allosteric modulators for human health

ANNUAL REPORT 2007

addex Pharmaceuticals

KEY FACTS

Addex Pharmaceuticals

Headquarters: Plans-les-Ouates (Geneva), Switzerland

Total employees (March 2008): 100

Business: Allosteric modulators for blockbuster indications

Disease focuses: CNS, Metabolic & Inflammation

Clinical status: Phase II (ADX10059 in GERD & migraine)

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

SWX Swiss Exchange stock symbol: ADXN (ISIN: CH0029850754)

Shares outstanding: 5,862,492

Total funds raised (since 2002 inception): CHF 243 million

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ACHIEVEMENTS

17 April
ADX10059 achieves Phase IIa proof of concept in GERD

20 April
ADX10059 achieves Phase IIa proof of concept in migraine

21 May
Addex completes CHF137 million IPO on the SWX Swiss Exchange

30 November
Addex & Merck & Co., Inc. enter into Parkinson's collaboration

2 January
Addex out-licenses ADX63365 to Merck & Co., Inc.

25 February
Addex achieves first preclinical milestone in Parkinson's collaboration

MESSAGE TO SHAREHOLDERS

André J. Mueller,
Chairman

Dr. Vincent Mutel
Chief Executive Officer

Dear Shareholders:

As it is our first year as a public company, we welcome our many new investors and thank them for their support during a year that has offered extremely challenging market conditions.

With positive results for ADX10059 in separate Phase IIa trials in GERD and migraine, a successful initial public offering (IPO) and a first deal signed with Merck & Co., Inc. (Merck), last year was a hallmark year for Addex.

2008 started even stronger as we brought in, on the first day of business, an upfront cash payment of $22 million with the signing of a second agreement with Merck, which includes up to $680 million in potential milestone payments. This deal for ADX63365, a promising molecule for the treatment of schizophrenia and other important indications, is of high significance as it clearly illustrates that Addex can produce unique top quality drug candidates which are valued by the best in the industry. The financial terms we obtained for ADX63365 acknowledge not only the novelty of this drug candidate but also that it may address an important unmet medical need in schizophrenia.

This tangible value, created using our technology and expertise, suggests that our future promises extraordinary growth. While biotech investors know that drug development is a long-term investment, requiring patience, we are pleased to report that Addex' allosteric modulator platform also is creating substantial value in the near-term. Indeed, in addition to the ADX63365 deal, we established a separate collaboration with Merck, to discover and develop very innovative Parkinson's disease drugs. We also signed a similar discovery deal, in late 2004, with Johnson & Johnson, to develop novel drugs for anxiety and schizophrenia. We look forward to receiving and communicating future material milestone payments as these three exciting projects advance.

The Addex discovery platform allows us to develop innovative products for well-validated targets implicated in major diseases. The medical and commercial potential inherent in the capacity of our platform dictates that we pursue the largest opportunities, like GERD and schizophrenia, first. Thus, in order to best leverage our core competencies while continuing to integrate our own late stage development – and eventually marketing capabilities – Addex has chosen to use out-licensing at appropriate stages of preclinical or clinical development. This strategy allows us not only to leverage the expertise and financial resources of big pharma, while retaining for our shareholders significant participation in the upside, but also to reduce our exposure to the financial risk in any given product.

As a result, for the foreseeable future, we believe that Addex will continue to have a symbiotic relationship with big pharma, which has complementary needs and competencies. Our deal-making activities have the added benefit of further validating our technology and reputation as drug developers, thereby facilitating our relationships with the largest pharma companies.

With that said, our most clinically advanced allosteric modulator, ADX10059, remains our first priority, as it is the most important near-term value driver for Addex. ADX10059 will move this year into Phase IIb development for two major indications, gastroesophageal reflux disease (GERD) and migraine. We expect ADX10059 to yield a major deal with a leading pharmaceutical partner during late-stage development, thereby generating significant returns even before it reaches the market.

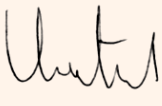
Addex also is preparing for the long-term by advancing additional proprietary projects from discovery to clinical development, with a focus on products that have blockbuster potential in multiple indications. And, with the maturation of our platform technology, new projects are coming out of discovery more rapidly than ever. We plan to discuss the most promising of these at our R&D day in the second quarter of 2008.

We are proud of the enthusiasm and dynamism of Addex' employees and we thank them for their dedication to Addex – they are the key to Addex' success today and in the future.

We also thank our investors, especially those who expressed confidence in us at our IPO. The funds raised at our IPO and revenues from partnering can enable us to grow Addex into a sustainable pharmaceutical business. Using conservative estimates we forecast that Addex is on firm financial footing until mid-2011, even before factoring any future revenues from existing or future deals.

Regrettably, the post-IPO stock performance has not been rewarding. Nevertheless, we believe that the fundamentals of the Company, as indicated by the progress of ADX10059 and the deals with Merck, have improved dramatically since the IPO. We are committed to creating shareholder value and are determined to do so by realizing the potential we see in Addex.

André J. Mueller
Chairman



Dr. Vincent Mutel
Chief Executive Officer

2007 REVIEW OF OPERATIONS

Addex made progress on all fronts in 2007, achieving important milestones in clinical development, deal-making and financing, thereby earning visibility as the leader in both allosteric modulation and glutamate receptor modulation.

In April 2007 the Group disclosed that its most advanced allosteric modulator, ADX10059, had demonstrated efficacy in early clinical trials in two common diseases: gastroesophageal reflux disease (GERD) and migraine. In both GERD and migraine a large percentage of patients' symptoms are poorly managed by existing marketed therapies. In addition, the leading drugs for both diseases are threatened by near-term patent expirations and thus, competition from generic drugs. As a result, the demand by patients, doctors and the pharmaceutical industry for new, more effective drugs to treat GERD and for migraine prevention is high, making ADX10059 a very desirable product.

As a result, ADX10059 captivated the attention of public equity investors in Switzerland, Europe and the U.S., serving as the catalyst that enabled the Group to raise CHF137 million in one of the biggest biotech IPOs worldwide in recent memory and the largest European biotech IPO in three years. Shares in Addex began trading on the SWX Swiss Exchange, under the ticker symbol ADXN, on May 22, 2007.

ADX10059 is a metabotropic glutamate receptor 5 (mGluR5) negative allosteric modulator (NAM). The orally available small molecule drug candidate, which is highly specific for mGluR5, was discovered by Addex in 2003. In 2007, Addex was the first in the world to disclose clinical data demonstrating that blocking mGluR5 receptors has efficacy in treating both GERD and migraine patients. Previous clinical testing by McNeil (now part of Johnson & Johnson) in the 1980's showed that blocking mGluR5 receptors also is a clinically validated and effective treatment for a chronic form of anxiety, called generalized anxiety disorder.

At the end of the third quarter, ADX10061, the only in-licensed product in Addex' portfolio, was discontinued after it did not meet the primary efficacy endpoint in a Phase IIa smoking cessation trial; it did not increase the number of patients that remained abstinent from cigarettes compared to placebo. This competitive "orthosteric" dopamine D1 receptor antagonist also was the only product in the Addex pipeline that is not an internally discovered allosteric modulator. Addex is working with potential partners to evaluate other opportunities for ADX10061 but has no plans to devote resources to developing the compound in-house.

In November 2007 and January 2008 Addex closed two separate license agreements with Merck & Co., Inc. (Merck). The plan is to develop drugs, for Parkinson's disease, schizophrenia and additional undisclosed indications with Merck. These high profile deals included combined upfront payments totaling $25 million and have total potential value of up to $872 million.

In the Parkinson's disease deal, the partners will discover and develop positive allosteric modulators (PAMs) targeting the metabotropic glutamate receptor 4 (mGluR4). The deal includes lead mGluR4 PAMs discovered by Addex. Under the terms of the agreement, Addex received $3 million upfront and is eligible for up to $106.5 million in research, development and regulatory milestones for the first product developed for multiple indications. Additional

milestones of up to $61 million are payable if a second and third product is developed. Addex is eligible to receive undisclosed royalties on sales of any products resulting from this collaboration. Addex also retained an option to co-promote in certain European Union countries.

In the schizophrenia deal, Merck received an exclusive worldwide license to develop ADX63365, an mGluR5 PAM in late preclinical development, as well as backup and follow-on products. Under the terms of the agreement, Addex received $22 million upfront and is eligible for up to $455 million in research, development, regulatory and sales milestones for the first product developed for two indications and up to $225 million in additional development, regulatory and sales milestones for a second product developed in two indications. Addex is eligible to receive royalties on sales of any products resulting from this agreement. In addition, Addex also retained an option to co-promote in certain European Union countries.

In early January 2008, Addex announced that its lead product, ADX10059 did not demonstrate a statistically significant effect in a small Phase IIa study of acute anticipatory dental anxiety. Nevertheless, because of the wealth of clinical and preclinical data supporting mGluR5 inhibition as an effective anxiolytic strategy in both humans and animals, Addex believes that ADX10059 still has potential in chronic forms of anxiety.

Addex completed in 2007 the research phase of its collaboration with Johnson & Johnson to discover and develop positive allosteric modulators of mGluR2 in anxiety and schizophrenia. The deal was further validated in 2007 by a publication in *Nature Medicine* showing that an mGluR2 agonist had efficacy similar to that of a leading anti-psychotic but without the side effects of weight gain or extrapyramidial symptoms sometimes associated with antipsychotic drugs.

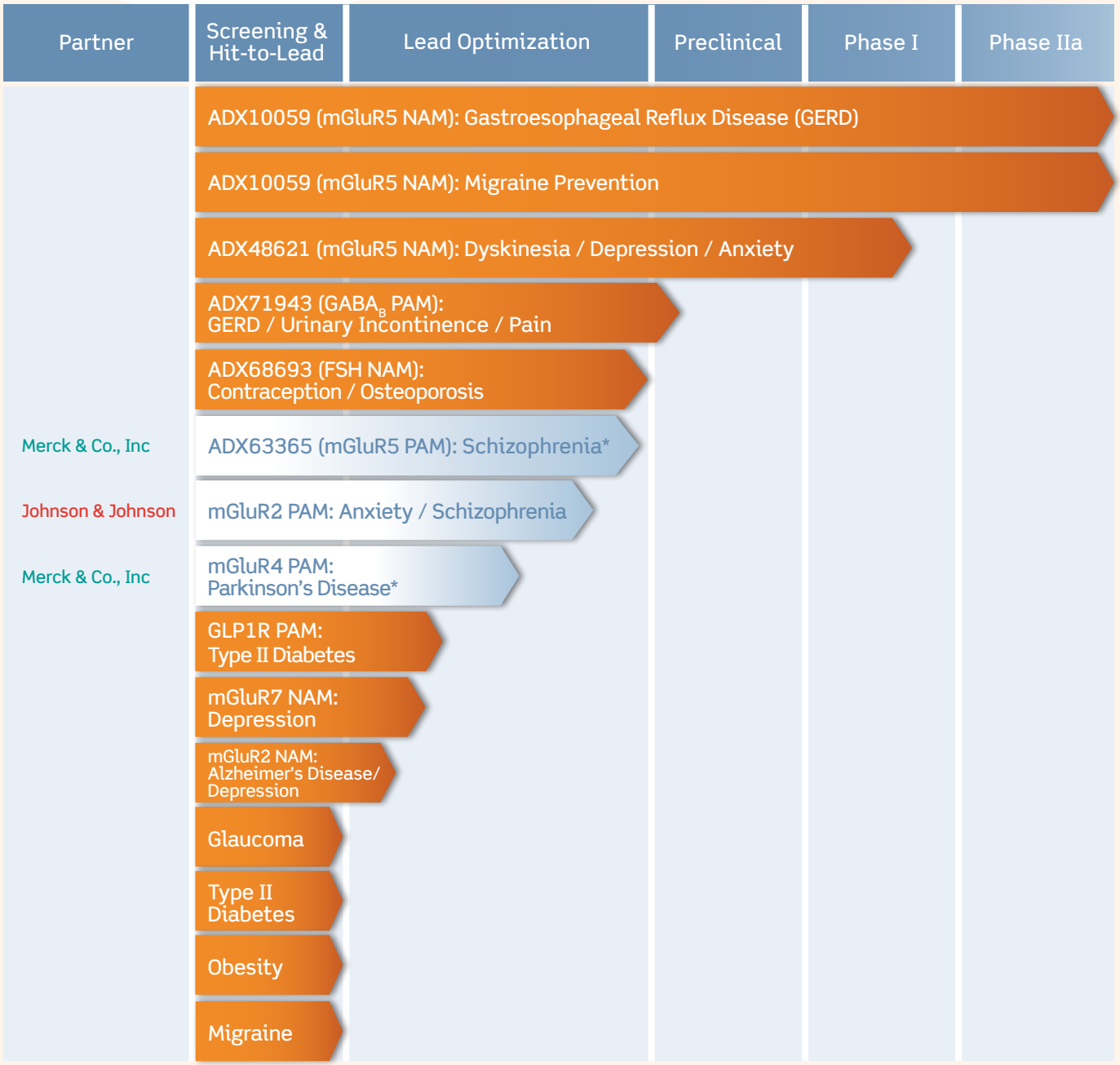
ADX48621 is an mGluR5 NAM that is chemically distinct from ADX10059. Like ADX10059, ADX48621 has potential in multiple indications, with Parkinson's disease, depression and anxiety being prioritized. ADX48621 also could be a backup to ADX10059 in GERD and migraine.

ADX48621 is undergoing Phase I testing. Addex reported in mid-2007 that, in the first Phase I trial, the orally administered product was well tolerated.

Addex added in 2007 five new discovery programs, bringing the Group's pipeline of programs to 15 in total compared to two new programs initiated and a total pipeline of 11 programs in 2006.

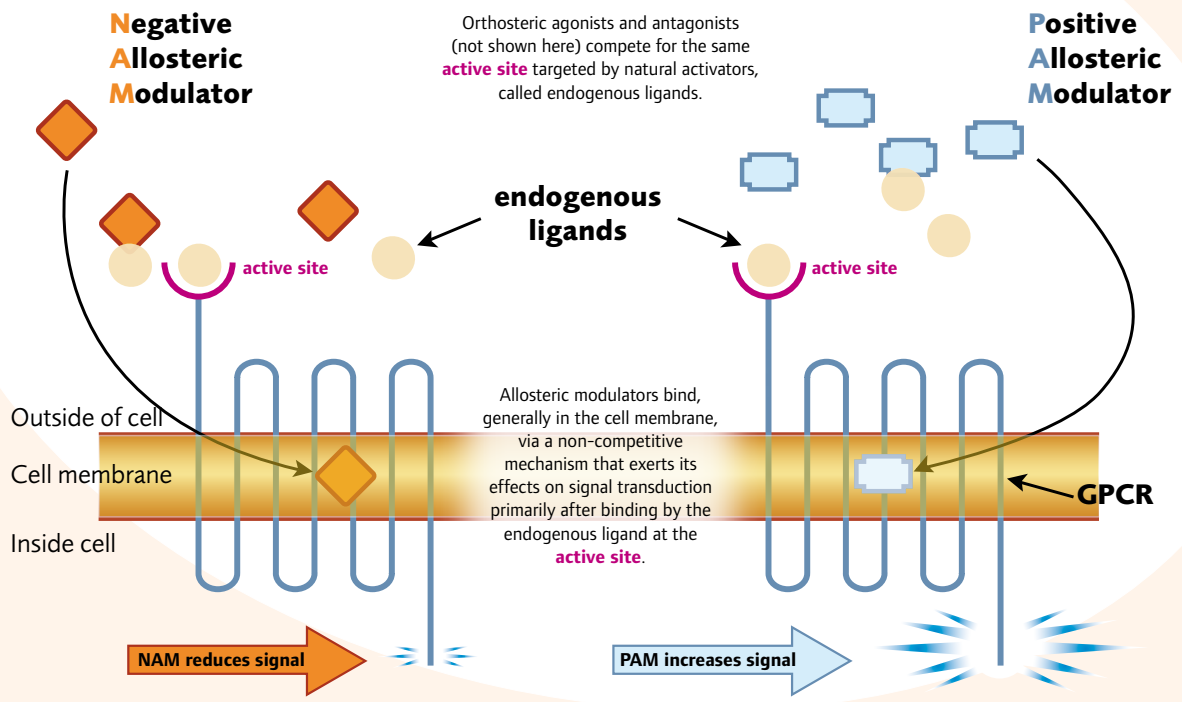
Additionally, the two Merck deals at the end of 2007, and before that, the size of the Addex IPO, have afforded Addex increasing visibility and more importantly, credibility with the pharmaceutical industry, the investment community, the media and general public.

ALLOSTERIC MODULATOR PIPELINE



* & other undisclosed indications
PAM = positive allosteric modulator
NAM = negative allosteric modulator

ALLOSTERIC MODULATION EXPLAINED



Allosteric, literally translated from its Greek roots, means: other site. Therefore, allosteric modulators bind receptors, like G Protein-Coupled Receptors (GPCRs), at sites that are different from the site where most marketed drugs bind. Receptors are proteins that transmit signals to control cellular function, and thus, disease processes. Most marketed drugs bind receptors at the same site (i.e. the "active site") as the body's own natural molecules (i.e. endogenous ligands). As a result, most marketed products work in a competitive fashion, competing with endogenous ligands for the active site. By contrast, allosteric modulators are non-competitive and can bind a receptor and modify its function even when the endogenous ligand is binding.

In addition, allosteric modulators don't simply turn a receptor on or off, the way most drugs do. Instead, they act more like a dimmer switch, controlling the degree of activation (or deactivation). Because of this, Addex believes allosteric modulation may offer more sophisticated ways to normalize biological signaling perturbed by disease compared to orthosteric drugs.

Key properties & advantages of allosteric modulation:

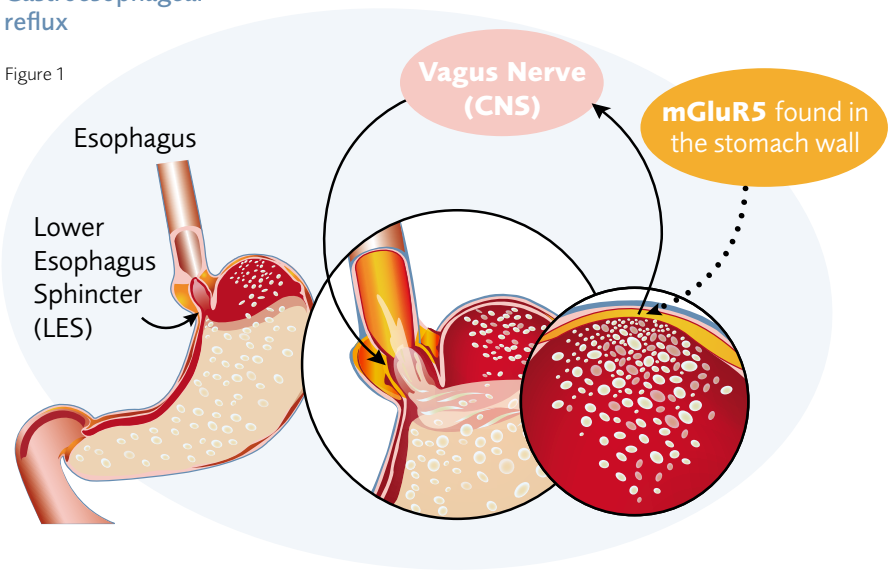
- Allosteric modulators bind their target at a different site from endogenous ligands and therefore exert their influence when an endogenous ligand is bound to another site on the same target at the same time. By contrast, classical orthosteric drugs compete for the same site as endogenous ligands. Since allosteric modulators don't need to out-compete endogenous ligands, lower dose / affinity allosteric modulators may be effective where a similar dose / affinity orthosteric drug is not. As a result, allosteric modulators may have fewer side effects due to off target activities than classical orthosteric drugs against the same target.
- Allosteric modulators often are devoid of activity in the absence of endogenous ligands. Because of this, allosteric modulators may offer a less disruptive way to influence the functioning of biological systems. In other words, when they do not perturb signaling on their own, they preserve more of the natural biology compared to orthosteric approaches. Specifically, this could lead to greater safety and fewer side effects compared to classical orthosteric drugs against the same target.
- Because allosteric modulators bind on a different site compared to classical orthosteric drugs, Addex can create new chemical entities that re-address clinically validated GPCR targets - potentially offering improved therapeutic activity.
- For targets where it has been difficult to make selective orthosteric drugs, highly selective allosteric modulators can sometimes be identified. For example, Addex has made orally available small molecule allosteric modulators against some validated targets that the pharma industry has been unable to address using classical small molecule chemistry - like the GLP-1 receptor and the FSH receptor - for which only injectable peptide or hormonal therapies are available.
- Also because they bind on a distinct site, it is possible to combine allosteric modulators with orthosteric drugs. For example a PAM could be used to potentiate an orthosteric agonist.

KEY INDICATIONS: GERD

Gastroesphageal reflux disease (GERD) is a chronic condition caused by stomach contents leaking back into the esophagus on a regular basis. GERD leads to painful symptoms like heartburn and tissue damage.

Gastroesophageal reflux

Figure 1



The medical community agrees that GERD needs to be well controlled not only because it causes discomfort, diminishing quality of life, but it can lead to more serious conditions including erosion, bleeding and, in some cases, cancer.

In the United States, the current prevalence of GERD is estimated to be 15% of the adult population and in European countries the prevalence varies between 10% and 25%. The incidence of nocturnal GERD (i.e. GERD symptoms occurring at night) in the overall population is currently reported to be as high as 10%. Obesity, pregnancy, diabetes mellitus and smoking are risk factors for developing GERD.

The market size for GERD drugs, such as antacids and anti-ulcerants, has been estimated to be about $20 billion per year. Proton pump inhibitors (PPI), like Nexium, and histamine H2 antagonists, like Zantac, are the main treatments and are thought to represent 91% of all antacid and anti-ulcerant drug sales. Although acid suppressants have been highly commercially successful, studies indicate that GERD symptoms are not adequately controlled in 20% to 50% of treated patients, especially at night.

This is not entirely surprising because the fundamental cause of GERD is not gastric acid overproduction but a dysfunction of the muscle at the bottom of the esophagus, known as the lower esophageal sphincter. Acid suppressant drugs, although effective at reducing symptoms for many patients, do not have any effect on the lower esophageal sphincter and do not prevent reflux from occurring; they merely render the refluxed material less acidic. As symptoms and damage to the esophagus can also be caused by non-acidic reflux, patients may still suffer from GERD – and the associated health risks – despite optimal doses of acid suppressing medication.

A drug which acts on the function of the lower esophageal sphincter to prevent inappropriate reflux, would provide a physiological answer to the problem of GERD.

mGluR5 inhibitor for GERD

The lower esophageal sphincter is controlled by the vagus nerve, which in turn is controlled by a variety of central and peripheral nervous system mechanisms, including metabotropic glutamate receptor 5 (mGluR5) signaling. Preclinical data suggest that stimulation of mGluR5 secondary to distension of the stomach, for example after eating, drinking or swallowing air, initiates a signaling cascade, via the vagus nerve, that causes the lower esophageal sphincter to open. This is a normal safety mechanism to prevent the stomach from becoming excessively distended and allows air to escape from the stomach through belching.

It is believed that this normal physiological response becomes disordered in patients with GERD, allowing stomach contents to seep into the esophagus. Preclinical models of GERD have shown that inhibition of mGluR5 can prevent inappropriate opening of the lower esophageal sphincter and restore normal sphincter function[1]. Addex was the first in the world to disclose that mGluR5 inhibition reduced the exposure of the esophagus to acidity and reduced GERD symptoms in humans.

1. *Am. J. Physiol. Gastrointest. Liver Physiol. (2007)* Vol. 292: G501-G511

ADX10059 in GERD

In data from Addex Phase IIa trial, released in April 2007, ADX10059 reduced the extent of esophageal acid exposure compared to placebo. The primary endpoint, the percentage of time that esophageal pH (a measure of acidity) was less than 4 during a 24-hour period, was statistically significantly improved during ADX10059 treatment compared to placebo administration. Importantly, night time reflux, which is often poorly controlled by conventional acid-suppressing therapies and causes sleep disturbance and increased risk of esophageal damage, was also significantly reduced by ADX10059 (see Fig. 2.1).

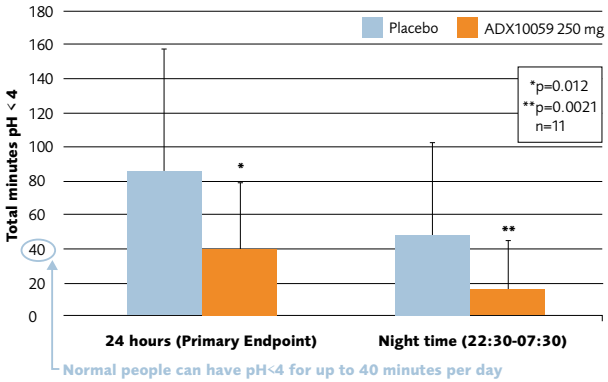
ADX10059 also reduced exposure of the esophagus to acid during the critical periods following meals, when GERD can be most troublesome and most resistant to marketed therapies (see Fig. 2.2).

The benefits on the physiological measures of reflux were also observed as a reduction in clinical symptoms. Patients reported fewer and shorter episodes of GERD symptoms on the active treatment day. Specifically, on the placebo treatment day, patients experienced an average of 7 symptomatic episodes, each lasting an average of 14 minutes. These were reduced to an average of 2 episodes, each lasting 5 minutes during treatment (see Fig. 2.3).

ADX10059 Phase IIa GERD data were presented at the 2007 United European Gastroenterology Week, a peer reviewed clinical research conference in October 2007.

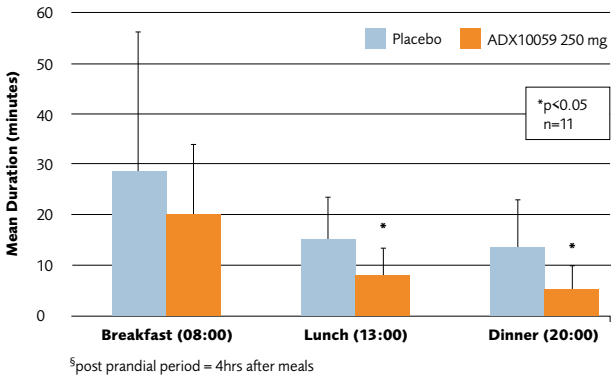
Study 203: Mean total duration of esophageal acid exposure

Figure 2.1



Study 203: Post prandial§ esophageal pH Drop ≥1

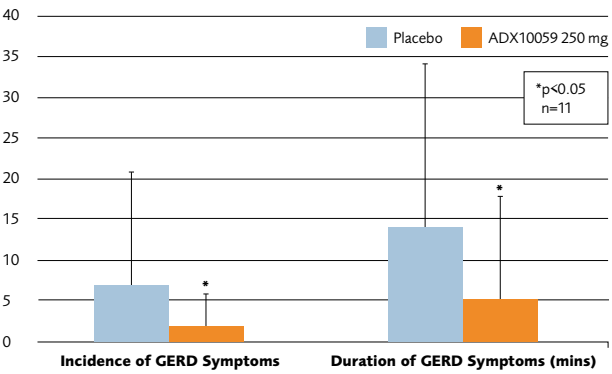
Figure 2.2



§post prandial period = 4hrs after meals

Study 203: GERD symptoms

Figure 2.3

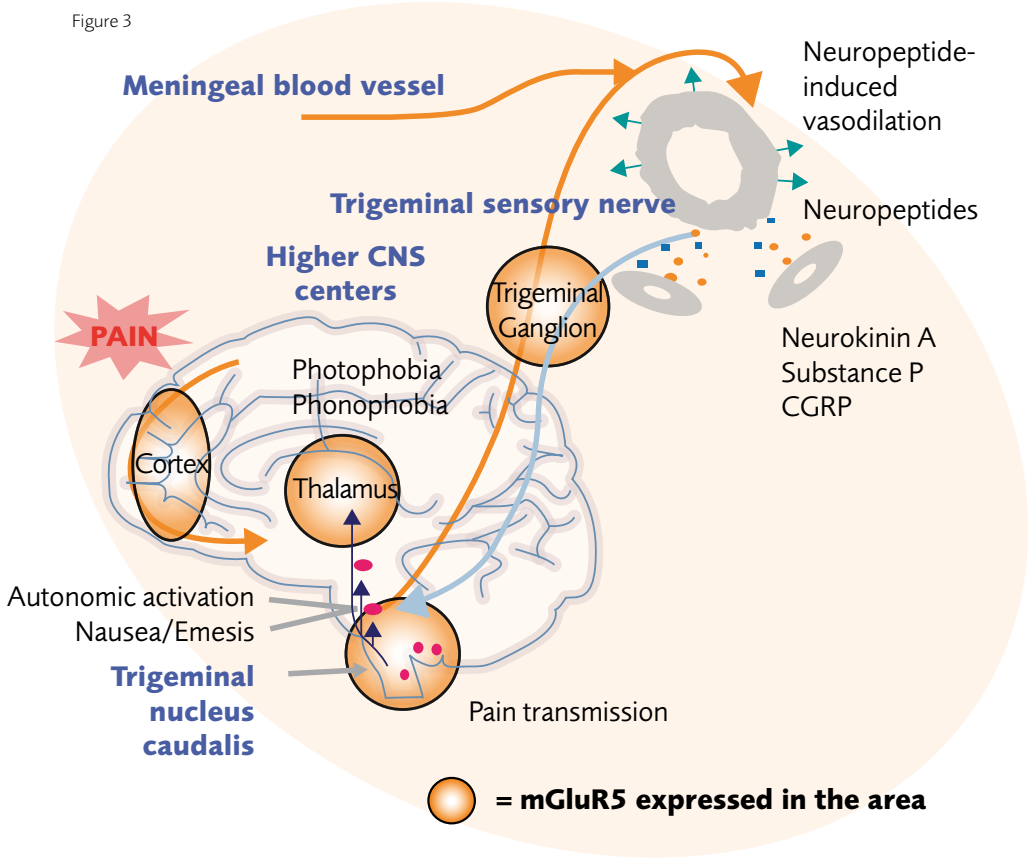


MIGRAINE

Migraine is a condition distinguished by recurrent episodes of a characteristic headache, which can be accompanied by a variety of other symptoms such as nausea, sensitivity to light and sound, and fatigue.

The migrane circuit

Figure 3



The average migraine patient suffers 12 attacks a year. The International Headache Society estimates that about 25% of migraine patients have three or more attacks per month and could benefit from migraine prevention treatment.

In about 40% of patients attacks can be preceded by aura (usually visual phenomena such as flashing lights, zigzag lines and loss of visual fields). A migraine attack, which typically lasts about 24 hours but can range from 4-72 hours, has three distinct phases: the prodrome phase, when an array of individual warning signs - like blurred vision or tingling of the skin - may begin to appear; the headache phase; and the postdrome phase when many patients report fatigue or other "hangover -like" symptoms.

As migraine attacks are prolonged, many patients and especially those with frequent attacks, lose a significant amount of work and family time to suffering caused by the disease. Indeed, migraine is currently estimated to cost employers $13 billion annually in lost productivity in the United States. Prevalence of migraine is estimated at 12% in the United States, where about 30 million people suffer from migraine.

Three times as many women as men suffer from migraine and a significant proportion of female patients have a strong link between their menstrual cycle and the occurrence of their migraine attacks.

The total worldwide market for prescription migraine drugs was estimated at $2.4 billion in 2005 with the United States being the major market with sales of approximately $1.5 billion. The migraine market is projected to increase to $2.7 billion in 2008. This market is currently dominated by acute treatments such as the triptans, of which there are seven on the market. The major unmet need is for migraine preventive agents. There are very few licensed products for migraine prevention and there is room for improvement for both efficacy and side effects.

The migraine circuit

Although the triggering events leading to migraine are poorly understood, migraine attacks are believed to be propagated by a positive feedback loop in the brain called the "migraine circuit." In short, the migraine circuit includes stimulation of the brain cortex, dilation of meningeal blood vessels, inflammation and pain (see Fig. 3). The migraine circuit is known to involve several brain regions, including the cortex, the trigeminal nucleus caudalis, the trigeminal ganglion, the thalamus and the brain's superficial blood vessels.

A chemical messenger, a "neurotransmitter", known as serotonin has been shown to be important in accounting for some of the phenomena which occur during migraine. Triptans, the gold standard of migraine therapy, act on serotonin receptors in the brain to reverse dilation of brain blood vessels, thereby providing symptomatic relief. However, they do not appear to interrupt the migraine circuit or intervene in the underlying mechanism of migraine, hence they have not been developed as migraine preventative agents.

Recent research has shown that glutamate is the major neurotransmitter involved in the propagation of the migraine circuit. The metabotropic glutamate receptor 5 (mGluR5) is known to be expressed in key brain regions involved in the circuit. Thus, Addex postulated that ADX10059 could interrupt the migraine circuit to abort an active attack and potentially prevent an attack from being triggered.

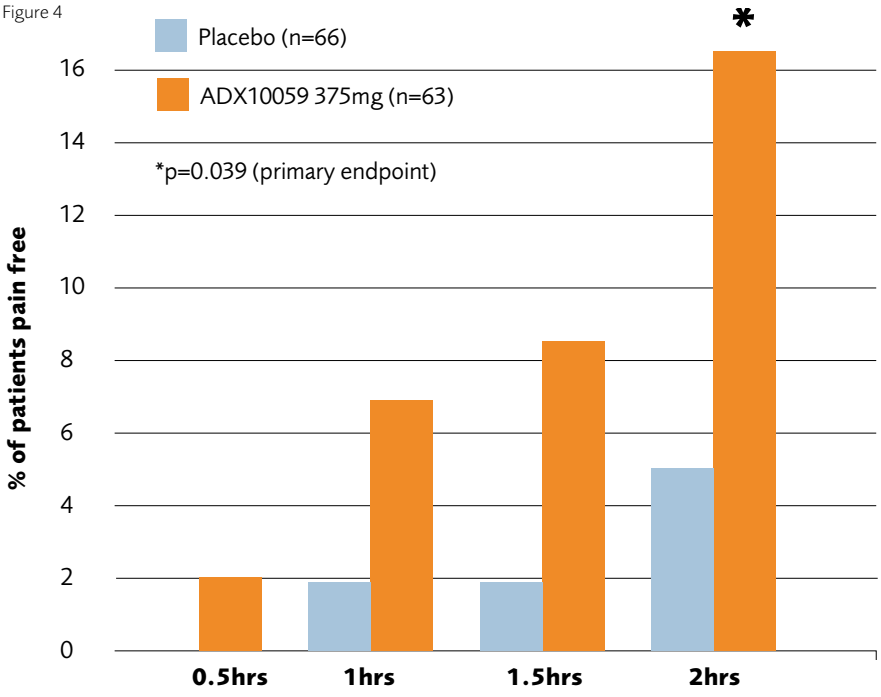
ADX10059 for migraine prevention

In our Phase IIa clinical trial in 129 migraine patients, significantly more of the patients who received ADX10059 than those who received placebo were pain-free two hours after dosing (see Fig. 4). ADX10059 had better pain improvement than placebo at all time points up to two hours.

The results of the study suggest that mGluR5 inhibition might play a role in migraine therapy. As a result Addex intends to conduct further studies in migraine prevention to establish whether the compound has a role in this indication.

Study 204: % pain free from 0.5 to 2 hours

Figure 4



SCHIZOPHRENIA

Schizophrenia is a chronic progressive highly disabling and distressing disease.

Patients suffer from a serious disorder affecting the ways they perceive the world around them that profoundly decreases their ability to function normally. Specifically, schizophrenia patients have difficulty separating real from imaginary experiences, suffer from inappropriate emotions and behaviors and have cognitive impairment. As a result, schizophrenia patients often withdraw from society and are unable to support themselves.

The prevalence of schizophrenia is estimated at about 1% of the population worldwide. Estimates of the costs to society from schizophrenia run at approximately $65 billion per year in the United States. Worldwide sales of leading schizophrenia medications Risperdal, from Johnson & Johnson, and Zyprexa, from Eli Lilly, each generated about $4.7 billion in 2007.

The high costs to society, despite the success of marketed products, indicates that some of the most important symptoms of schizophrenia, such as cognitive impairment, are badly addressed by marketed drugs. Indeed, cognitive impairment in schizophrenia patients is a key unmet medical need, which has been recognized by the FDA and multiple other authorities.

Despite the fact that drugs with novel mechanisms have not been launched for many years, the mechanisms that cause schizophrenia have become better understood and there is a more clearly defined opportunity to develop more efficacious drugs. The pathophysiology of the disease is believed to involve excessive dopamine transmission, especially at dopamine D^2 receptors, and glutamate NMDA receptor hypofunction. All marketed antipsychotics block dopamine receptors, and their antipsychotic effects are strongly associated with their antagonism of dopamine D^2 receptors. However, these drugs do not treat the cognitive deficits associated with schizophrenia and are generally associated with side effects including sedation, extrapyramidal symptoms (impairment of control of movements), and hormonal side effects such as hyperprolactinemia, and weight gain.

Glutamate in schizophrenia

The involvement of metabotropic glutamate receptor 5 (mGluR5) and mGluR2 in schizophrenia is expected given the glutamate hypothesis of schizophrenia, which is supported by data from multiple sources (see footnotes for a small selection). Importantly, the effects of positive allosteric modulators of mGluR2 and mGluR5 are independent of dopamine receptors, indicating the potential for mGluR modulators to offer efficacy while avoiding the side effects associated with dopaminergic therapeutics.

mGluR5

The glutamate hypothesis of schizophrenia posits that the function of the N-methyl-D-aspartate (NMDA) receptor is compromised in this disease. NMDA receptors are a major subtype of glutamate receptors, whose function is considered critical for the proper expression of complex behaviors, such as associative learning, working memory, behavioral flexibility, and attention, many of which are impaired in schizophrenia. NMDA receptors also play an essential role in the development of neural pathways, including during adolescence, making them a critical component of developmental processes whose malfunction may lead to schizophrenia.

Furthermore, there is evidence showing that mGluR5 can change the way NMDA receptors respond to glutamate. Researchers have published data showing that mGluR5 positive allosteric modulation reversed schizophrenia-like brain activity induced in animals by NMDA receptor antagonists. In humans NMDA receptor antagonists are known to impair brain activity associated with cognitive functions including learning, attention and memory, plus other symptoms seen in schizophrenia.

Additionally, Merck & Co., Inc. (Merck) researchers published that in an animal model of psychosis and cognitive dysfunction in schizophrenia, treatment with an mGluR5 positive allosteric modulator (PAM) reversed signs of both psychosis and cognitive dysfunction. It is therefore possible that an mGluR5 PAM could reverse both the effects of excess dopamine and NMDA receptor hypofunction. In other words, in humans, an mGluR5 PAM might reverse cognitive deficits and prevent psychosis.

ADX63365 is an mGluR5 PAM in late preclinical development, which is licensed to Merck. Addex and Merck believe this mGluR5 PAM could have potential for the treatment of schizophrenia as well as other undisclosed indications involving cognitive impairment.

mGluR2

There is clinical proof of concept, showing that mGluR2 activation has efficacy in schizophrenia and anxiety. A Phase II clinical study published in *Nature Medicine*[4] showed that activation of mGluR2 improved symptoms of schizophrenia with efficacy similar to that of Zyprexa. Importantly, in the Phase II study an mGluR2 / mGluR3 agonist prodrug did not cause weight gain or extrapyramidal symptoms, which are side effects with Zyprexa.

Addex is developing mGluR2 PAM under a 2004 collaboration agreement with Johnson & Johnson. Several series of mGluR2 PAMs were discovered and some are in late lead optimization. In 2007 Addex completed its responsibilities in the discovery phase of the agreement. Preclinical and clinical development are Johnson & Johnson's responsibility, although Addex will participate via a joint steering committee. Addex is eligible for undisclosed milestone and royalty payments. Other indications for mGluR2 PAM include anxiety.

1 *Biological Psychiatry* (2007) Vol. 62(7);739-746
2 *Neuroscience (2006)* Vol.142:691-702
3 *J. Pharmaco. Exp. Ther.* (2005) Vol. 313:199-206
4 *Nature Medicine* (2007) Vol 13(9):1102-1107

PARKINSON'S DISEASE

Parkinson's disease is a degenerative brain condition characterized by movement disorders and other symptoms.

It occurs when certain cells (neurons) in a part of the brain called the substantia nigra die or become impaired. Normally, these cells produce a vital chemical known as dopamine. Dopamine allows smooth, coordinated function of the body's muscles and movement. When approximately 80% of the dopamine-producing cells are damaged, the symptoms of Parkinson's disease appear.

In the United States, it is estimated that 60,000 new cases are diagnosed each year, joining the 1.5 million Americans who currently have Parkinson's disease. While the condition usually develops after the age of 65, 15% of those diagnosed are under 50. Parkinson's disease affects both men and women in almost equal numbers.

There are a number of effective medicines that help to ease the symptoms of Parkinson's disease. As most symptoms are caused by lack of dopamine, the medicines most commonly used attempt to either replace or mimic dopamine. They can improve the tremor, rigidity and slowness associated with Parkinson's disease. Currently, no marketed products slow the disease progression.

Parkinson's disease had worldwide sales of around $2.5 billion in 2005, which analysts forecast could grow to $3.8 billion by 2010. Parkinson's represents one of the fastest growing diseases, due to the ageing population.

mGluR5

Early pre-clinical research shows that mGluR5 inhibition may alleviate L-DOPA-induced dyskinesia in Parkinson's disease[1]. Addex may pursue clinical testing of ADX48621 in this indication.

mGluR4

Published research shows that mGluR4 activators, like those in development at Addex, could work via two distinct mechanisms to alleviate symptoms of Parkinson's disease and, potentially, even slow the progression of the disease: 1) mGluR4 activation triggers a compensatory mechanism, mediated by glutamate, that may spare and/or potentiate the use of dopamine receptor activators; 2) mGluR4 activation may have neuroprotective effects that help preserve the brain's dopaminergic neurons, thus delaying progression of the disease.

Our partner, Merck & Co., Inc., has been a pioneer in research on mGluR receptors and the metabatropic glutamatergic system for multiple indications. For example, research by Merck scientists provided the first evidence that mGluR4 activation has potential for treatment of Parkinson's disease[2]. However, a remaining challenge was to make drug-like molecules that activated mGluR4 in a specific fashion. Addex is the leader in developing truly selective small molecule drug candidates targeting glutamate receptors and has discovered exquisitely selective mGluR4 positive allosteric modulators (PAMs).

Dopamine functions in the brain at the top of the basal ganglia motor circuit, which is composed of two pathways — the "direct" pathway and the "indirect" pathway — that regulate signaling to the thalamus via two brain regions in the basal ganglia system: the substantia nigra pars reticulate (SNr), and the internal globus pallidus (GPi). Both direct and indirect pathways target the thalamus via a non-dopaminergic mechanism (GABA signaling).

The direct and indirect pathways balance each other. The direct pathway exerts an inhibitory effect on SNr/GPi signaling, while the indirect pathway exerts an excitatory effect; both must operate in balance for the thalamus to allow normal motor function.

In Parkinson's disease, dopaminergic neurons begin to die off for reasons unknown, causing a depletion of dopamine in the basal ganglia. This dopamine deficiency leads to an imbalance between the direct and indirect pathways. In the direct pathway, decreased dopamine leads to decreased inhibition of SNr/GPi signaling. In the indirect pathway, it causes an excess release of glutamate, resulting in increased excitation of the SNr/GPi. The results of this imbalance is the improper motor function seen in Parkinson's disease.

While most therapeutics attempt to restore balance to the system by increasing the amount of dopamine at the top of the circuit, Addex' mGluR4 PAMs decrease glutamate release in the indirect pathway to reduce excitatory signals, effectively harmonizing the indirect pathway with the reduced inhibition of SNr/GPi signaling in the direct pathway.

The belief is that this rebalanced signaling will restore proper motor circuit function. Since mGluR4 modulators do not result in dopaminergic stimulation, patients could be spared the neurological side effects associated with dopamine-related therapies, such as the dyskinesia (involuntary movements) caused by levodopa. Avoiding dopaminergic stimulation also should sidestep problems with tolerance to long-term dopamine-related treatment.

1 *Neurobiol. Dis.* (2008) Vol. 29(1):161-168
2 *Nature Reviews Neuroscience* (2005) Vol. 6:787-798

ANXIETY

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

Anxiety in all its various forms is a very common disorder. The prevalence is currently estimated as approximately 20% worldwide. Anxiety is an important co-morbid condition of other psychiatric disorders and, in the case of depression, anxiety may form an integral part of the condition. The estimated market size for treating anxiety alone was approximately $4.5 billion in 2006. The size of the antidepressant market in 2006 was estimated to be $15 billion, of which about 20% of patients require concomitant anxiolytic therapy.

Marketed treatments have important limitations; benzodiazepines, like Valium, are associated with drowsiness, tolerance and dependence, among other side effects. SSRIs, like Prozac, take weeks to start working and can be associated with sexual dysfunction and cardiovascular side effects. There remains a substantial unmet need for anti-anxiety drugs with a rapid onset of action and which do not have the side effects of currently available treatments.

mGluR2 PAM for anxiety

Activation of mGluR2 is a clinically validated strategy for anxiety. An mGluR2/3 agonist has been shown to have efficacy in a Phase II trial for anxiety[1]. The product was later discontinued because of issues believed to be unrelated to the product's intended mechanism. Activation of mGluR2 has been shown to be efficacious in multiple preclinical models of anxiety.

Addex is developing an mGluR2 PAM for anxiety and schizophrenia under a 2004 collaboration agreement with Johnson & Johnson (see p.14).

ADX10059 and ADX48621 for anxiety

Addex tested ADX10059 in anxiety because clinical and preclinical research has shown that mGluR5 blockers are effective anxiolytic (anti-anxiety) agents. Specifically fenobam, an mGluR5 antagonist, has shown efficacy in Phase II testing of human generalized anxiety disorder, but was discontinued for reasons unrelated to its intended mechanism[2]. A large number of preclinical models of anxiety have shown involvement of mGluR5 and efficacy has repeatedly been observed with various mGluR5 inhibitors. But, Addex reported that in a small Phase IIa proof of concept trial in patients with acute anticipatory dental anxiety, ADX10059 did not demonstrate a statistically significant effect.

Because of the wealth of clinical and preclinical data supporting mGluR5 inhibition as an effective anxiolytic strategy in other types of anxiety, Addex believes that ADX10059 and ADX48621 still have potential in this indication, especially for chronic forms of anxiety. However, because of the necessary size, cost and complexity of the chronic anxiety trials, Addex has decided it will not pursue further clinical development in anxiety. Potential partners interested in licensing ADX10059 and/or ADX48621 may negotiate rights to study it in anxiety, in addition to GERD and migraine.

[1] Unpublished data were publicly presented at conferences by Eli Lilly & Co. and described in the media
[2] J. Pharmacol. Exp. Ther. (2005) Vol.315(2):711-21

2007 FINANCIAL REVIEW

Tim Dyer
Chief Financial Officer

Overview

The following review and discussion of our financial results for 2007 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 business development activities related to partnering of selected discovery and development stage programs.

In 2007, we completed an initial public offering (IPO) on the SWX Swiss Exchange raising gross proceeds of CHF136.9 million at a cost of CHF10.2 million, of which CHF4.5 million was charged directly to equity. We spent CHF27.5 million on research and development and incurred CHF10.8 million of general and administrative expenses, of which CHF5.7 million were related to the IPO. We invested CHF3.0 million in property, plant and equipment and recognized CHF0.6 million in revenues mainly from research collaborations with Johnson & Johnson and Merck & Co., Inc. (Merck). We ended 2007 with a strong cash position of CHF140.0 million and a disappointing share price of CHF39.45.

We completed four phase IIa clinical trials in 2007 compared to one phase I clinical program in 2006, and added 5 discovery programs bringing our pipeline of programs to 15 in total compared to 2 new programs and a total pipeline of 11 programs in 2006. We also grew our head count by 16.4% to an average of 71 full time equivalent employees in 2007, compared to 61 full time equivalent employees in 2006.

On December 31, 2007, our head count had reached 79.2 full time equivalent employees.

Results of operations

The following table presents our consolidated results of operations for the fiscal years 2007 and 2006:

Amounts in millions of Swiss francs	2007	2006
Revenue	**0.6**	**4.8**
Research and development expenses	(27.5)	(22.6)
General and administrative expenses	(10.8)	(3.1)
Total operating expenses	**(38.3)**	**(25.7)**
Operating loss	**(37.6)**	**(20.9)**
Net financial income	2.5	0.4
Net loss for the year	**(35.1)**	**(20.5)**

Revenues

Our 2007 revenues amounted to CHF0.6 million compared to CHF4.8 million in 2006. The decrease of CHF4.2 million is primarily due to a reduction in revenue under our mGluR2 PAM collaboration with Johnson & Johnson. We entered into this collaboration agreement at the end of 2004 for an initial research phase of two years during which CHF10.6 million, including a CHF4.6 million upfront fee and CHF6.0 million in research funding were recognized during 2005 and 2006. At the end of 2006, we mutually agreed with our partner to extend the research phase for an additional year with a significantly reduced research effort at Addex. The research phase of this collaboration was concluded during 2007 and CHF0.3 million of additional research funding was received and recognized. Going forward, our continuing involvement in this collaboration is limited to participation in the joint development committee. We are also eligible for milestones and royalties as products successfully advance in development.

Additionally in 2007, we recognized CHF157 thousand of the $3.0 million upfront fee received in December 2007 from Merck under the mGluR4 PAM agreement. This agreement was entered into on November 30, 2007 and the upfront fee is being recognized over 24 months.

Research and development expenses

In line with the expansion of our R&D operations and the maturation of our product portfolio, R&D expenses increased by 22% to CHF27.5 million in 2007 compared to CHF22.6 million in 2006. Approximately 50% of 2007 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 and ADX48621, and to a lesser extent preclinical testing and drug substance manufacture of ADX63365 and the clinical trial of ADX10061. The remaining 50% of 2007 R&D expenses relate to investing in new and existing discovery programs including our $GABA_B$ PAM, mGluR4 PAM, GLP-1R PAM, FSH NAM, mGluR7 NAM and other allosteric modulator discovery programs on undisclosed targets.

R&D expenses consist primarily 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

In 2007, G&A expenses were dominated by IPO related costs amounting to CHF5.7 million. G&A expenses excluding IPO related costs increased by 64.5% to CHF5.1

million for 2007 compared to CHF3.1 million for 2006. This increase of CHF2.0 million is primarily due to additional facilities costs associated with expansion of our Plan-les-Ouates site, external business development related services and staff costs associated with new hires and internal promotions. 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 and communication functions.

Net finance income

Net finance income increased to CHF2.5 million for 2007 compared to CHF0.4 million for 2006, an increase of CHF2.1 million primarily due to a significant increase in the 2007 average cash balance resulting from the net proceeds of the IPO. In addition, interest rates on Swiss franc denominated balances increased in 2007 compared to 2006.

Net loss for the year

The net loss for the year increased by 71% to CHF35.1 million for 2007 compared to CHF20.5 million for 2006 primarily due to increased investment in our maturing R&D pipeline and IPO related costs combined with a reduction in revenue recognized under ongoing collaborations.

Basic and diluted loss per share reduced to CHF6.99 in 2007 from CHF7.19 in 2006 primarily due to the IPO related capital increase, which significantly increased the number of shares used in the calculation.

Balance sheet & cash flows

We closed 2007 with cash and cash equivalents of CHF140.0 million compared to CHF40.9 million at the end of 2006. This increase of CHF99.1 million is primarily due to net proceeds of CHF126.7 million from the IPO and CHF3.7 million from collaboration partners, reduced by net cash used in operations. For the year 2007, cash burn, excluding net proceeds from capital raising/IPO activities and associated cash flows amounted to CHF27.7 million compared to CHF20.1 million for 2006.

In line with our expansion strategy and our continued investment in our allosteric modulator discovery platform we invested CHF3.0 million in property, plant and equipment, primarily related to refurbishment of additional laboratory facilities and equipment. The net book value of property, plant and equipment increased by CHF1.3 million to CHF5.0 million at December 31, 2007 compared to CHF3.7 million at December 31, 2006.

At December 31, 2007, CHF3.3 million of upfront fees received from Merck under our mGluR4 PAM collaboration, entered into on November 30, 2007, have been recorded as deferred income for recognition in 2008 and 2009.

Total shareholders funds have increased significantly to CHF140.1 million at the end of 2007 compared to CHF42.3 million at the end of 2006 primarily due to the net proceeds from the IPO.

Recent developments

On January 2, 2008, we entered into a second agreement with Merck under which we out-licensed worldwide rights to our mGluR5 PAM product, ADX63365 and related back up compounds. Under this agreement we received an upfront fee of $22 million in January 2008 and are eligible for future milestones of $680 million and royalties on net sales. Our continuing involvement in this collaboration is limited to participation in the joint development committee, and therefore the upfront fee of CHF24.8 million was recognized in January 2008.

Shareholder information

We completed our IPO on May 21, 2007, raising gross proceeds of CHF136.9 million through the issue of 1,875,000 new shares at CHF73 each. At December 31, 2007 the Company has 5,862,492 outstanding shares of which 124,581 are owned by the Group and recorded as treasury shares; the free float was 34%. Since our first trading day of May 22, 2007, when the SXI Bio+Medtech index reached its all time high, our shares have traded from their peak of CHF75.00 to their low for 2007 of CHF30.65, generally reflecting the volatility of the biotech sector and declining stock market conditions. Our 2007 closing share price and market capitalization were CHF39.45 and CHF231.3 million, respectively.

Tim Dyer
Chief Financial Officer

CORPORATE GOVERNANCE

General information

Addex' Articles of Association ("Articles"), Organizational Rules and Policies provide the basis for our 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, a 100% subsidiary of Addex Pharmaceuticals Ltd, is in charge of research, development, registration, commercialization and holds the Group's intellectual property. Addex Pharmaceuticals France SAS, based in Archamps, France, a 100% subsidiary of Addex Pharmaceuticals Ltd performs research and development services for the Group.

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 are listed on the SWX 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, 2007, the market capitalisation of Addex was CHF231,275,309.

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:

Shareholder	Number of shares	% of capital
Sofinnova Capital IV FCPR[1]	792,648	13.52%
Index Ventures II[2]	765,788	13.06%
TVM V Life Science Ventures[3]	705,726	12.04%
Polytechnos Venture Fund[4]	242,474	4.14%
Vincent Mutel, Coppet, Switzerland	205,150	3.50%

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

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

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

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

Addex and each shareholder immediately prior to the IPO of May 21, 2007 entered into an individual lock-up agreement with the Global Co-ordinator, Lehman Brothers International (Europe), for a term of 360 and 180 days, respectively, from the first day of trading of the shares on the SWX Swiss Exchange. As described in the offering circular of May 21, 2007, all shareholders prior to the offering (except for Addex and the members of its current and former staff, but including the members of its executive management) have entered into a second lock-up agreement for another period of 180 days from the expiration of the first lock-up.

By virtue of the relevant agreements entered into, the aforementioned shareholders constitute an organized group within the meaning of article 15 of the Ordinance of the Federal Banking Commission on the Stock Exchange of June 25, 1997. The contact for this group of shareholders is the Company. Immediately after the IPO, the group under the first lock-up held 3,987,492 registered shares representing 68% of the total shares and voting rights in Addex and comprises in aggregate 100 persons. As of November 22, 2007, this group of shareholders was reduced to 3,764,157 registered shares representing 64% of the total shares and voting rights in Addex and comprises in aggregate 33 persons.

Cross-shareholdings

There are no cross-shareholdings.

Shareholder structure

There were 1,007 shareholders registered in the share register on December 31, 2007.

The distribution of shareholdings is divided as follows:

Number of shares	Number of registered shareholders on December 31, 2007
1 to 100	340
101 to 1,000	549
1,001 to 10,000	79
10,001 to 100,000	29
100,001 to 1,000,000	10

The shareholder base on December 31, 2007 was constituted as follows:

Shareholder structure according to category of investors (weighted by number of shares)	
Private persons	17.3%
Institutional shareholders	61.1%
Not registered	21.6%

Shareholder structure by country (weighted by number of shares)	
Switzerland	25.2%
Germany	17.6%
France	16.2%
United Kingdom	5.9%
Other	13.5%
Not registered	21.6%

Capital structure

As of December 31, 2007, share capital amounted to CHF5,862,492 consisting of 5,862,492 registered shares with a nominal value of CHF1 per share. The share capital is fully paid up. As of December 31, 2007, Addex, directly or indirectly, held 124,581 shares in Addex.

Authorized share capital

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

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

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

Conditional share capital

According to the Articles, the share capital of the Company may be increased by a maximum aggregate amount of CHF 300,000 through the issuance of a maximum of 300,000 registered shares, which shall be fully paid-in, with a nominal value of CHF 1 per share by the exercise of option rights which the employees or directors of the Company or a group company are granted according to respective regulations of the Board. 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 CHF 1,693,746 through the issuance of a maximum 1,693,746 registered shares, which shall be fully paid-in, with a nominal value of CHF 1 per share by the exercise of option and/or conversion rights which are granted in connection with the issue of bonds, similar obligations or other financial instruments by the Company or another group company.
In the case of the issue of bonds, similar obligations or other financial instruments

CORPORATE GOVERNANCE

linked with option and/or conversion rights, the pre-emptive right of shareholders is excluded. The holders of options and/or conversion rights are entitled to receive the new shares. The Board shall determine the terms of the options and/or conversion rights. The acquisition of registered shares through the exercise of options or conversion rights and the subsequent transfer of the registered shares shall be subject to the transfer restrictions provided in Article 5 of the Articles.

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

Changes in capital

In 2007 and in view of the initial public offering (IPO) on the SWX Swiss Exchange, the Addex Group was reorganised. As part of the reorganization, Addex was founded on February 19, 2007 and registered in the commercial register of the canton of Geneva on March 19, 2007 as a holding company for the Addex Group with an original share capital of CHF3,987,492 divided into 212,000 common shares, 620,000 series A preferred shares, 1,472,838 series B preferred shares, 1,012,654 series C preferred shares and 670,000 non-voting shares. All shares and non-voting shares had a nominal value of CHF1 and were fully paid in. Addex Pharma SA's shareholders contributed their shares in Addex Pharma SA as consideration in kind for the subscription of Addex Pharmaceuticals Ltd's shares.

On May 3, 2007, an extraordinary shareholders' meeting passed resolutions to convert all preferred shares and all non-voting shares into common shares, resulting in a share capital of CHF3,987,492 divided in 3,987,492 fully paid-in registered shares, each with a nominal value of CHF1. These resolutions were conditional upon the registration of the share capital increase referred below with the commercial register of the canton of Geneva. On May 3, 2007, a shareholders' meeting passed a resolution approving a share capital increase of up to CHF2,900,000 by issuance of up to 2,900,000 shares, excluding, to the extent not waived, the pre-emptive rights of the existing shareholders. On May 21, 2007, the Board of certified a capital increase of CHF1,875,000 through the issuance of 1,875,000 new registered shares.

For further information on changes in capital in 2007 and 2006, including changes in reserves, refer to the consolidated statements of changes in equity as well as note 15 (Share capital and share premium) and note 7 of the financial statements.

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 since its IPO. 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 file 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, 2007, 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 16 and note 28 of the consolidated financial statements included in this annual report.

Board of Directors

The following table sets forth the name, year of birth, 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
André J. Mueller	2007 (2002)[1]	2009	⊗	∅	
Vincent Mutel	2007 (2003)[1]	2010	⊕		
Werner Henrich	2007 (2002)[1]	2009	∅		
Andrew Galazka	2007 (2004)[1]	2010	∅	∅	
Antoine Papiernik	2007 (2002)[1]	2008	∅	∅	
Francesco De Rubertis	2007 (2006)[1]	2008	∅		∅
Alexandra Goll	2007 (2004)[1]	2008	∅		∅
Deborah Harland	2007 (2006)[1]	2008	∅		
Jacques Theurillat	2007	2010	∅		⊗
Beat E. Lüthi	2007	2010	∅	⊗	

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

⊗ Chairman
⊕ Vice Chairman
∅ member

CC: Compensation Committee
AC: Audit Committee

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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 vice chairman of Actelion (SWX:ATLN) and a board member of Synthes (SWX:SYST). He also is chairman of French cardiovascular disease startup company Cerenis Therapeutics. Mr. Mueller was closely involved in starting up Actelion, where he was CFO for 5 years. 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. André Mueller started his career with CIBA Ltd and Sandoz (now Novartis) where he held a number of managerial positions in the Pharma, Plant Protection and Finance divisions both at headquarters in Basel and in the U.S. Mr. Mueller 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. He has broad experience in drug development, from discovery screening through to the start of human clinical development. Before co-founding Addex Pharma SA in 2002, he was Head of the Pharmacology Group in the Central Nervous System diseases department at Roche. At Roche, where he worked for 15 years, he coordinated the research activities of several laboratories involved in drug discovery and development. He also was a member of Roche's Board of Research Area Heads, which contributed to Roche's research strategy. Dr. Mutel is a non-executive member of the Board of Directors of Lectus Therapeutics Ltd, a drug discovery company focused on ion channels. He is a coauthor of over 60 research publications and co-inventor on 20 patents.

Andrew Galazka

Dr. Galazka was born in 1955 and is a Swiss citizen. He joined the biotech industry over 23 years ago and has held a variety of senior management positions. He was appointed Senior Vice President of Scientific Affairs and Head of Autoimmune and Emerging Therapies at the newly formed Merck Serono, in January 2007. Prior to the acquisition of Serono by Merck, he was Head of New Therapies at Serono and directed business strategy in new areas, like oncology. He played a key role in listing Serono's shares on the New York Stock Exchange (NYSE) in 2000. Dr. Galazka joined Serono in 1990 and directed the worldwide pre-clinical and clinical development of the company's leading biotechnology drugs including: Gonal-F, Rebif 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. He has been a lecturer since 2002 in the Executive MBA course of the EPFL (Swiss Federal Institute of Technology in Lausanne).

Alexandra Goll

Dr. Goll was born in 1956 and is a German citizen. She is a general partner at TVM Capital. She has been responsible for several investments including Actelion and Idenix. She served on the board of directors of Arrow up to the time it was acquired in 2007 and is a board member of Cerenis, Biovertis, Pharmasset and publicly listed companies Newron and Wilex. Prior to joining TVM, Dr. Goll was Global Business Leader for HIV and CMV (cytomegalovirus) at Roche, holding responsibility for strategic marketing and business development in virology. She has been involved in clinical development and managing commercialization strategies of several drugs. Dr. Goll holds a degree in pharmacy from the Free University of Berlin, and wrote her doctoral dissertation in natural sciences at Philipps University of Marburg.

Werner Henrich

Mr. Henrich was born in 1943 and is a French citizen. He is a veteran in the pharmaceutical industry with substantial experience in startup companies and big pharma. He was involved in the creation of Basilea (SWX:BSLN), where he is Chairman. He worked for Roche for more than 30 years, holding a variety of positions, including Head of Global Intellectual Property and Pharmaceutical Licensing for more than 12 years. Mr. Henrich was responsible for the intellectual property activities of all Roche divisions and for major pharmaceutical transactions including research collaborations, patent settlements, in- and out-licensing as well as drug acquisitions. He was a member of the Roche Pharmaceutical Division Executive Board. He retired from Roche in November 2003. Mr. Henrich was educated as a chemist and as a European patent attorney.

Antoine Papiernik

Mr. Papiernik was born in 1966 and is a French citizen. He is managing partner at Sofinnova Partners, which he joined in 1997. Mr. Papiernik has an MBA from the Wharton School of the University of Pennsylvania. He started his career in Private Equity in the Caisse des Dépôts group, first with CDCParticipations, then in its newly formed venture capital arm CDC-Innovation where he invested exclusively in life sciences. Since joining Sofinnova Partners, Mr. Papiernik has been an initial investor and board member of companies like Actelion (SWX:ATLN) and NovusPharma (which listed on the Milan stock exchange before merging with Cell Therapeutics, NASDAQ:CTIC). He also is an investor and board member of Orexo, Diatos, Fovea, Lectus and Movetis.

Francesco De Rubertis

Dr. De Rubertis was born in 1970 and is an Italian citizen. He is a general partner at Index Ventures and is responsible for the firm's life sciences group. He joined Index Ventures in 1998 and has served on the board of numerous companies including Genmab, BioXell, Parallele Bioscience (sold to Affymetrix), 7TM Pharma, Egalet, CellZome, Glycovaxyn and Pangenetics. Prior to joining Index, Dr. De Rubertis performed postdoctoral research in genetics at the Whitehead Institute, Massachusetts Institute of Technology (MIT). He has a BA in Genetics and Microbiology from the University of Pavia and a PhD in Molecular Biology from the University of Geneva. He is the author of several scientific publications. He also is a Chartered Financial Analyst.

Deborah Harland

Dr. Harland was born in 1960 and is a UK citizen. She joined SR One in September 2005 and heads up the firm's activities in Europe. Dr. Harland also has a board seat at Ablynx and is an observer on the Board of Resistentia. Dr. Harland joined SR One, from GlaxoSmithKline's Worldwide Business Development team where she was responsible for sourcing and evaluating in-licensing opportunities in the Psychiatry, Neurology and Gastrointestinal therapeutic areas. At GSK, Dr. Harland led due diligence teams that ultimately in-licensed pre-clinical and marketed products as well as managing an R&D collaboration that covered multiple assets. Prior to that Dr. Harland held positions within SmithKline Beecham with responsibilities that included clinical development, medical affairs, medical communications, medical marketing and business development support. She holds a B.Sc. (Hons.) in Pharmacology from the University of Bath, a Ph.D. in Pharmacology from the University of London, and an MBA from Henley Management College.

Jacques Theurillat

Mr. Theurillat was born in 1959 and is a Swiss citizen. He is the former deputy CEO and SVP Corporate Strategic Development at Serono. From 2002 to 2006 he also held the title President of Marketing & Sales Europe and International. He was a member of the Board of Directors of Serono from 2000 to 2006 and served as Serono's CFO from 1996 to 2002. He began his career with Serono in 1987 and was a managing director of Serono operations in Italy. Mr. Theurillat has law degrees from Madrid University, holds a Swiss Federal Diploma (Tax Expert) and an MBA from Madrid School of Finance.

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 directors of Bossard holding, Stadler Rail and Uster Technologies.

Except for Vincent Mutel, Chief Executive Officer (CEO), none of the members of the Board have served in the management of our Company or any of its subsidiaries since the Group's inception in 2002. There are no significant business connections between members of the Board and the Company or any of our subsidiaries.

Elections and terms of office

Addex' Articles provide for a board of directors consisting of between five and eleven members. We currently have ten 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

Jacques Theurillat and Beat E. Lüthi were elected as new members of the Board, each for a term of three years, at the shareholders' meeting on March 16, 2007.

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 corporation and issuing the necessary directives, determining the organization, organizing the accounting system, the financial controls as well as the financial planning and appointing, recalling and ultimately supervising the persons entrusted with the management and representation of the Company. Furthermore, these duties include the responsibility for the preparation of the annual report and the shareholders' meeting, the carrying out of shareholders' resolutions and the notification of the judge in case of over indebtedness

CORPORATE GOVERNANCE

of the Company. According to our 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 2 standing committees, the Audit Committee and the Compensation Committee that were operational during the year 2007. As of February 21, 2008, the Board passed a resolution to establish a Nomination Committee. 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 Board. During 2007, the Board retained nomination responsibilities for the full Board.

Audit committee

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

The Audit Committee held two meetings during the year to review the half year 2007 and full year financial statements 2006 and to generally review legal and regulatory compliance matters.

Compensation committee

The Compensation Committee currently consists of the following members: Beat E. Lüthi (chairman), André Mueller, Antoine Papiernik and Andrew Galazka. Dr. Lüthi was appointed chairman in December 2007, replacing Antoine Papiernik who remains member of the Compensation Committee. 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 (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 held two meetings in 2007 to review the 2006 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 assists the Board in reviewing board composition and nomination related matters, including identification, review and evaluation of candidates. It recommends to the Board qualified candidates to serve as board members and reviews candidates for executive management positions. Prior to the formation of the Nomination Committee on February 21, 2008, its duties and responsibilities were carried out by the Compensation Committee in accordance with the Company's Organizational Rules.

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

Working methods of the Board of Directors

In 2007, the Board held 5 meetings with average duration of one half to two thirds of a day. The majority of meetings were held at the Company's offices with virtually full attendance at all meetings. Due to the preparation of the IPO which took place in May 2007, the Board or the IPO Committee of the Board held telephone calls on a weekly/bi-weekly basis during the three preceeding months. 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.

The Board is provided with a status report prior to each meeting and a monthly finance report. The CEO and selected members of the Executive Management report to the Board at each Board meeting on the status of operations and financial matters including shareholder related matters.

The Board Committee chairpersons report 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.

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.

Information and control instruments of the Board of Directors

At each board meeting the Board receive 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, management provides the Board with a status report prior to each board meeting, a monthly finance report and other ad hoc reports on significant matters related to Groups 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 controls risks arising as a result of their audit procedures. Addex does not have an 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 our organizational rules and reports to the Board of Directors on a regular basis.

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

Name	Year of birth	Position	Nationality
Vincent Mutel	1958	Chief Executive Officer	French
Tim Dyer	1968	Chief Financial Officer	British
Mark Epping-Jordan	1964	Chief Scientific Officer	American
Charlotte Keywood	1962	Chief Medical Officer	British
Sonia Poli	1965	Head of Non-Clinical Development	Italian

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Vincent Mutel, Vice Chairman & Chief Executive Officer

Refer to page 24

Tim Dyer
Chief Financial Officer

Mr. Dyer is a UK Chartered Accountant and co-founder of Addex. He has more than 10 years of experience with PricewaterhouseCoopers (PwC) in the UK, Eastern Europe and Switzerland. His close relationships with multiple companies in his role as advisor afforded him broad and detailed experiences in finance, tax and corporate finance. He was a member of PwC's start-up/private equity business development group, where he contributed to PwC's service delivery to a number of start-up companies. Many of his clients were life science companies. He was a member of PwC's International Financial Reporting Standards (IFRS) technical group. Mr. Dyer also has a university degree in Biochemistry and Pharmacology.

Mark Epping-Jordan
Chief Scientific Officer

Before co-founding Addex, Dr. Epping-Jordan was a scientist in the GlaxoSmithKline Experimental Pathology Group in Lausanne, where he was Head of Behavioral Investigations. He worked in collaboration with the GSK Psychiatry Center for Excellence in Drug Discovery on novel targets for psychiatric diseases and nicotine addiction. He has extensive experience with various pre-clinical models of psychiatric diseases. Dr. Epping-Jordan completed a post doctoral fellowship in the Department of Neuropharmacology at The Scripps Research Institute in La Jolla, California, USA. He received his PhD in Experimental Psychology from the University of Vermont, USA. Dr. Epping-Jordan resigned from Addex and will leave the Company mid 2008

Charlotte Keywood
Chief Medical Officer

Dr. Keywood joined Addex in 2004 having worked as a consultant for Addex Pharma SA from inception. She has 15 years of experience in drug development and medical marketing across a broad range of therapeutic areas in the US and Europe. She 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 US 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 Pharma SA in 2004, has broad expertise in drug development from lead generation through to entry in man. 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. While at Roche, Dr. Poli provided critical contributions towards the selection of 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.

Management contracts

There are no management contracts between Addex and third parties.

Changes in Executive Management

The Executive Management was reduced from nine to five members in 2007. This change was made to strengthen the decision making process within the organisation. Jean-Philippe Rocher, Head of Chemistry, Emmanuel Le Poul, Head of Biochemistry, Robert Lutjens, Head of Molecular Biology and Olivier Loget, Head of Non-Clinical Safety will continue their operational responsibilities within the Company outside the framework of the Executive Management.

Compensation, shareholdings and loans

Content and method of determining compensation and the shareholding program
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. Non- Executive Directors are also eligible for participation in the Company's share option plan.

Members of the Executive Management receive a base salary, as well as a variable bonus and stock options. The bonus and the stock options are based on personal and Group performance. Bonus amounts on average range from 20% to 50% of the base salary.

For further information on compensation, shareholdings and loans, refer to note 28 and to 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 2007. 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 Registrations" on page 22 above and "Registration in the share Register" on page 30 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 our business purpose; (ii) the creation of shares with privileged voting rights; (iii) restrictions on the transferability of registered shares; (iv) an increase of the authorized or conditional share capital; (v) an increase in our share capital by way of capitalization of reserves 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.

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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 Gazette of Commerce (Feuille Officielle Suisse du Commerce/Schweizerisches Handelsamtsblatt) at least 20 days prior to such meeting. In addition, holders of Shares may be informed by a letter sent to the address indicated in the share register.

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 Gazette of Commerce 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 17, 2008 has been determined to be April 10, 2008.

Addex has not enacted any rules on the granting of exceptions in relation to these deadlines. No exceptions were granted in 2007, and the Board does not anticipate to grant any exceptions related to the shareholders' meeting on April 17, 2008.

For further information on the registration in the share register, please refer to the section "Limitations on Transferability of Shares and Nominee Registrations" on page 22.

Changes of control and defense measures

Duty to make an offer

Swiss law provides for the possibility to have the Articles 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 stock option plan contains 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 become exercisable with their remaining term being reduced proportionally.

Auditors

Duration of the mandate and term of office of the lead auditor. The statutory and group auditors of Addex are PricewaterhouseCoopers SA, Geneva, Switzerland. PricewaterhouseCooopers 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 inception is Mr. David Mason.

Audit fees

In 2007, PricewaterhouseCoopers SA and its affiliates charged the Group audit fees of CHF 92,000 and audit related fees of CHF236,000 in connection with the IPO.

Additional fees

In 2007, PricewaterhouseCoopers SA and its affiliates charged the Group additional fees of CHF7,000.

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.

In 2007, the Audit Committee met with the auditors twice to discuss the scope and the results of their year-end audit for 2006, the scope of the 2007 audit and the results of their review of the 2007 half-year condensed consolidated interim financial statements.

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 April of the following year, and the Interim Report, usually published no later than in August, 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 disclosing policy to ensure that the investors will be informed in compliance with the requirements of the SWX 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 Group's policy embodying the high 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.

ADDEX PHARMACEUTICALS GROUP CONSOLIDATED FINANCIAL STATEMENTS 2007

Consolidated Balance Sheets as at December 31, 2007 and December 31, 2006

	NOTES	2007	2006
		Amounts in Swiss francs	
ASSETS			
Current assets			
Cash and cash equivalents	7	140,044,686	40,946,682
Trade and other receivables	8	3,638,460	1,309,780
Total current assets		**143,683,146**	**42,256,462**
Non-current assets			
Intangible assets	9	184,741	81,419
Property, plant and equipment	10	4,949,795	3,653,376
Other non-current assets	11	556,869	360,344
Total non-current assets		**5,691,405**	**4,095,139**
Total assets		**149,374,551**	**46,351,601**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Finance leases	12	-	126,572
Payables and accruals	13	5,945,450	3,947,506
Deferred income	14	3,320,961	-
Total current liabilities		**9,266,411**	**4,074,078**
Shareholders' equity			
Share capital	15	5,737,911	3,867,623
Share premium	15	231,946,444	101,529,379
Other reserves		1,949,040	1,320,011
Accumulated deficit		(99,525,255)	(64,439,490)
Total shareholders' equity		**140,108,140**	**42,277,523**
Total liabilities and shareholders' equity		**149,374,551**	**46,351,601**

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

Consolidated Statements of Income for the years ended December 31, 2007 and 2006

	NOTES	2007	2006
		Amounts in Swiss francs	
Income			
Fees from collaborations	17	486,927	4,738,969
Other income	18	156,031	45,405
Total income		**642,958**	**4,784,374**
Operating expenses			
Research and development	19	27,496,537	22,558,348
General and administration	19	10,767,980	3,126,307
Total operating expenses		**38,264,517**	**25,684,655**
Operating loss		**37,621,559**	**20,900,281**
Finance income	23	(2,559,475)	(385,915)
Finance expense	23	23,681	30,445
Net finance income		**(2,535,794)**	**(355,470)**
Net loss before tax		**35,085,765**	**20,544,811**
Income tax expense		-	-
Net loss for the year		**35,085,765**	**20,544,811**
		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	24	**(6.99)**	**(7.19)**

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

Consolidated Statements of Cash Flows for the years ended December 31, 2007 and 2006

	NOTES	2007	2006
		Amounts in Swiss francs	
Cash flows from operating activities			
Net loss for the year		(35,085,765)	(20,544,811)
Adjustments for:			
Depreciation and amortization	9/10	1,802,088	2,522,151
Value of share-based services	16	599,668	526,778
Changes in prepaid pension costs	22	(32,547)	(6,483)
Net finance income	23	(2,535,794)	(355,470)
Changes in working capital:			
Trade and other receivables		(2,590,473)	255,907
Deferred income, payables and accruals		4,837,927	(1,957,582)
Net cash used in operating activities		**(33,004,896)**	**(19,559,510)**
Purchase of intangible assets	9	(166,855)	(52,906)
Purchase of property, plant and equipment	10	(2,562,664)	(304,502)
Loans granted to related parties	26	(38,886)	(148,000)
Loans granted to staff		(26,898)	(86,915)
Loan repayments received from related parties	26	71,000	-
Loan repayments received from staff		97,917	4,715
Repayment of finance leases	12	(126,572)	(576,560)
Finance income	23	2,559,475	263,724
Net cash used in investing activities		**(193,483)**	**(900,444)**
Proceeds from issue of shares	15	136,875,000	39,999,833
Costs paid on issue of shares	15	(4,492,424)	(581,307)
Proceeds from issue of non voting shares	15	-	232,900
Purchase of treasury shares		(63,074)	(7,222)
Finance costs	23	(8,542)	(30,445)
Net cash from financing activities		**132,310,960**	**39,613,759**
Increase in cash and cash equivalents		**99,112,581**	**19,153,805**
Cash and cash equivalents at beginning of the year	7	40,946,682	21,670,245
Exchange gain/(loss) on cash and cash equivalents		(14,577)	122,632
Cash and cash equivalents at end of the year	**7**	**140,044,686**	**40,946,682**

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

Consolidated Statements of Changes in Equity for the years ended December 31, 2007 and 2006

	Number of shares					In Swiss francs				
	Common shares	Preferred shares	Non voting shares	Treasury shares	Total	Share capital	Share premium	Other reserves	Accumulated deficit	Total
Balance at Jan 1, 2006	212,000	2,092,838	460,000	(135,547)	2,629,291	2,629,291	63,123,507	921,003	(43,894,679)	22,779,122
Issue of shares - series C	-	1,012,654	-	-	1,012,654	1,012,654	38,987,179	-	-	39,999,833
Costs of share issue - series C	-	-	-	-	-	-	(581,307)	-	-	(581,307)
Translation differences	-	-	-	-	-	-	-	(127,770)	-	(127,770)
Share-based compensation	-	-	-	-	-	-	-	526,778	-	526,778
Issue of non voting shares	-	-	210,000	-	210,000	210,000	-	-	-	210,000
Sale of treasury shares	-	-	-	15,678	15,678	15,678	-	-	-	15,678
Net loss for the year	-	-	-	-	-	-	-	-	(20,544,811)	(20,544,811)
Balance at Dec 31, 2006	**212,000**	**3,105,492**	**670,000**	**(119,869)**	**3,867,623**	**3,867,623**	**101,529,379**	**1,320,011**	**(64,439,490)**	**42,277,523**
Conversion: preferred shares	3,105,492	(3,105,492)	-	-	-	-	-	-	-	-
Conversion: non voting shares	670,000	-	(670,000)	-	-	-	-	-	-	-
Issue of shares - IPO	1,875,000	-	-	-	1,875,000	1,875,000	135,000,000	-	-	136,875,000
Costs of share issue - IPO	-	-	-	-	-	-	(4,524,573)	-	-	(4,524,573)
Translation differences	-	-	-	-	-	-	-	29,245	-	29,245
Share-based compensation	-	-	-	-	-	-	-	599,784	-	599,784
Purchase of treasury shares	-	-	-	(4,712)	(4,712)	(4,712)	(58,362)	-	-	(63,074)
Net loss for the year	-	-	-	-	-	-	-	-	(35,085,765)	(35,085,765)
Balance at Dec 31, 2007	**5,862,492**	**-**	**-**	**(124,581)**	**5,737,911**	**5,737,911**	**231,946,444**	**1,949,040**	**(99,525,255)**	**140,108,140**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(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 disease. 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 SWX Swiss Exchange under the ticker symbol, ADXN.

To date, the Group has financed its cash requirements primarily from share issuances. The Group is a development stage enterprise and is exposed to all the risks inherent in establishing a business. Inherent in the Group's business are various risks and uncertainties, including the substantial uncertainty that current projects will succeed. The Group's success may depend in part upon its ability to (i) establish and maintain a strong patent position and protection, (ii) enter into collaborations with partners in the pharmaceutical industry, (iii) acquire and retain key personnel, and (iv) acquire additional capital to support its operations. The Board of Directors believes the Group will be able to meet all of its obligations for a further 12 months as they fall due and, hence, the 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 21, 2008, and are subject to approval by the shareholders on April 17, 2008.

2. Summary of significant accounting policies

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

A. Basis of preparation

The Company was incorporated on February 19, 2007 as a holding company for the Addex Pharmaceuticals Group. Addex Pharma SA's shareholders created Addex Pharmaceuticals Ltd by contributing to it all of their shares of Addex Pharma SA (formerly Addex Pharmaceuticals SA) in exchange for an identical shareholding in the new company, Addex Pharmaceuticals Ltd. The Company then acquired from Addex Pharma SA 100% of the share capital of Addex Pharmaceuticals France SAS for CHF 1. As the fiscal restructuring of the Group comprised transactions under common control, under International Financial Reporting Standards ("IFRS") the Company inherits the financial history of the Group including the equity structure of the previous holding company. These consolidated financial statements have therefore been prepared on the basis that the Company was the parent company of the Group for the periods presented.

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.

Standards, amendment and interpretations effective in 2007

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2007:

- IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements - Capital disclosures', introduces new disclosures relating to financial instruments. The Group has applied IFRS 7 and the complementary amendment to IAS 1 from January 1, 2007 with no significant impact on the Group's financial statements.
- IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Group's financial statements.
- IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

Interpretation adopted early by the Group

IFRIC 11, 'IFRS 2 - Group and treasury share transactions', was adopted early in 2007. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone financial statements of the parent and Group companies. This interpretation does not have an impact on the Group's financial statements.

Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2007 but they are not relevant to the Group's operations:

- IFRS 4, 'Insurance contracts';
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies'; and
- IFRIC 9, 'Re-assessment of embedded derivatives'.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2008 or later periods, but have not been adopted early by the Group:

- IAS 23 (Amendment), 'Borrowing costs' (effective from January 1, 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amended) from January 1, 2009, however it is currently not applicable to the Group as there are no qualifying assets.
- IFRS 8, 'Operating segments ' (effective from January 1, 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from January 1, 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

- IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from January 1, 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply IFRIC 14 from January 1, 2008, however it is not expected to have any impact on the Group's financial statements.

Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2008 or later periods but are not relevant for the Group's operations:

- IFRIC 12, 'Service concession arrangements' (effective from January 1, 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.
- IFRIC 13, 'Customer loyalty programs' (effective from July 1, 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programs.

B. Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. 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.

C. Foreign currency transactions

Functional and presentation currency

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

Transactions and balances

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

Group companies

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

- 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 average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are taken to shareholders' equity.

D. Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or 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 (note F). Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are included in the statement of income.

E. Intangible assets

Computer software

Acquired computer 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). Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred.

F. Impairment of 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).

G. Loans and receivables

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

H. 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.

I. Cash and cash equivalents

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

J. Share capital

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

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

K. Government grants

Grants from the government are 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.

L. Deferred income taxes

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

M. Employee benefits

Pension obligations

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

The liability or asset recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets together with adjustments for 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 benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

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

Past-service costs are 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 a share option plan.

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 restriction accruing to the non voting shares. The vesting period is determined based on the period over which the Company has the right to repurchase the shares at original cost. Proceeds received net of any directly attributable transaction costs 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 plan 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 entity 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.

N. 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 has been reliably estimated. Where the Company 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.

O. Revenue recognition

Revenue comprises the fair value for the sale of products and services, net of value-added tax, rebates and discounts related to its collaborative arrangements. Revenue from the sale of products is 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 license fees and performance milestone payments are recognized as revenue by reference to the completion of the performance obligation and the economic substance of the agreement.

P. Finance income and expense

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

Q. Leases

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

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

R. 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 (note D).

3. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow interest-rate risk. The Group's overall risk management programs 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 of Directors. Group Finance identifies, evaluates and economically hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

Market risk: The Group operates internationally and is exposed to foreign exchange risk arising from various exposures, primarily with respect to the Euro, US dollar and UK pound. Foreign exchange risk arises from future commercial transactions, 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.

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 (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 sale of new shares. Consequently, the Group is exposed to significant liquidity risk in the medium term.

Cash flow and fair value interest rate risk: As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's principal borrowings were related to finance leases which were at fixed interest rates. Therefore the Group has no significant interest rate risk exposure.

Derivative financial instrument and hedging activities

The Group has entered into certain contractual arrangements where payments or receipts are in currencies other than the functional currency of either the Group or the counterparty. Consequently, these contracts are considered to contain embedded derivatives in the form of forward foreign currency contracts. These derivatives have been separated from their host contracts and fair valued through the statement of income (note 18). The Group does not apply hedge accounting to such transactions.

Fair value estimation

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

4. Critical accounting estimates and judgements

Estimates and 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:

Income taxes

As disclosed in note 21 the Group has significant tax losses for Swiss federal tax purposes. 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 balance sheet date. 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.

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 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 these values, the value of share-based compensation recorded as an expense in 2007 would have been CHF259,736 or CHF670,848, respectively (2006: CHF331,780 or CHF838,504, respectively). This is compared to the amount recognized as an expense in 2007 of CHF465,161 (2006: CHF526,778).

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 2007 would have been CHF79,605 or CHF107,824, respectively. This is compared to the amount recognized as an expense in 2007 of CHF93,719.

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 22.

4.2 Critical judgements in applying the entity's accounting policies

Revenue recognition

In 2007, the Group recognized CHF156,639 of up front fees received under the Merck Sharp & Dohme Research Ltd research collaboration and license agreement executed on November 30, 2007 (note 17). 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.

Development supplies

At December 31, 2007, the Group owns development supplies that have been expensed in the statement of income under "external research and development costs". These amounts have not been recognized on the balance sheet as an asset since they are used in pre-clinical and clinical trials of specific products that have not demonstrated technical feasibility.

5. Segmental information

Primary reporting format

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

Secondary reporting format

The geographical analysis of assets is as follows:

	2007	2006
Switzerland	146,956,924	44,527,282
Europe	2,417,627	1,824,319
Total assets	**149,374,551**	**46,351,601**

The geographical analysis of capital expenditure is as follows:

	2007	2006
Switzerland	2,314,090	316,409
Europe	839,160	32,265
Total capital expenditure	**3,153,250**	**348,674**

The geographical analysis of operating expenses is as follows:

	2007	2006
Switzerland	35,669,887	23,947,568
Europe	2,594,630	1,737,087
Total operating expenses	**38,264,517**	**25,684,655**

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

	2007	2006
Cash at bank and in hand	17,227,186	20,214,802
Short term deposits	122,817,500	20,731,880
Total cash and cash equivalents	**140,044,686**	**40,946,682**

The effective interest rate on cash and cash equivalents was 2.94% (2006: 1.10%)

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 (Moody's)	2007	2006
P1	140,042,239	40,944,710
Cash on hand	2,447	1,972
Total cash and cash equivalents	**140,044,686**	**40,946,682**

8. Trade and other receivables

	2007	2006
Other receivables	1,535,802	600,553
Prepayments	2,007,381	595,227
Loans to related parties (note 26)	95,277	114,000
Total trade and other receivables	**3,638,460**	**1,309,780**

9. Intangible assets

	Computer software Licenses
At January 1, 2006	
Cost	385,047
Accumulated depreciation	(266,330)
Net book value	**118,717**
Year ended December 31, 2006	
Opening net book amount	118,717
Exchange differences	465
Additions	40,252
Depreciation charge	(78,015)
Closing net book amount	**81,419**
At December 31, 2006	
Cost	426,205
Accumulated depreciation	(344,786)
Net book value	**81,419**
Year ended December 31, 2007	
Opening net book amount	81,419
Exchange differences	252
Additions	167,693
Depreciation charge	(64,623)
Closing net book amount	**184,741**
At December 31, 2007	
Cost	594,704
Accumulated depreciation	(409,963)
Net book value	**184,741**

The Group recorded a depreciation charge in 2007 of CHF52,260 (2006: CHF52,597) as part of research and development expenses and CHF12,363 (2006: CHF25,418) as part of general and administration expenses.

10. Property, plant and equipment

	Buildings	Leasehold improvements	Equipment	Furniture & fixtures	Chemical library	Total
At January 1, 2006						
Cost	32,698	4,598,298	4,865,588	736,188	740,241	10,973,013
Accumulated depreciation	(1,635)	(1,977,620)	(2,634,985)	(324,488)	(310,466)	(5,249,194)
Net book value	**31,063**	**2,620,678**	**2,230,603**	**411,700**	**429,775**	**5,723,819**
Year ended December 31, 2006						
Opening net book amount	31,063	2,620,678	2,230,603	411,700	429,775	5,723,819
Exchange differences	-	44,983	18,430	1,858	-	65,271
Additions	-	37,397	184,447	34,458	52,120	308,422
Depreciation charge	(1,308)	(882,981)	(1,253,440)	(150,986)	(155,421)	(2,444,136)
Closing net book amount	**29,755**	**1,820,077**	**1,180,040**	**297,030**	**326,474**	**3,653,376**
At December 31, 2006						
Cost	32,698	4,695,526	5,090,389	773,988	792,361	11,384,962
Accumulated depreciation	(2,943)	(2,875,449)	(3,910,349)	(476,958)	(465,887)	(7,731,586)
Net book value	**29,755**	**1,820,077**	**1,180,040**	**297,030**	**326,474**	**3,653,376**
Year ended December 31, 2007						
Opening net book amount	29,755	1,820,077	1,180,040	297,030	326,474	3,653,376
Exchange differences	-	36,216	10,853	1,258	-	48,327
Additions	-	1,279,684	1,444,589	230,300	30,984	2,985,557
Depreciation charge	(1,308)	(507,853)	(914,579)	(153,053)	(160,672)	(1,737,465)
Closing net book amount	**28,447**	**2,628,124**	**1,720,903**	**375,535**	**196,786**	**4,949,795**
At December 31, 2007						
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**

The Group recorded a depreciation charge in 2007 of CHF1,687,832 (2006: CHF2,377,052) as part of research and development expenses and CHF49,633 (2006: CHF67,084) as part of general and administration expenses.

	2007	2006
Cost of capitalized finance leases	-	650,000
Accumulated depreciation	-	(558,004)
Net book value	**-**	**91,996**

During 2007 the Company exercised its option to acquire outright a number of assets which had been acquired under finance leases.

11. Other non-current assets

	2007	2006
Prepaid pension costs (note 22)	288,523	255,976
Security rental deposit	268,346	104,368
Total other non-current assets	**556,869**	**360,344**

12. Finance leases

At December 31, 2007, the Group had no finance leases. At December 31, 2006, the finance lease liability amounted to CHF126,572 which matured within 1 year. The weighted average effective interest rate for 2007 and 2006 was 5%. At December 31, 2006 the minimum lease payments due no later than one year amounted to CHF129,200 and the future finance charge amounted to CHF2,628.

13. Payables and accruals

	2007	2006
Trade payables	2,571,100	1,837,256
Social security and other taxes	436,213	170,254
Accrued expenses	2,938,137	1,939,996
Total payables and accruals	**5,945,450**	**3,947,506**

14. Deferred income

Deferred income of CHF3,320,961 relates to upfront fees received under the agreement with Merck Sharp & Dohme Research Ltd that was entered into on November 30, 2007 (see note 17).

15. Share capital and share premium

At December 31, 2007, the total outstanding share capital is CHF5,862,492 (December 31, 2006: CHF3,987,492), consisting of 5,862,492 shares (December 31, 2006: 3,987,492). All shares have a nominal value of CHF1. On August 29, 2006, share capital was increased by the issue of 630'925 fully paid preferred C shares at CHF39.50 each. On December 21, 2006, share capital was increased by the issue of 381'729 fully paid preferred C shares at CHF39.50 each and 210'000 fully paid non voting shares at CHF1 each for sale under the Company's equity incentive plan. During 2006, 232'900 (2005: 7'800) non voting shares have been sold and 7'222 (2005: 3'234) non voting shares were purchased at CHF1 each under the Company's equity incentive plan resulting in the net sale of 15,678 treasury shares.

On May 3, 2007, as part of the IPO at the SWX Swiss Exchange, the Company converted all preferred shares and all non voting shares one for one into common shares, contingent to completion of the IPO. This resulted in a share capital of CHF3,987,492 divided in 3,987,492 fully paid-in common shares, each with a nominal value of CHF1. On the same day, the Company authorized the issuance of up to 2,900,000 common shares for its IPO excluding the pre-emptive right of the shareholders. Upon completion of its IPO on May 21, 2007, the Company issued 1,875,000 shares and the first day of trading was May 22, 2007. Furthermore, the extraordinary general meeting of shareholders of May 3, 2007 approved the creation of authorized capital of CHF1,993,746 and a conditional capital of CHF1,993,746 of which CHF300,000 is designated with the treasury share balance for the issuance of shares under the Company's share option plan.

The gross proceeds from the IPO amounted to CHF136,875,000 prior to related expenses of CHF4,524,573, which relate directly to the issue of new shares, have been charged to equity, and CHF5,670,017 included in other operating expenses.

16. Share-based compensation

Share option plan

The Company has established a share option plan effective on January 1, 2007 to provide incentives to directors, executives and employees of the Group. The share option plan 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 CHF39.50. The exercise price of options granted on July 1, 2007 and October 1, 2007 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) another 20% of such options grant after each further anniversaries 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. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

During the year the Company granted 29,800 options to directors, executives and employees of the Group. None of these outstanding options have been exercisable in 2007.

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

	Average exercise price in CHF per share	Number of options
At January 1, 2007	-	-
Granted in 2007	52.66	29,800
At December 31, 2007	**52.66**	**29,800**

Share options outstanding at December 31, 2007 have the following expiry date and exercise prices:

Expiry date	Range of exercise price in CHF per share	Number of options
2013	39.50 – 65.27	5,960
2014	39.50 – 65.27	5,960
2015	39.50 – 65.27	5,960
2016	39.50 – 65.27	5,960
2017	39.50 – 65.27	5,960
Total outstanding options		**29,800**

The weighted average fair value of options granted during 2007 determined using the binomial valuation model was CHF15.08 per option. The significant inputs into the model were:

	2007
Weighted average share price at the grant date	53.35
Range of exercise price per share	39.50 – 65.27
Volatility	39.52%
Dividend yield	-
Annual risk-free interest rate	2.64%

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 and employees has been recorded under the following headings:

	2007
Research and development	14,465
General and administration	120,054
Total share-based compensation	**134,519**

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 and employees 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 1:1 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 plan.

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 employment relationship or board membership 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 it's repurchase right.

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

	2007	2006	
	Number of shares	Number of non voting shares	Fair value at date of sale (CHF)
At January 1	560,381	334,703	5.00
Sold	-	232,900	5.70
Repurchased under claw back provision	(3,102)	(7,222)	
At December 31	**557,279**	**560,381**	

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 and employees have been recorded under the following headings:

	2007	2006
Research and development	187,215	217,812
General and administration	277,934	308,966
Total share-based compensation	**465,149**	**526,778**

17. License and collaboration agreements

Merck Sharp & Dohme Research Ltd.

On November 30, 2007, the Group executed a research collaboration and license agreement with Merck Sharp & Dohme Research Ltd ("Merck"). 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 upfront 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. At December 31, 2007, upfront fees of USD2'864'583 have been recorded as deferred income. During 2007, income of USD135,417 has been recognized.

Ortho-McNeil Pharmaceutical Inc.

On December 31, 2004, the Group entered into a research collaboration and license agreement with Ortho-McNeil Pharmaceutical Inc. ("OMP"). In accordance with the agreement, OMP has acquired an exclusive worldwide license to develop mGluR2PAM compounds for the treatment of human health. Under the OMP agreement, OMP made a EUR3'000'000 upfront payment and will make future payments contingent on the products from the research achieving certain development milestones. The Group is eligible for undisclosed royalties on net sales. The initial two year research period which ended on December 31, 2006 was extended for 2007 during which research funding of EUR204,830 (2006: EUR1,600,000) was recognized as income.

18. Other income

	2007	2006
Research grants	156,031	-
Recruitment grants	-	6,549
Gain on embedded derivative	-	38,856
Total other income	**156,031**	**45,405**

In 2007, the Group, as part of a consortium, obtained a grant of EUR269,765 from the European Community of which CHF156,031 was recognized in 2007. In 2006, the Group recognized CHF38'956 of gains on embedded forward foreign exchange contracts that have been separated from the OMP license and collaboration agreement (note 17).

19. Operating expenses by nature

	2007	2006
Staff costs	9,952,589	7,953,389
Depreciation and amortization	1,802,088	2,522,151
External research and development costs	12,209,023	9,771,353
Laboratory consumables	2,505,775	2,327,634
Other operating expenses	11,795,042	3,110,128
Total operating expenses	**38,264,517**	**25,684,655**

Other operating expenses include costs related to the IPO (see note 15), operating facilities and patenting activities.

20. Staff costs

	2007	2006
Wages and salaries	7,781,022	6,203,475
Social charges and insurances	975,752	699,492
Value of share-based services	483,063	500,974
Pension costs - defined contribution plans	36,344	21,139
Pension costs - defined benefit plan	521,938	456,711
Other employee costs	154,470	71,598
Total staff cost	**9,952,589**	**7,953,389**

The Group has 79.2 full time employee equivalents at December 31, 2007 (60 at December 31, 2006).

21. Taxes

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

	2007	2006
Loss before tax	35,085,765	20,544,811
Tax calculated at a tax rate of 7.8% (2006:7.8%)	2,736,690	1,602,495
Effect of different tax rates in other countries	539,696	418,745
Expenses charged against equity	352,917	45,342
Expenses not deductible for tax purposes	(46,783)	(41,089)
Tax losses not recognized as deferred tax assets	(3,582,520)	(2,025,493)
Income tax charge	-	-

The Group has a tax loss carry forward of CHF99,525,255 as of December 31, 2007 (2006: CHF64,439,490) of which CHF43,894,679 expire within the next five years and CHF55,630,576 will expire between five and seven years.

22. Retirement benefit obligations

Apart from the social security plans fixed by the law, the Group sponsors independent pension plans. All employees are covered by these plans, which are defined benefit plans. Retirement benefits are based on contributions, computed as a percentage of salary, adjusted for the age of the employee and shared approximately 46%/54% by employee and employer. In addition to retirement benefits, the plan provides death and long-term disability benefits to its employees. Liabilities and assets are revised every year by an independent actuary. According to 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 2007 of CHF521,938 (2006: CHF456,711) as part of staff costs. At December 31, 2007 deferred actuarial losses of CHF288,523 (December 31, 2006: CHF255,976) are recorded in other non-current assets.

Pension benefits

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

	2007	2006
Present value of funded obligations	4,943,412	3,977,785
Fair value of plan assets	(3,906,621)	(2,929,027)
Funded status	1,036,791	1,048,758
Unrecognized net losses	(1,325,314)	(1,304,734)
Deferred pension costs	**(288,523)**	**(255,976)**

	2007	2006
Current service cost	950,931	807,493
Interest cost	119,334	95,100
Expected return on plan assets	(117,161)	(89,753)
Employees contributions	(479,822)	(402,468)
Amortization of unrecognized losses	48,656	46,339
Total included in staff costs (note 20)	**521,938**	**456,711**

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

	2007	2006
Asset at beginning of year	255,976	249,493
Total expense charged in the statement of income	(521,938)	(456,711)
Contributions paid	554,485	463,194
Asset at end of year	**288,523**	**255,976**

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

	2007	2006
Defined benefit obligation at beginning of year	3,977,785	3,170,004
Service cost	950,931	807,493
Interest cost	119,334	95,100
Change in assumptions	(321,646)	-
Actuarial losses	358,972	138,531
Benefit payments	(141,964)	(233,343)
Defined benefit obligations at end of year	**4,943,412**	**3,977,785**

The movement in the fair value of plan assets of the year is as follows:

	2007	2006
Fair value of plan assets at beginning of year	2,929,027	2,243,836
Expected return on plan assets	117,161	89,753
Employees contributions	479,822	402,468
Company contribution	554,485	463,194
Plan assets actuarial losses	(31,910)	(36,881)
Benefit payments	(141,964)	(233,343)
Fair value of plan assets at end of year	**3,906,621**	**2,929,027**

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

	2007	2006
Unrecognized losses at beginning of year	(1,304,734)	(1,175,661)
Amortization	48,656	46,339
Change in assumptions	321,646	-
Actuarial losses	(358,972)	(138,531)
Plan assets actuarial losses	(31,910)	(36,881)
Unrecognized losses at end of year	**(1,325,314)**	**(1,304,734)**

The actual return on plan assets is CHF85,251 in 2007 (2006: gain of CHF52,872).

The principal actuarial assumptions used were as follows:

	2007	2006
Discount rate	3.50%	3.00%
Expected return on plan assets	4.00%	4.00%
Future salary increases	1.50%	1.50%
Future pension increases	1.00%	1.00%

Mortality rate

Assumptions regarding future mortality experience are set based on advice, published statistics and experience. The average life expectancy in years of a pensioner retiring at age of 65 (male) or 64 (female) on the balance sheet date is as follows:

	2007	2006
Male	17.90	17.60
Female	21.80	20.40

The estimated Group contributions to pension plans for the financial year 2008 amounts to CHF605,490. The plan assets relate primarily to amounts invested with, and managed by, the Winterthur-Columna Fondation LPP. The detailed structures and assets held are not currently available for presentation.

23. Finance income and costs

	2007	2006
Interest income	2,551,688	241,991
Other financial income	7,787	21,735
Interest expense	(8,542)	(30,446)
Unrealized foreign exchange gain/(loss), net	(15,139)	122,190
Net financial income	**2,535,794**	**355,470**

24. Loss per share

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

	2007	2006
Loss attributable to equity holders of the Company	35,085,765	20,544,811
Weighted average number of shares in issue	5,016,891	2,859,174
Basic and diluted loss per share	**(6.99)**	**(7.19)**

The Company has one category of dilutive potential common shares: share options. As of December 31, 2007, share options have been ignored in the calculation of the loss per share, as they would be anti-dilutive.

25. Commitments and contingencies

Operating lease commitments

	2007	2006
Within 1 year	1,728,096	667,255
Later than 1 year and no later than 5 years	4,578,133	720,075
Later than 5 years	3,675,948	-
	9,982,177	**1,387,330**

During 2007, the Group entered into several rental contracts for additional laboratory, office and related space at its Plan-les-Ouates site. The rental period of these contracts is approximately 10 years unless they are terminated earlier or extended.

Capital commitments

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

	2007	2006
Property, plant and equipment	766,936	6,234
Intangible assets	9,941	-
	776,877	**6,234**

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 the management, none of the outstanding litigation will have a significant adverse effect on the Group's financial position.

26. Related party transactions

The Company is controlled by a Group of venture capital investment funds, however, no single investor has a controlling interest. 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

	2007	2006
Member of Board of Directors	-	6,000
Persons closely related to Executive Management	10,531	3,400
Total related party services	**10,531**	**9,400**

Services are usually negotiated with related parties on the basis of prices available from non-related parties offering a similar service.

Key management compensation

	2007	2006
Salaries and other short-term employee benefits	1,773,365	1,458,000
Other long-term benefits	138,593	131,620
Share-based compensation	393,794	337,943
	2,305,752	**1,927,563**

Loans to related parties - Executive Management

	2007	2006
Beginning of the year	148,756	-
Loans advanced during year	35,773	148,000
Loans repayments received	(71,000)	-
Interest charged	2,357	756
Interest received	(642)	-
End of the year	**115,244**	**148,756**

The loans advanced to members of Executive Management during 2007 and 2006 are for one year at a 2% interest rate. No provision has been required for the loans made in 2007 and 2006. In 2007 the list of related parties has been extended to include all members of Executive Management and the 2006 comparative figures have been adjusted accordingly.

27. Events after the balance sheet date

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 compound for the potential treatment of human health. Under this agreement, Merck made a $22'000'000 upfront payment and will make future payments contingent on the products from the research achieving certain research, development and sales milestones. The Group also is eligible for undisclosed royalties on net sales.

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

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

Non-Executive Director compensation

General principles

Based on a proposal made by the Compensation Committee, the Board of Directors determines the compensation of Non-Executive Directors. They receive an annual fee based on the responsibilities of each Director of which half is paid based on attendance at meetings. Non-Executive Directors are also eligible for participation 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 2007. No such loans were outstanding as of December 31, 2007. During 2007, 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 2007[1]

Name of Non-Executive Director[7]	Base cash compensation	Variable cash attendance	Share options granted in year (number)[3]	Share options (value)[3]	2007 Total
André J. Mueller[4]	22,500	22,500	-	-	45,000
Francesco De Rubertis[2]	-	-	-	-	-
Andrew Galazka	15,000	15,000	-	-	30,000
Alexandra Goll[2]	-	-	-	-	-
Deborah Harland[2]	-	-	-	-	-
Werner Henrich	15,000	15,000	-	-	30,000
Beat E. Lüthi[6]	12,000	12,000	4,000	75,338	99,338
Antoine Papiernik[2]	-	-	-	-	-
Jacques Theurillat[5]	20,000	20,000	4,000	75,338	115,338
Total	**84,500**	**84,500**	**8,000**	**150,676**	**319,676**

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. Options granted under the Company's share option plan have a 5 year vesting period and have an exercise price of CHF39.5. 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 16)
4. Non-Executive Chairman of the Board of Directors
5. Chairman of the Audit Committee
6. Chairman of the Compensation Committee
7. 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 participation in the Company's share option plan.

Loans and other payments to Executive Management

Loans granted to current members of the Executive Management which are outstanding at December 31, 2007 amount to CHF115,887. Included in this amount is CHF95,278 granted to Vincent Mutel which has been repaid in full at 31 January 2008. During 2007, 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 2007[1]

Executive Management[2]	Base cash compensation	Variable cash attendance	Share options granted in year (number)[3]	Share options (value)[4]	2007 Total
Vincent Mutel[5]	343,556	155,000	4,000	75,338	573,894
Other Executive Management	874,402	370,000	-	-	1,244,402
Total	**1,217,958**	**525,000**	**4,000**	**75,338**	**1,818,296**

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 his direct reporting lines which have signature powers.
3. Options granted under the Company's share option plan have a 5 year vesting period. Options granted to Vincent Mutel have an exercise price of CHF39.5.
4. 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 16).
5. Vice Chairman of the Board of Directors and Chief Executive Officer.

Ownership of Addex 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, 2007 are shown in the following tables:

(number of shares or options)	2007 options granted	Vested shares	Unvested shares & options	Total shares and options owned
Non-Executive Director				
André J. Mueller	-	39,176	4,900	44,076
Francesco De Rubertis	-	-	-	-
Andrew Galazka	-	4,332	3,183	7,515
Alexandra Goll	-	-	-	-
Deborah Harland	-	-	-	-
Werner Henrich	-	3,692	3,308	7,000
Beat E. Lüthi	4,000	250	4,000	4,250
Antoine Papiernik	-	-	-	-
Jacques Theurillat	4,000	-	4,000	4,000
Executive Management				
Vincent Mutel	4,000	149,400	59,750	209,150
Tim Dyer	-	93,542	35,958	129,500
Mark Epping-Jordan	-	80,875	5,125	86,000
Charlotte Keywood	-	13,096	13,654	26,750
Sonia Poli	-	8,908	13,092	22,000
Total	**12,000**	**393,271**	**146,970**	**540,241**

REPORT OF THE GROUP AUDITORS

TO THE GENERAL MEETING OF ADDEX PHARMACEUTICALS LTD

As auditors of the Group, we have audited the consolidated financial statements (balance sheet, statement of income, statement of cash flows, statement of changes in equity and notes) of Addex Pharmaceuticals Ltd for the year ended December 31, 2007.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

PricewaterhouseCoopers SA

David Mason
Auditor in charge

Thierry James

PRICEWATERHOUSECOOPERS

Geneva, February 21, 2008

ADDEX PHARMACEUTICALS LTD
FINANCIAL STATEMENTS 2007

Balance Sheets as at December 31, 2007

	Notes	2007
		Amounts in Swiss francs
ASSETS		
Current assets		
Cash and cash equivalents		127,921,777
Other receivables		
Third parties		674,521
Group company		84,544
Accrued income		34,572
Total current assets		**128,715,414**
Non-current assets		
Investments in Group companies	3	3,987,493
Total non-current assets		**3,987,493**
Total assets		**132,702,907**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade payables		307,870
Other payables		77,468
Accruals		65,760
Total current liabilities		**451,098**
Shareholders' equity		
Share capital	7	5,862,492
Legal reserves		
Share premium	7	134,817,056
Treasury shares reserve		182,944
Accumulated deficit		(8,610,683)
Total shareholders' equity		**132,251,809**

Statements of Income for period February 19, 2007 (date of inception) to December 31, 2007

	2007
	Amounts in Swiss francs
Operating expenses	
Professional fees	8,953,168
Other operating expenses	260,397
Taxes	1,355,129
Total operating expenses	**10,568,694**
Interest income	(1,961,775)
Interest expenses	3,764
Net loss before taxes	**8,610,683**
Income tax expense	-
Net loss for the period	**8,610,683**

ADDEX PHARMACEUTICALS LTD NOTES TO THE FINANCIAL STATEMENTS 2007

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, 2007, there were no guarantees, other indemnities or assets pledged in favor of third parties.

3. Significant investments

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

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

4. Pledges on assets to secure own liabilities

As of December 31, 2007, there were no assets pledged to secure own liabilities.

5. Lease commitments not recorded in the balance sheet

As of December 31, 2007, there were no lease commitments not recorded in the balance sheet.

6. Amounts due to pension funds

As of December 31, 2007, there were no amounts due to pension funds.

7. Capital increases

Addex Pharmaceuticals Ltd was founded on February 19, 2007 and registered in the commercial register of the Canton of Geneva on March 19, 2007 as a holding company for the Addex Group with an original share capital of CHF3,987,492 divided into 212,000 common shares, 620,000 series A preferred shares, 1,472,838 series B preferred shares, 1,012,654 series C preferred shares and 670,000 non-voting shares. All shares and non-voting shares had a nominal value of CHF1 and were fully paid in. Addex Pharma SA shareholders contributed their shares in Addex Pharma SA as consideration in kind for the subscription of Addex Pharmaceuticals Ltd shares.

Pursuant to the shareholders' resolution passed by an extraordinary shareholders' meeting on May 3, 2007, all preferred shares and all non-voting shares were converted into common shares, resulting in a share capital of CHF3,987,492 divided in 3,987,492 fully paid-in common shares, each with a nominal value of CHF1. Furthermore, the creation of authorized capital of CHF1,993,746 and a conditional capital of CHF1,993,746 was approved.

Upon completion of the Initial Public Offering on May 21, 2007 the Company issued 1,875,000 new shares at the offer price of CHF73.

At December 31, 2007, the total outstanding share capital is CHF5,862,492, consisting of 5,862,492 shares. All shares have a nominal value of CHF1.

	2007
Authorized capital	1,993,746
Conditional capital	1,993,746

8. Significant shareholders

According to the information available to the Board of Directors the following shareholders held shares entitling them to more than 5% of the total voting rights:

Shareholder	Number of shares	Interest in capital in %
Sofinnova Capital IV FCPR	792,648	12.90%
Index Ventures II*	765,788	12.46%
TVM V Life Science Ventures	705,726	11.49%

*The Addex Pharmaceuticals Ltd. shares are held by several entities within the Group.

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

The Board of Directors proposes a release of CHF182,944 from share premium to treasury shares reserve and to carry forward the net loss of the year 2007 of CHF8,610,683.

REPORT OF THE STATUTORY AUDITORS

TO THE GENERAL MEETING OF ADDEX PHARMACEUTICALS LTD

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, statement of income and notes) of Addex Pharmaceuticals Ltd for the period ended December 31, 2007.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the Company's articles of incorporation.

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

PricewaterhouseCoopers SA

David Mason **Thierry James**

Auditor in charge

PRICEWATERHOUSECOOPERS

Geneva, February 21, 2008

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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, GABAB, FSH, 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, GABAB, FSH, 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, GABAB, FSH 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, GABAB, FSH, 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.

Design: Creative Lynx, Geneva, Switzerland. Print: Bowne Financial Communications, London, England.

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