addex
Pharmaceuticals

EXPANDING THE
REALM OF POSSIBLE...

Annual Report 2011

Contents

Key Facts / Addex Pharmaceuticals

Focus:	**Pioneering oral small molecule allosteric modulation-based drug discovery and development against traditionally "undruggable" targets**
Disease areas:	**CNS, Metabolism & Inflammation**
Lead product:	**Dipraglurant (ADX48621) to treat Parkinson's disease levodopa-induced dyskinesia (PD-LID) / ADX71149 to treat schizophrenia**
Corporate partner:	**Janssen Pharmaceuticals Inc.**
Total employees as of Dec 31, 2011:	**81**
Stock symbol/exchange:	**ADXN (ISIN:CH0029850754) / SIX Swiss Exchange**
Shares outstanding as of February 21, 2012:	**7,835,878**
Cash as of Dec 31, 2011:	**CHF36.1 million**
Headquarters:	**Geneva, Switzerland**

Letter to Shareholders

André J. Mueller
Chairman

Bharatt Chowrira
President and Chief Executive Officer

Dear Shareholders,

2011 was a year of significant progress and breakthrough for Addex. We were delighted to see two of our orally active allosteric modulators enter Phase IIa testing during the first half of the year. In addition, excellent progress was made in several preclinical and discovery programs for diseases with major unmet medical need, including CNS, inflammatory and metabolic indications.

The highlights of achievements in 2011 include:

- **Completion of enrollment in the dipraglurant-IR Phase IIa PD-LID trial**
- **Initiation of Phase IIa schizophrenia trial by our partner, Janssen**
- **$GABA_B$ receptor PAM clinical candidate selection**
- **Pipeline prioritization**
- **Allosteric modulator discovery technology platform expansion**
- **Restructuring & cash conservation**

We would like to go through some of these achievements here.

Dipraglurant

Dipraglurant is a novel oral small molecule, which inhibits the metabotropic glutamate receptor 5 (mGluR5), and has potential to be used in combination with levodopa or dopamine agonists for treatment of Parkinson's disease (PD). Our initial focus is on testing dipraglurant for the treatment of PD levodopa-induced dyskinesia (PD-LID). Together with a partner, we hope to study dipraglurant's potential for treatment of the non-motor symptoms of PD (e.g. anxiety, depression and impulse control disorders), motor symptoms of PD and also non-parkinsonian dystonias.

Towards the end of March this year, we expect to communicate top line data from our ongoing Phase IIa trial, which we hope will show how dipraglurant can benefit patients with PD-LID.

In this double-blind, placebo-controlled, EU and U.S. trial in PD-LID patients, the primary objective is safety and tolerability. In addition, the trial was designed to evaluate exploratory efficacy as a secondary objective. Efficacy is being measured using: the modified Abnormal Involuntary Movement Scale; patient diaries documenting on time (with/without dyskinesias), off time and sleep time; the Unified Parkinson's Disease Rating Scale; the Clinician & Patient Global Impression of Change; and finally, an evaluation of the patients' mood, using the Hospital Anxiety & Depression Score.

We believe a successful treatment for PD-LID will change the way Parkinson's disease is treated, by enabling physicians to use the most effective drug for Parkinson's disease – levodopa – earlier and more aggressively. In addition, based on robust preclinical data, potential label expansions for dipraglurant include: PD motor symptoms and/or non-motor symptoms, like co-morbid anxiety and depression, as well as non-parkinsonian dystonias.

An extended release formulation of dipraglurant is in development. The choice of two formulations offers the flexibility to tailor treatment to individual patients and their particular problems. It also offers the possibility of an extensive product range and comprehensive life-cycle management.

While dipraglurant has broad potential for treating Parkinson's and other diseases, the most direct path to market is treatment of PD-LID. No drug is approved for PD-LID and LID has been identified by the regulatory authorities, patient advocacy groups such as The Michael J. Fox Foundation and key opinion leaders as a very important unmet medical need. The potential market opportunity for dipraglurant in Parkinson's disease is well in excess of $1 billion, according to market research carried out by Datamonitor for Addex. Further label expansion outside of Parkinson's disease could more than double the peak sales potential for dipraglurant.

As a result, we think that dipraglurant is a compelling partnering opportunity. We are seeking a partner with the vision, expertise and capability to fully exploit dipraglurant's attractive commercial potential. After we announce the Phase IIa data for dipraglurant-IR we plan to engage in partnership discussions with a view towards having a partner on board before the end of 2012.

Janssen Partnership

In 2011, our partner Janssen initiated a 105-patient Phase IIa study of ADX71149 for the treatment of schizophrenia. The molecule was discovered and developed in collaboration with Janssen. ADX71149 is an mGluR2 positive allosteric modulator (PAM) that has the potential to be the first oral non-dopaminergic drug that may address both the positive and negative symptoms of schizophrenia, in addition to other indications, such as anxiety. ADX71149 is differentiated from marketed antipsychotics in that it may also show efficacy on negative symptoms and avoid compliance-limiting side effects like weight gain, hyperprolactinemia and tardive dyskinesia, which are associated with the use of dopamine antagonists. We hope to share with you top-line data for this program during the second half of 2012. In addition, a separate Phase IIa trial in anxiety is planned to start in 2012.

We couldn't be more pleased with the progress that Janssen is making on this program and are proud to be their partner. Under the terms of this partnership, Janssen is responsible for all the costs of advancing this program through commercialization. We are eligible to receive development milestones totaling up to EUR112 million and low double-digit royalties on product sales.

$GABA_B$ Receptor PAM

In 2011 we also made significant progress towards advancing several earlier stage programs. In our $GABA_B$ receptor PAM program, we have selected the clinical candidate and initiated IND-enabling studies. This novel, first-in-class, oral, small molecule $GABA_B$ receptor PAM, has demonstrated excellent preclinical efficacy and tolerability in several rodent models of pain and overactive bladder (OAB). Therefore, this program is currently being profiled for treatment of chronic osteoarthritis (OA) pain and OAB.

Chronic OA pain represents a significant unmet medical need and a "blockbuster" opportunity for $GABA_B$ receptor PAM because, when NSAIDs are no longer effective, the most widely used alternative is opioid drugs. Although effective, opioids have poor tolerability, including drowsiness, nausea, respiratory depression and constipation. In addition, opiates are under-utilized because of their euphoric and addictive properties. A long-acting, well tolerated, oral, drug, without abuse liability, would represent a major advancement in pain management and a large market opportunity.

OAB, also known as urge urinary incontinence, represents another significant opportunity. It's estimated that 11-16 million U.S. women suffer from OAB, according to the U.S. Department of Health and Human Services. Some estimates indicate that an equal number of men experience OAB. OAB is currently treated with anticholinergic (antimuscarinic) drugs like, oxybutinin, but limited efficacy and side effects like dry mouth, constipation, blurred vision and tachycardia, significantly limit their use. In addition, there is growing awareness that anticholinergic OAB drugs can cause adverse CNS effects, ranging from cognitive impairment to episodes of psychosis. A long-acting oral drug without antimuscarinic liabilities would represent a major advancement in OAB treatment and a large market opportunity.

Having recently selected the $GABA_B$ receptor PAM clinical candidate, we are on track to submit, in late 2012, an application for clinical testing.

Discovery Programs

In addition, in 2011, we prioritized the pipeline to focus our efforts on the following discovery programs: mGluR4 PAM for Parkinson's and other neurodegenerative diseases; TrkB PAM for neurodegenerative diseases; TNFR1 NAM for inflammatory diseases, such as rheumatoid arthritis; and GLP1R PAM for type 2 diabetes. We are very excited about these programs and believe that each will have the potential to generate high value drug-candidates with markedly differentiated product profiles. We plan to nominate at least one new clinical candidate by the end of 2012.

Allosteric Modulation Technology Platform

Underlying the robust pipeline is our industry leading proprietary allosteric modulator discovery technology platform. Over the last 10 years, the Company has invested significant resources and time in building the infrastructure and developing the expertise for discovering and developing highly selective oral small molecule allosteric modulators. Our platform allows industrial scale high throughput screening and can be adapted for a broad range of targets, including targets considered "undruggable" using conventional approaches.

Already we have succeeded in selectively targeting GPCRs, such as the glutamate receptors and the GLP-1 receptor with potent oral small molecules. More recently, our platform has shown success with new types of targets, such as receptor tyrosine kinases (RTKs), like TrkB, and other single-pass transmembrane receptors, such as the cytokine receptor TNFR1. Our technology platform can also be used effectively to target enzymes in a very selective manner, such as the epigenetic enzymes, kinases and bacterial enzymes. These targets span a broad range of therapeutic areas, including CNS, inflammation, metabolic and oncology indications.

In 2011, we continued to enhance our allosteric modulator discovery technology platform capabilities via both investment in novel proprietary screening tools and the expansion of our allostery-biased chemical library.

In short, we are expanding the realm of druggable targets with our technologies for discovering oral small molecule allosteric modulators.

Dominant Intellectual Property Portfolio

Furthermore, in 2011, we continued to expand our dominant intellectual property portfolio with the filing of 21 new patent applications covering novel chemical entities and proprietary discovery technologies. In addition, four new patents were issued.

Restructuring & Cash Conservation

In 2011, we fine-tuned our strategy, re-focused on our core strengths and took measures to enhance operational efficiency going forward. The reduction in headcount, to 81 from 115, taken together with the pipeline prioritization, significantly reduced our spending and provides cash to fund operations into the third quarter of 2013, assuming no new revenues from new or existing partnerships. As a result, the Company is now on a much stronger footing and well positioned to achieve our near- and medium-term objectives.

Strategy

Our operational strategy going forward will be to focus internally on our core competencies and doing what we do best: discovery and development of oral small molecule-based allosteric modulators for undruggable targets.

We are committed to building significant value for our investors through a combination of pipeline execution and non-dilutive funding through partnerships.

In summary, we believe 2012 will be a seminal year – indeed, a transformational year – for Addex. We have a robust pipeline with important near-term milestones, cutting edge science and a strong balance sheet. In addition, we have high caliber investors who support our strategy of building a strong and successful company focused on discovery and development of innovative oral small molecule drugs for treatment of diseases and conditions with large unmet medical needs.

In 2012, we look forward to achieving multiple major R&D milestones including: announcing top line data from Phase IIa studies with dipraglurant and ADX71149; filing an application for clinical testing of $GABA_BR$ PAM; as well as starting Phase I clinical trial testing of the extended release formulation of dipraglurant. In addition, we are looking to close at least one partnership deal before the end of the year.

Finally, we would like to acknowledge and thank all our employees for their hard work, dedication, loyalty and perseverance through all the recent changes. We look forward to working together in bringing innovative therapies to patients and building shareholder value. We would also like to thank our shareholders for your continued support of the Company.

Financial Review 2011

Overview

The following review and discussion of our financial results for 2011 should be read in conjunction with the consolidated financial statements and related notes, which have been prepared in accordance with International Financial Reporting Standards and are presented in this Annual Report.

Addex is a research and development based pharmaceutical group, with current operations mainly focused on discovery and development of small-molecule pharmaceutical products. As a result, commercialization is currently limited to out-licensing of selected discovery and development stage programs. We are pioneering oral small molecule allosteric modulation-based drug discovery and development against traditionally "undruggable" targets.

In 2011, we started the Phase II testing in Parkinson's disease levodopa induced dyskinesia (PD-LID) of dipraglurant. This program is partially funded by an unrestricted grant of USD900,000 from The Michael J. Fox Foundation. Our partner Janssen Pharmaceuticals Inc. made significant progress with the start of Phase II testing of ADX71149, an mGluR2PAM compound, which triggered the receipt of a CHF2.6 million milestone payment. We continued to invest in dipraglurant-ER formulation for dystonia in preparation for it starting Phase I in 2012 and in our preclinical and discovery pipeline. We progressed our $GABA_BR$ PAM program into clinical candidate selection and further characterized compounds with in our mGluR4 PAM, TrkB PAM, TNFR1 NAM and GLP1R PAM programs. We also enhanced our allosteric modulator discovery technology platform capabilities with investment in both novel proprietary screening tools and the expansion of our allosteric modulator biased chemical library.

On March 14, 2011, we completed a capital increase with the issuance of 1,371,069 new shares from the conversion of zero-coupon mandatory convertible notes which had been issued to BVF Partners L.P. on September 14, 2010.

In June, we implemented a restructuring of the Group to focus on our core strengths in allosteric modulator discovery and development which contributed to the year-on-year headcount reduction of 29%, corresponding to 33.4 full time equivalent employees (FTEs). At December 31, 2011 our headcount was 81.2 FTEs compared to 114.6 FTEs at December 31, 2010, and our average headcount excluding temporary staff decreased to 105.8 FTEs in 2011, compared to 128.4 FTEs in 2010.

Our 2011 research and development expenditure decreased to CHF28.0 million and our general and administrative expenses slightly increased to CHF6.7 million. Income remained stable at CHF3.7 million being recognized in the year resulting in a reduction in our net loss to CHF31.1 million. In addition our investments in property, plant and equipment remained stable at CHF0.2 million and we ended the year with a cash position of CHF36.1 million.

Results of operations

The following table presents our consolidated results of operations for the fiscal years 2011 and 2010:

Amounts in millions of Swiss francs	2011	2010
Income	**3.7**	**4.0**
Research and development expenses	(28.0)	(31.2)
General and administrative expenses	(6.7)	(6.4)
Total operating expenses	**(34.7)**	**(37.6)**
Operating loss	**(31.0)**	**(33.6)**
Finance result, net	(0.1)	-
Net loss for the year	**(31.1)**	**(33.6)**

Income

2011 income was CHF3.7 million, compared to CHF4.0 million recognized in 2010 comprising primarily of a milestone payment of CHF2.6 million from Janssen Pharmaceuticals Inc. for the entry of ADX71149 in Phase II testing, and CHF0.7 million of amounts recognized under the grant from The Michael J. Fox Foundation for Parkinson's Research to support the dipraglurant Phase II study in Parkinson's disease levodopa-induced dyskinesia.

Research and development expenses

As a result of the restructuring measures, R&D expenses decreased by 10% to CHF28.0 million in 2011, compared to CHF31.2 million in 2010, mainly due to an 18% decrease in our R&D staff costs and a 27% decrease in laboratory consumables, both directly resulting from the headcount reduction. In 2011, outsourced R&D services slightly increased to CHF4.8 million, mainly driven by the cost of running the dipraglurant-IR Phase II testing, which represented approximately 80% of 2011 R&D outsourced expenses. Approximately 30% of total 2011 R&D expenses relate to clinical and preclinical development costs, including primarily dipraglurant-IR clinical and drug substance manufacture costs, and to a lesser extent costs related to dipraglurant-ER formulation development. The remaining 70% of 2011 R&D expenses relate to investing in existing discovery programs, including our $GABA_B$R PAM, mGluR4 PAM, TrkB PAM, TNFR1 NAM and GLP1R PAM, allosteric modulator discovery programs, and the continued development of our allosteric modulator discovery technology platform.

R&D expenses consist mainly of costs associated with research, preclinical and clinical testing and related staff costs. They also include, though 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 R&D.

General and administrative expenses

G&A expenses slightly increased to CHF6.7 million in 2011, compared to CHF6.4 million in 2010, primarily due to the net effect of the headcount reduction that was off-set by increased executive management cost and professional fees associated with implementing the restructuring of the Group. G&A expenses consist primarily of staff costs, professional fees for legal, tax and strategic purposes and overheads related to general management, human resources, finance, information technology, business development and communication functions.

Finance result, net

The net finance result was a loss amounting to CHF0.1 million in 2011 due to financial exchange differences resulting from the strengthening of the Swiss francs against other major currencies.

Net loss for the year

The net loss for the year decreased to CHF31.1 million for 2011, compared to CHF33.6 million for 2010, mainly due to the decrease in our operating expenses. Basic and diluted loss per share also decreased accordingly to CHF4.19 for 2011, compared to CHF5.69 for 2010. It should be noted that the timing and financial terms of new licensing agreements and the timing of milestone payments under existing agreements can significantly influence the magnitude of future net losses.

Balance sheet & cash flows

We closed 2011 with cash and cash equivalents of CHF36.1 million, compared to CHF63.8 million at the end of 2010. This decrease of CHF27.7 million is mainly due to the cash used in operations of CHF26.6 million, capital expenditure cash outflows of CHF0.2 million, equity incentive plan related loans to employees of CHF0.6 million and financing cash outflows of CHF0.2 million from the issuance costs of new shares from the conversion of convertible notes issued to BVF Partners L.P. Net cash used in operations has decreased to CHF26.6 million for 2011, compared to CHF31.3 million for 2010 mainly due to a reduction in the operating costs.

Investments in property, plant and equipment during both 2011 and 2010 were limited to CHF0.2 million and related mainly to the acquisition of laboratory equipment. The net book value of property, plant and equipment decreased by CHF2.7 million to CHF4.0 million at December 31, 2011 compared to CHF6.7 million at December 31, 2010, primarily due to the annual depreciation charge as well as both the sale and impairment of certain assets which were affected by the restructuring.

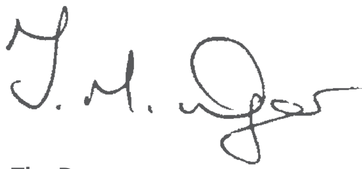
The total shareholders' funds have decreased to CHF33.8 million at December 31, 2011 compared to CHF64.4 million at December 31, 2010, mainly due to the net loss for the year.

Shares and shareholders' information

We completed a capital increase with the issue of 1,371,069 new shares on March 14, 2011 from the conversion of zero-coupon mandatory convertible notes issued to BVF Partners L.P. on September 14, 2010. At December 31, 2011 the Company had 7,835,878 outstanding shares and a free float of 100%, compared to 6,464,809 and 99% at December 31, 2010. Our share price remained under pressure in 2011 and our closing share price and market capitalization fell to CHF5.55 and CHF43.5 million, compared to CHF9.81 and CHF63.4 million at December 31, 2010, respectively.

2012 outlook

We plan to invest in progressing our portfolio of orally available, small molecule allosteric modulators towards the clinic with the completion of dipraglurant Phase II study in PD-LID and the start of a Phase I study with dipraglurant-ER. In addition we plan to continue investing in advancing our $GABA_B$R PAM program through IND enabling studies and to progress our discovery portfolio including mGluR4PAM, TrkB PAM, TNFR1PAM and GLP1RPAM. We will also continue to enhance our leading position in allosteric modulator discovery with continued investment in our technology platform capabilities and new allosteric modulator discovery programs for "undruggable" targets.



Tim Dyer
Chief Financial Officer

Corporate Governance 2011

General information

Addex' Articles of Association ("Articles"), Organizational Rules and Policies provide the basis for the principles of Corporate Governance.

Group structure

Description of Addex' operational group structure

Addex Pharmaceuticals Ltd ("Addex" or the "Company") is the holding and finance company of the Group. Addex Pharma SA, based in Plan-les-Ouates, Geneva, Switzerland, a 100% subsidiary of Addex Pharmaceuticals Ltd, is in charge of research, development, registration, commercialization and holds the Group's intellectual property. Addex Pharma SA has a share capital of CHF3,987,492 divided into 3,987,492 registered shares with a nominal value of CHF1 each. Addex Pharmaceuticals France SAS, based in Archamps, France, a 100% subsidiary of Addex Pharmaceuticals Ltd, performs research and development services for the Group. Addex Pharmaceuticals France SAS has a share capital of EUR 37,000 divided into 37,000 registered shares with a nominal value of EUR 1 each.

Listed company

Addex Pharmaceuticals Ltd has its registered office c/o Addex Pharma SA, Chemin des Aulx 12, CH-1228 Plan-les-Ouates, Geneva, Switzerland. Its shares have been listed on the SIX Swiss Exchange since May 21, 2007 under the Swiss security number (Valorennummer) 2985075. The ISIN is CH0029850754, the common code is 030039254 and the ticker symbol is ADXN.

On December 31, 2011, the market capitalization of Addex was CHF43,489,123.

For a comprehensive list of notifications of shareholdings received during 2011 pursuant to article 20 of the Swiss Federal Act on Stock Exchanges and Securities Trading ("SESTA") refer to the SIX Swiss Exchange website (www.six-swiss-exchange.com/shares/companies/major_shareholders_en.html). The following significant notifications of shareholdings have been reproduced below:

Significant shareholders

As far as can be ascertained from the information available, the following shareholders own 3% or more of the Company's share capital as at December 31, 2011:

Shareholder	Number of shares	% of capital
BVF Partners L.P[1]	2 350 242	29.99%
Sofinnova Capital IV FCPR[2]	806 648	10.29%
TVM V Life Science Ventures[3]	705 726	9.01%
The Swiss Helvetia Fund[4]	351 155	4.48%
SR One Ltd[5]	253 253	3.23%

[1] BVF Partners L.P., 900 North Michigan Avenue, Suite 1100, Chicago, Illinois, 60611, USA. BVF Partners L.P. comprises Biotechnology Value Fund L.P., Biotechnology Value Fund II L.P., Samana Capital L.P. and Investment 10 L.L.C.

[2] Sofinnova Capital IV FCPR has its principal office at 17, rue de Surène, 75008 Paris, France.

[3] TVM V Life Science Ventures GmbH & Co. KG has its principal office at Maximilian Strasse 35C, 80539 Munich, Germany.

[4] The Swiss Helvetia Fund, Inc. has its principal office at 1270 Avenue of the Americas, Suite 400, New York, NY10020, USA.

[5] SR One Ltd, a Pennsylvania Business Trust, the investment arm of GlaxoSmithKline plc, has its principal office at One Franklin Plaza, 200N. 16th Street, Philadelphia, PA 19102, USA.

Further to the conversion of mandatory convertible notes into ordinary shares on March 14, 2011 and the consequential change in the Company's registered capital published on March 16, 2011: (1) on March 18, 2011, BVF Partners L.P., 900 North Michigan Avenue, Suite 1100, Chicago, Illinois, 60611, informed of reducing to below the threshold of 33.33% in purchase positions, holding a total of 2,350,242 shares, corresponding to 29.99% of the voting rights; (2) on March 21, 2011, Varuma AG, Aeschenvorstadt 55, CH-4051 Basel, Switzerland, informed of reducing to below the threshold of 3% in purchase positions, holding a total of 231,425 shares, corresponding to 2.95% of the voting rights; (3) on March 22, 2011, TVM V Life Science Ventures GmbH & Co. KG, Maximilian Strasse 35C, 80539 Munich, Germany, informed of reducing to below the threshold of 10% in purchase positions, holding a total of 705,726 shares, corresponding to 9.01% of the voting rights and (4) on March 15, 2011, the Company informed of reducing to below the thresholds of 33.33%, 25%, 20% and 15% in sale positions, with a total of 897,375 outstanding rights attached to equity instruments, corresponding to 13.88% of voting rights.

On April 29, 2011, the Company informed of exceeding the threshold of 15% in sale positions, with a total of 1,305,000 outstanding rights attached to equity instruments, corresponding to 16.65% of the voting rights.

On August 15, 2011, following the grant of equity sharing certificates, Bharatt Chowrira informed of exceeding the threshold of 3% in purchase positions, holding 320 equity sharing certificates corresponding to 320,000 subscription rights and 4.08% of the voting rights.

Cross-shareholdings

There are no cross-shareholdings in terms of capital shareholdings or voting rights in excess of 5%.

Shareholder structure

There were 1,458 shareholders registered in the share register on December 31, 2011. The distribution of shareholdings is divided as follows:

Number of shares	Number of registered shareholders on December 31, 2011
1 to 100	383
101 to 1,000	867
1,001 to 10,000	173
10,001 to 100,000	25
100,001 to 1,000,000	10

The shareholder base on December 31, 2011 was constituted as follows:

Shareholder structure according to category of investors
(weighted by number of shares)

Private persons	15.13%
Institutional shareholders	72.20%
Not registered	12.67%

Shareholder structure by country
(weighted by number of shares)

United States	39.25%
Switzerland	23.33%
France	11.40%
Germany	9.11%
United Kingdom	1.39%
Singapore	1.18%
Other	1.67%
Not registered	12.67%

Capital structure

As of December 31, 2011, the share capital amounted to CHF7,835,878 consisting of 7,835,878 registered shares with a nominal value of CHF1 per share. The share capital is fully paid up. As of December 31, 2011, Addex, directly or indirectly, held 130,746 shares in Addex.

Authorized share capital

According to the Articles, the Board of Directors (Board) is authorized, at any time until April 28, 2013 to increase the share capital in an amount of CHF2,931,246 through the issuance of 2,931,246 fully paid registered shares with a nominal value of CHF1 each. An increase in partial amounts is permitted. The Board 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 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 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.

The Board 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; or (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

According to the Articles, the share capital of the Company may be increased by a maximum aggregate amount of CHF1,300,000 through the issuance of a maximum of 1,300,000 registered shares, which shall be fully paid-in, with a par value of CHF1 per share by the exercise of option rights or subscription rights attached to bons de jouissance which the employees and/or directors of the Company or a group company are granted according to respective regulations of the Board. The pre-emptive rights of the shareholders are excluded. The acquisition of registered shares through the exercise of option rights or subscription rights granted to the holders of bons de jouissance and the subsequent transfer of the registered shares shall be subject to the transfer restrictions provided in Article 5 of the Articles.

The share capital of the Company may be increased by a maximum aggregate amount of CHF2,031,246 through the issuance of a maximum of 2,031,246 registered shares, which shall be fully paid-in, with a par value of CHF1 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 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.

The Board is 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, 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.

Changes in capital

In 2011, Addex increased its shares capital by CHF1,371,069 (1,371,069 registered shares with a nominal value of CHF1 per share) out of its conditional share capital as a result of the conversion of zero coupon mandatory convertible notes issued in 2010 to BVF Partners L.P.

For further information on changes in capital in 2011 and 2010, including changes in reserves, refer to the consolidated statements of changes in equity as well as note 15 of the consolidated financial statements and note 8 of the financial statements included in this annual report.

Shares, participation and equity sharing certificates

Addex has one class of shares, i.e. registered shares with a nominal value of CHF1 per share. Each share is fully paid up and carries one vote and equal dividend rights, with no privileges. The Company has 1,300 outstanding equity sharing certificates (Bon de Jouissance / Genussscheine). Equity sharing certificates are available for granting to employees and/or directors of the Group under the Group's equity incentive plan. Equity sharing certificates do not form part of the share capital, have no nominal value, and do not grant any right to vote nor the right to attend meetings of shareholders. Each equity sharing certificate grants the right to subscribe for 1,000 shares of the Company and a right to liquidation proceeds of the Company calculated in accordance with Article 25 of the Articles. The Company has no participation certificates.

The Company's shares and equity sharing certificates are not certificated. Shareholders and equity sharing certificate holders are not entitled to request printing and delivery of certificates, however, any shareholder or equity sharing certificate holder may at any time request the Company to issue a confirmation of their holdings.

Limitations on transferability of shares and nominee registration

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 Addex by the bank or the depository institution. A transfer of shares further requires that a shareholder files a share registration form in order to be registered in Addex' share register with voting rights. Failing such registration, a shareholder may not vote at or participate in a shareholders' meeting.

A purchaser of shares will be recorded in Addex' 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.

Addex' Articles provide that a person or entity that does not explicitly state 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 share capital as set forth in the commercial register. 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 the name, address and shareholding of any person or legal entity for whose account it is holding 1% or more of the share capital as set forth in the commercial register. 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, hence only one representative of each share will be recognized.

Furthermore, shares may only be pledged in favor of 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 may cancel such registration with retroactive effect.

Convertible bonds and options

As of December 31, 2011, the Company has no convertible or exchangeable bonds or loans outstanding.

For information on share option plans for Non-Executive Directors, Executive Management and employees, refer to note 16 and note 28 of the consolidated financial statements included in this annual report.

Board of directors

The following table sets forth the name, year joined the Board, position and directorship term, as well as committee memberships, of each member of the Board, all of whom are Non-Executive Directors, followed by a short description of each member's business experience, education and activities:

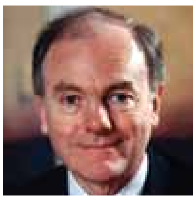
Name	First elected	Elected until	Board	CC	AC	NC
André J. Mueller	2007 (2002)[1]	2012	C	M		M
Vincent Lawton	2009	2012	V		C	
Andrew Galazka	2007 (2004)[1]	2013	M	M		C
Raymond Hill	2008	2014	M	C		M
Hoyoung Huh	2011	2014	M	M		
Antoine Papiernik	2007 (2002)[1]	2014	M	M		
Oleg Nodelman	2011	2014	M		M	

[1] Date when joined the Board of Addex Pharma SA

C Chairman — **CC**: Compensation Committee
V Vice Chairman — **AC**: Audit Committee
M member — **NC**: Nomination Committee

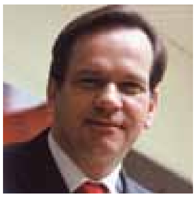
André J. Mueller
Chairman

Mr. Mueller was born in 1944 and is a Swiss citizen. He has extensive experience in creating and running successful biopharmaceutical companies. Mr. Mueller was a member of the founding team of Actelion Ltd (SIX:ATLN), where he was CFO for 5 years and vice chairman until April 2009. He also was the first VP of Finance and Administration and later, CFO, at Biogen (now Biogen Idec), where he oversaw several financing rounds, including Biogen's IPO. Mr. 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 headquarters in Basel and in the U.S. He was a Founding Partner and Director of Investments for Genevest, the first Swiss venture capital organization. He has a degree in Chemical Engineering from the University of Geneva and an MBA from INSEAD. He is a board member and Chairman of the audit Committee of Synthes Inc. (SIX:SYST).



Vincent Lawton
Vice Chairman

Professor Lawton was born in 1949 and is a U.K. citizen. He was Vice President Merck Europe and Managing Director of MSD UK until he stepped down in 2006, after 26 years service internationally for Merck & Co Inc. He was appointed CBE (Commander of the British Empire) by the Queen of England for services to the Pharmaceutical Industry. During his tenure, MSD UK achieved sustained commercial success, launching many new medicines to the market in a wide range of therapeutic areas, becoming the fastest growing company in the market over a number of years. He worked in commercial, research and senior management roles in France, the US and Canada, Spain and throughout Europe. As President of the UK Industry Association, the ABPI, he negotiated industry pricing, worked with Government bodies to help establish the UK Globally as a leading centre of clinical research. He is the Chairman of Aqix Ltd, a private UK biotechnology company, member of the Board of the Medicines Regulator, the MHRA and is a Senior Strategy Advisor for Imperial College Department of Medicine, University of London. He also serves as a consultant to a number of leading healthcare organisations. He was educated at the University of London and holds undergraduate and PhD degrees in Psychology.



Andrew Galazka

Dr Galazka was born in 1955 and is a Swiss and UK citizen. Following a clinical career in the UK he joined the biotech industry over 25 years ago and has held a variety of senior management positions principally in drug development. He is currently Senior Vice President for Scientific Affairs at Merck Serono. Prior to the creation of Merck Serono in 2007, he held several senior management positions at Serono, including Senior VP for Clinical Development, SVP New Therapeutic Areas and SVP Scientific Affairs. In 2000 he played a key role in listing Serono's shares on the New York Stock Exchange (NYSE), raising over $2 billion of capital and raising the Company's profile with the global investment community. During his first 10 years with Serono he directed the worldwide pre-clinical and clinical development of the company's main biotechnology drugs: Rebif, now Merck Serono's leading product for the treatment of relapsing multiple sclerosis; Gonal-F, a leading treatment for infertility; and Saizen, a treatment for certain types of growth retardation. In the 1980s, he was director of clinical research at Biogen (Europe) and then at Glaxo (now GlaxoSmithKline). He received his medical degree (with distinction) from Cambridge University following a degree in pathology and pharmacology. Since 2002 he has been a lecturer on the Executive MBA course of the EPFL (Swiss Federal Institute in Lausanne).

Raymond Hill

Dr. Hill was born in 1945 and is a UK citizen. From 2002 until he retired on April 30, 2008, Dr. Hill was Executive Director, Licensing and External Research, Europe for Merck Sharp & Dohme Research Laboratories, a subsidiary of Merck & Co., Inc. From 1997-2002 he was Executive Director, Pharmacology at the Neuroscience Research Centre engaged in drug discovery for Neuroscience indications at Merck. After joining Merck/MSD in 1990, Dr. Hill chaired a number of discovery project teams including those responsible for the marketed products Maxalt (for migraine) and Emend (for chemotherapy induced nausea and vomiting). Dr. Hill is currently Visiting Professor in Pharmacology and Honorary Business Development Advisor, Imperial College London; Visiting Industrial Professor of Pharmacology at the University of Bristol; Visiting Professor and Chairman of the External Advisory Board in the School of Biological and Health Sciences at the University of Surrey; and Visiting Professor in Physiology and Pharmacology at the University of Strathclyde. He is President Emeritus of the British Pharmacological Society and is a Member of Council, Academy of Medical Sciences. Dr Hill received BPharm and PhD degrees from the University of London. He was a lecturer in Pharmacology at the University of Bristol School of Medicine from 1974 to 1983. He is currently a Non-Executive Director of Orexo AB, Karolinska Development AB and Covagen AG.

Hoyoung Huh

Hoyoung Huh, M.D., Ph.D. was born in 1969 and is a U.S. citizen. Dr Huh is Chairman of the Board of Geron Corporation (NASDAQ: GERN) and CytomX Therapeutics. He serves on the Board of Directors for BayBio and EOS S.p.A.. Dr. Huh has been involved in the formation, management and investment in over 20 successful entities across U.S, Europe and Asia. He was previously President, CEO and Chairman of BiPar Sciences, Inc., which was acquired by Sanofi-aventis (EURONEXT: SAN and NYSE: SNY) in 2009. He was the former Chairman of the Board of Epizyme, Inc., and served as Chief Operating Officer and Board Director of Nektar Therapeutics (NASDAQ: NKTR) and as Board Director of Facet Biotech (NASDAQ: FACT), which was acquired by Abbott Laboratories in 2010. Dr. Huh was formerly a Partner at McKinsey and Company in the healthcare and technology practices. Dr. Huh holds an M.D. from Cornell University Medical College, a Ph.D. in Genetics/Cell Biology from Cornell University/Sloan-Kettering Institute, and a bachelor's degree in biochemistry from Dartmouth College.

Antoine Papiernik

Mr. Papiernik was born in 1966 and is a French citizen. He is a Managing Partner at Sofinnova Partners where he has been investing in life sciences since 1997. Previously he was with CDC-Innovation, the venture arm of the Caisse des Dépôts group. Since joining Sofinnova Partners, Mr. Papiernik has been an initial investor and active board member in public companies like Actelion, Addex, Orexo, NovusPharma (sold to CTI), Movetis (sold to Shire) and Stentys, which went public respectively on the Zürich stock exchange, the Stockholm stock exchange, the Milan Nuovo Mercato, the Belgium Stock Exchange, the Paris Stock Exchange, in Cotherix (initially NASDAQ listed, then sold to Actelion), CoreValve (sold to Medtronic) and Fovea (sold to Sanofi Aventis). He has also invested in and is a board member of private companies CoAxia, EOS, ReCor and Mainstay Medical. Mr. Papiernik has an MBA from the Wharton School of Business.

Oleg Nodelman

Mr. Nodelman was born in 1977 and is a U.S. citizen. He is a portfolio manager at the Biotechnology Value Fund (BVF), a biotech focused investment fund founded in San Francisco in 1993. Before joining BVF, Mr. Nodelman was a consultant with Mercer Management, a consulting firm focused on strategy, operations, risk management, organizational transformation, and leadership development. Mr. Nodelman holds a Bachelor of Science in International Affairs and a minor in Science in Technology from the School of Foreign Service at Georgetown University.

From June 3, 2011 to August 11, 2011, André Mueller, Vincent Lawton, Andrew Galazka and Raymond Hill served on the CEO transition committee of the Board. This ad hoc committee was responsible for supervising the executive management prior to the appointment of the new Chief Executive Officer to the Group. Apart their duties as part of the CEO transition committee of the Board, no members of the Board, except the CEO, have served in the management of the Company or any of its subsidiaries since the Group's inception in 2002. There are no significant business connections between members of the Board and the Company or any of its subsidiaries.

Elections and terms of office

Addex' Articles provide for a Board consisting of between five and eleven members. We currently have seven members on the Board. Members of the Board are appointed and removed exclusively by shareholders' resolution. Their maximum term of office is three years, re-election is allowed and elections are staggered with approximately a third of the Board elected yearly. The Chairman and Vice-Chairman of the Board are designated by the Board.

Changes in the board of directors

At the shareholders meeting on April 28, 2011, Raymond Hill and Antoine Papiernik were re-elected as member of the Board for a term of three years, Hoyoung Huh and Oleg Nodelman were elected as member of the Board for a term of three years, and Beat E. Lüthi resigned. On August 11, 2011, Vincent Lawton was appointed Vice-Chairman of the Board and Vincent Mutel resigned.

Internal organization and areas of responsibility

Addex' Articles and Organizational Rules define the Company's internal organization and areas of responsibility of the Board, Chairman, CEO and the Executive Management.

Responsibilities of the board of directors

The Board is entrusted with the ultimate direction of the Company and the supervision of management. The Board's non-transferable and irrevocable duties include managing the Company and issuing the necessary directives, determining the organization including adoption and revision of the Organizational Rules, organizing the accounting system, the financial controls, the financial and strategic planning, as well as appointing, recalling, setting remuneration and ultimately supervising the persons entrusted with the management and representation of the Company, including the CEO. Furthermore, these duties include the responsibility for the preparation of the annual report and the shareholders' meetings, the carrying out of shareholders' resolutions, the notification of the judge in case of over indebtedness of the Company, and, passing resolutions regarding supplementary contributions for shares not fully paid-in, increases in capital to the extent that such power is vested in the Board, and of resolutions concerning the confirmation of capital increases and corresponding amendments to the Articles as well as making the required report on capital increases.

In addition to these duties the Board specifically retains responsibility for the non-delegable and inalienable duties and powers pursuant to the Swiss Merger Act and any other law; the examination of the necessary qualifications of the auditors; the adoption of, and any amendments or modifications to any equity incentive plans; and the decisions regarding entering into any financing arrangement in excess of CHF2 million including loan agreements, credit lines, letters of credit or capitalized leases; the issuance of convertible debentures or other financial market instruments; and the approval of any recommendation made by any of the Committees.

According to the current Organizational Rules enacted by the Board, resolutions of the Board are passed by way of simple majority vote. To validly pass a resolution, more than half of the members of the Board 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.

Chairman of the board of directors

The Chairman of the Board calls, prepares, and chairs the meetings of the Board. The Chairman also chairs the shareholders' meetings. He supervises the implementation of the resolutions of the Board and generally supervises the CEO, who regularly reports to the Chairman on the meetings of the Executive Management and all important matters of the Group. Should the Chairman be unable to exercise his function, his function is assumed by the Vice-Chairman.

Committees of the board of directors

The Board has three standing committees, the Audit Committee, the Compensation Committee and the Nomination Committee, that were operational during the year 2011. The tasks and responsibilities of these Committees are set forth in the Organizational Rules. These Committees make proposals to the Board in their areas of responsibilities while the resolutions are passed by the full Board.

Audit committee

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

In 2011, the Audit Committee held two meetings to review the half year 2011 and full year 2010 financial statements and to generally review legal and regulatory compliance matters.

Compensation committee

The Compensation Committee consists of the following members: Raymond Hill (Chairman), André J. Mueller, Andrew Galazka, Hoyoung Huh and Antoine Papiernik. The Compensation Committee assists the Board in compensation related matters. It provides the Board with recommendations on the compensation of the members of the Board 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.

The Compensation Committee meets as often as business requires. The Compensation Committee held two meetings in 2011 to review the 2010 achievements versus the planned corporate objectives and determination of the performance related bonus pool, the annual salary review process and recommendation of the CEO, grants under the Groups equity incentive plans and remuneration of the Board. The CEO was present at a portion of all meetings. The Compensation Committee held three meetings in 2011 to determine the remuneration of the new CEO.

Nomination committee

The Nomination Committee consists of the following members: Andrew Galazka (Chairman), André J. Mueller and Raymond Hill. It recommends to the Board qualified candidates to serve as Board members and reviews candidates for Executive Management positions.

The Nomination Committee held five meetings during the year 2011 to review Board composition and nomination related matters, including identification, review and evaluation of candidates including the new CEO.

Working methods of the board of directors

In 2011, the Board held eight meetings with average duration of one half to two thirds of a day. All meetings were held at the Company's offices with virtually full attendance at all meetings. In addition to formal Board meetings, the Board holds additional ad hoc meetings or telephone conferences to discuss specific matters. The CEO is entitled to attend every Board meeting and to participate in its debates and deliberations with the exception of non-executive sessions.

During Board meetings, each member of the Board may request information from the other members of the Board, as well as from the members of the Executive Management present on all affairs of the Company. The CEO reports at each meeting of the Board on the course of business of the Company in a manner agreed upon from time to time between the Board and the CEO. The chairman of each Board Committee reports to the full Board at the Board meeting following the relevant Committee meeting. Any resolutions on matters assigned to the Committees are taken by the Board on the basis of recommendations of the relevant Committee.

In addition to reporting at Board meetings, the CEO reports immediately any extraordinary event and any significant change within the Company to the Chairman. Outside of Board meetings, each member of the Board may request from the CEO information concerning the course of business of the Company.

Definition of areas of responsibility

The Board has delegated all areas of management of the Group's business to the CEO and the Executive Management, and has granted the CEO the power to appoint the members of the Executive Management. The Board carries out the responsibilities and duties reserved to it by law, the Articles and the Organizational Rules as detailed in section "Responsibilities of the board of directors" on page 12.

Information and control instruments of the board of directors

The Board ensures that it receives sufficient information from the CEO and Executive Management to perform its supervisory duty and to make the decisions that are reserved to the Board. At each board meeting the Board receives reports from the CEO, the CFO and selected members of the Executive Management on the status of finance, business, research and development. These reports focus on the main risks and opportunities related to the Group. In addition, the Board is provided with a status report prior to each board meeting, a monthly finance report and other ad hoc reports on significant matters related to the Group's operations.

Furthermore, the Board receives unaudited annual and interim financial statements for all group companies including consolidated financial statements for the Company. The Board receives a written report from the auditors on the results of the audit which includes any findings with respect to internal control risks arising as a result of their audit procedures. The auditor was invited to the Audit Committee meeting two times and attended two meetings. Addex does not have an independent internal audit function.

For further information on the risk management and the financial risks factors inherent to the Group's activities, refer to note 3 of the consolidated financial statements.

Executive management

In accordance with the Articles and the Organizational Rules, the Board has delegated the operational management to the CEO.

The CEO together with the Executive Management and under the control of the Board, conducts the operational management of the Company pursuant to the Organizational Rules and reports to the Board 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	Nationality
Bharatt Chowrira	1965	President and Chief Executive Officer	USA
Tim Dyer	1968	Chief Financial Officer	British
Charlotte Keywood	1962	Chief Medical Officer	British
Sonia Poli	1965	Head of Non-Clinical Development and CNS Projects	Italian
Laurent Galibert	1967	Head of MD & Inflammation Projects	French
Jean-Philippe Rocher	1959	Head of Chemistry	French
Robert Lütjens	1968	Head of Biology	Swiss
Tatiana Pont Carteret	1966	Head of Human Resources	Swiss
Chris Maggos	1970	Head of Investor Relations & Communication	USA

Bharatt Chowrira
President and Chief Executive Officer

Dr. Chowrira, who joined Addex in 2011, has a strong track record in the biopharmaceutical industry with over 17-years of experience, combining a unique blend of research, licensing, corporate development, operations and legal expertise. Most recently, Dr. Chowrira was the Senior Vice President and Chief Operating Officer of Nektar Therapeutics, a NASDAQ-traded U.S. biopharmaceutical company. At Nektar he led a team that established several revenue-generating strategic alliances. He also led efforts to streamline, realign and integrate operations across research, manufacturing, business development, marketing and multiple R&D sites. Dr. Chowrira previously served as Executive Director, Worldwide Licensing & External Research at Merck & Co., Inc. Prior to that, he was a key member of the executive management team that restructured and re-launched Sirna Therapeutics, a development-stage biopharmaceutical firm focused on the discovery and development of RNAi-based drugs, which was acquired by Merck & Co., Inc. He has a Ph.D. in Microbiology and Molecular Genetics from the University of Vermont and a law degree (J.D.) from the College of Law at the University of Denver. Dr. Chowrira is a registered U.S. patent attorney and a licensed member of the Colorado Bar Association. Dr Chowrira also serves on the Board of Traversa Therapeutics, a biopharmaceutical company based in California.

Tim Dyer
Chief Financial Officer

Since co-founding Addex in 2002, Mr. Dyer has played a pivotal role in building the Addex Group, raising CHF 263 million of capital, including Addex IPO, and negotiating licensing agreements with pharmaceutical industry partners. Prior to joining Addex he spent 10 years with Price Waterhouse (PW) & PricewaterhouseCoopers (PwC) in the UK and Switzerland as part of the audit and business advisory group. At PwC in Switzerland, Mr Dyer's responsibilities included managing the service delivery to a diverse portfolio of clients including high growth start-up companies, international financial institutions and venture capital and investment companies. At PW in the UK, Mr Dyer gained extensive experience in audit and transaction support; spending 2 years performing inward investment due diligence on local financial institutions in the Ex-Soviet Union. Mr Dyer has extensive experience in finance, corporate development, business operations and the building of start-up companies and serves as a member of the Swiss government innovation promotion agency coaching team. He serves on the boards of Abionic SA, a private medical device start-up company focused on allergy diagnostics and Qwane Biosciences SA, a private drug development tool company focused on commercializing microelectrode array technologies. He is a UK Chartered Accountant and holds a BSc (Hons) in Biochemistry and Pharmacology from the University of Southampton.

Charlotte Keywood
Chief Medical Officer

Dr. Keywood has overseen Addex medical and regulatory activities since the company was founded in 2002, which includes five Phase IIa and three Phase IIb trials for products in development for smoking cessation, anxiety, migraine, gastroesophageal reflux disease and Parkinson's disease. Dr. Keywood has 20 years of experience in drug development and medical marketing across a broad range of therapeutic areas. During this time she has worked in the U.S. and Europe and has been responsible for all stages of clinical development, including pre- and post-registration and pharmacovigilance activities. Dr. Keywood, acting as a consultant, served from 2001 to 2003 as Medical Director for Axovan, a Swiss biotech company that was acquired by Actelion in 2003. From 1996 to 2001 she was Medical Director at CNS company Vernalis, where she helped bring a new migraine drug, Frova frovatriptan, to the market. From 1991 to 1996 she was Medical Director of the European subsidiary of U.S. biotechnology company Gensia. Dr Keywood is a cardiologist who completed her post-graduate training at St Thomas' Hospital, London.

Sonia Poli
Head of Non-Clinical Development and CNS Projects

Dr. Poli, who joined Addex in 2004, is an accomplished drug R&D professional with over 16 years international experience in large and small pharmaceutical companies with extensive experience and knowledge of drug discovery and preclinical development. At Addex she has provided preclinical support for ongoing clinical development programs and has overseen the transition of four products into clinical development for indications including smoking cessation, anxiety, schizophrenia, migraine, gastroesophageal reflux disease and Parkinson's disease. She worked from 1997 to 2004 in the drug metabolism and pharmacokinetics (DMPK) area at Roche, where she was a key inventor and global head of a multidimensional optimization approach for drug discovery and development and played an important role in selecting clinical candidates in CNS indications, including Alzheimer's disease, Parkinson's disease, bi-polar disorders and anxiety. Dr. Poli obtained her degree and doctorate in Industrial Chemistry at the University of Milan in 1993 and completed a post doctoral fellowship at the CNRS, in Paris, in the group of Prof. D. Mansuy in 1997. Dr. Poli is co-author of more than 30 research publications and patents.

Laurent Galibert
Head of Metabolic Disorders & Inflammation Projects

Dr. Galibert joined Addex in 2008 and has focused on adapting the allosteric modulation discovery platform for use with clinically validated targets in inflammation. From early 2005 to 2008, he was at Merck Serono, where he was senior staff scientist. From 1996-2005 he held successive research positions at Immunex Corp. (acquired by Amgen Inc.) and Amgen, where he cloned the receptor activator of nuclear factor kappa B ligand (RANKL) and co-authored the initial patent leading to the development of Amgen's denosumab, a monoclonal antibody against RANKL, which is in Phase III development for postmenopausal osteoporosis. From 1991-1995 Dr. Galibert was a PhD fellow at Schering-Plough. He received a PhD in biological engineering from the Centre Universitaire des Sciences et Techniques in Clermont-Ferrand, France in 1996. Dr. Galibert is coauthor of 27 research publications and 9 patents.

Jean-Philippe Rocher
Head of Chemistry

Since joining Addex at its inception, Dr. Rocher has been responsible for establishing the company's chemistry capabilities and building Addex small molecule allosteric modulator chemistry platform. He has played a pivotal role in the success of both internal and partnered programs including Addex mGluR5 negative allosteric modulator and mGluR2 positive allosteric modulator programs which have both progressed into phase II clinical development. Prior to joining Addex, Dr Rocher was director of chemistry at Devgen NV, Gent, Belgium from 2001 to 2002; senior research scientist for GlaxoSmithKline KK in Tsukuba, Japan from 1997 to 2001, where he played a key role in implementing a modern drug discovery process. From 1995 to 1997, he was the first ever "guest scientist" at Mitsubishi Pharma in Yokohama, Japan, and prior to this, Dr. Rocher worked for contract research company Battelle, in Geneva, where he initiated neuropharmacology chemistry research programs. During the course of his career as a medicinal chemist, he has discovered several pre-clinical and clinical candidates for CNS, inflammatory diseases and cancer. He completed a Pharm. D and obtained his PhD at the Faculty of Pharmacy of Lyon, France in 1987. Dr. Rocher started his career as a research scientist in the dermatology research centre of Galderma at Sophia-Antipolis, France. He is co-author of more than 30 research publications and patents.

Robert Lütjens
Head of Biology

Since joining Addex at its inception, Dr. Lütjens has been responsible for establishing the company's biology capabilities and building the Addex small molecule allosteric modulator biology platform. He played a pivotal role, managing Addex research collaborations with Janssen Pharmaceuticals Inc., which has led to the successful progression of the first mGluR2 positive allosteric modulator into man. Prior to joining Addex, he completed a postdoctoral fellowship in the Department of Neuropharmacology at the Scripps Research Institute, in La Jolla, CA, where he focused on understanding molecular changes involved in addiction disorders. Dr Lütjens obtained his degrees in Biology from the University of Geneva, his master's at the Swiss Institute for Experimental Cancer Research and his Ph.D. thesis at the Glaxo Institute for Molecular Biology in Geneva and the Institute for Cellular Biology and Morphology in Lausanne. Dr. Lütjens is co-author of multiple peer-reviewed publications and co-inventor on patents covering screening methods or chemical compounds.

Tatiana Pont Carteret
Head of Human Resources

Mrs. Pont Carteret joined Addex in 2008 to further develop the Group's human resources function and strategy, focusing on building a performance culture and supporting the streamlining of the organization. After an initial career in private banking, Mrs. Pont Carteret gained 13 years of international HR experience across a broad range of human resources specialties that she acquired by holding various senior positions with Lloyds TSB Bank (2006-2008); Union Bancaire Privée (2005-2006); Capital International (2001-2004) and DHL Switzerland (1997-2001). Mrs. Pont Carteret holds a degree in Political Science from the University of Geneva.

Chris Maggos
Head of Investor Relations & Communication

Since joining Addex in 2007, Mr. Maggos has contributed to corporate communication, investor relations and business development efforts. He participated in the Addex IPO, clinical trial results, out-licensing activities, a PIPE financing and other events. Mr. Maggos was Senior Writer for BioCentury, a biotechnology trade publication, from 2001 to 2007. He was an Associate at a New York City hedge fund focused on biotechnology, called Casdin Capital Partners (later Cooper Hill Partners), from 1997 to 2000. Mr. Maggos worked as a technician, studying the molecular neurobiology of drug dependence at The Rockefeller University, where he co-authored 11 scientific publications, from 1993 to 1997. He received a BA in English Literature from Yale University in 1993.

Management contracts

There are no management contracts between Addex and third parties.

Other vested activities and vested interests

None of the members of the Executive Management has had other activities in governing and supervisory bodies of important Swiss and foreign organizations, institutions and foundations under private and public law. No member of the Executive Management has permanent management and consultancy functions for important Swiss and foreign interest groups, or holds any official functions and political posts.

Changes in executive management

The Executive Management remained stable at nine members in 2011. On June 3, 2011, the Chief Executive Officer stepped down and was replaced with the appointment of Bharatt Chowrira on August 15, 2011. During the interim period, the Chairman of the Board acted as Executive Chairman for the Company and a CEO transition committee was established.

Compensation, shareholdings and loans

Total Compensation of the Non-Executive Directors and Executive Management decreased in 2011 compared to 2010 primarily due to a lower valuation of the equity sharing certificates granted in 2011 under the Group's equity incentive plan. Fixed cash compensation remained stable in 2011 for Non-Executive Directors and Executive Managers. The variable cash compensation increased in 2011 compared to 2010 primarily due to the compensation paid to Non-Executive Directors for their participation in the CEO transition committee.

Content and method of determining compensation and the shareholding program

The Board determines the amount of the fixed remuneration of its members, taking into account their responsibilities, experience, and the time they invest in their activity as members of the Board. The compensation of the members of the Board and the Executive Management is determined and reviewed annually by the Board, based on recommendations of the Compensation Committee in accordance with the Group's compensation policies. The Compensation Committee makes its recommendations based on an assessment of market conditions, changes in responsibilities of individuals within the Executive Management, comparison with compensation levels within other biotech and pharmaceutical companies of a similar size conducting similar activities within Switzerland and Europe.

Non-Executive Directors receive an annual fee based on the responsibilities of each Director of which half is paid based on attendance at meetings and an annual committee fee for each of the board standing committees for which they are member. Extraordinary assignments or work which a member of the Board accomplishes outside of his activity as a Board member is remunerated separately after approval by the Board. In addition, expenses incurred by the non-executive Board members in the discharge of their duties are reimbursed. Non-Executive Directors are also eligible to participate in the Company's equity incentive plans.

Members of the Executive Management receive a base salary as well as a variable cash bonus and participate in the Company's equity incentive plans. The cash bonus is in the range of 15% to 35% of the base salary. In addition, the CEO receives certain benefits in kind associated with his living expenses. The bonus and the grant of equity incentive plan units are defined once per year based on achievement of personal targets and Group performance. Achievement of personal targets represent between 30% and 50% of the total amount of the bonus with the remaining part being based on Group performance, however, the Board retains total discretion over bonus allocation. Bonuses are not tied to specific financial targets, however, certain business development and share price performance objectives are included in both the Group performance objectives and the personal targets of certain members of the Executive Management. As part of the Group's post retirement and social security plans, Executive Managers receive post employment benefits, disability and life insurance benefits. Executive Management employment contracts provide for a termination notice period of 4 to 6 months which can be extended in the event of a change of control. In accordance with the contractual notice period, the former CEO received a base salary for the full year in 2011. Refer to the section "Changes of control and defense measures" on page 17. No other fringe benefits are paid to Executive Managers. The remuneration of the CEO and other Executive Managers is approved by the Board on the recommendation of the Compensation Committee.

The Group has a number of equity incentive plans including an equity sharing certificate equity incentive plan and a share option plan that provides for grants to new joiners and an annual grant to Executive Management and other staff based on a recommendation of the CEO which is reviewed by the Compensation Committee and approved by the Board.

The number of equity incentive units granted annually is at the discretion of the Board. The individual grants depend on the individual responsibilities of the members of the Executive Management and Board. In respect of structuring compensation and benefits, the Group consulted external advisors in the areas of human resources, tax and legal, and also consulted a number of formal salary comparisons and benchmarking studies.

In connection with the granting of equity sharing certificates, Executive Management and other staff were offered loans to finance the tax and social charges consequences. These loans are repayable immediately on the realization of capital gains under the respective equity incentive plan.

For further information on compensation, shareholdings and loans, refer to note 16, 26 and 28 of the consolidated financial statements.

Shareholders' participation

Voting rights and representation restrictions

Voting rights may be exercised only after a shareholder has been recorded in the Company's share register as a shareholder or usufructuary with voting rights. No exceptions from these restrictions were granted in 2011. A shareholder may be represented by his legal representative, the corporate proxy, the independent proxy, by a depositary or by another shareholder. Subject to the registration of shares in the share register within the deadline set from time to time by the Board before shareholders' meetings, the Company's Articles do not impose any restrictions on the voting rights of shareholders. Specifically, there is no limitation on the number of voting rights per shareholder. For further information on the conditions for registration in the share register (including in relation to Nominees) and for attending and voting at a shareholders' meeting, please refer to the sections "Limitations on transferability of shares and nominee registration" on page 10 above and "Registration in the share register" on page 17 below.

Resolutions of shareholders' meetings generally require the approval of the simple majority of the votes represented at the shareholders meeting. Such resolutions include amendments to the Articles, elections of the members of the Board and statutory and group auditors, approval of the annual financial statements, setting the annual dividend, decisions to discharge the members of the Board 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.

A resolution passed at a shareholders' meeting with a qualified majority 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 the 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 the share capital by way of capitalization of reserves against contribution in kind, for the acquisition of assets 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, and (viii) the dissolution of the Company. Special quorum rules apply by law to a merger, demerger, or conversion of the Company. The introduction or abolition of any provision in the Articles introducing a majority greater than that required by law must be resolved in accordance with such greater majority.

Statutory quorums

There is no provision in the Articles requiring a majority for shareholders' resolutions beyond the majority requirements set out by applicable legal provisions.

Convening of shareholders' meetings and agenda items

The shareholders' meeting is the supreme institution of the Company and under Swiss law, the ordinary shareholders' meeting takes place annually within six months after the close of the business year. Shareholders' meetings may be convened by the Board or, if necessary, by the auditors. Furthermore, the Board is required to convene an extraordinary shareholders' meeting if so requested in writing by holders of shares representing at least 10% of the share capital and who submit a petition specifying the item for the agenda and the proposals. Shareholders representing shares with a nominal value of at least CHF1,000,000 or 10% of the share capital have the right to request in writing that an item be included on the agenda of the next shareholders' meeting, setting forth the item and the 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 Commercial Gazette (*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.

Registration in the share register

The Board determines the relevant deadline for registration in the share register giving the right to attend and to vote at the shareholders' meeting. Such deadline is published by Addex in the Swiss Official Commercial Gazette and the Company's website, usually in connection with the publication of the invitation to the shareholders' meeting.

The registration deadline for the ordinary shareholders' meeting to be held on May 9, 2012 has been determined to be April 11, 2012.

Addex has not enacted any rules on the granting of exceptions in relation to these deadlines. No exceptions were granted in 2011, and the Board does not anticipate granting any exceptions related to the shareholders' meeting on May 9, 2012.

For further information on registration in the share register, please refer to section "Limitations on transferability of shares and nominee registration" on page 10.

Changes of control and defense measures

Duty to make an offer

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 33 1/3% 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). The Company's Articles do not contain an opting-out or an opting-up provision.

Clauses on change of control

Addex' equity incentive plans including the equity sharing certificate plan and the share option plans contain provisions in respect of changes of Addex shareholder base. In the event of a change of control over Addex (defined as a change of control event triggering a mandatory public purchase offer according to applicable stock exchange rules) all outstanding unexercised share options and subscription rights attached to equity sharing certificates, vest, and in the case of share options and subscription rights attached to equity sharing certificates, they become exercisable with their remaining term being reduced proportionally.

Executive Management employment contracts include a change of control provision that provides for the extension of the notice period by 1 year and the payment of 1.5 times the annual target bonus in the event of the Managers employment contract being terminated or there being a material change in job description or activities in connection with a change of control.

Auditors

Duration of the mandate and term of office of the lead auditor

Pursuant to the Articles the auditor shall be elected every year and may be re-elected. The statutory and group auditors of Addex are PricewaterhouseCoopers SA, Geneva, Switzerland. PricewaterhouseCoopers SA has held the function of statutory auditor since inception of the Company in February 2007 and of Addex Pharma SA since its inception in 2002, and acts as group auditor since 2004. The lead auditor of Addex since 2009 is Mr. Mike Foley.

Audit fees

In 2011, PricewaterhouseCoopers SA and its affiliates charged the Group audit fees in the amount of CHF86,784.

Additional fees

In 2011, PricewaterhouseCoopers SA and its affiliates did not charge the Group additional fees.

Control instruments of the auditors

The Audit Committee of the Board assumes the task of supervising the auditors. The Audit Committee meets with external auditors at least once a year to discuss the scope and the results of the audit and to assess the quality of their service. The auditors prepare a management letter addressed to the Board and the Audit Committee two times per year, informing them of their audit plan for the year under review followed by a report detailing the result of their annual audit.

In 2011, the Audit Committee met with the auditors twice to discuss the scope and the results of their year-end audit for 2010 and the scope of the 2011 audit.

Information policy

Addex publishes financial results in the form of an Annual Report and a Half-year Report (Interim Report). In addition, Addex informs shareholders and the public regarding the Group's business through press releases, conference calls, as well as roadshows. Where required by law or Addex' Articles, publications are made in the Swiss Official Commercial Gazette. The Annual Report, usually published no later than in March of the following year, and the Interim Report, usually published no later than in July, are both announced by press release. Annual Reports, Interim Reports and press releases are available on request in printed form to all registered shareholders, and are also made available on the Group's website at www.addexpharma.com. The Group's website, which is the Group's permanent source of information, also provides other information useful to investors and the public, including information on the Group's research and development programs as well as contact information. It is the Group's policy not to release explicit earnings projections, but it will provide general guidance to enable the investment community and the public to better evaluate the Group and its prospective business and financial performance. The Board has issued a disclosure policy to ensure that investors will be informed in compliance with the requirements of the SIX Swiss Exchange. The Group's investor relations department is available to respond to shareholders' or potential investors' queries under IR@addexpharma.com or via post at Addex Pharmaceuticals Ltd., Investor Relations, Chemin des Aulx 12, CH-1228 Plan-les-Ouates, Geneva, Switzerland. Additional inquiries may also be made by phone at +41 22 884 1555.

Insider policy

The Board has issued an insider policy and implemented procedures to prevent insiders from benefiting from confidential information. The policy defines guidelines on how to deter corporate insiders from making use of confidential information. The Board has established blocking periods to prevent insiders from trading during sensitive periods.

Ethical business conduct

The Group is committed to the highest standards of ethical conduct. As a pharmaceutical business, the Group is operating in a highly regulated business environment. Strict compliance with all legal and health authority requirements, as well as requirements of other regulators, is mandatory. The Group expects its employees, contractors and agents to observe the highest standards of integrity in the conduct of the Group's business. The Code of Conduct sets forth the Group's policy embodying the highest standards of business ethics and integrity required of all directors, executives, employees and agents when conducting business affairs on behalf of the Group. The Group is committed to complying with the spirit and letter of all applicable laws and regulations where the Group engages in business.

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

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

Amounts in Swiss francs	Notes	2011	2010
ASSETS			
Current assets			
Cash and cash equivalents	7	36,065,379	63,797,325
Other current assets	8	2,002,589	2,697,674
Total current assets		**38,067,968**	**66,494,999**
Non-current assets			
Intangible assets	9	32,217	83,918
Property, plant and equipment	10	3,964,409	6,668,201
Other non-current assets	11	1,551,483	1,036,862
Total non-current assets		**5,548,109**	**7,788,981**
Total assets		**43,616,077**	**74,283,980**

LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Payables and accruals	12	8,513,410	8,982,264
Deferred income	13	-	295,037
Provision for other current liabilities	14	214,628	-
Total current liabilities		**8,728,038**	**9,277,301**
Non-current liabilities			
Retirement benefit obligations	22	988,271	592,477
Provision for other non-current liabilities	14	63,812	-
Total non-current liabilities		**1,052,083**	**592,477**
Shareholders' equity			
Share capital	15	7,705,132	6,334,180
Share premium	15	249,753,750	237,487,830
Other reserves		5,447,145	4,723,069
Equity instruments	15	-	13,798,126
Accumulated deficit		(229,070,071)	(197,929,003)
Total shareholders' equity		**33,835,956**	**64,414,202**
Total liabilities and shareholders' equity		**43,616,077**	**74,283,980**

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

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

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

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

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

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

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

Amounts in Swiss francs	Notes	Share capital	Share premium	Other reserves	Equity instruments	Accumulated deficit	Total
Balance at January 1, 2010		**5,741,188**	**232,191,050**	**3,932,256**	**-**	**(164,283,656)**	**77,580,838**
Net loss for the year		-	-	-	-	(33,645,347)	(33,645,347)
Translation differences		-	-	(312,945)	-	-	(312,945)
Other comprehensive loss for the year		-	-	(312,945)	-	-	(312,945)
Total comprehensive loss for the year		**-**	**-**	**(312,945)**	**-**	**(33,645,347)**	**(33,958,292)**
Issue of shares - capital increase	15	593,567	5,448,945	-	-	-	6,042,512
Cost of share capital issuance	15	-	(152,165)	-	-	-	(152,165)
Issue of equity instruments - Mandatory convertible notes	15	-	-	-	13,957,482	-	13,957,482
Cost of equity instruments issuance	15	-	-	-	(159,356)	-	(159,356)
Share-based compensation	16	-	-	1,103,758	-	-	1,103,758
Purchase of treasury shares	15	(575)	-	-	-	-	(575)
Balance at December 31, 2010		**6,334,180**	**237,487,830**	**4,723,069**	**13,798,126**	**(197,929,003)**	**64,414,202**
Net loss for the year		-	-	-	-	(31,141,068)	(31,141,068)
Translation differences		-	-	(48,864)	-	-	(48,864)
Other comprehensive loss for the year		-	-	(48,864)	-	-	(48,864)
Total comprehensive loss for the year		**-**	**-**	**(48,864)**	**-**	**(31,141,068)**	**(31,189,932)**
Issue of shares - MCN conversion	15	1,371,069	12,427,057	-	(13,798,126)	-	-
Cost of share capital issuance	15	-	(161,137)	-	-	-	(161,137)
Share-based compensation	16	-	-	772,940	-	-	772,940
Purchase of treasury shares	15	(117)	-	-	-	-	(117)
Balance at December 31, 2011		**7,705,132**	**249,753,750**	**5,447,145**	**-**	**(229,070,071)**	**33,835,956**

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

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

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

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

Notes

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

1. General information

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

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

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

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Addex Pharmaceuticals Ltd have been prepared in accordance with IFRS and under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

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

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

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

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

- IFRS 7 (amendments), "Disclosures – Transfers of financial assets", effective July 1, 2011;
- IFRS 9, "Financial instruments", and its amendments, effective January 1, 2015;
- IFRS 10, "Consolidated financial statements", effective January 1, 2013;
- IFRS 11, "Joint arrangements", effective January 1, 2013;
- IFRS 12, "Disclosure of interests in other entities", effective January 1, 2013;
- IFRS 13, "Fair value measurement", effective January 1, 2013;
- IAS 1 (amendments), "Presentation of items of other comprehensive income", effective July 1, 2012;
- IAS 12 (amendment), "Income taxes", effective January 1, 2012;
- IAS 19 (revised), "Employee benefits", effective January 1, 2013;
- IAS 27 (revised), "Separate financial statements", effective January 1, 2013;
- IAS 28 (revised), "Investments in associates and joint ventures", effective January 1, 2013;
- IAS 32 (amendments), "Financial Instruments: Offsetting of financial assets and financial liabilities", effective January 1, 2014.

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

The adoption of IAS 19 (revised), effective January 1, 2013, is expected to have an impact on the Group financial position as well as on the disclosure. Under the revised standard, the "corridor and spreading" option to account for actuarial gains and losses (now called re-measurements) will be replaced by the requirements to present those re-measurements including other changes in defined benefit obligation and plan assets ceiling effects in other comprehensive income. The Group will fully assess the impact of the adoption of the revised standard during the year ended December 31, 2012, with the preparation of comparative data for the year ended December 31, 2013 when the Group will actually adopt the revised standard.

2.2 Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. The reporting date of all Group companies is December 31.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

2.4 Foreign currency transactions

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Swiss francs, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of income within 'finance result, net'. All other foreign exchange gains and losses are presented in the statement of income within 'operating expenses'.

Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of income are translated at the average exchange rate; and
- all resulting exchange differences are recognized in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Buildings	25 years
Leasehold improvements	(over life of lease)
Computer equipment	3 years
Laboratory equipment	4 years
Furniture and fixtures	5 years
Chemical library	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 2.7). Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are included in the statement of income.

2.6 Intangible assets

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (2 to 5 years) on a straight-line basis. Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

The Group has one category of financial assets which is "loans and receivables".

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are included in other current assets and other non-current assets in the balance sheet (see note 8 and 11).

Loans and receivables are measured at amortized cost. Amortized cost is the amount at which the loan or receivable is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount.

Loans and receivables are recognized on the trade-date, the date on which the Group commits to purchase or sell the asset. Loans and receivables are derecognized when settled or when the rights to receive cash flows have expired.

A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of impairment is the difference between the carrying amount and the recoverable amount and is recognized in the statement of income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the statement of income.

2.9 Trade receivables

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

2.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.11 Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown as a deduction, net of tax, in equity from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental cost (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effect, is included in equity attributable to the Company's equity holders.

2.12 Equity instruments

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

2.13 Trade payables

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

2.14 Grants

Grants are recognized at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Grants relating to costs are deferred and recognized as other income in the statement of income over the period necessary to match them with the costs that they are intended to compensate.

2.15 Deferred income 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 substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Employee benefits

Retirement benefit obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Under a defined contribution plan, the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. All plans that do not meet the strict criteria of defined contribution plans are deemed to be defined benefit plans and accounted for accordingly.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the defined benefit obligation at the balance sheet date less the fair value of the plan assets together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specific period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

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

Share-based compensation

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

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

Share option and equity sharing certificates' equity incentive plans: The fair value of the employee services received in exchange for the grant of options or equity sharing certificates (ESCs) is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or ESCs granted. The fair value of instruments granted includes any market performance conditions and excludes the impact of any service and non-market performance vesting conditions. Service and non-market performance conditions are included in assumptions about the number of options or equity sharing certificates that are expected to vest.

At each balance sheet date, the Group revises its estimates for the number of options, equity sharing certificates or converted non voting shares that are expected to vest. It recognizes the impact of the revision to original estimates, if any, in the statement of income, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options or ESCs are exercised.

2.17 Provisions

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

2.18 Income recognition

Income, which currently relates primarily to collaborative arrangements, comprises the fair value for the sale of products and services, net of value-added tax, rebates and discounts. Income from the sale of products is recognized when the product has been delivered and accepted by the customer and collectability of the receivable is reasonably assured. Income from the rendering of services is recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total service to be provided. Income from collaborative arrangements may include the receipt of non-refundable license fees, milestone payments, and research and development payments. When the Group has continuing performance obligations under the terms of the arrangements, non-refundable fees and payments are recognized as income by reference to the completion of the performance obligation and the economic substance of the agreement.

2.19 Finance income and expense

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

2.20 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

2.21 Research and development

Research and development costs are expensed as incurred. Costs incurred on development projects are recognized as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

In the opinion of management, due to uncertainties inherent in the development of the Group's products, the criteria for development costs to be recognized as an asset, as prescribed by IAS 38, "Intangible Assets", are not met.

Property, plant and equipment used for research and development purposes are capitalized and depreciated in accordance with the Group's property, plant and equipment policy (see note 2.5).

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the Group's finance department (Group Finance) under the policies approved by the Board. Group Finance identifies, evaluates and in some instances economically hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, use of derivative financial instruments and non-derivative financial instruments, credit risk, and investing excess liquidity.

Market risk

The Group operates internationally and is exposed to foreign exchange risk arising from various exposures, primarily with respect to the Euro, US dollar and UK pound. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. To manage foreign exchange risk Group Finance maintains foreign currency cash balances to cover anticipated future requirements. The Group's risk management policy is to economically hedge 50% to 100% of anticipated transactions in each major currency for the subsequent 12 months. The Group has a subsidiary in France, whose net assets are exposed to foreign currency translation risk. In 2011, a 10% increase or decrease in the USD/CHF exchange rate would have resulted in a CHF301,139 increase or decrease in net income and shareholders' equity as at December 31, 2011. Movements in other currencies would not have had a material impact. The Group is not exposed to equity price risk or commodity price risk as it does not invest in these classes of investment. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Therefore the Group has no significant interest rate risk exposure.

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures to collaboration partners. The Group has a limited number of collaboration partners and consequently has a significant concentration of credit risk. The Group has policies in place to ensure that credit exposure is kept to a minimum and significant concentrations of credit risk are only granted for short periods of time to high credit quality partners. The Group's policy is to invest funds in low risk investments including interest bearing deposits. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted (see note 7).

Liquidity risk

The Group's principal source of liquidity is its cash reserves which are obtained through the sale of new shares and to a lesser extent the sale of its research and development stage products. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. The ability of the Group to maintain adequate cash reserves to sustain its activities in the medium term is highly dependent on the Group's ability to raise further funds from the licensing of its development stage products and the sale of new shares. Consequently, the Group is exposed to significant liquidity risk in the medium term.

3.2 Capital risk management

The Company and its subsidiaries are subject to capital maintenance requirements under Swiss and French law, respectively. To ensure that statutory capital requirements are met, the Group monitors capital periodically, at the entity level, on an interim basis as well as annually. From time to time the Group may take appropriate measures or propose capital increases to ensure the necessary capital remains intact.

3.3 Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate to their fair values. The fair value of other financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities or may have had a significant impact on the reported results are disclosed below:

Going concern

As discussed on page 22 under "general information", the consolidated financial statements have been prepared on a going concern basis after considering the Group's cash position in light of current financial plans and financial commitments.

Income taxes

As disclosed in note 21 the Group has significant Swiss tax losses. These tax losses represent potential value to the Group to the extent that the Group is able to create taxable profits within 7 years of the end of the year in which the losses arose. The Group has not recorded any deferred tax assets in relation to these tax losses. The key factors which have influenced management in arriving at this evaluation are the fact that the Group has not yet a history of making profits and product development remains at an early stage. Should management's assessment of the likelihood of future taxable profits change, a deferred tax asset will be recorded.

Commitments and contingencies

In assessing the need for provisions for legal cases, estimates and judgements are made by the Group with support of external legal advisors and other technical experts in order to determine the probability, timing and amounts involved. In the opinion of the management, none of the Group's forthcoming legal cases needs to be provided for or disclosed as the probability of an outflow for the Group is insignificant and remote. Amounts involved would not have a material adverse effect on the Company's financial position.

Share-based compensation

The Group recognizes an expense for share-based compensation based on the difference between the fair value and the price paid, if any, for financial instruments granted under the Group's equity incentive plans. Should the assumptions and estimates underlying the fair value of these instruments vary significantly from management's estimates, then the share-based compensation expense would be materially different from the amount recognized. As such, the fair values of the equity sharing certificates (ESCs) granted in 2010 and 2011 were established using a customized binomial model based on a set of assumptions for each grant. Had these assumptions been modified within their feasible ranges and the Company calculated the share-based compensation based on the higher and lower values of these ranges, share-based compensation expense in 2011 would have been CHF512,187 or CHF718,811, respectively (2010: CHF545,147 or CHF768,908, respectively). This is compared to the amount recognized as an expense in 2011 of CHF605,666 (2010: CHF646,585).

Retirement benefit obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 22.

Loans to employees

In connection with the granting of ESCs in 2010 and 2011, the Group has made loans of CHF1,265,018 to its employees to finance the tax and social charges consequences of the grant of ESCs. The loans are only repayable if capital gains are realised from the exercise of the subscription rights attached to the ESCs. ESC subscription rights are exercisable, subject to vesting, until their expiry date, at their subscription price only if the underlying share price exceeds a predefined floor price. As at December 31, 2011, loans amounting to CHF28,312 relating to expired subscription rights were written off and loans amounting to CHF102,527 relating to subscription rights that are expected to expire in the first half year of 2012 have been fully provided for. The net loan amount of CHF1,134,179 was tested for impairment based on the historic volatility of the Company's share price combined with the scientific outcomes forthcoming and their respective probability of success calculated based on industry standard probabilities. The Group has assessed the probability of the share price achieving the floor price and the holder realizing a capital gain as highly probable. Therefore no further provision for impairment has been made. Had the Group assessed the current and past share price performance as objective evidence that the Group would not be able to collect the loans then a provision would have been made to reduce the carrying amount to the recoverable amount. This would have resulted in a additional charge to the statement of income of up to CHF1,134,179.

4.2 Critical judgments in applying the accounting policies

Income recognition

In 2011, the Group recognized a CHF2,598,200 milestone payment received under the Janssen Pharmaceuticals Inc. agreement executed on December 31, 2004 (see note 17) when the milestone payment fell due, since there was no significant continuing involvement in the development of the product. Had the Group been significantly involved in the continuing development of the product, the Group would have recognized the milestone of CHF2,598,200 over the period of continuing involvement.

Share-based compensation

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

Development supplies

At December 31, 2011, the Group owns development supplies that have been expensed in the statement of income. These amounts have not been recognized on the balance sheet as an asset since they are to be used in pre-clinical and clinical trials of specific products that have not demonstrated technical feasibility.

5. Segmental information

5.1 Reportable segments

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

5.2 Entity wide information

Information about products, services and major customers

External income of the Group for the years ended December 31, 2011 and 2010 is derived from the business of developing drugs for human health. Income was earned from collaborative arrangements and the sale of license rights to pharmaceutical companies.

Information about geographical areas

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

Analysis of income by nature is detailed as follows:

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

Analysis of income by major customer is detailed as follows:

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

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

The geographical analysis of assets is as follows:

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

The geographical analysis of capital expenditure is as follows:

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

The geographical analysis of operating expenses is as follows:

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

6. Consolidated entities

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

7. Cash and cash equivalents

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

In 2011, the effective interest rate on cash and cash equivalents was 0.15% (2010: 0.15%).

Credit quality of cash and cash equivalents

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

External credit rating of counterparty	December 31, 2011	December 31, 2010
P-1 / A-1	36,060,039	63,794,190
Cash on hand	5,340	3,135
Total cash and cash equivalents	**36,065,379**	**63,797,325**

External credit ratings of counterparties were obtained from Moody's (P-1) or Standard & Poor's (A-1), respectively.

8. Other current assets

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

9. Intangible assets

	Computer software licenses
At January 1, 2010	
Cost	758,701
Accumulated amortization	(577,135)
Net book value	**181,566**
Year ended December 31, 2010	
Opening net book amount	181,566
Exchange differences	(792)
Additions	19,393
Amortization charge	(116,249)
Closing net book amount	**83,918**
At December 31, 2010	
Cost	771,917
Accumulated amortization	(687,999)
Net book value	**83,918**
Year ended December 31, 2011	
Opening net book amount	83,918
Exchange differences	(126)
Additions	14,083
Disposals	(2,385)
Amortization charge	(63,273)
Closing net book amount	**32,217**
At December 31, 2011	
Cost	758,511
Accumulated amortization	(726,294)
Net book value	**32,217**

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

10. Property, plant and equipment

	Buildings	Leasehold improvements	Equipment	Furniture & fixtures	Chemical library	Total
At January 1, 2010						
Cost	32,698	8,873,320	12,069,350	1,382,946	1,049,575	23,407,889
Accumulated depreciation	(6,865)	(4,496,929)	(7,597,121)	(906,936)	(831,959)	(13,839,810)
Net book value	**25,833**	**4,376,391**	**4,472,229**	**476,010**	**217,616**	**9,568,079**
Year ended December 31, 2010						
Opening net book amount	25,833	4,376,391	4,472,229	476,010	217,616	9,568,079
Exchange differences	-	(147,455)	(58,007)	(5,073)	-	(210,535)
Additions	-	47,130	125,074	9,934	37,371	219,509
Disposals	-	(12)	(83,928)	(10)	-	(83,950)
Depreciation charge	(1,308)	(778,944)	(1,834,694)	(135,624)	(74,332)	(2,824,902)
Closing net book amount	**24,525**	**3,497,110**	**2,620,674**	**345,237**	**180,655**	**6,668,201**
At December 31, 2010						
Cost	32,698	8,124,978	11,444,694	1,351,477	1,086,947	22,040,794
Accumulated depreciation	(8,173)	(4,627,868)	(8,824,020)	(1,006,240)	(906,292)	(15,372,593)
Net book value	**24,525**	**3,497,110**	**2,620,674**	**345,237**	**180,655**	**6,668,201**
Year ended December 31, 2011						
Opening net book amount	24,525	3,497,110	2,620,674	345,237	180,655	6,668,201
Exchange differences	-	(8,604)	(3,692)	(364)	-	(12,660)
Additions	-	13,622	153,026	12,780	33,832	213,260
Disposals	-	(1,173)	(33,690)	(5,166)	-	(40,029)
Impairment charge	-	(399,848)	(11,705)	(8,940)	-	(420,493)
Depreciation charge	(1,307)	(776,546)	(1,475,966)	(128,087)	(61,964)	(2,443,870)
Closing net book amount	**23,218**	**2,324,561**	**1,248,647**	**215,460**	**152,523**	**3,964,409**
At December 31, 2011						
Cost	32,698	8,088,902	10,880,697	1,303,233	1,120,779	21,426,309
Accumulated depreciation	(9,480)	(5,764,341)	(9,632,050)	(1,087,773)	(968,256)	(17,461,900)
Net book value	**23,218**	**2,324,561**	**1,248,647**	**215,460**	**152,523**	**3,964,409**

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

11. Other non-current assets

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

12. Payables and accruals

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

All payables mature within 3 months.

13. Deferred income

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

14. Provisions for other liabilities

	Current	Non-current
At January 1, 2011	-	-
Provision linked to restructuring charges:		
Termination of employment contracts	13,075	-
Costs of fixed assets disposal	7,780	-
Termination of lease contracts	193,773	63,812
At December 31, 2011	**214,628**	**63,812**

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

15. Share capital and share premium

Number of shares	Common shares	Treasury shares	Total
Balance at January 1, 2010	**5,871,242**	**(130,054)**	**5,741,188**
Issue of shares	593,567	-	593,567
Purchase of treasury shares	-	(575)	(575)
Balance at December 31, 2010	**6,464,809**	**(130,629)**	**6,334,180**
Issue of shares	1,371,069	-	1,371,069
Purchase of treasury shares	-	(117)	(117)
Balance at December 31, 2011	**7,835,878**	**(130,746)**	**7,705,132**

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

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

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

16. Share-based compensation

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

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

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

Equity Sharing Certificate Equity Incentive Plan

On June 1, 2010, the Company established an equity incentive plan based on equity sharing certificates (ESCs and the ESC Plan) to provide incentives to directors, executives, employees and consultants of the Group. Each ESC provides the holder (i) a right to subscribe for 1,000 shares in the Company, and (ii) a right to liquidation proceeds equivalent to that of shareholders. All rights of the ESCs expire after a 5 year period from date of grant with the ownership of the ESCs reverting to the Group. ECSs granted are subject to certain vesting conditions which are defined in each grant agreement. The right of the holder of the ESCs to subscribe can only be exercised with respect to vested ESCs if the underlying share price reaches a floor price that is calculated as approximately 133% of the reference share price at the date of grant. The subscription price is defined as 50% of the floor price. In the event of a change in control, all ESCs automatically vest. The Group has no legal or constructive obligation to repurchase or settle ESCs in cash.

On June 1, 2010, the Group granted 767 ESCs at a floor price of CHF15.00 per share and a subscription price of CHF7.50 per share. The ESCs granted are subject to a 4 year quarterly vesting period. In accepting the grant of ESCs, the holders automatically forfeited all previously granted share options and consequently the ESC grant has been considered to be a replacement of the respective cancelled share options, under IFRS 2.

On January 1, 2011 and July 1, 2011, the Group granted 6 ESCs, respectively at a floor price of CHF14.00 per share and a subscription price of CHF7.00 per share. The ESCs granted are subject to a 4 year quarterly vesting period.

On August 15, 2011, the Group granted 320 ESCs at a floor price of CHF15.00 per share and a subscription price of CHF7.50 per share. The ESCs granted are subject to the following vesting conditions: (a) 120 ESCs will vest over 4 years, with a 1 year cliff period for 30 ESCs to vest, and the remaining 90 ESCs vesting quarterly over the next 3 years; (b) 100 ESCs will vest anytime in the next 3 years upon the earlier of (i) the Company's stock reaching CHF25 per share or (ii) the market capitalization of the Company reaching CHF240M, or (iii) after the end of the 3 year service period, provided that if the Company's stock is trading at least CHF16.25 (on a 30-day trading average), then at least 50% of the 100 ESCs shall vest on an upward sliding scale depending on the stock price from CHF16.25 to CHF25; and (c) 100 ESCs will vest anytime in the next 4 years upon the earlier of (i) the Company's stock reaching CHF40 per share or (ii) the market capitalization of the Company reaching CHF360M or (iii) after the end of the 4 year service period, provided that if the Company's stock is trading at least CHF26 (on a 30-day trading average) then at least 50% of the 100 ESCs shall vest on an upward sliding scale depending on the stock price from CHF26 to CHF40. In the event of a change of control of Addex resulting from the "merger of equals" or if the market cap of Addex reaches CHF 240 Million or CHF360 Million solely due to recapitalization of the Company, then 200 ESCs shall not automatically vest upon the occurrence of such event. In such a case the capitalization targets will be adjusted by the Board of Directors to take into account such circumstances.

On November 15, 2011, the Group granted 360 ESCs at a floor price of CHF8.00 per share and a subscription price of CHF4.00 per share. The ESCs granted are subject to the following vesting conditions: (a) 225 ESCs are subject to a 4 year quarterly vesting period; (b) 35 ESCs will vest at the earlier of (i) achieving undisclosed non-market performance conditions by certain predefined time points in 2012 or (ii) the end a period ending December 31, 2012; (c) 40 ESCs will vest at the achievement of undisclosed non-market performance conditions by certain predefined time points in 2012, with expiry at the end of 2012; (d) 25 ESCs will vest anytime in the next 2 years upon the Company's stock reaching CHF25 per share, with expiry at the end of 2013; and (e) 35 ESCs will vest anytime in the next 4 years upon the Company's stock reaching CHF40 per share, with expiry at the end of 2014. Of the 360 ESCs granted on November 15, 2011, 11 were granted to holders of share options. In accepting the grant of ESCs, the option holders automatically forfeit all previously granted share options and consequently the grant of these 11 ESC have been considered to be a replacement of the respective cancelled share options, under IFRS 2.

Of the 360 ESCs granted on November 15, 2011, 90 ESCs were conditionally granted, subject to future availability of the ESCs achieved either by ESCs reverting to the Group or ultimately by the approval of the shareholders on May 9, 2012.

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

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

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

	Subscription prices / floor prices (CHF)			
At December 31, 2011 Expiry date	**4.00 / 8.00**	**7.00 / 14.00**	**7.50 / 15.00**	**Total**
2015	-	6,000	681,500	687,500
2016	360,000	6,000	320,000	686,000
Total subscription rights	**360,000**	**12,000**	**1,001,500**	**1,373,500**

The weighted average fair value of subscription rights attached to ESCs granted during 2011 determined using a customized binomial valuation model was CHF0.70 (2010: CHF2.30). The significant inputs to the model were:

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

The total share-based compensation expense recognized in the statement of income for ESCs granted to directors, executives, employees and consultants has been recorded under the following headings:

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

Share option plans

The Company established share option plans in 2007 and 2008 to provide incentives to directors, executives, employees and consultants of the Group. The Company is no longer issuing share options under these equity incentive plans and as at December 31, 2011, all options have forfeited or expired and no options are outstanding. Movements in the number of share options and their related weighted average exercise prices are as follows:

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

As a result of the granting of ESCs in 2011, 2,500 (2010: 226,000) options were forfeited. For accounting purposes the cancellation of these share options was treated as a modification under IFRS 2 and the portion of the original fair value that was unrecognized at the date of forfeiture of CHF1,838 (2010: CHF371,768) is being recognized over the original vesting period.

The total share-based compensation expense recognized in the statement of income for share options granted to directors, executives, employees and consultants has been recorded under the following headings:

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

Non voting share equity incentive plans

Prior to December 31, 2006, the Group established two non voting share equity incentive plans to provide certain directors, executives, employees and consultants of the Group with an opportunity to subscribe or purchase shares of the Company at a preferential price. The plans established a right for the Company to repurchase a number of shares on a straight line basis during a limited period of time of 4 or 5 years depending on the terms of each plan in the event of the contractual relationship being terminated. As at December 31, 2011, this right to repurchase has been terminated for both plans, and the Company has no further right to repurchase the shares that became fully owned by their holders.

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

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

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

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

17. License and collaboration agreements

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

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

Merck Sharp & Dohme Research Ltd.

During 2011 total fees of CHF225,247 (2010: CHF1,975,265) have been recognized as income under the research collaboration and license agreement with Merck Sharp & Dohme Research Ltd that was executed on November 30, 2007. This agreement was terminated in 2011.

18. Other income

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

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

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

19. Operating expenses by nature

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

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

20. Staff costs

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

21. Taxes

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

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

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

22. Retirement benefit obligations

Apart from the social security plans fixed by the law, the Group sponsors independent pension plans. All employees are covered by these plans, which are defined benefit plans. Retirement benefits are based on contributions, computed as a percentage of salary, adjusted for the age of the employee and shared approximately 46%/54% by employee and employer. In addition to retirement benefits, the plans provide death and long-term disability benefits to its employees. Liabilities and assets are revised every year by an independent actuary. In accordance with IAS 19, plan assets have been estimated at fair market values and liabilities have been calculated according to the "projected unit credit" method.

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

Pension benefits

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

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

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

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

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

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

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

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

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

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

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

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

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

The principal actuarial assumptions used were as follows:

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

The expected return on plan assets is determined by considering the returns experienced by Swisscanto Asset Management over the last 15 years.

Mortality rate

Assumptions regarding future mortality experience are set based on advice, published statistics and experience.

The average life expectancy in years of a pensioner retiring at age of 65 (male) or 64 (female) on the balance sheet date are as follows:

	2011	2010
Male	18.93	17.90
Female	22.29	21.85

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

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

	December 31, 2010	
	Allocation in %	Expected return
Cash	2.3%	2.0%
Bonds	54.1%	3.5%
Shares	1.5%	6.8%
Real estates and mortgage	36.3%	4.5%
Alternative investments	5.8%	4.5%

The following table shows a five year summary reflecting the funding of defined benefit pensions and the impact of historical deviations between expected and actual return on plan assets and actuarial adjustments on plan liabilities.

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

23. Finance income and expense

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

24. Loss per share

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

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

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

25. Commitments and contingencies

Operating lease commitments

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

Operating lease commitments consist mainly of rental contracts for laboratories, offices and related spaces at Plan-les-Ouates and Archamps sites. As at December 31, 2011, there are no commitments over 5 years and commitments related to the site of Archamps have been recognized in the statement of income for CHF237,143 (CHF177,857 within 1 year and CHF59,286 between 1 and 2 years) as provision for restructuring liability.

Capital commitments

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

Contingencies

As part of the ordinary course of business, the Group is subject to contingent liabilities in respect of certain litigation. In the opinion of management, none of the outstanding litigation will have a significant adverse effect on the Group's financial position.

26. Related party transactions

Related parties include members of the Board of Directors and the Executive Management of the Group.

The following transactions were carried out with related parties:

Purchase of services

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

Key management compensation

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

Loans to related parties – Executive Management

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

In 2011, in connection with the granting of equity sharing certificates, the Group has made loans of CHF647,980 (2010: CHF617,038) to its employees, of which CHF464,557 (2010: CHF407,211) were made to Executive Managers, to finance the tax and social charges consequences of the grant of ESCs. The loans accrue interest at 0.2% per year and the loan principal and accrued interest are repayable from the first capital gains realised from the exercise of the subscription rights attached to the ESCs. Should no capital gains be realized over the 5 year term of the ESCs then the loans are forgiven.

27. Events after the balance sheet date

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

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

The Group's consolidated financial statements have been prepared in accordance with IFRS. This note has been prepared in accordance with the requirements of the Swiss law for companies, the Swiss Code of Obligations, and therefore differs in certain significant respects from compensation disclosures in note 26 (related party transactions), mainly due to different expense recognition rules being applied.

Non-Executive Director Compensation

General principles

Based on a proposal made by the Compensation Committee, the Board of Directors determines the compensation of Non-Executive Directors. They receive an annual fee based on the responsibilities of each Director, of which half is paid based on attendance at meetings, and an annual committee fee for each of the board standing committees of which they are a member. Non-Executive Directors are also eligible to participate in the Company's equity incentive plans.

In 2011, a special committee of the board was created to oversee the transition of the Chief Executive Officer position. A total amount of CHF115,500 was charged to the Company with respect to the activities of this special committee.

Loans and other payments to Non-Executive Directors

No loans were granted to current or former Non-Executive Directors during 2011 and 2010. No such loans were outstanding as of December 31, 2011 and 2010. During 2011, CHF31,909 of services were purchased from a member of the Board. In 2010, no payments (or waivers of claims) other than those set out in the compensation table were made to current or former Non-Executive Directors or to "persons closely linked" to them.

Compensation to Non-Executive Directors in 2011 [1]

Name of Non-Executive Director [8]	Base cash compensation	Variable cash attendance	Transition Committee Compensation	Equity sharing certificates [3]	Total 2011
André J. Mueller [4]	30,000	22,500	30,000	-	82,500
Andrew Galazka [7]	25,000	15,000	3,000	-	43,000
Raymond Hill [6]	25,833	15,000	12,000	-	52,833
Vincent Lawton [5]	25,000	15,000	70,500	-	110,500
Beat E. Lüthi	10,000	6,000	-	-	16,000
Hoyoung Huh	13,333	15,000	-	-	28,333
Antoine Papiernik [2]	-	-	-	-	-
Oleg Nodelman [2]	-	-	-	-	-
Total	**129,166**	**88,500**	**115,500**	**-**	**333,166**

1. Compensation does not include reimbursement for travel and other necessary business expenses incurred in the performance of their services as these are not considered to be compensation.
2. Non-Executive Directors who serve on the Board of Directors in their capacity as representatives of their respective venture capital investment firms receive no compensation for their services.
3. No equity sharing certificates were granted to Non-Executive Directors during 2011
4. Chairman of the Board of Directors
5. Vice Chairman of the Board of Directors and Chairman of the Audit Committee
6. Chairman of the Compensation Committee
7. Chairman of the Nomination Committee
8. All Non-Executive Directors are members of the Board of Directors

Compensation to Non-Executive Directors in 2010 [1]

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

1. Compensation does not include reimbursement for travel and other necessary business expenses incurred in the performance of their services as these are not considered to be compensation.
2. Non-Executive Directors who serve on the Board of Directors in their capacity as representatives of their respective venture capital investment firms receive no compensation for their services.
3. 33 equity sharing certificates were granted to Non-Executive Directors during 2010, reported at fair value at date of grant of CHF2,300 per ESC.
4. Chairman of the Board of Directors
5. Chairman of the Audit Committee
6. Chairman of the Compensation Committee
7. Chairman of the Nomination Committee
8. All Non-Executive Directors are members of the Board of Directors

Executive Management Compensation

General principles

The Chief Executive Officer provides the Compensation Committee with an evaluation of the individual performance of the members of the Executive Management as well as an evaluation of their respective function. The Compensation Committee considers both the recommendation of the Chief Executive Officer and the overall performance of the Group including short and long term goals and achievements. Based on a proposal made by the Compensation Committee, the Board determines the compensation of the Executive Management. The members of Executive Management are eligible to participate in the Company's equity incentive plans.

Loans and other payments to Executive Management

In 2011, in connection with the granting of equity sharing certificates, the Group made loans of CHF 647,980 (2010: CHF617,038) to its employees, of which CHF315,412 was to Bharatt Chowrira (2010: CHF96,501 to Vincent Mutel) and CHF149,145 (2010: CHF310,710) to other members of the Executive Management, to finance the tax and social charges consequences of the grant of ESCs. The loan accrues interest at 0.2% per year and the loan principal and accrued interest are repayable from the first capital gains realised from the exercise of the subscription rights attached to the ESCs. Should no capital gains be realized over the 5 year term of the ESCs then the loans are forgiven.

Compensation to Executive Management in 2011 [1]

Executive Management [2]	Base cash compensation	Variable cash bonus	Equity sharing certificates (number) [3]	Equity sharing certificates (value) [3]	Total 2011
Bharatt Chowrira [4]	208,052	37,500	320	60,800	306,352
Vincent Mutel [5]	480,375	-	-	-	480,375
Other Executive Management	2,011,189	390,000	147	119,120	2,520,309
Total	**2,699,616**	**427,500**	**467**	**179,920**	**3,307,036**

1. Compensation does not include reimbursement for travel and other necessary business expenses incurred in the performance of their services as these are not considered to be compensation.
2. The Executive Management includes the Chief Executive Officer and senior members of management.
3. 467 equity sharing certificates were granted to Executive Management during 2011, reported at fair value at date of grant (with a weighted average faire value of CHF385 per ESC).
4. President and Chief Executive Officer from August 15, 2011
5. Chief Executive Officer up to June 2, 2011 and Vice Chairman of the Board of Directors up to August, 11, 2011

Compensation to Executive Management in 2010 [1]

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

1. Compensation does not include reimbursement for travel and other necessary business expenses incurred in the performance of their services as these are not considered to be compensation.
2. The Executive Management includes the Chief Executive Officer and senior members of management.
3. 409 equity sharing certificates were granted to Executive Management during 2010, reported at fair value at date of grant of CHF2,300 per ESC.
4. Vice Chairman of the Board of Directors and Chief Executive Officer

Ownership of Addex Pharmaceuticals shares and subscription rights by Non-Executive Directors and members of Executive Management

The total number of shares and shares' subscription rights owned by Non-Executive Directors and members of the Executive Management at December 31, 2011 is shown in the following table.

Name of Director or Executive (number of shares or subscription rights)	2011 Equity sharing certificates granted	Vested shares and ESCs' subscription rights	Unvested shares and ESCs' subscription rights	Total shares and ESCs' subscription rights owned
Non-Executive Director				
André J. Mueller	-	78,501	5,625	84,126
Andrew Galazka	-	9,765	3,750	13,515
Raymond Hill	-	2,250	3,750	6,000
Vincent Lawton	-	2,250	3,750	6,000
Hoyoung Huh	-	-	-	-
Antoine Papiernik	-	-	-	-
Oleg Nodelman	-	-	-	-
Executive Management				
Bharatt Chowrira	320	-	320,000	320,000
Tim Dyer	55	138,033	88,125	226,158
Charlotte Keywood	20	38,250	47,500	85,750
Sonia Poli	10	30,750	36,250	67,000
Laurent Galibert	10	15,750	36,250	52,000
Jean-Philippe Rocher	15	60,750	40,000	100,750
Robert Lütjens	15	42,125	43,125	85,250
Chris Maggos	15	11,250	33,750	45,000
Tatiana Pont Carteret	7	8,625	21,375	30,000
Total	**467**	**438,299**	**683,250**	**1,121,549**

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

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

29. Risk assessment disclosure required by Swiss law

The Chief Executive Officer and Chief Financial Officer coordinate and align the risk management processes, and report to the Board and the Audit Committee on a regular basis on risk assessment and risk management. The organization and the corporate processes have been designed and implemented to identify and mitigate risks at an early stage. Organizationally, the responsibility for risk assessment and management is allocated to the Chief Executive Officer and members of the Executive Management and specialized corporate functions such as Group Finance and the Group Safety Committee. Group Finance provides support and controls the effectiveness of the risk management processes. Financial risk management is described in more detail in note 3 to the Group's consolidated financial statements.

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

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Addex Pharmaceuticals Ltd, which comprise the balance sheets, statements of income, statements of comprehensive income, statements of changes in equity, statements of cash flow and notes (see pages 18 to 36), for the year ended December 31, 2011.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Michael Foley Audit expert Auditor in charge	Claudia Benz Audit expert

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Geneva, 20 February 2012

Statutory Financial Statements of Addex Pharmaceuticals Ltd as at December 31, 2011

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

Amounts in Swiss francs	Notes	December 31, 2011	December 31, 2010
ASSETS			
Current assets			
Cash and cash equivalents		10,832,452	14,639,048
Other receivables			
Third parties		1,246	19,641
Accrued income		29,106	14,042
Total current assets		**10,862,804**	**14,672,731**
Non-current assets			
Investments in Group companies	6	2	2
Other non-current assets			
Loans to Group companies	7	24,851,740	49,788,299
Total non-current assets		**24,851,742**	**49,788,301**
Total assets		**35,714,546**	**64,461,032**

LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payables		331,533	51,471
Other payables			
Third parties		95,103	72,330
Group companies		-	725
Accruals		155,147	327,988
Other current liabilities			
Mandatory convertible notes	8	-	13,957,482
Total current liabilities		**581,783**	**14,409,996**
Shareholders' equity			
Share capital	8	7,835,878	6,464,809
General reserve from capital contribution		88,561,948	140,507,743
Thereof reserves from capital contributions	*8*	*153,094,039*	*140,507,743*
Thereof reserves from retained earnings		*(64,532,091)*	-
Treasury shares reserve	9	250,844	250,727
Non-voting equity securities	11	p.m.	p.m.
Accumulated deficit		(61,515,907)	(97,172,243)
Total shareholders' equity		**35,132,763**	**50,051,036**
Total liabilities and shareholders' equity		**35,714,546**	**64,461,032**

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

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

Amounts in Swiss francs	2011	2010
Operating expenses		
Professional fees	227,458	343,437
Other operating expenses	641,268	486,622
Provision for Group companies	27,847,012	31,856,015
Taxes	196,386	43,962
Total operating expenses	**28,912,124**	**32,730,036**
Interest income	(36,369)	(89,884)
Net loss before tax	**28,875,755**	**32,640,152**
Income tax expense	-	-
Net loss for the year	**28,875,755**	**32,640,152**

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

Notes

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

1. General

Addex Pharmaceuticals Ltd was founded on February 19, 2007.

2. Guarantees, other indemnities and assets pledged in favor of third parties

As of December 31, 2011 and December 31, 2010, there were no guarantees, other indemnities or assets pledged in favor of third parties.

3. Pledges on assets to secure own liabilities

As of December 31, 2011 and December 31, 2010, there were no assets pledged to secure own liabilities.

4. Lease commitments not recorded in the balance sheet

As of December 31, 2011 and December 31, 2010, there were no lease commitments not recorded in the balance sheet.

5. Amounts due to pension funds

As of December 31, 2011 and December 31, 2010, there were no amounts due to pension funds.

6. Significant investments

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

Company	Business	Capital	Interest in capital in %
Addex Pharma SA, Plan-les-Ouates, Switzerland	Research & development	CHF3,987,492	100%
Addex Pharmaceuticals France SAS, Archamps, France	Research & development	EUR37,000	100%

As at December 31, 2011 and 2010, the Company has provided for its investments in Group companies as follows:

	December 31, 2011	December 31, 2010
Investment in Addex Pharma SA	3,987,492	3,987,492
Provision for investment in Addex Pharma SA	(3,987,491)	(3,987,491)
Investment in Addex Pharmaceuticals France SAS	1	1
	2	**2**

7. Other non-current assets – Loans to Group companies

As at December 31, 2011 and 2010, the Company has provided for its loan to Addex Pharma SA as follows:

	December 31, 2011	December 31, 2010
Loan to Addex Pharma SA	137,910,453	135,000,000
Provision for loan to Addex Pharma SA	(113,058,713)	(85,211,701)
	24,851,740	**49,788,299**

The loan to Addex Pharma SA is subordinated to the claims of other creditors of the subsidiary up to CHF113,058,713.

8. Share capital and share premium

On March 14, 2011, zero-coupon mandatory convertible notes issued by the Group on September 14, 2010 to BVF Partners L.P. with a total nominal value of CHF13,957,482 converted into 1,371,069 new shares at a fixed conversion price of CHF10.18 per share. The capital increase has been recorded in share capital for CHF1,371,069 and general reserve from capital contribution for CHF12,586,413. In 2010, the Group issued 593,567 new shares to BVF Partners L.P. in a private placement for CHF10.18 per share. The proceeds of CHF6,042,512 have been recorded in share capital for CHF593,567 and general reserve from capital contribution for CHF5,448,945.

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

	December 31, 2011	December 31, 2010
Authorized capital	2,931,246	2,337,679
Conditional capital	3,331,246	2,922,496

9. Treasury share reserve

This reserve corresponds to the purchase price of shares in Addex Pharmaceuticals Ltd held by Group companies. The table shows movements in the number of shares and the treasury share reserve:

	Number of registered shares	Price in CHF	Total purchase price in CHF	% of share capital
Balance at January 1, 2010	**130,054**		**250,152**	**2.22%**
Purchases	500	1.00	500	
Purchases	75	1.00	75	
Balance at December 31, 2010	**130,629**		**250,727**	**2.02%**
Purchases	117	1.00	117	
Balance at December 31, 2011	**130,746**		**250,844**	**1.67%**

10. Significant shareholders

According to the information available to the Board of Directors the following shareholders held shares entitling them to more than 3% of the total voting rights:

	December 31, 2011		December 31, 2010	
	Number of shares	**Interest in capital in %**	**Number of shares**	**Interest in capital in %**
BVF Partners L.P.*	2,350,242	29.99%	979,173	15.15%
Sofinnova Capital IV FCPR	806,648	10.29%	806,648	12.48%
TVM V Life Science Ventures	705,726	9.01%	705,726	10.92%
The Swiss Helvetia Fund	351,155	4.48%	488,370	7.55%
SROne Ltd	253,253	3.23%	253,253	3.92%
Varuma AG	231,425	2.95%	231,425	3.58%

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

11. Non-voting equity securities

Refer to note 16 on page 29 of the consolidated financial statements.

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

Refer to note 28 on page 34 of the consolidated financial statements.

13. Risk assessment

Refer to note 29 on page 36 of the consolidated financial statements.

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

The Board of Directors proposes to transfer CHF117 from general reserve from capital contribution to treasury shares reserve, to carry forward the net loss for the year 2011 of CHF28,875,755 and to offset the accumulated deficit of CHF32,640,152 with the general reserve from capital contribution.

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

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Addex Pharmaceuticals Ltd, which comprise the balance sheet, income statement and notes (pages 38 to 40), for the year ended December 31, 2011.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended December 31, 2011 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

Furthermore we draw to your attention that the accumulated deficit exceeds one half of the share capital and legal reserves (Article 725 paragraph 1 of the Swiss Code of Obligations).

We further confirm that the proposal of the Board of Directors to set off the accumulated deficit with the legal reserves complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Michael Foley Audit expert Auditor in charge	Claudia Benz Audit expert

pwc

Geneva, 20 February 2012

Forward-looking statements

These materials contain forward-looking statements that can be identified by terminology such as "not approvable", "continue", "believes", "believe", "will", "remained open to exploring", "would", "could", or similar expressions, or by express or implied discussions regarding Addex Pharmaceuticals Ltd, its business, the potential approval of its products by regulatory authorities, or regarding potential future revenues from such products. Such forward-looking statements reflect the current views of Addex Pharmaceuticals Ltd regarding future events, and involve known and unknown risks, uncertainties and other factors that may cause actual results with allosteric modulators of mGluR2, mGluR4, mGluR5, $GABA_BR$ PAM, FSHR/LHR, GLP1R, TNFR1, RTK, TrkB or other therapeutic targets to be materially different from any future results, performance or achievements expressed or implied by such statements. There can be no guarantee that allosteric modulators of mGluR2, mGluR4, mGluR5, $GABA_BR$ PAM, FSHR/LHR, GLP1R, TNFR1, RTK, TrkB or other therapeutic targets will be approved for sale in any market or by any regulatory authority. Nor can there be any guarantee that allosteric modulators of mGluR2, mGluR4, mGluR5, $GABA_BR$ PAM, FSHR/LHR, GLP1R, TNFR1, RTK, TrkB or other therapeutic targets will achieve any particular levels of revenue (if any) in the future. In particular, management's expectations regarding allosteric modulators of mGluR2, mGluR4, mGluR5, $GABA_BR$ PAM, FSHR/LHR, GLP1R, TNFR1, RTK, TrkB or other therapeutic targets could be affected by, among other things, unexpected actions by our partners, unexpected regulatory actions or delays or government regulation generally; unexpected clinical trial results, including unexpected new clinical data and unexpected additional analysis of existing clinical data; competition in general; government, industry and general public pricing pressures; the company's ability to obtain or maintain patent or other proprietary intellectual property protection. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. Addex Pharmaceuticals is providing the information in this press release as of this date and does not undertake any obligation to update any forward-looking statements contained in this press release as a result of new information, future events or otherwise.

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