,894,679)	22,779,122

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

Consolidated Statements of Cash Flows
for the years ended December 31, 2005 and 2004

	Notes	2005	2004
		Amounts in Swiss francs	
Cash flows from operating activities			
Net loss for the year		(16,310,164)	(15,054,017)
Depreciation and amortisation	8, 9	2,413,444	1,981,369
Write-offs	8, 9	—	151,403
Value of share-based services	17	490,447	448,633
Changes in prepaid pension costs	19	(92,696)	(125,498)
Interest expense, net		(88,391)	53,690
Changes in working capital:			
Trade and other receivables		5,379,429	(5,532,566)
Payables, accruals and deferred income		(2,612,745)	6,815,106
Net cash used in operating activities		(10,820,676)	(11,261,880)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(1,349,439)	(3,716,176)
Purchase of intangible assets	9	(45,020)	(151,992)
Loans granted to related parties	21	—	(133,000)
Loans granted to staff	7	(21,228)	(121,012)
Loan repayments received from related parties		133,000	—
Loan repayments received from staff		134,940	—
Interest received		144,447	29,736
Net cash used in investing activities		(1,003,300)	(4,092,444)
Cash flows from financing activities			
Proceeds from issue of shares	13	25,242,300	19,080,229
Costs paid on issue of shares		(275,462)	(417,278)
Proceeds from issue of non voting shares	13	7,800	330,137
Purchase of treasury shares	13	(3,234)	(10,250)
Repayments of finance leases	12	(601,325)	(525,631)
Interest paid		(56,056)	(83,426)
Net cash from financing activities		24,314,023	18,373,781
Increase in cash and cash equivalents		12,490,047	3,019,457
Cash and cash equivalents at beginning of the year		9,180,033	6,161,964
Exchange gain/(loss) on cash		165	(1,388)
Cash and cash equivalents at end of the year		**21,670,245**	**9,180,033**
Consisting of:			
Cash and cash equivalents	6	21,670,245	9,180,033

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

1 General

Addex Pharmaceuticals SA (the Company) and its subsidiary (together the Group) research, develop, manufacture and market therapeutics for human disorders. The Company is a limited liability company incorporated and domiciled at Chemin des Aulx 12, 1228 Plan-les-Ouates, Geneva, Switzerland.

Inherent in the Group's business are various risks and uncertainties, including risks associated with commercialisation of its products. The Group meets its day-to-day working capital requirement through use of its cash reserves and income from collaborations. The Group is in the process of preparing a capital increase which it expects to complete by June 30, 2006. Should the Group fail to secure these additional cash reserves by June 30, 2006, a cost reduction and asset realisation strategy would be implemented. Consequently, 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.

The consolidated financial statements were authorised for issue by the Board of Directors on February 22, 2006.

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 consolidated financial statements of Addex Pharmaceuticals SA have been prepared in accordance with the International Financial Reporting Standards (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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Early adoption of standards

In 2005 no new standards were early adopted. In 2004, the Group early adopted the IFRS below, which are relevant to its operations.

- IAS 1 (revised 2003) Presentation of Financial Statements
- IAS 8 (revised 2003) Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10 (revised 2003) Events after the Balance Sheet Date
- IAS 16 (revised 2003) Property, Plant and Equipment
- IAS 17 (revised 2003) Leases
- IAS 21 (revised 2003) The Effect of Changes in Foreign Exchange Rates
- IAS 24 (revised 2003) Related Party Disclosures
- IAS 27 (revised 2003) Consolidated and Separate Financial Statements
- IAS 32 (revised 2003) Financial Instruments: Disclosure and Presentation
- IAS 39 (revised 2003) Financial Instruments: Recognition and Measurement
- IFRS 2 (issued 2004) Share-based Payments
- IAS 36 (revised 2004) Impairment of Assets
- IAS 38 (revised 2004) Intangible Assets

Interpretations and amendments to published standards effective in 2005

The following amendments and interpretations to standards are mandatory for the Group's accounting periods beginning on or after September 1, 2004:

- IFRIC 2, Members' Shares in Co-operative Entities and Similar Instruments (effective from January 1, 2005);
- SIC 12 (Amendment), Consolidation—Special Purpose Entities (effective from January 1, 2005); and
- IAS 39 (Amendment), Transition and Initial Recognition of Financial Assets and Financial Liabilities (effective from January 1, 2005).

Management assessed the relevance of these amendments and interpretations with respect to the Group's operations and concluded that they are not relevant to the Group.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after January 1, 2006 or later periods but which the Group has not early adopted, as follows:

- IAS 19 *(Amendment), Employee Benefits (effective from January 1, 2006).* This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses, adoption of this amendment will only impact the format and extent of disclosures presented in the accounts. The Group will apply this amendment from annual periods beginning January 1, 2006.
- IAS 39 *(Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from January 1, 2006).* The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit or loss. This amendment is not relevant to the Group's operations, as the Group does not have any intragroup transactions that would qualify as a hedged item in the consolidated financial statements as of December 31, 2005 and 2004.
- IAS 39 *(Amendment), The Fair Value Option (effective from January 1, 2006).* This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss. The Group will apply this amendment from annual periods beginning January 1, 2006.
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (effective from January 1, 2006). This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value and subsequently measured at the higher of: (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. Management considered this amendment to IAS 39 and concluded that it is not relevant to the Group.
- IFRS 1 *(Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources (effective from January 1, 2006).* These amendments are not relevant to the Group's operations as the Group is not a first-time adopter of IFRS and does not carry out exploration for and evaluation of mineral resources.
- IFRS 6, *Exploration for and Evaluation of Mineral Resources (effective from January 1, 2006).* IFRS 6 is not relevant to the Group's operations.
- IFRS 7, *Financial Instruments:* Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements—Capital Disclosures (effective from January 1, 2007). IFRS 7 introduces new

disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning January 1, 2007.

- IFRIC 4, *Determining whether an Arrangement contains a Lease (effective from January 1, 2006).* IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. IFRIC 4 is not relevant to the Group's operations.
- IFRIC 5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from January 1, 2006).* IFRIC 5 is not relevant to the Group's operations.
- IFRIC 6, *Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment (effective from December 1, 2005).* IFRIC 6 is not relevant to the Group's operations.

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.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

C 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. 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 recognised in the statement of income.

Group companies

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

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

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

(iii) all resulting exchange differences are recognised 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.

D 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 recognised 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 (note F). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of income.

E Intangible assets

Computer software

Acquired computer licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (2 to 5 years). Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

F Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 cashflows (cash generating units).

G 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. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (note 7).

H Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised 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 recognised in the statement of income.

I Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

J 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.

K Government grants

Grants from the government are recognised at their fair value where there is a 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 recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

L 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 realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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.

M 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 recognised 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 unrecognised 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 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 recognised 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 amortised 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 recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that cash refund or a reduction in the future payments is available.

Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the sale of non voting shares at a price below fair value is recognised 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 is determined by reference to the latest price paid for preference shares adjusted for differences in rights and restriction 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 are credited to share capital when the non-voting shares are sold. Non voting shares which are repurchased under the Company's repurchase right or have been created and are available for sale are recorded as treasury shares until they are sold or cancelled.

N Provisions

Provisions are recognised 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 recognised as a separate asset, but only when the reimbursement is virtually certain.

O Revenue recognition

Revenue comprises the fair value for the sale of products and services, net of value-added tax, rebates and discounts related to its collaborative arrangements. Revenue from the sale of products is recognised 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 recognised 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 recognised as revenue by reference to the completion of the performance obligation and the economic substance of the agreement.

P 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.

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables.

The interest element of the finance cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Q Research and development

Research and development costs are expensed as incurred. In the opinion of management, due to uncertainties inherent in the development of the Group's new products, the criteria for development costs to be recognised as an asset, as prescribed by IAS 38 "Intangible Assets", are not met at least until the product is proven effective. Property, plant and equipment used for research and development purposes are capitalised and depreciated in accordance with the Group's property, plant and equipment policy (note D).

3 Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise 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 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, recognised assets and liabilities and net investments in foreign operations. To manage foreign exchange risk Group Finance maintains foreign currency investments to cover anticipated future requirements.

The Group's risk management policy is to 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.

Credit risk

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.

Liquidity risk

The Group's principal source of liquidity is its cash reserves which are obtained through the sale of new shares in private placements. 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 sale of new shares. Consequently, the Group is exposed to significant liquidity risk in the medium term (greater than 12 months).

Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cashflows are substantially independent of changes in market interest rates. The Group's principal borrowings are related to asset backed finance leases which are at fixed interest rates. Therefore the Group has no significant interest rate risk exposure.

Derivative financial instrument and hedging activities

The Group has entered into certain contractual arrangements where payments or receipts are in currencies other than the functional currency of either the Group or the counterparty. Consequently, these contracts are considered to contain embedded derivatives in the form of forward foreign currency contracts. These derivatives have been separated from their host contracts and fair valued through the statement of income (note 7,15). The Group does not apply hedge accounting to such transactions.

Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate 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 judgements

Estimates and judgements 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 18 the Group has significant tax losses for Swiss federal tax purposes. These tax losses represent potential value to the Company to the extent that the Company is able to create taxable profits during a 7 year period. The Company 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 Company 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 recognises 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 equity incentive plan. 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 recognised. 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 CHF 3 to CHF 7 (2004: CHF 3 to CHF 7). Had the Company calculated the share-based compensation based on these values, then the value of share-based compensation recorded as an expense in 2005 would have been CHF 245,223 or CHF 735,670, respectively (2004: CHF 224,316 or CHF 672,949, respectively). This is compared to the amount recognised as an expense in 2005 of CHF 490,447 (2004: CHF 448,663).

4.2 Critical judgement in applying the entity's accounting policies

Revenue recognition

In 2005, the Group has deferred the recognition of CHF 2,316,000 (2004: CHF 4,632,000) up front fees due under a research collaboration and license agreement executed on December 31, 2004. The Group recognised CHF 2,316,000 in 2005 and plans to recognise the remaining CHF 2,316,000 in 2006 (note 20). Had the Group considered the up front fee as consideration for the purchase of a license, the Group would have recognised the entire up front fee of CHF 4,632,000 in 2004.

(amounts in Swiss francs)—(Continued)

Development supplies

At December 31, 2005, the Group owns development supplies that have been expensed in the statement of income under "R&D outsourced services". These amounts have not been recognised on the balance sheet as an asset since they are used in pre-clinical and clinical trials of specific products that have not demonstrated technical feasibility.

5 Consolidated entities

The consolidated financial statements include the accounts of Addex Pharmaceuticals S.A. and its 100% owned subsidiary, Addex Pharmaceuticals S.A.S., France.

6 Cash and cash equivalents

	2005	2004
Cash at bank and in hand	21,670,245	9,180,033

The effective interest rate on short term deposits was 0.70% (2004: 0.34%).

7 Trade and other receivables

	2005	2004
Trade debtors	—	5,558,400
Other receivables	376,480	417,084
Prepayments	254,471	140,343
Derivative financial instruments (note 15)	37,975	—
Loans to related parties (note 19)	—	133,000
Total trade and other receivables	668,926	6,248,827

At December 31, 2005, other receivables include CHF 7,300 (2004: CHF 121,012) of loans to employees. All balances approximate their fair value and are due within one year and therefore considered as current.

(amounts in Swiss francs)—(Continued)

8 Property, plant and equipment

	Buildings	Leasehold improvements	Equipment	Furniture & fixtures	Chemical library	Total
At January 1, 2004						
Cost	—	2,393,283	3,257,572	408,369	540,887	6,600,111
Accumulated depreciation	—	(559,388)	(590,271)	(89,720)	(64,768)	(1,304,147)
Net book value	—	1,833,895	2,667,301	318,649	476,119	5,295,964
Year ended December 31, 2004						
Opening net book amount	—	1,833,895	2,667,301	318,649	476,119	5,295,964
Exchange differences	—	(177)	(254)	(17)	—	(448)
Additions	32,698	2,280,974	1,197,409	237,622	4,582	3,753,285
Write-offs	—	(139,309)	—	(6,523)	—	(145,832)
Depreciation charge	(327)	(694,596)	(981,860)	(98,423)	(108,644)	(1,883,850)
Closing net book amount	32,371	3,280,787	2,882,596	451,308	372,057	7,019,119
At December 31, 2004						
Cost	32,698	4,422,224	4,325,858	634,991	545,470	9,961,241
Accumulated depreciation	(327)	(1,141,437)	(1,443,262)	(183,683)	(173,413)	(2,942,122)
Net book value	32,371	3,280,787	2,882,596	451,308	372,057	7,019,119
Year ended December 31, 2005						
Opening net book amount	32,371	3,280,787	2,882,596	451,308	372,057	7,019,119
Exchange differences	—	8,478	3,998	420	—	12,896
Additions	—	165,889	533,288	100,607	194,771	994,555
Depreciation charge	(1,308)	(834,476)	(1,189,279)	(140,635)	(137,053)	(2,302,751)
Closing net book amount	31,063	2,620,678	2,230,603	411,700	429,775	5,723,819
At December 31, 2005						
Cost	32,698	4,598,298	4,865,588	736,188	740,241	10,973,013
Accumulated depreciation	(1,635)	(1,977,620)	(2,634,985)	(324,488)	(310,466)	(5,249,194)
Net book value	31,063	2,620,678	2,230,603	411,700	429,775	5,723,819

	2005	2004
Cost of capitalised finance leases	2,529,141	2,527,728
Accumulated depreciation	(1,721,600)	(1,046,106)
Net book value	807,541	1,481,622

(amounts in Swiss francs)—(Continued)

9 Intangible assets

	Computer software
At January 1, 2004	
Cost	241,318
Accumulated amortisation	(70,732)
Net book value	170,586
Year ended December 31, 2004	
Opening net book amount	170,586
Exchange differences	(3)
Additions	105,197
Write-offs	(5,571)
Amortisation charge	(97,519)
Closing net book amount	172,690
At December 31, 2004	
Cost	328,292
Accumulated amortisation	(155,602)
Net book amount	172,690
Year ended December 31, 2005	
Opening net book amount	172,690
Exchange differences	26
Additions	56,694
Amortisation charge	(110,693)
Closing net book amount	118,717
At December 31, 2005	
Cost	385,047
Accumulated amortisation	(266,330)
Net book amount	118,717

10 Restricted cash

	2005	2004
Cash pledges to finance lease lenders	642,851	812,508
Other cash pledges	124,321	—
Total restricted cash	767,172	812,508

11 Payables, accruals and deferred income

	2005	2004
Trade payables	1,342,330	1,398,612
Social security and other taxes	203,558	107,774
Total payables	1,545,888	1,506,386
Accrued expenses	1,218,979	1,577,979
Deferred income	2,951,251	5,558,400
Total accruals and deferred income	4,170,230	7,136,379

12 Borrowings

	2005	2004
Current		
Finance leases	538,817	604,640
Non-current		
Finance leases	164,315	699,817
Total non-current	164,315	699,817
Total borrowings	703,132	1,304,457

	Long term	Short-term	
	within 2 to 3 years	within 1 year	Total
At December 31, 2004			
Finance leases	699,817	604,640	1,304,457
	699,817	604,640	1,304,457
At December 31, 2005			
Finance leases	164,315	538,817	703,132
	164,315	538,817	703,132

The weighted average effective interest rates at the balance sheet date were as follows:

	2005	2004
Finance leases	4.96%	4.96%

The carrying value of the finance lease obligations approximates their fair values. These fair values are based on cash flows discounted at borrowing rates which the Board of Directors believe would be available to the Company at the balance sheet date. Finance leases are denominated in Swiss Francs.

Finance leases — minimum lease payments

	2005	2004
Not later than one year	557,524	653,220
Between 1 and 5 years	166,474	723,998
	723,998	1,377,218
Future finance charges	(20,866)	(72,761)

13 Share capital and share premium

	Preferred shares	Common shares	Non voting shares	Subtotal shares	Share premium	Total
At January 1, 2004	620,000	212,000	—	832,000	14,726,563	15,558,563
Capital increase April 29	601,221	—	—	601,221	19,696,522	20,297,743
Capital increase May 11	136,333	—	—	136,333	4,468,868	4,605,201
Capital increase Dec 31	—	—	330,137	330,137	—	330,137
Share-based services	—	—	—	—	448,633	448,633
Treasury shares	—	(10,250)	—	(10,250)	—	(10,250)
At December 31, 2004	1,357,554	201,750	330,137	1,889,441	39,340,586	41,230,027
Capital increase April 29	735,284	—	129,863	865,147	24,231,554	25,096,701
Share-based services	—	—	—	—	490,447	490,447
Treasury shares	—	—	(125,297)	(125,297)	—	(125,297)
At December 31, 2005	2,092,838	201,750	334,703	2,629,291	64,062,587	66,691,878

(amounts in Swiss francs)—(Continued)

At December 31, 2005, the total authorised share capital is CHF 2,764,838 consisting of 212,000 common shares, 620,000 preferred A shares, 1,472,838 preferred B shares and 460,000 non voting shares. All shares have a nominal value of CHF 1. On April 29, 2004, share capital was increased by the issue of 601,221 fully paid preferred B shares at CHF 34.33. On May 11, 2004, share capital was increased by the issue of 136,333 fully paid preferred B shares at CHF 34.33. On December 31, 2004, share capital was increased by the issue of 330,137 fully paid non voting shares at CHF 1. During 2004, 10,250 common shares were purchased at CHF 1 each from an employee. On April 29, 2005, share capital was increased by the issue of 735,234 fully paid preferred B shares at CHF 34.33 and 129,863 fully paid non voting shares at CHF 1. On the same day these new non-voting shares were recorded as treasury shares awaiting sale under the company's equity incentive plan. During 2005, 7,800 non voting shares have been sold and 3,234 non voting shares were purchased at CHF 1 each from employees under the company's equity incentive plan.

Preferred A and preferred B shares are entitled to dividends at the same rate as common shares based on the number of common shares they can be converted into. Common shares and non voting shares cannot receive a dividend without a like dividend being paid on preferred shares. Conversion of preferred shares into common shares (initial conversion rate of 1 to 1) is at the discretion of the holder unless there is a successful initial public offering (IPO) whereby there would be automatic conversion at the applicable IPO conversion rate. In the event of liquidation, dissolution, winding up or bankruptcy of the Company or any comparable event, after fulfilling creditor rights, the preferred B shareholders are entitled to their investment and 8% simple interest per year before reimbursement of the investment made by preferred A shareholders followed by the common and non voting shareholders. Any remaining net assets are equally distributed between preferred B, preferred A, common and non voting shares.

14 Licence fees

Licence fees consist of amounts received from a collaboration partner (note 22).

15 Other income

The Group obtained government grants of € 50,000 to assist with recruitment costs a nd €21,000 as a contribution to the cost of making an application to the European Union for a research grant. CHF 96,156 is recognised as income and CHF 16,211 as deferred income.

The Group recognised CHF 37,975 of gains arising on the revaluation of embedded forward foreign exchange contracts that have been separated from the OMP license and collaboration agreement (note 22). These contracts mature in 2006.

16 Operating expenses

Operating expenses directly attributable to research and development activities amount to CHF 19,544,421 (2004: CHF 12,546,024).

17 Staff costs

	2005	2004
Wages and salaries	5,469,698	4,391,937
Social charges and insurances	706,784	479,102
Value of share-based services	490,447	448,633
Pension costs—defined contribution plans	29,198	5,993
Pension costs—defined benefit plans	305,705	170,464
Other employee costs	99,865	61,594
Total staff cost	7,101,697	5,557,723

The Company has 60 full time employees at December 31, 2005 (48 at December 31, 2004).

(amounts in Swiss francs)—(Continued)

Share-based services

During the year ended December 31, 2004, the Group created an equity incentive plan for its employees and board members. The plan was effective from July 1, 2004 and provides for the sale of non voting shares in the Company to its employees and board members. The shares are subject to clawback provision that provides the Company with a right to repurchase the shares in the event of the employment relationship or board membership being terminated. The number of shares that are subject to the repurchase right reduces on a straight-line basis over a 4 year period from the later of the start date of employment and July 1, 2004.

During 2005: 7,800 (2004: 330,137) non voting shares were sold at a price of CHF 1 each with a fair value of CHF 5 per share. The expense arising from share-based payment transactions was CHF 490,447; 2004 (CHF 448,633).

18 Taxes

During 2004, the Company expects to be granted a tax holiday for 10 years from incorporation in Switzerland for all income and capital taxes on a state and municipal level. The Company is still subject to Swiss federal income taxes. In 2004, the Group recognised the reimbursement of CHF 16,022 of capital taxes paid in 2003 and 2002.

	2005	2004
Loss before tax	16,310,164	15,054,017
Tax calculated at a tax rate of 7.8% (2004: 7.8%)	1,272,193	1,174,213
Effect of different tax rates in other countries	390,087	204,289
Expenses charged against equity	21,486	32,548
Expenses not deductible for tax purposes	(38,255)	(34,993)
Tax losses not recognised as deferred tax assets	(1,645,511)	(1,376,057)
Income tax charge	—	—

The Group has a tax loss carryforward of CHF 43,894,679 as of December 31, 2005: (2004: CHF 27,584,515) of which CHF 12,530,498 expire within the next five years and CHF 31,364,181 will expire between five and seven years.

19 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. Liabilities and assets are revised periodically by an independent actuary. In accordance with IAS 19, plan assets have been estimated at fair market values and liabilities have been calculated according to the "projected unit credit" method.

	2005	2004
Balance sheet assets for:		
Pension benefits	249,493	156,797
Statement of income charge for:		
Pension benefits	305,705	170,464

Pension benefits

The amount recognised in the balance sheet are determined as follows:

	2005	2004
Present value of funded obligations	3,170,004	1,730,258
Fair value of plan assets	(2,243,836)	(1,496,657)
Funded status	926,168	233,601
Unrecognised net losses	(1,175,661)	(390,398)
Prepaid pension costs	(249,493)	(156,797)

(amounts in Swiss francs)—(Continued)

	2005	2004
Current service cost	639,403	433,086
Interest cost	60,559	39,496
Expected return on plan assets	(58,849)	(40,410)
Employees contributions	(348,547)	(261,708)
Amortisation of unrecognised losses	13,139	—
Total included in staff costs (note 17)	305,705	170,464

The actual return on plan assets was CHF 35,247 (2004: gain of CHF 34,961).

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

	2005	2004
Asset at beginning of the year	156,797	31,299
Total expense charged in the statement of income	(305,705)	(170,464)
Contributions paid	398,401	295,962
Asset at end of the year	249,493	156,797

	2005	2004
Discount rate	3.50%	3.75%
Expected return on plan assets	4.00%	4.00%
Future salary increases	1.50%	1.50%
Future pension increases	1.00%	1.00%

20 Commitments and contigencies

Operating lease commitments

	2005	2004
Within 1 year	671,640	603,162
Later than 1 year and not more than 5 years	597,047	1,335,797
	1,268,687	1,938,959

Capital commitments

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

	2005	2004
Property, plant and equipment	47,221	385,386

Contigencies

As part of the ordinary course of business, the Group is subject to contingent liabilities in respect of certain litigation. In the opinion of management, none of the outstanding litigation will have a significant adverse effect on the Group's financial position.

21 Related party transactions

The Company is owned by a group of venture capital investment funds and private individuals. No single investor has a controlling interest. Related parties include members of the Board of Directors and the Founders of the Company.

(amounts in Swiss francs)—(Continued)

The following transactions were carried out with related parties:

Purchase of services

	2005	2004
Services of key management personnel	9,325	35,097

Services are usually negotiated with related parties on the basis of prices available from non-related parties offering a similar service.

Key management compensation

	2005	2004
Salaries and other short-term employee benefits	809,500	925,556
Other long-term benefits	85,909	68,693
Share-based payments	289,606	268,115
	1,185,015	1,262,364

Year-end balances arising from purchases of services

	2005	2004
Payables to related parties:		
Key management personnel	—	786

Loans to related parties

	2005	2004
Loans to directors:		
Beginning of the year	133,380	—
Loans advanced during year	—	133,000
Loans repayments received	(133,000)	—
Interest charged	1,392	380
Interest received	(1,772)	—
End of the year	—	133,380

The loans advanced to directors during 2004 have the following terms and conditions:

Name of director	Principle	Term	Interest rate
Dr. Mutel	113,000	1 year	2%
Dr. Epping-Jordan	20,000	1 year	2%

No provision has been required in 2004 for the loans made to directors. All amounts were received in full during 2005.

22 License agreements and collaborations

Ortho-McNeil Pharmaceutical Inc.

On December 31, 2004, the Company entered into 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 compounds active on an undisclosed target for the treatment of human disorders. Under the OMP agreement, OMP made a € 3,000,000 upfront payment and will make future payments based on the products from the research achieving certain development milestones. The agreement provides for OMP to pay the Company research funding of € 2,400,000 in 2005 and € 1,600,000 in 2006. During 2005, up front fees of € 1,500,000 and research funding of € 2,400,000 were recognised as income. At December 31, 2005, upfront fees of € 1,500,000 (at 31 December 2004: € 3,000,000) and the first quarter research funding of € 400,000 have been recorded as deferred income. The upfront fee will be recognised in 2006.

Statutory Financial Statements 2006/05 (Audited)
regarding Addex Pharmaceuticals SA (today Addex Pharma SA)

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Report of the statutory auditors
to the general meeting of
Addex Pharmaceuticals SA
Geneva

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, statement of income and notes) of Addex Pharmaceuticals SA for the year ended 31 December 2006.

These financial statements are the responsibility of the board of directors Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of reserves comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

At 31 December 2006 the accumulated losses exceeded one half of the Company's share capital and legal reserves. We therefore draw your attention to the article 725 al 1 of the Swiss code of obligations which requires the board of directors to convene a general meeting of shareholders and propose restructuring measures.

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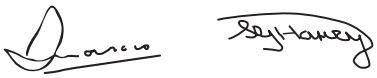

D. Mason S. Harvey
Auditor in charge

Geneva, 22 February 2007

Enclosures:
— Financial statements (balance sheet, statement of income and notes)
— Proposed appropriation of reserves

Statutory Balance Sheets
as at December 31, 2006 and 2005

	Notes	2006	2005
		Amounts in Swiss francs	
Assets			
Current assets			
Cash and cash equivalents		40,939,711	21,642,378
Other receivables			
Third parties		644,828	251,015
Group company	7	1	1
Treasury shares	5	119,869	135,547
Prepayments and accrued income		571,503	243,807
Total current assets		42,275,912	22,272,748
Non-current assets			
Financial fixed assets			
Investments		1	1
Restricted cash	2	104,368	746,940
Tangible fixed assets		1,940,936	3,576,664
Intangible fixed assets		69,961	98,650
Total non-current assets		2,115,266	4,422,255
Total assets		44,391,178	26,695,003
Liabilities and shareholders' equity			
Current liabilities			
Finance lease payable	2	126,572	538,817
Trade payables		1,682,451	1,173,432
Other payables		135,104	136,607
Accruals and deferred income		1,876,823	4,026,649
Total current liabilities		3,820,950	5,875,505
Non-current liabilities			
Finance lease payable	2	—	164,315
Total non-current liabilities		—	164,315
Shareholders' equity			
Share capital	6	3,317,492	2,304,838
Share premium	6, 9	102,837,001	63,834,144
Non-voting share capital	6	670,000	460,000
Treasury shares reserve	6, 9	119,869	135,547
Accumulated deficit	9	(66,374,134)	(46,079,346)
Total shareholders' equity		40,570,228	20,655,183
Total liabilities and shareholders' equity		44,391,178	26,695,003

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

Statutory Statements of Income for the years ended December 31, 2006 and 2005

	2006	2005
	Amounts in Swiss francs	
Income		
Fees from collaborations	4,815,800	6,016,680
Service fees from subsidiary	3,407,000	2,141,100
Other income	—	2,400
	8,222,800	8,160,180
Operating expenses		
Staff costs	7,097,928	6,111,465
Depreciation and amortisation	1,980,827	1,960,304
External R&D costs		
Third parties	9,763,346	8,241,814
Group company	1,524,906	1,418,320
Laboratory consumables	1,886,376	1,632,258
Facilities	1,032,036	871,942
Professional fees	543,957	424,922
Other operating expenses	978,939	929,854
Provision for group company receivable	3,148,539	2,228,083
Patents	327,503	233,245
Taxes	397,668	256,221
	28,682,025	24,308,428
Operating loss before financial items	20,459,225	16,148,248
Interest income	(263,409)	(230,256)
Interest expense	98,972	56,010
Net loss for the year	20,294,788	15,974,002

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

Notes to the Statutory Financial Statements
for the year ended December 31, 2006 (amounts in Swiss francs)

1. General

The Company was incorporated on May 16, 2002 in Plan-les-Ouates (Geneva), Switzerland. The Company's principal purpose is to research, develop, manufacture and market therapeutics for human disorders.

2. Pledges on assets to secure own liabilities

Pledges on assets in favour of finance lease lenders and other cash pledges amount to:

	2006	2005
Laboratory equipments	650,000	2,300,105
Restricted cash	104,368	746,940
	754,368	3,047,045
Finance leases secured by pledged assets	126,572	703,132

3. Lease commitments not recorded in the balance sheet

Liabilities from operating leases

	2006	2005
Within 1 year	504,850	503,692
Later than 1 year and not more than 5 years	355,786	536,391
	860,636	1,040,083

The minimum lease commitments comprise all amounts due in the future periods, including interest and incidental expenses.

4. Fire insurance value of property, plant and equipment

2006	2005
8,100,000	8,100,000

5. Treasury shares

	Number of registered shares	Price in CHF	Total	% of share capital
Balance at January 1, 2005	10,250	1	10,250	0.54%
Purchases	125,297	1	125,297	
Balance at December 31, 2005	135,547	1	135,547	4.90%
Sales	(15,678)	1	(15,678)	
Balance at December 31, 2006	119,869		119,869	3.01%

for the year ended December 31, 2006 (amounts in Swiss francs) — (Continued)

6. Capital increases

	Preferred shares	Common shares	Non voting shares	Subtotal shares	Share premium	Total
At January 1, 2005	1,357,554	212,000	330,137	1,899,691	39,452,425	41,352,116
Capital increase[i]	735,284	—	129,863	865,147	24,507,016	25,372,163
Transfer to treasury shares reserve	—	—	—	—	(125,297)	(125,297)
At December 31, 2005	2,092,838	212,000	460,000	2,764,838	63,834,144	66,598,982
Capital increase[ii]	630,925	—	—	630,925	24,290,613	24,921,538
Capital increase[iii]	381,729	—	210,000	591,729	14,696,566	15,288,295
Transfer to general reserve	—	—	—	—	15,678	15,678
At December 31, 2006	3,105,492	212,000	670,000	3,987,492	102,837,001	106,824,493

At December 31, 2006, the total authorised share capital is CHF 3,987,492 consisting of 212,000 common shares, 620,000 preferred A shares, 1,472,838 preferred B shares, 1,012,654 preferred C shares and 670,000 non voting shares. All shares have a nominal value of CHF 1.

(i) On April 29, 2005, share capital was increased by the issue of 735,234 fully paid preferred B shares at CHF 34.33 and 129,863 fully paid non voting shares at CHF 1. On the same day these new non-voting shares were recorded as treasury shares awaiting sale under the company's equity incentive plan.

(ii) On August 29, 2006, share capital was increased by the issue of 630,925 fully paid preferred C shares at CHF 39.50.

(iii) On December 21, 2006, share capital was increased by the issue of 381,729 fully paid preferred C shares at CHF 39.50 and 210,000 fully paid non voting shares at CHF 1. On the same day these new non-voting shares were recorded as treasury shares awaiting sale under the company's equity incentive plan. During 2006, 232,900 (2005: 7,800) non voting shares have been sold and 7,222 (2005: 3,234) non voting shares were purchased at CHF 1 each under the company's equity incentive plan.

Preferred A, preferred B and preferred C shares are entitled to dividends at the same rate as common shares based on the number of common shares they can be converted into. Common shares and non voting shares cannot receive a dividend without a like dividend being paid on preferred shares. Conversion of preferred shares into common shares (initial conversion rate of 1 to 1) is at the discretion of the holder unless there is a successful initial public offering (IPO) whereby there would be automatic conversion at the applicable IPO conversion rate. In the event of liquidation, dissolution, winding up or bankruptcy of the Company or any comparable event, after fulfilling creditor rights, the preferred C shareholders are entitled to their investment and 5% simple interest per year before reimbursement of the investment made by preferred B and preferred A shareholders followed by the common and non voting shareholders. Any remaining net assets are equally distributed between preferred C, preferred B, preferred A, common and non voting shares.

7. Other receivables — Group company

These comprise:

	2006	2005
Receivable	8,614,001	5,465,462
Provision	(8,614,000)	(5,465,461)
	1	1

8. Financial situation and going concern

Inherent in the Company's business are various risks and uncertainties, including risks associated with commercialisation of its products. The Company meets its day-to-day working capital requirement through use of its cash reserves and income from collaborations. The Board of Directors believes the Company will be able to meet all of its obligations for a further 12 months as they fall due and, hence, the financial statements have been prepared on a going concern basis.

for the year ended December 31, 2006 (amounts in Swiss francs) — (Continued)

9. Proposal of the board of directors for appropriation of reserves

	Share premium	Treasury shares	Accumulated deficit
At December 31, 2005	63,834,144	135,547	(46,079,346)
Capital increase Aug 29	24,290,613	—	—
Capital increase Dec 21	14,696,566	—	—
Appropriations to general reserve	15,678	(15,678)	—
Net loss for the year	—	—	(20,294,788)
At December 31, 2006	102,837,001	119,869	(66,374,134)

The Board of Directors proposes to the general meeting to approve the transfer of CHF 15,678 from treasury shares reserve to share premium and to carry forward the accumulated deficit of CHF 66,374,134.

Statutory Financial Statements 2005/04 (Audited)
regarding Addex Pharmaceuticals SA (today Addex Pharma SA)

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Report of the statutory auditors
to the general meeting of
Addex Pharmaceuticals SA
Geneva

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, statement of income and notes) of Addex Pharmaceuticals SA for the year ended 31 December 2005.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

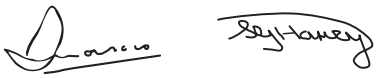
Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of reserves comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

Accumulated losses at 31 December 2005 exceed one half of the Company's share capital and legal reserves. Therefore we draw your attention to the article 725 al 1 of the Swiss code of obligations which requires the board of directors to convene a genera! meeting of shareholders and propose restructuring measures.

PricewaterhouseCoopers SA



D. Mason S. Harvey

Geneva, 29 March 2006

Enclosures:
— Financial statements (balance sheet, statement of income and notes)
— Proposed appropriation of reserves

Statutory Balance Sheets as at December 31, 2005 and 2004

	Notes	2005	2004
		Amounts in Swiss francs	
Assets			
Current assets			
Cash and cash equivalents		21,642,378	9,164,139
Trade debtors		—	5,558,400
Other receivables			
Third parties		251,015	521,576
Group company	8	1	1
Treasury shares	6	135,547	10250
Prepayments and accrued income		243,807	123,138
Total current assets		22,272,748	1,537,7504
Non-current assets			
Financial fixed assets			
Investments		1	1
Restricted cash	2, 3	746,940	812,508
Tangible fixed assets		3,576,664	4,662,003
Intangible fixed assets		98,650	164,853
Total non-current assets		4,422,255	5,639,365
Total assets		26,695,003	21,016,869
Liabilities and shareholders' equity			
Current liabilities			
Finance leases	3	538,817	604,640
Trade payables		1,173,432	1,363,677
Other payables		136,607	82,405
Accruals and deferred income		4,026,649	7,009,308
Total current liabilities		5,875,505	9,060,030
Non-current liabilities			
Finance leases	3	164,315	699,817
Total non-current liabilities		164,315	699,817
Shareholders' equity			
Share capital	7	2,304,838	1,569,554
Share premium	7	63,834,144	39,452,425
Participation certificate capital	7	460,000	330,137
Treasury shares reserve	7	135,547	10,250
Accumulated deficit		(46,079,346)	(3,0105,344)
Total shareholders' equity		20,655,183	11,257,022
Total liabilities and shareholders' equity		26,695,003	21,016,869

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

Statutory Statements of Income for the years ended December 31, 2005 and 2004

	2005	2004
	Amounts in Swiss francs	
Income		
Fees from collaborations	6,016,680	200,000
Gain on disposal of fixed assets used for operations	—	129,150
Other income	2,400	—
Service fees from subsidiary	2,141,100	—
	8,160,180	329150
Operating expenses		
Staff costs	6,111,465	5,108,170
Depreciation and amortisation	1,960,304	1,837,907
External R&D costs		
Third parties	8,241,814	3,703,463
Group company	1,418,320	—
Laboratory consumables	1,632,258	1,176,965
Facilities	871,942	709,351
Professional fees	424,922	611,781
Other operating expenses	843,923	711,202
Group companies receivables provision	2,228,083	3,237,377
Impairment of investment	—	58,551
Patents	233,245	261,315
Taxes	256,221	235,937
	24,222,497	1,7652,019
Operating loss before financial items	16,062,317	17,322,869
Interest income	(144,325)	(29,736)
Interest expense	56,010	96,977
Net loss for the year	15,974,002	17,390,110

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

Notes to the Statutory Financial Statements for the year ended December 31, 2005
(amounts in Swiss francs)

1 General

The Company was incorporated on May 16, 2002 in Plan-les-Ouates (Geneva), Switzerland. The Company's principal purpose is to research, develop, manufacture and market therapeutics for human disorders.

2 Assets pledged in favour of third parties

	2005	2004
Restricted cash (security rental deposit)	—	7,613

3 Pledges on assets to secure own liabilities

Pledges on assets in favour of finance lease lenders and other cash pledges amount to:

	2005	2004
Laboratory equipments	2,300,105	2,300,105
Restricted cash	746,940	804,895
	3,047,045	3,105,000
Finance leases secured by pledged assets	703,132	1,304,457

4 Lease commitments not recorded in the balance sheet

Liabilities from operating leases

	2005	2004
Within 1 year	503,692	490,173
Later than 1 year and not more than 5 years	536,391	1,106,152
	1,040,083	1,596,325

The minimum lease commitments comprise all amounts due in the future periods, including interest and incidental expenses.

5 Fire insurance value of property, plant and equipment

2005	2004
8,100,000	6,650,000

6 Treasury shares

	Number of registered shares	Price in CHF	Total	% of share capital
Balance at December 31, 2004	10,250	1	10,250	0.54%
Purchases	125,297	1	125,297	
Balance at December 31, 2005	135,547		135,547	4.90%

Notes to the Statutory Financial Statements for the year ended December 31, 2005 (amounts in Swiss francs) — (Continued)

7 Capital increases

	Preferred shares	Common shares	Non voting shares	Subtotal shares	Share premium	Total
At January 1, 2004	620,000	212,000	—	832,000	14,880,000	15,712,000
Capital increase April 29	601,221	—	—	601,221	20,038,696	20,639,917
Capital increase May 11	136,333	—	—	136,333	4,543,979	4,680,312
Capital increase Dec 31	—	—	330,137	330,137	—	330,137
Transfer to treasury shares reserve					(10,250)	
At December 31, 2004	13,575,554	212,000	330,137	1,899,691	39,452,425	41,362,366
Capital increase April 29	735,284	—	129,863	865,147	24,507,016	25372163
Transfer to treasury shares reserve					(125,297)	
At December 31, 2005	2,092,838	212,000	460,000	2,764,838	63,834,144	66,734,529

At December 31, 2005, the total authorised share capital is CHF 2,764,838 consisting of 212,000 common shares, 620,000 preferred A shares, 1,472,838 preferred B shares and 460,000 non voting shares. All shares have a nominal value of CHF 1. On April 29, 2004, share capital was increased by the issue of 601,221 fully paid preferred B shares at CHF 34.33. On May 11, 2004, share capital was increased by the issue of 136,333 fully paid preferred B shares at CHF 34.33. On December 31, 2004, share capital was increased by the issue of 330,137 fully paid non voting shares at CHF 1. During 2004, 10,250 common shares were purchased at CHF 1 each from an employee. On April 29, 2005, share capital was increased by the issue of 735,234 fully paid preferred B shares at CHF 34.33 and 129,863 fully paid non voting shares at CHF 1. On the same day these new non-voting shares were recorded as treasury shares awaiting sale under the company's equity incentive plan. During 2005, 7,800 non voting shares have been sold and 3,234 non voting shares were purchased at CHF 1 each from employees under the company,s equity incentive plan.

Preferred A and preferred B shares are entitled to dividends at the same rate as common shares based on the number of common shares they can be converted into. Common shares and non voting shares cannot receive a dividend without a like dividend being paid on preferred shares. Conversion of preferred shares into common shares (initial conversion rate of 1 to 1) is at the discretion of the holder unless there is a successful initial public offering (IPO) whereby there would be automatic conversion at the applicable IPO conversion rate. In the event of liquidation, dissolution, winding up or bankruptcy of the Company or any comparable event, after fulfilling creditor rights, the preferred B shareholders are entitled to their investment and 8% simple interest per year before reimbursement of the investment made by preferred A shareholders followed by the common and non voting shareholders. Any remaining net assets are equally distributed between preferred B, preferred A, common and non voting shares.

8 Receivable from Group company

The following assets and liabilities have been netted in the balance sheet and are disclosed as "Other receivables—Group company".

	2005	2004
Receivable from Group company	5,465,462	3,237,378
Group company receivables provision	(5,465,461)	(3,237,377)
Other receivables—Group company	1	1

(amounts in Swiss francs) — (Continued)

9 Financial situation and going concern

Inherent in the Group's business are various risks and uncertainties, including risks associated with commercialisation of its products. The Group meets its day-to-day working capital requirement through use of its cash reserves and income from collaborations. The Group is in the process of preparing a capital increase which it expects to complete by June 30, 2006. Should the Group fail to secure these additional cash reserves by June 30, 2006, a cost reduction and asset realisation strategy would be implemented. Consequently, 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.

10 Proposal of the board of directors for appropriation of reserves

	Share premium	Treasury shares	Accumulated Deficit
At December 31, 2004	39,452,425	10,250	(30,105,344)
Capital increase April 29	24,507,016	—	—
Appropriations to treasury shares reserves	(125,297)	125,297	—
Net loss for the year	—	—	(15,974,002)
At December 31, 2005	63,834,144	135,547	(46,079,346)

The Board of Directors proposes to the general meeting to approve the transfer of CHF 125,297 from share premium to treasury shares reserve and to carry forward the accumulated deficit of CHF 46,079,346.

Pro Forma Balance Sheet of Addex Pharmaceuticals Ltd as of March 31, 2007
(Unaudited)

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Board of Directors of
Addex Pharmaceuticals Ltd
Geneva

Assurance report of the independent professional accountant to the Board Directors of Addex Pharmaceuticals Ltd.

We have been engaged to review the pro forma balance sheet as of March 31, 2007 set out in Addex Pharmaceuticals Ltd's prospectus dated May 21, 2007. This pro forma balance sheet has been prepared as stated in the basis of preparation, for illustrative purposes only, to provide information about how the initial public offering might have affected the unconsolidated balance sheet of Addex Pharmaceuticals Ltd at March 31, 2007 and, because of its nature, addresses a hypothetical situation and, therefore, does not represent Addex Pharmaceuticals Ltd's actual financial position and results.

The board of directors is responsible for the preparation of this pro forma balance sheet in accordance with the requirements of the SWX Swiss Exchange Directive on Disclosure of Supplemental Financial Figures in the Listing Prospectus.

Our responsibility is to report on this pro forma balance sheet based on our work. We are not responsible for expressing any other conclusion on the pro forma balance sheet or on any of its constituent elements. In particular, we do not accept any responsibility for any financial information previously reported on and used in the preparation of the pro forma balance sheet beyond that owed to those to whom any reports on that financial information were addressed by us at the date of their issue.

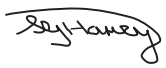
We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information. Our work, which involved no independent examination or review for any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma balance sheet with the board of directors and management of Addex Pharmaceuticals Ltd.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with limited assurance that the pro forma balance sheet has been properly prepared, in all material respects, as stated in the basis of preparation to the pro forma balance sheet.

Based on our work, nothing has come to our attention that causes us to believe that the pro forma balance sheet has not been properly prepared, in all material respects, as stated in the basis of preparation to the pro forma balance sheet.

Without qualifying our conclusion we draw attention to the fact, as outlined in the basis of preparation to the pro forma balance sheet, this pro forma balance sheet is prepared using board of directors' and management's assumptions. It is not necessarily indicative of the effects on the financial position that would have been attained had the above-mentioned transaction actually occurred earlier. Moreover this accompanying pro forma balance sheet is not intended to, and does not, provide all the information and disclosures necessary to present fairly in accordance with the Swiss Code of Obligations.

PricewaterhouseCoopers SA

David Mason
Lead Auditor

Steven Harvey
Manager

Geneva, May 21, 2007

Enclosures:
— Pro forma balance sheet and notes

Unaudited Pro Forma Balance Sheet as of March 31, 2007

Basis of preparation

The following unaudited *pro forma* balance sheet has been prepared on the basis of Swiss Accounting Principles (Swiss Code des Obligations) and has been derived by applying *pro forma* adjustments to the March 31, 2007 unconsolidated balance sheet of Addex Pharmaceuticals Ltd (the "Company") as explained in note 2 below to reflect the impact of the Initial Public Offering (the "IPO") on the unconsolidated balance sheet of the Company as if the transaction had occurred on that date.

The unaudited *pro forma* balance sheet has been prepared in accordance with the Swiss Listing Rules. It should be noted that the unaudited *pro forma* balance sheet was not prepared in connection with an offering registered with the U.S. Securities and Exchange Commission ("SEC") under the U.S. Securities Act and consequently is not compliant with the SEC's rules on the presentation of a pro forma balance sheet. The work performed by our independent accountants has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America and accordingly should not be replied upon as if it had been carried out in accordance with those standards and practices.

The unaudited *pro forma* balance sheet is provided for informational purposes only and has not been prepared to comply with Article 11 of Regulation S-X under the U.S. Securities Act.

In addition, the unaudited *pro forma* balance sheet does not purport to represent what our financial position or results of operations actually would have been if the transaction had occurred on the date indicated, nor does it purport to represent our results of operations for any future period or our financial condition at any future date.

Addex Pharmaceuticals Ltd.

Unaudited Pro Forma Balance Sheet as of March 31, 2007

	Unconsolidated balance sheet as of March 31, 2007 (Note 1)	Adjustments (Note 2)	Proforma Balance Sheet
		Amounts in Swiss francs	
Current assets			
Cash and cash equivalents	—	126,897,052[a]	126,897,052
Non-current assets			
Investments	3,987,493	—	3,987,493
Total assets	3,987,493	126,897,052	130,884,545
Current liabilities			
Accruals	656,275	(656,275)[e]	—
Non-current liabilities			
Amounts due to subsidiary	1	—	1
Total liabilities	656,276	(656,275)	1
Shareholders' Equity			
Share Capital	3,317,492	2,545,000[b]	5,862,492
Share Premium	—	135,000,000[c]	135,000,000
Non-voting shares	670,000	(670,000)[f]	—
Accumulated deficit	(656,275)	(9,321,673)[d]	(9,977,948)
Total shareholders' equity	3,331,217	127,553,327	130,884,544
Total liabilities shareholders' equity	3,987,493	126,897,052	130,884,545

a Reflects the net increase in cash and cash equivalent resulting from the financing, following the payment of listing and professional fees.

b Reflects the issuance of equity of the issuer amounting to 1,875,000 Offered Shares and the conversion of 670,000 non-voting shares into share capital.

c Reflects the increase in share premium from the issuance of equity of the issuer at CHF 72 per share above nominal value.

d Reflects the income statement charge from the expensing of professional and listing fees in accordance with Swiss Accounting Principles (Swiss Code of Obligations).

e Reflects the payment of listing and professional fees accrued at March 31, 2007, from the cash received from the financing.

f Reflects the conversion of non-voting shares into share capital.

Notes to the Unaudited Pro Forma Balance Sheet
as of March 31, 2007 (amounts in Swiss francs)

Note 1—Creation of Addex Pharmaceuticals Ltd and historic balance sheet

Addex shareholders created Addex Pharmaceuticals Ltd, a holding company, on February 19, 2007 by contributing to it all of the shares of Addex Pharma SA (formerly Addex Pharmaceuticals SA). The structure and amount of the capital of Addex Pharmaceuticals Ltd are equal to the structure and amount of the capital of Addex Pharma SA. Addex Pharmaceuticals Ltd then acquired from Addex Pharma SA 100% of the share capital of Addex Pharmaceuticals SAS, France for CHF 1 which is payable in 2007.

The historic balance sheet at March 31, 2007 reflects the creation of the holding company on an unconsolidated basis as well as the transactions described above.

Note 2—Pro forma Adjustments

In connection with the IPO and related financing, as discussed in this Offering Circular, the Company anticipates receiving proceeds of CHF 136.9 million which consists of the issuance of 1,875,000 registered shares of nominal value of CHF 1 at a price of CHF 73 per share.

In addition the Company anticipates receiving proceeds of CHF 20.5 million in relation to the "over-allotment" option. The proceeds from the "over-allotment" option are not included in the proforma adjustments described above.

The Company will use the aggregate proceeds to pay various listing and professional fees relating to the IPO and issuance of equity. The listing and professional fees included in this pro forma balance sheet are managements best estimate at the date of this Offering Circular, being May 21, 2007.

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