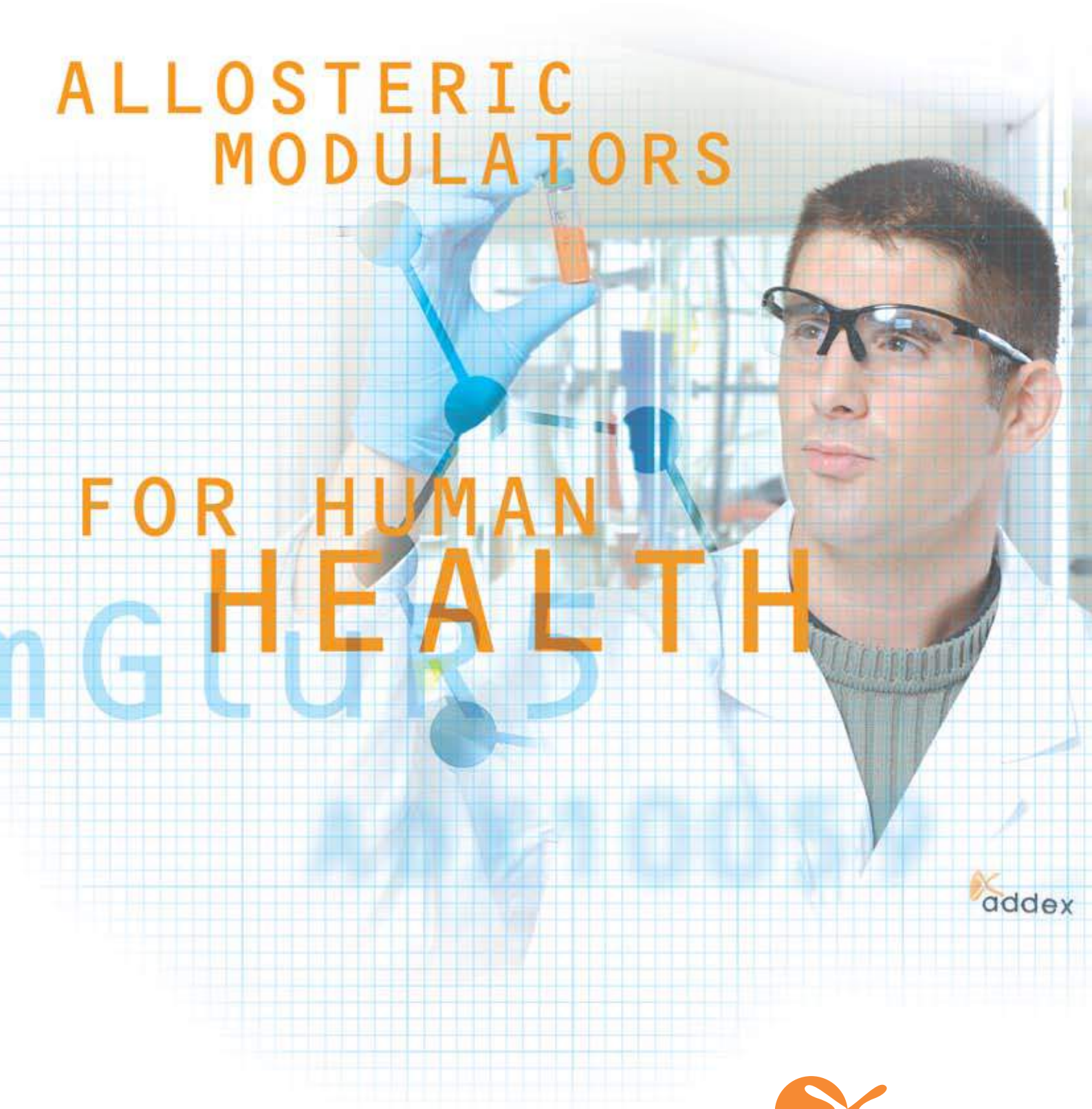
BRINGING RESEARCH TO LIFE



addex
Pharmaceuticals

Key Facts

Addex Pharmaceuticals

Headquarters:
Plan-les-Ouates, Geneva, Switzerland

Total employees as of Dec 31, 2008:
135

Goal:
Allosteric modulators for human health

Disease areas:
CNS, Metabolic & Inflammation

Lead product:
ADX10059 in Phase IIb testing
for GERD and migraine prevention

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

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

Shares outstanding as of Dec 31, 2008:
5,862,492

Cash as of Dec 31, 2008:
CHF120 million

Contents

Dear Shareholders

André J. Mueller
Chairman

Dr. Vincent Mutel
Chief Executive Officer

2008 has been a year of significant progress for Addex. We started the year by establishing a major deal with Merck & Co., Inc. (Merck), worth up to $702 million in up front, milestones plus royalties, and then advanced our lead product, ADX10059, into Phase IIb testing for both migraine prevention and gastroesophageal reflux disease (GERD). At the same time, we significantly grew our capabilities, finishing the year with 135 employees, up from 79 at the end of 2007. We think these achievements, coupled with progress in expanding our allosteric modulator discovery platform to address targets in inflammation and metabolic disorders, have allowed us to extend our leadership position in the allosteric modulation field, which is enjoying increasing visibility.

We thank you for your continued support during the extraordinarily difficult conditions that presented in the global financial markets in 2008. Although our stock finished the year down 3.7%, it significantly outperformed the major biotech indices in the U.S. and Europe. Even in light of our increased confidence and the improved fundamentals of our business, as any responsible board and management must do in the face of current market conditions, we have reduced our planned spending and are seeking alternative sources of financing in order to insulate Addex from the current constrained capital environment. To this end, we are focusing our efforts on reaching the most important value inflection points across our product portfolio and bringing forward collaboration discussions to ensure our products meet the needs of patients with minimum delay.

During 2008, we added substantial value to our lead product, the metabotropic glutamate receptor five (mGluR5) negative allosteric modulator (NAM), ADX10059, by developing a modified release (MR) formulation. ADX10059 MR completed two Phase I clinical trials in 2008, showing greatly improved tolerability while its desirable activity in humans was maintained. The bottom line is that these trials, outlined in more detail later in this report, show that ADX10059 MR has a greater opportunity than it otherwise would have had.

At the end of 2008 we initiated three Phase IIb trials of ADX10059 MR, two in GERD patients and one in migraine patients. As you can imagine, we are very excited to see the data from these studies as they will provide critical information with regard to the potential value of ADX10059 for patients. The data from both GERD studies are expected during the second half of 2009; the migraine study will report data in the first half of 2010. ADX48621, a second mGluR5 NAM, completed Phase I testing and preparations are under way to begin a Phase IIa proof of concept study in patients with Parkinson's disease levodopa induced dyskinesia (PD-LID).

In addition, we are looking forward to finding a partner that can help us develop ADX10059 in multiple indications, including GERD, migraine, Parkinson's disease and potentially others like Fragile X syndrome, pain, depression and chronic forms of anxiety.

Although cost cutting requires making sacrifices, we have focused cuts on the areas least likely to impact shareholder value in the near-to-medium term, thereby ensuring our ability to compete in the long-term. In other words, we will continue our planned spending on the highest priority projects including ADX10059 and ADX48621 and accelerate partnering for others including our FSH NAM, adenosine A3 antagonist, mGluR2 NAM and mGluR7 NAM programs.

Even in the absence of future revenues from new partnerships, the measures we have taken will stretch our significant cash position, CHF120 million at December 31, 2008, through early 2012 instead of early 2011, as we had planned prior to the financial crisis.

The future of Addex depends on our continued ability to discover and develop products like ADX10059 or the mGluR5 positive allosteric modulator (PAM) program, which we licensed in January to Merck for $22 million up front and up to $680 million in milestones plus royalties. Therefore, Addex will maintain its investment in maturing programs like the GABAB PAM, ADX71943, which is in late preclinical development and has potential for treatment of pain, urinary incontinence and GERD, as well as our GLP-1 PAM program, which is in lead optimization with potential for type II diabetes.

We will continue to adapt and broaden the use of our allosteric modulator discovery platform for targets in CNS, metabolic disorders and inflammation. In addition, we will continue to build and leverage our knowledge of allosteric modulators in new ways, including addressing non-G-protein coupled receptor (GPCR) targets.

We are pleased to see the allosteric modulator approach and our choice of therapeutic targets achieving greater visibility. The subject of allosteric modulation is increasingly discussed at academic conferences, where our scientists often are invited to speak. In the last 18 months The Michael J. Fox Foundation granted academic researchers funding to discover allosteric modulator drugs targeting mGluR4 for Parkinson's disease and Eli Lilly disclosed clinical validation of mGluR2 activation in schizophrenia.

Perhaps more importantly, a race to bring an mGluR5 inhibitor to market has reached the public eye as two large pharma, Novartis AG and AstraZeneca plc, disclosed that they also have mGluR5 inhibitors in Phase II clinical development. In addition, our pharma competitors have introduced new indications where mGluR5 inhibition is a clinically relevant approach, including Parkinson's disease and diabetic neuropathic pain. This news increases the potential value of our mGluR5 inhibitor franchise for our shareholders.

We would like to thank our partners Ortho-McNeil-Janssen Pharmaceuticals, Inc. (a Johnson & Johnson company), and Merck for the progress made to date on our partnered programs. Specifically, J&J for the selection of a development candidate, ADX71149, in the mGluR2 PAM program and Merck for the achievements made with us in the mGluR4 PAM collaboration, which is making good progress in lead optimization.

Finally, we thank our staff for their hard work and dedication to our common objective of developing allosteric modulators for human health.

André J. Mueller
Chairman

Dr. Vincent Mutel
Chief Executive Officer

2008 Milestones

Jan 03 Merck & Co., Inc. (Merck) buys preclinical mGluR5 PAM program for schizophrenia for $22 million up front, $680 million in potential milestones plus royalties. Deal demonstrates the value of innovation and is heralded as the best validation of the Addex allosteric modulator discovery platform to date since Merck had done much of the preclinical research discovering the potential utility of the mGluR5 PAM mechanism in schizophrenia.

Feb 25 Addex and Merck researchers achieve the first preclinical milestone just three months after signing a separate deal to make mGluR4 PAM drugs for Parkinson's disease in late 2007.

Apr 18 Raymond Hill, neuroscientist and retired executive director of licensing for Merck & Co., Inc., joins Addex board of directors.

Apr 24 Addex hosts its first R&D day, announcing expansion of allosteric modulation capabilities into metabolic disorders and inflammation.

Jun 04 Development of two ADX10059 modified release (MR) formulations completed. Phase I clinical testing of ADX10059 MR initiated.

Jul 28 Addex announces maiden profit in 1H08, thanks to revenues from the licensing of the mGluR5 PAM program to Merck.

Sep 10 Phase I data show that ADX10059 MR is better tolerated while retaining its activity in humans.

Dec 2, 17 ADX10059 starts Phase IIb testing in GERD as a monotherapy and as an add-on to proton pump inhibitors in two separate trials.

Dec 17 ADX10059 starts Phase IIb testing for migraine prevention in patients with frequent migraine attacks.

Dec 31 Addex completes year with 135 staff, additional allosteric modulator capabilities and strong cash position of CHF 120 million.

Jan 2009 ADX48621 completes Phase I testing. Preparations to start a Phase II study in Parkinson's disease levodopa induced dyskinesia (PD-LID) initiated.

Allosteric Modulator Pipeline

PAM = positive allosteric modulator
NAM = negative allosteric modulator
***& UNDISCLOSED INDICATIONS**

The Race to Market an mGluR5 Inhibitor

ADX10059 is a metabotropic glutamate receptor five (mGluR5) negative allosteric modulator (NAM). This orally available small molecule drug candidate, which is highly specific for mGluR5, was discovered at Addex in 2003.

The mGluR5 has been shown to be involved in the underlying mechanisms for GERD and migraine. Specifically, ADX10059 demonstrated efficacy in separate Phase IIa trials with GERD and migraine patients in 2007.

Addex has completed Phase I testing of another of its proprietary mGluR5 NAM, ADX48621, and plans to develop it for Parkinson's disease levodopa induced dyskinesia (PD-LID).

In 2008, another mGluR5 inhibitor, called AFQ056, from Novartis AG, achieved clinical proof of concept in Phase II testing in patients with PD-LID . Novartis disclosed that AFQ056 had achieved clinical proof of concept in Phase IIa testing in GERD patients, validating Addex' own Phase IIa GERD data. Novartis also said that AFQ056 was in Phase II testing for Fragile X syndrome, the leading cause of mental retardation in males.

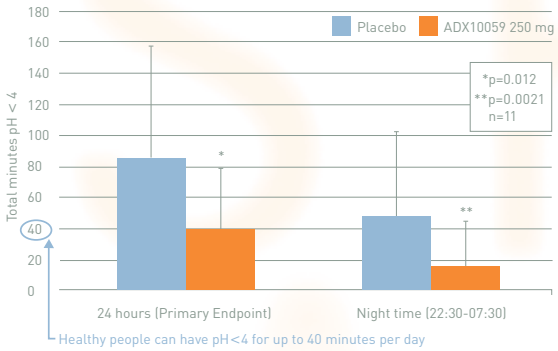
Separately, AstraZeneca plc began seven trials in 2008 and early 2009 of its own mGluR5 inhibitor, AZD2066, disclosing Phase I testing in multiple indications, including GERD, and Phase II testing for diabetic neuropathic pain.

Gastroesophageal Reflux Disease (GERD)

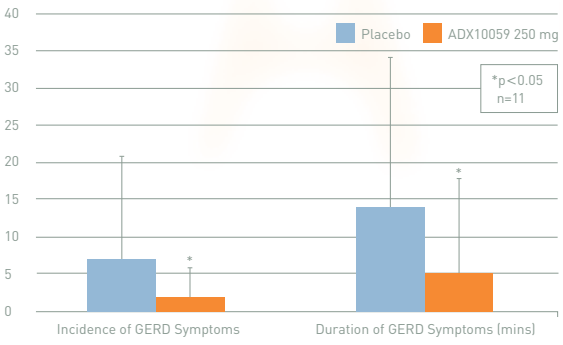
Data from Addex' Phase IIa trial, released in April 2007, showed that ADX10059 reduced the extent of esophageal acid exposure compared to placebo (Fig. 1). ADX10059 also reduced exposure of the esophagus to acid during the critical periods following meals, when GERD can be most troublesome and most resistant to marketed therapies. Most importantly, the benefits on the physiological measures of reflux were also observed as a reduction in clinical symptoms. Patients in the study reported that episodes of GERD symptoms were significantly reduced to about one third as frequent and one third as long when they received ADX10059 (see Fig. 2).

Although ADX10059 demonstrated clinically and statistically significant efficacy without raising red flags on safety parameters, some tolerability issues were observed in Phase IIa testing, including dizziness, drunk feeling and flushing.

(Fig. 1) Acidity

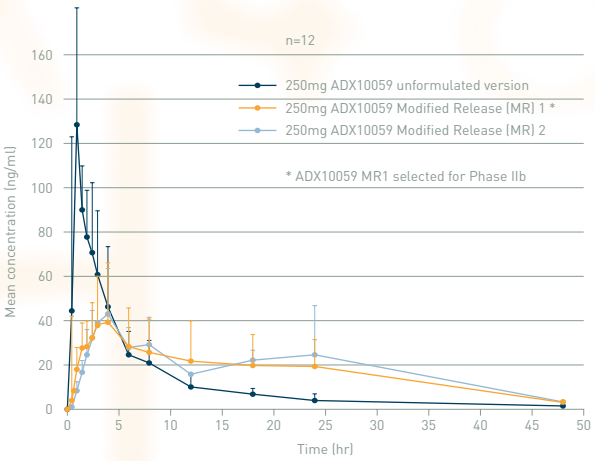


(Fig. 2) Patient reported symptoms



Based on the Addex hypothesis that the cause of these side effects was the rapid absorption of ADX10059, a modified release formulation to slow the rate of absorption was developed. This modified release formulation, ADX10059 MR, entered Phase I testing in the first half of 2008. In September 2008, Addex confirmed that ADX10059 MR performed as designed, slowing the rate of absorption, reducing peak plasma concentration levels and staying in the body longer than the unformulated version, allowing for twice daily (and potentially even once-daily) administration (see Fig. 3). By contrast, the original form of ADX10059 needed to be administered three times per day.

(Fig. 3) Rate of absorption (Study 104)



More importantly, no adverse events were observed with the 250mg ADX10059 MR even though seven of 12 subjects in the three-way crossover study (Study 104) experienced side effects like dizziness, feeling drunk and flushing when they received 250 mg of the original unformulated version of ADX10059.

Finally, in the second part of Study 104, ADX10059 MR showed clinically and statistically significant activity while its dramatically improved tolerability profile was confirmed. Efficacy was measured in 24 healthy volunteers using impedance/pH-metry after GERD was induced using a high fat, large volume meal. This human model of GERD is well established and considered predictive for GERD patients.

A separate Phase I study of ADX10059 MR (study 105) showed that neither food nor proton pump inhibitor (PPI) esomeprazole significantly altered the absorption of ADX10059. As in all previous studies, all safety monitoring parameters were unaffected by ADX10059 in both Phase I trials.

Doses for Phase IIb were selected and, in December 2008, Addex started two Phase IIb trials with GERD patients. The first two-week trial will compare placebo to 120 mg ADX10059 MR twice daily monotherapy in GERD patients who have been shown to respond well to PPIs but will not be using them in the trial. The second four-week trial will compare placebo to 50mg, 100mg or 150mg of ADX10059 MR in GERD patients who were having a partial response to PPIs and will continue to use them during the trial. Data from these two GERD studies are expected in the second half of 2009.

What is GERD?

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.

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

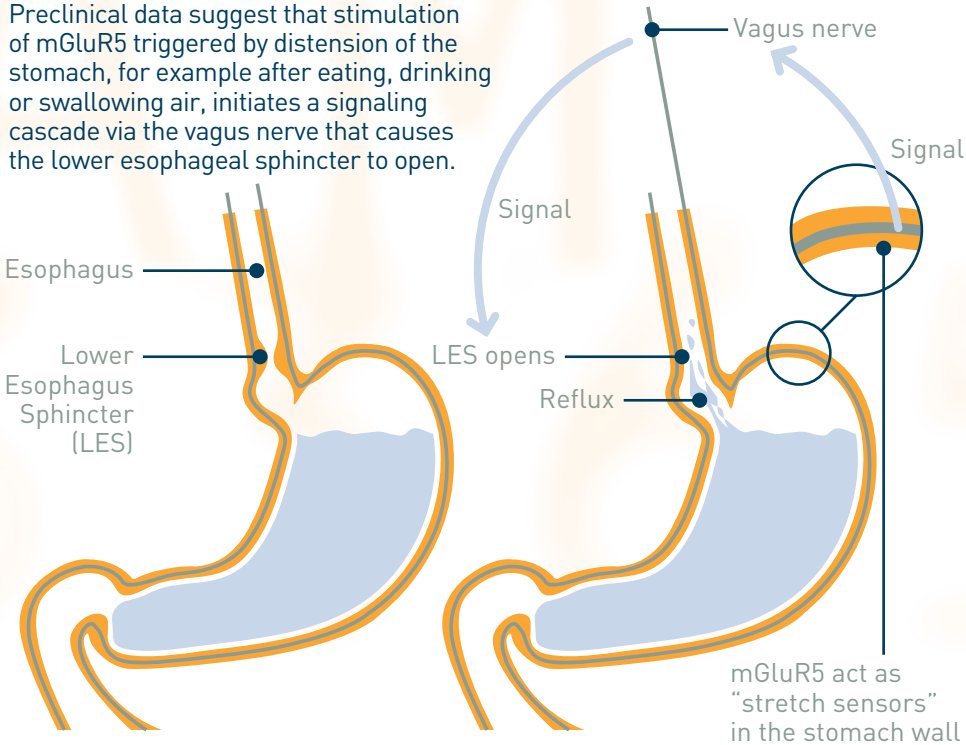
In the U.S., the current prevalence of GERD is estimated to be 15% of the adult population and in European countries the prevalence varies between 10% and 25%. The incidence of nocturnal GERD (i.e. GERD symptoms occurring at night) in the overall population is currently reported to be as high as 10%. 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 over $20 billion per year. PPIs and histamine H2 antagonists are the main treatments and are thought to represent 91% of all antacid and anti-ulcerant drug sales. Although acid suppressants have been commercially successful, studies indicate that GERD symptoms are not adequately controlled in 40% of treated patients, especially at night. Furthermore, PPIs have been shown to increase risk when used in combination with certain cardiovascular drugs.

Reflux inhibition

A drug that acts as a reflux inhibitor to normalize the function of the lower esophageal sphincter (LES) could address the cause of GERD in a way that no marketed therapy can. It has been shown in animals that mGluR5 NAM inhibit reflux because they reduce the overstimulation of mGluR5 in the gut, where mGluR5 are believed to act as "stretch sensors" that trigger reflux by participating in a signaling cascade that ends in opening the LES. Addex believes that studies of ADX10059 and AFQ056 in GERD patients suggest that this mechanism also is present in humans.

Preclinical data suggest that stimulation of mGluR5 triggered by 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.



Migraine Prevention

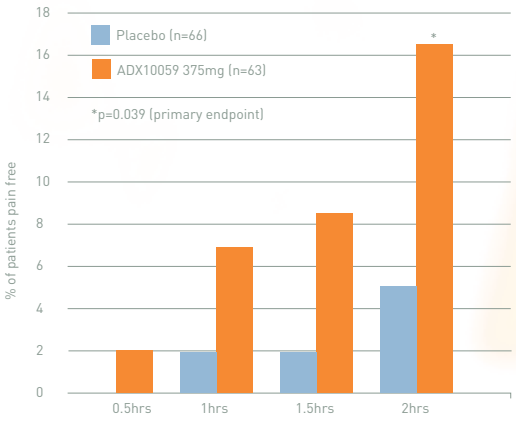
Migraine prevention is an important market opportunity for ADX10059. The leading prescription drug for migraine prevention, topiramate, comes off patent in 2009. Originally developed as an anti-epileptic, more than half of its sales are now thought to come from use in migraine prevention despite unpleasant side effects. Other generic anti-epileptics are used as migraine prophylactic agents but topiramate alone is estimated to bring in over $1billion per year in revenues from the migraine prevention indication. As such, Addex believes that ADX10059, if it is shown to be effective in migraine prevention trials, has an excellent chance of achieving blockbuster status in this indication.

Preclinical and anecdotal evidence in humans with drugs like ketamine, which act on glutamate receptors called NMDA receptors (which are functionally related to mGluR5), suggest that mGluR5 might play a role in the "migraine circuit," a positive feedback loop that leads to the symptoms of a migraine attack. These observations led Addex to hypothesize that ADX10059 might help migraine patients.

Despite the fact that prophylaxis was the most obvious application in this indication, Addex tested this hypothesis in the most cost-efficient manner. Thus, Addex ran a quicker, cheaper study to look at the acute effects of ADX10059 in migraine patients, as opposed to a longer, more expensive study examining its prophylactic effects.

In the 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 administration yielded better pain improvement than placebo at all time points up to two hours after treatment of a migraine attack. After two hours, patients were allowed to take "rescue" pain medications.

(Fig. 4)



The study described above suggests that mGluR5 inhibition can also play a role in stopping migraine attacks before they start. As a result, Addex initiated in December 2008, a Phase IIb trial to study ADX10059 as a prophylactic agent in migraine. The 12-week trial will compare placebo to 25mg, 50mg or 100mg of ADX10059 MR in migraine patients who suffer three or more attacks per month. Data from the migraine prevention trial are expected in the first half of 2010.

What is 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 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.

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 personal time to suffering caused by the disease. In the U.S., migraine is estimated to cost employers $13 billion annually in lost productivity, where prevalence of migraine is estimated at 12%.

Parkinson's Disease Levodopa Induced Dyskinesia (PD-LID)

There is increasingly convincing evidence that mGluR5 inhibition may prove to be a valuable new strategy for treating Parkinson's disease. In 2008, a competing experimental mGluR5 inhibitor from Novartis AG, AFQ056, achieved clinical proof of concept after Phase II testing in PD-LID. Thus, Parkinson's disease and PD-LID are opportunities for ADX48621 and/or ADX10059.

mGluR5 is found in regions of the brain considered to be key control points in the neuronal movement circuits. Perturbations in glutamate signaling (along with more commonly cited disruptions in dopaminergic signaling) are associated with movement disorders like Parkinson's disease.

Recent preclinical research in rodent and primate models show that mGluR5 inhibition alleviates LID. These clinical and preclinical data also suggest that mGluR5 inhibition may prove to be a dopamine sparing strategy, or even a standalone alternative to levodopa, the long-standing gold standard therapy for PD.

Separately, preclinical findings also suggest that mGluR5 inhibitors may be neuroprotective and may, therefore, hold potential to treat disease progression.

Addex announced early in 2009 that a modified release formulation of ADX48621, an mGluR5 NAM, has been shown in two separate Phase I studies to be safe and well-tolerated in healthy volunteers, including those over 50 years old.

What is PD-LID?

No therapy has been approved for PD-LID, which is a complication caused by dopamine-replacement therapy and characterized by a variety of hyperkinetic movements. Most PD patients develop LID after receiving levodopa for several years. Currently there are an estimated 1.2 million patients with PD-LID in the U.S.

PD is a degenerative disease of the brain that often impairs motor skills, speech, and other functions. It is estimated that 60,000 new cases are diagnosed each year in the U.S., where more than 1.5 million people currently have PD. While the condition usually develops after the age of 65, 15% of those diagnosed are under 50. PD affects both men and women in almost equal numbers.

Partnering at Addex

Because Addex is developing multiple products with blockbuster potential, we will be seeking large pharmaceutical partners who have clinical development and commercial expertise as well as the financial resources necessary to bring our products to patients as quickly as possible. Thus, partnerships allow us to accelerate product development while we generate near term revenues from out-licensing and also reduce risks associated with our pipeline. Addex is proud to have attracted two of the world's top ten pharmaceutical companies as its partners.

Johnson & Johnson

Addex established a collaboration in 2004 with Ortho-McNeil Pharmaceuticals, Inc., a J&J company, to discover and develop mGluR2 positive allosteric modulators (PAM) to treat anxiety and schizophrenia. In 2007 the collaboration came to a successful conclusion and J&J is now advancing the lead candidate ADX71149, an mGluR2 PAM, towards the clinic.

Activation of mGluR2 is a clinically validated strategy for treating anxiety and schizophrenia. An mGluR2/3 agonist from Eli Lilly & Co., has been shown to have efficacy in Phase II trials for anxiety; although it was later discontinued because of issues believed to be unrelated to the product's intended mechanism. Activation of mGluR2 has also been shown to be efficacious in multiple preclinical models of anxiety.

Separately, a Phase II clinical study published in *Nature Medicine* showed that a related Eli Lilly orthosteric agonist of mGluR2/3 improved symptoms of schizophrenia with efficacy similar to that of one of the leading marketed anti-psychotic drugs. Importantly, the same Phase II study showed that the mGluR2/3 agonist did not cause weight gain or extrapyramidal symptoms, which are side effects that can be associated with the use of the leading marketed drugs and that can contribute to a lack of compliance in some patients.

Under the deal with J&J, Addex has received EUR7.2 million in the form of an up front payment and research funding since the deal was established. Addex is eligible for undisclosed development milestones and royalties on product sales.

Merck & Co., Inc.

Addex has established two different deals with Merck. The first, similar to the J&J deal, is a discovery collaboration to identify mGluR4 PAM to treat Parkinson's disease and other undisclosed indications. Under the second deal Merck has licensed mGluR5 PAMs in preclinical development, and is developing them for schizophrenia and other undisclosed indications.

mGluR4 PAM

Addex established a collaboration in December 2007 with Merck to discover and develop mGluR4 PAM to treat Parkinson's disease.

Under the terms of the agreement, Addex received $3 million up front and is eligible for up to $167.5 million in additional development and regulatory milestones, plus royalties on product sales.

This deal is a strong validation of the Addex allosteric modulation platform because, prior to the deal, Merck researchers had been among those who had published research showing that mGluR4 activators, like those in development by Addex and Merck, could work via two distinct mechanisms to alleviate symptoms of Parkinson's disease and, potentially, even slow the progression of the disease.

Despite Merck's expertise and resources, Addex was able to offer chemistry and skills that Merck wanted. Because researchers at each company have complementary expertise and resources the deal was structured initially as a collaboration, with Merck taking full responsibility for later development. Just three months after establishing the deal, Addex and Merck scientists working together achieved the first preclinical milestone.

mGluR5 PAM

ADX63365 was a clinical candidate at Addex when Merck won a competitive auction for the rights to develop the product, announced in January 2008. From day one, Addex had no continuing involvement in the development of ADX63365 or its backups, all of which were transferred to Merck. Because of the uniqueness and nature of Addex' mGluR5 PAMs the financial terms of this deal are exceptional - $22 million up front and $680 million in additional milestones plus royalties – and are more typical of those seen for products in mid stage clinical development.

Much like in the mGluR4 PAM deal, Merck's prior research demonstrating the therapeutic potential of an mGluR5 PAM made them the ideal partner.

Building on Success

Since inception in 2002, Addex has established a leading position in allosteric modulator discovery and development. To do this, Addex has developed highly specialized biological systems for identification and selection of high affinity, orally active small molecule allosteric modulators. In addition, Addex has assembled a growing chemical library of over 70,000 compounds with a strong bias towards molecules with the characteristics of allosteric modulators.

The allosteric modulator library and unique high-throughput detection systems have enabled Addex to build, in only six years of operation, what it believes to be the largest clinical and preclinical portfolio of proprietary allosteric modulator compounds. Addex is continually running new screenings to find allosteric modulators against targets selected for their clinical and commercial potential. Furthermore, Addex believes that its lead compound, ADX10059, is the most advanced mGluR5 allosteric modulator worldwide.

The pipeline shows that Addex' discovery capability is repeatedly delivering viable, well differentiated products. The partnerships established with J&J and Merck speak to the exceptional value of Addex' products and capabilities.

Addex is seeking the right partner for its mGluR5 NAM franchise, which has potential in multiple blockbuster indications (see pp. 9-13).

Addex also is looking to partner certain preclinical programs, including: FSH receptor NAM, with potential in contraception and osteoporosis; Adenosine A3 antagonist, with potential in glaucoma; mGluR2 NAM, with potential in Alzheimer's disease and depression; and mGluR7 NAM, with potential in depression and post traumatic stress disorder.

Necessity is the Mother of Invention

What are glutamate receptors?

Glutamate receptors are proteins that sit on the surface of neurons and relay information when the neurotransmitter glutamate binds them. Glutamate binds to many different types of receptors and is involved in many different normal functions. One specific family of glutamate receptors is called the metabotropic glutamate receptors, or mGluRs. There are eight subtypes of mGluR, called simply mGluR1, mGluR2, mGluR3, etc. Each mGluR is thought to have distinct functionality, though some have overlapping functions. Glutamate has other receptors, including the NMDA receptors, AMPA receptors, kainate receptors and others.

What diseases do drugs selectively targeting mGluR have the potential to treat?

mGluR2 NAM:
Alzheimer's disease, depression

mGluR2 PAM:
anxiety & schizophrenia

mGluR4 PAM:
Parkinson's disease

mGluR5 NAM:
GERD, migraine, Parkinson's disease, anxiety, depression, pain, Fragile X syndrome, addiction

mGluR5 PAM:
schizophrenia
cognitive impairment

mGluR7 NAM:
depression, post traumatic stress disorder

The Glutamate Necessity

Throughout history some of the most important inventions have sprung up out of the need to overcome seemingly impossible problems. In this way, the industrialization of tools to discover and develop allosteric modulators has grown out of the need to find new and better treatments for important human diseases. The challenge has been to find a new alternative for targeting the mechanisms leading to disease – especially those which have frustrated the abilities of drug makers. One such problem, which has been facing scientists since the 1980s, was a difficulty finding drugs that can regulate glutamate signaling in the human body.

Glutamate is the most important neurotransmitter in the human body. Neurotransmitters are chemicals used to relay signals in the brain and in the peripheral nervous system, thereby controlling normal and higher brain function. Although glutamate signaling has been notoriously complicated to influence, other neurotransmitters, like dopamine and serotonin, are targeted by some of the most important drugs available today.

Specifically, dopaminergic drugs, like olanzapine and risperidone, are used to treat schizophrenia and these two products achieved worldwide sales of over $10 billion in 2008. Serotonergic drugs including "SSRI" antidepressants have achieved similar revenues.

Despite – or perhaps because of – the fact that glutamate is the most important neurotransmitter in the human brain it has been more difficult to modulate. This is because widespread perturbations in glutamate signaling can cause dangerous side effects, like seizures or stroke. Nevertheless, some of the biggest and most respected names in the pharmaceutical industry have persisted over more than two decades with the goal of finding drugs that can safely modulate glutamate signaling.

Relatively few products targeting ion channel family glutamate receptors like the NMDA receptor, the AMPA receptor and kainate receptors have been shown to provide a benefit for patients. However, another class of glutamate receptor, capable of modulating glutamate signaling in a more subtle fashion, has been intensely studied and considered to have exciting therapeutic prospects since the 1980s.

This so called metabotropic glutamate receptor (mGluR) family, with eight known subtypes, mGluR1-8, has resisted most classical drug discovery methods because it has been nearly impossible to target individual mGluR subtypes. Despite the bottleneck for identifying subtype selective molecules, research on each of the subtypes has continued and important knowledge about therapeutic applications for mGluRs has accumulated, including which diseases each receptor subtype may be implicated in.

Why make drugs for specific glutamate receptors?

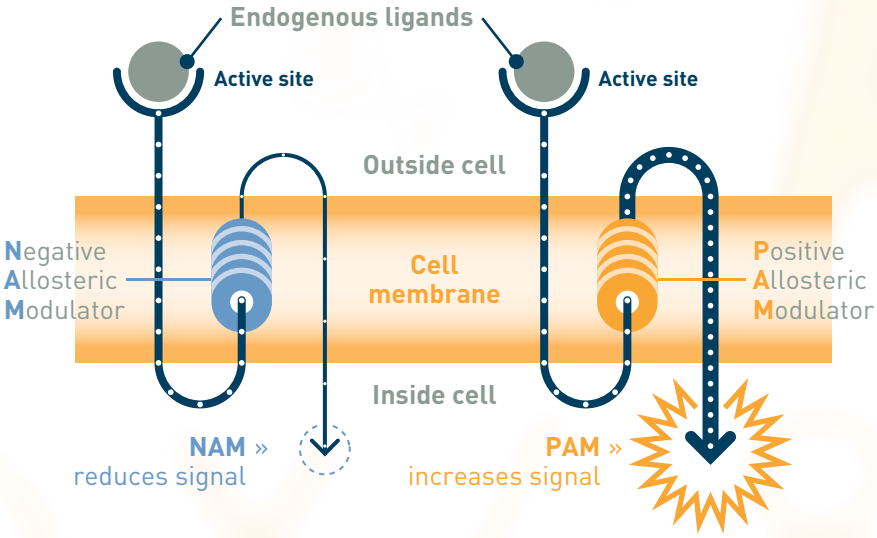
Since glutamate is involved in so many normal processes, it is important not to target glutamate itself or perturb all glutamate receptors with a drug because significant side effects would result. Thus, in order to avoid side effects, it is important that drugs be developed with the goal that they only modulate certain specific activities of glutamate that are known to be implicated in a disease. One way to do this is to target specific glutamate receptors. For example, research has shown that it is desirable for a number of diseases to modulate mGluR5 without having any impact on the functioning of other mGlu receptors. Researchers in big pharma have been trying to target receptors like mGluR2 and mGluR5 for more than 20 years with very limited success.

Why is it hard to modulate mGluR with drugs?

Most companies have tried to target mGluR by making analogs of glutamate. The first inherent limitation with this approach is that it's difficult to make a subtype selective drug when the point of departure is a molecule (i.e. glutamate) that binds all the receptor subtypes. The second inherent limitation is that by using glutamate analogs industry was targeting a site on the mGlu receptors – termed the "active site" - that has been highly conserved; in other words, because the active site must bind glutamate, it has been forced to remain very similar across all glutamate receptor subtypes despite many thousands of years of evolution. By contrast, other parts of mGlu receptors experienced less evolutionary pressure. As a result, molecules that bind these unique "allosteric" sites are more likely to successfully discriminate between receptor subtypes.

A Good Fit: mGluRs & Allosteric Modulation

Orthosteric agonists and antagonists (not shown here) compete for the same "active site" targeted by natural activators, called endogenous ligands.



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

In order to target specific mGluR subtypes, researchers turned to a little known class of drug-like molecules called allosteric modulators. Most marketed drugs are "orthosteric" which means that they bind receptors where the body's own natural molecular activators (i.e. endogenous ligands) bind, specifically to a key part of each receptor's anatomy called the "active site". As such, orthosteric drugs must out-compete endogenous ligands for the active site. The active site on closely related receptors, like mGluR1-8, is often highly conserved because, in the end, although the receptor subtypes may have evolved different functions, they all still bind the same ligand, in this case glutamate.

In contrast to orthosteric ligands, allosteric modulators bind receptors at a different site – one away from the active site – and modify receptor function when the endogenous ligand is binding the active site. Thus allosteric binding is non-competitive.

Because allosteric modulators bind at a different site on their target than classical orthosteric drugs the thinking is that it should be easier to make subtype selective allosteric modulators than subtype selective orthosteric drugs. Although some academic and large pharma researchers began to explore the allosteric approach in the late 1990s, the last hurdle was the lack of appropriate discovery and development tools to find allosteric modulators. Technical challenges, especially the industrialization of discovery, lead optimization and medicinal chemistry tools, prevented drug makers from approaching this class of molecules.

What are some other uses for allosteric modulators?

Allosteric modulators may one day be used to successfully target some receptors that small molecule drugs have difficulty targeting. For example, Addex is moving positive allosteric modulators of GLP-1 receptor into lead optimization. Although peptides targeting GLP-1 receptor exist, they are only available as injectable drugs – a well known limitation of peptide and protein therapeutics – making them less patient friendly. Perhaps more importantly, peptide and protein therapeutics are expensive to make. In most cases, small molecule allosteric modulators are expected to be orally available and significantly cheaper to manufacture than peptide and protein drugs. In addition, there is a chance that the allosteric mechanism can offer benefits in terms of side effects and / or efficacy over traditional orthosteric agonists that bind to the receptor's active site. The GLP-1 receptor is just one of many similar opportunities for allosteric modulators.

Addex has pioneered the industrialization of tools for allosteric modulator discovery and development. To do this, Addex has built a proprietary library biased towards allosteric modulators, containing over 70,000 compounds. In addition, Addex has created screening tools capable of direct detection of allosteric modulators - no small feat since allosteric modulators often do not trigger receptor activity.

What's Next?

Through its pipeline and partnerships Addex has demonstrated that it holds a leadership position in the ongoing industrialization of allosteric modulator discovery tools. While proof of principle for the discovery platform has been achieved with the mGluRs, Addex is expanding the platform into exciting new areas.

Addex has identified allosteric modulators of the GABAB receptor, the follicle stimulating hormone (FSH) receptor and the glucagon like peptide-1 (GLP-1) receptor. As a result, Addex has shown it can adapt these tools to address an entire class of receptors called G-Coupled Protein Receptors (GPCRs) – which includes the mGluRs and the other receptors mentioned above.

Addex has also begun to expand the platform even more broadly to other kinds of receptors for which only injectable protein or peptide therapeutics have been developed to date. To this end, Addex has established discovery units focused on allosteric modulators in the fields of inflammation and metabolic disorders, which are expanding the platform to target non-GPCR receptors.

Although Addex is the most visible player in the allosteric modulation space and widely recognized as a leader, Addex is not alone. Allosteric modulators are moving through the pipelines of multiple biotech and pharma competitors in a variety of blockbuster indications. Addex, academic and industry researchers agree that the technology has broad potential to offer improved R&D productivity for pharma as well as to offer paradigm shifting therapeutics for patients.

Frequently Asked Questions

What is Addex' key selling point?

Addex has established a first mover advantage in the field of allosteric modulation of GPCRs, a field enjoying increasing visibility. Allosteric modulation is a potential paradigm shift in drug therapy that has the potential to address unmet medical needs in many human diseases. Addex already has discovered and rapidly developed in-house a portfolio of allosteric modulator drug candidates and has scaled up its discovery and development platform in order to continue delivering new programs at an even faster rate in the future.

What is so special about Addex' technology?

Addex has pioneered the development of biological screening tools to find allosteric modulators and built a chemical library biased towards allosteric modulators. It is the combination of these tools with our unique library which has allowed Addex to find compounds where others have failed. The financial terms of our partnerships with Merck & Co., Inc., and Johnson & Johnson show that our work is highly valued by some of the best pharma companies in the world.

Why has Addex targeted the mGluRs?

Imbalances in glutamate signaling have been shown to play a role in a significant number of diseases with unmet medical needs. Drugs specifically targeting mGluRs are believed to be a promising therapeutic approach. Indeed, drug makers have been trying to make subtype selective drugs targeting mGluRs for about a quarter of a century with very limited success. Addex postulated in 2002 that the best way to make absolutely selective drugs for mGluRs is through an allosteric modulator approach. For Addex, its portfolio of drugs targeting mGluRs is just the first step in bringing allosteric modulation to the larger field of GPCRs and other types of receptors, including peptide receptors.

How much has it cost to build Addex to date?

Addex has raised a total of CHF243 million of equity capital, of which CHF106 million was raised in three private rounds from 2002 to 2006. An additional CHF137 million was raised through an IPO in May 2007. In addition, Addex has partnered three programs generating CHF40 million of cash inflows while shifting significant development costs to its partners.

How much cash does Addex have?

Addex closed 2008 with CHF120 million in cash on its balance sheet. This was at the upper limit of the guidance given prior to the deepening of the financial crisis. Addex began efforts to conserve cash in the second half of 2008.

How long can Addex continue operations without raising additional cash?

In February 2009, Addex informed the markets that it had enough cash to continue operations through early 2012. This guidance assumed limited headcount growth and no cash inflows from additional out-licensing activities.

Why slow down growth, won't it hurt Addex in the long run?

Due to the current constrained capital markets, Addex believes the reduction in planned growth and prioritization of the most important near-to-medium term value inflexion points across its portfolio is necessary to ensure its survival in the long-term. Addex is seeking partners for a number of programs earlier than previously planned in order to ensure that its portfolio of products continues to progress towards meeting the needs of patients with minimum delay.

Why was Addex profitable in 1H08 but not in 2H08?

Addex received a one-time up front cash payment when Merck & Co., Inc., licensed mGluR5 PAM in January 2008. Since Addex had no ongoing involvement in mGluR5 PAM development, IFRS required that the CHF 24.8 million up front payment be recognized as revenue in January 2008.

When will Addex reach profitability again?

Addex plans to out-license most of its products prior to their market launch and therefore may report profitable periods from time to time, as we did in 1H08. However, Addex cannot give guidance on the timing and frequency of deals or the financial terms. That said, Addex has a rich and growing pipeline of proprietary first in class products coming from its allosteric modulator discovery platform.


PLANNING
PRECISION

Financial Review 2008

Tim Dyer
Chief Financial Officer

Overview

The following review and discussion of our financial results for 2008 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 out-licensing of selected discovery and development stage programs.

In 2008, we out-licensed our mGluR5 PAM program to Merck & Co., Inc. (Merck). Under the agreement we received an up front fee of $22 million in January and are eligible for future milestones of $680 million and royalties on net sales. As a result, total revenues increased significantly to CHF26.9 million.

We made significant progress in our development portfolio with the successful completion of the modified release formulation work for ADX10059 and the initiation of Phase IIb testing of ADX10059 MR for both GERD and migraine prevention. We also completed the formulation development and Phase I clinical trials for ADX48621, readying this compound for Phase IIa testing in Parkinson's disease.

We made significant progress in both advancing our preclinical programs and strengthening our allosteric modulator discovery capabilities.

We effectively implemented our growth strategy, adding 56 staff and bringing on line 2000m2 of additional facilities during the year. Our average headcount increased to 106 full time equivalent employees in 2008, compared to 71 in 2007. At December 31, 2008, our headcount had reached 134.7 full time equivalent employees compared to 79.2 at December 31, 2007.

As a result, our research and development expenditure increased significantly to CHF44.2 million and we incurred CHF7.5 million of general and administrative expenses. We invested CHF6.1 million in property, plant and equipment and ended 2008 with a strong cash position of CHF119.5 million. We have significantly reduced our net loss to CHF22.1 million and cash burn to CHF20.5 million for the year mainly due to a significant increase in our revenues and stringent cost control. Despite the significant progress made, our share price closed the year down 3.7% with a share price of CHF38 giving us a market capitalization of CHF222.7 million.

Results of operations

The following table presents our consolidated results of operations for the fiscal years 2008 and 2007:

	2008	2007
	Amounts in millions of Swiss francs	
Revenues	**26.9**	**0.6**
Research and development expenses	(44.2)	(27.5)
General and administrative expenses	(7.5)	(10.8)
Total operating expenses	**(51.7)**	**(38.3)**
Operating loss	**(24.9)**	**(37.6)**
Net financial income	2.8	2.5
Net loss for the year	**(22.1)**	**(35.1)**

Revenues

Our 2008 revenues increased significantly to CHF26.9 million compared to CHF0.6 million in 2007, mainly due to CHF24.8 million received and recognized under the mGluR5 PAM out-licensing and to a lesser extent, CHF2.0 million recognized under our mGluR4 PAM collaboration, both of which are with Merck. The mGluR5 PAM agreement was entered into on January 2, 2008 and our continuing involvement is limited to representation on the joint development committee and consequently the up front fee of CHF24.8 million was recognized in January 2008. The mGluR4 PAM agreement was entered into on November 30, 2007 and the up front fee of $3 million is being recognized over 24 months. The milestone achieved in February 2008 of $250 thousand is being recognized over the remaining term of the agreement and the annual technology access fee of $250 thousand is being recognized over 12 months from December 2008.

Research and development expenses

In line with the expansion of our R&D operations and our maturing product portfolio, R&D expenses increased by 61% to CHF44.2 million in 2008 compared to CHF27.5 million in 2007. Approximately 50% of 2008 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 ADX71943 and ADX68692. The remaining 50% of 2008 R&D expenses relate to investing in new and existing discovery programs including our Adenosine A3 Antagonist, mGluR4 PAM, GLP-1 PAM, mGluR7 NAM, mGluR2 NAM and other allosteric modulator discovery programs on undisclosed targets.

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

General and administrative expenses

G&A expenses amounted to CHF7.5 million for 2008, compared to CHF10.8 million for 2007, a decrease of 30% mainly due to the absence of IPO related costs of CHF5.7 million which have been partially off-set by the effects of a 71% increase in the Group's headcount. On a like for like basis (ie: excluding IPO related costs from 2007 G&A), G&A has increased by 48% driven mainly by strengthening of our business development, human resources and finance functions in line with growth in our R&D capabilities. G&A expenses consist primarily of staff costs, professional fees for legal, tax and strategic purposes and overheads related to general management, human resources, finance, information technology, business development and communication functions.

Net finance income

Finance income amounted to CHF3.3 million for 2008 compared to CHF2.6 million for 2007, a significant increase of CHF0.7 million mainly due to the increase in our 2008 average cash balance resulting from the net proceeds of our 2007 IPO. Finance expense increased to CHF0.5 million mainly due to exchange losses on translation of USD cash balances resulting in a net finance income of CHF2.8 million for 2008 compared to CHF2.5 million for 2007.

Net loss for the year

The net loss for the year decreased by 37% to CHF22.1 million for 2008 compared to CHF35.1 million for 2007 mainly due to significant increases in revenues compared to proportionally smaller increases in R&D expenses and a significant decrease in G&A expenses. Basic and diluted loss per share decreased by 45% to CHF3.85 for 2008 compared to CHF6.99 for 2007. It should be noted that the timing and financial terms of new licensing agreements and the timing of milestones under existing agreements will significantly influence the magnitude of our future net loss and cash burn.

Balance sheet & cash flows

We closed 2008 with cash and cash equivalents of CHF119.5 million compared to CHF140.0 million at the end of 2007. This decrease of CHF20.5 million is mainly due to the net cash used in operations of CHF43.0 million, capital expenditure cash outflows of CHF5.6 million off set by cash inflows from out-licensing agreements of CHF25.3 million and net finance income of CHF2.8 million. On a like for like basis, cash used in operations has decreased by 26% to CHF20.5 million for 2008 compared to CHF27.2 million for 2007 mainly due to significant increases in revenues.

In line with our growth strategy and expansion of our allosteric modulator discovery capabilities, we invested CHF6.1 million in property, plant and equipment during 2008 compared to CHF3.0 million in 2007, mainly related to the refurbishment of additional laboratories and acquisition of equipment. The net book value of property, plant and equipment increased by CHF4.0 million to CHF9.0 million at December 31, 2008.

At December 31, 2008, deferred income of CHF1.9 million, which relates to up front fees, achieved milestones and technology access fees received from Merck under our mGluR4 PAM collaboration, will be recognized during 2009.

Total shareholders funds have decreased to CHF119.0 million at the end of 2008 compared to CHF140.1 million at the end of 2007 mainly due to the net loss for the year.

Shareholder information

At December 31, 2008 the Company has 5,862,492 outstanding shares and a free float of 98%. Our 2008 closing share price and market capitalization were CHF38.00 and CHF222.8 million compared to CHF39.45 and CHF231.3 million in 2007, respectively.

Tim Dyer
Chief Financial Officer

Corporate Governance 2008

General information

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

Group structure

Description of Addex' operational group structure

Addex Pharmaceuticals Ltd (Addex or the Company) is the holding and finance company of the Group. Addex Pharma SA, based in Plan-les-Ouates, Geneva, 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 have been listed on the SIX Swiss Exchange since May 21, 2007 under the Swiss security number (Valorennummer) 2985075. The ISIN is CH0029850754, the common code is 030039254 and the ticker symbol is ADXN.

At December 31, 2008, the market capitalization of Addex was CHF222,774,696.

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]	806 648	13.76%
Index Ventures II [2]	765 788	13.06%
TVM V Life Science Ventures[3]	705 726	12.04%
The Swiss Helvetia Fund[4]	314 860	5.37%
SR One Ltd[5]	293 125	5.00%
Varuma AG[6]	231 425	3.95%
Vincent Mutel, c/o Addex	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, Germany.

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

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

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

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

On March 13, 2008, The Swiss Helvetia Fund, Inc., informed of exceeding the threshold of 3%, holding a total of 288,360 shares, corresponding to 4.92% of the voting rights.

On May 22, 2008, Addex was informed by:

- Sofinnova Capital IV FCPR that it holds 806,648 shares, corresponding to 13.76% of the voting rights.
- Index Ventures II that it holds 765,788 shares, corresponding to 13.06% of the voting rights.
- TVM V Life Science Ventures that it holds 705,726 shares, corresponding to 12.04% of the voting rights.

- Polytechnos Venture Fund that it holds 242,474 shares, corresponding to 4.14% of the voting rights.
- Vincent Mutel that he holds 205,150 shares, corresponding to 3.50% of the voting rights.

The disclosure of shareholdings was triggered by the expiration of a lockup agreement on May 22, 2008 that also comprised 28 other shareholders each holding less than 3% of the voting rights.

On July 31, 2008, The Swiss Helvetia Fund, Inc., informed of exceeding the threshold of 5%, holding a total of 314,860 shares, corresponding to 5.37% of the voting rights.

On August 6, 2008, Varuma AG, informed of exceeding the threshold of 3%, holding a total of 231,425 shares, corresponding to 3.95% of the voting rights.

On September 25, 2008, SR One Ltd, informed of reaching the threshold of 3%, holding a total of 175,951 shares, corresponding to 3.0% of the voting rights.

On October 29, 2008, Polytechnos Venture Fund, informed of reducing to below the threshold of 3%, holding a total of 170,181 shares, corresponding to 2.90% of the voting rights. The Polytechnos Venture Fund comprises 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; Polytechnos Venture Fund II GmbH & Co. KG with its registered office at Huyssenallee 44, 45128 Essen, Germany; and Polytechnos Partners & Team GmbH with its principal office at Huyssenallee 44, 45128 Essen, Germany.

On November 11, 2008, SR One Ltd, informed of reaching the threshold of 5%, holding a total of 293,125 shares, corresponding to 5.0% of the voting rights

Cross-shareholdings

There are no cross-shareholdings.

Shareholder structure

There were 1,172 shareholders registered in the share register on December 31, 2008. The distribution of shareholdings is divided as follows:

Number of shares	Number of registered shareholders on December 31, 2008
1 to 100	412
101 to 1,000	638
1,001 to 10,000	85
10,001 to 100,000	27
100,001 to 1,000,000	10

The shareholder base on December 31, 2008 was constituted as follows:

Shareholder structure according to category of investors (weighted by number of shares)	
Private persons	16.12%
Institutional shareholders	63.32%
Not registered	20.56%

Shareholder structure by country (weighted by number of shares)	
Switzerland	26.81%
Germany	13.24%
France	16.24%
United Kingdom	9.65%
United States	10.26%
Other	3.24%
Not registered	20.56%

Capital structure

As of December 31, 2008, 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, 2008, Addex, directly or indirectly, held 126,938 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 par value of CHF 1 per share by the exercise of option rights which the employees or directors of the Company or a group company are granted according to respective regulations of the Board. 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 of 1,693,746 registered shares, which shall be fully paid-in, with a par value of CHF 1 per share by the exercise of option and/or conversion rights which are granted in connection with the issue of bonds, similar obligations or other financial instruments by the Company or another group company. In the case of the issue of bonds, similar obligations or other financial instruments linked with option and/or conversion rights, the pre-emptive right of shareholders is excluded. The holders of option and/or conversion rights are entitled to receive the new shares. The Board shall determine the terms of the option and/or conversion rights. The acquisition of registered shares through the exercise of option or conversion rights and the subsequent transfer of the registered shares shall be subject to the transfer restrictions provided in Article 5 of the Articles.

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

Changes in capital

There were no changes in capital during 2008. In 2007 and in view of the IPO, on the SIX Swiss Exchange, the Addex Group was reorganized. 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 CHF 3,987,492 divided into 212,000 common shares, 620,000 series A preferred shares, 1,472,838 series B preferred shares, 1,012,654 series C preferred shares and 670,000 non voting shares. All shares and non voting shares had a nominal value of CHF 1 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 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 CHF 3,987,492 divided in 3,987,492 fully paid-in registered shares, each with a nominal value of CHF 1. 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 CHF 2,900,000 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 certified a capital increase of CHF 1,875,000 through the issuance of 1,875,000 new registered shares.

For further information on changes in capital in 2008 and 2007, including changes in reserves, refer to the consolidated statements of changes in equity as well as note 15 of the consolidated financial statements and note 7 of the financial statements included in this annual report.

Shares, participation and profit-sharing certificates

Addex has only one class of shares, i.e. registered shares with a nominal value of CHF 1 per share. Each share is fully paid up and carries one vote and equal dividend rights, with no privileges. The Company has no outstanding participation certificates or profit-sharing certificates.

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

Limitations on transferability of shares and nominee registration

A transfer of uncertified shares is effected by a corresponding entry in the books of a bank or depository institution following an assignment in writing by the selling shareholder and notification of such assignment to Addex by the bank or the depository institution. A transfer of shares further requires that a shareholder 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, 2008, 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 joined the Board, position and directorship term, as well as committee memberships, of each member of the Board, all of whom except for Vincent Mutel are Non-Executive Directors, followed by a short description of each member's business experience, education and activities:

Name	First elected	Elected until	Board	CC	AC	NC
André J. Mueller	2007 (2002)[1]	2009	C	M		M
Vincent Mutel	2007 (2003)[1]	2010	V			
Andrew Galazka	2007 (2004)[1]	2010	M	M		C
Deborah Harland	2007 (2006)[1]	2011	M		M	M
Werner Henrich	2007 (2002)[1]	2009	M		M	
Raymond Hill	2008	2011	M			M
Beat E. Lüthi	2007	2010	M	C		
Antoine Papiernik	2007 (2002)[1]	2011	M	M		
Jacques Theurillat	2007	2010	M		C	

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

C Chairman
V Vice Chairman
M member

CC: Compensation Committee
AC: Audit Committee
NC: Nomination Committee

Biographies

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 Ltd (SIX:ATLN) and a board member of Synthes Inc. (SIX:SYST). He also is chairman of French cardiovascular disease startup company Cerenis Therapeutics. Mr. Mueller was closely involved in starting up Actelion, 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. Mr. Mueller started his career with CIBA Ltd and Sandoz (now Novartis) where he held a number of managerial positions in the Pharma, Plant Protection and Finance divisions both at headquarters in Basel and in the US. He was a Founding Partner and Director of Investments for Genevest, the first Swiss venture capital organization. He has a degree in Chemical Engineering from the University of Geneva and an MBA from INSEAD.

Vincent Mutel
Vice Chairman
& Chief Executive Officer

Dr. Mutel was born in 1958 and is a French citizen. Since co-founding Addex he has overseen the discovery and development of multiple products, including ADX10059, an internally discovered allosteric modulator, which is currently in Phase IIb clinical testing. During this time the Company signed drug development partnerships with Merck & Co., Inc. and Ortho McNeil Pharmaceuticals, a Johnson & Johnson company. He also oversaw the Addex IPO and three rounds of private financing totaling CHF243 million. At Roche, where he worked for 15 years, he coordinated the research activities of several laboratories involved in drug discovery and development as Head of the Pharmacology Group in the Central Nervous System Diseases Department. 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 Lectus Therapeutics Ltd, UK. He is a coauthor of over 60 research publications and co-inventor on over 20 patents for CNS drugs.

Andrew Galazka

Dr. Galazka was born in 1955 and is a Swiss and British citizen. Following a clinical career in the UK he joined the biotech industry over 25 years ago and has held a variety of senior management positions principally in drug development. He was appointed Senior Vice President and head of Autoimmune and Inflammatory Diseases at the newly formed Merck Serono, in January 2007. Prior to the acquisition of Serono by Merck, he held several senior management positions at Serono, most recently being SVP and head of New Therapies. In 2000 he played a key role in listing Serono's shares on the New York Stock Exchange (NYSE). During his first 10 years with Serono he directed the worldwide pre-clinical and clinical development of the company's main biotechnology drugs: Rebif, Gonal-F and Saizen. In the 1980s, he was director of clinical research at Biogen (Europe) and Glaxo (now GlaxoSmithKline). He received his medical degree (with distinction) from Cambridge University in 1978 following a degree in pathology and pharmacology. Since 2002 he has been a lecturer in the Executive MBA course of the EPFL (Swiss Federal Institute in Lausanne).

Deborah Harland

Dr. Harland was born in 1960 and is a UK citizen. She is a Partner with SR One, the venture capital arm of GlaxoSmithkline (GSK) and leads the firms investment activities in Europe. Dr. Harland is a member of the Board of Directors of Onyvax and Syntaxin and is an observer on the Board of 7TM Pharma. Prior to SR One, Dr. Harland was part of GSK's Worldwide Business Development team where she was responsible for sourcing and evaluating in-licensing opportunities in the CNS and Gastrointestinal therapeutic areas. Before moving to business development, Dr. Harland held positions of increasing responsibility within SmithKline Beecham's development organization covering clinical development, medical affairs, medical communications, medical marketing and business development support. She holds a BSc(Hons) in Pharmacology from the University of Bath, a PhD in Pharmacology from the University of London, and an MBA from Henley Management College.

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

Pharmaceutica Ltd (SIX: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. Mr Henrich is also a member of the Board of Directors of Actelion Ltd (SIX:ATLN) and Preglem SA. He also acts as a consultant for several biotech and pharmaceutical companies on a part-time basis. Mr. Henrich was educated as a chemist and as a European patent attorney.

Raymond Hill

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

Beat E. Lüthi

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

Antoine Papiernik

Mr. Papiernik was born in 1966 and is a French citizen. He is managing partner at Sofinnova Partners, which he joined in 1997. He started his career in Private Equity in the Caisse des Dépôts group, first with CDC Participations, then in its newly formed venture capital arm CDC-Innovation where he invested exclusively in life sciences. Since joining Sofinnova Partners, Mr. Papiernik has been an initial investor and board member of companies like Actelion and NovusPharma, and U.S. companies like Cotherix and Kosan. He also is a board member of Corevalve Diatos, EOS, Fovea, Lectus Therapeutics, Movetis, SpineVision and Stentys. Mr. Papiernik has an MBA from the Wharton School of the University of Pennsylvania.

Jacques Theurillat

Mr. Theurillat was born in 1959 and is a Swiss citizen. He is the CEO of Ares Life Sciences AG, a life science focused private equity fund and was 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 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. He also is a board member of CNHNV (Fiat Group), Galenica AG (SIX:GALN), Cellerix SA and Uriach SA. Mr. Theurillat has law degrees from Madrid University, holds a Swiss Federal Diploma (Tax Expert) and an MBA from Madrid School of Finance.

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

Elections and terms of office

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

Changes in the board of directors

At the shareholders meeting on April 17, 2008, Raymond Hill was elected as a new member of the Board for a term of three years and the term of office of Francesco De Rubertis and Alexandra Goll expired; they decided not to run for a further term.

Internal organization and areas of responsibility

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

Responsibilities of the board of directors

The Board is entrusted with the ultimate direction of the Company and the supervision of management. The Board's non-transferable and irrevocable duties include managing the Company and issuing the necessary directives, determining the organization, 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 of the Company. According to the current Organizational Rules enacted by the Board, resolutions of the Board are passed by way of simple majority vote. To validly pass a resolution, more than half of the members of the Board have to attend the meeting. No quorum is required for confirmation resolutions and adaptations of the Articles in connection with capital increases pursuant to articles 634a, 651a, 652g and 653g of the Swiss Federal Code of Obligations.

Chairman of the board of directors

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

Committees of the board of directors

The Board has three standing committees, the Audit Committee, the Compensation Committee and the Nomination Committee, that were operational during the year 2008. The tasks and responsibilities of these Committees are set forth in the Organizational Rules. These Committees make proposals to the Board in their areas of responsibilities while the resolutions are passed by the full Board.

Audit committee

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

The Audit Committee held two meetings during the year to review year 2007 full year financial statements and 2008 half year interim financial statements and to generally review legal and regulatory compliance matters.

Compensation committee

The Compensation Committee consists of the following members: Beat E. Lüthi (chairman), Andrew Galazka, André J. Mueller and Antoine Papiernik. The Compensation Committee assists the Board in compensation related matters. It provides the Board with recommendations on the compensation of the members of the Board and the Executive Management of the Group (the Executive Management), the policies for the compensation of the Executive Management and the Group's other employees and the basic principles for the establishment, amendment and implementation of incentive plans.

The Compensation Committee held two meetings in 2008 to review the 2007 achievements versus the planned corporate objectives and determination of the performance related bonus pool, the annual salary review process and recommendation of the CEO, option grants and remuneration of the Board. The CEO was present at a portion of all meetings.

Nomination committee

The Nomination Committee consists of the following members: Andrew Galazka (chairman), André J. Mueller, Deborah Harland and Raymond Hill. 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.

The Nomination Committee held three meetings during the year 2008 to review Board composition and nomination related matters, including identification, review and evaluation of candidates.

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 2008, the Board held five meetings with average duration of one half to two thirds of a day. All meetings were held at the Company's offices with virtually full attendance at all meetings. In addition to formal Board meetings, the Board holds additional ad hoc meetings or telephone conferences to discuss specific matters. The CEO is entitled to attend every Board meeting and to participate in its debates and deliberations with the exception of non-executive sessions.

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 chairman of each Board Committee reports to the full Board at the Board meeting following the relevant Committee meeting. Any resolutions on matters assigned to the Committees are taken by the Board on the basis of recommendations of the relevant Committee.

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 receives reports from the CEO, the CFO and selected members of the Executive Management on the status of finance, business, research and development. These reports focus on the main risks and opportunities related to the Group. In addition, 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 the 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 control risks arising as a result of their audit procedures. Addex does not have an independent internal audit function.

Executive management

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

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

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

Name	Year of birth	Position	Nationality
Vincent Mutel	1958	Chief Executive Officer	French
Tim Dyer	1968	Chief Financial Officer	British
Charlotte Keywood	1962	Chief Medical Officer	British
Sonia Poli	1965	Head of Pre-clinical Sciences	Italian
Emmanuel Le Poul	1969	Head of CNS	French
Laurent Galibert	1967	Head of Inflammation	French
Laurent Massuyeau	1966	Head of Business Development	French

Vincent Mutel
Vice Chairman
& Chief Executive Officer

Refer to page 28.

Tim Dyer
Chief Financial Officer

As co-founder of Addex, Mr. Dyer has completed the Addex IPO and three rounds of private financing, raising a total of CHF243 million. During this time, Addex has advanced an internally discovered allosteric modulator product into Phase IIb clinical testing and signed drug development partnerships with Merck & Co., Inc. and Ortho McNeil Pharmaceuticals, a Johnson & Johnson company. Prior to joining Addex he spent 10 years with Price Waterhouse & PricewaterhouseCoopers (PwC) in the UK, Ex-Soviet Union and Switzerland as part of the audit and business advisory group. Mr Dyer has extensive experience in finance and the building of start-up companies. He is a UK Chartered Accountant and holds a BSc(Hons) in Biochemistry and Pharmacology from the University of Southampton.

Charlotte Keywood
Chief Medical Officer

Dr. Keywood, who was a consultant for Addex Pharma SA from inception, formally joined Addex in 2004. She has overseen the development of ADX10059, which entered Phase IIb development in late 2008, and ADX48621, which completed Phase I development in early 2009. She has 15 years of experience in drug development and medical marketing across a broad range of therapeutic areas in the U.S. and Europe. During this time 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 U.S. biotechnology company Gensia. Dr Keywood is a cardiologist who completed her post-graduate training at St Thomas' Hospital, London.

Sonia Poli
Head of Non-Clinical Development

Dr. Poli, who joined Addex Pharma SA in 2004, has broad expertise in drug development from lead generation through to entry in man. At Addex she has overseen the transition of multiple products from discovery projects to clinical development programs, including ADX10059 and ADX48621. She worked from 1997 to 2004 in the drug metabolism and pharmacokinetics (DMPK) area at Roche, where she was a key inventor and global head of a multidimensional optimization approach for drug discovery and development and played an important role in selecting clinical candidates in CNS indications, including Alzheimer's disease, Parkinson's disease, bi-polar disorders and anxiety. Dr. Poli obtained her degree and doctorate in Industrial Chemistry at the University of Milan in 1993 and completed a post doctoral fellowship at the CNRS, in Paris, in the group of Prof. D. Mansuy in 1997. Dr. Poli is co-author of more than 25 research publications and patents.

Emmanuel Le Poul
Head of CNS Business Unit

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

Laurent Galibert
Head of Inflammation Business Unit

Dr. Galibert joined Addex in 2008 and has focused on adapting the allosteric modulation discovery platform for use with clinically validated targets in inflammation. From early 2008 to 2005 he was at Merck Serono, where he was senior staff scientist. From 1996-2005 he held successive research positions at Immunex Corp. (acquired by Amgen Inc.) and Amgen, where he cloned the receptor activator of nuclear factor kappa B ligand (RANKL) and co-authored the initial patent leading to the development of Amgen's denosumab, a monoclonal antibody against RANKL, which is in Phase III development for postmenopausal osteoporosis. From 1991-1995 Dr. Galibert was a PhD fellow at Schering-Plough. He received a PhD in biological engineering from the Centre Universitaire des Sciences et Techniques in Clermont-Ferrand, France in 1990. Dr. Galibert is co-author of 26 research publications and 8 patents.

Laurent Massuyeau
Head of Business Development

Mr. Massuyeau joined Addex in 2008 from Idenix Pharmaceuticals Inc., where he was executive director of European commercial operations. From 2004-2006 he was business unit director for Lilly, France, a division of Eli Lilly & Co., leading groups responsible for strategy, business development, alliance management, sales and marketing services as well as information technology. From 2002-2004 Mr. Massuyeau was manager corporate strategy & business development at Lilly's headquarters in Indianapolis. From 2000-2001, Mr. Massuyeau was sales manager for Lilly for the New England area in the U.S. Prior to that, beginning in 1995, he held a succession of positions in Europe for Lilly. From 1992-1995 he worked for animal health company Virbac Laboratories Ltd., managing sales in Europe and Asia. Mr. Massuyeau holds an MBA from INSEAD, graduated from Nantes Veterinary School as doctor of veterinary medicine, and holds a masters degree in biochemistry from University of Medicine Paris V.

Management contracts

There are no management contracts between Addex and third parties.

Changes in executive management

The Executive Management was increased from five to seven members in 2008 in accordance with changes in the Groups operating structure, which included the creation of separate therapeutic focused discovery units in CNS, inflammation and metabolic disease, and a business development function.

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 and an annual committee fee for each of the board standing committees for which they are member. Non-Executive Directors are also eligible to participate in the Company's share option plan.

Members of the Executive Management receive a base salary, as well as a variable bonus and share options. The bonus and the share 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 2008. 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 26 above and "Registration in the share register" on page 34 below.

Resolutions of shareholders' meetings generally require the approval of the simple majority of the votes represented at the shareholders meeting. Such resolutions include amendments to the Articles, elections of the members of the Board and statutory and group auditors, approval of the annual financial statements, setting the annual dividend, decisions to discharge the members of the Board and management for liability for matters disclosed to the shareholders' meeting and the ordering of an independent investigation into specific matters proposed to the shareholders' meeting.

A resolution passed at a shareholders' meeting with a qualified majority of at least two-thirds of the votes represented and the absolute majority of the nominal share capital represented at such meeting is required by law for: (i) changes to the business purpose; (ii) the creation of shares with privileged voting rights; (iii) restrictions on the transferability of registered shares; (iv) an increase of the authorized or conditional share capital; (v) an increase in the share capital by way of capitalization of reserves against contribution in kind, for the acquisition of assets or involving the grant of special privileges; (vi) the restriction or elimination of pre-emptive rights of shareholders; (vii) a relocation of the registered office, and (viii) the dissolution of the Company. Special quorum rules apply by law to a merger, demerger, or conversion of the Company. The introduction or abolition of any provision in the Articles introducing a majority greater than that required by law must be resolved in accordance with such greater majority.

Statutory quorums

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

Convening of shareholders' meetings and agenda items

The shareholders' meeting is the supreme institution of the Company and under Swiss law, the ordinary shareholders' meeting takes place annually within six months after the close of the business year. Shareholders' meetings may be convened by the Board or, if necessary, by the auditors. Furthermore, the Board is required to convene an extraordinary shareholders' meeting if so requested in writing by holders of shares representing at least 10% of the share capital and who submit a petition specifying the item for the agenda and the proposals. Shareholders representing Shares with a nominal value of at least CHF1,000,000 or 10% of the share capital have the right to request in writing that an item be included on the agenda of the next shareholders' meeting, setting forth the item and the proposal. A request to put an item on the agenda has to be made at least 60 days prior to the meeting. Extraordinary shareholders' meetings may be called as often as necessary, in particular in all cases required by law.

A shareholders' meeting is convened by publishing a notice in the Swiss Official 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 16, 2009 has been determined to be April 9, 2009.

Addex has not enacted any rules on the granting of exceptions in relation to these deadlines. No exceptions were granted in 2008, and the Board does not anticipate granting any exceptions related to the shareholders' meeting on April 16, 2009.

For further information on registration in the share register, please refer to section "Limitations on transferability of shares and nominee registrations" on page 26 above.

Changes of control and defense measures

Duty to make an offer

Swiss law provides for the possibility to have the Articles contain a provision which would eliminate the obligation of an acquirer of Shares, exceeding the threshold of 33 1/3% of the voting rights, to proceed with a public purchase offer (opting-out provision pursuant to Article 22 para. 2 SESTA) or which would increase such threshold to 49% of the voting rights (opting-up provision pursuant to Article 32 para. 1 SESTA). The Company's Articles do not contain an opting-out or an opting-up provision.

Clauses on change of control

Addex' equity incentive plans including the share option plans contain provisions in respect of changes of Addex shareholder base. In the event of a change of control over Addex (defined as a change of control event triggering a mandatory public purchase offer according to applicable stock exchange rules) all unvested common shares, resulting from the conversion of non voting shares at the IPO, and unexercised share options, vest, and in the case of share options, they become exercisable with their remaining term being reduced proportionally.

Auditors

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

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 2008, PricewaterhouseCoopers SA and its affiliates charged the Group audit fees in the amount of CHF 106,140.

Additional fees

In 2008, PricewaterhouseCoopers SA and its affiliates charged the Group additional fees in the amount of CHF 5,000.

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 2008, the Audit Committee met with the auditors twice to discuss the scope and the results of their year-end audit for 2007 and the scope of the 2008 audit.

Information policy

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

Insider policy

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

Ethical business conduct

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

Addex Pharmaceuticals Group Consolidated Financial Statements 2008

Consolidated Balance Sheets as at December 31, 2008 and December 31, 2007

Amounts in Swiss francs	Notes	2008	2007
ASSETS			
Current assets			
Cash and cash equivalents	7	119,470,604	140,044,686
Other current assets	8	3,125,876	3,638,460
Total current assets		**122,596,480**	**143,683,146**
Non-current assets			
Intangible assets	9	224,053	184,741
Property, plant and equipment	10	8,993,922	4,949,795
Other non-current assets	11	513,361	556,869
Total non-current assets		**9,731,336**	**5,691,405**
Total assets		**132,327,816**	**149,374,551**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Payables and accruals	13	11,469,124	5,945,450
Deferred income	14	1,867,319	3,320,961
Total current liabilities		**13,336,443**	**9,266,411**
Shareholders' equity			
Share capital	15	5,735,554	5,737,911
Share premium	15	231,884,708	231,946,444
Other reserves		2,962,643	1,949,040
Accumulated deficit		(121,591,532)	(99,525,255)
Total shareholders' equity		**118,991,373**	**140,108,140**
Total liabilities and shareholders' equity		**132,327,816**	**149,374,551**

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

Consolidated Statements of Income for the years ended December 31, 2008 and 2007

Amounts in Swiss francs	Notes	2008	2007
Income			
Fees from collaborations & sale of license rights	17	26,806,842	486,927
Other income	18	67,331	156,031
Total income		**26,874,173**	**642,958**
Operating expenses			
Research and development	19	44,191,671	27,496,537
General and administration	19	7,554,239	10,767,980
Total operating expenses		**51,745,910**	**38,264,517**
Operating loss		**24,871,737**	**37,621,559**
Finance income	23	(3,307,338)	(2,559,475)
Finance expense	23	501,878	23,681
Net finance income		**(2,805,460)**	**(2,535,794)**
Net loss before tax		**22,066,277**	**35,085,765**
Income tax expense		-	-
Net loss for the year		**22,066,277**	**35,085,765**
			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	(3.85)	(6.99)

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

Consolidated Statements of Changes in Equity for the years ended December 31, 2008 and 2007

Amounts in Swiss francs	Notes	Share capital	Share premium	Other reserves	Accumulated deficit	Total
Balance at January 1, 2007		**3,867,623**	**101,529,379**	**1,320,011**	**(64,439,490)**	**42,277,523**
Translation differences		-	-	29,361	-	29,361
Net income recognized directly in equity		-	-	29,361	-	29,361
Net loss for the year		-	-	-	(35,085,765)	(35,085,765)
Total recognized income and expense for 2007		**-**	**-**	**29,361**	**(35,085,765)**	**(35,056,404)**
Issue of shares – IPO	15	1,875,000	135,000,000	-	-	136,875,000
Costs of share issue – IPO	15	-	(4,524,573)	-	-	(4,524,573)
Share-based compensation	16	-	-	599,668	-	599,668
Purchase of treasury shares	15	(4,712)	(58,362)	-	-	(63,074)
Balance at December 31, 2007		**5,737,911**	**231,946,444**	**1,949,040**	**(99,525,255)**	**140,108,140**
Translation differences		-	-	(165,050)	-	(165,050)
Net expense recognized directly in equity		-	-	(165,050)	-	(165,050)
Net loss for the year		-	-	-	(22,066,277)	(22,066,277)
Total recognized income and expense for 2008		**-**	**-**	**(165,050)**	**(22,066,277)**	**(22,231,327)**
Share-based compensation	16	-	-	1,178,653	-	1,178,653
Purchase of treasury shares	15	(2,357)	(61,736)	-	-	(64,093)
Balance at December 31, 2008		**5,735,554**	**231,884,708**	**2,962,643**	**(121,591,532)**	**118,991,373**

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

Consolidated Statements of Cash Flows for the years ended December 31, 2008 and 2007

Amounts in Swiss francs	Notes	2008	2007
Cash flows from operating activities			
Net loss for the year		(22,066,277)	(35,085,765)
Adjustments for:			
Depreciation and amortization	9/10	2,016,429	1,802,088
Value of share-based services	16	1,178,653	599,668
Changes in prepaid pension costs	22	171,568	(32,547)
Net finance income	23	(2,805,460)	(2,535,794)
Changes in working capital:			
Other current assets		229,830	(2,590,473)
Deferred income, payables and accruals		3,483,598	4,837,927
Net cash used in operating activities		**(17,791,659)**	**(33,004,896)**
Purchase of intangible assets	9	(123,808)	(166,855)
Purchase of property, plant and equipment	10	(5,486,084)	(2,562,664)
Loans granted to related parties	26	-	(35,773)
Loans granted to staff		-	(26,898)
Loan repayments received from related parties	26	112,773	71,000
Loan repayments received from staff		17,000	94,804
Repayment of finance leases	12	-	(126,572)
Finance income	23	3,307,338	2,559,475
Net cash used in investing activities		**(2,172,781)**	**(193,483)**
Proceeds from issue of shares	15	-	136,875,000
Costs paid on issue of shares	15	(32,149)	(4,492,424)
Purchase of treasury shares	15	(64,093)	(63,074)
Finance costs	23	(6,049)	(8,542)
Net cash (used in) / from financing activities		**(102,291)**	**132,310,960**
(Decrease) / increase in cash and cash equivalents		**(20,066,731)**	**99,112,581**
Cash and cash equivalents at beginning of the year	7	140,044,686	40,946,682
Exchange loss on cash and cash equivalents		(507,351)	(14,577)
Cash and cash equivalents at end of the year	**7**	**119,470,604**	**140,044,686**

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

Notes to the Consolidated Financial Statements for the years ended December 31, 2008 and 2007 (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 SIX 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 (Board) believes the Group will be able to meet all of its obligations for a further 12 months as they fall due and, hence, the consolidated financial statements have been prepared on a going concern basis.

These consolidated financial statements have been approved by the Board of Directors on February 24, 2009, and are subject to approval by the shareholders on April 16, 2009.

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.

A number of minor reclassifications have been made during the year and the 2007 comparative figures have been adjusted accordingly.

Based on Management's assessment the following IFRS standards, amendments and interpretations to existing standards, that are not yet effective, are the only ones of significance to the Group, have not yet been adopted, will be adopted by January 1, 2009: IAS 1 (revised) "Presentation of Financial Statements", IFRS 8 "Operating Segments", IFRS2 (amendment) "Share-based payment", IAS 19 (amendment) "Employee benefits", IAS 36 (amendment) "Impairment of Assets", and IAS 38 (amendment) "Intangible assets". The Group does not expect that they will have a significant impact on the Group's consolidated financial statements. There are a number of minor amendments to IFRS 7 "Financial instruments: Disclosures", IAS 8 "Accounting policies, changes in accounting estimates and errors", IAS 10 "Events after the reporting period", IAS 18 "Revenue", IAS 20 "Accounting for government grants and disclosure of government assistance" and IAS 34 "Interim financial reporting", which are part of the IASB's annual improvements project published in May 2008. These amendments are unlikely to have an impact on the Group's consolidated financial statements and have therefore not been analyzed in detail.

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. Segment reporting

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

D. Foreign currency transactions

Functional and presentation currency

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

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

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

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of income are translated at average exchange rates; and
- all resulting exchange differences are recognized as a separate component of equity.

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

E. 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 (see note G). Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are included in the statement of income.

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

G. 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).

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

I. 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.

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

K. 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.

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

M. 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.

N. 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.

O. 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 share option plans.

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

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

At each balance sheet date, the 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.

P. 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.

Q. Revenue recognition

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

R. 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.

S. 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.

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

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

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

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

3. Financial risk management

Financial risk factors
The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management 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. Group Finance identifies, evaluates and in some instances economically hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, 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. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Therefore the Group has no significant interest rate risk exposure.

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

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

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

4. Critical accounting estimates and judgments

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

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

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

Share-based compensation
The Group recognizes an expense for share-based compensation based on the difference between the fair value and the price paid for non voting shares issued under the Company's non voting share equity incentive plans. Should the assumptions and estimates underlying the fair value of the Company's non voting shares vary significantly from management's estimates then the share-based compensation expense would be materially different from the amount recognized. The fair value of the Company's non voting shares was established based on a number of valuation models which gave a range of values from CHF3.0 to CHF7.7. Had the Company calculated the share-based compensation based on these values, the value of share-based compensation recorded as an expense in 2008 would have been CHF124,948 or CHF314,023, respectively (2007: CHF259,736 or CHF670,848, respectively). This is compared to the amount recognized as an expense in 2008 of CHF219,433 (2007: CHF465,161).

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 2008 would have been CHF55,106 or CHF74,641, respectively (2007: CHF79,605 or CHF107,824, respectively). This is compared to the amount recognized as an expense in 2008 of CHF64,877 (2007: 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 judgments in applying the entity's accounting policies

Revenue recognition
In 2008, the Group recognized CHF1,859,550 (2007: CHF156,639) of up front fees received, under the Merck Sharp & Dohme Research Ltd research collaboration and license agreement executed on November 30, 2007 (see note 17), since it was concluded that there was continuing involvement. Had the Group considered the up front fee as consideration for the purchase of a license, the Group would have recognized the entire up front fee of CHF3,477,600 in 2007.

In 2008, the Group recognized CHF24,794,000 of up front fees, received under the Merck & Co. Inc. license agreement executed on January 2, 2008 (see note 17), since it was concluded that the up front fee was consideration for the purchase of a license and there was no significant continuing involvement in the development of the product. Had the agreement provided for the Group's continuing involvement in the development of the product, the Group would have recognized the up front fee of CHF24,794,000 over the period of continuing involvement.

Development supplies
At December 31, 2008, the Group owns development supplies that have been expensed in the statement of income. These amounts have not been recognized on the balance sheet as an asset since they are to be used in pre-clinical and clinical trials of specific products that have not demonstrated technical feasibility.

5. Segmental information

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

Secondary reporting format
The geographical analysis of assets is as follows:

	December 31, 2008	December 31, 2007
Switzerland	130,293,300	146,956,924
Europe	2,034,516	2,417,627
Total assets	**132,327,816**	**149,374,551**

The geographical analysis of capital expenditure is as follows:

	2008	2007
Switzerland	5,751,819	2,314,090
Europe	522,734	839,160
Total capital expenditure	**6,274,553**	**3,153,250**

The geographical analysis of operating expenses is as follows:

	2008	2007
Switzerland	47,883,769	35,669,887
Europe	3,862,141	2,594,630
Total operating expenses (note 19)	**51,745,910**	**38,264,517**

6. Consolidated entities

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

7. Cash and cash equivalents

	December 31, 2008	December 31, 2007
Cash at bank and on hand	37,170,604	17,227,186
Short term deposits	82,300,000	122,817,500
Total cash and cash equivalents	**119,470,604**	**140,044,686**

The effective interest rate on cash and cash equivalents was 2.35% (2007: 2.94%)

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 counter party	December 31, 2008	December 31, 2007
P1 / A-1	119,467,473	140,042,239
Cash on hand	3,131	2,447
Total cash and cash equivalents	**119,470,604**	**140,044,686**

External credit ratings of counterparties were obtained from Moody's (P1) or Standard and Poors (A1), respectively.

8. Other current assets

	December 31, 2008	December 31, 2007
Receivables	1,890,315	1,515,835
Prepayments	885,462	1,971,369
Accrued interest income	350,099	36,012
Loans to related parties (note 26)	-	115,244
Total other current assets	**3,125,876**	**3,638,460**

9. Intangible assets

	Computer software licenses
At January 1, 2007	
Cost	426,205
Accumulated amortization	(344,786)
Net book value	**81,419**
Year ended December 31, 2007	
Opening net book amount	81,419
Exchange differences	252
Additions	167,693
Amortization charge	(64,623)
Closing net book amount	**184,741**
At December 31, 2007	
Cost	594,704
Accumulated amortization	(409,963)
Net book value	**184,741**
Year ended December 31, 2008	
Opening net book amount	184,741
Exchange differences	(564)
Additions	141,496
Amortization charge	(101,620)
Closing net book amount	**224,053**
At December 31, 2008	
Cost	732,655
Accumulated amortization	(508,602)
Net book value	**224,053**

The Group recorded an amortization charge in 2008 of CHF76,754 (2007: CHF52,260) as part of research and development expenses and CHF24,866 (2007: CHF12,363) as part of general and administration expenses.

10. Property, plant and equipment

	Buildings	Leasehold improvements	Equipment	Furniture & fixtures	Chemical library	Total
At January 1, 2007						
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**
Year ended December 31, 2008						
Opening net book amount	28,447	2,628,124	1,720,903	375,535	196,786	4,949,795
Exchange differences	-	(100,490)	(71,233)	(2,398)	-	(174,121)
Additions	-	1,360,042	4,329,910	248,703	194,402	6,133,057
Depreciation charge	(1,307)	(493,776)	(1,193,887)	(120,363)	(105,476)	(1,914,809)
Closing net book amount	**27,140**	**3,393,900**	**4,785,693**	**501,477**	**285,712**	**8,993,922**
At December 31, 2008						
Cost	32,698	7,201,371	10,690,458	1,244,509	1,017,748	20,186,784
Accumulated depreciation	(5,558)	(3,807,471)	(5,904,765)	(743,032)	(732,036)	(11,192,862)
Net book value	**27,140**	**3,393,900**	**4,785,693**	**501,477**	**285,712**	**8,993,922**

The Group recorded a depreciation charge in 2008 of CHF1,853,170 (2007: CHF1,687,832) as part of research and development expenses and CHF61,639 (2007: CHF49,633) as part of general and administration expenses.

11. Other non-current assets

	December 31, 2008	December 31, 2007
Prepaid pension costs (note 22)	116,955	288,523
Security rental deposit	396,406	268,346
Total other non-current assets	**513,361**	**556,869**

12. Finance leases

At December 31, 2008 and 2007, the Group had no finance leases. During 2007 finance lease payments amounted to CHF126,572. The weighted average effective interest rate for 2007 was 5%.

13. Payables and accruals

	December 31, 2008	December 31, 2007
Trade payables	4,144,978	2,571,100
Social security and other taxes	461,577	436,213
Accrued expenses	6,862,569	2,938,137
Total payables and accruals	**11,469,124**	**5,945,450**

14. Deferred income

Deferred income of CHF1,867,319 (2007: CHF3,320,961) relates to up front fees, a research milestone and technology 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

Number of shares	Common shares	Preferred shares	Non voting shares	Treasury shares	Total
Balance at January 1, 2007	**212,000**	**3,105,492**	**670,000**	**(119,869)**	**3,867,623**
Conversion of preferred shares	3,105,492	(3,105,492)	-	-	-
Conversion of non voting shares	670,000	-	(670,000)	-	-
Issue of shares – IPO	1,875,000	-	-	-	1,875,000
Purchase of treasury shares	-	-	-	(4,712)	(4,712)
Balance at December 31, 2007	**5,862,492**	**-**	**-**	**(124,581)**	**5,737,911**
Purchase of treasury shares	-	-	-	(2,357)	(2,357)
Balance at December 31, 2008	**5,862,492**	**-**	**-**	**(126,938)**	**5,735,554**

At December 31, 2008, the total outstanding share capital is CHF5,862,492 (December 31, 2007: CHF5,862,492), consisting of 5,862,492 shares (December 31, 2007: 5,862,492). All shares have a nominal value of CHF1 and are fully paid.

During 2008, the Group's Swiss operating subsidiary acquired 1,499 (2007: 1,610) of the Company's shares from employees at the market price and 858 (2007: 3,102) at CHF1 under the Company's non voting share equity incentive plans. The total amount paid to acquire the shares, net of income tax, was CHF64,093 (2007: CHF63,074) and has been deducted from share capital, CHF2,357 (2007: CHF4,712) and from share premium CHF61,736 (2007: CHF58,362). The shares are held as treasury shares and the Company has the right to reissue these shares at a later date.

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 shareholders. Upon completion of its IPO on May 21, 2007, the Company issued 1,875,000 shares with a first day of trading on 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 plans.

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

16. Share-based compensation

	2008	2007
Non-executive directors and consultants	137,730	116,721
Executives and employees (note 20)	1,040,923	482,947
Total share-based compensation	**1,178,653**	**599,668**

Share option plans

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

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

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

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

During 2008 the Company granted 283,000 options (2007: 29,800 options) to directors, executives, employees and consultants of the Group.

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

	2008		2007	
	Average exercise price in CHF per share	Number of options	Average exercise price in CHF per share	Number of options
At January 1	52.66	29,800	-	-
Granted	35.92	283,000	52.66	29,800
Forfeited	61.46	(4,000)	-	-
At December 31	**37.20**	**308,800**	**52.66**	**29,800**

Out of the 308,800 outstanding options (2007: 29,800 options), 5,960 options (2007: nil) were exercisable. No option has been exercised in 2008.

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

	2008		2007	
Expiry date	Range of exercise price in CHF per share	Number of options	Range of exercise price in CHF per share	Number of options
2009	61.46	1,000	-	-
2013	35.50 – 65.27	251,210	39.50 – 65.27	5,960
2014	33.28 – 65.27	12,310	39.50 – 65.27	5,960
2015	33.28 – 65.27	12,310	39.50 – 65.27	5,960
2016	33.28 – 65.27	12,310	39.50 – 65.27	5,960
2017	33.28 – 65.27	12,310	39.50 – 65.27	5,960
2018	33.28 – 37.03	7,350	-	-
Total outstanding options		**308,800**		**29,800**

The weighted average fair value of options granted during 2008 determined using the binomial valuation model was CHF8.06 per option (2007: CHF15.08). The significant inputs into the model were:

	2008	2007
Weighted average share price at the grant date	33.31	53.35
Range of exercise price per share	33.28 – 50.50	39.50 – 65.27
Volatility	40%	39.52%
Dividend yield	-	-
Annual risk-free interest rate	2.86%	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, employees and consultants has been recorded under the following headings:

	2008	2007
Research and development	420,615	14,465
General and administration	538,605	120,054
Total share-based compensation	**959,220**	**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, employees and consultants of the Group with an opportunity to subscribe or purchase non voting shares of the Company at a price of CHF1 each. By resolution of the shareholders' meeting dated May 3, 2007, all non voting shares have been converted at a one to one ratio into common shares. The Company is no longer issuing non voting shares under these equity incentive plans and all converted non voting shares continue to be subjected to their respective plans. The converted non voting shares are subject to a claw back provision that provides the Company with a right to repurchase the shares in the event of the contractual relationship being terminated. The right to repurchase shall reduce to zero on a straight-line basis over a 4 year period for Equity Incentive Plan 2004 and a 5 year period for Equity Incentive Plan 2006, subject to a period of 1 year from the subscription or purchase date when the right to repurchase shall be 100% of the non voting shares. In the event of a change in control, the Company automatically renounces its' repurchase right.

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

Number of shares	2008	2007
At January 1	557,279	560,381
Sold	-	-
Repurchased under claw back provision (note 15)	(858)	(3,102)
At December 31	**556,421**	**557,279**

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

	2008	2007
Research and development	102,060	187,215
General and administration	117,373	277,934
Total share-based compensation	**219,433**	**465,149**

17. 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 mGluR5 PAM compounds for the treatment of human health. Under this agreement, Merck made a USD22,000,000 up front payment and will make future payments contingent on the products from the research achieving certain research, development and sales milestones. The Group is also eligible for undisclosed royalties on net sales. At December 31, 2008, the up front fee of CHF24,794,000 has been recognized as income.

Merck Sharp & Dohme Research Ltd.

On November 30, 2007, the Group executed a research collaboration and license agreement with Merck Sharp & Dohme Research Ltd (MSD). In accordance with the agreement, Merck has acquired an exclusive worldwide license to develop mGluR4 PAM compounds for the treatment of human health. Under the agreement, MSD made a USD3,000,000 up front payment and will make future payments contingent on the products from the research achieving certain research and development milestones. The Group is also eligible for undisclosed royalties on net sales. During 2008, a research milestone and a technology fee of USD250,000 each were received, and are being recognized over the remaining term of the agreement. At December 31, 2008, up front fees, technology fees and research milestone of CHF1,867,319 (2007: CHF3,320,961) have been recorded as deferred income (see note 14). During 2008, income of CHF2,012,842 (2007: CHF156,639) has been recognized.

Ortho-McNeil Pharmaceutical Inc.

On December 31, 2004, the Group executed 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 mGluR2 PAM compounds for the treatment of human health. Under the agreement, OMP made a EUR3,000,000 up front 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. In 2008, no income has been recognized under this agreement.

18. Other income

	2008	2007
Research grants	67,331	156,031
Total other income	**67,331**	**156,031**

In 2008, the Group, as part of a consortium, obtained a grant of EUR7,585 (2007: EUR269,765) from the European Community of which CHF67,331 was recognized in 2008 (2007: CHF156,031).

19. Operating expenses by nature

	2008	2007
Staff costs (note 20)	15,915,125	9,952,589
Depreciation and amortization	2,016,429	1,802,088
External research and development costs	21,532,604	12,209,023
Laboratory consumables	4,687,996	2,505,775
Operating leases	1,812,894	1,341,465
Other operating expenses	5,780,862	10,453,577
Total operating expenses	**51,745,910**	**38,264,517**

Operating lease contracts are renewable on normal business terms and provide for annual rent increases based on the Swiss consumer price index and the French index of construction cost, INSEE, respectively. In 2007, other operating expenses include costs related to the Company's IPO (see note 15).

20. Staff costs

	2008	2007
Wages and salaries	11,917,915	7,781,022
Social charges and insurances	1,543,376	975,752
Value of share-based services (note 16)	1,040,923	482,947
Pension costs – defined contribution plans	90,348	36,344
Pension costs – defined benefit plan (note 22)	946,483	521,938
Other employee costs	376,080	154,586
Total staff cost (note 19)	**15,915,125**	**9,952,589**

21. Taxes

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

	December 31, 2008	December 31, 2007
Loss before tax	22,066,277	35,085,765
Tax calculated at a tax rate of 7.8% (2007:7.8%)	1,721,170	2,736,690
Effect of different tax rates in other countries	331,666	539,696
Expenses charged against equity	-	352,917
Expenses not deductible for tax purposes	(91,935)	(46,783)
Tax losses not recognized as deferred tax assets	(1,960,901)	(3,582,520)
Income tax charge	**-**	**-**

The Group has a tax loss carry forward of CHF121,591,532 as of December 31, 2008 (2007: CHF99,525,255) of which CHF64,439,490 (2007: CHF43,894,679) expire within the next five years and CHF57,152,042 (2007: 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 2008 of CHF946,483 (2007: CHF521,938) as part of staff costs. At December 31, 2008, the excess of unrecognized actuarial losses of CHF1,666,520 (2007: CHF1,325,314) over the negative status of the pension fund of CHF1,549,565 (2007: CHF1,036,791) is recorded in other non-current assets.

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

	2008	2007
Present value of funded obligations	6,755,694	4,943,412
Fair value of plan assets	(5,206,129)	(3,906,621)
Funded status	1,549,565	1,036,791
Unrecognized net losses	(1,666,520)	(1,325,314)
Deferred pension costs (note 11)	**(116,955)**	**(288,523)**

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

	2008	2007
Current service cost	1,539,951	950,931
Interest cost	204,734	119,334
Expected return on plan assets	(182,255)	(117,161)
Employees' contributions	(660,864)	(479,822)
Amortization of unrecognized losses	44,917	48,656
Total included in staff costs (note 20)	**946,483**	**521,938**

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

	2008	2007
Asset at beginning of year	288,523	255,976
Total expense charged in the statement of income	(946,483)	(521,938)
Contributions paid	774,915	554,485
Asset at end of year	**116,955**	**288,523**

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

	2008	2007
Defined benefit obligation at beginning of year	4,943,412	3,977,785
Service cost	1,539,951	950,931
Interest cost	204,734	119,334
Change in assumptions	-	(321,646)
Actuarial losses	316,716	358,972
Benefit payments	(249,119)	(141,964)
Defined benefit obligations at end of year	**6,755,694**	**4,943,412**

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

	2008	2007
Fair value of plan assets at beginning of year	3,906,621	2,929,027
Expected return on plan assets	182,255	117,161
Employees' contributions	660,864	479,822
Company contribution	774,915	554,485
Plan assets actuarial losses	(69,407)	(31,910)
Benefit payments	(249,119)	(141,964)
Fair value of plan assets at end of year	**5,206,129**	**3,906,621**

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

	2008	2007
Unrecognized losses at beginning of year	(1,325,314)	(1,304,734)
Amortization	44,917	48,656
Change in assumptions	-	321,646
Actuarial losses	(316,716)	(358,972)
Plan assets actuarial losses	(69,407)	(31,910)
Unrecognized losses at end of year	**(1,666,520)**	**(1,325,314)**

The actual return on plan assets is a gain of CHF112,848 in 2008 (2007: gain of CHF85,251).

The principal actuarial assumptions used were as follows:

	2008	2007
Discount rate	3.50%	3.50%
Expected return on plan assets	4.00%	4.00%
Future salary increases	1.50%	1.50%
Future pension increases	1.00%	1.00%

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

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

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

	2008	2007
Male	17.90	17.90
Female	21.80	21.80

The estimated Group contributions to pension plans for the financial year 2009 amounts to CHF1,041,100. The plan assets relate primarily to amounts invested with, and managed by, the AXA-Winterthur Fondation LPP. The detailed structures and assets held at December 31, 2008, are not currently available for presentation. The detailed structures and assets held at December 31, 2007, are as follows:

	December 31, 2007	
	Allocation in %	**Expected return**
Cash	2.1%	1.5%
Bonds	60.0%	3.0%
Shares	6.3%	8.5%
Real estates and mortgage	27.8%	5.0%
Alternative investments	3.8%	4.0%

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

	2008	2007	2006	2005	2004
Present value of defined benefit obligation	6,755,694	4,943,412	3,977,785	3,170,004	1,730,258
Fair value of plan assets	(5,206,129)	(3,906,621)	(2,929,027)	(2,243,836)	(1,471,216)
Deficit in the plan	**1,549,565**	**1,036,791**	**1,048,758**	**926,168**	**259,042**
Experience adjustments on plan liabilities	(316,716)	(358,972)	(138,531)	(749,360)	(336,120)
Experience adjustments on plan assets	(69,407)	(31,910)	(36,881)	(23,602)	(5,449)

23. Finance income and costs

	2008	2007
Interest income	3,306,814	2,551,688
Other financial income	524	7,787
Interest expense	(6,049)	(8,542)
Foreign exchange loss, net	(495,829)	(15,139)
Net financial income	**2,805,460**	**2,535,794**

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.

	2008	2007
Loss attributable to equity holders of the Company	22,066,277	35,085,765
Weighted average number of shares in issue	5,736,196	5,016,891
Basic and diluted loss per share	**(3.85)**	**(6.99)**

The Company has one category of dilutive potential common shares: share options. As of December 31, 2008 and 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

	2008	2007
Within 1 year	2,218,907	1,728,096
Later than 1 year and no later than 5 years	5,719,884	4,578,133
Later than 5 years	2,820,370	3,675,948
	10,759,161	**9,982,177**

During 2008 and 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:

	2008	2007
Property, plant and equipment	737,552	766,936
Intangible assets	18,737	9,941
	756,289	**776,877**

Contingencies

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

26. Related party transactions

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

The following transactions were carried out with related parties:

Purchase of services

Services are negotiated with related parties on the basis of prices available from non-related parties offering a similar service. During 2008 no services were purchases from related parties. During 2007, CHF10,531 of services were purchased from persons closely related to members of the Executive Management.

Key management compensation

	2008	2007
Salaries and other short-term employee benefits	2,641,548	1,773,365
Other long-term benefits	216,240	138,593
Share-based compensation	731,418	393,794
	3,589,206	**2,305,752**

Loans to related parties – Executive Management

	2008	2007
Beginning of the year	115,244	148,756
Loans advanced during year	-	35,773
Interest charged	266	2,357
Loans repayments received	(112,773)	(71,000)
Interest payments received	(2,737)	(642)
End of the year (note 8)	**-**	**115,244**

The loans advanced to Executive Management during 2007 are for one year at a 2% interest rate. No provision has been required for the loans made in 2007.

27. Events after the balance sheet date

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

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

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

Non-Executive Director compensation

General principles

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

Loans and other payments to Non-Executive Directors

No loans were granted to current or former Non-Executive Directors during 2008 and 2007. No such loans were outstanding as of December 31, 2008 and 2007. During 2008 and 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 2008[1]

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

1. Compensation does not include reimbursement for travel and other necessary business expenses incurred in the performance of their services as these are not considered to be compensation.
2. Non-Executive Directors who serve on the Board of Directors in their capacity as representatives of their respective venture capital investment firms receive no compensation for their services.
3. Options granted under the Company's share option plan have a 4 year vesting period and have an exercise price of CHF35.5. 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. Chairman of the Nomination Committee
8. All Non-Executive Directors are members of the Board of Directors

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 participate in the Company's share option plan.

Loans and other payments to Executive Management

No loans were granted to current or former Executive Management during 2008 and 2007. No such loans were outstanding as of December 31, 2008. At December 31, 2007 loans outstanding to Executive Management amounted to CHF115,244. Included in this amount is CHF95,278 granted to Vincent Mutel which has been repaid in full at January 31, 2008. During 2008 and 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 2008[1]

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

1. Compensation does not include reimbursement for travel and other necessary business expenses incurred in the performance of their services as these are not considered to be compensation.
2. The Executive Management includes the Chief Executive Officer and senior members of management.
3. 95'000 options granted under the Company's share option plan have a 4 year vesting period and an exercised price of CHF35.5. 25'000 of the 120'000 options granted to other Executive Management have a 5 year vesting period and an exercise price of CHF37.03.
4. The value of share options granted are reported at fair value on the date of grant as determined using the binomial valuation model. (see note 16).
5. Vice Chairman of the Board of Directors and Chief Executive Officer

Compensation to Executive Management in 2007[1]

Executive Management[2]	Base cash compensation	Variable cash bonus	Share options (Number)[3]	Share options[4]	Total 2007
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 senior members of management.
3. Options granted under the Company's share option plan to Vincent Mutel have a 5 year vesting period and 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 Pharmaceuticals shares and share options by Non-Executive Directors and members of Executive Management

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

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

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 table.

Name of Director or Executive (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**

29. Risk assessment disclosure required by Swiss law

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

Report of the statutory auditors to the General Meeting of Addex Pharmaceuticals Ltd, Plan-des-Ouates, Switzerland

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Addex Pharmaceuticals Ltd, presented on pages 36 to 53, which comprise the consolidated balance sheet, consolidated statement of income, consolidated statement of cash flow, consolidated statement of changes in equity and notes, for the year ended December 31, 2008.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2008 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers SA

David Mason
Audit expert
Auditor in charge

Adriana Konca

PRICEWATERHOUSECOOPERS

Geneva, February 24, 2009

Addex Pharmaceuticals Ltd
Statutory Financial Statements 2008

Balance Sheets as at December 31, 2008 and December 31, 2007

Amounts in Swiss francs	Notes	2008	2007
ASSETS			
Current assets			
Cash and cash equivalents		109,402,418	127,921,777
Other receivables			
Third parties		733,544	674,521
Group company		20,054,770	84,543
Accrued income		350,099	34,572
Total current assets		**130,540,831**	**128,715,413**
Non-current assets			
Investments in Group companies	6	3,987,493	3,987,493
Total non-current assets		**3,987,493**	**3,987,493**
Total assets		**134,528,324**	**132,702,906**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payables		10,179	307,870
Other payables		49,839	77,468
Accruals		265,166	65,760
Total current liabilities		**325,184**	**451,098**
Shareholders' equity			
Share capital	7	5,862,492	5,862,492
Legal reserves			
Share premium		134,752,963	134,817,056
Treasury shares reserve	8	247,036	182,943
Accumulated deficit		(6,659,351)	(8,610,683)
Total shareholders' equity		**134,203,140**	**132,251,808**
Total liabilities and shareholders' equity		**134,528,324**	**132,702,906**

Statements of Income for the years ended December 31, 2008 and 2007

Amounts in Swiss francs	2008	2007
Operating expenses		
Professional fees	(189,793)	(8,953,168)
Other operating expenses	(463,329)	(260,397)
Taxes	(140,763)	(1,355,129)
Total operating expenses	**(793,885)**	**(10,568,694)**
Interest income	2,745,268	1,961,775
Interest expenses	(51)	(3,764)
Net income/(loss) before taxes	**1,951,332**	**(8,610,683)**
Income tax expense	-	-
Net income/(loss) for the year	**1,951,332**	**(8,610,683)**

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

Notes

Notes to the Statutory Financial Statements for the years ended December 31, 2008 and 2007 (amounts in Swiss francs)

1. General
Addex Pharmaceuticals Ltd was founded on February 19, 2007.

2. Guarantees, other indemnities and assets pledged in favor of third parties
As of December 31, 2008 and December 31, 2007, there were no guarantees, other indemnities or assets pledged in favor of third parties.

3. Pledges on assets to secure own liabilities
As of December 31, 2008 and December 31, 2007, there were no assets pledged to secure own liabilities.

4. Lease commitments not recorded in the balance sheet
As of December 31, 2008 and December 31, 2007, there were no lease commitments not recorded in the balance sheet.

5. Amounts due to pension funds
As of December 31, 2008 and December 31, 2007, there were no amounts due to pension funds.

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

Company	Business	Capital	Interest in capital in %
Addex Pharma SA, Plan-les-Ouates, Switzerland	Research & development	CHF3,987,492	100%
Addex Pharmaceuticals France SAS, Archamps, France	Research & development	€37,000	100%

7. Capital increases
At December 31, 2008, the total outstanding share capital is CHF5,862,492 (2007: CHF5'862'492), consisting of 5,862,492 shares. All shares have a nominal value of CHF1.

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 Pharmaceuticals 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.

	December 31, 2008	December 31, 2007
Authorized capital	1,993,746	1,993,746
Conditional capital	1,993,746	1,993,746

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

	Number of registered shares	Price in CHF	Total purchase price in CHF	% of share capital
Balance at January 1, 2007	**119,869**		**119,869**	**3.01%**
Purchases	3,102	1.00	3,102	
Purchases	1,610	37.25	59,972	
Balance at December 31, 2007	**124,581**		**182,943**	**2.13%**
Purchases	1,405	43.00	60,415	
Purchases	858	1.00	858	
Purchases	94	30.00	2,820	
Balance at December 31, 2008	**126,938**		**247,036**	**2.17%**

9. Significant shareholders

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

	December 31, 2008		December 31, 2007	
	Number of shares	Interest in capital in %	Number of shares	Interest in capital in %
Sofinnova Capital IV FCPR	806,648	13.76%	792,648	13.52%
Index Ventures II*	765,788	13.06%	765,788	13.06%
TVM V Life Science Ventures	705,726	12.04%	705,726	12.04%
The Swiss Helvetia Fund	314,860	5.37%	not available	not available
SROne Ltd	293,125	5.00%	not available	not available
Varuma AG	231,425	3.95%	not available	not available
Vincent Mutel	205,150	3.50%	205,150	3.50%

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

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

The Board of Directors proposes to transfer CHF64,093 from share premium to treasury shares reserve and to carry forward the net income for the year 2008 of CHF1,951,332.

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

Refer to note 28 on page 50 of the consolidated financial statements.

12. Risk assessment

Refer to note 29 on page 53 of the consolidated financial statements.

Report of the statutory auditors to the General Meeting of Addex Pharmaceuticals Ltd, Plan-des-Ouates, Switzerland

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Addex Pharmaceuticals Ltd, presented on pages 55 to 57, which comprise the balance sheet, statement of income and notes, for the year ended December 31, 2008.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended December 31, 2008 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

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

We further confirm that the proposed appropriation of losses carried forward complies 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
Audit expert
Auditor in charge

Adriana Konca

PRICEWATERHOUSECOOPERS

Geneva, February 24, 2009

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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, GLP-1 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, GLP-1 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 , GLP-1 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, GLP-1 or other therapeutic targets could be affected by, among other things, unexpected actions by our partners, unexpected regulatory actions or delays or government regulation generally; unexpected clinical trial results, including unexpected new clinical data and unexpected additional analysis of existing clinical data; competition in general; government, industry and general public pricing pressures; the company's ability to obtain or maintain patent or other proprietary intellectual property protection. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. Addex Pharmaceuticals is providing the information in this press release as of this date and does not undertake any obligation to update any forward-looking statements contained in this press release as a result of new information, future events or otherwise.

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