9 September 2010

Addex Pharmaceuticals

Year End	Revenue (CHFm)	PBT* (CHFm)	EPS* (CHF)	DPS (CHF)	P/E (x)	Yield (%)
12/08	26.9	(22.0)	(3.6)	0.0	N/A	N/A
12/09	4.5	(42.4)	(7.2)	0.0	N/A	N/A
12/10e	4.4	(28.8)	(4.8)	0.0	N/A	N/A
12/11e	0.3	(40.9)	(6.8)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding goodwill amortisation and exceptional items.

Investment summary: R&D progress

Addex continues to make good progress in R&D as it moves towards the initiation of Phase II studies of ADX48621 in Parkinson's disease levodopa-induced dyskinesia and focal dystonia later this year. It has just received a $900k grant from the Michael J Fox Foundation to support the PD programme and has advanced its mGluR2 NAM for Alzheimer's disease to the candidate selection stage. Meanwhile, J&J has confirmed plans to start Phase II studies with ADX71149 in early 2011.

MJ Fox Foundation grant supports Phase II trial

The Michael J Fox Foundation (MJFF) grant, while helpful financially, lends considerable scientific credibility to the ADX48621 project and should provide a boost to Addex's partnering efforts for the drug. MJFF's review process is well respected in the industry and is conducted by world leading experts in the Parkinson's field.

Partnering initiative launched for mGluR2 NAM

Addex has launched a partnering initiative for its mGluR2 NAM programme, following successful completion of preclinical studies in an Alzheimer's model. These showed significant and dose-dependent efficacy of a similar magnitude to donepezil. The programme is at candidate selection stage and could enter Phase I studies in 2011.

OMJPI plans Phase II initiation in Q111

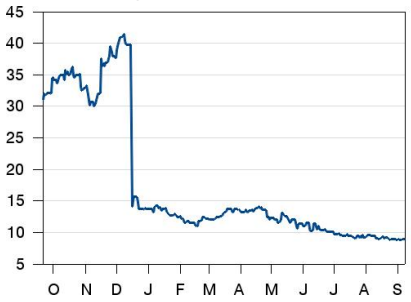
Meanwhile partner Ortho-McNeil-Janssen Pharmaceuticals (OMJPI, a J&J unit) has completed its Phase I programme for ADX71149 and confirmed the expected move into Phase II studies for schizophrenia and anxiety in Q111.

Valuation: Risk-adjusted NPV of CHF250m

We continue to indicate a valuation of CHF250m (CHF300m including FY10 year-end cash), based on an rNPV of the clinical/late preclinical pipeline. In our view, there is therefore significant upside if Addex can secure a deal on ADX48621 or another asset this year and remove funding uncertainty after 2012.

Price	CHF9.00
Market Cap	CHF52m

Share price graph



Share details

Code	ADXN
Listing	SIX
Sector	Biotech
Shares in issue	5.87m

Price

52 week	High	Low
	CHF41.95	CHF8.75

Balance Sheet as at 30 June 2010

Debt/Equity (%)	N/A
NAV per share (CHF)	11.6
Net cash (CHFm)	56.7

Business

Addex Pharmaceuticals is a Swiss biotech company with a proprietary allosteric modulator discovery platform and a pipeline in CNS, inflammatory and metabolic disorders. It has partnerships with Ortho-McNeil-Janssen (J&J) and Merck & Co.

Valuation

	2009	2010e	2011e
P/E relative	N/A	N/A	N/A
P/CF	N/A	N/A	N/A
EV/Sales	N/A	N/A	N/A
ROE	N/A	N/A	N/A

Revenues by geography

UK	Europe	US	Other
0%	100%	0%	0%

Analyst

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Investment summary: Deal set to catalyse recovery

Company description: Leader in allosteric modulation

Addex Pharmaceuticals is a Swiss biotech company that has established a world leading position in the development of small molecule allosteric modulators, principally in CNS indications. It was founded in 2002 and has raised CHF243m in equity since inception (including CHF137m at its 2007 IPO). Addex has 14 active drug development programmes, three of which are subject to partnerships: one with Ortho-McNeil-Janssen Pharmaceuticals Inc (OMJPI) and two with Merck & Co. These deals have generated some CHF43m in revenue to date and have potential milestones totalling ~$1bn. Addex also has two corporate investors, GSK (SR One) and Roche. It is located in Geneva, Switzerland, with a subsidiary in Archamps, France, and employs around 130 staff.

Valuation

Addex's shares have traded at close to or below their cash value throughout this year, after a setback involving a former lead compound last year. This share price impact was magnified by a longer-term financing issue, despite the fact that, by biotech standards, Addex is well funded (it has significant potential future milestones payable by partners). There is considerable potential value in its R&D portfolio and, therefore, there is likely to be significant upside associated with a catalyst (eg a licensing deal) that helps to recover investor confidence and/or removes long-term funding uncertainty. Our risk-adjusted NPV of the key later stage assets in the pipeline suggests a value of CHF250m (CHF300m including FY10 year-end cash), a figure that should rise rapidly as products progress successfully through development. In addition, Addex has established a very strong technology platform for identifying allosteric modulators, an attractive and under-exploited area of pharmacology, which could make it a target for a buy-out offer. The interest in its technology is highlighted by the presence of corporate investors GSK and Roche.

Sensitivities

While there is significant upside potential based on the value of Addex's pipeline and its technology platform, stock market recognition of this is likely to be geared to a catalyst, such as partnering of ADX48621 or another R&D asset. The company is also subject to the same sensitivities typical of biotech drug development, including the unpredictable outcome of clinical trials, the success or failure of competitors, and a reliance on partners (and on the formation of new partnerships).

Financials

Addex's cash of CHF57m (end June 2010) will last to early 2012 based on its current business plan and it has significant potential milestones payable from partners. This means there is a relatively modest funding requirement from 2012-14, which could probably be bridged if Addex can establish one or more partnerships that realise an upfront and/or offset development costs. Management has guided a cash burn of CHF30-35m this year. Our model assumes an R&D expenditure of CHF27m in 2010, rising to CHF35m in 2011, reflecting the costs of ADX48621 and ADX71943 studies. Milestones are not factored into the model, but are presumed payable on ADX71149 (on entering Phase II) and ADX63365 (research and clinical development events) in the 2010/11 period. Addex also holds some CHF161m of unrecognised tax losses.

Investment update: R&D progress

Addex offers significant upside potential based upon recognition of the value of its R&D portfolio and the strength of its technology platform in allosteric modulators. The shares currently trade at cash value so the investment case effectively hinges on it securing a deal that can catalyse a recovery in shareholder confidence and remove a modest, long-term funding requirement. The company is funded into early 2012 and has significant future milestones payable under existing partnerships assuming successful development, so probably has a funding requirement from 2012-14. Hence, the success of Addex's current business development/partnering initiatives is the key factor in the investment case. The company is seeking partner(s) for its lead compound, ADX48621, as well as other earlier stage programmes, including ADX71943, ADX68692 or the mGluR2 NAM.

R&D update

Addex is making good progress as it moves towards the initiation of Phase II studies of ADX48621 in Parkinson's disease levodopa-induced dyskinesia (PD-LID) and focal dystonia later this year. It recently reported the receipt of a $900k grant from the Michael J Fox Foundation (MJFF) to support its planned PD-LID study and the advancement of its mGluR2 NAM to the candidate selection stage. Partner Ortho-McNeil-Janssen Pharmaceuticals Inc (OMJPI), a J&J unit, has also completed its Phase I programme for ADS71149 and confirmed plans to start Phase II studies in early 2011.

An update review of the current status of Addex's R&D pipeline is summarised in Exhibits 1 and 2 (overleaf).

Exhibit 1: Addex development programmes (clinical/late preclinical)

Note: NAM = negative allosteric modulator; PAM = positive allosteric modulator, mGluR = metabotropic glutamate receptor.

Product (MoA)	Indication	Notes
ADX48621/ (mGluR5 NAM)	Parkinson's disease levodopa-induced dyskinesia (PD-LID)/focal dystonia (pre-Phase II)	140-pt, six week Phase II study in PD-LID due to start in Q410/Q111 (results: end 2011/early 2012). Endpoints include dyskinesia rating, anti-Parkinsonian activity and mood evaluation. 32-pt Phase II proof-of-concept study in focal dystonia due to start Q111 (results: early 2012). Target filing in PD-LID in 2015 (Edison estimate). Potential for development in other CNS and non-CNS indications, subject to a partnership. Michael J Fox Foundation has announced a grant for $900,000.
ADX71149/ (mGluR2 PAM)	Schizophrenia/ anxiety/other (pre-Phase II)	Partnership with **Ortho-McNeil-Janssen Pharmaceuticals Inc (J&J).** Phase II studies are expected to start in Q1 11. Phase I studies included SAD, MAD, food & gender effects; ketamine challenge model of psychosis and an anxiety challenge model. €112 in milestones (€1m received to date) tied to clinical and regulatory events and low double-digit royalties on sales. J&J is responsible for all costs of preclinical and clinical development. Target filing in 2014/15 (estimate).
ADX71943/ ($GABA_B$ PAM)	Osteoarthritis pain/other (pre-IND)	Phase I start expected 2011. ADX71943 has demonstrated statistically significant analgesic-like effects in various preclinical models of pain, with no development of tolerance (a key limitation of $GABA_B$ agonists). Possible use in other indications, including urinary incontinence and GERD.
ADX63365/ (mGluR5 PAM)	Schizophrenia (inc cognition) (preclinical)	Partnered with **Merck & Co.** $680m in milestones payable (up to $455m in research, development, regulatory and sales milestones for the first product (in two indications) and up to a further $225m in development, regulatory and sales milestones for a second product (in two indications), plus royalties. Addex retains option to co-promote in EU countries. Phase I start possible in 2011/12 (estimate). Potential in other indications eg cognitive impairment.
ADX68692/ (FSH NAM)	Endometriosis/BPH (pre-IND)	Phase I start tentatively planned for 2011, subject to a partnership. Follicle stimulating hormone receptor (FSHR) NAM.
mGluR2 NAM	Alzheimer's/depression (pre-IND)	Lead candidate selection and scheduled to enter Phase I studies in healthy volunteers in 2011. Lead series have shown significant and dose-dependent reversal of memory deficit in Alzheimer's model of magnitude similar to donepezil, the active comparator, without change in locomotor activity.

Source: Edison Investment Research

Exhibit 2: Research programmes

Product/MoA	Indication	Notes
mGluR4 PAM	Parkinson's Disease (and undisclosed indications, pos. anxiety)	Partnered with **Merck & Co**. Up to $106.5m in research (of which $0.75m received to date), development and regulatory milestones for the first product developed for multiple indications, with additional milestones of up to $61m payable on second/third product, plus royalties. Shown effectiveness in various acute/chronic animal models of Parkinson's disease and anxiety. Presentation.
mGluR7 NAM	Depression/PTSD	Lead optimisation.
GLP1 PAM	Type II diabetes	Lead optimisation in db/db and ivgtt mouse models. Presentation.
GIPR PAM	Type II diabetes	Lead optimisation.
TNFR1 NAM	RA, psoriasis, MS, AD	Hit to lead stage.
A2A PAM	Psoriasis, OA	Hit to lead stage.
IL1R1 (CD121a) NAM	Gout, Type II diabetes, atherosclerosis.	Lead optimisation. Lead series include a known molecule with a hitherto unknown MoA that has demonstrated immunosuppressive properties in Phase II. Presentation.
Orexin 2R NAM	Sleep disorders	Hit to lead stage.

Source: Edison Investment Research

Michael J Fox support for PD-LID study of ADX48621

The receipt of a $900k grant from MJFF for the planned Phase II study of ADX48621 in PD-LID, while helpful financially, is probably more important for the scientific credibility it adds to the programme, especially with potential partners. MJFF is highly respected in the industry and the group works with many of the leading experts in the Parkinson's field.

Addex plans to initiate the PD-LID study at the end of this year, believing its strategy of targeting dyskinesia symptoms offers a fast route to market. Down-regulation of excessive mGluR5 activity is clinically validated in PD-LID, as Novartis has shown efficacy with a competing mGluR5 NAM, AFQ056, in a pilot trial and is currently conducting a larger Phase II study for this indication. There is evidence that ADX48621 may be effective in the broader symptomatic treatment of PD and may offer improvement in the cognitive deficits induced by dopamine depletion and the co-morbid anxiety/depression and GI dysfunction associated with the condition.

Addex believes that ADX4821 may be differentiated by the fact it has shown efficacy both the dystonia (the slow writhing-type movements) as well as the chorea (sudden rapid uncontrolled involuntary movements) components of dyskinesia in animal models (it is potentially the first candidate drug to have done so).

Competing development programmes for PD-LID are shown in Exhibit 3.

Exhibit 3: Competing development programmes for PD-LID

Product	Company	Development stage/notes
AFQ056	Novartis	234-pt Phase II study in PD-LID (results: September 2010) and 50-pt Phase II study with increased doses of l-dopa in moderate-severe PD-LID (results: October 2010). Also in development for Huntington's chorea (60-pt Phase II study, results due October 2010). Filing 2012. mGluR5 NAM
preladenant/ SCH 420814	Merck & Co	18-pt Phase II study for PD-LID (results due May 2010). Two Phase III studies (1,000-pt and 750-pt) for PD are now underway. A2A antagonist
ordopidine (ACR325)	Neurosearch	Phase Ib study underway (results: H210). Phase II study planned in H1 11. Dopaminergic stabiliser (full D2 antagonist, other glutaminergic activities).
safinamide	Newron/ Merck KGaA	36-pt Phase II trial (results: April 2011). 666-pt Phase III study (MOTION) in early PD (results: September 2010). MAO-B/glutamate release inhibitor.
NP002	Neuraltus	60-pt Phase II trial (results: September 2010).
Fipamezole	Santhera/ Biovail	179-pt dose ranging Phase IIb study (FJORD) completed. Highest dose (n=116) shows significant reduction in LID vs placebo (p=0.047, n=29). A2A antagonist.
Neu-120	Neurim	20-pt Phase I/II study completed. MAO-B/GSK-3 beta inhibitor.
naluzotan (PRX00023)	Proximagen	Possible development for PD-LID, subject to partnership. Could move into Phase II based on prior Phase IIb/III studies in depression and anxiety. $5HT_{1A}$ agonist.

Source: Edison Investment Research

ADX48621 could be also be developed for other CNS indications including migraine, anxiety, Huntington's chorea and Fragile X syndrome, which all have some clinical validation.

Alzheimer's programme advances towards clinic

Addex recently reported that an mGluR2 NAM programme has showed statistically significant and dose-dependent reversal of memory deficit in Alzheimer's model, with a magnitude of effect that is similar to the active comparator, donepezil, without a change in locomotor activity versus vehicle. The programme is now at the candidate selection stage and could, although probably subject to a partnership, enter Phase I studies in healthy volunteers in 2011.

Alzheimer's disease (AD) is a commercially attractive but challenging indication for pharmaceutical development. The market was worth $7.4bn in 2009, up 12%, and is considered to have a high degree of unmet need. There are just five drugs approved for AD (all symptomatic) and the leading products are donepezil (Aricept, Pfizer/Eisai) for mild to moderate AD ($4bn, +13%) and memantine (Namenda/Ebixa, Forest/Lundbeck) for moderate to advanced AD ($1.5bn, +19%). There is a high historic failure rate for drug development and there have been many high-profile, late-stage setbacks in recent years. In the last month Lilly has discontinued development of a γ-secretase inhibitor semagacestat, which had been in major Phase III studies.

Current development programmes for AD are shown in Exhibit 4.

Exhibit 4: Development programmes for Alzheimer's disease (Phase II and later)

Product	Company	Development status/notes
bapineuzumab (AAB-001)	J&J/Pfizer	Two 18-month Phase III studies: 1,300-pt ApoE4 non-carriers (results: Aug 2012) and 1,000-pt ApoE4 carriers (results: Feb 2012) plus long-term safety extensions. 220-pt Phase II study showed significant improvement in ApoE4 non carriers but no effect in ApoE4 carriers. Beta-amyloid MAb.
Dimebon/dimebolin/ latrepirdine	Pfizer/Medivation	1050-pt Phase III study (CONCERT) (results: Dec 2011). Negative outcome in 525-pt Phase III CONNECTION trial; CONTACT and CONSTELLATION Phase III trials in moderate-to-severe AD terminated.
Immune Globulin	Baxter	360-pt Phase III study in mild to moderate AD (results: July 2011)
Solanezumab	Lilly	Two 1,000-pt, 80-week Phase III (EXPEDITION and EXPEDITION 2; results: Aug/Sept 2012). Beta-amyloid MAb.
ELND005/AZD103 scyllo-inositol	Elan/Transition Therapeutics	Planned move into Phase III trials, despite the failure of 340-pt, 18 month Phase II study (results).150-pt Phase II study. Inhibitor of beta-amyloid fibrilization.
PF-4494700/TTP-488	Pfizer/Transtech	400-pt Phase II study (results: Nov 2010). RAGE (Receptor for Advanced Glycation End-products) inhibitor.
PF-04360365	Pfizer	175-pt, 18-month Phase II study (results: Nov 2011); 36-pt one-year Phase II study (results: Dec 2010). Formerly RN1219.
ACC-001	Pfizer/J&J	240-pt, two-year Phase II; 160-pt Phase II (results: July 2014); 80-pt Phase II (results: March 2012).
T-817MA	Toyama	326-pt, one-year Phase II study (results: March 2011).
SAM-531	Pfizer	460-pt Phase II study (results: June 2011).
SB742457	GlaxoSmithKline	576-pt 24-week Phase II study (results due: May 2010); 672-pt 24-week Phase II completed (no data).
BMS-708163	Bristol-Myers Squibb	270-pt Phase II study in prodromal AD (results: October 2012). 209-pt 12-week, Phase II study completed (no results reported).
SK-PC-B70M	SK Chemicals	188-pt Phase II competed (results unpublished).
EHT 0202	Exonhit	150-pt Phase IIa trial completed, seeking partner for Phase IIb.
AC3933 (radequinil)	Dainippon Sumitomo	160-pt Phase II completed. BDZ partial inverse agonist.
PBT2	Prana Biotech	78-pt Phase II showed positive results. Phase IIb planned.
CAD106	Novartis/Cytos	120-pt Phase II study (results: December 2012).
HF0220	Newron	42-pt Phase IIa completed.
pitavastatin	Kowa	50-pt Phase II study in AD and hypercholesteraemia (results: Mar 2010).
Chantix (varenicline)	Pfizer	60-pt Phase II study (results: Nov 2010). Approved for smoking cessation.
GSK239512	GSK	152-pt Phase II study (results: Jan 2011). H_3 antagonist.
CERE-110	Ceregene	50-pt Phase II study (results: July 2012). AAV-gene delivery of NGF.
EVP-6124	EnVivo Pharma	300-pt Phase II study (results: Oct 2010). nicotinic α7 receptor agonist.
ST101	Sonexa Therapeutics	200-pt Phase II study (results: Nov 2010).
Lu AE58054	Lundbeck	270-pt Phase II study (results: Jan 2012). $5HT_6$ antagonist.
RO5313534/RG3487	Roche	360-pt Phase II study (results: July 2011). alpha7 nicotinic agonist.
AZD1446/TC-6683	AstraZeneca/ Targacept	40-pt Phase II study (results: Oct 2010). 99-pt Phase II study (ROBIN) completed. alpha4beta2 NNR agonist.
R1450/gantenerumab	Roche/Morphosys	Phase II start scheduled for 2010.

Source: Edison Investment Research

Phase I studies of ADX71149 completed

Addex has also reported that Ortho-McNeil-Janssen Pharmaceuticals Inc, a J&J unit, completed its Phase I programme for ADX7149 and has confirmed plans to initiate Phase II studies in early 2011. The programme involved single, and multiple ascending doses, food and gender effect studies and ketamine-induced psychosis and anxiety challenge models in healthy volunteers. Although there is no data available from these studies, it is reasonable to assume that the outcome of the psychosis and anxiety challenge models was sufficiently positive to justify the move into Phase II studies.

The design of the psychosis study is known, however. It was a two-way crossover study in cohorts of up to 16 healthy male volunteers in whom psychosis-like symptoms were induced with ketamine. The study evaluated the reduction in psychotic symptoms of a single 500mg dose of ADX71149 relative to placebo at various time points, eg the time of maximum plasma concentration and at 12, 24 and 48 hours after dosing, if efficacy was seen at the prior time point.

Competing programmes for schizophrenia and anxiety are shown in Exhibits 5 and 6.

Exhibit 5: Competing programmes for schizophrenia (Phase II or later)

Note: Excludes programmes exclusively in development for cognitive deficit associated with schizophrenia.

Drug	Company	Development status/notes
loxapine	Alexza/Biovail	NDA filed (PDUFA date 11 Oct 2010). D_2/$5HT_2$ antagonist
lurasidone	Dainippon Sumitomo	NDA filed (PDUFA date: October 2010). Pivotal Phase III programme consisting studies in > 2,500 lurasidone-treated pts. D_2, $5HT_{2A}$ antagonist.
Cariprazine (RGH-188)	Forest/Richter/ Mitsubishi Tanabe	450-pt and 600-pt Phase III (results: June 2011). Also in Phase III for bipolar disorder (recent Phase II study in bipolar depression failed to show difference, although some trends at the higher dose). D_2, D_3 antagonist
LY2140023	Eli Lilly	880-pt Phase II study (results: Dec 2011) and 280-pt Phase II study (results: Dec 2011), 1,210-pt Phase II/III study (results: June 2015). mGluR2/3 agonist
Zicronapine (LU-31 030)	Lundbeck	Phase II completed (data not yet reported). MOAI
BL-1020	BioLineRx/Cypress	Three Phase II studies completed. $GABA_A$ agonist.
RG1678/RO 4917838	Roche	Positive results in 320-pt Phase II study showing stat sig improvement on negative symptoms and personal/social functioning. 40-pt Phase I study). GlyT1 inhibitor
MK8998	Merck & Co	216-pt Phase II study completed (April 2010, no results).
EVP-6124	EnVivo Pharma	225-pt Phase II study (results due: February 2010). Nicotinic α7 agonist.
OPC-34712	Otsuka	450-pt Phase II study (results: August 2010).
PF-3463275	Pfizer	200-pt Phase II study (results: Oct 2010). GlyT1 inhibitor
GSK239512	GSK	120-pt Phase II study (results: November 2010). H_3 antagonist
AQW-051	Novartis	132-pt Phase I/II study (PK/PD) (results: February 2011).
SCH 900435	Merck & Co	200-pt Phase II study (results: June 2011). GlyT1 inhibitor
CYR-101/ MT-210	Cyrenaic/ Mitsubishi Tanabe	100-pt Phase II study underway. $5HT_{2a}$/sigma 2 antagonist
AZD8529	AstraZeneca	296-pt Phase II study in adult schizophrenia completed (no data reported yet). 30-pt Phase I study in cognition/negative symptoms (results: March 2011). 20-pt Phase 0 study in ketamine-induced memory impairment (results: Oct 2010). mGluR2/3 PAM

Source: Edison Investment Research

Exhibit 6: Competing programmes in anxiety (Phase II or later)

Compound	Company	Notes
Lu AA21004	Lundbeck/ Takeda	Five Phase III studies completed in generalised anxiety disorder, including 781-pt Phase III study and 459-pt Phase III study (no results yet published). 5-HT_3 antagonist/$5HT_1$ partial agonist.
AZD2327	AstraZeneca	80-pt Phase II study in anxious major depressive disorder (results due: Feb 2010). Enkephalinergic modulator
GSK561679	GSK	150-pt Phase II study in women with PTSD (results: Dec 2012). CRF1 antagonist
ABIO 08/01	Abiogen	Phase II.
Orvepitant/ GW823296	GSK	240-pt Phase II study for post-traumatic stress disorder (results: October 2010). Two Phase II studies underway for depression. NK1 antagonist
AZD7268	AstraZeneca	231-pt Phase II study in major depression completed (no results public yet). Enkephalinergic receptor modulator

Source: Edison Investment Research

Sensitivities

Addex offers significant upside potential based on the value of its pipeline and its technology platform, although market recognition of this is likely to be geared to successful partnering of ADX48621, or another R&D asset. The company remains subject to sensitivities common to many biotech companies, including the unpredictable outcome of clinical trials, the success or failure of competitors, and a reliance on existing partners (and on the formation of new partnerships).

Valuation

There is considerable, currently unrecognised, potential value in Addex's R&D portfolio which could be unlocked by a catalyst (eg a licensing deal) that recovers investor confidence and/or reduces long-term funding uncertainty.

Our risk-adjusted NPV of the key later stage assets in the pipeline suggests a value of CHF250m (CHF300m including FY10 year-end cash), a figure that should rise rapidly as products progress successfully through development. In addition, Addex has established a very strong technology platform for identifying allosteric modulators, an attractive and under-exploited area of pharmacology, which could make it a target for a buy-out offer (interest in this is highlighted by the presence of its two corporate investors, GSK and Roche). No specific value is ascribed to this, at this point.

Financials

Addex's cash of CHF57m as of 30 June should be sufficient to fund operations into early 2012 based on its current expenditure plans. Significant potential milestones are payable under its existing partnerships, although over a longer time frame, which mean that there is a relatively modest funding requirement from 2012. Addex's guidance is for a cash burn of CHF30-35m this year.

Milestones payable on ADX71149 (on entry into Phase II) and ADX63365 (on entry into Phase I) are possible in the 2010/11 timeframe and are not currently reflected in the model.

Edison's financial model is shown in Exhibit 7.

Exhibit 7: Financials

Note: No assumption of future milestones from current existing or potential collaborations is made.

Year ending 31 December	CHF'000s	2007	2008	2009	2010e	2011e
PROFIT & LOSS						
Revenue		**643**	**26,874**	**4,503**	**4,442**	**334**
Cost of sales		0	0	0	0	0
Gross profit		643	26,874	4,503	4,442	334
EBITDA		**(35,252)**	**(21,505)**	**(39,044)**	**(25,153)**	**(38,426)**
Operating profit (before GW and except.)		**(36,990)**	**(23,420)**	**(41,758)**	**(28,015)**	**(40,148)**
Amortisation		(65)	(102)	(121)	(121)	(95)
Share-based payments		(600)	(1,350)	(975)	(801)	(801)
Exceptionals		0	0	0	0	0
Operating profit		**(37,654)**	**(24,872)**	**(42,855)**	**(28,937)**	**(41,044)**
Net interest		2,536	2,805	362	50	30
Profit before tax (norm)		**(35,054)**	**(21,965)**	**(42,372)**	**(28,766)**	**(40,919)**
Profit before tax (FRS 3)		**(35,118)**	**(22,066)**	**(42,493)**	**(28,887)**	**(41,014)**
Tax		0	0	0	0	0
Profit after tax (norm)		**(34,454)**	**(20,614)**	**(41,396)**	**(27,965)**	**(40,118)**
Profit after tax (FRS3)		**(35,118)**	**(22,066)**	**(42,493)**	**(28,887)**	**(41,014)**
Average number of shares outstanding (m)		5.0	5.7	5.7	5.9	5.9
EPS - normalised (CHF)		(6.9)	(3.6)	(7.2)	(4.8)	(6.8)
EPS - FRS 3 (CHF)		(7.0)	(3.8)	(7.4)	(4.9)	(7.0)
Gross margin (%)		100.0%	100.0%	100.0%	100.0%	100.0%
EBITDA margin (%)		(5482.8%)	(80.0%)	(867.1%)	(566.3%)	(11496.8%)
Operating margin (before GW and except.) (%)		(5753.1%)	(87.1%)	(927.4%)	(630.7%)	(12012.1%)
BALANCE SHEET						
Fixed assets		**5,691**	**9,731**	**10,155**	**7,328**	**5,664**
Intangible assets		185	224	182	134	112
Tangible assets		4,950	8,994	9,568	6,789	5,147
Refund from assumption of dev costs		0	0	0	0	0
Other		557	513	405	405	405
Current assets		**143,683**	**122,596**	**78,399**	**55,709**	**15,176**
Stocks		0	0	0	0	0
Debtors		1,516	1,890	737	737	737
Cash		140,045	119,471	76,560	53,871	13,337
Other		2,123	1,236	1,102	1,102	1,102
Current liabilities		**(9,266)**	**(13,336)**	**(10,890)**	**(7,741)**	**(9,618)**
Trade payables		(2,571)	(4,145)	(4,524)	(2,515)	(4,500)
Short term borrowings		0	0	0	0	0
Provisions		0	0	0	0	0
Finance lease liabilities		0	0	0	0	0
Other current liabilities		(3,374)	(7,324)	(5,679)	(5,118)	(5,118)
Current portion deferred income		(3,321)	(1,867)	(687)	(107)	0
Long Term Liabilities		**0**	**0**	**(83)**	**(83)**	**(83)**
Long-term borrowings		0	0	0	0	0
Provisions		0	0	(83)	(83)	(83)
Deferred income		0	0	0	0	0
Deferred taxes		0	0	0	0	0
Other long-term liabilities		0	0	0	0	0
Net assets		**140,108**	**118,991**	**77,581**	**55,214**	**11,138**
CASH FLOW						
Operating cash flow		**(33,005)**	**(17,792)**	**(39,376)**	**(22,584)**	**(40,410)**
Net interest		2,559	3,307	315	50	30
Tax		0	0	0	0	0
Capex		(2,563)	(5,486)	(4,137)	(83)	(80)
Acquisitions/disposals		0	0	0	0	0
Financing		132,311	(102)	315	0	0
Dividends		0	0	0	0	0
Other		(167)	(124)	(73)	(73)	(73)
Net cash flow		99,136	(20,197)	(42,957)	(22,689)	(40,534)
Opening net debt/(cash)		**(40,947)**	**(140,045)**	**(119,471)**	**(76,560)**	**(53,871)**
HP finance leases initiated		(15)	(507)	46	0	0
Other		(23)	130	(0)	0	0
Closing net debt/(cash)		**(140,045)**	**(119,471)**	**(76,560)**	**(53,871)**	**(13,337)**

Source: Edison Investment Research