Condensed Consolidated Interim Financial Statements of Addex Pharmaceuticals Ltd as at June 30, 2010

(Unaudited)

Addex Pharmaceuticals Ltd
Condensed Consolidated Interim Balance Sheets
as at June 30, 2010 and December 31, 2009 (unaudited)

	Notes	June 30, 2010	December 31, 2009
		Amounts in Swiss Francs	
ASSETS			
Current assets			
Cash and cash equivalents……………………………....	7	56,686,500	76,560,104
Other current assets…………………………………...		2,922,256	1,838,463
Total current assets……………………………………		**59,608,756**	**78,398,567**
Non-current assets			
Intangible assets…………………………………………	8	124,692	181,566
Property, plant and equipment…………………………..	8	8,020,608	9,568,079
Other non-current assets………………………………...		403,911	405,142
Total non-current assets……………………………….		**8,549,211**	**10,154,787**
Total assets…………………………………………….....		**68,157,967**	**88,553,354**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Payables and accruals…………………………………...	9	7,333,546	10,203,124
Deferred income…………………………………….........	11	106,958	686,838
Total current liabilities……………………………….....		**7,440,504**	**10,889,962**
Non-current liabilities			
Retirement benefit obligations…………………………..		277,776	82,554
Total non-current liabilities…………………………...		**277,776**	**82,554**
Shareholders' equity			
Share capital……………………………………………..	10	5,740,688	5,741,188
Share premium…………………………………………..		232,187,310	232,191,050
Other reserves…………………………………………...		4,057,658	3,932,256
Accumulated deficit……………………………………..		(181,545,969)	(164,283,656)
Total shareholders' equity…………………………….		**60,439,687**	**77,580,838**
Total liabilities and shareholders' equity…………….		**68,157,967**	**88,553,354**

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

Addex Pharmaceuticals Ltd
Condensed Consolidated Interim Statements of Income
for the six-month periods ended June 30, 2010 and 2009 (unaudited)

	Notes	June 30, 2010	June 30, 2009
		Amounts in Swiss Francs	
Income			
Fees from collaborations & sale of license rights.…….....	11	1,056,025	2,528,638
Other income……………...……………………………..	12	1,643,717	287,729
Total income……………………………………………		**2,699,742**	**2,816,367**
Operating expenses			
Research and development...……………………………		16,686,019	18,544,084
General and administration…..…………………………..		3,289,257	4,181,973
Total operating expenses………………………………	13	**19,975,276**	**22,726,057**
Operating loss…………………………………………..		**(17,275,534)**	**(19,909,690)**
Finance income………………………………………….	14	48,937	316,644
Finance expense...……………………………………….	14	(35,716)	—
Finance result, net……………………………………...		**13,221**	**316,644**
Net loss before tax……………………………………...		**(17,262,313)**	**(19,593,046)**
Income tax expense…………………..……...…………..		—	—
Net loss for the period………………………………….		**(17,262,313)**	**(19,593,046)**
Loss per share for result attributable to the equity holders of the Company, expressed in Swiss Francs per share basic and diluted…………………………………..	15	(3.01)	(3.42)

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

Addex Pharmaceuticals Ltd
Condensed Consolidated Interim Statements of Comprehensive Income
for the six-month periods ended June 30, 2010 and 2009 (unaudited)

	June 30, 2010	June 30, 2009
	Amounts in Swiss Francs	
Net loss for the period……………………………….	**(17,262,313)**	**(19,593,046)**
Other comprehensive (loss) / income		
Currency translation differences………………………...	(275,254)	32,084
Other comprehensive (loss) / income for the period, net of tax………………………………………………...	**(275,254)**	**32,084**
Total comprehensive loss for the period………………	**(17,537,567)**	**(19,560,962)**

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

Addex Pharmaceuticals Ltd
Condensed Consolidated Interim Statements of Changes in Equity
for the six-month periods ended June 30, 2010 and 2009 (unaudited)

	In Swiss Francs				
	Share capital	**Share premium**	**Other reserves**	**Accumulated deficit**	**Total**
Balance at January 1, 2009……………………	5,735,554	231,884,708	2,962,643	(121,591,532)	118,991,373
Net loss for the period………..........	–	–	–	(19,593,046)	(19,593,046)
Translation differences…….............	–	–	32,084	–	32,084
Other comprehensive income for the period…	–	–	32,084	–	32,084
Total comprehensive income / (loss) for the period…………………..	**–**	**–**	**32,084**	**(19,593,046)**	**(19,560,962)**
Share based compensation……..……	–	–	626,308	–	626,308
Balance at June 30, 2009…………….........	**5,735,554**	**231,884,708**	**3,621,035**	**(141,184,578)**	**100,056,719**
Balance at January 1, 2010…………….........	5,741,188	232,191,050	3,932,256	(164,283,656)	77,580,838
Net loss for the period………..........	–	–	–	(17,262,313)	(17,262,313)
Translation differences…….............	–	–	(275,254)	–	(275,254)
Other comprehensive loss for the period…	–	–	(275,254)	–	(275,254)
Total comprehensive loss for the period……..	**–**	**–**	**(275,254)**	**(17,262,313)**	**(17,537,567)**
Cost of share capital issuance………………...	–	(3,740)	–	–	(3,740)
Share based compensation……..……	–	–	400,656	–	400,656
Purchase of treasury Shares…………………..	(500)	–	–	–	(500)
Balance at June 30, 2010…………….........	**5,740,688**	**232,187,310**	**4,057,658**	**(181,545,969)**	**60,439,687**

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

Addex Pharmaceuticals Ltd
Condensed Consolidated Interim Statements of Cash Flows
for the six-month periods ended June 30, 2010 and 2009 (unaudited)

	June 30, 2010	June 30, 2009
	Amounts in Swiss Francs	
Cash flows from operating activities		
Net loss for the period…………………………………..	(17,262,313)	(19,593,046)
Adjustments for:		
Depreciation and amortization……………………...	1,493,645	1,370,605
Value of share-based services………………………	400,656	626,308
Changes in retirement benefit obligations………….	195,222	96,153
Finance result, net………………………………..	(13,221)	(316,644)
Changes in working capital:		
Other current assets………………………………..	(1,140,837)	(2,087,537)
Deferred income, payables and accruals…………...	(3,174,848)	(2,836,572)
Net cash used in operating activities…………………	**(19,501,696)**	**(22,740,733)**
Net cash used in investing activities…………………..	**(222,188)**	**(2,281,735)**
Net cash used in financing activities…………………..	**(6,923)**	—
Decrease in cash and cash equivalents………………..	**(19,730,807)**	**(25,022,468)**
Cash and cash equivalents at beginning of the period…..	76,560,104	119,470,604
Exchange (loss) / gain on cash and cash equivalents……	(142,797)	89,190
Cash and cash equivalents at end of the period……..	**56,686,500**	**94,537,326**

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

Addex Pharmaceuticals Ltd
Selected Notes to the Condensed Consolidated Interim Financial Statements
for the first half of 2010 (amounts in Swiss Francs) (unaudited)

1. General information

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

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

These condensed consolidated interim financial statements have been approved by the Board of Directors on July 27, 2010.

2. Basis of preparation

These condensed consolidated interim financial statements for the six months ended June 30, 2010, have been prepared in accordance with IAS 34 "Interim Financial Reporting". These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2009, which have been prepared in accordance with IFRS.

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

The preparation of financial statements in accordance with IAS 34 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment which are significant to the condensed consolidated interim financial statements and were not previously disclosed in the consolidated financial statements for the year ended December 31, 2009, are disclosed in note 4.

3. Accounting policies

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the consolidated financial statements for the year ended December 31, 2009, except for the following new standards, amendments to standards and interpretations which are mandatory for financial periods beginning on or after January 1, 2010:

New standards, amendments to standards and interpretations adopted by the Group which did not have an effect on the financial position or on the disclosure:

- IFRS 3 (revised), "Business combinations";
- IAS 27 (revised), "Consolidated and separate financial statements";
- IAS 39 (amendment), "Financial instruments: Recognition and measurement on eligible hedged items";
- IFRS 2 (amendment), "Share based payment – Group cash-settled share-based payment transactions";
- IFRIC 16, "Hedges of a net investment in a foreign operation";
- IFRIC 17, "Distributions of non cash assets to owners";
- IFRIC 18, "Transfer of assets from customers";
- Annual improvements 2009 issued in April 2009.

New standards, amendments to standards and interpretations not relevant to the Group:

- IFRS 1 (revised), "First-time adoption";
- IFRS 1 (amendments), for additional exemptions;

The following new standards, amendments to standards and interpretations have been issued but are not mandatory for the financial year beginning January 1, 2010 and have not been early adopted:

- IFRS 9, "Financial instruments", effective January 1, 2013;
- IAS 32 (amendments), "Financial instruments: Presentation on classification of rights issues", effective February 1, 2010;
- IFRS 1 (amendment), "First-time adoption", effective July 1, 2010;
- IAS 24 (amendment), "Related party disclosures", effective January 1, 2011;
- IFRIC 19, "Extinguishing financial liabilities with equity instruments", effective July 1, 2010;
- Annual improvements 2010, effective January 1, 2011.

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

4. Critical accounting judgment

Share-based compensation

During the period under review, the Group recognized share based compensation of CHF247,457 related to share options and CHF116,983 related to the Equity Sharing Certificates (ESCs) granted on June 1, 2010 under the Company's new equity incentive plan. Since a significant proportion of the ESCs granted replaced existing share options, the cancelled share options have been treated as a plan modification under IFRS 2, and the unrecognized portion of the original fair value of the cancelled share options continues to be recognized over their original vesting periods. The net fair value of the new ESC grants was calculated as the fair value of the ESCs less the fair value of the replaced share options at the grant date of June 1, 2010. If the issue of ESCs had not been considered as a replacement of the existing share options, the remaining unrecognized portion of the replaced share option's original fair value of CHF408,912 would have been expensed immediately and the ESCs fair value of CHF1,764,100 would have been recognized over its vesting period. Therefore, the Group would have recognized a share based compensation of CHF618,859 related to share options and CHF124,248 related to the new ESCs (see note 10).

5. Interim measurement note

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

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

6. Segment reporting

6.1 Reportable segments

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

6.2 Entity wide information

Information about products, services and major customers
External revenue of the Group for the first half years of 2010 and 2009 is derived from the business of developing drugs for human health. The revenues were earned from collaborative arrangements and the sale of license rights to pharmaceutical companies.

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

for the first half of 2010 (amounts in Swiss Francs) (unaudited)-(Continued)

Analysis of revenue by nature is detailed as follows:

	Six Months Ended	
	June 30, 2010	June 30, 2009
Up front fees	—	796,950
Milestones	—	1,587,450
Technology access fees	128,350	144,238
Research funding	927,675	—
Total revenue	**1,056,025**	**2,528,638**

Analysis of revenue by major customer is detailed as follows:

	Six Months Ended	
	June 30, 2010	June 30, 2009
Merck & Co., Inc (USA)	1,056,025	1,018,538
Ortho-McNeil-Janssen (USA)	—	1,510,100
Total revenue	**1,056,025**	**2,528,638**

The geographical analysis of assets is as follows:

	June 30, 2010	December 31, 2009
Switzerland	65,448,466	86,674,105
Europe	2,709,501	1,879,249
Total assets	**68,157,967**	**88,553,354**

The geographical analysis of capital expenditure is as follows:

	Six Months Ended	
	June 30, 2010	June 30, 2009
Switzerland	90,696	2,288,870
Europe	(42,715)	64,528
Total capital expenditure	**47,981**	**2,353,398**

The geographical analysis of operating expenses is as follows:

	Six Months Ended	
	June 30, 2010	June 30, 2009
Switzerland	18,245,916	20,856,033
Europe	1,729,360	1,870,024
Total operating expenses	**19,975,276**	**22,726,057**

for the first half of 2010 (amounts in Swiss Francs) (unaudited)-(Continued)

7. Cash and cash equivalents

	June 30, 2010	December 31, 2009
Cash at bank and on hand………………………...	46,176,500	61,059,104
Short term deposits……………………………….	10,510,000	15,501,000
Total cash and cash equivalents……………….	**56,686,500**	**76,560,104**

8. Property, plant and equipment & intangible assets

	Property, plant and equipment	Intangible assets
Six months ended June 30, 2009		
Opening net book amount as at January 1, 2009…	8,993,922	224,053
Additions…………………………………………	2,324,483	28,915
Disposals………………………………………….	(236)	—
Depreciation and amortization…………………...	(1,310,047)	(60,558)
Exchange differences……………………………..	38,979	91
Closing net book amount as at June 30, 2009…	**10,047,101**	**192,501**
Six months ended June 30, 2010		
Opening net book amount as at January 1, 2010…	9,568,079	181,566
Additions…………………………………………	41,324	6,657
Depreciation and amortization…………………...	(1,430,760)	(62,885)
Exchange differences……………………………..	(158,035)	(646)
Closing net book amount as at June 30, 2010…	**8,020,608**	**124,692**

During the first half of 2010, an amount of CHF41,324 (2009: CHF2,324,483) was invested primarily in laboratory equipment.

9. Payables and accruals

	June 30, 2010	December 31, 2009
Trade payables……………………………………	2,215,226	4,524,464
Social security and other taxes…………………...	360,246	415,820
Accrued expenses………………………………...	4,758,074	5,262,840
Total payables and accruals……………………	**7,333,546**	**10,203,124**

Selected Notes to the Condensed Consolidated Interim Financial Statements for the first half of 2010 (amounts in Swiss Francs) (unaudited)-(Continued)

10. Equity

	Number of shares		
	Common Shares	Treasury shares	Total
Balance at January 1, 2009	5,862,492	(126,938)	5,735,554
Balance at June 30, 2009	**5,862,492**	**(126,938)**	**5,735,554**
Balance at January 1, 2010	5,871,242	(130,054)	5,741,188
Purchase of treasury shares	—	(500)	(500)
Balance at June 30, 2010	**5,871,242**	**(130,554)**	**5,740,688**

Share capital
At June 30, 2010, the total outstanding share capital is CHF5,871,242 (June 30, 2009: CHF5,862,492), consisting of 5,871,242 shares (June 30, 2009: 5,862,492). All shares have a nominal value of CHF1 and are fully paid.

During the first half of 2010, the Group's Swiss operating subsidiary acquired 500 (2009: nil) shares from an employee for CHF1 under the Company's non voting share equity incentive plan. The shares are held as "treasury shares" and the company has the right to re-issue these shares at a later date.

On April 29, 2010, the annual general meeting of shareholders of the Company approved the creation and issue of 891 Equity Sharing Certificates (ESCs, known as Bon de Jouissance / Genussscheine under Swiss Law) to its subsidiary, Addex Pharma SA, for the purpose of establishing an equity incentive plan.

Equity Sharing Certificate Equity Incentive Plan
The Company has established an equity incentive plan based on ESCs (the ESC Plan) to provide incentives to directors, executives, employees and consultants of the Group. The ESC Plan was effective on June 1, 2010 and provides for the granting of up to 891 ESCs. Each ESC provides the holder (i) a right to subscribe for 1,000 shares in the Company, and (ii) a right to liquidation proceeds equivalent to that of shareholders. The ESC grant is subject to a 4 year quarterly vesting period and all rights of the ESCs expire after 5 years with the ownership of the ESCs reverting to the Group. The right of the holder of the ESCs to subscribe can only be exercised with respect to vested ESCs if the underlying share price reaches a floor price that is calculated as approximately 133% of the share price at the date of grant. The subscription price is defined as 50% of the floor price.

On June 1, 2010, the Group granted 767 ESCs at a floor price of CHF15.00 per share and a subscription price of CHF7.50 per share. In the event of a change in control, all ESC grants automatically vest. The Group has no legal or constructive obligation to repurchase or settle ESCs in cash. In accepting a grant of ESC, the holder automatically forfeited all previously granted share options and consequently the ESC grant has been considered to be a replacement, of the respective cancelled share options, under IFRS 2. At June 1, 2010, the net fair value of the 767 ESCs has been calculated at CHF1,660,942, being the ESCs fair value of CHF1,764,100 less the fair value of the forfeited share options of CHF103,158.

Share option plan
During the period under review the Company granted 750 options (2009: 17,500). No options have been exercised in the first half years of 2010 and 2009. As a result of the granting of ESCs, 245,500 options were forfeited on June 1, 2010. For accounting purposes the cancellation of these share options was treated as a modification under IFRS 2. The portion of the original fair value that was unrecognized at the date of forfeiture is being recognized over the original vesting period (CHF408,912).

for the first half of 2010 (amounts in Swiss Francs) (unaudited)-(Continued)

11. License and collaboration agreements

Merck & Co., Inc.
On January 2, 2008, the Group executed a license agreement with Merck & Co., Inc. (Merck). In accordance with the agreement, Merck has acquired an exclusive worldwide license to develop ADX63365 and other mGluR5PAM compounds for the treatment of human health. Under this agreement, the Group is eligible for future payments contingent on the products from the research achieving certain research, development and sales milestones. The Group is also eligible for undisclosed royalties on net sales. No income has been recognized in the half years ended June 30, 2010 and 2009.

Merck Sharp & Dohme Research Ltd.
On November 30, 2007, the Group executed a research collaboration and license agreement with Merck Sharp & Dohme Research Ltd, a fully owned subsidiary of Merck & Co., Inc., which included an initial research period of two years. In accordance with the agreement, Merck has acquired an exclusive worldwide license to develop mGluR4PAM compounds for the treatment of human health. Under the agreement, Merck made a USD3,000,000 up front payment in 2007 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. On November 30, 2009, the agreement was amended and the initial research period of two years was extended for an additional year until November 30, 2010. Under the amendment, Merck will make quarterly research payments amounting to USD1,800,000. During the six-month period ended June 30, 2010 total fees and research funding of CHF1,056,025 (six-month period ended June 30, 2009: CHF1,018,538) has been recognized as income and at June 30, 2010, CHF106,958 (June 30, 2009: CHF848,781) has been recorded as deferred income.

Ortho-McNeil-Janssen Pharmaceuticals Inc.
On December 31, 2004, the Group entered into a research collaboration and license agreement with Ortho-McNeil-Janssen Pharmaceuticals Inc. (OMJP). In accordance with this agreement, OMJP has acquired an exclusive worldwide license to develop mGluR2PAM compounds for the treatment of human health. The Group is eligible for future payments contingent on the products from the research achieving certain development milestones. The Group is also eligible for low double digit royalties on net sales. Under the agreement, OMJP made a EUR1,000,000 (CHF1,510,100) milestone payment that has been recognized as income in June 2009. No income has been recognized under this agreement in the first half year of 2010.

12. Other income

	Six Months Ended	
	June 30, 2010	June 30, 2009
Research grants…………………………………..	—	42,375
Insurance recovery………………………………..	—	245,354
Research tax credit……………………………….	1,643,717	—
Total other income	**1,643,717**	**287,729**

As at June 30, 2009, the Group recognized CHF42,375 of grant from the European Community and CHF245,354 of insurance recovery as other income. In 2010, the Group recognized CHF1,224,555 (EUR844,220) of research tax credit which was granted and settled by the French tax authorities in respect of Addex Pharmaceuticals France R&D expenditures in 2009 and CHF419,162 (EUR288,974) of research tax credit receivable from the French tax authorities in respect of Addex Pharmaceuticals France R&D expenditure made in the six-month period ended June 30, 2010.

for the first half of 2010 (amounts in Swiss Francs) (unaudited)-(Continued)

13. Operating expenses by nature

	Six Months Ended	
	June 30, 2010	June 30, 2009
Staff costs……………………………………...	8,935,108	9,707,021
Depreciation and amortization…………………...	1,493,645	1,370,605
External research and development costs………...	2,892,804	4,640,639
Laboratory consumables………………………….	2,473,938	2,578,653
Operating leases…………………………………..	1,339,662	1,191,473
Other operating expenses………………………...	2,840,119	3,237,666
Total operating expenses……………………….	**19,975,276**	**22,726,057**

14. Finance income and costs

	Six Months Ended	
	June 30, 2010	June 30, 2009
Interest income…………………………………...	48,937	187,366
Other financial income…………………………...	—	43,660
Unrealized foreign exchange (loss) / gain, net…...	(35,716)	85,618
Finance result, net………………………………	**13,221**	**316,644**

15. Loss per share

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

	Six Months Ended	
	June 30, 2010	June 30, 2009
Net loss attributable to equity holders of the Company………………………………………….	(17,262,313)	(19,593,046)
Weighted average number of shares in issue…….	5,740,774	5,735,554
Basic loss per share……………………………...	**(3.01)**	**(3.42)**
Fully diluted weighted average number of shares in issue……………………………………………	5,740,774	5,735,554
Diluted loss per share…………………………...	**(3.01)**	**(3.42)**

The Company has one category of potential dilutive common shares: equity incentive plans, including share options and equity sharing certificates. As of June 30, 2010, share options and equity sharing certificates have been ignored in the calculation of the diluted loss per share, as they would be anti-dilutive.

16. Events subsequent to June 30, 2010 balance sheet date

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