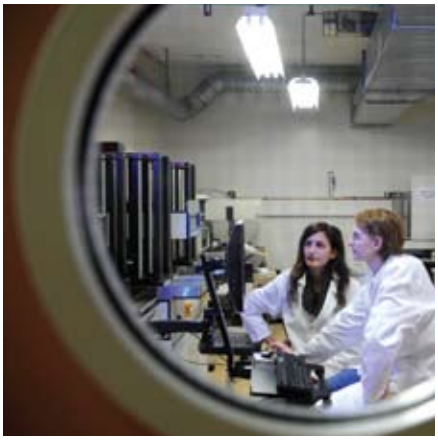
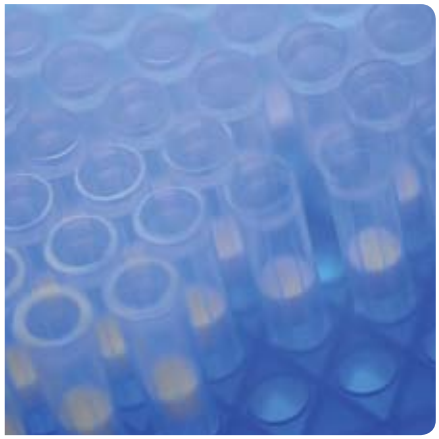
Annual Report 2009

Addex Pharmaceuticals

allosteric modulators for human health






addex
Pharmaceuticals

Key Facts

Addex Pharmaceuticals

Headquarters: Plan-les-Ouates, Geneva, Switzerland

Total employees as of Dec 31, 2009: 144

Goal: Allosteric modulators for human health

Disease areas: CNS, Metabolic Disorders and Inflammation

Lead product: ADX48621 to treat Parkinson's disease levodopa-induced dyskinesia (PD-LID)

Corporate partners: Merck & Co., Inc. and Johnson & Johnson

Stock symbol/exchange: ADXN (ISIN:CH0029857054) / SIX Swiss Exchange

Shares outstanding as of Dec 31, 2009: 5,871,242

Cash as of Dec 31, 2009: CHF76.6 million

Addex is pioneering the industrialization of allosteric drug discovery and development.

Contents

“It is not so much a question of whether or not Addex will succeed but rather a question of when.”

André J. Mueller
Chairman

Dr. Vincent Mutel
Chief Executive Officer

Dear Shareholder

Like you, we were surprised and highly disappointed at the end of 2009 when we had to make the decision to terminate our lead product, ADX10059, due to liver function test abnormalities. This was not detected in our prior clinical or preclinical testing and began to appear in humans only after the product had been used twice-daily for two-to-three months in a Phase IIb migraine prevention study. Unfortunately, our subsequent discussions with experts led us to decide against investing any further in ADX10059, even for acute indications.

Although we do not wish to minimize the difficulties caused by losing ADX10059, it was the first of many potential products that are emerging from our pipeline and was not the only predictor of future value to be generated by our proprietary platform. This event also was not predictive of future toxicological problems with other products in our pipeline or for allosteric modulators in general. Indeed, a handful of allosteric modulators – identified by serendipity – are already on the market and available to patients.

Addex is the first company to industrialize discovery and development tools for this commercially validated class of molecules. Our allosteric modulator discovery and development platform is validated by our partnerships with Merck & Co., Inc. and Johnson & Johnson's Ortho-McNeil-Janssen Pharmaceuticals, Inc. subsidiary. Indeed, we and external key opinion leaders in the allosteric modulation field believe that allosteric modulators continue to have the potential to offer many highly differentiated innovative drugs in the years to come.

We would like to thank you, our shareholders, for your support despite this significant setback and want to assure you that we are working to realize the value of our products and the proprietary platform that has produced them. As we have nearly two years of operating cash remaining - although we must move fast - we are able to proceed without sacrificing the discovery engine that we believe is the heart of Addex.

Partnering already has proven the value of our discovery engine by generating CHF43 million in revenues to date. Our three existing partnerships make us eligible, over the coming months and years, for milestones of up to about USD1 billion, plus royalties on potential sales.

ADX71149, an mGluR2 PAM partnered with J&J, entered Phase I development in 2009 and we are looking forward to seeing it enter Phase II development. Our mGluR5 PAM program has been transferred to our partner Merck and they are moving both the lead product and its backup molecules toward the clinic in 2010. Last but not least, our mGluR4 PAM preclinical collaboration with Merck already has reached two preclinical milestones and, as a result, at the end of 2009, Merck made a new commitment of USD1.8 million to cover research costs at Addex in addition to the original terms of our partnership.

We thank our partners for the progress made to date and look forward to bringing to patients these potentially ground-breaking new therapeutic products for diseases like schizophrenia and Parkinson's disease. Through these three partnerships, Addex is at the forefront of some of the most innovative discovery and development efforts in these CNS indications.

Addex is using its leadership position in the industrialization of the discovery and development of allosteric molecules to build a sustainable pharmaceutical business. We believe our allosteric modulator discovery and development capabilities make Addex one of the most promising young pharmaceutical companies in the world. We thank our staff for their perseverance and innovative work.

Products issuing from our platform represent multiple innovative and truly exciting opportunities to bring differentiated drugs to patients. In short, despite the recent setback we feel that it is not so much a question of whether or not Addex will succeed but rather a question of when.

Capitalizing on our un-partnered clinical and preclinical assets is our priority for 2010 and beyond. We hope to demonstrate the intrinsic value of our products and technology through out-licensing the most advanced products in our pipeline: ADX48621, ADX71943 and ADX68692. Each of these products is innovative and unique, offering potential medical breakthroughs in areas of high unmet medical need.

Results obtained in a highly predictive model of Parkinson's disease levodopa-induced dyskinesia (PD-LID) show that ADX48621 is well differentiated compared to other drugs in development for this indication. The product is the only one in development that has been reported to have effects on dystonia (e.g. cramping), an important and disabling component of LID. We believe ADX48621 could be both best- and first-in-class for this indication.

PD-LID also is a commercially exciting indication where there is growing unmet medical need. Although we are looking to find a partner who will license rights to ADX48621, we hope to retain co-development and co-promotion rights in some territories. This would afford us a degree of control over our own revenue stream through product sales as early as 2017, providing the basis for a sustainable business.

Our GABA-B receptor positive allosteric modulator, ADX71943, which has shown efficacy in various animal models of pain, has exciting potential in the management of chronic pain and is being profiled for development in osteoarthritic pain. Again, the product has first-in-class potential in a very large and growing market where existing drugs have important limitations. ADX71943 is the only GABA-B PAM, to the best of our knowledge, available for out-licensing.

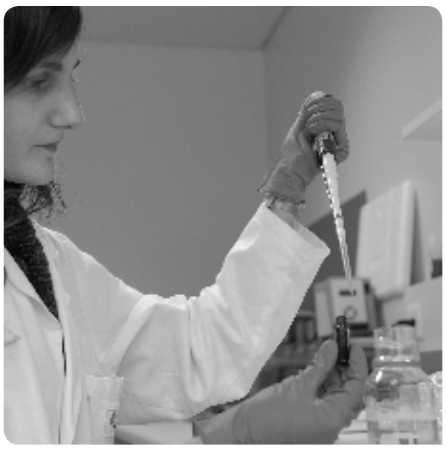
Finally, our FSHR negative allosteric modulator, ADX68692 has shown its efficacy after oral administration in preclinical testing, allowing us to explore partnering it for the treatment of endometriosis and benign prostatic hyperplasia.

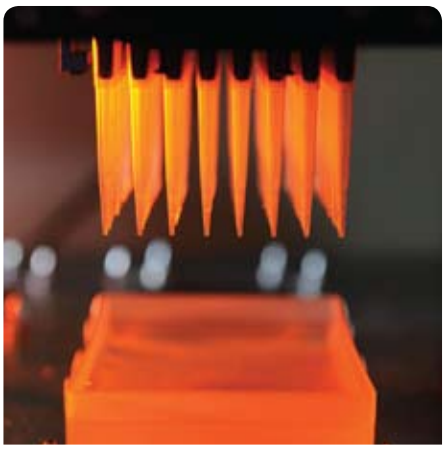
In addition, we have a large number of highly innovative early stage programs, like orally available TNF receptor inhibitors and GLP-1 receptor activators, which are attracting the attention of the pharmaceutical industry. Our productive proprietary discovery engine is a core asset that can provide a steady stream of exciting novel drug candidates and partnerships to generate near-term revenues and long-term profitability.

Both the immediate and long-term perspective allow us to look forward with confidence to our recovery. We are working to reward our shareholders in a fast and sustainable manner.

Highlights 2009

During 2009 Addex performed clinical testing of its most advanced products, progressed early stage products and broadened its proprietary discovery and development platform technology. Milestones achieved with our partners Johnson & Johnson and Merck & Co., Inc. demonstrate the relevance of the Addex proprietary platform and the interest industry at large has in allosteric modulation.



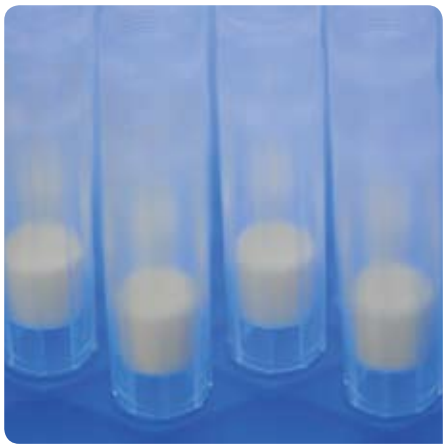


May 27 First-ever peer-reviewed publication (appearing in *GUT*) of positive clinical data in GERD patients where an mGluR5 inhibitor reduced both reflux and symptoms in just one day.

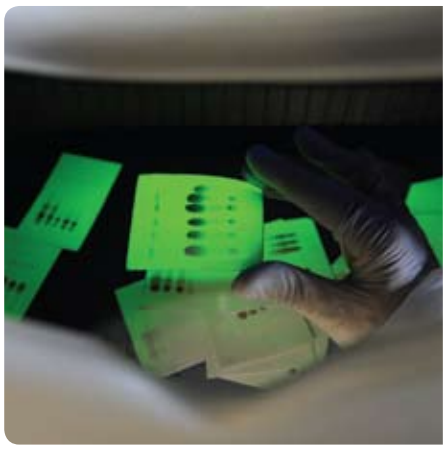
Jan 28 ADX48621 phase I program completed; this next generation mGluR5 NAM achieved satisfactory pharmacokinetics, safety and tolerability in 110 subjects, including older volunteers.

Jun 24 Addex partner Johnson & Johnson starts first-ever clinical trial of an mGluR positive allosteric modulator (ADX71149, an mGluR2 PAM with potential in schizophrenia & anxiety).

Apr 29 Addex presentation at American Academy of Neurology shows mGluR5 inhibition clinically relevant for migraine.



Dec 02 Based on successful progress, Addex and Merck & Co., Inc. extend mGluR4 PAM agreement in Parkinson's disease. Addex to receive USD1.8 million in addition to original terms.



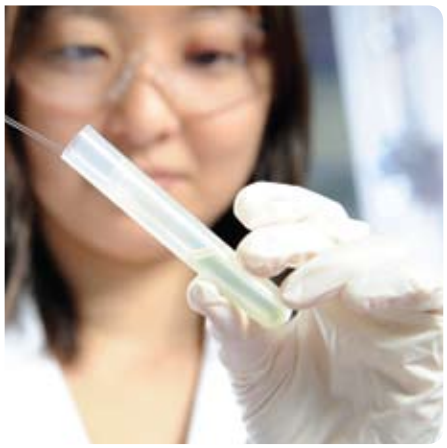
Jul 16 R&D Day: New proprietary technologies broaden the Addex allosteric discovery & development platform to include peptide receptors, like GLP-1 receptor, and cytokine receptors, like TNF receptor 1 and IL-1 receptor 1.

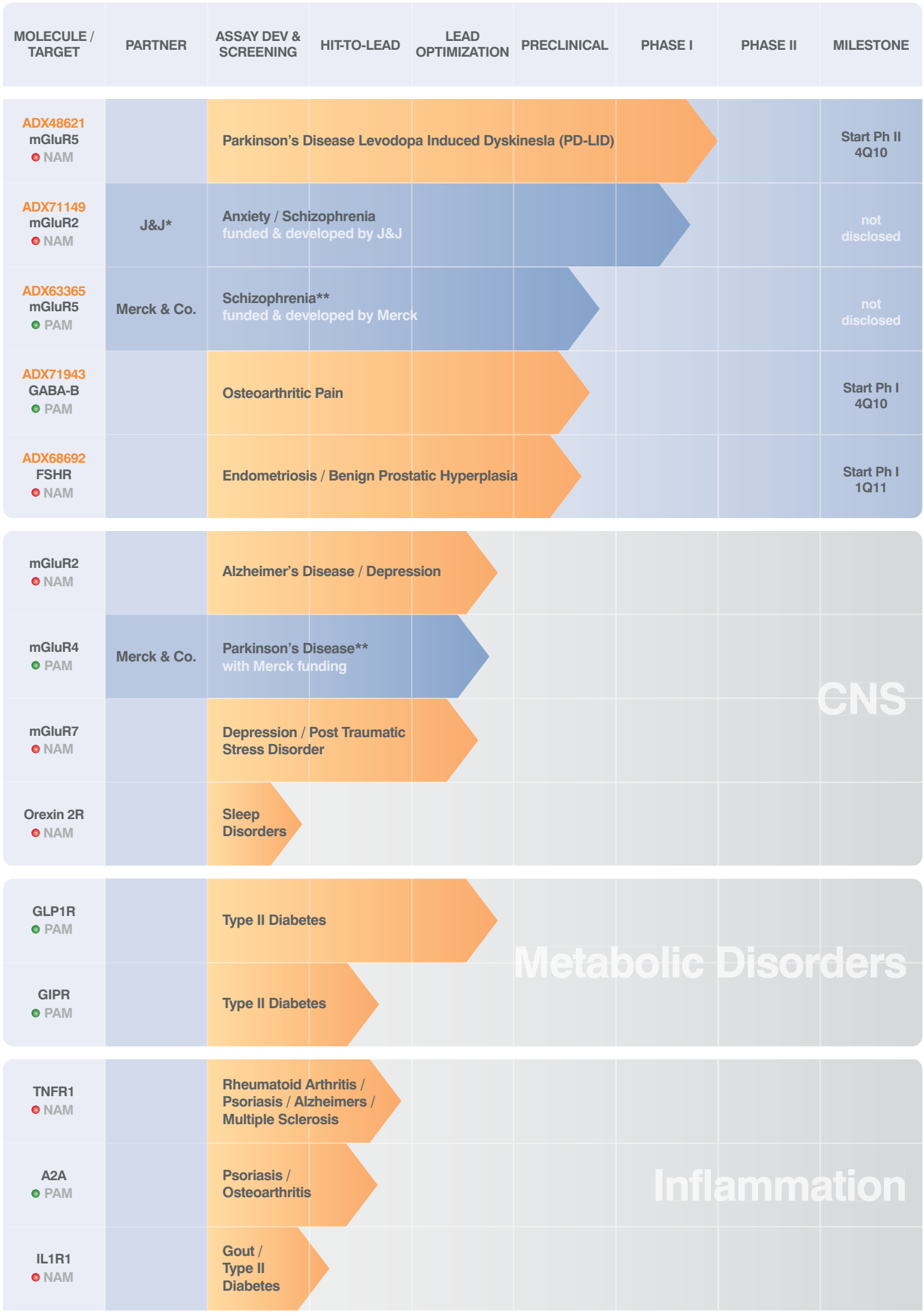
Dec 15 Development of ADX10059 terminated after two-to-three months of treatment in migraine patients revealed increased incidence of abnormal liver function tests.

Jul 10 Addex and Merck & Co., Inc. achieve second milestone in mGluR4 PAM Parkinson's disease collaboration: orally available mGluR4 PAM show efficacy in preclinical PD model.

Nov 15 Phase IIb data show ADX10059 monotherapy effective on GERD symptoms and reflux after two weeks of treatment.

Nov 23 ADX48621 shows exciting effects on both dystonia and chorea, major components of Parkinson's disease levodopa-induced dyskinesia (PD-LID) in a predictive model. Dystonia effect is unique.




MOLECULE / TARGET
PARTNER
ASSAY DEV & SCREENING
HIT-TO-LEAD
LEAD OPTIMIZATION
PRECLINICAL
PHASE I
PHASE II
MILESTONE
ADX48621
mGluR5
NAM
Parkinson's Disease Levodopa Induced Dyskinesia (PD-LID)
Start Ph II 4Q10
ADX71149
mGluR2
NAM
J&J*
Anxiety / Schizophrenia
funded & developed by J&J
not disclosed
ADX63365
mGluR5
PAM
Merck & Co.
Schizophrenia**
funded & developed by Merck
not disclosed
ADX71943
GABA-B
PAM
Osteoarthritic Pain
Start Ph I 4Q10
ADX68692
FSHR
NAM
Endometriosis / Benign Prostatic Hyperplasia
Start Ph I 1Q11
mGluR2
NAM
Alzheimer's Disease / Depression
mGluR4
PAM
Merck & Co.
Parkinson's Disease**
with Merck funding
mGluR7
NAM
Depression / Post Traumatic Stress Disorder
Orexin 2R
NAM
Sleep Disorders
CNS
GLP1R
PAM
Type II Diabetes
GIPR
PAM
Type II Diabetes
Metabolic Disorders
TNFR1
NAM
Rheumatoid Arthritis / Psoriasis / Alzheimers / Multiple Sclerosis
A2A
PAM
Psoriasis / Osteoarthritis
IL1R1
NAM
Gout / Type II Diabetes
Inflammation
NAM = negative allosteric modulator (an inhibitor)
PAM = positive allosteric modulator (an activator)
Pipeline
Discovery Programs
* Ortho - McNeil - Janssen Pharmaceuticals Inc., a Johnson & Johnson company
** undisclosed additional indications

Selected Unpartnered Programs

ADX48621

During 2009, we made several significant discoveries regarding the activity of ADX48621, our drug candidate for Parkinson's disease levodopa-induced dyskinesia (PD-LID). In a well-established non-human primate model of the disease, ADX48621 dose-dependently inhibited chorea and dystonia, the two major components of LID, while potentially improving the beneficial effects of levodopa. Although other drug candidates have shown some efficacy on chorea, similar effects on dystonia have not previously been reported in this model with drugs either in development or on the market. There is currently no treatment approved specifically for PD-LID and ADX48621 appears best-in-class among the products in development.

ADX48621 is a metabotropic glutamate receptor 5 (mGluR5) negative allosteric modulator (NAM), with a distinct metabolic profile and is chemically unrelated to other mGluR5 NAMs. In Phase I testing, ADX48621 achieved satisfactory pharmacokinetics, safety and tolerability in 110 healthy volunteers, including older subjects. We intend to begin a Phase II dose-range finding study with ADX48621 in PD-LID before the end of 2010.

Parkinson's disease

Parkinson's disease is a degenerative disorder of the brain that impairs motor skills, speech, and other functions. The two main components of PD-LID are chorea and dystonia. Chorea is manifested as abnormal involuntary movements. Dystonia is a movement disorder characterized by sustained muscle contractions that frequently cause twisting or repetitive movements and abnormal, sometimes painful, postures or positions.

mGluR5 in Parkinson's disease

Clinical validation of mGluR5 inhibition in PD-LID has been achieved with another mGluR5 inhibitor in development at Novartis. This is supported by research showing that the loss of dopamine producing cells, a characteristic of Parkinson's disease, leads to excess glutamatergic stimulation in the key areas of the brain that control movement. mGluR5 are found abundantly in these regions of the brain and are implicated in the excess glutamate activity seen in Parkinson's disease. Research shows that inhibition of glutamate stimulation in this pathway was efficacious in animal models of Parkinson's disease and PD-LID.

Market potential for ADX48621

Currently there are an estimated 1.2 million patients with PD-LID in the U.S. alone. With no drugs approved for the treatment of PD-LID, increasing incidence and debilitating symptoms, there is a growing unmet medical need for effective drugs. We believe that an effective product would capture market share quickly and that its growth would be supported by sustained growth of the patient population. This provides a significant opportunity for ADX48621.

ADX71943

ADX71943 is an orally available positive allosteric modulator (PAM) of the gamma-aminobutyric acid subtype B (GABA-B) receptor that has potential for treatment of chronic pain, including osteoarthritic pain. Following completion of preclinical development, ADX71943 is expected to begin clinical testing in the fourth quarter of 2010.

A marketed product, called Kemstro (also Lioresal) and often referred to as baclofen (its generic name), has shown that GABA-B receptor activation can induce powerful analgesic effects. However, induction of tolerance and dose limiting CNS-mediated side effects (e.g. sedation, muscle relaxation and memory impairment) have prevented baclofen from being prescribed for pain relief. We have observed that in preclinical models the allosteric mechanism of ADX71943 can avoid tolerance and dose limiting side effects, suggesting that the product could offer the same advantages in humans.

To date, ADX71943 has demonstrated statistically significant analgesic-like effects in three preclinical models of pain. The minimum effective doses observed in these tests and the pharmacokinetic properties of the compound support the testing of ADX71943 in humans for chronic pain, including osteoarthritic pain.

There is currently no approved treatment available for PD-LID and ADX48621 appears best-in-class among the products in development.

We believe that ADX71943 has a profile that fits well with market need. It is orally available, has the potential for once-daily dosing and has a mechanism that may avoid some of the limitations of other classes of analgesics.

Osteoarthritis is a widespread condition affecting approximately 90 million, mostly elderly, people. One of the most debilitating symptoms is chronic pain, which requires long-term treatment. There is a clear need for drugs with better side effect profiles than current marketed drugs that consist mostly of non-steroidal anti-inflammatory drugs and opioids, the use of which are associated with tolerability issues, especially gastrointestinal disturbances.

Allosteric modulators are an exciting class of drugs, whose emergence has been largely unanticipated by the majority of drug companies.

ADX68692

ADX68692 is an orally active, follicle stimulating hormone receptor (FSHR) negative allosteric modulator (NAM) that has potential for the treatment of endometriosis and benign prostatic hyperplasia (BPH).

FSH is a hormone produced by the pituitary gland. It works synergistically with a second pituitary hormone, luteinizing hormone (LH), to control reproductive function. In women, FSH stimulates oogenesis as well as release of another hormone, called estradiol, during the first half of the menstrual cycle. LH triggers ovulation and production of progesterone. In men, FSH facilitates spermatogenesis while LH stimulates testosterone production.

Endometriosis is the result of abnormal tissue growth in female reproductive organs and is linked to excessive production of estradiol. Preclinical studies have demonstrated the ability of ADX68692 to reduce estradiol levels.

BPH is an enlargement of the prostate linked to testosterone. In addition, recent research has implicated high estradiol levels with the increased growth of prostate cells. In preclinical studies, ADX68692 was found to reduce testosterone production as well as prostate weight.

By precisely controlling the effects of FSH, ADX68692 may be able to address the causes of these difficult to treat disorders without completely suppressing production of the hormones it regulates, thereby maintaining or re-establishing normal hormonal balance in the body and avoiding side effects induced by total hormonal blockade (e.g. osteoporosis).

Addex Partnering

Addex is pioneering the industrialization of allosteric drug discovery and development. In doing so the company has developed a portfolio of proprietary tools that make up the allosteric modulator discovery and development platform. The platform has proven itself to be broadly applicable and has generated many molecules for indications with significant commercial potential in our three core therapeutic areas: central nervous system (CNS), metabolic disorders and inflammation. Indeed, the Addex platform's capabilities have generated partnerships with two of the largest and most respected companies in the business: Merck & Co., Inc. and Ortho-McNeil-Janssen Pharmaceuticals, Inc., a Johnson & Johnson company.

Because the Addex platform is scalable and capable of producing a growing stream of new projects, partnering is an important way to create shareholder value in the short term, while, at the same time, reducing risk associated with individual molecules. Addex aims to partner with large companies that have the expertise and resources to maximize our chances for success. In other words, we will seek experienced partners who know the best way to advance certain products through development and surmount regulatory hurdles in order to bring new medicines to patients as quickly as possible.

Part of our partnering strategy is to seek co-development and co-promotion rights in order to continue to grow our organization by benefiting from our partners' competencies even as we reduce the risk and costs for developing our products. This allows us to retain more of the upside than straight out-licensing would and build up our own revenue stream from product sales. Most importantly, our partnering strategy allows us to leverage our platform technology to generate near-term revenues while at the same time reducing our dependence on the near-term performance of any single project in our pipeline.

Johnson & Johnson

Our partnership with Ortho-McNeil-Janssen has demonstrated the strength and success of our platform. The project started in 2005 as a platform-based discovery collaboration around metabotropic glutamate receptor 2 (mGluR2) positive allosteric modulators (PAM).

Activation of mGluR2 is an approach that was validated in Phase II clinical trials (data were published in 2007 in *Nature Medicine*), which showed improved symptoms of schizophrenia with efficacy similar to leading marketed drugs. At the same time, the mGluR2 agonist was differentiated compared to marketed drugs because it did not cause weight gain, extrapyramidal symptoms or lactation, all side effects that can be associated with currently marketed schizophrenia drugs. ADX71149 is well differentiated compared to other mGluR2 activators in development because of its allosteric mechanism.

From 2005 to 2007 Addex and J&J scientists collaborated on optimizing the leads that Addex brought to the partnership. Addex utilized its platform and J&J contributed medicinal chemistry and preclinical testing.

From 2007 to mid-2009 J&J advanced ADX71149 and backup molecules through preclinical development. In June 2009, an important milestone was reached when J&J began clinical testing of ADX71149. The event was ground-breaking because it was the first PAM of any mGluR subtype to enter clinical trials. ADX71149 has potential to treat schizophrenia, anxiety and other disorders.

J&J will fund and perform future development and commercialization of ADX71149, which is nearing the end of Phase I clinical testing.

Under the terms, Addex has received €3 million up front, €4.2 million in research funding and a €1 million milestone payment when ADX71149 entered Phase I testing in June 2009. Addex is eligible for undisclosed additional milestone payments plus royalties.

Merck & Co., Inc.

Addex has two separate partnerships with Merck. The first, started in late 2007, is focused on discovering and developing mGluR4 PAM as drugs for Parkinson's disease; the second, initiated in early 2008, is focused on developing mGluR5 PAM for schizophrenia.

mGluR5 PAM

Our positive allosteric modulator (PAM) of mGluR5, ADX63365, is being developed by partner Merck. This drug candidate, along with additional mGluR5 PAMs from the same chemical series, already have demonstrated efficacy in preclinical models of schizophrenia and are undergoing the final stages of testing prior to entering clinical development.

Although existing drugs have been shown to be effective at controlling psychosis, patients often experience cognitive impairment, which means they are unable to learn skills or support themselves. As such, cognitive impairment in schizophrenia is recognized by the U.S. FDA and other regulatory authorities as an unmet medical need.

In schizophrenia, the function of N-methyl-D-aspartate (NMDA) receptors is compromised. These receptors are a major subtype of glutamate receptors, whose function is considered critical for complex behaviors, such as associative learning, working memory, behavioral flexibility, and attention, many of which are impaired in schizophrenia. The mGluR5 are able to change the way NMDA receptors respond to glutamate.

Researchers from Merck published data showing that treatment with mGluR5 PAM reversed signs of both psychosis and cognitive dysfunction in a preclinical schizophrenia model. On this basis Addex believes that mGluR5 PAM, such as the ones partnered with Merck, may one day offer schizophrenia patients the most important therapeutic advance in decades – improved cognition.

The deal shows that Addex was able to discover and independently complete medicinal chemistry that is up to the standards of an organization like Merck, which has a reputation for excellent chemistry.

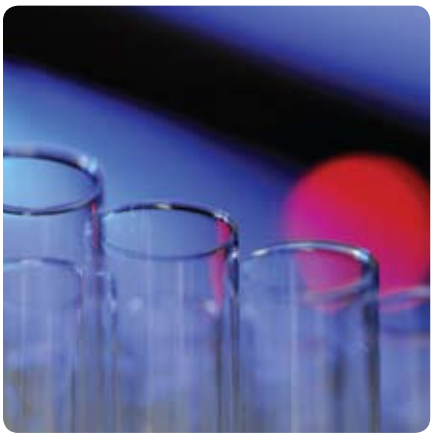
Under our agreement, Merck is responsible for funding and performing all future development of mGluR5 PAM for schizophrenia and other undisclosed indications. Under the terms, Addex received USD22 million up front and is eligible for milestone payments of up to USD680 million, plus royalties on sales. Addex has an option to co-promote mGluR5 PAM.

mGluR4 PAM

In November 2009, Merck and Addex extended the mGluR4 PAM research agreement for an additional year, with Merck agreeing to cover USD1.8 million in research costs at Addex in addition to the original terms of the deal. The decision followed the achievement of the first two preclinical milestones – showing that the collaboration had yielded orally available mGluR4 PAM with efficacy in an animal model of Parkinson's disease.

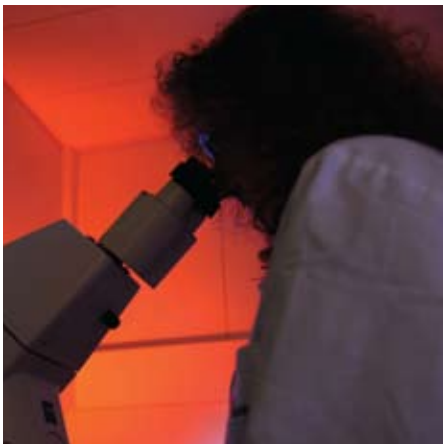
The agreement, signed in December 2007, is focused on developing mGluR4 PAM for the treatment of Parkinson's disease and other undisclosed indications. To date, Addex has received USD3 million up front, preclinical milestone payments of USD750,000, technology access fees of USD500,000 and research funding of USD600,000.

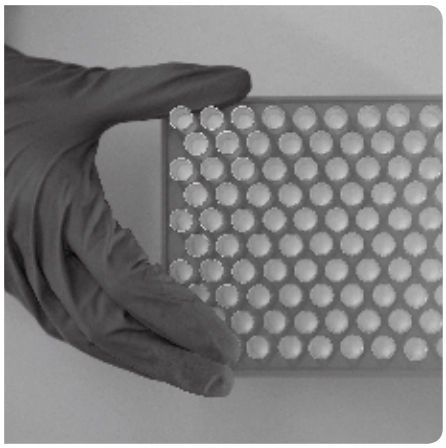
Under the terms, Addex is eligible to receive up to USD106.5 million in research, development and regulatory milestones for the first product developed for multiple indications. Additional milestones of up to USD61 million would be payable if a second and third product are developed. Addex is eligible to receive undisclosed royalties on sales of any products resulting from this collaboration. Merck is responsible for clinical development. Addex has an option to co-promote mGluR4 PAM.



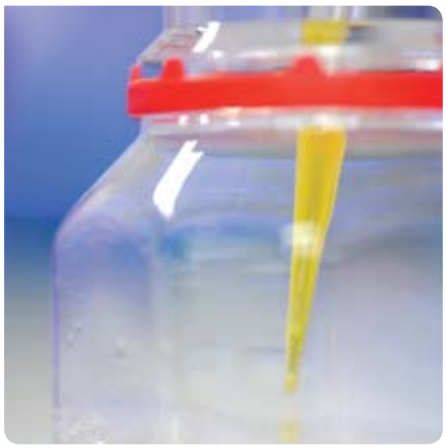
J&J will fund and perform future development and commercialization of ADX71149, which is nearing the end of Phase I clinical testing.

The Addex platform is unique and proprietary, making Addex the best place in the world for partners to find technology and expertise to facilitate discovery of small molecule allosteric drugs.





Since inception in 2002, Addex has assembled a unique biased library of molecules with allosteric characteristics.



Proprietary Discovery Platform

Unique Library

Since inception in 2002, Addex has assembled a unique biased library of molecules with allosteric characteristics. The library has been assembled from commercial and other non-pharmaceutical sources, with some parts of the library acquired under exclusive agreements. At the end of 2009, Addex chemists had assembled over 70,000 compounds. The Addex selection process includes filtering for basic drug-like characteristics and development potential. An additional level of filtering involves the application of proprietary algorithms focused on identifying characteristics of allosteric molecules.

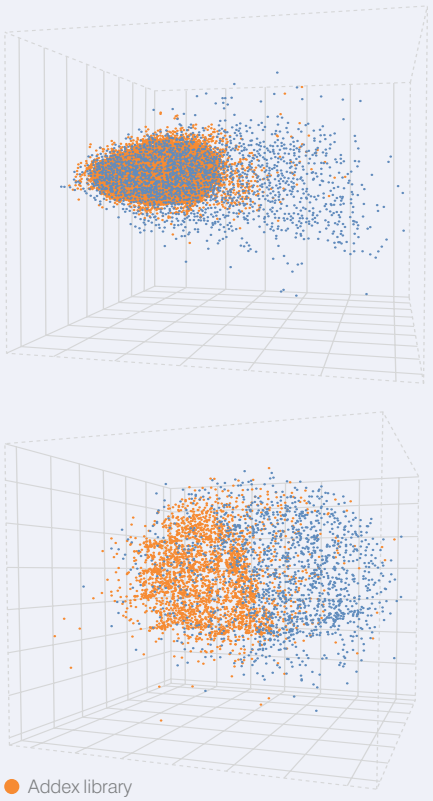
Patented Screening Tools

Allosteric modulators are an exciting new class of drugs whose emergence has been largely unanticipated by the majority of drug companies because the industrial technologies needed to find them have not been developed by most companies. In essence, the industry has focused on looking for traditional "orthosteric" (non-allosteric) drugs because high-throughput screening tools tailored to find allosteric drugs did not exist. As a result, a large number of putative therapeutic targets have not yielded drugs. In addition, in the case of peptide receptors, traditional small molecule screening tools are simply inappropriate. As a result, a new approach was needed. Using the allosteric approach Addex is able to re-address well known targets that have resisted small molecule drug development.

Unlike traditional drugs, allosteric drugs do not directly activate or block activation; instead, they facilitate activation or make it more difficult. Finding molecules that do not turn receptors on/off requires different kinds of screening tools since most screening platforms have been built to detect activation (or blocking of activation) of targeted receptors. Addex is the first company that has developed patented high-throughput industrial discovery tools for allosteric modulators.

Addex has developed proprietary real time kinetic and proximal detection systems that permit the identification of allosteric modulators which modify the molecular response of their target. Many aspects of these technologies have been patented in order to protect and document our leadership position in allosteric modulator drug discovery. Today, the outcome of the GLP-1 receptor screening and development of assays leading to the discovery of TNFR1 NAM and IL1R1 NAM illustrate the power of the unique and proprietary technologies discovered and used at Addex.

A multivariable analysis of the Addex library, depicted here, shows that while its molecules share the physicochemical properties of marketed drugs they are structurally differentiated.



Each of the axes on this graphical representation comprises multiple physicochemical descriptors. Using this method our library is represented in orange in a 3 dimensional space and compared with marketed drugs in blue. The distance between points represents the difference of physicochemical properties in this multidimensional property space. The data show that the Addex library occupies the same area in the physicochemical property space as 95% of marketed drugs. The Addex library is drug-like.

Each of the axes on this graphical representation uses multiple structural descriptors. Using this method our library is represented in a 3 dimensional space and compared with marketed drugs. The distance between points represents differences in structural properties in this multidimensional property space. This structural comparison of the Addex library with marketed drugs shows that despite sharing physicochemical properties with marketed drugs, the Addex library has a considerable degree of structural differentiation.

The implications are:

1) Allosteric modulators are not in the same structural space where pharma chemists are used to working. As a result, Addex has built not only a unique library but also multi-disciplinary know-how pertaining to different kinds of chemical structures.
2) Intellectual property within the allosteric structural space is relatively unexploited, making discovery and optimization less encumbered by the need to avoid pre-existing patent families, which can often be a challenge for traditional small molecule chemistry efforts.

The company's approach to leveraging and maintaining its competitive advantage is to keep certain aspects of its platform technology as trade secrets while patenting others.

Proprietary screening assays developed at Addex include Phoenyx, ProxyLite, APRA, ADX-tags 1, ADX-tags 2. These assays are used for screening GPCR and non-GPCR drug targets and are necessary to facilitate medicinal chemistry for lead optimization. Descriptions of each of these technologies will be published on the Addex website under the allosteric modulation section as the patent applications for each of these assays get published.

Our existing deals with Johnson & Johnson and Merck & Co., Inc. have validated the Addex allosteric modulator discovery platform and demonstrated that it can generate near term revenues through a mix of recurring up front payments and milestones. To date Addex has received partnering related revenues of CHF43 million.

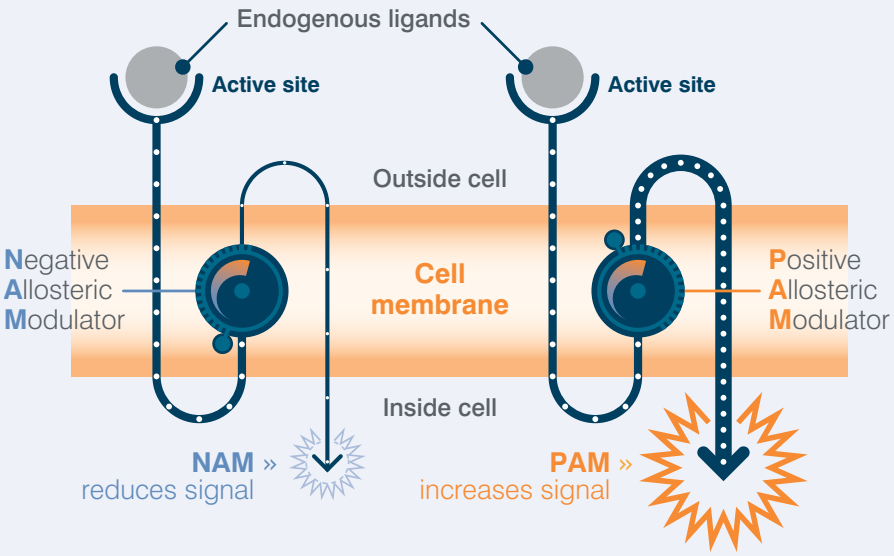
The Addex platform is unique and proprietary, making Addex the best place in the world for partners to find technology and expertise to facilitate discovery of small molecule allosteric drugs for a wide variety of challenging therapeutic targets. Addex hopes to accelerate partnering of molecules and target specific discovery programs such that the platform can continue to grow and generate value for shareholders.

Allosteric Modulation Explained

Allosteric modulators are an emerging class of orally available small molecule therapeutic agents that may offer a competitive advantage over classical drugs. This potential stems from their ability to offer greater selectivity and better modulatory control at disease mediating receptors. Most marketed drugs bind receptors where the body's own natural molecular activators (i.e. endogenous ligands) bind, specifically to a key part of each receptor's anatomy called the "active site". In short, most drugs must out-compete endogenous ligands in order to bind to the active site. By contrast, allosteric modulators are non-competitive because they bind receptors at a different site and modify receptor function even if the endogenous ligand also is binding. Because of this, allosteric modulators are not limited to simply turning a receptor on or off, the way most drugs are. Instead, they act more like a dimmer switch, offering control over the intensity of activation or deactivation, while allowing the body to retain its natural control over initiating receptor activation. Furthermore, with regard to the structural diversity, the allosteric approach generally affords freedom to operate – even on well-known, clinically validated targets – because the intellectual property surrounding allosteric compounds and allosteric sites is most often unexploited.

Agonists and antagonists (not shown below) compete for the same "active site" targeted by endogenous ligands.

Allosteric modulators bind, generally in the cell membrane, a non-competitive mechanism that exerts its effects on signal transduction primarily when the endogenous ligand binds at the active site.



Because they bind a different site on the receptor, allosteric modulators do not turn receptors on or off the way the body's natural activators and most drugs do. Instead, they act more like a dimmer switch, offering control over the intensity of activation or deactivation, while allowing the body to retain its natural control over initiating receptor activation via the active site (e.g. the on/off switch).

Key properties & advantages of allosteric modulation:

- Allosteric modulators are most influential only after the endogenous ligand is bound to the same target at the same time. By contrast, classical orthosteric drugs compete for the active site with endogenous ligands. As a result, lower affinity allosteric modulators may be effective where a similar affinity orthosteric modulator is not.
- Allosteric modulators often are devoid of activity in the absence of endogenous ligands. Because of this, they preserve the natural biological rhythms compared to orthosteric approaches.
- Because allosteric modulators bind on a different site compared to classical orthosteric drugs, Addex can create new chemical entities that re-address clinically validated targets – potentially offering improved therapeutic activity – without being blocked by existing intellectual property.
- For targets where it has been difficult to make selective orthosteric drugs highly selective allosteric modulators can sometimes be identified. For example, Addex is working on orally available small molecule allosteric modulators against the GLP-1 receptor, the FSH receptor and TNF receptor – for which only peptide or hormonal therapies are available.
- It is possible to combine allosteric modulators with orthosteric drugs. For example, a PAM could be used to potentiate an orthosteric agonist.

2009 Financial Report

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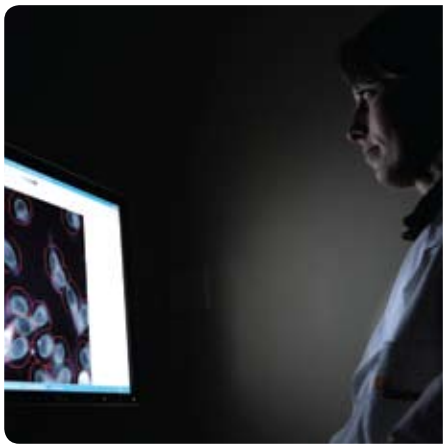
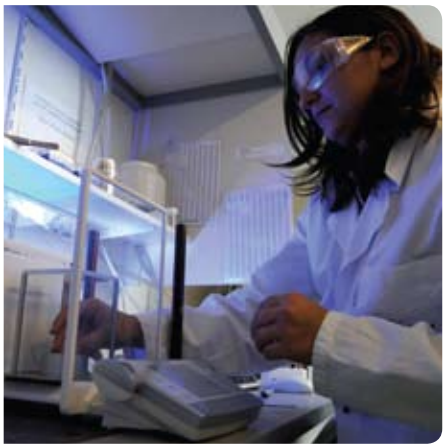




Tim Dyer
Chief Financial Officer

Financial Review 2009

Overview

The following review and discussion of our financial results for 2009 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 discovery 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.

In 2009 we substantially completed three Phase IIb studies with ADX10059, our lead mGluR5 NAM drug candidate, prior to terminating its development due to unsatisfactory safety data. While the termination of ADX10059 was a disappointment, we successfully completed in 130 subjects a Phase I program for ADX48621, another mGluR5 NAM. Preclinical data obtained in 2009 suggest that ADX48621 has potential to be the best-in-class product in development for Parkinson's disease and Parkinson's disease levodopa-induced dyskinesia (PD-LID). We also advanced a new backup for ADX48621 into preclinical development.

We completed the preclinical profiling of our GABA-B PAM and FSHR NAM compounds, and advanced our mGluR2 NAM, mGluR7 NAM and GLP1R PAM programs in lead optimization. We also made significant progress with our allosteric modulator discovery technology platform by extending its capabilities beyond GPCRs to include cytokine receptors, and added TNFR1 NAM and IL1R1 NAM to our list of allosteric modulator programs.

Our partners, Ortho-McNeil-Janssen Pharmaceuticals, Inc. (a Johnson & Johnson company) and Merck & Co., Inc. also made good progress with our out-licensed programs; Ortho-McNeil-Janssen entered Phase I testing in June 2009 with ADX71149, from our mGluR2 PAM program, triggering a milestone payment to us of CHF1.5 million, and Merck extended our research collaboration on the mGluR4 PAM program for an additional year which provided new funding of research at Addex amounting to USD1.8 million in addition to the original financial terms first agreed in late 2007.

Merck also continued to make good progress in profiling ADX63365 and backup compounds from our mGluR5 PAM program which is in preclinical development. Revenues of CHF4.5 million, mainly from partnered programs, were recognized in 2009.

In line with our decision to limit growth in 2009, we added nine net new staff to the headcount compared to 79 in 2008, mostly to enhance our allosteric modulation platform and non-clinical development groups. At December 31, 2009, our headcount had reached 143.7 full time equivalent employees (FTEs) compared to 134.7 FTEs at December 31, 2008, and our average headcount excluding temporary staff increased to 139 FTEs in 2009, compared to 106 FTEs in 2008.

As a result of cost control measures, our research and development expenditure decreased to CHF40.0 million and general and administrative expenses remained stable at CHF7.6 million. We invested CHF3.3 million in property, plant and equipment and ended 2009 with a cash position of CHF76.6 million. The net loss increased to CHF42.7 million and cash burn to CHF42.9 million for the year, mainly due to a significant decrease in our revenues.

As a result of the unexpected termination of ADX10059 in December, our share price closed the year down 63.7% at CHF13.80 giving us a market capitalization of CHF81.0 million.

Results of operations

The following table presents our consolidated results of operations for the fiscal years 2009 and 2008:

	2009	2008
	Amounts in millions of Swiss francs	
Revenues	**4.5**	**26.9**
Research and development expenses	(40.0)	(44.2)
General and administrative expenses	(7.6)	(7.6)
Total operating expenses	**(47.6)**	**(51.8)**
Operating loss	**(43.1)**	**(24.9)**
Finance result, net	0.4	2.8
Net loss for the year	**(42.7)**	**(22.1)**

Revenues

Our 2009 revenues were CHF4.5 million, significantly lower than the CHF26.9 million recognized in 2008, mainly due to the one-time up front fee of CHF24.8 million received and recognized under the licensing agreement, which we entered into with Merck, for our mGluR5 PAM program, in early 2008. In 2009, revenues included CHF2.6 million from Merck under our mGluR4 PAM license agreement and a milestones payment of CHF1.5 million from Ortho-McNeil-Janssen for the entry of ADX71149 in Phase I testing which was achieved in June 2009.

Research and development expenses

In line with our cost control strategy, R&D expenses decreased by 9.5% to CHF40.0 million in 2009, compared to CHF44.2 million in 2008. Approximately 40% of 2009 R&D expenses relate to clinical and preclinical development costs in the following main areas: clinical trials, drug substance manufacture, formulation development and preclinical testing of ADX10059, ADX48621 and ADX71943 and, to a lesser extent, preclinical testing and drug substance manufacture of ADX68692. The remaining 60% of 2009 R&D expenses relate to investing in new and existing drug discovery programs, including our mGluR2 NAM, mGluR4 PAM, mGluR7 NAM, GLP1R PAM, GIPR PAM, TNFR1 NAM, A2A PAM, IL1R1 NAM programs and other allosteric modulator discovery programs on undisclosed targets.

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 remained stable at CHF7.6 million for 2009, compared to CHF7.6 million for 2008. G&A expenses consist primarily of staff costs, professional fees for legal, tax and strategic purposes and overheads related to general management, finance, information technology, business development, human resources and communication functions.

Net finance result

The net finance result decreased by CHF2.4 million to CHF0.4 million for 2009, compared to CHF2.8 million for 2008, mainly due to a combination of lower interest rates on short-term deposits being applied to our lower average cash balance.

Net loss for the year

The net loss for the year increased to CHF42.7 million for 2009, compared to CHF22.1 million for 2008, mainly due to a significant decrease in revenues while expenditure slightly decreased. Basic and diluted loss per share also increased accordingly to CHF7.44 for 2009, compared to CHF3.85 for 2008. It should be noted that the timing and financial terms of new licensing agreements and the timing of milestone payments under existing agreements will significantly influence the magnitude of our future net loss and cash burn.

Balance sheet & cash flows

We closed 2009 with cash and cash equivalents of CHF76.6 million, compared to CHF119.5 million at the end of 2008. This decrease of CHF42.9 million is mainly due to the cash used in operations of CHF42.3 million, capital expenditure cash outflows of CHF4.2 million, offset by operating cash inflows from licensing agreements of CHF2.9 million. Net cash used in operations has increased to CHF39.4 million for 2009, compared to CHF17.8 million for 2008, mainly due to a significant decrease in cash inflows from licensing agreements.

In line with our cost control strategy, investments in property, plant and equipment during 2009 were limited to CHF3.3 million, compared to CHF6.1 million in 2008, and related mainly to refurbishment of existing laboratories and acquisition of laboratory equipment. The net book value of property, plant and equipment increased by CHF0.6 million to CHF9.6 million at December 31, 2009 compared to CHF9.0 million at December 31, 2008.

At December 31, 2009, deferred income of CHF687 thousands, which relates to research funding and a technology access fee received from Merck under our mGluR4 PAM license agreement, will be recognized during 2010.

Total shareholders' funds have decreased to CHF77.6 million at December 31, 2009 compared to CHF119.0 million at December 31, 2008, mainly due to the net loss for the year.

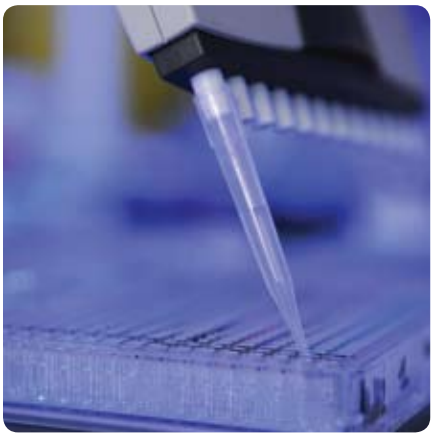
Shares and shareholder information

At December 31, 2009 the Company has 5,871,242 outstanding shares and a free float of 99%, compared to 5,862,492 and 98% at December 31, 2008. Our 2009 share price performance was significantly impacted by the termination of our lead drug candidate, ADX10059 on December 14, 2009 resulting in our closing share price and market capitalization falling significantly to CHF13.80 and CHF81.0 million, compared to CHF38.00 and CHF222.8 million at December 31, 2008, respectively.

Addex ended 2009 with a strong cash position of CHF76.6 million.

Progress with ADX48621 for PD-LID.

Extending allosteric modulation to cytokine receptors.



Corporate Governance 2009

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.

At December 31, 2009, the market capitalization of Addex was CHF81,023,140.

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, 2009:

Shareholder	Number of shares	% of capital
Sofinnova Capital IV FCPR[1]	806 648	13.76%
TVM V Life Science Ventures[2]	705 726	12.02%
Index Ventures II[3]	568 056	9.68%
The Swiss Helvetia Fund[4]	314 860	5.36%
SR One Ltd[5]	290 529	4.95%
Varuma AG[6]	231 425	3.94%
Vincent Mutel, Rolle, Switzerland	180 150	3.07%

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

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

[3] Index Ventures II (Jersey) L.P., P.O. Box 641, No. 1 Seaton Place, St. Helier, Jersey, JE4 8YJ, Channel Islands; Index Ventures II (Delaware) L.P., 1209 Orange Street, Wilmington, Country of New Castle, Delaware, USA; Index Ventures II GmbH & Co. KG, Max-Joseph-Strasse 7, 80333 Munich, Germany; Index Ventures II Parallel Entrepreneur Fund (Jersey-A) L.P., P.O. Box 641, No.1 Seaton Place, St.Helier, Jersey, JE4 8YJ, Channel Islands; Index Ventures II Parallel Entrepreneur Fund (Jersey-B) L.P., P.O. Box, 641 No. 1 Seaton Place, St. Helier, Jersey, JE4 8YJ, Channel Islands; and Yucca Partners L.P. (Jersey Branch), Whitelay Chambers, Don Street, St Helier, Jersey, JE4 9WG, Channel Islands.

[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.

[6] Varuma AG has its principal office at Aeschenvorstadt 55, 4051 Basel, Switzerland. The beneficiary of the shareholdings of Varuma AG is Mr. Rudolf Maag, c/o Varuma AG.

During 2009, Addex received the following notifications of shareholdings pursuant to article 20 of the Swiss Federal Act on Stock Exchanges and Securities Trading ("SESTA"):

On August 21, 2009, Index Ventures II informed of reducing to below the threshold of 10%, holding a total of 568,056 shares, corresponding to 9.69% of the voting rights. Index Ventures II comprises the group of companies detailed above in note 3 to the table of significant shareholders.

On December 2, 2009, SR One Ltd, informed of reducing to below the threshold of 5%, holding a total of 290,529 shares, corresponding to 4.95% of the voting rights.

Changes in significant shareholdings which were notified to Addex after December 31, 2009 are listed on page 27.

Cross-shareholdings

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

Shareholder structure

There were 1,646 shareholders registered in the share register on December 31, 2009. The distribution of shareholdings is divided as follows:

Number of shares	Number of registered shareholders on December 31, 2009
1 to 100	462
101 to 1,000	981
1,001 to 10,000	170
10,001 to 100,000	26
100,001 to 1,000,000	7

The shareholder base on December 31, 2009 was constituted as follows:

Shareholder structure according to category of investors (weighted by number of shares)	
Private persons	21.25%
Institutional shareholders	48.59%
Not registered	30.16%

Shareholder structure by country
(weighted by number of shares)

Switzerland	33.77%
France	15.73%
Germany	12.16%
United Kingdom	2.99%
Singapore	1.58%
United States	1.17%
Other	2.44%
Not registered	30.16%

Capital structure

As of December 31, 2009, share capital amounted to CHF5,871,242 consisting of 5,871,242 registered shares with a nominal value of CHF1 per share. The share capital is fully paid up. As of December 31, 2009, Addex, directly or indirectly, held 130,054 shares in Addex.

Authorized share capital

According to the Articles, the Board of Directors (Board) is authorized, at any time until April 16, 2011 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 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 shares, shall be subject to the restrictions in 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 CHF900,000 through the issuance of a maximum of 900,000 registered shares, which shall be fully paid-in, with a nominal value of CHF1 per share by the exercise of option rights which the employees or directors of the Company or a group company are granted according to respective regulations of the Board. The pre-emptive rights of the shareholders are excluded. The acquisition of registered shares through the exercise of option rights and the subsequent transfer of the registered shares shall be subject to the transfer restrictions provided in Article 5 of the Articles.

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 nominal 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.

In 2009, 8,750 registered shares (2008: zero) with a nominal value of CHF1 per share were issued under the conditional capital in connection with the exercise of share options under the Addex share option plan. This issuance is not reflected in our Articles as of December 31, 2009. Any share issued under the authorized or conditional capital is subject to the transfer restrictions set forth under “limitations on transferability of shares and nominee registration” on page 20.

Changes in capital

In 2009, Addex increased its share capital by CHF8,750 registered shares with a nominal value of CHF1 per share as a result of the exercise of share options under the Addex share option plan. There were no changes in capital in 2008.

For further information on changes in capital in 2009 and 2008, including changes in reserves, refer to the consolidated statements of changes in equity as well as note 14 of the consolidated financial statements and note 8 of the financial statements included in this annual report.

Shares, participation and profit-sharing certificates

Addex has only 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 no outstanding

participation certificates or profit-sharing certificates.

The Company's shares are not certificated. Shareholders are not entitled to request printing and delivery of share certificates, however, any shareholder may at any time request the Company to issue a confirmation of its shareholding.

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, 2009, the Company has no convertible or exchangeable bonds or loans outstanding. For information on share option plans for directors, management and employees, refer to note 15 and note 27 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 except for Vincent Mutel 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 Mutel	2007 (2003)[1]	2010	V			
Andrew Galazka	2007 (2004)[1]	2010	M	M		C
Raymond Hill	2008	2011	M		M	M
Vincent Lawton	2009	2012	M		C	
Beat E. Lüthi	2007	2010	M	C	M	
Antoine Papiernik	2007 (2002)[1]	2011	M	M		

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

C Chairman
V Vice Chairman
M member

CC: Compensation Committee
AC: Audit Committee
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. He is a board member of Synthes Inc. (SIX:SYST). He also is chairman of French cardiovascular disease startup company Cerenis Therapeutics. Mr. Mueller was closely involved in starting up 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.

Vincent Mutel
Vice Chairman & Chief Executive Officer

Dr. Mutel was born in 1958 and is a French citizen. Since co-founding Addex, he has overseen three rounds of private financing and the Addex IPO, totalling CHF243 million. In parallel, he has overseen growth of the organization to 140 staff, focused in three therapeutic areas, and the building of the allosteric modulator discovery and development platform. Under his leadership the Company signed three major drug development partnerships, two with Merck & Co., Inc. and one with Ortho-McNeil-Janssen Pharmaceuticals Inc., a Johnson & Johnson company, representing CHF43 million in realized revenues to date and up to about

USD1 billion in potential milestones plus royalties. At Roche, where he worked for 15 years, he was Head of Pharmacology in the CNS Diseases department and a member of the CNS Board of Research Area Heads, which contributed to Roche's research strategy. Dr. Mutel is a non-executive member of the Board of Lectus Therapeutics Ltd, UK. He is a co-author of over 60 research publications and co-inventor on over 20 patents for CNS drugs.

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 was appointed Senior Vice President and head of Autoimmune and Inflammatory Diseases at the newly formed Merck Serono, in January 2007. Prior to the acquisition of Serono by Merck, he held several senior management positions at Serono, most recently being SVP and head of New Therapies. In 2000 he played a key role in listing Serono's shares on the New York Stock Exchange (NYSE). During his first 10 years with Serono he directed the worldwide pre-clinical and clinical development of the company's main biotechnology drugs: Rebif, Gonal-F and Saizen. In the 1980s, he was director of clinical research at Biogen (Europe) and Glaxo (now GlaxoSmithKline). He received his medical degree (with distinction) from Cambridge University in 1978 following a degree in pathology and pharmacology. Since 2002 he has been a lecturer in 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 Neuroscience and Mental Health 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 currently President of the British Pharmacological Society. 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, Covagen AG and of Lectus Therapeutics Ltd.

Vincent Lawton

Mr. Lawton was born in 1949 and is a U.K. citizen. He was Managing Director of Merck Sharp & Dohme (MSD) U.K. and Vice President of MSD Europe, both subsidiaries of Merck & Co., Inc., until 2006, when he retired after 26 years of service at Merck. Also in 2006, the Queen of England appointed Mr. Lawton Commander of the Order of the British Empire (CBE) for services to the Pharmaceutical Industry. During Mr. Lawton's tenure, MSD UK achieved a high level of sustained success over many years and was the fastest growing company in the market. Mr. Lawton also spent time at Merck in France, the U.S., Canada and Spain, primarily in sales and marketing. From 2004–2006 he was president of the Association of the British Pharmaceutical Industry. He was a founding member of the U.K. Clinical Research Collaboration, the Ministerial Industry Strategy Group, the Pharmaceutical Industry Competitiveness Task Force, and helped establish the Ask About Medicines Campaign. Mr Lawton is a Non Executive Director of the UK medicines regulator, the MHRA. An Honorary Professor of the University of Wales, Mr Lawton holds undergraduate and PhD degrees in Psychology from University of London.

Beat E. Lüthi

Dr. Lüthi was born in 1962 and is a Swiss citizen. He is CEO of CTC Analytics, a leading mid-sized Swiss Laboratory Instrument Company in the field of chromatography automation. From 2003 to 2007 he headed the Laboratory Division of Mettler-Toledo. From 1998 to 2002 he was CEO of Feintool, a listed fineblanking company. From 1990 to 1998 he held various management positions at Mettler Toledo. Dr. Lüthi holds a PhD in electrical engineering from the Swiss Federal Institute of Technology in Zurich (ETH) and attended the Senior Management Program at INSEAD. He is a member of the Board of Bossard Holding AG, Zug (SIX:BOS), Uster technologies Ltd, Uster (SIX:USTN) and Stadler Rail AG, Bussnang.

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 and Movetis, which went public respectively on the Zürich stock exchange, the Stockholm stock exchange, the Milan Nuovo Mercato,

and the Belgium 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, Lectus, SpineVision and Stentys. Antoine has an MBA from the Wharton School of Business.

Except for Vincent Mutel, the Chief Executive Officer (CEO), none of the members of the Board 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 16, 2009, Vincent Lawton was elected as a new member of the Board for a term of three years and the term of office of Werner Henrich expired; he decided not to run for a further term. Deborah Harland and Jacques Theurillat 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 2009. 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), Raymond Hill and Beat E. Lüthi. 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 2009, the Audit Committee held two meetings to review the half year 2009 and full year 2008 financial statements and to generally review legal and regulatory compliance matters.

Compensation committee

The Compensation Committee consists of the following members: Beat E. Lüthi (chairman), Andrew Galazka, André J. Mueller 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 2009 to review the 2008 achievements versus the planned corporate objectives and determination of the performance related bonus pool, the annual salary review process and

recommendation of the CEO, option grants and remuneration of the Board. The CEO was present at a portion of all meetings.

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 two meetings during the year 2009 to review Board composition and nomination related matters, including identification, review and evaluation of candidates.

Working methods of the board of directors

In 2009, the Board held five 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 22.

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.

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
Vincent Mutel	1958	Chief Executive Officer	French
Tim Dyer	1968	Chief Financial Officer	British
Charlotte Keywood	1962	Chief Medical Officer	British
Sonia Poli	1965	Head of Non-Clinical Development	Italian
Emmanuel Le Poul	1969	Head of CNS	French
Laurent Galibert	1967	Head of Inflammation	French
Tatiana Pont Carteret	1966	Head of Human Resources	Swiss
Robert Lütjens	1968	Head of Core Biology	Swiss
Chris Maggos	1970	Head of IR & Communications	USA
Jean Philippe Rocher	1959	Head of Core Chemistry	French

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

Refer to page 20.

Tim Dyer
Chief Financial Officer

As co-founder of Addex, Mr. Dyer has completed the Addex IPO and three rounds of private financing, raising a total of CHF243 million. During this time, Addex has advanced an internally discovered allosteric modulator product into Phase IIb clinical testing and signed drug development partnerships with Merck & Co., Inc. and Ortho-McNeil-Janssen Pharmaceuticals, Inc., a Johnson & Johnson company. Prior to joining Addex he spent 10 years with Price Waterhouse & PricewaterhouseCoopers (PwC) in the UK, Ex-Soviet Union and Switzerland as part of the audit and business advisory group. Mr Dyer has extensive experience in finance and the building of start-up companies. 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, who was a consultant for Addex from inception, formally joined in 2004. She has overseen Addex medical and regulatory activities, which includes completing four Phase IIa trials and three Phase IIb for products in development for smoking cessation, anxiety, migraine and gastroesophageal reflux disease. Dr. Keywood has 19 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

Dr. Poli, who joined Addex in 2004, has broad expertise in drug development from lead generation through to entry in man. 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 25 research publications and patents.

Emmanuel Le Poul
Head of CNS Business Unit

Dr. Le Poul leads a multidisciplinary group responsible for the discovery and early development of CNS programs. He joined Addex in 2003, as Head of Biochemistry, to manage the company's high throughput screening (HTS) and in vitro pharmacology activities. During this time, Addex has built a portfolio of internally discovered allosteric modulator products and established partnerships with Johnson & Johnson and Merck on three CNS programs. Prior to joining Addex, Dr. Le Poul was Head of Drug Discovery and Pharmacology at Euroscreen, where he set up and oversaw the operation of HTS programs for small molecules targeting proprietary targets for CNS and immunology indications. Before that, he was involved in discovery projects at Janssen Pharmaceutica (Johnson & Johnson) in Belgium. Dr. Le Poul completed a Ph.D. in Experimental and Clinical Pharmacology (main neuropharmacology) and a Pharm.D (main Industry) at the University of Paris XI. He is a coauthor of 26 publications and 10 patents. Since 2000, he has been a lecturer at Brussels University where he lectures on the impact of new technologies on modern drug discovery.

Laurent Galibert
Head of Inflammation Business Unit

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 26 research publications and 8 patents.

Tatiana Pont Carteret
Head of Human Resources

Mrs. Pont Carteret joined Addex in late 2008 and has focused on further

developing the Group's human resources function. After an initial career in private banking, Mrs. Pont Carteret gained 12 years of international experience across a broad range of human resources specialties. She held various senior HR positions with: Lloyds TSB Bank (2006-2008); Union Bancaire Privée (2005-2006); Capital International (2001-2004); DHL Switzerland (1997-2001). Mrs. Pont Carteret holds a degree in Political Science from the University of Geneva.

Robert Lütjens
Head of Core Biology

Dr. Lütjens has worked with Addex since inception and established the Company's biology labs. He has been responsible for assay development for discovery and high throughput screening, which became the basis for the biological tools that have been integrated into the multi-disciplinary discovery and development platform. Dr. Lutjens has participated in the successful discovery collaborations with Johnson & Johnson and Merck & Co., Inc. Prior to that he completed a postdoctoral fellowship in the Department of Neuropharmacology at the Scripps Research Institute, in La Jolla, CA. Dr Lütjens obtained his master's degree in Biology at the Swiss Institute for Experimental Cancer Research and went on to complete a Biology 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 more than 10 peer-reviewed publications and co-inventor on more than 10 patents.

Chris Maggos
Head of Investor Relations & Communications

Mr. Maggos, who joined Addex in 2007, has worked as a journalist, an investor in public equity and a neurobiologist. He was Senior Writer for BioCentury, a biotechnology trade publication, from 2001 to 2007. He worked from 1997 to 2000 as an Associate at Casdin Capital Partners (later known as Cooper Hill Partners) where he helped manage a USD350 million biotech hedge fund in New York City. Prior to that, from 1993 to 1997, Mr. Maggos performed research on the molecular neurobiology of drug abuse at The Rockefeller University, co-authoring 11 scientific publications. He received a BA in English Literature from Yale University in 1993.

Jean-Philippe Rocher
Head of Core Chemistry

Dr. Rocher has been working with Addex since inception and established the company's chemistry department and allosteric modulator chemical library. He is a medicinal chemist who has discovered several pre-clinical and clinical candidates for CNS and inflammatory diseases and cancer over the course of his career. He was director of chemistry at Devgen NV, Gent, Belgium from 2001 to 2002. From 1997 to 2001, Dr. Rocher was senior research scientist for GlaxoSmithKline KK in Tsukuba, Japan, where he played a key role in implementing a modern drug discovery process and in improving communication with the U.K. and U.S. sites. From 1995 to 1997 he was the first ever "guest scientist" at Mitsubishi Pharma in Yokohama, Japan. Prior to that Dr. Rocher worked for contract research company Battelle, in Geneva, where he initiated neuropharmacology chemistry research programs. He obtained his PhD at the Faculty of Pharmacy of Lyon, France in 1987 and started his career as a research scientist in the dermatology research centre of Galderma at Sophia-Antipolis, France. He holds a Doctorate in Pharmacy and took additional courses at the School of Chemistry in Lyon. Dr. Rocher is co-author of more than 25 research publications and patents.

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 was increased from seven to eleven members in January 2009, in accordance with changes in the Group's operating structure, which included the creation of separate organizational units for core chemistry, core biology, human resources and investor relations & communication. In September 2009, the head of the business development left the company and from this date the business development function is managed directly by the CEO.

Compensation, shareholdings and loans

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.

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 share option plan.

Members of the Executive Management receive a base salary, as well as a variable bonus and share options. The bonus and the share option grant 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. There are no minimum bonuses and in 2009 no bonuses were paid to Executive Managers. As part of the Group's post retirement and social security plans, Executive Managers receive post employment benefits, disability and life insurance benefits. 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 stock 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 options 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. Except for legal and tax advice, the Group did not consult any external advisors in respect of structuring compensation and benefits nor did it use any formal salary comparisons or benchmarks.

For further information on compensation, shareholdings and loans, refer to note 15, 25 and 27 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 2009. 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 20 above and "Registration in the share register" on page 26 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 April 29, 2010 has been determined to be April 22, 2010.

Addex has not enacted any rules on the granting of exceptions in relation to these deadlines. No exceptions were granted in 2009, and the Board does not anticipate granting any exceptions related to the shareholders' meeting on April 29, 2010.

For further information on registration in the share register, please refer to section "Limitations on transferability of shares and nominee registration" on page 20.

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 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 unvested common shares, resulting from the conversion of non voting shares at the IPO, and unexercised share options, vest, and in the case of share options, they become exercisable with their remaining term being reduced proportionally.

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 2009, PricewaterhouseCoopers SA and its affiliates charged the Group audit fees in the amount of CHF91,885.

Additional fees

In 2009, 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 2009, the Audit Committee met with the auditors twice to discuss the scope and the results of their year-end audit for 2008 and the scope of the 2009 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.

Post balance-sheet changes in significant shareholders

On February 8, 2010, Index Ventures II informed of reducing to below the threshold of 3%, holding a total of 12,752 shares, corresponding to 0.22% of the voting rights. Index Ventures II comprises Index Venture Associates II Parallel Entrepreneur Fund A, No. 1 Seaton Place, St. Helier, Jersey JE4 8YJ Channel Islands, Index Venture Associates II Gmbh & Co. KG, Max-Joseph Strasse 7, 80333 Munich Germany, Index Venture Associates II (Delaware) L.P., 1209 Orange Street, Wilmington, Country of New Castle Delaware, USA, Index Venture Associates II limited, No. 1 Seaton Place, St. Helier, Jersey JE4 8YJ Channel Islands, Index Venture Associates II Parallel Entrepreneur Fund B, No. 1 Seaton Place, St. Helier, Jersey JE4 8YJ Channel Islands, and Yucca Partners L.P. (Jersey branch), Whitelay Chambers, Don street, St. Helier, Jersey JE4 9WG Channel Islands, which holds the 12,752 shares.

On February 11, 2010, BVF Partners L.P., 900 North Michigan Avenue, Suite 1100, Chicago, Illinois, 60611, informed of exceeding the threshold of 5%, holding a total of 385,606 shares, corresponding to 6.6% of the voting rights.

Consolidated Financial Statements of Addex Pharmaceuticals Ltd as at December 31, 2009

Consolidated Balance Sheets as at December 31, 2009 and December 31, 2008

Amounts in Swiss francs	Notes	2009	2008
ASSETS			
Current assets			
Cash and cash equivalents	7	76,560,104	119,470,604
Other current assets	8	1,838,463	3,125,876
Total current assets		**78,398,567**	**122,596,480**
Non-current assets			
Intangible assets	9	181,566	224,053
Property, plant and equipment	10	9,568,079	8,993,922
Other non-current assets	11	405,142	513,361
Total non-current assets		**10,154,787**	**9,731,336**
Total assets		**88,553,354**	**132,327,816**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Payables and accruals	12	10,203,124	11,469,124
Deferred income	13	686,838	1,867,319
Total current liabilities		**10,889,962**	**13,336,443**
Non-current liabilities			
Retirement benefit obligations	21	82,554	-
Total non-current liabilities		**82,554**	**-**
Shareholders' equity			
Share capital	14	5,741,188	5,735,554
Share premium	14	232,191,050	231,884,708
Other reserves		3,932,256	2,962,643
Accumulated deficit		(164,283,656)	(121,591,532)
Total shareholders' equity		**77,580,838**	**118,991,373**
Total liabilities and shareholders' equity		**88,553,354**	**132,327,816**

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

Consolidated Statements of Income for the years ended December 31, 2009 and 2008

Amounts in Swiss francs	Notes	2009	2008
Income			
Fees from collaborations & sale of license rights	16	4,090,770	26,806,842
Other income	17	412,203	67,331
Total income		**4,502,973**	**26,874,173**
Operating expenses			
Research and development	18	39,961,124	44,191,671
General and administration	18	7,596,102	7,554,239
Total operating expenses		**47,557,226**	**51,745,910**
Operating loss		**43,054,253**	**24,871,737**
Finance income	22	362,129	3,307,338
Finance expense	22	-	(501,878)
Finance result, net		**362,129**	**2,805,460**
Net loss before tax		**42,692,124**	**22,066,277**
Income tax expense		-	-
Net loss for the year	**20**	**42,692,124**	**22,066,277**
		Swiss francs per share	
Loss per share for loss attributable to the equity holders of the Company, expressed in Swiss francs per share basic and diluted	23	(7.44)	(3.85)

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

Consolidated Statements of Comprehensive Income for the years ended December 31, 2009 and 2008

Amounts in Swiss francs	2009	2008
Net loss for the year	**42,692,124**	**22,066,277**
Other comprehensive loss		
Currency translation differences	5,488	165,050
Other comprehensive loss for the year, net of tax	**5,488**	**165,050**
Total comprehensive loss for the year	**42,697,612**	**22,231,327**

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

Consolidated Statements of Changes in Equity for the years ended December 31, 2009 and 2008

Amounts in Swiss francs	Notes	Share capital	Share premium	Other reserves	Accumulated deficit	Total
Balance at January 1, 2008		**5,737,911**	**231,946,444**	**1,949,040**	**(99,525,255)**	**140,108,140**
Net loss for the year		-	-	-	(22,066,277)	(22,066,277)
Translation differences		-	-	(165,050)	-	(165,050)
Other comprehensive loss for the year		-	-	(165,050)	-	(165,050)
Total comprehensive loss for the year		**-**	**-**	**(165,050)**	**(22,066,277)**	**(22,231,327)**
Share based compensation	15	-	-	1,178,653	-	1,178,653
Purchase of treasury shares	14	(2,357)	(61,736)	-	-	(64,093)
Balance at December 31, 2008		**5,735,554**	**231,884,708**	**2,962,643**	**(121,591,532)**	**118,991,373**
Net loss for the year		-	-	-	(42,692,124)	(42,692,124)
Translation differences		-	-	(5,488)	-	(5,488)
Other comprehensive loss for the year		-	-	(5,488)	-	(5,488)
Total comprehensive loss for the year		**-**	**-**	**(5,488)**	**(42,692,124)**	**(42,697,612)**
Issue of shares - option plan	14	8,750	309,525	-	-	318,275
Cost of share capital issuance		-	(3,183)	-	-	(3,183)
Share based compensation	15	-	-	975,101	-	975,101
Purchase of treasury shares	14	(3,116)	-	-	-	(3,116)
Balance at December 31, 2009		**5,741,188**	**232,191,050**	**3,932,256**	**(164,283,656)**	**77,580,838**

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

Consolidated Statements of Cash Flows for the years ended December 31, 2009 and 2008

Amounts in Swiss francs	Notes	2009	2008
Cash flows from operating activities			
Net loss for the year		(42,692,124)	(22,066,277)
Adjustments for:			
Depreciation and amortization	9/10	2,835,639	2,016,429
Disposals		3,155	-
Value of share-based services	15	975,101	1,178,653
Changes in prepaid pension costs	21	199,509	171,568
Net finance income	22	(362,129)	(2,805,460)
Changes in working capital:			
Other current assets		1,278,044	229,830
Deferred income, payables and accruals		(1,613,579)	3,483,598
Net cash used in operating activities		**(39,376,384)**	**(17,791,659)**
Cash flows from investing activities			
Purchase of intangible assets	9	(73,190)	(123,808)
Purchase of property, plant and equipment	10	(4,137,408)	(5,486,084)
Loan repayments received from related parties		-	112,773
Loan repayments received from staff		-	17,000
Finance income	22	315,130	3,307,338
Net cash used in investing activities		**(3,895,468)**	**(2,172,781)**
Cash flows from financing activities			
Proceeds from issue of shares – option plan	14	318,275	-
Costs paid on issue of shares	14	-	(32,149)
Purchase of treasury shares	14	(3,116)	(64,093)
Finance expense	22	-	(6,049)
Net cash from / (used in) financing activities		**315,159**	**(102,291)**
Decrease in cash and cash equivalents		**(42,956,693)**	**(20,066,731)**
Cash and cash equivalents at beginning of the year	7	119,470,604	140,044,686
Exchange gain / (loss) on cash and cash equivalents		46,193	(507,351)
Cash and cash equivalents at end of the year	**7**	**76,560,104**	**119,470,604**

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, 2009 and 2008 (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 16, 2010, and are subject to approval by the shareholders on April 29, 2010.

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

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

A number of minor reclassifications have been made during the year and the 2008 comparative figures have been adjusted accordingly.

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, 2008, except for the following new standards, amendments to standards and interpretations which are mandatory for financial periods beginning on or after January 1, 2009:

- IAS 1 (revised), "Presentation of financial statements". The revised standard prohibits the presentation of certain items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. The Group has elected to present two statements: a statement of income and a statement of comprehensive income. The consolidated financial statements have been prepared under the revised disclosure requirements, which although impacting presentation have no impact on the financial position of the Group.
- IFRS 8, "Operating segments". The standard replaces IAS 14, "Segment Reporting". It applies to annual reporting periods beginning on or after January 1, 2009, and requires a "management approach" under which segment information is presented on the same basis as that used by the chief operating decision-maker for internal reporting purposes. The Group has identified the chief operating decision-maker as the Chief Executive Officer, who decides on the allocation of resources across projects. The Chief Executive Officer reviews monthly management accounts which do not significantly differ from the financial information disclosed in these consolidated financial statements. The Group operates in one operating segment, which is the business of developing drugs for human health.

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

- IAS 19 (amendment), "Employee benefits";
- IAS 36 (amendment), "Impairment of assets";
- IAS 20, "Accounting for government grants and disclosure of government assistance";
- IFRS 7 (amendment), "Financial instruments: Disclosures";
- IAS 23 (amendment), "Borrowing costs";
- IFRS 2 (amendment), "Share-based payment";
- IAS 32 (amendment), "Financial instruments: Presentation";
- IFRIC 13, "Customer loyalty programs";
- IFRIC 15, "Agreements for the construction of real estate";
- IFRIC 16, "Hedges of a net investment in a foreign operation"; and
- IAS 39 (amendment), "Financial instruments: Recognition and measurement".

Based on management's assessment, the following new standards, amendments to standards and interpretations that have been issued, but are mandatory for the financial year beginning January 1, 2010, and have not been early adopted, are the only ones of significance to the Group:

- IFRIC 17, "Distributions of non-cash assets to owners";
- IAS 27 (revised), "Consolidated and separate financial statements";
- IFRS 3 (revised), "Business combinations";
- IAS 38 (amendment), "Intangible Assets";
- IFRS 5 (amendment), "Measurement of non-current assets (or disposal groups) classified as held-for-sale";
- IAS 1 (amendment), "Presentation of financial statements";
- IFRS 2 (amendments), "Group cash-settled and share-based payment transactions";
- IFRS 8 (amendment), "Operating segments";
- IFRIC 16 (amendment), "Hedges of a net investment in a foreign operation"; and
- IFRIC 18, "Transfers of assets from customers".

These last standards, amendments to standards and interpretations are not expected to have a material impact on the Group financial statements.

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

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

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'. 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 as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are taken to shareholders' equity in the statement of 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 in the balance sheet (see note 8).

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 provision is the difference between the carrying amount and the recoverable amount and is recognized in the income statement.

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 Trade payables

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

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

2.14 Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

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

2.15 Employee benefits

Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Under a defined contribution plan, the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. 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 independent actuaries using the projected unit credit method. The present value of the defined obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets 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 have been converted at a 1:1 ratio into common shares. All converted non voting shares are still subject to their respective plans and converted non voting shares which are repurchased under the Company's repurchase right are recorded as treasury shares.

Share option plan: The fair value of the employee services received in exchange for the grant of options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

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

2.16 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.

2.17 Revenue recognition

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

2.18 Finance income and expense

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

2.19 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.

2.20 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, liquidity risk and capital 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. 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. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted (see note 7).

Liquidity risk

The Group's principal source of liquidity is its cash reserves which are obtained through the sale of new shares and to a lesser extent the sale of its research and development stage products. The Group's policy is to invest these funds in low risk investments including interest bearing deposits. The ability of the Group to maintain adequate cash reserves to sustain its activities in the medium term is highly dependent on the Group's ability to raise further funds from the licensing of its development stage products and the sale of new shares. Consequently, the Group is exposed to significant liquidity risk in the medium term.

Capital risk

The Group is not regulated and not subject to specific capital requirements, however, it aims to be compliant with the specific needs of the Swiss law. To ensure that statutory capital requirements are met, the Group monitors capital periodically on an interim basis as well as annually. From time to time the Group may take appropriate measures or propose capital increases to the Shareholders' Meeting to ensure the necessary capital remains intact.

3.2 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 32 under "general information", the consolidated financial statements have been prepared on a going concern basis after considering the Group's cash position in the light of current financial plans and financial commitments.

Income taxes

As disclosed in note 20 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 contingent

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.

Share-based compensation

The Group recognizes an expense for share-based compensation based on the difference between the fair value and the price paid for non voting shares issued under the Company's non voting share equity incentive plans. Should the assumptions and estimates underlying the fair value of the Company's non voting shares vary significantly from management's estimates, then the share-based compensation expense would be materially different from the amount recognized. The fair value of the Company's non voting shares was established based on a number of valuation models which gave a range of values from CHF3.0 to CHF7.7. Had the Company calculated the share-based compensation based on the higher and lower values of this range, the value of share-based compensation recorded as an expense in 2009 would have been CHF65,538 or CHF162,633, respectively (2008: CHF124,948 or CHF314,023, respectively). This is compared to the amount recognized as an expense in 2009 of CHF114,086 (2008: CHF219,433).

Share options granted under the Company's share option plan are valued using the binomial valuation model. The 12,000 options granted on April 1, 2007, prior to the IPO, have a strike price of CHF39.5 per share. The fair value of the shares at this date was established at CHF55 per share based on a number of valuation models which gave a range of values from CHF50 to CHF60 per share. Had the Company calculated the share-based compensation based on the higher and lower values of this range, the value of share-based compensation recorded as an expense in 2009 would have been CHF25,512 or CHF34.566, respectively (2008: CHF55,106 or CHF74,641, respectively). This is compared to the amount recognized as an expense in 2009 of CHF30,036 (2008: CHF64,877).

Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 21.

4.2 Critical judgments in applying the entity's accounting policies

Revenue recognition

In 2009, the Group recognized CHF1,461,075 (2008: CHF1,859,886 ; 2007: CHF156,639) of up front fees received, under the Merck Sharp & Dohme Research Ltd research collaboration and license agreement executed on November 30, 2007 (see note 16), since it was concluded that there was continuing involvement after that date. Had the Group considered the up front fee as consideration for the purchase of a license, the Group would have recognized the entire up front fee of CHF3,477,600 in 2007.

In 2009, the Group recognized a CHF1,510,100 milestone payment received under the Ortho-McNeil-Janssen Pharmaceuticals, Inc. agreement executed on December 31, 2004 (see note 16) 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 CHF1,510,100 over the period of continuing involvement.

In 2008, the Group recognized CHF24,794,000 of up front fees, received under the Merck & Co., Inc. license agreement executed on January 2, 2008 (see note 16), since it was concluded that the up front fee was consideration for the purchase of a license and there was no significant continuing involvement in the development of the product. Had the agreement provided for the Group's continuing involvement in the development of the product, the Group would have recognized the up front fee of CHF24,794,000 over the period of continuing involvement.

Development supplies

At December 31, 2009, 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 revenue of the Group for the years ended December 31, 2009 and 2008 is derived from the business of developing drugs for human health. The revenues were earned from collaborative arrangements and the sale of license rights to pharmaceutical companies.

Information about geographical areas

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

Analysis of revenue by nature is detailed as follows:

	2009	2008
Up front fees	1,461,075	26,653,886
Milestones	2,193,358	128,917
Technology access fees	285,827	24,039
Research funding	150,510	-
Total revenue	**4,090,770**	**26,806,842**

Analysis of revenue by major customer is detailed as follows:

	2009	2008
Merck & Co., Inc. (USA)	2,580,670	26,806,842
Ortho-McNeil-Janssen (USA)	1,510,100	-
Total revenue	**4,090,770**	**26,806,842**

For more detail, refer to note 16, "License and collaboration agreements".

The geographical analysis of assets is as follows:

	December 31, 2009	December 31, 2008
Switzerland	86,674,105	130,293,300
Europe	1,879,249	2,034,516
Total assets	**88,553,354**	**132,327,816**

The geographical analysis of capital expenditure is as follows:

	2009	2008
Switzerland	3,024,507	5,751,819
Europe	344,655	522,734
Total capital expenditure	**3,369,162**	**6,274,553**

The geographical analysis of operating expenses is as follows:

	2009	2008
Switzerland	43,770,968	47,883,769
Europe	3,786,258	3,862,141
Total operating expenses (note 18)	**47,557,226**	**51,745,910**

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, 2009	December 31, 2008
Cash at bank and on hand	61,059,104	37,170,604
Short term deposits	15,501,000	82,300,000
Total cash and cash equivalents	**76,560,104**	**119,470,604**

In 2009, the effective interest rate on cash and cash equivalents was 0.33% (2008: 2.35%)

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, 2009	December 31, 2008
P-1 / A-1	76,557,102	119,467,473
Cash on hand	3,002	3,131
Total cash and cash equivalents	**76,560,104**	**119,470,604**

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

8. Other current assets

	December 31, 2009	December 31, 2008
Receivables	736,657	1,890,315
Prepayments	1,095,412	885,462
Accrued interest income	6,394	350,099
Total other current assets	**1,838,463**	**3,125,876**

9. Intangible assets

	Computer software licenses
At January 1, 2008	
Cost	594,704
Accumulated amortization	(409,963)
Net book value	**184,741**
Year ended December 31, 2008	
Opening net book amount	184,741
Exchange differences	(564)
Additions	141,496
Amortization charge	(101,620)
Closing net book amount	**224,053**
At December 31, 2008	
Cost	732,655
Accumulated amortization	(508,602)
Net book value	**224,053**
Year ended December 31, 2009	
Opening net book amount	224,053
Exchange differences	26
Additions	80,611
Disposals	(2,172)
Amortization charge	(120,952)
Closing net book amount	**181,566**
At December 31, 2009	
Cost	758,701
Accumulated amortization	(577,135)
Net book value	**181,566**

The Group recorded an amortization charge in 2009 of CHF93,724 (2008: CHF76,754) as part of research and development expenses and CHF27,228 (2008: CHF24,866) as part of general and administration expenses.

10. Property, plant and equipment

	Buildings	Leasehold improvements	Equipment	Furniture & fixtures	Chemical library	Total
At January 1, 2008						
Cost	32,698	6,028,242	6,571,439	1,007,243	823,346	14,462,968
Accumulated depreciation	(4,251)	(3,400,118)	(4,850,536)	(631,708)	(626,560)	(9,513,173)
Net book value	**28,447**	**2,628,124**	**1,720,903**	**375,535**	**196,786**	**4,949,795**
Year ended December 31, 2008						
Opening net book amount	28,447	2,628,124	1,720,903	375,535	196,786	4,949,795
Exchange differences	-	(100,490)	(71,233)	(2,398)	-	(174,121)
Additions	-	1,360,042	4,329,910	248,703	194,402	6,133,057
Depreciation charge	(1,307)	(493,776)	(1,193,887)	(120,363)	(105,476)	(1,914,809)
Closing net book amount	**27,140**	**3,393,900**	**4,785,693**	**501,477**	**285,712**	**8,993,922**
At December 31, 2008						
Cost	32,698	7,201,371	10,690,458	1,244,509	1,017,748	20,186,784
Accumulated depreciation	(5,558)	(3,807,471)	(5,904,765)	(743,032)	(732,036)	(11,192,862)
Net book value	**27,140**	**3,393,900**	**4,785,693**	**501,477**	**285,712**	**8,993,922**
Year ended December 31, 2009						
Opening net book amount	27,140	3,393,900	4,785,693	501,477	285,712	8,993,922
Exchange differences	-	(437)	1,585	128	-	1,276
Additions	-	1,682,080	1,435,784	138,859	31,828	3,288,551
Disposals	-	(1)	(982)	-	-	(983)
Depreciation charge	(1,307)	(699,151)	(1,749,851)	(164,454)	(99,924)	(2,714,687)
Closing net book amount	**25,833**	**4,376,391**	**4,472,229**	**476,010**	**217,616**	**9,568,079**
At December 31, 2009						
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**

The Group recorded a depreciation charge in 2009 of CHF2,611,894 (2008: CHF1,853,170) as part of research and development expenses and CHF102,793 (2008: CHF61,639) as part of general and administration expenses.

11. Other non-current assets

	December 31, 2009	December 31, 2008
Prepaid pension costs (note 21)	-	116,955
Security rental deposit	405,142	396,406
Total other non-current assets	**405,142**	**513,361**

12. Payables and accruals

	December 31, 2009	December 31, 2008
Trade payables	4,524,464	4,144,978
Social security and other taxes	415,820	461,577
Accrued expenses	5,262,840	6,862,569
Total payables and accruals	**10,203,124**	**11,469,124**

13. Deferred income

Deferred income of CHF686,838 (2008: CHF1,867,319) relates to technology access fees and research funding received under the agreement with Merck Sharp & Dohme Research Ltd that was entered into on November 30, 2007 and its amendment effective as of November 30, 2009, respectively (see note 16).

14. Share capital and share premium

Number of shares	Common shares	Treasury shares	Total
Balance at January 1, 2008	**5,862,492**	**(124,581)**	**5,737,911**
Purchase of treasury shares	-	(2,357)	(2,357)
Balance at December 31, 2008	**5,862,492**	**(126,938)**	**5,735,554**
Issue of shares - option plan	8,750	-	8,750
Purchase of treasury shares	-	(3,116)	(3,116)
Balance at December 31, 2009	**5,871,242**	**(130,054)**	**5,741,188**

At December 31, 2009, the total outstanding share capital is CHF5,871,242 (December 31, 2008: CHF5,862,492), consisting of 5,871,242 shares (December 31, 2008: 5,862,492). All shares have a nominal value of CHF1 and are fully paid.

During 2009, the Group's Swiss operating subsidiary acquired 3,116 (2008: 2,357) shares from employees, of which 3,116 (2008: 858) were acquired at CHF1 under the Company's non voting share equity incentive plan. During 2009, no shares were acquired at market price (2008: 1,499). The total amount paid to acquire the shares, net of income tax, was CHF3,116 (2008: CHF64,093) and has been deducted from share capital (2008: CHF2,357 and from share premium CHF61,736). The shares are held as treasury shares and the Company has the right to reissue these shares at a later date.

15. Share-based compensation

	2009	2008
Non-executive directors and consultants	94,152	137,730
Executives and employees (note 19)	880,949	1,040,923
Total share-based compensation	**975,101**	**1,178,653**

Share option plans

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

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

Plan B became effective on July 1, 2008, replacing plan A and provides for four grants per year on the first day of the quarter. The exercise price of options granted on July 1, 2008, October 1, 2008, January 1, 2009, April 1, 2009, July 1, 2009 and October 1, 2009 is equal to the closing share price on the business day preceding the date of the grant plus 7.5%. An options grant shall vest over 4 years in the following manner: (i) the participant may not exercise any options of such options grant during the first year starting from the grant date; (ii) the participant may exercise 25% of such options grant after the first anniversary of the grant date, and (iii) the participant may exercise another 25% of such options grant after each further anniversary of the grant date until exhaustion of such options grant. The option term (exercise period) shall be the fifth anniversary of the grant date of such option.

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

During 2009 the Company granted 22,750 options (2008: 283,000 options) to directors, executives, employees and consultants of the Group.

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

	2009		2008	
	Average exercise price in CHF per share	Number of options	Average exercise price in CHF per share	Number of options
At January 1	37.20	308,800	52.66	29,800
Granted	37.29	22,750	35.92	283,000
Forfeited	36.43	(43,400)	61.46	(4,000)
Exercised	36.37	(8,750)	-	-
Expired	43.91	(3,850)	-	-
At December 31	**37.26**	**275,550**	**37.20**	**308,800**

Out of the 275,550 outstanding options (2008: 308,800 options), 65,733 options (2008: 5,960 options) were exercisable with an average exercise price of CHF38.03 (2008: CHF52.66). 8,750 options were exercised in 2009 (2008: nil).

Share options outstanding at the end of 2009 and 2008 have the following expiry dates and exercise prices:

	Range of exercise price in CHF per share				
Expiry date	**30 – 34.99**	**35 – 39.99**	**40 – 49.99**	**50 – 65**	**Total**
At December 31, 2009, number of options					
2010	-	-	-	750	750
2013	-	216,600	-	7,060	223,660
2014	9,150	4,550	13,000	2,560	29,260
2015	900	3,050	-	2,560	6,510
2016	900	3,050	-	2,560	6,510
2017	900	3,050	-	2,560	6,510
2018	900	1,450	-	-	2,350
Total outstanding options	**12,750**	**231,750**	**13,000**	**18,050**	**275,550**
At December 31, 2008, number of options					
2009	-	-	-	1,000	1,000
2013	-	243,400	-	7,810	251,210
2014	900	8,850	-	2,560	12,310
2015	900	8,850	-	2,560	12,310
2016	900	8,850	-	2,560	12,310
2017	900	8,850	-	2,560	12,310
2018	900	6,450	-	-	7,350
Total outstanding options	**4,500**	**285,250**	**-**	**19,050**	**308,800**

The weighted average fair value of options granted during 2009 determined using the binomial valuation model was CHF7.94 per option (2008: CHF8.06). The significant inputs into the model were:

	2009	2008
Weighted average share price at the grant date	34.68	33.31
Range of exercise price per share	30.42 – 40.85	33.28 – 50.50
Volatility	40%	40%
Dividend yield	-	-
Annual risk-free interest rate	1.34%	2.86%

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

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

	2009	2008
Research and development	450,514	420,615
General and administration	410,501	538,605
Total share-based compensation	**861,015**	**959,220**

Non voting share equity incentive plans

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

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

Number of shares	2009	2008
At January 1	556,421	557,279
Repurchased under claw back provision (note 14)	(3,116)	(858)
At December 31	**553,305**	**556,421**

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:

	2009	2008
Research and development	54,790	102,060
General and administration	59,296	117,373
Total share-based compensation	**114,086**	**219,433**

16. License and collaboration agreements

Merck & Co., Inc.

On January 2, 2008, the Group executed a license agreement with Merck & Co., Inc. (Merck). In accordance with the agreement, Merck has acquired an exclusive worldwide license to develop ADX63365 and other mGluR5PAM compounds for the treatment of human health. Under this agreement, Merck made a USD22,000,000 up front payment and will make future payments contingent on the products from the research achieving certain research, development and sales milestones. The Group is also eligible for undisclosed royalties on net sales. At December 31, 2008 the up front fee of CHF24,794,000 has been recognized as income. No income has been recognized in the year ended December 31, 2009.

Merck Sharp & Dohme Research Ltd.

On November 30, 2007, the Group executed a research collaboration and license agreement with Merck Sharp & Dohme Research Ltd, a fully owned subsidiary of Merck & Co., Inc., which included an initial research period of two years. In accordance with the agreement, Merck has acquired an exclusive worldwide license to develop mGluR4PAM compounds for the treatment of human health. Under the agreement, Merck made a USD3,000,000 up front payment and will make future payments contingent on the products from the research achieving certain research and development milestones. The Group is also eligible for undisclosed royalties on net sales. During 2008, a research milestone payment and a technology access fee of USD250'000 each were received and have been recognized over the remaining term of the initial research collaboration period. During 2009, a research milestone payment of USD500'000 was received and recognized over the remaining term of the initial research collaboration period. On November 30, 2009, the agreement was amended and the initial research period of two years was extended for an additional year until November 30, 2010. Under the amendment, Merck will make quarterly research payments amounting to USD1,800,000, of which USD600,000, together with a technology access fee of USD250,000, was received in 2009. During 2009 total fees and research funding of CHF2,580,670 (2008: CHF2,012,842) has been recognized as income and at December 31, 2009, CHF686,838 (2008: CHF1,867,319) has been recorded as deferred income.

Ortho-McNeil-Janssen Pharmaceuticals, Inc.

On December 31, 2004, the Group entered into a research collaboration and license agreement with Ortho-McNeil-Janssen Pharmaceuticals, Inc. (OMJP). In accordance with this agreement, OMJP 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 undisclosed royalties on net sales. Under the agreement, OMJP made a EUR1,000,000 (CHF1,510,100) milestone payment that has been recognized as income in June 2009. No income has been recognized under this agreement in 2008.

17. Other income

	2009	2008
Research grants	125,252	67,331
Insurance recovery	286,951	-
Total other income	**412,203**	**67,331**

In 2009 the Group, as part of a consortium, recognized CHF125,252 (2008: CHF67,331) of grant from the European Community as other income.

In 2009, the Group recognized CHF286,951 of insurance recovery as other income. This amount relates to fire damage to items planned for demolition within a part of the Group's premises which were under renovation.

18. Operating expenses by nature

	2009	2008
Staff costs (note 19)	18,289,568	15,915,125
Depreciation and amortization	2,835,639	2,016,429
External research and development costs	12,037,185	21,532,604
Laboratory consumables	5,482,069	4,687,996
Operating leases	2,450,103	1,812,894
Other operating expenses	6,462,662	5,780,862
Total operating expenses	**47,557,226**	**51,745,910**

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.

19. Staff costs

	2009	2008
Wages and salaries	14,308,229	11,917,915
Social charges and insurances	1,504,047	1,543,376
Value of share-based services (note 15)	880,949	1,040,923
Pension costs – defined contribution plans	88,674	90,348
Pension costs – defined benefit plan (note 21)	1,192,864	946,483
Other employee costs	314,805	376,080
Total staff cost (note 18)	**18,289,568**	**15,915,125**

20. 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, 2009	December 31, 2008
Loss before tax	42,692,124	22,066,277
Tax calculated at a tax rate of 7.8% (2008:7.8%)	3,329,986	1,721,170
Effect of different tax rates in other countries	17,614	331,666
Expenses charged against equity	248	-
Expenses not deductible for tax purposes	(76,058)	(91,935)
Tax losses not recognized as deferred tax assets	(3,271,790)	(1,960,901)
Income tax charge	**-**	**-**

The Group has a tax loss carry forward of CHF161,170,712 as of December 31, 2009 (2008: CHF121,591,532) of which CHF96,412,311 (2008: CHF64,439,490) expire within the next five years and CHF64,758,401 (2008: CHF57,152,042) will expire between five and seven years. Tax losses of CHF3,112,944 expired in 2009.

21. Retirement benefit obligations

Apart from the social security plans fixed by the law, the Group sponsors independent pension plans. All employees of Addex Pharma SA 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 2009 of CHF1,192,864 (2008: CHF946,483) as part of staff costs. At December 31, 2009, the difference between the unrecognized actuarial losses of CHF2,172,914 (2008: CHF1,666,520) and the negative status of the pension funds of CHF2,255,468 (2008: CHF1,549,565) is recorded in non-current liabilities (2008: other non-current assets).

Pension benefits

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

	2009	2008
Present value of funded obligations	(9,325,540)	(6,755,694)
Fair value of plan assets	7,070,072	5,206,129
Funded status	(2,255,468)	(1,549,565)
Unrecognized net losses	2,172,914	1,666,520
(Accrued) / deferred pension costs	**(82,554)**	**116,955**

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

	2009	2008
Current service cost	1,969,683	1,539,951
Interest cost	236,449	204,734
Expected return on plan assets	(208,245)	(182,255)
Employees' contributions	(858,733)	(660,864)
Amortization of unrecognized losses	53,710	44,917
Total included in staff costs (note 19)	**1,192,864**	**946,483**

The movement in the (liability) / asset recognized in the balance sheet is as follows:

	2009	2008
Asset at beginning of year	116,955	288,523
Total expense charged in the statement of income	(1,192,864)	(946,483)
Contributions paid	993,355	774,915
(Liability) / asset at end of year	**(82,554)**	**116,955**

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

	2009	2008
Defined benefit obligation at beginning of year	(6,755,694)	(4,943,412)
Service cost	(1,969,683)	(1,539,951)
Interest cost	(236,449)	(204,734)
Change in assumptions	(392,724)	-
Actuarial losses	(89,765)	(316,716)
Benefit payments	118,775	249,119
Defined benefit obligations at end of year	**(9,325,540)**	**(6,755,694)**

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

	2009	2008
Fair value of plan assets at beginning of year	5,206,129	3,906,621
Expected return on plan assets	208,245	182,255
Employees' contributions	858,733	660,864
Company contribution	993,355	774,915
Plan assets actuarial losses	(77,615)	(69,407)
Benefit payments	(118,775)	(249,119)
Fair value of plan assets at end of year	**7,070,072**	**5,206,129**

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

	2009	2008
Unrecognized losses at beginning of year	1,666,520	1,325,314
Amortization	(53,710)	(44,917)
Change in assumptions	392,724	-
Actuarial losses	89,765	316,716
Plan assets actuarial losses	77,615	69,407
Unrecognized losses at end of year	**2,172,914**	**1,666,520**

The actual return on plan assets is a gain of CHF130,630 in 2009 (2008: gain of CHF112,848).

The principal actuarial assumptions used were as follows:

	2009	2008
Discount rate	3.25%	3.50%
Expected return on plan assets	4.00%	4.00%
Future salary increases	1.50%	1.50%
Future pension increases	1.00%	1.00%

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

Mortality rate

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

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

	2009	2008
Male	17.90	17.90
Female	21.85	21.80

The estimated Group contributions to pension plans for the financial year 2010 amount to CHF976,000. 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, 2009, are not currently available for presentation. The detailed structures and assets held at December 31, 2008, are as follows:

	December 31, 2008	
	Allocation in %	**Expected return**
Cash	2.8%	2.0%
Bonds	59.9%	3.5%
Shares	2.5%	6.8%
Real estates and mortgage	30.7%	4.5%
Alternative investments	4.1%	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.

	2009	2008	2007	2006	2005
Present value of defined benefit obligation.	(9,325,540)	(6,755,694)	(4,943,412)	(3,977,785)	(3,170,004)
Fair value of plan assets	7,070,072	5,206,129	3,906,621	2,929,027	2,243,836
Deficit in the plan	**(2,255,468)**	**(1,549,565)**	**(1,036,791)**	**(1,048,758)**	**(926,168)**
Unrecognized actuarial losses on plan liabilities	(89,765)	(69,407)	(31,910)	(36,881)	(23,602)
Actuarial losses on plan assets	(77,615)	(69,407)	(31,910)	(36,881)	(23,602)

22. Finance income and costs

	2009	2008
Interest income	315,130	3,306,814
Other financial income	-	524
Interest expense	-	(6,049)
Unrealized foreign exchange gain / (loss), net	46,999	(495,829)
Finance result, net	**362,129**	**2,805,460**

23. 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.

	2009	2008
Loss attributable to equity holders of the Company	42,692,124	22,066,277
Weighted average number of shares in issue	5,734,662	5,736,196
Basic and diluted loss per share	**(7.44)**	**(3.85)**

The Company has one category of dilutive potential common shares: share options. As of December 31, 2009 and December 31, 2008, share options have been ignored in the calculation of the loss per share, as they would be anti-dilutive.

24. Commitments and contingencies

Operating lease commitments

	2009	2008
Within 1 year	2,355,451	2,218,907
Later than 1 year and no later than 5 years	5,702,229	5,719,884
Later than 5 years	1,918,277	2,820,370
	9,975,957	**10,759,161**

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, 2009, there are no commitments over 7 years.

Capital commitments

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

	2009	2008
Property, plant and equipment	31,577	737,552
Intangible assets	-	18,737
	31,577	**756,289**

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.

25. 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 2009 and 2008 no services were purchases from related parties.

Key management compensation

	2009	2008
Salaries and other short-term employee benefits	3,158,276	2,848,166
Post-employment benefits	315,621	216,240
Share-based compensation	674,413	731,418
	4,148,310	**3,795,824**

Loans to related parties – Executive Management

No loans were granted to related parties during 2009 and 2008. No such loans were outstanding as of December 31, 2009 and 2008. During 2009 and 2008, no payments (or waivers of claims) other than those set out in the compensation table were made to related parties or to "persons closely linked" to them.

During 2009, the Group's Swiss operational subsidiary acquired 1,866 of the Company's shares from a member of the Board of Directors at CHF1 each by exercising its repurchase right under the Company's non voting share equity incentive plan.

26. Events after the balance sheet date

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

27. 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 (SCO), and therefore differs in certain significant respects from compensation disclosures in note 25 (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 share option plan.

Loans and other payments to Non-Executive Directors

No loans were granted to current or former Non-Executive Directors during 2009 and 2008. No such loans were outstanding as of December 31, 2009 and 2008. During 2009 and 2008, 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 2009[1]

Name of Non-Executive Director[8]	Base cash compensation	Variable cash attendance	Share options (number)[3]	Share options (value)[3]	Total 2009
André J. Mueller[4]	32,500	22,500	-	-	55,000
Andrew Galazka[7]	25,000	15,000	-	-	40,000
Deborah Harland[2]	-	-	-	-	-
Werner Henrich	5,000	6,000	-	-	11,000
Raymond Hill	17,500	15,000	-	-	32,500
Vincent Lawton[5]	16,667	12,000	-	-	28,667
Beat E. Lüthi[6]	25,000	12,000	-	-	37,000
Antoine Papiernik[2]	-	-	-	-	-
Jacques Theurillat	8,333	6,000	-	-	14,333
Total	**130,000**	**88,500**	**-**	**-**	**218,500**

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 options were granted to Non-Executive Directors during 2009
4. Non-Executive Chairman of the Board of Directors
5. Chairman of the Audit Committee
6. Chairman of the Compensation Committee
7. Chairman of the Nomination Committee
8. All Non-Executive Directors are members of the Board of Directors

Compensation to Non-Executive Directors in 2008[1]

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

1. Compensation does not include reimbursement for travel and other necessary business expenses incurred in the performance of their services as these are not considered to be compensation.
2. Non-Executive Directors who serve on the Board of Directors in their capacity as representatives of their respective venture capital investment firms receive no compensation for their services.
3. The values of share options granted are reported at fair value on the date of grant as determined using the binomial valuation model. (see note 15)
4. Non-Executive Chairman of the Board of Directors
5. Chairman of the Audit Committee
6. Chairman of the Compensation Committee
7. Chairman of the Nomination Committee
8. All Non-Executive Directors are members of the Board of Directors

Executive Management Compensation

General principles

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

Loans and other payments to Executive Management

No loans were granted to current or former Executive Management during 2009 and 2008. No such loans were outstanding as of December 31, 2009 and 2008. During 2009 and 2008, no payments (or waivers of claims) other than those set out in the compensation table were made to current or former members of Executive Management or to "persons closely linked" to them.

Compensation to Executive Management in 2009[1]

Executive Management[2]	Base cash compensation	Variable cash bonus	Share options (number)[3]	Share options (value)[4]	Total 2009
Vincent Mutel[5]	463,962	-	-	-	463,962
Other Executive Management	2,562,319	-	10,000	87,241	2,649,560
Total	**3,026,281**	**-**	**10,000**	**87,241**	**3,113,522**

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. The 10'000 options granted under the Company's share option plan have a 4 year vesting period and an exercise price of CHF40.85.
4. The value of share options granted are reported at fair value on the date of grant as determined using the binomial valuation model. (see note 15).
5. Vice Chairman of the Board of Directors and Chief Executive Officer

Compensation to Executive Management in 2008[1]

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

1. Compensation does not include reimbursement for travel and other necessary business expenses incurred in the performance of their services as these are not considered to be compensation.
2. The Executive Management includes the Chief Executive Officer and senior members of management.
3. 95'000 options granted under the Company's share option plan have a 4 year vesting period and an exercise price of CHF35.5. 25'000 of the 120'000 options granted to other Executive Management have a 5 year vesting period and an exercise price of CHF37.03.
4. The value of share options granted are reported at fair value on the date of grant as determined using the binomial valuation model. (see note 15).
5. Vice Chairman of the Board of Directors and Chief Executive Officer

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

The total number of shares and share options owned by Non-Executive Directors and members of the Executive Management at December 31, 2009 are shown in the following table.

Name of Director or Executive (number of shares or options)	2009 options granted	Vested shares & options	Unvested shares & options	Total shares and options owned
Non-Executive Director				
André J. Mueller	-	74,626	5,750	80,376
Andrew Galazka	-	6,932	3,583	10,515
Raymond Hill	-	750	2,250	3,000
Vincent Lawton	-	-	-	-
Beat E. Lüthi	-	2,600	4,650	7,250
Antoine Papiernik	-	-	-	-
Executive Management				
Vincent Mutel	-	169,250	44,900	214,150
Tim Dyer	-	111,215	28,333	139,548
Charlotte Keywood	-	19,833	16,917	36,750
Sonia Poli	-	13,083	16,917	30,000
Emmanuel Le Poul	-	36,017	19,583	55,600
Laurent Galibert	-	3,750	11,250	15,000
Jean-Philippe Rocher	-	39,917	15,833	55,750
Robert Lütjens	-	25,369	13,167	38,536
Chris Maggos	-	6,500	13,500	20,000
Tatiana Pont Carteret	10,000	-	10,000	10,000
Total	**10,000**	**509,842**	**206,633**	**716,475**

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

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

28. 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 sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes for the year ended 31 December 2009.

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 31 December 2009 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

PRICEWATERHOUSECOOPERS

Geneva, 18 February 2010

Enclosure:

- Consolidated financial statements (balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes)

Statutory Financial Statements of Addex Pharmaceuticals Ltd as at December 31, 2009

Balance Sheets as at December 31, 2009 and December 31, 2008

Amounts in Swiss francs	Notes	December 31, 2009	December 31, 2008
ASSETS			
Current assets			
Cash and cash equivalents		72,569,914	109,402,418
Other receivables			
Third parties		131,724	733,544
Group company	7	-	20,054,770
Accrued income		9,038	350,099
Total current assets		**72,710,676**	**130,540,831**
Non-current assets			
Investments in Group companies	6	2	3,987,493
Other non-current assets			
Subordinated loans to Group company	7	4,403,988	-
Total non-current assets		**4,403,990**	**3,987,493**
Total assets		**77,114,666**	**134,528,324**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payables		34,800	10,179
Other payables		49,894	49,839
Accruals		381,296	265,166
Total current liabilities		**465,990**	**325,184**
Shareholders' equity			
Share capital	8	5,871,242	5,862,492
Legal reserves			
Share premium		135,059,373	134,752,963
Treasury shares reserve	9	250,152	247,036
Accumulated deficit		(64,532,091)	(6,659,351)
Total shareholders' equity		**76,648,676**	**134,203,140**
Total liabilities and shareholders' equity		**77,114,666**	**134,528,324**

Statements of Income for the years ended December 31, 2009 and 2008

Amounts in Swiss francs	2009	2008
Operating expenses		
Professional fees	239,111	189,793
Other operating expenses	472,154	463,329
Provision for Group Companies	57,343,177	-
Taxes	71,492	140,763
Total operating expenses	**58,125,934**	**793,885**
Interest income	(253,194)	(2,745,268)
Interest expenses	-	51
Net loss/(income) before taxes	**57,872,740**	**(1,951,332)**
Income tax expense	-	-
Net loss/(income) for the year	**57,872,740**	**(1,951,332)**

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

Notes

Notes to the Statutory Financial Statements for the years ended December 31, 2009 and 2008 (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, 2009 and December 31, 2008, 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, 2009 and December 31, 2008, there were no assets pledged to secure own liabilities.

4. Lease commitments not recorded in the balance sheet

As of December 31, 2009 and December 31, 2008, there were no lease commitments not recorded in the balance sheet.

5. Amounts due to pension funds

As of December 31, 2009 and December 31, 2008, 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	€37,000	100%

As at December 31, 2009, the Company has provided for its investments in Group companies as follows:

	December 31, 2009	December 31, 2008
Investment in Addex Pharma SA	3,987,492	3,987,492
Investment in Addex Pharmaceuticals France SAS	1	1
Provision for investment in Addex Pharma SA	(3,987,491)	-
	2	**3,987,493**

7. Other receivables and other non-current assets – Group company

As at December 31, 2009, the Company has provided for its loan to Addex Pharma SA as follows:

	December 31, 2009	December 31, 2008
Loan to Addex Pharma SA	57,759,674	20,054,770
Provision for loan to Addex Pharma SA	(53,355,686)	-
	4,403,988	**20,054,770**

The loan to Addex Pharma SA is subordinated to the claims of other creditors of the subsidiary and has been reclassified within 'other non current assets' as at December 31, 2009.

8. Capital increases

In 2009, the Company's share capital was increased by CHF8,750 through the exercise of 8,750 options under the Company's share option plans. As a result, share capital increased by CHF8,750 and share premium by CHF309,525.

At December 31, 2009, the total outstanding share capital is CHF5,871,242 (2008: CHF5,862,492), consisting of 5,871,242 shares (2008: 5,862,492 shares). All shares have a nominal value of CHF1.

The values of authorized capital and conditional capital as at December 31, 2009 and 2008 are as follows:

	December 31, 2009	December 31, 2008
Authorized capital	2,931,246	1,993,746
Conditional capital	2,922,496	1,993,746

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, 2008	**124,581**		**182,943**	**2.13%**
Purchases	1,405	43.00	60,415	
Purchases	858	1.00	858	
Purchases	94	30.00	2,820	
Balance at December 31, 2008	**126,938**		**247,036**	**2.17%**
Purchases	1,866	1.00	1,866	
Purchases	1,250	1.00	1,250	
Balance at December 31, 2009	**130,054**		**250,152**	**2.22%**

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, 2009		December 31, 2008	
	Number of shares	**Interest in capital in %**	**Number of shares**	**Interest in capital in %**
Sofinnova Capital IV FCPR	806,648	13.74%	806,648	13.76%
TVM V Life Science Ventures	705,726	12.02%	705,726	12.04%
Index Ventures II*	568,056	9.68%	765,788	13.06%
The Swiss Helvetia Fund	314,860	5.36%	314,860	5.37%
SROne Ltd	290,529	4.95%	293,125	5.00%
Varuma AG	231,425	3.94%	231,425	3.95%
Vincent Mutel	180,150	3.07%	205,150	3.50%

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

Post balance sheet changes in shareholders' equity:

On February 8, 2010, Index Ventures II informed of reducing to below the threshold of 3%, holding a total of 12,752 shares, corresponding to 0.22% of the voting rights. On February 11, 2010, BVF Partners L.P., 900 North Michigan Avenue, Suite 1100, Chicago, Illinois, 60611, informed of exceeding the threshold of 5%, holding a total of 385,606 shares, corresponding to 6.6% of the voting rights.

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

The Board of Directors proposes to transfer CHF3,116 from share premium to treasury shares reserve and to carry forward the net loss for the year 2009 of CHF57,872,740.

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

Refer to note 27 on page 43 of the consolidated financial statements.

13. Risk assessment

Refer to note 28 on page 45 of the 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 financial statements

As statutory auditor, we have audited the accompanying financial statements of Addex Pharmaceuticals Ltd, which comprise the balance sheet, income statement and notes, for the year ended 31 December 2009.

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 31 December 2009 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 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.

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

PricewaterhouseCoopers SA

Michael Foley
Audit expert
Auditor in charge

Claudia Benz
Audit expert

PRICEWATERHOUSECOOPERS

Geneva, 18 February 2010

Enclosures:

- Financial statements (balance sheet, income statement and notes)

For more information about Addex please contact:

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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, mGluR7, GABA-B, FSHR, GLP1R 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, mGluR7, GABA-B, FSHR, GLP1R 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,mGluR7, GABA-B, FSHR, GLP1R 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, mGluR7, GABA-B, FSHR, GLP1R 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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